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CSC
ASSESSMENT OF
INDUSTRIES PROGRAM

SUBMITTED TO: Director General
Inmate Employment Branch
Corrections Service Canada

SUBMITTED BY: DPA Consulting Limited
April 30, 1979

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BACKGROUND

1. This study was prompted by a concern on the part of CSC Management that the Industries Program was experiencing a number of difficulties, as exemplified by high inventory levels and the possibility of having to close several manufacturing shops in institutions. The urgency of the situation called for immediate action.

2. DPA Consulting Limited was commissioned on April 3, 1979, to undertake a short, intensive study of the situation. The purpose of this study was twofold:
   a) to prepare as factual a report as possible on the status of inventory levels and associated financial problems; and,
   b) to prepare quickly an overall assessment of the Program itself, concentrating on specific steps to be taken to improve both the operations and Program effectiveness.

3. While this assessment of inventories and the Program was underway, a team comprised of CSC staff and other consultants was examining short-term inventory clearance alternatives that would ameliorate the existing financial difficulties.

4. The DPA team visited a number of institutions, spoke to all Regional Managers Industries, interviewed staff at NHQ Regional Offices and institutions, and conducted interviews with representatives of a number of federal government departments including DSS.

5. This report presents the results of the survey of inventory levels for major CSC manufactured products, the assessment of the Program itself, and a set of recommendations for immediate action to restore the necessary sense of purpose and direction to the Program.
FINDINGS

I  Inventory

1. Existing records did not permit, in the time available, a breakdown of IRF commitments into raw materials, work in progress and finished goods inventory.

2. The study team concentrated on finished goods inventory. The proportion of IRF tied up in finished goods inventory as of mid-April does not appear to be excessive. However, this does not present a total picture of the IRF situation.

3. That proportion could increase significantly over the next six months, due to production plans not backed by contracted orders.

4. No analysis has been performed by CSC to determine optimal inventory levels. However, certain product lines are at, or will soon reach, what appear to be high inventory levels, unless sales are concluded soon. These product lines are:
   - modular furniture
   - modular shelving
   - screens
   - Post Office equipment
   - climbers
   - lockers
   - brushes
   - inmate clothing

5. Certain Institutions report a shortage of production plans beyond the next three months. They are:
   - Laval
   - Cowansville
   - Archambault
   - Warkworth
   - Joyceville Pilot
   - Mission
   - Springhill
6. Only two major inventory items were reported as unsaleable:

- Archambault - Air Canada equipment (15% of finished inventory in Quebec)
- shoes

Annex E contains:

- details of finished goods inventory levels as of mid-April;
- reported production plans and sales for the next six months; and
- resulting inventory levels at the end of this period.

The inventory clearance team will be presenting possible courses of action for dealing with these potential problems.

II The Program. The Program itself was assessed from four points of view: Manufacturing Operations, Marketing/Selling, Finance/Cash Flow Management and Policy/Organization. Details of these assessments are contained in Annexes A - D.

In summary, our major finding is that the organization, administration and (to a lesser extent) the operations of the Program are in dire need of major corrective action. Symptoms of the serious situation prevailing are as follows:

(i) frequent high inventory levels and large draw-downs on the IRF.
(ii) lack of an organized, effective marketing function working in coordination with production, leading to (i) above.
(iii) the extreme difficulty encountered in obtaining reliable data on the status of the manufacturing program (e.g. inventory levels, current IRF levels, contracted sales, lists of clients, etc.). These data elements are fundamental to the successful operation of even a quasi-commercial manufacturing operation.

(iv) wide variation in the quality of planning and control of production.

(v) wide variation in the costing and accounting methods employed. There is confusion over what "profit" is to mean in this Program, resulting in very loose project evaluations.

(vi) the lack of clear objectives and policies for the Program, based on a realistic assessment of what kind of quasi-industrial environment the CSC can hope to create within its walls. This absence of clear objectives and goals is hamstringing all serious planning activity.

(vii) continuing uncertainty over the most appropriate organizational structure. The existing organization is currently flip-flopping on an issue called "centralization", rather than focussing on the organizational and decision requirements of this rather unique and interesting Program.

(viii) continuing confusion between the legitimate corporate functions of the NHQ component and the selling function involved in marketing CSC products to DSS and other Federal Departments in Ottawa. This confusion has caused NHQ to become much too closely associated with details of manufacturing operations.
(ix) commissioning of major new industries plants in new and refurbished institutions with no clear statement of what they are to produce or which markets they are to serve. Present problems could soon be exacerbated unless action is taken.

(x) a continual reliving of the same problems. Almost all of the concerns identified in this study have been identified in previous studies up to three years old. In particular, the urgent need for improvements to the IRF accounting methods was pointed out clearly in June, 1976. Other problems such as prototype production, performance bonds and lead times in materials delivery have been pointed out before.

The time for studies is past. It is now time to act judiciously on the studies that have been carried out.
RECOMMENDATIONS - A TIME FOR ACTION

The following recommendations are presented as an action plan for revitalizing the Industries Program. The "priority 1" items are aimed at providing both short-term relief to the situation and laying the groundwork for the more fundamental items referred to as "priority 2". The priority 1 steps should all be well underway within six weeks.

PRIORITY 1

(1) ORGANIZATION (see Annex D)

- reverse the present trend to highly centralized operations control;
- produce an organization structure, based on the chart at Annex D, that, inter alia:
  - recognizes clearly the corporate functions that must remain at NHQ, under a Director of Industries to be appointed,
  - separates the function of selling to government departments in Ottawa from these corporate management functions,
  - involves Regional staff directly in the Marketing/Selling function, (see below)
  - assigns to the five traditional Regions the detailed control of production scheduling,
  - assigns to institutions the manufacturing operations function.

(2) MARKETING/SELLING FUNCTION (see Annex B)

- appoint a qualified Manager (Marketing, Selling and Customer Relations) to be part of the NHQ (see Annex D)
- create a sixth Region (National Capital Region (NCR)) for Marketing/Selling

- assign to the six Regions responsibility for selling of CSC products, through the Manager (Marketing, Selling and Customer Relations)

- take immediate steps (Annex B) to improve CSC's contacts with federal government departments, both directly and via DSS.

- use existing market research as a base for commencing market identification and planning; a preliminary list of product characteristics is presented at Annex B

- plan to carry out market identification efforts in Ontario and B.C. and in other regions where existing information is out of date or is not sufficiently comprehensive (Prairie and Quebec)

- defer decisions on product rationalization, institutional specialization and allocation of custom work until market identification work is essentially complete.

- pursue possibility of using private sector sales agents, paid for out of IRF surpluses generated by sales

- raise the dollar value for orders that the Region can accept, to $10,000

- resolve the long-standing question of prototype development

- take immediate steps to enable CSC to submit performance bonds on tenders.

(3) MANUFACTURING OPERATIONS

- appoint a Manager (Manufacturing Operations) to be located at NHQ

- commence discussions with DSS to raise the call limit on standing offers to the maximum of $15,000; this could effect important improvements in materials' and components' delivery time.
(4) FINANCIAL MANAGEMENT

- continue to improve IRF reporting accuracy
- review costs and benefits of NHQ assuming responsibility for
  - automated accruals and institutional P/L statement production (actual vs. budget)
  - billings and receivables
- improve product costing accuracy (particularly materials) and commence accumulation of historical cost records (Region or NHQ depending on above decision)
- commence immediate implementation for these items on either NHQ or Regional basis as decided by the cost/benefit review; including operational budgeting for industries operations.

(5) STAFFING

- an outline of the proposed organization is attached at Annex D
- the staff complement of the NHQ component should be lean, with emphasis on corporate management and coordination
- the key NHQ positions will be the Director of Industries and the two Managers (Marketing and Manufacturing)
- the Director of Industries' major duties should be:
  - corporate management, in particular coordinating the marketing, sales and manufacturing plans and major activities;
  - provision of support services (financial, etc.) to Regions and Institutions; and
  - maintenance of good communications with the DGIE and SDC, and all staff levels of the Program
- Senior NHQ and Regional staff should have had private sector experience, and should be familiar with the requirements of corporate management.

- detailed staffing and man-year implications for the six (6) Regions and NHQ have not been calculated; use of private sales agents will contribute to reducing the required staff complement.

PRIORITY 2

Work on the following areas should begin as soon as resources permit, but in any event within 6 weeks.

(i) Prepare a set of realistic program objectives, major goals and policies including the objectives of: making a "profit", occupying inmates, and instilling post-release marketable skills in inmates.

- base these objectives on a comprehensive analysis of the critical aspects of the private sector work milieu that will achieve these objectives, and how well CSC can realistically expect to duplicate these critical factors;

- develop at least preliminary policies for guiding CSC staff (especially at Institutions) in dealing with conflicts within these objectives, as well as conflicts with the objectives of other CSC activities, especially security, other Inmate Employment programs and Case Management;

- include in these objectives a discussion of what the term "profit" is to mean;

- work with the Master Planning group and the Policy Group, to ensure that the objectives and policies fit into the corporate policy framework under development.
(ii) Refine, implement and staff the organization presented above focussing immediately on the capabilities to:

- produce and implement annual marketing, sales and manufacturing plans that are coordinated towards the common objectives, above;
- maintain good customer service and quality control;
- provide control and accountability for IRF draws;
- provide, on a service basis, costing and product development expertise;
- supply Institutions, Regions and NHQ with the timely information required for their decision functions;
- provide a cost accounting service to Regions and Institutions to enable proper Revenue/Cost statements to be prepared.

(iii) Codify what has been learned from the Joyceville Pilot Project, to determine whether it presents a suitable model for implementation in other CSC industrial shops, i.e. whether or not any lessons learned are transferable. Use the existing evaluation as a basis.

(iv) The industrial program expansion implied by the new construction/refurbishing schedule is disturbing. Is such growth necessarily good? Using the objectives of (i) above, and the marketing plans, analyze the implications of this expansion. It may be necessary to curtail the construction of some shops.

(v) To improve financial management
- establish operational budgets by shop and initiate action to develop cost/revenue statements monthly by shop
- generate contribution statements by shop using information contained in the shop cost/revenue statements.
(vi) Program evaluation is currently a major concern of Departments. The basic changes contemplated to the industries program should be carried out to facilitate a formal evaluation of the effectiveness of this program in achieving its objectives.
ANNEX A: MANUFACTURING OPERATIONS

1. Production Management and Responsibilities

The Industries Division of the Correction Service Canada (CSC) operates some 110 production shops in 23 institutions across Canada. The shops vary widely in terms of size, types of products produced, and the complexity of the manufacturing process. The majority of the shops are small and have short production runs.

The management of the production process at the present time is divided into three levels. At the national headquarters in Ottawa, the Production Manager is responsible for overall production planning as well as the authorization, allocation and monitoring of all major production orders. At the regional level, the Regional Manager of Industries and his staff provide the same function for his region as well as the authorization, allocation and monitoring of production orders of a value less than $1500. The overall authority for all production operations rests with the institution, under the direction of an Assistant Director of Industries who reports directly to the Institutional Director.

This organizational structure creates some problems relative to the chain of command and delegation of authority. Neither the regional nor headquarters industries staff have any direct authority over personnel at the institutional level. Production objectives and targets are established by industries staff at national and regional headquarters with little or no input from the Directors' of the institution. The A/D Industries at an institution is expected to meet these objectives. However, these objectives may conflict with the overall institutional objectives. Consequently, industrial objectives are sometimes not met.
In most institutions, reporting to the A/D Industries is a Production Supervisor who is responsible for production scheduling, raw material ordering, manufacturing and shipping for each shop in the institution. Within each shop, there are one or more instructors who supervise the day-to-day manufacturing operations as well as train the inmates who are performing these operations. The one exception to this organizational structure is the Pilot Project at Joyceville. It has its own plant manager and business manager, and is run as close as possible to a private sector installation.

The instructors at the institutions are general tradesmen who have had little or no experience in production management and supervision. This, coupled with the general low level of skill and high turnover rates in the inmate staff, provide limitations on the effectiveness and productivity levels of the industrial shops.

2. Production Scheduling and Control

Production orders originate at the national level (more than $1500 in value); at the regional level (less than $1500 in value); and at the institutional level (less than $500 in value). The orders are of two basic types: an order to produce against a firm sales contract or an advance order to manufacture pending an anticipated sale. The latter can be based on a letter of understanding from a large government department such as the Post Office or the Department of Supply and Services or it can be based on nothing more than anticipated future sales.

At the national level, an order is allocated to regions. The region has the right to accept or reject the order. In Ontario, the regional manager assigns the order to the institution if the required delivery can be met and it is the institution which establishes the production schedule. The only region which deviates from this procedure is Quebec. The Quebec Regional Industries office has not suffered the staff cutbacks as have the other industries offices. Consequently, the
production scheduling and control functions are more region-
alized. When an order is received in Quebec, the production
manager establishes a production schedule in conjunction with
the institution and sets up a centralized record for future
control purposes.

The institutions have the primary responsibility for esta-
blishing the production schedule, from the purchasing of raw
materials through to the completion of the finished product.

Every month production progress reports are sent from the
institutions to the regional and national offices. However,
there is no standardized format for these reports. This
creates confusion in interpretation thus contributing to a
general lack of confidence in the reported data. Aside
from Quebec, there is no system established to monitor the
progress of production orders. At the national office, there
is little knowledge as to the status of a production order.
In the regional offices, the information can be obtained with
some searching and discussions with the institutions' staff.

In Quebec, the regional office does keep current records of all
production orders. The status of each order is called in
every week from each institution and the regional records are
updated. When an order falls behind schedule, the regional
production manager checks with NHQ or the customer to determine
the firmness of the scheduled delivery date. If it is a firm
date, he checks with the institution to determine if it is
possible to rearrange work loads to produce by the required
date. The biggest problem being encountered thus far is that
some institutions are optimistic on their scheduled delivery
dates. Also, for the national orders, it is difficult to
determine exactly how firm is the requested delivery date.

Presently, NHQ is producing a policy and procedures manual
which will standardize the production scheduling and control
system. Such a system is definitely needed. However, the
system is based on centralized control from Ottawa with no
regional presence. We question the adviseability of this.
3. **Procurement of Raw Materials**

When a production order is received at an institution, the production supervisor, or instructor, prepares a requisition for raw materials purchases. The A/D Industries authorizes the purchase and sends it to finance for commitment. Once financial commitment is obtained, the requisition goes to the Institutional Technical Services for purchase action. If the value of the purchase is less than $100, the purchase can be made immediately by local purchase order. If the amount is greater than $100, the purchase has to be made through D.S.S.

The purchasing of raw materials through DSS has resulted in lead times of three to four months for receipt of raw materials as a result of the requirement for awarding a contract through the competitive bidding process. However, DSS does order material on a standing order basis. The materials are then purchased on a call-up basis and deliveries of materials are made within a three to four week period.

Quebec Region appears to make more use of the standing offer agreements than Ontario Region for the purchase of its major items (i.e. steel, wood, leather, etc). There is also a good working relationship with the regional stores staff for purposes of chasing suppliers on delivery of raw materials. The regional industries staff perform this function in conjunction with DSS staff. In Ontario, the institutions perform more of the expediting of material purchases. This has proven to be frustrating and time consuming as they do not know who is supplying the goods nor the person in DSS handling the order. There are not enough staff available in the Ontario Region to perform this function.

4. **Inventory Control**

At the present time, there is no system to set inventory levels based on sales forecasts. Headquarters issues orders for advance manufacture in anticipation of future sales,
but accepts no responsibility for warehousing. However, there is no control on the level of inventory and in most cases, NHQ does not know inventory levels at any point in time. Once these products are produced, they stay in inventory until the original customer issues a sales order for a desired quantity. In some cases, this process results in the CSC performing a warehousing function for the intended customer.

Records of finished goods inventory are kept or they can be determined at the institutional level, but are not kept elsewhere with the exception of the Quebec Regional Headquarters. Bin cards are kept there and are updated regularly by the regional production manager. The only control on inventory levels is exercised at the institutional level and then only in terms of the total value of the I.R.F. Plans and procedures are underway to establish a record of finished goods inventory at the NHQ level as well as to control levels and to manufacture for inventory replenishment (ref. Policy and Procedures Manual).

5. Manufacturing and Quality Control

The manufacturing operations at the institutional level are the most effective components of the Industries program. The major problem facing the manufacturing operations is obtaining sufficiently long production runs of products which are relatively simple and labour intensive to manufacture.

Although productivity levels appear to be increasing, there is no real incentive for the A/D Industries to encourage further improvements with the present level of sales. This would result in fewer inmates being employed.

There have been complaints from customers on the quality of the finished goods. However, the institutional and
regional staff in both Ontario and Quebec feel that most of the complaints are not justified. Examples were given that indicated that the complaints resulted from goods that were damaged in shipping or from poor design specifications and drawings. It was generally felt that the product quality has improved in the last couple of years. There remains potential for improvement and further study of this critical area is warranted.

Ontario Region has recently lost their quality control man due to staff cutbacks. Quebec Region still has one quality control man but one man is not sufficient to cover all institutions. In the West and Pacific Region, quality control is the responsibility of the A/D Industries.

6. Warehousing and Shipping

Warehousing for storage of finished products is becoming a major problem. In Ontario, Joyceville alone has three warehouses which are almost full. A fourth one will be needed shortly unless the stock of E-8's and E-9's is reduced. At Joyceville, it is felt that if inventories are going to remain at present levels, more materials handling equipment and warehouse space will be required.

Other than in Quebec, the warehousing of finished products is the responsibility of the institution. The Quebec regional industries office has set up a central warehouse on Nun's Island. As items are completed at an institution, they are shipped to this warehouse. There are two men from the regional office who run the warehouse and keep records of inventory levels. The warehouse is full now, but it does include a large quantity of furniture which is being stored until the new institutions are opened. Plans are presently underway to build a regional warehouse for Quebec. It is planned to use this warehouse for three purposes: storing of finished goods; light assembly area; and marketing show room.
Shipping of goods is handled by Technical Services in the institution. However, industries is usually given low priority. In both Ontario and Quebec, this has resulted in the hiring of private trucking firms to ship goods even to the institution warehouse. This process is costly. The trucks may have to be at the institution all day since security will not allow the truck to leave until after the inmate count at 5:00 p.m. (Joyceville).

Strengths and Weaknesses

7.1 Strengths

The strengths in the present production operations are:

- there do exist some well established and well organized production shops in some of the institutions. The Joyceville pilot project is a prime example;
- there do exist personnel at the regional and institutional level who have the experience and background to operate small to medium size production operations;
- the institutions have proven that products of a high quality can be produced in the CSC environment;
- where there is a strong regional presence, such as in Quebec, it is possible to provide production scheduling and control;
- there does exist a good beginning to an improved production management system in the form of the draft policy and procedures manual.

7.2 Weaknesses

The weaknesses in the present production operations are:

- there are no well defined management objectives and roles established for industries management at the regional and institutional level. In particular, the role of the Regional Manager of Industries is uncertain and not common across the five regions;
- there are no formal procedures established for production scheduling and control;
- production is based entirely on firm sales contracts or advance manufacturing orders, with no attention paid to the establishment of finished goods inventory levels;
- there are no long term production plans at the institutional level;
- raw material procurement is a lengthy process because of the policy of ordering raw materials against a production order only;
- the capabilities, characteristics and capacities of the production shops are not known on a national basis;
- too many operational functions and controls are being centralized at NHQ.

8. Recommendations

The following are recommendations required to improve the existing production operations within CSC:

- delegate the responsibility and authority for all production operations to the regional and institutional levels;
- establish a national set of production procedures and control systems, that will give the regions the tools to effectively manage the production process.
- establish a manufacturing planning process, whereby each region is responsible for producing an annual manufacturing plan consisting of:
  - production capabilities by institutions
  - production plans by institutions
  - authorized finished goods inventory levels
  - raw material requirements
  - productivity and inmate employment objectives
  - capital equipment requirements
  - O&M requirements.
- instigate an annual marketing plan based on existing manufacturing facilities and available markets. A major output from this planning process would be a sales forecast that could be used as an input to the manufacturing plan.
- establish a policy of finished goods inventory control whereby minimum levels of inventory are kept based on sales forecasts from marketing department.
- purchase raw material supplies according to planned production schedules and make more effective use of DSS standing order arrangements.
- increase the authority at the regional level for authorization of sales orders.
- provide formalized training on production management and supervision for all levels of staff involved in production operations.
ANNEX B: MARKETING/SELLING

This section is divided into two parts including a description of marketing practices by region and a review of the strengths and weaknesses of these current practices.

PRESENT SYSTEMS

We describe the present marketing systems for the Ontario region and in the following sections other regions are considered in terms of only those points which differ from the practices in Ontario. Exhibit B-1 indicates the major building blocks of the marketing system and our discussion will relate to these major functions.

Market Identification/Description

This step comprises identifying potential customers and their product needs. This is basically the market research function.

Customers have been delimited for the CSC in such a way as to limit complaints of unfair competition from the private sector. Markets defined have been governments at all three levels, non-profit institutions including school boards, libraries and hospitals; and charitable organizations. These have been identified as being the target markets for CSC industries across Canada. Market definition is precise and can allow concentrated market planning and sales efforts. Efforts to date in identifying specific customers and their needs in Ontario have been as follows:

- a market survey was carried out in April of 1978 in which prepaid return questionnaire cards were circulated to members of the Public Buyers Association of Ontario. Information was obtained on customers' reaction to doing business with CSC industries and on the general types of products usually required.
EXHIBIT B-1: MARKETING SYSTEM

Marketing Management

1. Identification and description of the market and its needs (market research)

2. Preparation of market plans including:
   - product
   - price
   - promotion
   - distribution

3. Sales and customer service

orders ➔ deliveries

PRODUCTION
The response was gratifying and approximately 90% of the questionnaires were returned (68 sent out).

- Development of a large mailing list of potential customers.
- Visits to potential customers on a limited basis (staff restrictions).

Market Planning

As indicated in the Exhibit, this comprises product selection, pricing, promotion and distribution (warehousing and movement from production points or warehouses to customers).

Product Selection: CSC industries has traditionally been operating on a job shop basis.

Product selection can take two forms including responding to specific customer orders (job shop basis) and making products as have been determined by market research to be needed by the market place (by a number of potential customers) and selling these products over as wide a market area as possible.

What has developed in the Ontario region has been a combination of both. Large federal government orders have created products which have been subsequently looked upon us as part of the "product line" of the region. These have subsequently been written up in product literature with the intention of marketing and selling these products in all potential market segments.

The region has been trying to develop large orders and longer production runs and to move away from the low volume job shop method of operation.

Thus, product development has largely been one of making to customer orders and then attempting to determine whether these products could be sold to other customers as opposed to deter-
mining the needs of the general market and manufacturing general products to fill those needs.

**Distribution:** Distribution planning has received little attention in the Ontario region. We did not get into the subject in depth. However, it appears that warehousing capacity at the institutions is very low in relation to production. Consequently, distribution costs are heavy in the region at the moment because of high inventories. Outside space is rented at Mississaugua and Barriefield with considerable movement costs being incurred. Inventory is also stored at a Joyceville onsite warehouse.

**Pricing:** Prices charged to clients within CSC are cost (materials plus bonus labour) plus 20%. The guideline for establishing prices for non CSC customers is cost (on the same basis) plus 35%.

This latter guideline is flexible and considerable variation exists depending upon expected competitive prices. In general, the objective is to establish prices which appear realistic vis-a-vis the competition and which generally are at most equal to and more frequently less than expected competitive price levels.

**Promotion:** Promotion in Ontario to date consists of the following activities:

- three trade shows have been held, the last of which was staged jointly with the Province of Ontario Corrections Service.
- a variety of promotional letters have been sent to the addresses on the mailing list mentioned above (see Exhibit B-2 for an example).
- distribution of product literature to potential customers.
October 1977

Dear Sir:

You will remember reading news reports of many activities occurring within our Canadian Penitentiaries. Seldom do these reports adequately mention the intensive industrial program being carried on in most institutions. Since 1974 industrial shops have been reorganized, expanded and re-equipped to change from "job lot shops" to modern production line operations with a working environment similar to those found in industry.

From the sporadic production of numerous one-off items, or make work projects, our shops are specializing and mass producing items such as lockers, shelving, park tables and barbecues, office furniture, ballot boxes, gym and recreation equipment, mail room sorting equipment and quality printing.

Inmates apply, are interviewed and selected for jobs in profit oriented shops, work a full day with monetary incentives as in private industry.

There are valid reasons for establishing our industrial program in this manner. Inmates develop and maintain a work ethic necessary upon release to cope with a working life in industry. They reimburse the public, at least partially, for the $20,000.00 per year average cost per inmate in our institutions. Group production bonuses and other incentives are attracting inmates to participate with a positive attitude for future possibilities upon release, and 90% do return to your communities.
We are mandated to market our production to all tax supported or non-profit organizations. We would be very pleased to have your city consider our Industries as a source of supply for your numerous requirements.

For more information about our program and products, please write or phone.

W.G. Hardy,
Chief, Regional Market Development
Industries Division,
Canadian Penitentiary Service,
P.O. Box 1174,
Kingston, Ontario K7L 4Y8

Phone: 613-544-7922
MAJOR PRODUCT LIST

Lockers -
12 X 15 X 72
15 X 18 X 72
15 X 21 X 72
15 X 18 X 72
18 X 21 X 72

Office Desks -
60 X 30 Single & Double Pedestal
Secretarial Run-offs
Executive Run-offs
Bookcases
Tables

Shelving -
Canta lever Type - Shelf, Filing
Library
General Purpose

Ballot Boxes

Stevenson Screens

Gym Equipment -
Canadian Foldaway Climber
Vaulting Boxes
Hurdles
Outdoor Climber
Balance Beams

Picnic Tables

Barbecues

Services -
Printing
Furniture Refurbishing - Wood
Metal
Reupholstery
Sales and Customers Service

Selling effort is being carried out by one person at the moment in the Ontario region. This person attempts to keep in contact (mostly by telephone and letter) with as many customers as possible. Limited selling strength prevents intensive personal contact.

In what follows, we describe the marketing system for other regions, commenting on differences between these regions and Ontario.

MARITIMES

Market Identification and Description

A market study was completed in October 1978 by Dunn & Bradstreet and it pointed out a number of products that could be needed in the market place in the Maritimes. One of the results of the study was the data entry shop which commenced operation in Springhill.

Market Planning

Potential exists for a number of other products recommended in the B&D survey. Market planning for these opportunities has not as yet been carried out.

Maritimes are operating principally on job shop basis and responding to customer orders.

Pricing is the same as Ontario and there is no promotion of products. Information was not obtained on warehousing and distribution.
Sales and Customer Service

There is none in the Maritimes at the moment.

QUEBEC REGION

Market Identification and Description

A market overview was carried out for the Quebec region under the auspices of the Industries Task Force in January 1978 (J.P. LeBrun). The work involved contacts with a variety of potential customers, a recording of their purchasing from CSC and suggestions for a number of products which appear to be needed by these customers and which appeared to be suppliable by CSC, Quebec region.

A salesman was appointed to the region in June of 1978 and approximately 50 cities and school boards, as well as the provincial government, have been personally contacted.

Market Planning

Pricing systems are the same as in Ontario. There is considerable flexibility depending upon going market prices.

There has been some promotional literature distributed and they are currently working on a brochure describing signage
products available.

Comments on product selection are the same as those made for Ontario.

Warehouse space is used at the institutions (in short supply) and also at the CSC regional stores.

Sales and Customer Service

One salesman currently operates in the region. Repeat visits to potential customers have been minimal because of the low sales manpower.

The region is requested quite frequently to bid on a competitive basis on tenders issued by the provincial and municipal governments. These tenders require a 5% bond to be posted. The region has not been able to put up these bonds and consequently, between June 1978 and March 1979 had to turn down over 1 million dollars' worth of requested tenders.

The tendering procedure involves a committee decision involving the RMI, the sales person, the production person and one or two people from the institution in question.

Quebec sold about $1.8 million last fiscal year which was distributed as follows:

<table>
<thead>
<tr>
<th>Name of Customer</th>
<th>$Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Office</td>
<td>.7</td>
</tr>
<tr>
<td>CSC</td>
<td>.6</td>
</tr>
<tr>
<td>Public Works</td>
<td>.3</td>
</tr>
<tr>
<td>Air Canada</td>
<td>.1</td>
</tr>
<tr>
<td>Outside the Fed.Gov't.</td>
<td>.1</td>
</tr>
</tbody>
</table>

TOTAL: 1.8
PRAIRIES

Market Identification and Description

A market research study was carried out in this region by a consulting firm and was completed in the past year or so. The study involved contact with a number of potential customers and recorded comments pertaining to attitudes on doing business with CSC, as well as making suggestions for a number of products which appeared to be needed by the market.

Market Planning

Due to limited staff, no market planning has been carried out. The region has been responding to customer orders and is selling about 2/3 to the local regional market and 1/3 to the federal market.

Sales Customer Service

Sales are done by the ADI's who had developed a good customer rapport within regions - 50 to 100 mile radius around their institutions. This is the only selling and customer service activity in the region.

PACIFIC REGION

The only market identification research has been a study on modular housing. Due to staff restrictions, no other market identification activity has been carried out.

Market Planning

Pricing practices are standard and there is very little promotion of CSC products in the Pacific region.

Products tend to be largely of the job shop nature except for the federal orders. Product planning to meet broad market needs is non-existent and the products which are made are due to receiving specific orders and specifications.
Warehousing space is rented from the regional stores and space is at a premium in the institutions.

Sales and Customer Service

Some selling efforts are carried out by the ADI's at all institutions except Mission.

The region is selling 74% of its products within B.C. (including sales to CSC, B.C. region) and 21% to other federal markets (primarily modular furniture and post office equipment). Total 1978-79 sales were about $444,000.

OTTAWA REGION

We have chosen to discuss Ottawa as a sixth region as it represents not only the location of Headquarters staff but also the location of major potential markets for CSC industries.

Market Identification and Description

This has proceeded mainly through contact with the Post Office and DSS. Post Office liaison has involved detailed information exchange on forecasted product requirements and specifications, and this market identification activity has been quite successful.

Contact has been pursued with DSS for the last four or five years and a variety of products has been identified, ordered and produced. The line of products sold through DSS has increased substantially over the last two or three years. Several other federal departments have been contacted resulting in the opening of a number of other markets.

CSC materials management represents a potentially substantial customer for industries and contact is maintained between industries and this department. However, only about 2% of total CSC requirements are presently manufactured through the industries program.
Market Planning

Pricing is as in Ontario. Promotion is effected through personal contact with potential customer departments and the distribution of literature as available.

Products are identified in consultation with customers and specifications are not always supplied for manufacture.

Orders are allocated to individual regions for production both on the basis of firm orders and also on the basis of advance orders. Advance orders are placed based on estimates of headquarters marketing personnel as a result of discussions and forecasts with customers. These advance orders do not turn into sales until specific call-up contract orders are placed with CSC.

Sales and Customer Service

Sales efforts have been carried out by a limited number of people at Headquarters. Customer service including deliveries and quality matters that come up relating to federal orders, are handled through headquarters marketing staff.
STRENGTHS AND WEAKNESSES

In this section, we present a number of comments relating to strengths and weaknesses as perceived in present marketing systems in the six regions described in the section above. We start with Ontario as above and discuss other regions in terms of the variations observed. These observations are both those of DPA Consulting Limited as well as of present and potential customers who were interviewed.

ONTARIO REGION

The following can be regarded as strengths in the present marketing systems in the Ontario region:

- a good start has been made to market identification and description. A large number of potential customers has been identified, and some idea is available of the types of products these customers need. This information is the result of a market survey and from customer contacts by the existing sales person in the region.

- some promotional literature has been developed and is being used in product promotion.

- because of the Joyceville pilot project and other large federal orders, a number of "standard" products are being developed which most likely are needed by potential customers in the region.

- three trade shows have been held and have been deemed successful. These are excellent efforts and should be continued.

- the sales person has been able to achieve some personal customer contact.

Current weaknesses in the Ontario marketing system include the following:
- insufficient effort devoted to identifying specific customers and their product needs

- product pricing is haphazard and seems to function largely as a reaction to competitive market prices rather than being based on an accurate knowledge of product costs

- promotional materials, catalogues, etc. are insufficient

- staff is insufficient to deal effectively with customer specifications and working with production, to produce necessary shop drawings

- there has been no distribution planning resulting in insufficient warehousing space at the institutions and purchasing of expensive space in other areas

- sales efforts have been insufficient

- customer service is insufficient

- deliveries are often late due to the lack of regionalized production scheduling and control

- quality control suffers because of the lack of personnel

- marketing management is deficient. Talk of centralization in the last several months has effectively created situations in which there is no marketing management and the level of understanding of authority and responsibility between head office and the regions in this respect is at a low level.
THE MARITIMES

The following strengths were observed in the Maritime region:

- market research work has been carried out and represents a good base for marketing expansion

- data entry operations started at Springhill and this represents innovative service which may serve as a model for the rest of the system

Weaknesses were observed as follows:

- low staff complements have prevented follow-up on the market identification efforts described above and as a result, market planning in all its aspects has been at a very low level

- there is no sales or customer service effort in the region

- marketing management is practically non-existent

QUEBEC REGION

Strengths observed are as follows:

- market identification on an overview level has been carried out by the industries task force and thus some direction has been provided in terms of customers and their needs (although detailed research needs to be conducted)

- personal customer contact has been made on a first-round basis to a number of potential customers

- some promotional literature has been distributed and further literature is being prepared
- on-time deliveries have improved; this is probably the result of increased effort devoted to production scheduling and control which has been in evidence in the last 6 to 8 months

- the region has a salesman who has had some success in starting to develop the regional market. Most of the recommendations put forth in the J.P. LeBrun report have been acted on (at least the initial stages thereof).

Weaknesses observed in the Quebec region include:

- although initial efforts have been made through the Task Force, more detailed and continuing efforts are required in identifying specific customers and their short and longer term product needs;

- there is need of improved and more comprehensive promotional information and cataloguing of the region's products;

- on pricing, the same comment applies as made for Ontario;

- in general, product planning and stepped up market identification efforts will be necessary if the regional market is to be developed;

- the sales force is inadequate and the present salesman has been declared redundant (apparently there was some thought of moving him to Ottawa).

PRAIRIE REGION

The Prairie Region has no staff except for the RMI. All of the weaknesses mentioned for the Maritimes, Quebec and Ontario apply to the Prairie Region.

Some market research exists which can provide a base for expanded market identification and customer contact efforts.

ADI's spend a lot of their time selling the local market surrounding institutions thus inhibiting their effectiveness as production managers.
The Region has achieved success in developing local markets which in 1978-79 constituted 63% of the total sales.

The Region has a problem unique in the country. This is that access to the institutions from RHQ involves long car trips or airplane flights. This will make regional/institutional contact more difficult and will have an impact on the effectiveness of production planning and control. This function requires personal contact with ADI's and shop instructors and will be less effective when carried out only over telephone lines.

Pacific Region

According to the RMI, production and productivity are up in the past year approximately 33% and would have been higher if some of the high inventories of modular furniture, presently at Mission, had been unloaded. Strengths include:

The Region has had success in building up a substantial local market (74% of sales) in 1978-79 (prior to the "centralization move" they had built up a strong rapport with local customers in the Vancouver area. However, the proposed move of marketing responsibility to Ottawa caused this situation to deteriorate markedly, and will require rebuilding).

Weaknesses present in this region include:

- there have been no substantial efforts at market identification or in the description and pin-pointing of customers and their needs
- the RMI has no staff, consequently deliveries and quality control suffer
- market planning is non-existent
- sales efforts are minimal and are carried out to the extent that 3 out of the 4 ADI's can make themselves available
- in general, weaknesses described for other regions apply also in the Pacific area.
OTTAWA REGION

There has been substantial success in product development, marketing and sales to a limited number of federal departments in the last several years. These departments include DSS, PO, DND, and internal purchases by CSC. Principally through personal contact and rapport, sales to these departments have grown markedly.

As discussed in the attachment to this section, we held interviews with present as well as potential customers. Except for the two major customers (POD and DSS), other departments had only limited information about CSC products, were not aware of the range of products available and did not have all the brochures. The level of contact with these departments has been low and they were generally unaware of CSC's capabilities.

There appears to exist significant untapped marketing potential in the National Capital Region for CSC's products.
PRELIMINARY LIST OF PRODUCT CHARACTERISTICS

Because of the unique nature of CSC industries, there are a number of constraints and considerations that should be kept in mind when planning future product lines. These include the following:

- **Inmate reaction to the product:** Products for security purposes and agencies are shunned; products for communities, particularly those for children and young people, are viewed favourably.

- **Safety:** Unless rigorous and well-managed safety programs are in place, products requiring high-speed machinery should be avoided.

- **Challenge in the manufacturing process:** Products which are mundane and excessively simple to manufacture have not generated the level of pride of accomplishment which seems to result from the manufacture of more challenging products i.e. desks and furniture.

- **The shops and the processes must be capable of being shut down:** This is not the case in certain semi-continuous processes involving plastic products.

- **Products which require tight delivery schedules should not be undertaken:** Due to the inherent length of the DSS procurement process.

- **Institutions have general purpose equipment and products should be chosen which are adaptable to this type of equipment.** The purchase of specialized equipment will require reasonably assured longer term markets so as to allow equipment write-off from sales revenue within a reasonable period of time.

- **Products should be chosen which are relatively labour-intensive in order to maintain competitive edge.** Choosing products which are highly automated in the private sector will result in difficulties and price competition.
- Skill levels both for inmates and instructors are quite variable. Troubles will arise if products are selected which require excessively complicated shop procedures.
NOTES ON CUSTOMER INTERVIEWS

Departments Contacted

Via procurement officers:

DND  POD  DSS  DPW  AG  CCA  CIDA  EMR  CSC

Awareness and Perception of CSC

The two major customers (POD & DSS) were aware of the full range of products made by CSC and had brochures describing CSC products. All other departments contacted had only limited information about CSC products, were not aware of the range of products and did not have all brochures.

All departments, especially those purchasing CSC products (POD, DSS, DND, DPW, AG, CSC), were very sympathetic to CSC as a potential supplier. However, all stressed the need for CSC to:

- produce quality products
- deliver products on time
- to be realistic (and not overly optimistic) about CSC capability and capacity. The procurement officers cited examples of shoddy CSC products, delays in delivery, revision of delivery dates, and perceived unrealistic assessments of production capability. It must be stressed that departments required supplies on schedule at appropriate prices and to specified standards; and that no exceptions to these requirements could be made for CSC.

Most of the people contacted in these departments were aware of the difficulties facing CSC in producing products and meeting delivery dates and showed an appreciation of the unique problems facing CSC's Industries Program. However, all stressed the need to meet agreed standards and delivery schedules. All department officers (with some exceptions
for particularly well made and generally well delivered products e.g. DND lockers, some P.O. equipment in 1978) pointed out that they were adverse to having CSC as the sole source of supply, because of CSC's reputation of unreliable deliveries.

Most departments (particularly P.O., DSS, DPW) and RMI's of CSC suggested caution was required in building up CSC productive capacity because of:
- the potential (in some cases actual) conflict with private sector interests
- the limitations and unknowns in the CSC because of its nature (a penitentiary service) and the risks inherent in overreaching.

**Customer Servicing**

The regular customers (DND, CSC, POD, DSS) were happy with the level of contact with CSC Marketing staff but stressed the need for personal contacts. Regular customers pointed out the slow response rate of CSC.

Other departments have hardly been contacted and were simply unaware of what CSC made or could make. All procurement officers would be willing to meet CSC marketing people to discuss products, new product possibilities, potential requirements and so on. All would appreciate receiving catalogues of products and seeing examples of manufactured items.

**Product Development**

Several departments (DSS, P.O., CSC, DPW) mentioned the need for CSC to allow adequate lead-time in order to build up competence in the marketing and manufacture of new products before launching into all-out production. Time is required for:
- market research
- new product development
- staff and inmate training
- production testing
It was estimated that from 12-18 months should be allowed for these activities.

Departments contacted mentioned several potential products and services which CSC could perhaps supply.

e.g. DND = sandbags, klondike stoves, steel pickets, kit bags, tent pegs, storage containers

PO = vehicle maintenance, storage containers, post-box refurbishing

DSS = engine overhaul

SUMMARY OF IDENTIFIED PROBLEMS AND POSSIBILITIES

The following problems and possibilities arose from discussions with customers:

- Quality of products variable, frequently not controlled, excellent for some standard items from some institutions.
- Delivery sporadic, not controlled potential delivery dates often optimistically set and later revised because of CSC realities.
- Customer servicing sporadic and narrowly focussed. Potential new customers largely ignored.
- Lead times presently allowed from market and product development to product delivery are inadequate.
- Ordering processes and time span for both product orders and material orders too time-consuming and confusing. Too many signatures and checks required and not systematised.
- Customers both sympathetic and cautious.
- Some customers have large requirements of readily made items.
- Properly designed catalogue required.
- H.O. region customers and potential customers (Federal) need to be served more regularly (over-reliance on DSS).
- Capability and capacity of CSC Industries Program needs to be realistically assessed.
- No co-ordination apparent at H.O. and between H.O./regions or H.O./institutions.
- Institutions with more diversified markets have had more stable sales over period of Government cutbacks and economic decline.
- Regional differences across Canada have to be recognized in marketing plan (differences in customers, sales pattern, product requirements, CSC productive capacity).
- Distribution and sales centres across country would help sales and delivery.
- Major effort required in marketing and product development before major increases in production.
- Marketing and production should be aware of limits in CSC capability and capacity and opposition from private sector.
ANNEX C: FINANCE AND CASH FLOW MANAGEMENT

PRESENT SITUATION

Financial control of the institutions' operations is composed of two parts: Regular Operations/Maintenance and Salary Budgets for the institution (much of which applies to the shops but is not presently absorbed in shop costing); and the Industries Revolving Fund (IRF) which is a working capital fund. This fund finances revolving cash flow and its control is the principal financial function presently provided to Industries (by the Finance Division).

The IRF balance is generally calculated to be the sum of inventories (raw materials, in progress and finished), invoices payable, all raw materials on order, and all receivables.

Present Reporting

Two reports were presently submitted by the institutions to both RHR and NHQ including:

- **summary of IRF by institution.** This report format was recently revised and improved. Prepared by shop and in total, it is sent to both Regional and National Headquarters. It includes all relevant information on monthly production and opening and closing inventories and presents the IRF status at the end of each month. Exhibit C-1 shows a copy of this form.

- **IRF allotment forecast.** This is prepared for each institution and is consolidated for each region. It includes a 30, 60 and 90 day forecast of inventories, commitments, receivables and collections to arrive at a projection of total IRF commitments for these time periods (see Exhibit C-2).
<table>
<thead>
<tr>
<th>INSTITUTION</th>
<th>CURRENT COUURRANT</th>
<th>NUMBER OF DAYS — NOMBRE DE JOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>THIRTY — TREnte</td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Com.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Sales)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allotment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over(Under)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Date:
### Exhibit C-2

#### Inmate Employment Industries

**Summary of I.R.P.**

<table>
<thead>
<tr>
<th>Department</th>
<th>Raw Material Inventory</th>
<th>F.G. Inventory</th>
<th>Work in Process Inventory</th>
<th>&quot;I&quot; Fund Value of Work Completed</th>
<th>Total Value of Sales</th>
<th>No. of Inmates Employed</th>
<th>No. of Days Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
<td>Purchased During No.</td>
<td>Closing Balance</td>
<td>Month End</td>
<td>Year to Date</td>
<td>Year to Date - CSC</td>
<td>Month End</td>
</tr>
<tr>
<td>Wood</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metal</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Machine</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Paint</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Upholstery</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Tailor</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Casser</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Print</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Signage</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### A) Value of Material on Hand

### B) Total Value of Accounts Receivable

### C) Total Value of Commitments

- **Total Committed "I" Fund**
- **Authorized "I" Fund**
- **Amount Over/Under "I" allotment**

### E) Value of Accounts Receivable

- **30 days**
- **60 days**
- **90 days**

### F) Value of Material on Hand for Future

- **30 days**
- **60 days**
- **90 days**

### G) Expected Sales to Year End

### H) Value of Unfilled Outstanding Orders

### I) Productivity (Sales/Man days worked)

### J) Revenue:

- **10% supervision**
- **Inmate Labour**
- **CPS 6 orders**
- **80%**
- **Service Charge**
- **FST**
- **Less FST rebate**

### Total
Product Costing

Work orders are raised for each order or contract and materials ordered or drawn from stores for the work order are recorded thereon. Costs recorded by product include only materials and bonus labour and this cost base is used in calculating product price. All other shop costs and indirect manufacturing costs are presently absorbed through the regular O&M and salary budgets of the institution.

Operating and Contribution Budgets and Statements

For regular shops, these statements do not presently exist.

COMMENTS ON THE PRESENT SYSTEM

- all institutional accounting is on a cash basis rather than an accrual basis. For example, raw materials are not recorded in the raw materials inventory until the invoice is received or payments made thus distorting the raw materials inventory picture. The entry should be made (according to accrual system) when the material is received and placed in inventory.

- product costing (materials) is inaccurate. Because of long delivery times and expected scrap allowances, more materials are generally ordered that are expected to be used. However, the total raw material amount is charged to the order and to the product cost regardless of whether or not the total amount of material is used. Excess materials are returned to inventory and credit is not currently being posted to the relevant work orders.
shop cost budgets and budget variance control are not presently practiced.

substantial portions of product manufacturing cost are not absorbed in the product price. These costs include direct shop expenses, indirect or distributed expenses and capital costs. This is a policy consideration and the system does not conform to the Treasury Board Directives concerning the administration of working capital revolving funds (requires total costs to be recovered).

because of the above, there is no cost control in industry shops. There is no budget for expenses and no actual budget comparison. With the substantial capital and operating dollar flows involved in these operations, it is highly desirable to gain a significantly increased degree of cost control over these operations.

there undoubtedly exists a significant variation between shops and products in the contribution towards overhead. Presently, this analysis is not carried out and the degree of variation is not known. Knowledge of contributions at least by shop and possibly later by major product line would constitute key information on pricing in different markets and on the relative performance of different regions and institutions in contribution towards overhead through their industries' operations.
Future Directions in Industries Finance

The Industries Financial Control System must do two things:
- it must generate information which is compatible and mergable (as required) with regular institutional O&M and salary cost information.
- it must be designed to satisfy specific control objectives.

Satisfaction of the first point will allow the preparation of operating and contribution statements as discussed above through the merging of IRF and O&M/salary information.

Establishing financial control objectives and requirements must consider the financial consequences of not controlling certain items and must carefully weigh the staff resources required to assemble and compile the information versus the benefits expected to be gained by having the information and reports available.

Without going into great depth on these trade-offs we are suggesting the following objectives for consideration:

- establishment of industries accounting on a full accrual basis.
- improvement in product cost accuracy and cost records with the objective of building up a historical material and labour cost file which can be used in estimating standard costs for work orders for these products in the future.
- operating cost statements by Institution and possibly by shop (depending upon the resources required). This will permit the creation of annual operating cost budgets including both direct and indirect expenses as well as expected revenues. Normalizing equivalent shops for varying sales activity will allow comparison of costs, both budgeted and actual.
- preparation of these statements for individual shops will permit the most meaningful comparison. Preparation by Institution will be rough at best because of the varying mix of shops.
- a further refinement in terms of market pricing and production contribution to overhead can be gained (possibly at a later date) by using the above statements to calculate contribution to overhead by shop by Institution. This type of comparison will enable marketing and product development efforts to be directed towards product groups with higher contribution levels and it will permit inter-shop comparison and hopefully performance improvement.

IMPLEMENTATION PHASING

A number of phases are necessary in improving industries operations which lead to and involve improvement in the financial control systems. Discussions with industries personnel reveal that ideas for this phasing are being formulated and include the following steps:

- improving the accuracy and credibility of IRF monthly information flowing to NHQ. A new form will be completed for the first time in April (Exhibit 2) and this will be the start of this phase.

- the second phase consists of improvements in product costing, beginning to accumulate products costs which can be used for establishing historical standards, production reports on material usage efficiency, a work order ledger that will allow month end estimates of work in progress by order, and other production improvements.

- the third phase constitutes developing an accrual accounting basis for industries operations; establishing centralized billing and collections; and producing complete revenue/cost statements by institution. The latter will be done through the DSS computer processing system and will merge IRF
and O&M/salaries information. It is possible that IRF statements will be calculated through the same system. Accruals will be done automatically at NHQ. Statements will be sent back to the institutions by mail and they are expected to be received about three weeks after month end.

- with the next budgeting cycle shop operating cost and revenue budgets can be established and revenue/cost budget versus actual operating statements produced centrally by each shop thus allowing comparison of operations.

- shop contribution statements can be produced from information available in the operating statements outlined in the previous step.

These steps appear logical and over time achievable. We have not investigated in detail the cost and benefits of central control over billing, receivables and collections as well as the automated accruals and statement production. However, initial discussions show that substantial manpower savings are possible in comparison with manual accruals and manual production of these statements at the institutions and institutional control over billings and receivables (Head Office would also have to monitor these systems resulting in substantial duplication).

There appear to be stronger reasons for centralizing finance than for production or marketing. Costs and benefits would have to be reviewed at a level of detail beyond the scope of our work on this project. We would recommend this be done as a priority one item.
ANNEX D: POLICY/ORGANIZATION

1. Framework of Objectives, Goals and Policies for the Industries Program

By such a framework is meant the set of interconnected objectives and targets, with their complementary corporate and implementation policies, that collectively establish the direction, organization and procedures of the Program.

Status Report

CD 236 begins to establish a policy framework for the Industries Program. However, it leaves a number of major questions unanswered.

Although a number of sets of draft goals, policies and procedures are in various stages of development, there is no evidence of them being based on a comprehensive statement of both the objectives of the Program and the policies that are to be followed in achieving the objectives. Many of the serious problems being encountered within the Industries Program Branch stem directly from this lack of a sound set of objectives, goals and policies.

Examination of the operations of the Program demonstrate that it is seen as having at least three objectives:

- to contribute financially to the operations of the CSC, i.e. "to show a profit";
- to occupy the time of inmates; i.e. to help "keep the lid on"; and
- to improve an inmate's prospects of obtaining post-release employment by instilling marketable skills and habits in him.

Conflicts arise in working towards these objectives: conflicts among the objectives themselves, conflicts within other objectives of the Inmate Employment Program,
and conflicts between objectives of the Industries Program and objectives of other CSC concerns (e.g. security). One of the major purposes of a clear statement of objectives, goals and policies is to provide guidance to staff in resolving such conflicts and making the necessary trade-offs.

The goals being presented to SMC as part of the issue, "Revitalization of Industries", exemplify the dangers of operating without this framework. The first two numerical goals appear to be completely arbitrary, and exhibit an apparent single-minded pursuit of growth. Why is such growth of the Industries Program desirable? How is it to be accomplished? How will the objectives of the Program be furthered by this numerical growth? What will happen to other CSC objectives if this growth is achieved? These and many other questions are not addressed, but could be if the goals had been predicated on clear Program objectives.

A further demonstration of the need for this framework lies in the number of studies that have been carried out for the Industries Branch on financial control systems, marketing approaches, procedures manuals, etc. While many of these studies are professionally competent and valuable, there is no common set of Program objectives and policies that binds them together and enables them to complement each other. Rather, a number of them are based on different premises and are, in some places, quite irreconcilable.

The Requirements

There is an urgent requirement to prepare a practicable set of Program objectives to guide the Branch's work. Much of the confusion and duplication that exists within the Branch will continue until workable objectives are established. It may be that the schedule for the Industries Program issue in the Master Plan will have to be accelerated.
A brief review of the immediate requirements for this framework is as follows:

a) **A formal statement of Program objectives**, based on the above three, including the beginnings of policy direction on the reconciliation of conflicts in achieving these objectives.

b) **A realistic assessment of the constraints** (regulatory, organizational, etc.) placed on the CSC in working towards these objectives; this assessment would lead to a more precise definition of the environment to be created within the industries and would include:
   - analysis of the skills/habits that are marketable in the private sector;
   - constraints upon creating such an environment within CSC;
   - consequent policies for establishing industries.

c) **A definition of "profit"**. Are industries to be fully self-supporting, including contributions to overheads? What is to be the measure of their financial comparison and success?

d) **A policy statement on the role of industries** in CSC institutions, specifying the steps to be followed in justifying industries in new/refurbished penitentiaries.

e) **An analytical framework**, for assessing the contribution of each product or proposal (e.g. bonus pay, work flow system, etc.) to the individual objectives. This should lead to:
   - first, the development of a practicable base of products, work systems, etc. that achieves a satisfactory mix of the objectives;
- secondly, a formal method for analyzing all proposed changes and innovations.
2. Organization and Staffing the Industries Program Branch

Status Report

The organization of the NHQ component of the Industries Program is currently in a state of flux, with an interim organizational structure designed to carry the Branch until the completion of this assessment and other studies.

The current authorized strength of the NHQ component is man years.

The NHQ component retains only a degree of functional control over the Industries staff in Regional Office and Institutions. Staff and organizations at the Regions vary, largely due to differing regional responses to the cost reductions of last year. A total of man years is currently being used for Industries Program activities at Regional Offices.

The organizational issue of "centralization vs. decentralization" would seem to have been a major pre-occupation of the Branch for some time now. Several changes in philosophy have occurred with consequent changes to the organizational structures, policies and reporting systems. In our opinion, it is more illuminating to examine this question from the view point of first determining:

- the types of decisions required to establish, operate, and ensure the long-term viability of a CSC Industries Program;
- the places and levels at which those decisions should be made to capitalize on flexibility that exists and opportunities that arise, subject to central agency strictures and accountability concerns;
- the information and systems required to support such a set of decision foci; and, finally
- that formal organization which results from the above considerations.
The recent submission to SMC concerning "Regional Presence" dealt with a number of these questions. However, the SMC paper was not based on a comprehensive inventory of the functions required of an industries program and the trade-offs involved in selecting alternative decision points for carrying out these functions. As such, it is a partial answer.

A number of draft policy statements and reporting systems that are in preparation are predicated on the desire to have an Industries Program that is controlled from NHQ, with strong limits placed on the roles of the Regions and the manufacturing institutions. We question the advisability of attempting to run such a geographically-dispersed manufacturing operation in such a fashion.

The following chart presents an outline for a recommended assignment of organizational authority and responsibility. A major element of this outline is the treating of the National Capital Region (NCR) as a separate Region for marketing and selling. In addition a more direct Regional presence is recommended in the control of manufacturing operations.

There will be problems of coordination in this organization. It will be necessary to appoint a Director of Industries Program, who will be responsible for managing all components of the Program. His role will concentrate primarily on coordinating the marketing, sales and manufacturing functions with particular emphasis on providing support services to the operational functions at regions and the institutions. These support services are foreseen as being assistance in conducting necessary research, providing operational guidelines, resolving problems related to the total network or created by external restraints.

The coordination aspect of his role will be to ensure that manufacturing plans reflect the identified opportunities of the marketing plan and its resultant sales forecast. He will also ensure that the corporate financial plan/budget
is supportive to the marketing and manufacturing plans and adequately meets the needs of operations. This coordinating role will also involve dealing with other Branches within CSC and external agencies that have an impact on the operations of the Industries program.

Good communication will be essential. The main lines of communication upward will be with the DG, Inmate Employment while downward communications will be primarily through the RMI's. Direct communication with the Institutions should be discouraged.

The Director will also be responsible, with the aid of the Manager of Manufacturing, for the allocation of large manufacturing orders on a system-wide basis. While this responsibility will primarily rest with the Manager Manufacturing, there will be times that disturbances at the institutions may necessitate altering the original plan. Such circumstances could be very sensitive and therefore, warrant the Director's participation.

The qualifications for this position should include experience in financial management, industry and the functions of corporate management.
### OUTLINE OF ORGANIZATION FOR INDUSTRIES PROGRAM

#### FUNCTION

<table>
<thead>
<tr>
<th>MARKETING</th>
</tr>
</thead>
</table>
| - prepares annual corporate marketing plans  
- coordinates implementation of marketing plans  
- market research and planning national and in support of Regions  
- new product development and design service, supports Regions  
- policies  

<table>
<thead>
<tr>
<th>SELLING</th>
</tr>
</thead>
</table>
| - total responsibility and authority  
- customer service  

<table>
<thead>
<tr>
<th>IRF Mgt</th>
</tr>
</thead>
</table>
| - allocates to Regions  
- provides central reporting service to Regions and Institutions  

<table>
<thead>
<tr>
<th>FINANCE</th>
</tr>
</thead>
</table>
| Revenue/Cost Statements  
- compilation  
- central service  
- policy  
- develop annual financial plan  
- overall responsibility and authority for all draws on Regions' IRF  
- participation in IRF allocation decisions  
- maintain required records  

<table>
<thead>
<tr>
<th>INSTITUTIONS</th>
</tr>
</thead>
</table>
| - Regional contribution to national marketing plan  
- develop and implement Regional marketing plan (promotion, warehousing, selling, pricing)  
- sales forecasts  
- compilation  
- maintain records |
<table>
<thead>
<tr>
<th>MANUFACTURING OPERATIONS</th>
<th>POLICY/ORGANIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>- annual corporate production plan</td>
<td></td>
</tr>
<tr>
<td>- production planning and allocation for orders &gt; $10,000</td>
<td></td>
</tr>
<tr>
<td>- quality control management</td>
<td></td>
</tr>
<tr>
<td>- production scheduling and control</td>
<td></td>
</tr>
<tr>
<td>- production planning and engineering</td>
<td></td>
</tr>
<tr>
<td>- purchasing raw materials</td>
<td></td>
</tr>
<tr>
<td>- responsibility and authority for production</td>
<td></td>
</tr>
<tr>
<td>- quality control</td>
<td></td>
</tr>
<tr>
<td>- expenditures for plant and equipment maintenance</td>
<td></td>
</tr>
<tr>
<td>- develop policies, in collaboration with Regions and Institutions</td>
<td></td>
</tr>
<tr>
<td>- contributes implement to NHQ and</td>
<td></td>
</tr>
<tr>
<td>- contributes to NHQ and implements</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX E: FINISHED GOODS INVENTORY REPORT

OBJECTIVE

The objective of this portion of the Industries Program Assessment was to prepare as factual a report as possible on the status of finished goods inventory levels and the associated financial problems.

APPROACH

The sequence of steps taken to obtain the data for preparation of this portion of the report is described as follows:

Step 1: An initial list of data requirements was prepared and discussed with NHQ personnel in manufacturing, marketing and finance.

Step 2: The original data requirements were substantially reduced for the following reasons:

- the data would have to be obtained directly from the institutions as it was not available from existing records at headquarters.
- there were at least two requests which had recently gone (April 2) to the institutions asking for information to be forwarded to headquarters within a short time frame.
- the data requested for this study were not readily available at the institution and would require some time to assemble.
- the time frame available was too short.

Step 3: A revised list of data requirements, concentrating on existing and projected levels of finished goods inventory for major products only was prepared and discussed with the five Regional Managers of Industries. Each agreed to prepare the data within the time available.

Step 4: A confirmed list of requirements was sent, via faxom to the Pacific, Prairies and Atlantic Region (Exhibit E4).
Two day-long visits were planned by a member of the study team plus a member of the inventory clearance team to obtain and review the information prepared by Quebec and Ontario Regions.

Step 5: The data was reviewed thoroughly for understanding and consistency at the regional offices in Ontario and Quebec. The data from the three remaining regions was received via faxom and discussed via telephone.

Step 6: The data were analyzed and the findings summarized in Exhibits E1, E2 and E3.

FINDINGS

A summary of existing and projected levels of finished goods inventory by Region is contained in Exhibit E1. A detailed breakdown by institution and by major product is contained in an identical format in Exhibits E2-1, to E2-5.

The tables are divided into four sections. The first section (column 1) is the IRF allotment as of April 1979. The numbers for the regions are firm but are not necessarily firm at the institutional level as the region has the authority to reallocate these levels.

The second section (columns 2 to 5) of the table is the dollar value of the finished goods inventory for all major products on hand as of April 19, 1979. The value of the inventory represents the costs of material only. The RMI's determined these values by either taking the most recent information available on past manufacturing costs or by assuming that the manufacturing costs were equal to approximately 80% of the selling price. This assumption varied according to the product. All dollar values shown in these Exhibits are based on these same assumptions.

The finished goods inventory as of April 19, 1979 is divided into the amount for which there is a firm sales contract (column 2) and the amount for which there are no contracted orders (column 3).
The fourth column represents the non-contracted inventory as a percentage of the IRF allotment. Column 5 of the second section is the value of the non-contracted finished goods inventory which is known to be unsaleable for reasons of obsolescence, damage, etc.

The third section (columns 6 to 9 of the table) depicts the production plans for the period April to June 30, 1979. The first column is the value of the finished goods which are presently scheduled for completion in this time period. The second column is the value (material only) of finished goods for which there are firm sales contracts in this time period. The third column is the resultant end of period inventory level of finished goods for which there are no firm sales contracts (i.e. April 19 non-contracted inventory plus production less contracted sales for April to June). The fourth column is this amount as a percentage of the IRF allotment.

The final section (columns 10 to 13) of the table is identical to the third section but pertains to the period from July 1 to September 30, 1979.

The major findings from the analysis of these tables are:

1. The proportion of IRF tied up in non-contracted finished goods inventory as of April 19, 1979 does not appear to be excessive. The percentage for all regions is 21%. Only Quebec and Ontario have amounts greater than this - 28% and 24% respectively. However, it should be emphasized that this does not present a total picture of the IRF situation. Not included are accounts receivable and inventories of raw materials and goods in process.

2. This proportion could increase significantly over the next six months, due to production plans not backed by contracted sales orders. For all regions, the proportion increases from 21% in April to 38% at the end of June, to 51% at the end of September. All regions portray more or less the same pattern.
3. No analysis has been performed by CSC to determine optimum inventory levels. However, certain product lines are at or will soon reach, what appear to be high inventory levels, unless sales are concluded soon. These product lines are shown in Exhibit E-3. These eight major product lines account for 80% of the non-contracted inventory which is projected for the period ending September 30, 1979.

4. Certain institutions report a shortage of production plans beyond the next three months. These include most of the major institutions in terms of industrial production. These institutions and their major product lines are as follows:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Major Product Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laval</td>
<td>Brooms/ Brushes</td>
</tr>
<tr>
<td></td>
<td>Clothing</td>
</tr>
<tr>
<td></td>
<td>Playground Equipment</td>
</tr>
<tr>
<td>Archambault</td>
<td>Shoes</td>
</tr>
<tr>
<td></td>
<td>Wood/Metal Products</td>
</tr>
<tr>
<td>Cowansville</td>
<td>Modular Furniture</td>
</tr>
<tr>
<td>Warkworth</td>
<td>Modular Furniture</td>
</tr>
<tr>
<td></td>
<td>Ballot Boxes</td>
</tr>
<tr>
<td>Joyceville Pilot</td>
<td>Shelving/Lockers</td>
</tr>
<tr>
<td></td>
<td>P.O. Equipment</td>
</tr>
<tr>
<td>Mission</td>
<td>Modular Furniture</td>
</tr>
<tr>
<td>Springhill</td>
<td>Wood/Metal Products</td>
</tr>
</tbody>
</table>

5. Only two major inventory items at present were reported as unsaleable. Both were at Archambault in Quebec. These include $14,000 in obsolete Air Canada equipment and $52,000 in shoes which are obsolete because of recent safety regulations.
INVENTORY OF FINISHED GOODS

(MATERIAL COSTS ONLY)

($000)

<table>
<thead>
<tr>
<th>REGION</th>
<th>IRF ALLOT</th>
<th>INVENTORY - April 19/79</th>
<th>UN-</th>
<th>PRODUCTION</th>
<th>CONT</th>
<th>END</th>
<th>% IRF</th>
<th>JULY - SEPTEMBER 1979</th>
<th>END-INV.</th>
<th>% IRF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATLANTIC</td>
<td>230</td>
<td>-</td>
<td>8</td>
<td>3</td>
<td>-</td>
<td>72</td>
<td>13</td>
<td>67</td>
<td>29</td>
<td>61</td>
</tr>
<tr>
<td>QUEBEC</td>
<td>1540</td>
<td>-</td>
<td>434</td>
<td>28</td>
<td>66</td>
<td>389</td>
<td>107</td>
<td>716</td>
<td>46</td>
<td>53</td>
</tr>
<tr>
<td>ONTARIO</td>
<td>1800</td>
<td>195</td>
<td>435</td>
<td>24</td>
<td>-</td>
<td>332</td>
<td>49</td>
<td>718</td>
<td>40</td>
<td>351</td>
</tr>
<tr>
<td>PRAIRIE</td>
<td>610</td>
<td>-</td>
<td>34</td>
<td>6</td>
<td>4</td>
<td>125</td>
<td>22</td>
<td>137</td>
<td>22</td>
<td>168</td>
</tr>
<tr>
<td>PACIFIC</td>
<td>381</td>
<td>12</td>
<td>63</td>
<td>17</td>
<td>-</td>
<td>76</td>
<td>-</td>
<td>139</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>NHO RESERVE</td>
<td>139</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4700</td>
<td>207</td>
<td>974</td>
<td>21</td>
<td>70</td>
<td>994</td>
<td>191</td>
<td>1777</td>
<td>38</td>
<td>657</td>
</tr>
</tbody>
</table>

Industries
Program
Assessment
April 27, 1979
EXHIBIT E-1
### Exhibit E2-1

**INVENTORY OF FINISHED PRODUCTS - ATLANTIC REGION**

**AS OF APRIL 19, 1979**

**MATERIAL COSTS ONLY**

<table>
<thead>
<tr>
<th>INSTITUTION/PRODUCT</th>
<th>IRF ALLOTMENT</th>
<th>INVENTORY APR.79</th>
<th>APRIL - JUNE 1979</th>
<th>JULY - SEPTEMBER 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CON- TRACT</td>
<td>NON- CONT.</td>
<td>IRF</td>
<td>SALEABLE</td>
</tr>
<tr>
<td>DORCHESTER</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jackets</td>
<td>- 1380</td>
<td>-</td>
<td>-</td>
<td>1380</td>
</tr>
<tr>
<td>Mattress covers</td>
<td>- 6509</td>
<td>-</td>
<td>-</td>
<td>6509</td>
</tr>
<tr>
<td>Mailbags</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30240</td>
</tr>
<tr>
<td>T-Shirts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11250</td>
</tr>
<tr>
<td>P.O. Equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8500</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100000</td>
<td>- 7889</td>
<td>8</td>
<td>56990</td>
</tr>
</tbody>
</table>

| SPRINGHILL          |             |             |     |          |             |       |      |   |             |       |      |   |
| Refuse Containers   | -         | -         | -   | 2300      | -           | 2300  | -    | - | -           | -     | -   | - |
| Folding Tables      | -         | -         | -   | 2250      | -           | 2250  | -    | - | -           | -     | -   | - |
| Bleachers           | -         | -         | -   | 6000      | -           | 6000  | -    | - | -           | -     | -   | - |
| Waste-baskets       | -         | -         | -   | 2250      | -           | 2250  | -    | - | -           | -     | -   | - |
| P.O. Equipment      | -         | -         | -   | 2375      | -           | 2375  | -    | 2375 | 2 | -           | -     | 2375 | 2 |
| **Total**           | 130000     | -         | -   | 15175     | 12800       | 2375  | 2    | 60750 | - | 128004 | 56 |
| **Total Region**    | 230000     | - 7889    | 3   | 72165     | 12800       | 67254 | 29   | 60750 | - | 128004 | 56 |
### INVENTORY OF FINISHED PRODUCTS - QUEBEC REGION (MATERIAL COSTS ONLY)

**AS OF APRIL 19, 1979**

**April 27, 1979**

<table>
<thead>
<tr>
<th>INSTITUTION/PRODUCT</th>
<th>INVENTORY APR.79</th>
<th>APRIL - JUNE 1979</th>
<th>JULY - SEPTEMBER 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ALLOT-MENT</td>
<td>CON-TRACT</td>
<td>NON-TRACT</td>
</tr>
<tr>
<td>LAVAL</td>
<td>Brooms,Mops</td>
<td>55005</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Inmate Clothing</td>
<td>59810</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Leisure Trousers</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Chairs</td>
<td>11049</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Playground Equipment</td>
<td>4365</td>
<td>-</td>
</tr>
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<td>TOTAL</td>
<td>350000</td>
<td>130229</td>
</tr>
<tr>
<td>LECLERC</td>
<td>Screens</td>
<td>161056</td>
<td>-</td>
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<td></td>
<td>P.O. Equipment</td>
<td>3584</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>360000</td>
<td>164640</td>
</tr>
<tr>
<td>COWANSVILLE</td>
<td>Mod.Furniture</td>
<td>37270</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>350000</td>
<td>37270</td>
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<tr>
<td>ARCHAMBAULT</td>
<td>A/C Equipment</td>
<td>14323</td>
<td>14323</td>
</tr>
<tr>
<td></td>
<td>Shoes</td>
<td>54670</td>
<td>51668</td>
</tr>
<tr>
<td></td>
<td>Cell Light</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Street Waste</td>
<td>28038</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Receptacle</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Coat Rack</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>P.O. Equipment</td>
<td>4975</td>
<td>-</td>
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<tr>
<td></td>
<td>Folding Chairs</td>
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<td>TOTAL REGION</td>
<td>1540000</td>
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</tbody>
</table>

**April 27, 1979**
**INVENTORY OF FINISHED PRODUCTS - ONTARIO REGION**

(MATERIAL COSTS ONLY)

**AS OF APRIL 19, 1979**

<table>
<thead>
<tr>
<th>INSTITUTION/PRODUCT</th>
<th>IRF</th>
<th>INVENTORY APR.79</th>
<th>APRIL - JUNE 1979</th>
<th>JULY - SEPTEMBER 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ALLOT-</td>
<td>CON-</td>
<td>NON-</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>MENT</td>
<td>TRACT</td>
<td>CONT.</td>
<td>IRF</td>
</tr>
<tr>
<td><strong>JOYCEVILLE PILOT</strong></td>
<td>80460</td>
<td>153192</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shelving</td>
<td>78880</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Lockers</td>
<td>33600</td>
<td>76150</td>
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<td><strong>TOTAL</strong></td>
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<tr>
<td><strong>JOYCEVILLE</strong></td>
<td>6000</td>
<td>24000</td>
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<td>Climbers</td>
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<td><strong>TOTAL</strong></td>
<td>187000</td>
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<td>55335</td>
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</tr>
<tr>
<td><strong>WARKWORTH</strong></td>
<td>7729</td>
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<td>-</td>
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</tr>
<tr>
<td>Ballot Boxes</td>
<td>67344</td>
<td>30000</td>
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<td>Mod.Furniture</td>
<td>-</td>
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<tr>
<td><strong>COLLINS BAY</strong></td>
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</tr>
<tr>
<td>Cabinets</td>
<td>-</td>
<td>1750</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
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<td>31000</td>
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<td>-</td>
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<tr>
<td><strong>TOTAL REGION</strong></td>
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<td>195133</td>
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## Exhibit E2-4

**INVENTORY OF FINISHED PRODUCTS**

(PRANIER REGION)

(MATERIAL COSTS ONLY)

**AS OF APRIL 19, 1979**

<table>
<thead>
<tr>
<th>Institution/Product</th>
<th>April 79</th>
<th>April - June 1979</th>
<th>July - September 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allot-</td>
<td>Con-</td>
<td>Non-</td>
</tr>
<tr>
<td></td>
<td>ment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bowden</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misc. Furniture</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>85000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Edmonton</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mod. Furniture</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Climbers</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>P.O. Equipment</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Misc. (3 items)</td>
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<td>-</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>40000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sask. Pen.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>P.O. Equipment</td>
<td>-</td>
<td>-</td>
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</tr>
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<td>Playground Equipment</td>
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</tr>
<tr>
<td>Mail Bags</td>
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<td>-</td>
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</tr>
<tr>
<td>Inmate Parkas</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td>8</td>
</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>P.O. Equipment</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Cabinets</td>
<td>3485</td>
<td>-</td>
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</tr>
<tr>
<td>A/C Equipment</td>
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<td>-</td>
<td>2650</td>
</tr>
<tr>
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<td>-</td>
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<td>Coin Boxes</td>
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<td>15735</td>
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<tr>
<td>Drumheller</td>
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<td></td>
</tr>
<tr>
<td>P.O. Equipment</td>
<td>6960</td>
<td>-</td>
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<tr>
<td>Other</td>
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<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
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<td>21714</td>
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<tr>
<td><strong>TOTAL REGION</strong></td>
<td>610000</td>
<td>33503</td>
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</table>

April 27, 1979
### Exhibit E2-5

**INVENTORY OF FINISHED PRODUCTS - PACIFIC REGION**

(MATERIAL COSTS ONLY)

**AS OF APRIL 19, 1979**

---

<table>
<thead>
<tr>
<th>INSTITUTION/PRODUCT</th>
<th>IRF ALLOTMENT</th>
<th>INVENTORY APR.79</th>
<th>APRIL - JUNE 1979</th>
<th>JULY - SEPTEMBER 1979</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td>CON-TRACT</td>
<td>CONT.</td>
<td>IRF SALEABLE</td>
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<tr>
<td>MISSION</td>
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<tr>
<td>Mod. Furniture</td>
<td></td>
<td>55685</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P.O.Equipment</td>
<td></td>
<td>-</td>
<td>-</td>
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<td>KENT</td>
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<tr>
<td>TOTAL</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>MOUNTAIN</td>
<td></td>
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</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>26000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B.C. PEN.</td>
<td></td>
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<td></td>
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</tr>
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<td>P.O.Equipment</td>
<td></td>
<td>12032</td>
<td>7481</td>
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<tr>
<td>TOTAL</td>
<td></td>
<td>70000</td>
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<td>7481</td>
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<td>TOTAL REGION</td>
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# PROJECTED FINISHED GOODS INVENTORY LEVELS

FOR OCTOBER 1, 1979

April 27, 1979

<table>
<thead>
<tr>
<th>Major Product Line</th>
<th>Institution</th>
<th>Non-Contracted Inventory*</th>
<th>% of Total Inventory</th>
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</thead>
<tbody>
<tr>
<td>Post Office Equipment</td>
<td>Dorchester</td>
<td>Laval</td>
<td>642</td>
</tr>
<tr>
<td></td>
<td>Leclerc</td>
<td>Archambault</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Joyceville Pilot</td>
<td>Warkworth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Edmonton</td>
<td>Saskatchewan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stoney Mtn.</td>
<td>Drumheller</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modular Furniture</td>
<td>Cowansville</td>
<td>Warkworth</td>
<td>303</td>
</tr>
<tr>
<td></td>
<td>Mission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modular Shelving</td>
<td>Joyceville Pilot</td>
<td></td>
<td>227</td>
</tr>
<tr>
<td>Screens</td>
<td>Leclerc</td>
<td></td>
<td>184</td>
</tr>
<tr>
<td>Brooms/Brushes</td>
<td>Laval</td>
<td></td>
<td>85</td>
</tr>
<tr>
<td>Lockers</td>
<td>Joyceville Pilot</td>
<td></td>
<td>200</td>
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<tr>
<td>Climbers</td>
<td>Joyceville Pilot</td>
<td>Edmonton</td>
<td>110</td>
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<tr>
<td>Inmate Clothing</td>
<td>Dorchester</td>
<td>Laval</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>Saskatchewan</td>
<td>Stoney Mtn.</td>
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<tr>
<td>MAJOR PRODUCT LINE TOTAL</td>
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<td>1,927</td>
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</table>

*$(000)-October 1, 1979.
Exhibit E-4

April 12, 1979

To: RMI's--Pacific
   --Prairies
   --Atlantic

From: R. Watkins
Industries Assessment Program Team

Subject: Industries Program Status Report.

To confirm our telephone conversation of Thursday, April 12, the following list is the information which we agreed that you would provide. The information will form part of a presentation scheduled for April 30 to the Commissioner of Correction Service Canada on an Assessment of the Industries Program. The information is required by Institution and by major product, i.e. those products which comprise 75 to 80% of the total manufacturing costs (i.e. material plus bonus labor costs) in 1978/79 for your Region:

1. The number of units, and the dollar value of the costs to manufacture, of each major product in finished goods inventory as of March 31, 1979 (or more recent). This should include all completed manufactured goods which are either in storage or are ready to be shipped.

2. An estimate of the percentage or value of this finished goods inventory which is unsaleable (due to damage, obsolescence, etc.) for each major product.

3. The number of units, and the dollar value of the cost to manufacture, of those major products which are planned for production in the next 12 months broken down by the following time periods: April to June, July to September, October to March. Please include any production plans for new products or for new institutions. The time period indicated must be the period for which the units are anticipated to be completed.

4. Broken down into the same three time periods, the number of units for each major product for which you have a firm delivery schedule. These must include only shipments for which a contracted order presently exists. Do not include Advance Manufacturing Orders for which a contracted order does not exist. If anticipated shipments schedules (for uncommitted goods) exist, please indicate these as well.

Your cooperation in providing this information is greatly appreciated. As discussed, we require the information by April 23, and would, therefore, ask you to telex-faxcom the data as soon as it is available to the c/o Director, NHQ, Industries. If you have any questions, please do not hesitate to call me at 593-6067 or 593-6637.

R. Watkins

MAR 9 1989