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E-Comm Governance Review – Summary

Background

At its inception in 1997, E-Comm Emergency Communications for Southwest British Columbia Inc. (E-Comm) operated a cooperative radio network for first responders in the Lower Mainland. More than 25 years later, E-Comm is now a vital public safety communications organization that serves the diverse communities of British Columbia by answering 99% of 9-1-1 calls in the province, providing police and fire communication operations, technology services and operating the emergency radio network used by first responders throughout the Lower Mainland. It serves more than 30 municipalities and 70 emergency response organizations.

E-Comm engaged Deloitte in October 2023 to perform this governance review as a response to the evolving complexities and challenges that E-Comm is facing in serving these key stakeholders. Deloitte compared E-Comm's governance model to peers across Canada and internationally. Deloitte also conducted more than 80 independent in-depth interviews with key stakeholders (including local government officials, police, fire, ambulance representatives, Board members and E-Comm's CEO and Executives) who provided detailed insights into the challenges and opportunities facing the organization. These insights were validated through reviews of internal and publicly available documents. The resulting summary of E-Comm's current state governance challenges and opportunities for a future-state governance model was discussed with E-Comm's Governance & Public Affairs Committee (GPAC), Board of Directors and Executives.

Key Findings

Over the past 25 years, E-Comm has significantly expanded from a cooperative style, membership-based corporation that was created to administer a wide area emergency radio network across the Lower Mainland. Today it is a full-service call taking and dispatch operation that covers 33 police agencies and 40 fire agencies, supported by 700 staff in four BC locations. E-Comm answers 99% of the 2 million emergency calls made annually by British Columbians. However, the governance framework, operating model, technology infrastructure and capital funding structure have not kept pace with this significant growth.

The shareholder structure, with its voting classes, was designed for the original radio network subscribers. With E-Comm's expanded operations, its governance is marred by significant inequities in its shareholders' rights and influence, board representation, calculation and allocation of operational overheads and capital requests, and challenges in its ability to effect change in the delivery of its services. The Board is cumbersome and unwieldy, with 23 directors – most representing a local government, a group of local governments or user shareholders. The directors are appointed for a term of one year and often do not remain beyond a second term. This has resulted in various challenges for the Board in its directors' understanding the complexities of the business model, providing effective oversight, approving and supporting the necessary capital investments required, and holding management accountable to key financial and performance metrics.

More concerning is the fact that E-Comm has been operating in a deficit position for a number of years as revenues are insufficient to cover its costs of growth and operation. The deficit has continued to grow to $7.2M in fiscal 2023. This is not a sustainable financial operating model and certainly one that is greatly restricting E-Comm's ability to invest in technology, process efficiency and organizational transformation. The root causes of these deficits stem from a structural historical underinvestment in automation, unrealized economies of scale and global efficiency opportunities, and a lack of understanding and failure to determine the actual operating costs and the cost of investments required by E-Comm to sustain and scale the current model. The Members' Agreement provides E-Comm with the ability to recover these operating costs and deficits from its members through cost allocation and rate provisions. Moreover, there is a lack of desire by key stakeholders to contribute more to E-Comm's capital and operating costs until it achieves credible operational and financial stability.

Beyond these financial issues, challenges at the service delivery level, including the lack of clear contractual terms and metrics, as well as pressure from users to customize service delivery processes, deliverables, resourcing and other specific needs, manifests in governance challenges because of the resultant operational complexity. This bespoke service delivery model, where each customer often has a different suite of services, operating with unique sets of call answer procedures, and resourced specifically for their needs (which can occasionally result in some agents being quiet while others are overworked), has compromised E-Comm's effectiveness, sustainability, and scalability. This model has constrained E-Comm from creating the requisite economies of scale across the regions and agencies it serves. Despite management's reactive, "firefighting" orientation, there has been a more recent focus on transforming and streamlining E-Comm's operations. E-Comm has made significant strides in harmonizing and simplifying its standard operating procedures (from 1,500 to less than 150) and is poised to capitalize on other economies by deploying business intelligence technology and rebalancing resources within the organization.

To further complicate matters, the federal government has mandated a shift to Next-Generation 9-1-1 (NG9-1-1) systems and technologies by 2025. The CRTC requires all telecommunications providers and Canadian PSAPs to implement these technologies, which will allow callers to transmit texts, images, video, and other data to 9-1-1 call takers and will allow similar digital communications between 9-1-1 call takers and emergency responders. There are many stakeholders and active parties involved in the transition to NG9-1-1 technology, with several factors that are beyond E-Comm's direct control. Despite good progress and a strong transformation office within E-Comm, there is a concern amongst external stakeholders that E-Comm does not have the governance structure necessary to provide oversight to ensure that E-Comm is capable and accountable for meeting NG9-1-1 service delivery expectations. As such, there is a strong reluctance to provide further investment for the technology environment. Overcoming this will require a significant increase in trust in E-Comm's financial management, service delivery, change management and relationship management capabilities.

Recommendations

E-Comm's operating paradigm has changed dramatically since it was conceived. The increased number of stakeholders, rapid pace of technological change, pressure to meet diverse user and public expectations, the ability to find and retain strong talent, and to achieve all of this on a minimal budget, has left E-Comm in a position of financial and technological deficit and with a credibility gap with its stakeholders. While some aspects of the organization have evolved and scaled with this growth trajectory, E-Comm's governance framework has remained somewhat stagnant and is constantly challenged to provide effective oversight and accountability.

However, despite these concerns, E-Comm continues to meet and exceed its core 9-1-1 call answer performance metrics and remains well placed to continue to be the cornerstone of the emergency response system for BC into the future. Several critical changes need to be made to E-Comm's governance framework including in its stakeholder engagement and its operational and financial oversight. There is an opportunity to remove inequities in the shareholder class structure and representation processes, creating opportunities to reduce the disproportionate cost they will continue to bear, while improving the quality of service and information they receive. While these changes may seem relatively intuitive, to-date, E-Comm has not fully implemented them due to management's significant workload to maintain a high level of operational responsiveness and to implement the more critical infrastructure, technology, human resource, and operational transformations that are required. The success of this governance transformation will depend on creating a strong Board oversight mechanism while providing management with the appropriate support and resources to elevate them out of their current reactive mode.

Our key recommendations include the following (without consideration of dependencies and therefore not listed in the order of implementation timeline). This will initially require extensive shareholder communications and engagement in order to formulate and align around the specifics of the implementation plans, activities and timelines:

1) Implement a new governance structure (including a streamlined Board).
2) Refine the use of representative service governance bodies, such as User and Service Committees with member appointed representatives. The committees should have broadly understood Terms of Reference and serve to enhance user representation in the governance structure.
3) Propose revisions to Board and Management Committees to support enhanced decision-making and oversight.
4) Create a member Nominating or Screening Committee to identify and approve new Board director candidates.
5) Enfranchise all users regardless of regional geography by making them shareholders (rather than the current state in which only radio users are Class A shareholders).
6) Seek Board, member and Ministerial approvals, as required, of proposed changes to the governance structure and Articles/Members' Agreement.
7) Refine the Board agenda, cycle, materials, procedures, and policies, including a formal Delegation of Authorities.
8) Redesign the operating cost/budgeting model to provide greater equity and transparency while reducing the perception that the cost allocation process is not equitable.
9) Develop a streamlined service delivery and pricing process to drive stronger economies of scale and efficiency in the governance, pricing, and service delivery processes.
10) Develop investment funding and operating cost forecasting strategies to provide greater clarity of future costs and remove unexpected fluctuations from the pricing/funding models.

Although E-Comm is only one organization in the provincial emergency response ecosystem, it is a prominent one. There is a significant risk to public safety if E-Comm does not address its current trajectory through this governance review. Time is of the essence in continuing to strengthen E-Comm's governance and oversight.

Benefits for Current Shareholders

As discussed, the shareholder structure and associated voting classes are not perceived as equitable by all members. The intent of the proposed shareholder changes (i.e. #5) is to enfranchise all users regardless of region by making them shareholders, rather than the current state in which only radio users are Class A shareholders. E-Comm was created as an incorporated company but provisions in the Emergency Communications Corporation Act and Members' Agreement have eliminated some of the traditional rights accruing to shareholders (i.e. rights to dividends or surplus of revenues, rights to assets on dissolution, ability to sell shares at current market value, etc.). This effectively means shareholders are more members (in a cooperative or non-profit organizational sense), but with voting rights on certain significant governance events or changes. The proposed change will allow all users (i.e. beyond only radio network users) to become members or shareholders with participating voting rights.

Currently, Class A shareholders (i.e. radio network users) can vote on major governance changes but also are required under the Members' Agreement to fund E-Comm's annual operational deficits. As such, they will be the group primarily impacted by this recommended change. Class B shareholders, and other non-voting members, have no similar voting rights. Therefore, they have limited ability today to impact governance and operating changes.

The primary implications for Class A shareholders of this proposed change would be as follows:

- The reliance on Class A shareholders to fund operating deficits would now be greatly reduced as the membership/shareholder base is increased (even though operating costs ideally would be covered by user service fees and levies).
- Potential fee reduction as an updated cost allocation model and formulae would consider a cost-plus model across all members versus a formulaic calculation for Class A shareholders supported by a secondary pricing model for non-Class A users.
- All members become potential funding sources for capital investments and operating cost spikes or deficits.
- More equitable spread of risk and accountability across all users.

It is important to note that most radio network users (Class A shareholders) are also users of other E-Comm services, as such, they will see their rates recalibrated so that the pricing for their services more accurately reflect the cost to deliver those services with increased pricing transparency.

The primary implications for Class B shareholders and non-voting members of this proposed change would be as follows:

- Better ability to influence and impact the governance and operations of E-Comm (particularly the ability to participate in Board elections). Today these members have no formal representation in the governance structure.
- Participation as full rights, active voting members, if they are a service user.
- Reduction in the perception of bias or weighting towards Class A members.
- More effective representation on service as E-Comm looks to users to participate in the service governance model (reducing the need to drive changes through the Board).

Key Dates and Next Steps

With support from its shareholders, the majority of recommendations discussed in the governance review report can be brought forward for approval by Spring 2025. The timeframe below summarizes E-Comm's proposed approach to implement initiatives stemming from those recommendations, including key dates for shareholders.

Key dates:

June 2024		Distribute Governance Report and recommendations to shareholders.
Jul/Aug 2024		Begin developing shareholder resolutions and necessary materials to support member decision-making processes. Continue to engage with the Province including on matters that would require Ministerial approvals.
Fall 2024	Shareholder Consultation Session	Obtain feedback and advice from shareholders on the direction of the proposed corporate structure and board governance changes. E-Comm will then prepare the implementation measures needed to enact the governance changes, for consideration by shareholders at the spring Special General Meeting.
Spring 2025	SGM	Approve the implementation measures, which will include resolutions for amendments to, among other things, the Members' Agreement, the Articles etc. authorizing changes to E-Comm's governance affecting the recommendations in the report. Management to seek ministerial approval.

April-May 2025		Establish new service and user committees, screening committee and board committees to make a recommendation for the slate of directors to be presented to the members at the June 2025 AGM.
June 2025	AGM	Members appoint directors to new E-Comm Board.

Next steps:

E-Comm is committed to working closely with its shareholders in the months ahead to provide the information needed to consider and respond to the governance review recommendations.

In particular, E-Comm has prepared a Shareholder Action Guide outlining the specific next steps that each member needs to take in the months ahead to review the governance review recommendations.