Serving the 21st Century Taxpayer

FTA Annual Conference
San Antonio
June 2005

Far More Connected...At Least in Certain Demographics

Millenials: The Digital Generation

Percent of American 14-21 year olds who use ____ almost every day or several times a day

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>86%</td>
</tr>
<tr>
<td>Personal computer/laptop</td>
<td>77%</td>
</tr>
<tr>
<td>E-mail</td>
<td>78%</td>
</tr>
<tr>
<td>Instant messaging service</td>
<td>58%</td>
</tr>
<tr>
<td>Cell phone</td>
<td>51%</td>
</tr>
<tr>
<td>Cell phone text messaging</td>
<td>19%</td>
</tr>
<tr>
<td>Online multiplayer games</td>
<td>18%</td>
</tr>
</tbody>
</table>


Younger VS Older

<table>
<thead>
<tr>
<th>ONLINE ACTIVITIES</th>
<th>YOUNG (AGES 18-29) INTERNET USERS</th>
<th>30 +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research for school or job training</td>
<td>76%</td>
<td>48%</td>
</tr>
<tr>
<td>Use instant messaging</td>
<td>59%</td>
<td>33%</td>
</tr>
<tr>
<td>Listen to music online</td>
<td>53%</td>
<td>27%</td>
</tr>
<tr>
<td>Look up sports information</td>
<td>51%</td>
<td>37%</td>
</tr>
<tr>
<td>Look for information about a place to live</td>
<td>43%</td>
<td>27%</td>
</tr>
<tr>
<td>Download music files</td>
<td>28%</td>
<td>11%</td>
</tr>
<tr>
<td>Share files from my computer</td>
<td>27%</td>
<td>17%</td>
</tr>
<tr>
<td>Log on using a wireless device</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Using dating Web sites</td>
<td>16%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Who Contacts Government?

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 18-29</td>
<td>21%</td>
</tr>
<tr>
<td>Ages 30-49</td>
<td>44%</td>
</tr>
<tr>
<td>Ages 50-64</td>
<td>24%</td>
</tr>
<tr>
<td>Ages 65+</td>
<td>10%</td>
</tr>
</tbody>
</table>


### Who Uses the Internet for Health Services?

Among Internet Users...

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 18-64</td>
<td>80%</td>
</tr>
<tr>
<td>Ages 65+</td>
<td>70%</td>
</tr>
</tbody>
</table>

Tax Agencies: Off to a Good Start...

In 2005, for the first time, more than half of all taxpayers filed electronically with the IRS.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>59,576,000</td>
<td>65,961,000</td>
<td>10.7</td>
</tr>
<tr>
<td>TeleFile</td>
<td>3,755,000</td>
<td>3,280,000</td>
<td>-12.6</td>
</tr>
<tr>
<td>Computer</td>
<td>55,829,000</td>
<td>62,681,000</td>
<td>12.3</td>
</tr>
<tr>
<td>Tax Professionals</td>
<td>41,612,000</td>
<td>46,013,000</td>
<td>10.6</td>
</tr>
<tr>
<td>Self-prepared</td>
<td>14,209,000</td>
<td>16,668,000</td>
<td>17.3</td>
</tr>
</tbody>
</table>


But a More Fundamental Transformation is Required...

From Industrial Age to Information Age Government

<table>
<thead>
<tr>
<th>Era</th>
<th>Government 1.0</th>
<th>Government 2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure</td>
<td>Hierarchical (Vertical)</td>
<td>Networked (Horizontal)</td>
</tr>
<tr>
<td>Operating Model</td>
<td>Siloed</td>
<td>Joined-up</td>
</tr>
<tr>
<td></td>
<td>Agency-Centered</td>
<td>Citizen-Centered</td>
</tr>
<tr>
<td>Service Delivery</td>
<td>One-size-fits-all</td>
<td>Personalized</td>
</tr>
<tr>
<td></td>
<td>Monopoly</td>
<td>Choice-Based</td>
</tr>
<tr>
<td></td>
<td>Mon-Fri, 9-5</td>
<td>24/7/365</td>
</tr>
<tr>
<td>Visibility</td>
<td>Closed</td>
<td>Transparent</td>
</tr>
<tr>
<td>Involvement</td>
<td>Spectator</td>
<td>Participatory</td>
</tr>
</tbody>
</table>

8 21st Century Citizen
What do all these organizations have in common?

Networked
Hierarchical Government  Governing by Network

Trends driving government by network

1. **Outsourcing/Public-Private Partnerships**

2. **Joined Up Government**
   - Dismantling the stovepipes, sharing information and integrating service delivery

3. **Technological Advances**
   - Modern technologies have dramatically reduced the costs of collaboration and partnering

4. **Consumer Demand**
   - Increased citizen demand for more control over their own lives and more choices from government services
Functions commonly contracted out by revenue agencies

- Electronic filing
- Collections activities
- Processing
- Tax discovery systems
- IT implementation projects

Joined up government

- Australia’s “Centrelink” program draws together under one roof a variety of social services from eight different federal departments to offer “one-stop shopping” of services for citizens.
- Oregon’s “No Wrong Door” initiative operates on the principle that citizens seeking state-level human services should be able to access help from the first point of government contact – regardless of which agency they contact.
- New Brunswick’s Service New Brunswick joins together dozens of agencies to provide multi-channel, one stop shopping for a variety of government transactions.
**Models of Government**

- **Hierarchical Government**
  - Outourced Government
  - Networked Government
  - Joined up Government

- **Factors Determining Government’s Choice of a Governance Model**

<table>
<thead>
<tr>
<th>Factors Favoring Network Model</th>
<th>Factors Favoring Hierarchical model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility required</td>
<td>Stability preferred</td>
</tr>
<tr>
<td>Differentiated response needed</td>
<td>Uniform, rule-driven, response needed</td>
</tr>
<tr>
<td>Diverse skills required</td>
<td>Single professional skill utilized</td>
</tr>
<tr>
<td>Many applicable private players</td>
<td>Government predominant provider</td>
</tr>
<tr>
<td>Outcome or outputs clear</td>
<td>Outcome ambiguous</td>
</tr>
<tr>
<td>Private sector fills skill gap</td>
<td>Government has necessary experience</td>
</tr>
<tr>
<td>Leveraging private assets critical</td>
<td>Outside capacity not important</td>
</tr>
<tr>
<td>Partners have greater reach or credibility</td>
<td>Government experienced with citizens in this area</td>
</tr>
<tr>
<td>Multiple services touch same customer</td>
<td>Service is relatively stand alone</td>
</tr>
<tr>
<td>Third parties can deliver service/achieve goal at lower cost than government</td>
<td>In-house delivery is more economical</td>
</tr>
<tr>
<td>Rapidly changing technology</td>
<td>Service not affected by changing technology</td>
</tr>
<tr>
<td>Multiple levels of service provision</td>
<td>Single level of service provision</td>
</tr>
<tr>
<td>Multiple agencies use/need similar functions</td>
<td>Single agency uses/needs similar functions</td>
</tr>
</tbody>
</table>
Types of Networks

- Intergovernmental
- Supply chain
- Civic switchboard

DEGREE OF GOVERNMENT INVOLVEMENT

More

Service contract
Channel partnership
Information dissemination

Less

Channel Partnerships

Business Entry Point

Business Entry Point (BEP) Content Syndication

What is it?

Content syndication is an easy and cost-free way to publish and maintain business compliance information, from all three levels of government, on your website.

So what's in it for you?

The information we syndicate is designed to complement the services you already provide on your website. Visitors to your site will be able to access up-to-date and relevant government information on starting, running and growing your business, without having to spend time searching on numerous government websites.

What information is available through BEP content syndication?

BEP is the gateway to federal, state, territory and local government information and services for business. The information is grouped under the following business topics:

- Starting a business
- Regulation
- Business horizon
- Employment
- Sector handbook
- Generic and financial assistance
- Contact centre
- Employee assistance
- Business and contact
- Claims, selling or winding up a business

Weather.com

Earth 911 Information
Networked Governance isn’t easy to get right

Barred contractor got N.Y. jobs worth millions; Failed to disclose federal problem

Problem at contractor delays Master Test results

No-Bid Defense Contracts Found To Be Common

Premature Failure of Roads Blamed on Council's Contracting Policy

Implementing Managing by Network

Designing the Network

Integrating the Network

Getting Results/Ensuring Accountability

Building Capacity for Network Governance (Human Capital)
Demand-side Innovation

Private sector

Unforgettable Consumer-driven

Public sector

Blogosphere

Private sector

Citizen-driven

Public sector

21st Century Citizen

Participatory Demand-Side Innovation Models

What the community told us

The key messages arising from the listening to the Community process are as follows:

- Easy and frictionless experiences with services which give you more confidence that what you have done is correct, on time and in a timely manner.
- Access to the information we hold about you and your accounts.
- Improved online services with reduced waiting times and more accurate advice.
- Online banking, transactional in nature and self-help.
- Easy-to-understand information, written in simple language and easy to understand.
- You have full access to your needs and those of your clients, and
- Tailored product.

Small business – You have time on your side:

- Improved phone services with improved waiting times, more accurate advice and after the sales support.
- "Know your customer" is encouraged and follow-up needs to provide advice that are more about"who you are"
- Tailored and simplified information in a simple language
- Easy to use, with searching ability with software that supports your business and your needs and provided in a single solution
- A more customer-friendly website.

Individuals – You have time on your side:

- Easy and frictionless experiences with services which give you more confidence that what you have done is correct, on time and in a timely manner.
- Access to the information we hold about you and your accounts.
- Improved online services with reduced waiting times and more accurate advice.
- Easy-to-understand information, written in simple language and easy to understand.
- Tailored product.

Our staff also participated in this process, suggesting a range of changes we could make to our systems to improve the experience of our clients. Tastes, cheaper and more personalised to the individual to make this happen.

We would like to thank the large number of people who gave their time to work with us.

22 21st Century Citizen
No More Assembly Line:
The Dawn of Personalized Government

Personalized and Networked
ATO: Easier, Cheaper, More Personalized

Guiding Principals:
• Do business with ATO online
• Online access to information
• Deal with a tax officer that understands your dealings and industry
• Receive personalised notices and forms that make sense to you
• High quality responses and quick turnaround times
• Practical levels of record keeping necessary to be in compliance with tax obligations
• Ease the cost of record keeping and compliance
• Compliance action will take account of compliance behaviour, personal circumstances, and risk

Friction-Free Government

U.S. Department of Labor
Occupational Safety & Health Administration

OSHA eTools and Electronic Products for Compliance Assistance

OSHA recognizes the utility of distributing information through the Internet and CD-ROMs. The following electronic products for compliance assistance are available:

- eTools
  - Safety and Health Topics
  - Compliance Assistance Services
    - Targeted CD-ROMs
- eGuides
  - eGuides are "stand-alone" interactive, Web-based training tools on occupational safety and health topics. They are highly illustrated and utilize graphical menus. Some also use expert system modules, which enable the user to answer questions, and receive reliable advice on how OSHA regulations apply to their work sites.

...or cutting through it
## Human Capital Capabilities Needed for 21st Century Governance

<table>
<thead>
<tr>
<th>Position</th>
<th>Hierarchical Responsibilities</th>
<th>Network Governance Responsibilities</th>
</tr>
</thead>
</table>
| CEO/Elected/Cabinet Official | • Allocate Resources  
• Explain to External Stakeholders | • Maximize public value  
• Identify core government values and talents |
| COO/Director               | • Protect boss  
• Limit downstream discretion and mistakes          | • Develop and manage relationships and strategy  
• Understand customer needs |
| Manager                    | • Enforce Rules  
• Monitor Inputs                                     | • Relationship Manager  
• Project Manager |
| Line Worker                | • Follow rules                                       | • Solve customer problems |
| Procurement Officer        | • Prescribe rules  
• Enforce impersonal tight processes                 | • Negotiate  
• Solicit and incorporate best ideas  
• Contract for outside advice |

Transformation will require a change in thinking...

“People are very open minded about new things. As long as they are exactly like the old ones.”

- Charles Kettering
For Further Information…

Bill Eggers
weggers@deloitte.com
202-378-5292

www.governingbynetwork.com