

# Revenue Management Project

## Summary Report

November 26, 2004



## Table of Contents

1. Executive Summary .....	3
2. Background .....	5
3. Procurement Process .....	6
4. Profile of the Selected Proponent .....	8
5. Project Scope.....	9
6. The Final Agreement.....	10
7. Privacy Considerations .....	17
8. Transition, Transformation and Ongoing Contract Management .....	18
Appendix 1 Privacy Mitigation Strategies .....	21
Appendix 2 Risk Allocation and Mitigation .....	23

## **1. EXECUTIVE SUMMARY**

This report provides an overview of the Revenue Management Project (Project or RMP) alternative services delivery initiative.

### **The Challenge**

Currently, government has more than 40 accounts receivables systems dispersed across ministries. These conditions pose systemic and structural challenges to improve government revenue management. These challenges include data integrity, antiquated and overloaded technology systems, delayed collections, inconsistent and/or improperly applied policies and, historically, a lack of priority attention across government to revenue management improvements. As a result:

- over-90-day accounts receivables now exceed \$800 million;
- bad debt expenses and write-offs have increased;
- customers experience multiple contacts with different ministries, resulting in confusion from inconsistencies in enforcement and compliance practices.

### **Revenue Management Project**

The Revenue Management Project is a Ministry of Provincial Revenue (Ministry) initiative to create an integrated and streamlined business and systems environment focussed primarily on the consolidation of non-tax revenue management functions across government. The Project is designed to leverage private sector expertise, technology and investment capital to improve a wide spectrum of government revenue management processes from collections, billing, accounts management to payment and remittance processing.

The Revenue Management Project supports the Ministry of Provincial Revenue's vision to become a centre of excellence in revenue management. "Centre of Excellence" means the Ministry will become a public sector leader in revenue management, will continuously raise the bar for customer service, and serve as a hub for monies flowing into government to support important public services. The Ministry will meet these expectations through new technology, improved business processes, innovation, and highly skilled, motivated employees.

### **Benefits to British Columbians**

The Revenue Management Project will improve customer service through the consolidation of debt portfolios, multiple channels for interacting with government, leading edge technologies, industry best practices, and streamlined billing, payments and collections processes.

In addition, the Project will generate significant financial benefits from reduced bad debt expenses and lower borrowing costs to government.

## **Contract Highlights**

Following an open and competitive procurement process, the Ministry has entered into a ten-year agreement with EDS Advanced Solutions, Inc., a British Columbia company based in Victoria. The company is a wholly-owned subsidiary of EDS Canada, Inc.

EDS Advanced Solutions will invest capital to develop and implement new business processes and information technology systems to transform and consolidate revenue management in government. As this initiative achieves incremental financial benefits, the company will share in these benefits to recover their investment. If no incremental benefits are generated, EDS Advanced Solutions will receive only the base fee payments, which are equal to the government's current cost of providing the in-scope services.

Service level commitments within the contract will ensure that the Ministry and its customers receive enhanced service for the base fee payments. The contract is structured to ensure performance and service levels are improved and sustained.

The initial phase of the Revenue Management Project will focus on revenue management programs currently performed by the Ministry of Provincial Revenue (see Section 5 – Project Scope for a list of these programs). Over time, the Ministry will further consolidate revenue management functions within government by integrating other revenue management programs into the Project.

## **Employee Opportunities**

EDS Advanced Solutions has extended offers of employment to all Ministry employees who are affected by the Revenue Management Project (215 positions). Bargaining unit employees will continue to work in a unionized environment and retain the provisions of their current collective agreement, including working conditions, salaries, pensions, and other benefits.

## **Protection of Privacy**

British Columbians' privacy protection is paramount to government. The Ministry sought extensive advice to ensure that the contract with EDS Advanced Solutions incorporates rigorous privacy, confidentiality and contractual security provisions. These provisions complement and exceed the privacy standards set by Province's new amendments to the Freedom of Information and Protection of Privacy Act as well as the recommendations put forward by the Information and Privacy Commissioner in his recent report, *Privacy & the USA Patriot Act – Implications for British Columbia Public Sector Outsourcing*.<sup>1</sup>

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<sup>1</sup> Released on October 29, 2004 and can be viewed at <http://www.oipcbc.org/>

## 2. BACKGROUND

The Ministry of Provincial Revenue was established in June 2001 to ensure that British Columbians maximise benefits and economies of scale for revenue management by creating a centre of excellence.

“Centre of Excellence” means the Ministry of Provincial Revenue will be the leader in revenue management, will continuously raise the bar for customer service standards, and will be a hub for revenue flowing into government to support important public services such as health care, education and social services.

The Ministry has made significant strides to improve revenue management. The Ministry has:

- continued to promote electronic payment methods, such as internet and telephone banking, to make it easier for taxpayers to meet their obligations to government;
- increased collection recoveries; and
- exceeded incremental revenue targets each year.

Despite these achievements, the Ministry determined it required new technology, process improvements, and an increased capacity to overcome the systemic and structural challenges posed by more than 40 distinct accounts receivables systems dispersed across ministries. These challenges include data integrity, antiquated and overloaded technology systems, delayed collections, inconsistent and/or improperly applied policies and, historically, a lack of priority attention across government to revenue management improvements. As a result:

- over-90-day accounts receivables now exceed \$800 million;
- bad debt provisions and write-offs have increased;
- customers experience multiple contacts with different ministries, resulting in confusion from inconsistencies in enforcement and compliance practices.

In 2002 the Ministry began to explore new strategies and opportunities to centralize and improve revenue management across government and achieve the following objectives:

- improve customer service;
- improve voluntary compliance;
- lower accounts receivable balances;
- reduce bad-debt expenses;
- avoid costs associated with replacing or improving various disparate and antiquated information systems;
- improve government reporting and transparency; and
- consistent application of policies and business processes, including the application of interest on overdue accounts.

The Ministry examined the possibility of proceeding with an in-house solution. This approach required a substantial public sector financial investment and carried significant risks associated with the creation and implementation of new information technology systems (see Appendix 2 for a risk description and mitigation strategies).

An opportunity to overcome these challenges presented itself when the Government of British Columbia announced it would explore Alternative Service Delivery (ASD) as a means to improve and transform the way services are delivered to British Columbians. Alternative Service Delivery initiatives focus on providing cost effective and efficient delivery of services to taxpayers by:

- increasing private sector involvement in the delivery of services, thereby allowing government to focus on core businesses;
- reducing costs, increasing revenue, or minimizing risk;
- maintaining or enhancing service levels;
- supporting general economic development and growth.

Accordingly, the Ministry pursued the Revenue Management Project as an ASD initiative to work with the private sector to build a centre of excellence for revenue management, while transferring the up-front investment and project implementation risks to a private sector vendor.

### **3. PROCUREMENT PROCESS**

In traditional procurement processes, government determines the solution to a problem and then provides vendors with detailed specifications. Vendors must bid and build within those pre-determined parameters. This approach does not allow vendors to propose alternative solutions that would achieve the desired outcomes in different and potentially more effective ways. Nor does it allow vendors to make use of the experience and ideas of government staff to develop or tailor creative alternatives.

The Joint Solution Procurement (JSP) process was selected as the preferred alternative to the traditional procurement approach. The JSP process allows both the private sector and government staff the opportunity to apply their collective knowledge and expertise to evaluate and design a wider range of solutions. In the first stage of the process, vendors must demonstrate their *capability* (experience and track record in delivering similar services), *capacity* (financial and human resources available to sustain an operation of the size and scope of the Revenue Management Project) and *commitment* (to maintain operations at or above current services levels).

The process was designed to be collaborative in nature, to harness the creativity of the private sector, allow open and honest dialogue and facilitate the best overall value proposition for both parties. The objective was to arrive at a business solution that delivers the optimal, efficient and cost-effective service that also maintains and enhances privacy of data.

The Revenue Management Project issued its Joint Solutions Request for Proposals in June 2003. Seven companies responded, and five vendors met the mandatory criteria on the basis of their initial written proposals:

- Accenture Inc.
- EDS Canada, Inc.
- Intria Items Inc.
- Sierra Systems Group Inc.
- Tata Infotech Ltd.

The proposals of all five vendors were put through the Stage 1 evaluation. Evaluators judged each proposal against the evaluation criteria in the areas of capability, capacity and commitment. Two proponents, EDS Canada Inc. and Accenture Inc., were selected to move to the next stage.

These two preferred proponents worked through a three-month Joint Solutions Development (JSD) phase, which ran from September to December, 2003. During this phase each proponent had access to more detailed information about the current business and created their initial proposed solutions. All participants in this process were bound by confidentiality agreements and had no access to any personal information. Proponents made a number of presentations and then completed a business case that described their proposed solution and commercial arrangement.

An evaluation committee comprised of eight senior representatives of the Government of British Columbia reviewed the two final solutions. The decision criteria categories were: deal structure, business processes, compatibility of the corporate culture, technology, economic model, policy, and compliance.

In January 2004, EDS Canada Inc. was selected as the successful proponent to proceed to the due diligence and contract negotiations phases. Due diligence performed on the vendor included site visits, customer reference checks and analysis of financial reports. The visits and interviews with EDS' government clients included assessment of EDS' practices and track record on large-scale projects.

A thorough due diligence and contract negotiations process was undertaken between January and November 2004 and an agreement was signed with EDS Canada's subsidiary, EDS Advanced Solutions, Inc., on November 26, 2004.

During contract negotiations, the Ministry retained dedicated external legal counsel and professional negotiators with specialized expertise in transformational outsourcing. In addition, internal and external experts and consulting companies were retained to review and validate the fairness and reasonableness of the contract in comparison to outsourcing industry standards.

BC Stats<sup>2</sup> was commissioned to confirm that the sampling techniques and methodology used to estimate the benefit ranges of this initiative were sound and followed statistically accurate practices.

Score Consulting, a recognized North American expert in collection services, provided an opinion on the reasonableness of the projected benefits that can be achieved over the 10-year term of the contract. They concluded that the estimated improvements in collections and future reductions in the annual provision for doubtful accounts might be considered conservative. While this could mean that the government may potentially realize greater benefits, the risk of windfall profits for EDS Advanced Solutions has been eliminated through a contractual cap on profit margin.

Deloitte Consulting verified the government's cost model and public sector comparison. Their analysis confirmed that the proposed arrangements protect the interests of the Province and showed that working with EDS Advanced Solutions results in greater benefits to the Province compared to the in-house solution.

#### **4. PROFILE OF THE SUCCESSFUL PROPONENT**

EDS Advanced Solutions is a newly incorporated British Columbia company, headquartered in Victoria, British Columbia. Permanent offices will be established at the Vancouver Island Technology Park in the spring of 2005. These new facilities will accommodate the transition of employees and contractors from the Ministry to EDS Advanced Solutions.

EDS Advanced Solutions is a wholly-owned subsidiary of EDS Canada Inc. EDS Canada provides a broad portfolio of business and technology solutions to help its clients improve their business performance. EDS Canada's primary service offerings include business process outsourcing, data center, help-desk and desktop services, and application development, maintenance and transformation services.

EDS Advanced Solutions will work with two key sub-contractors, Intria Items and BearingPoint. Intria Items is a Canadian-based company and will perform remittance processing. BearingPoint Technology Services, a registered British Columbia company, will deliver technology implementation and business transformation.

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<sup>2</sup> BC Stats is part of Service BC, a division of the Ministry of Management Services. They perform custom work on a fee-for-service basis.

## 5. PROJECT SCOPE

EDS Advanced Solutions will assist the Ministry in achieving a centre of excellence for revenue management in British Columbia, by providing the following services:

- revenue services, including customer service, account management, billing, payment processing, and collections;
- information technology services for the Ministry of Provincial Revenue, including systems architecture and engineering, business applications, and infrastructure;
- Revenue Management System (RMS) configuration, implementation and business transformation.

EDS Advanced Solutions will perform different revenue management functions for different portfolios, depending on program and client ministry needs. The initial scope is shown in Table 1.1 below:

**Table 1.1: Scope of RMP**

	Account Management	Billing	Payment Processing	Collection of Overdue Accounts	Tax Return Processing
Medical Services Plan Premiums	✓	✓	✓	✓	
Immigrant Sponsorship Program	✓	✓	✓	✓	
B.C. Ambulance Service			✓	✓	
British Columbia Student Assistance Program				✓	
Employment and Assistance Program				✓	
Court Fines				✓	
Mineral Oil and Gas Revenues Subsidized Bus Pass Program Commercial Loans			✓		
Social Service Tax, Corporation Capital Tax, Tobacco Tax, Fuel Tax, Rural Property Tax, Property Transfer Tax, Hotel Room Tax, and other small tax statutes			✓		✓

As many as 40 additional program areas from across government will be on-boarded<sup>3</sup> over time to allow the Province to realize the greatest possible benefit and value from the Project. In consultation with program ministries, assessments will be performed to determine appropriate timing of revenue program additions.

The Province will retain responsibility for:

- overall revenue management policy and strategy;
- program enrolment and creation of receivables;
- final enforcement procedures, including the application of statutory remedies;
- extinguishment and write-off of government debt; and
- litigating collection powers under various legislation or agreements with the Canada Revenue Agency.

## 6. THE FINAL AGREEMENT

The final agreement with EDS Advanced Solutions is a benefits and performance based service contract with a 10-year term and a 5-year renewal option at the Province's discretion. EDS Advanced Solutions will assist the Ministry to become the centre of excellence for revenue management services in British Columbia.

A central component of the Project is the development and implementation of a new revenue management technology system (RMS) to make it easier and faster to address client needs and provide service when paying bills or making enquiries about an account. The contract also includes unprecedented commitments for privacy protection, which significantly enhance government's ability to protect the privacy and security of personal information.<sup>4</sup>

EDS Advanced Solutions will be compensated through the payment of base fees and by sharing in the incremental benefits. The base fees are set at the Province's current cost to deliver revenue management and information technology services. The incremental benefits result primarily from improved revenue recovery, which reduces the Province's bad debt expense and the borrowing costs associated with the outstanding funds.

The contract supports the transition of 215 Ministry positions, business and systems processes, and numerous existing vendor contracts to EDS Advanced Solutions. The transition of current employees will ensure their valuable knowledge and skills, which are key to business continuity and improvement, will continue to benefit British Columbians.<sup>5</sup> British Columbia Government

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<sup>3</sup> On-boarding refers to further consolidating revenue management systems across government, over time, by including them in the services delivered under the RMP.

<sup>4</sup> See Appendix 1 for a detailed listing of privacy and security strategies.

<sup>5</sup> Employees who decline the offer of employment can elect to enter the Voluntary Departure Program and Early Retirement Incentive Plan or enter the government placement process for another position in the public service.

and Service Employees' Union (BCGEU) employees who accept an offer of employment from EDS Advanced Solutions will retain the provisions of their collective agreement, including pension and other benefits, while at the same time receiving skills upgrading on new technologies and processes. As the business grows, the company intends to expand its employee base, thus supporting the creation of new jobs in the Province.

**Table 1.2: Key Terms of the Contract**

Legal and Commercial Structure	<ul style="list-style-type: none"> <li>• EDS Advanced Solutions is a British Columbia based subsidiary of EDS Canada Inc.</li> <li>• EDS Canada is a subsidiary of EDS Corporation.</li> <li>• EDS Advanced Solutions will be headquartered in Victoria, British Columbia.</li> </ul>
Term	<ul style="list-style-type: none"> <li>• 10 year term expiring in 2015, with an option to renew for an additional 5 year period at the sole discretion of the government.</li> </ul>
Pricing and Deal Structure	<ul style="list-style-type: none"> <li>• Deal value is approximately \$572 million - See Table 1.4</li> <li>• The Province will be in a positive financial position each year of the contract.</li> </ul>
Gain Sharing	<ul style="list-style-type: none"> <li>• When EDS Advanced Solutions obtains new non-Government of British Columbia clients, the contract provides for gain sharing with the Province.</li> </ul>
Overall Terms	<ul style="list-style-type: none"> <li>• EDS Advanced Solutions will provide the investment capital for new business processes and applications.</li> <li>• EDS Advanced Solutions will share in the benefits achieved by the Project and will recover its investment from a share of the benefits.</li> <li>• The financial terms allow EDS Advanced Solutions to earn a larger share of the benefits in the early stages to offset its initial capital investment.</li> <li>• A margin cap eliminates the risk of windfall profits if the benefits of the transaction are greater than estimated.</li> <li>• The business processes being transferred to EDS Advanced Solutions include: <ul style="list-style-type: none"> <li>• account maintenance, billing, and payment functions;</li> <li>• collections functions; and</li> <li>• information technology delivery.</li> </ul> </li> <li>• EDS Advanced Solutions will invest capital to configure a new Revenue Management System for the Province based on an SAP platform.</li> </ul>
Guarantees	<ul style="list-style-type: none"> <li>• EDS Canada provides a performance guarantee to intervene in the event that EDS Advanced Solutions fails to perform.</li> <li>• EDS Corporation provides financial guarantees for EDS Advanced Solutions.</li> </ul>

Operations	<ul style="list-style-type: none"> <li>• The Province will continue to own all debts owed to the Province and related information.</li> <li>• Recoveries will be collected and deposited under the name of the Crown.</li> <li>• EDS Advanced Solutions will provide services to the Province under the new Provincial brand, “Revenue Services of British Columbia”.</li> <li>• EDS Advanced Solutions will comply with all applicable provincial and federal legislation, including British Columbia's Business Practices and Consumer Protection Act and the Freedom of Information and Protection of Privacy Act.</li> </ul>
Privacy, Security, and Confidentiality	<ul style="list-style-type: none"> <li>• Extensive and strict provisions that complement and exceed the privacy standards set by the Province's Freedom on Information and Protection of Privacy Act as well as the recent recommendations put forward by the Information and Privacy Commissioner (see Appendix 1).</li> </ul>
Location	<ul style="list-style-type: none"> <li>• All operations and technology, including data backup, will be located in British Columbia unless otherwise approved by the Province. The Ministry has provided approval for the use of servers in Alberta and Ontario.</li> <li>• No database will be located outside of Canada.</li> </ul>
Achievement of Service Levels	<ul style="list-style-type: none"> <li>• Twenty-two Service Levels are defined and may result in financial consequences to EDS Advanced Solutions if they are not met.</li> <li>• An additional three Service Levels are also defined and are subject to contract management escalation procedures if not met by EDS Advanced Solutions.</li> <li>• Service Levels will be monitored and reported on frequently.</li> </ul>
Service Improvement	<ul style="list-style-type: none"> <li>• EDS Advanced Solutions is required to make continuous improvements to the services and quality enhancement recommendations throughout the term of the contract.</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>• All current, in-scope employees have been offered positions with EDS Advanced Solutions.</li> <li>• Bargaining unit members will retain their union status and the provisions of their collective agreement, including their current salaries, pension entitlements and other benefits.</li> <li>• The Province will transfer people, processes and assets to EDS Advanced Solutions on December 6, 2004.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• A Joint Executive Committee comprised of senior executives from the Ministry and EDS Advanced Solutions will provide strategic direction and guidance, ensure the benefits of the alliance are realized, and model and support a culture of change and relationship building to create a climate for success.</li> </ul>

<p>Governance cont.</p>	<ul style="list-style-type: none"> <li>• A Joint Management Committee will be staffed by senior employees from the Ministry and EDS Advanced Solutions to provide direction and guidance to ensure operational success, advisory support to the Joint Executive Committee, and a forum for joint issue resolution and decision-making.</li> <li>• A number of working groups, staffed by program people from the Ministry and EDS Advanced Solutions, will provide advice, resolve issues, and assist with priority setting and planning.</li> </ul>
<p>Contract Termination Provisions</p>	<ul style="list-style-type: none"> <li>• The contract may be terminated in a number of circumstances, including both termination for cause (material breach by EDS Advanced Solutions, including non-performance) and termination for convenience.</li> </ul>
<p>Renewal/ Repatriation</p>	<ul style="list-style-type: none"> <li>• At the end of the 10 year agreement, the Province can renew the contract for 5 years, re-tender (re-procure), or repatriate the services in-house.</li> <li>• If the contract is not renewed or retendered, the Province will take over a Centre of Excellence with leading-edge business processes and technologies and the accompanying investments in human resource development.</li> </ul>
<p>Intellectual Property</p>	<ul style="list-style-type: none"> <li>• EDS Advanced Solutions will licence the new technology to the Province on a perpetual and royalty-free basis, so that the Province will retain all rights necessary to continue to use, or transfer the rights to use, the technology at the end of the contract.</li> </ul>
<p>Business Continuity</p>	<ul style="list-style-type: none"> <li>• Business continuity is addressed through a number of contractual commitments. EDS Advanced Solutions will be required to provide in-depth business continuity and disaster recovery plans.</li> <li>• In addition, the Ministry requires that a number of services not be interrupted, including remittance processing and certain applications support.</li> </ul>
<p>Financial Controls</p>	<ul style="list-style-type: none"> <li>• EDS Advanced Solutions will use Provincial bank accounts for all deposits (these accounts are restricted to deposits only).</li> <li>• The Province retains ownership and access to all of its records.</li> <li>• Financial data will flow through to the Province's corporate accounting system.</li> </ul>
<p>Audits</p>	<ul style="list-style-type: none"> <li>• Extensive rights to perform reviews, audits, and investigations. This includes the use of internal or external auditors or other professional advisors.</li> <li>• Audits may cover any aspect of the contract, including privacy and security, general controls, practices and procedures, and financial/business matters.</li> <li>• EDS Advanced Solutions is subject to investigations and reporting by the Offices of the Information and Privacy Commissioner, the Ombudsman, and the Auditor General of British Columbia on any issues within their respective mandates.</li> </ul>

## **Customer Service Benefits**

One of the main objectives of the contract is to provide value to taxpayers and to improve customer service. Customers will see:

- extended hours through self-service and alternative access (evenings & weekends);
- faster phone response;
- ability to handle increased volumes;
- improved tools, processes and data resulting in fewer billing errors;
- more consistent business processes and application of revenue management policies;
- the same collection guidelines and principles that government follows today;
- a professional organization conversant with leading edge technologies and business practices; and
- use of a new brand, “Revenue Services of British Columbia,” during phone calls, and on bills and letters.

## **Financial Benefits**

The Revenue Management Project will reduce the Province’s bad debt expenses and borrowing costs; these financial benefits will be shared between EDS Advanced Solutions and the Province.

EDS Advanced Solutions’ share at the start of the contract will recognize their significant investment in the early stage of the initiative and to reduce any related financing charges. Its share of the financial benefits will then diminish as it recovers its investment.

The benefits-sharing will depend on the actual benefits generated under the contract. As its investment in technology and processes is paid-down, EDS Advanced Solutions will receive a reduced share of benefits until the negotiated margin cap is reached. The contract protects the Province by preventing EDS Advanced Solutions from realizing windfall profits.

The gross financial benefits of this Project are estimated at \$750 million over 10 years. EDS Advanced Solutions’ share of these benefits is \$271 million, which offsets the investment that EDS Advanced Solutions is making in business processes, technology, and increased operational capacity. The Ministry’s share amounts to \$479 million in gross benefits. Of this amount, \$97 million will be used to fund the costs of establishing and maintaining effective governance, on-boarding the remaining government revenue programs, and volume growth. This results in net benefits to government of \$382 million. This is illustrated in Table 1.3.

**Table 1.3: Projected Benefits**

Gross Benefits (\$ millions)	750
Less EDS Advanced Solutions' Share	(271)
Ministry Share	479
Less expected Ministry Costs	(97)
Net Benefits to Government	382

**Payments**

Payments to EDS Advanced Solutions will come from two sources. The first source is the current cost of delivering the in-scope services, approximately \$30 million a year, which will constitute base fee payments. The second source of funding is a share of the expected incremental benefits (see Table 1.4 for details), which will allow the company to recover and earn a reasonable return on their investment. If the incremental financial benefits are not realized, EDS Advanced Solutions will only receive base fee payments.

**Table 1.4: Potential Value of the Agreement**

Potential Agreement Value	(\$ millions)
Base Fee Payments	301
EDS Share of Financial Benefits	271
Total	572

## **Public Sector Comparison**

As a further validation of the value of this agreement, the proposed financial model was compared to the option of government assuming all the costs, investment risks, and project management.

Independent industry experts analyzed the comparison and confirmed that working with a private sector company would provide greater net benefits to government. The comparison showed that the contract with EDS Advanced Solutions would result in a net \$82-million additional benefit to the Province when compared to proceeding with an in-house model.

Included in the comparison are differences in the costs, overall revenue attainment levels generated and the risk transfer to EDS Advanced Solutions associated with development and implementation of new business and technology systems.

## **Features of the Technology Solution**

A central component of the Project is the development and implementation of a new revenue management technology system (RMS) to make it easier and faster to address client needs and provide service when paying bills or making enquiries about an account. The new technology will be directly integrated with telephone and web services over the term of the contract.

The RMS will replace aging technology and use new revenue management software and new tools such as automatic dialers. There will be continuous upgrades and improvements to technology systems throughout the contract term.

## **Risk Allocation between Parties<sup>6</sup>**

In addition to financial, transformational and human resource benefits that the Revenue Management Project will generate, the Province will also benefit from EDS Advanced Solutions' up-front capital investment and ability to absorb the risk associated with building and implementing new business processes and information technologies.

One of the underlying objectives of the Revenue Management Project was to transfer the risk associated with the initiative to a private sector service provider who is qualified to manage this risk. The risks associated with configuring the new Revenue Management System and the ongoing operating risks reside with EDS Advanced Solutions. The design, build and incremental operating costs of the Revenue Management System will be recovered from the benefits generated from this Project. If the benefits are not achieved or fall short of projected levels, then EDS Advanced Solutions may fail to recover some or all of its investment costs.

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<sup>6</sup> Appendix 2 contains details descriptions of the risks allocated to each party.

## **Expected Accounting Treatment/Financial Reporting**

All Ministry financial reporting associated with this Project will be consistent with the direction set by the Office of the Comptroller General. EDS Advanced Solutions' accounting will be in accordance with generally accepted accounting principles.

## **7. PRIVACY CONSIDERATIONS**

In addition to the already significant requirements to comply with the Freedom of Information and Protection of Privacy Act, there are a number of privacy, security and confidentiality provisions built into the contract that will strengthen the government's ability to protect British Columbians' personal information. Together, these stringent provisions provide protection against any inappropriate or unauthorized use or disclosure of personal information, including attempts to access information by way of the U.S.A. Patriot Act.

Privacy protection is framed within a number of major categories to ensure that the highest level of protection governs the privacy of British Columbians' personal information.

1. Specific contractual measures to ensure the privacy of British Columbians' personal information include:
  - EDS Advanced Solutions acknowledges statutory requirements concerning privacy and security of personal information arising from all applicable laws;
  - the Province retains control and ownership of personal information;
  - the Province has step-in rights under a power of attorney, which may be exercised in the event of an anticipated privacy breach;
  - disclosure or privacy breach in response to a requirement of a foreign country is expressly prohibited;
  - substantial damages in the event of unauthorized use or disclosure;
  - termination rights in the event of unauthorized use or disclosure;
  - all directors of EDS Advanced Solutions must be Canadian citizens;
  - key subcontractors must be Canadian entities.
  
2. The contract includes specific technology and business process requirements to prevent unauthorized disclosure and to alert the Province of unusual or unauthorized releases of data:
  - all data and information backups are located exclusively in Canada;
  - employees and sub-contractors will have access limited to only that information they require to perform their duties;
  - EDS Advanced Solutions will use privacy enhancing technologies;
  - risk and control audits will be conducted on a regular basis.

3. Contract provisions include strategies to bind EDS Advanced Solutions and its employees to government standards for privacy protection, and to restrict access to data:
  - direct agreements between the Province and EDS Advanced Solutions employees and employees of sub-contractors which including non-disclosure obligations;
  - whistleblower protection for employees;
  - extensive data restrictions on employees of non-Canadian entities and reliance, wherever possible, on Canadian employees;
  - creation of a Security and Compliance Officer within EDS Advanced Solutions; this position is responsible for ensuring that all privacy and security provisions are adhered to, including both systems monitoring (such as monitoring systems usage logs) and physical and other security.

## **8. TRANSITION, TRANSFORMATION, ONGOING CONTRACT MANAGEMENT**

Transition is the initial phase of the contract. During this period, Ministry of Provincial Revenue employees and the agreed business functions will be transferred to EDS Advanced Solutions.

The Ministry held numerous meetings with employees, contractors, and internal and external stakeholders to keep them informed about the Project's progress. The Ministry will continue to communicate Project details and milestones to all employees on an ongoing basis to ensure a smooth transition process.

The Ministry worked with the British Columbia Government and Service Employees Union (BCGEU) and the British Columbia Public Service Agency to ensure a smooth and seamless transition for all employees involved.

The Ministry opened an Employee Resource Centre in August 2004 to ensure that staff received the information and support they needed while details were being finalized around the transition and the contract. Impacted employees were provided with several options:

- offer of employment with EDS Advanced Solutions;
- a voluntary departure package;
- an early retirement package (for those of qualifying age);
- entering the government placement process for a job elsewhere in the provincial public service.

The BCGEU negotiated with EDS Advanced Solutions and reached a tentative collective agreement extending to 2009. This tentative agreement is pending ratification by the employees who choose to accept employment with the company.

EDS Advanced Solutions will initially rent existing government space to ensure a seamless transition of services until their new location is fitted for operations. The new facilities are expected to be ready for occupancy by the spring of 2005 and will be situated at the Vancouver Island Technology Park in Victoria.

In this first phase of the contract, functions performed by EDS Advanced Solutions will be similar to current operations. This ensures continuity of business operations and customer service. Over time, and in consultation with the Ministry of Provincial Revenue, EDS Advanced Solutions will introduce new technologies to improve customer service and achieve incremental benefits. These changes will be implemented in a manner that ensures stable business operations.

The Revenue Management System will replace the legacy systems and applications currently used by government to perform revenue management services. This process will take approximately 12 to 18 months and will enable the future centralization of revenue management for all government revenue streams, thereby expanding the reach of the following benefits across all government programs:

- improved and enhanced customer service;
- maximized revenue collection;
- minimized cost per dollar collected;
- enhanced reporting and performance measurement;
- improved billing and account maintenance.

Over the coming years, consolidation and on-boarding of additional revenue programs will be determined in consultation with affected ministries.

### **Contract Monitoring**

The Ministry and EDS Advanced Solutions designed a joint contract management structure that reflects best practices in outsourcing initiatives.

A newly created Alliance Management Office within the Ministry of Provincial Revenue will perform contract monitoring and relationship management. The Alliance Management Office will monitor and report issues through the Project's governance structure to ensure that the projected outcomes and benefits are achieved.

In addition to regular reporting activities, the Alliance Management Office will ensure that both parties maintain performance standards and provide ongoing recommendations to ensure the Project's continued success.

Effective relationship management is key to the continued success of outsourcing arrangements. Both the Ministry and EDS Advanced Solutions are fully committed to build and maintain a positive and effective working relationship founded on common values and objectives. Through the dedicated contract management structure, both parties will strive to ensure that service levels and performance targets are met and that superior customer service and value for money are provided to British Columbians.

### **Audit and investigations**

The Province has extensive rights to perform reviews, audits, and investigations as considered necessary. This includes the use of internal or external auditors or other professional advisors. Audits may cover any aspect of the contract, including privacy and security, general controls, practices and procedures, and financial/business matters.

In addition, the Offices of the Information and Privacy Commissioner, the Ombudsman, and the Auditor General of British Columbia may investigate and report on any issues that fall within their mandates.

### **Dispute Resolution**

The governance structure is designed to facilitate internal dispute resolution as early as possible at the lowest possible level.

Formal dispute resolution processes culminate with binding arbitration under the British Columbia Commercial Arbitration Act.

The Province may bypass arbitration and proceed directly to court for injunctive relief if it suffers irreparable harm due to a breach by EDS Advanced Solutions.

An expedited arbitration process is available, if required.

### **Services Levels and Benchmarking**

There are numerous levels of performance monitoring and reporting with respect to services levels, service level objectives and outcomes.

Service levels for both the Ministry and EDS Advanced Solutions have been defined, and a service level credit approach has been developed to ensure both parties perform to agreed-upon performance levels.

The contract also provides an option for external benchmarking of the agreed-to service levels during the term of the contract to allow for adjustment of service level baselines as appropriate.

**Appendix 1: Privacy Mitigation Strategies**

**Table 2.1: Specific Privacy Provisions/Strategies**

Mitigation Strategy / Contract Provisions	RMP Contract
<ul style="list-style-type: none"> <li>Compliance with new <i>FOIPPA</i> amendments and recommendations of the Information and Privacy Commissioner regarding the <i>USA Patriot Act</i>.</li> </ul>	✓
<ul style="list-style-type: none"> <li>EDS Advanced Solutions' policies and procedures outline all privacy and security objectives, methodologies, and disclosure requirements.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Within EDS Advanced Solutions, data access will be segregated to align with specific job requirements.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Tools will be implemented to enable trace and audit of all data access/copying, including individual user logs.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Strong technology security measures will be implemented, including firewalls, encryption and physical security.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Strict records management and retention policies will be implemented.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Privacy Impact Assessments will be required prior to any systems change.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Contract includes termination rights in the event of disclosure or privacy breach.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Employees of EDS Advanced Solutions and their sub-contractors who have access to personal information are required to sign non-disclosure agreements with the Province.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Non-disclosure agreements include the requirement for employees to notify the Province in the event of any potential or actual unauthorized disclosure of personal information.</li> </ul>	✓
<ul style="list-style-type: none"> <li>The non-disclosure agreements with employees will be updated annually.</li> </ul>	✓
<ul style="list-style-type: none"> <li>A detailed Privacy Plan will be created and referenced to the contract.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Special restrictions on data access and oversight/supervision requirements apply to employees of foreign entities working on transition and transformation activities.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Data storage and access, including remote access, will be only in Canada, and can only be changed with the Province's express consent.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Data access by EDS Advanced Solutions will be segregated to prevent access from non-Canadian affiliates.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Processes will be put in place to notify the Province if it appears that data is copied or accessed in an unusual manner.</li> </ul>	✓

Mitigation Strategy / Contract Provisions	RMP Contract
<ul style="list-style-type: none"> <li>Hardware that could enable data to be copied and taken off site, such as removable floppy drives, CD burners and USB smart drives will be restricted to designated personnel.</li> </ul>	✓
<ul style="list-style-type: none"> <li>EDS Advanced Solutions must have a dedicated Privacy and Security Officer who monitors compliance.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Severe consequences, including termination of the contract and significant damages in the event of unauthorized use, access or disclosure of personal information, including Patriot Act disclosures.</li> </ul>	✓
<ul style="list-style-type: none"> <li>The Province retains ownership and control of all records and personal information. EDS Advanced Solutions will be the custodian of the documents while on contract with government.</li> </ul>	✓
<ul style="list-style-type: none"> <li>EDS Advanced Solutions will comply with the Government of British Columbia's existing Administrative and Operational Records Classification Systems (ARCS and ORCS).</li> </ul>	✓
<ul style="list-style-type: none"> <li>EDS Advanced Solutions will return records to the Province annually for off-site storage and upon expiration or termination of the Agreement.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Risk and control audits will take place.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Use of privacy enhancing technologies is required.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Restricted access to personal information by employees of foreign entities and reliance, wherever possible, on Canadian employees.</li> </ul>	✓
<ul style="list-style-type: none"> <li>The Province has step in rights under a Power of Attorney to prevent unauthorized use or disclosure of personal information.</li> </ul>	✓
<ul style="list-style-type: none"> <li>Covenant from EDS Advanced Solutions not to take EDS Corporate direction pursuant to a Patriot Act disclosure request.</li> </ul>	✓
<ul style="list-style-type: none"> <li>All directors of EDS Advanced Solutions will be Canadian citizens.</li> </ul>	✓

**Appendix 2: Risk Allocation and Mitigation**

Risk allocation and mitigation are addressed through contractual provisions that significantly reduce the Province’s risk exposure. The contract is structured so that the risk of transformation and the technology implementation is allocated to EDS Advanced Solutions. Accordingly, EDS Advanced Solutions will have responsibility for the upfront investments leaving the Province in a positive financial position in each year of the 10-year contract. The following tables outline the allocation of risks between the Province and EDS Advanced Solutions, as well as those shared by both parties.

**Table 3.1: Materials risks transferred to EDS Advanced Solutions (EAS)**

Risk Category and Description	Allocation of Risk		Mitigation  (Contractual Provision)
	EAS	Province	
<b>Business Risk</b>			
Performance to established service levels	✓		<ul style="list-style-type: none"> <li>Financial consequences established for missed key service levels.</li> <li>Ongoing failure to meet key service levels is grounds for termination for cause.</li> </ul>
Attracting and retaining professional resources	✓		<ul style="list-style-type: none"> <li>Option for impacted employees to transfer to EDS Advanced Solutions with collective agreement provisions, seniority, benefits and pension plan.</li> <li>Commitment to continuity of key management personnel.</li> </ul>
Business transformation	✓		<ul style="list-style-type: none"> <li>Business transformation to be undertaken within agreed timeframes.</li> </ul>
Disaster recovery and business continuity	✓		<ul style="list-style-type: none"> <li>Business Continuity and Disaster Recovery plans must meet or beat current Ministry standard.</li> <li>Contractual commitment to appoint a Business Continuity Representative and a Disaster Recovery Representative.</li> </ul>

<b>Economic Risk</b>			
Financial risk related to Revenue Management System configuration	✓		<ul style="list-style-type: none"> <li>• EDS Advanced Solutions is accountable for the system configuration at a fixed price, regardless of eventual cost, and to ensure it is delivered on time.</li> <li>• Costs to Province, related to transformation, are controlled through a robust governance structure, strategic and operational planning and a change control process.</li> </ul>

**Table 3.2: Material risks shared by the Province and EAS**

Risk Category and Description	Allocation of Risk		Mitigation  (Contractual Provision)
	EAS	Province	
<b>Business Risk</b>			
Transition plan failure	✓	✓	<ul style="list-style-type: none"> <li>• A detailed transition plan has been developed.</li> <li>• EDS Advanced Solutions has an incentive to transform the business in order to recover its investment and to leverage the growth potential.</li> </ul>
Client satisfaction	✓	✓	<ul style="list-style-type: none"> <li>• EDS Advanced Solutions will conduct regular client satisfaction reviews at the request of the Province to assess satisfaction with service provided.</li> <li>• EDS Advanced Solutions is responsible for responding to client dissatisfaction issues.</li> </ul>
Data integrity and security	✓	✓	<ul style="list-style-type: none"> <li>• EDS Advanced Solutions will comply with or exceed the Province's data security policy.</li> <li>• Liability for privacy breach or unauthorized use or disclosure of personal information.</li> <li>• Breaches of privacy obligations can be grounds to terminate the contract for cause.</li> </ul>
Legislative or policy change that significantly impacts on the scope, systems or business processes	✓	✓	<ul style="list-style-type: none"> <li>• Annual business planning, joint priority setting process, and change order process to accommodate and plan for change.</li> </ul>
Contractual working relationship	✓	✓	<ul style="list-style-type: none"> <li>• Strong governance model.</li> <li>• Ministry has implemented an Alliance Management Office to manage the provision of revenue administration and management services.</li> </ul>

<b>Economic Risk</b>			
Failure to realize incremental financial benefits	✓	✓	<ul style="list-style-type: none"> <li>Financial agreement is structured to ensure that Government is in a net positive financial position for each year of the contract, even if the enhanced benefits are not realized.</li> </ul>

**Table 3.3: Material risks retained by the Province**

Risk Category and Description	Allocation of Risk		Mitigation  (Contractual Provision)
	EAS	Province	
<b>Business Risk</b>			
Management of customer and stakeholder group relations		✓	<ul style="list-style-type: none"> <li>Ministry is responsible for customers and stakeholders.</li> <li>Ongoing communication will continue to occur with stakeholders.</li> </ul>
Business relationships with other ministries and other public-sector organizations		✓	<ul style="list-style-type: none"> <li>Ministry is responsible for business relationships within the provincial government and the broader public sector.</li> <li>Ministry has conducted extensive consultation with other ministries.</li> </ul>
Contract/alliance management		✓	<ul style="list-style-type: none"> <li>Ministry has retained a strong team to monitor contract compliance.</li> <li>EDS Advanced Solutions responsible for providing accurate and timely reporting for all service levels.</li> <li>The Ministry retains the right to audit.</li> <li>Performance will be regularly reviewed through the governance processes.</li> </ul>