

Reverse penalties for improving public services

DR. SYED SAAD ANDALEEB

THE other day I invited a high level executive from GE Transportation Systems to talk about the organization's best practices. This is an organisation that sells locomotives, worldwide. As I came to discover, the company sells more than just that. As the most profitable company in the United States in 2001, I began to learn, how the organization is presently moving away from selling locomotives; instead, it is trying to sell "run-time." In other words, instead of selling a locomotive, GE will guarantee customers a minimum level of operating time after adjustments for service needs. This is precisely what customers want because a running or working locomotive is what generates revenues; ownership is of secondary concern. While the idea sounds like leasing, it actually goes further. In leasing, customers are responsible for maintenance or operating costs. In the GE model, however, customers simply buy "run time." When asked, "What happens if GE does not fulfil the minimum guarantee?" I discovered another innovation: While GE charges a "high" price for the service, it promises that for every unit of time their locomotives fall short of the minimum guarantee, it will pay customers a predetermined amount

for not delivering. This is the concept of "reverse penalty."

Similar ideas are prevalent in international construction and industrial projects: If a certain project is not completed within a specific time frame, the contract can stipulate the penalty the contractors will pay. This makes perfect sense if we consider the concept of opportunity cost. If I invest in a factory that is supposed to be completed in June 2002, I would expect it to bring in revenues and, hopefully, profits, shortly thereafter. But if my contractor does not complete the project on time and as specified, why should I have to bear the consequences? Perhaps I might consider some adjustments if my contractor is unable to predict an act of God: say an earthquake. I might even make an allowance if one of our "astute and patriotic" political parties calls an indefinite strike because of some silly altercation it was embroiled in with a rival party. These are reasonable grounds for some consideration. But if the contractor is lax, I would certainly demand a penalty, a stiff one if possible, because the firm did not deliver on a promise, thereby shifting the cost burden to me. The threat of a reverse penalty can keep service providers alert and nimble, lest the penalties -- a measure of failure -- bring down the house.

Interestingly, some colleges have

recently begun to adopt the strategy of reverse penalties as a competitive tool in their arsenal to attract students. One college promises students jobs after graduation; if a student is unable to find employment, the college pays for extra training until the student gets a job. In a fiercely competitive battleground of declining enrollments, perhaps some colleges will offer reimbursements in the future if their

certain needed services to enable the project to be up and running (ala GE's concept of run-time). For parsimony, let's use the power sector as a scapegoat (or whatever goat you prefer to call it) to provide an essential service. When loans are taken, the plant is built, people are hired, raw materials are purchased, and delivery arrangements are made, power supply (and certainly other essential services)

this "approved" project. Do you now expect me to build my own power plant too? And when I seek your help, no creature is more elusive than you. Where are you? In another meeting? Another foreign trip? Another seminar? Another clandestine dinner with a donor or a development agency? Is that why you were given the responsibility for the power sector? When I fail to pay my bills, what do you do to me? And

Instead of acting as facilitators, they send in their army of "meter readers," quickly bringing all activities to a grinding halt unless their pockets are lined. I believe this can be stopped by reverse penalties.

There are other significant benefits of reverse penalties also. Our scapegoat could potentially charge a higher "official" price for the service guarantee -- a minimal defined level of power supply that can be

be in place to penalise concerned levels.

There is another major benefit: Under the threat of penalties, organizational cultures change and they become more responsive to customers. That is what happened to GE when it restructured in-house to embrace the concept and eke out efficiencies wherever possible via teams. In its search for efficiencies, GE also adopted the concept of six sigma, a concept that allows no more than 3.4 failures in a million service transactions. Processes were fine-tuned, employees were better trained, maintenance was enhanced, redundancies were eliminated, and a host of other refinements made in-house in a bid to continuously improve quality (CQI) designed to avert penalties, but more so to keep the customer happy and to build loyalty. In fact, it has been said that, "Guarantees force service organizations to understand why they fail and encourage them to identify and overcome potential failure points."

As a pilot project, the power sector (and other relevant sectors) should select an industrial belt and establish the basis for employing the concept of reverse penalties. Why should they do it? Because customers must begin to raise their voices and demand better services.

Because legislators must begin to impose reverse penalty laws as they begin to see the benefits of efficiency to the nation. Because honest workers must begin to demand opportunities to take home a better and honest pay. Because organizational leaders must realize they have a moral obligation to deliver what they promise. Because it would give Bangladesh the opportunity to compete with other nations on a better footing. Need I go on?

The concept of reverse penalties could certainly be incorporated by many other sectors: water, gas, telephone, healthcare and perhaps even education! It is time for the various chambers, trade associations, labour unions, political groups, social activists, the intelligentsia, and others to take up this issue in earnest and demand accountability and responsibility from those in authority, something this nation so desperately needs. Wishful as the thinking may be, the idea could even be extended to infuse responsibility among the nation's politicians who make so many outrageous electoral promises, never to be delivered. If they don't deliver, why not make them pay too?

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students fail to get jobs based on received training (I hope academic institutions in Bangladesh and parents who pay hefty sums for their children's education are taking notes and getting ready to negotiate similar terms!).

Now let's talk about public services in Bangladesh; let's talk about responsibility. When an investor goes through unimaginable bureaucratic tangle (and perhaps even a few somersaults) to get an industrial project approved, there is an implicit assurance in that approval that the government will ensure and deliver

becomes critical. But if the wheels of the factory are silent because our fabled scapegoat fails to deliver power, who should be responsible for the losses incurred? We all know how frequently power outages occur, sometimes several times a day and for several hours at a time. That stalls production and hence, there are no products to sell. The corollary: no revenues, no profits, and my creditors and work force are breaking down my door!

Excuse me Mr./Ms. Chairman or Mr./Ms. Minister of the power sector: I just plunged my life's savings into

when you renege on your promise what do you think I should demand? Yes, reverse penalties -- my pound of flesh!

Why should it not be possible to apply the GE model to public service providers? People want to work, they want to grow, they want to help generate employment, they want to compete with foreign manufacturers, and they want to make an honest living. So when those who are responsible for facilitating these outcomes fail to live up to their promises, is it unfair to make them pay? What is the current reality?

technically monitored. This price, today, is already being paid by most businesses to keep the meter reader happy. But because the deals are underhand, the obligations of the meter readers and their bosses are tenuous. Instead, the levy of a higher "official" price could be factored into the pay structures of the power sector (and other sector) employees to address the issue of low pay as a cause of corruption. Concurrently, the higher pay structures must be combined with responsibility. When there is a service failure, a mechanism must

G-8 Summit: Analysing the outcome

BRIG GEN (RETD) GYASUDDIN CHOWDHURY BB writes from Canada

THIS years G-8 Summit was held at Kananaskis, a remote resort village 150 miles west of Calgary, Canada on 26th and 27th of June. The venue of summit was moved away from the major cities to avoid repetition of violence/protest from various groups/activists who merge from all over the world, interestingly from developed countries.

The agenda for the meeting was much different from the earlier ones in the backdrop of terrorist attack in the US, Middle East situation and also on-going military operations against Al-Qaeda organization in Afghanistan. The US president came to the summit mainly to convince the G-8 leaders about his ideas of making peace in the Middle East, in the process ousting the Palestinian President Yasser Arafat. Secondly to get political and financial backings from member countries to dismantle aging nuclear, biological and chemical weapons left over in Russia and former Soviet countries from the Cold War.

In the agenda other countries including host country Canada were concerned about the economic and health problems in Africa. AID virus spreading in the form of epidemics

also got attention in the conference.

Middle East issue

As regards the Palestinian issue, a controversial Middle East peace plan initiated by US President George W. Bush, failed to find broad support because of its call for the ouster of Palestinian leader Yasser Arafat. Bush's long waited attempt to slow the spiral of violence between Palestinian and Israelis was generally welcome. But the US demand that Palestinian leader Yasser Arafat be replaced during the peace process became one of the hottest topics at the G-8 summit in Kananaskis.

"We are happy with him taking the initiative," encountered Canadian Prime Minister Jean Chretien who hosted a private discussion of the regional conflict at the G-8 leaders' dinner. He also added that Bush wanted to have the leaders' reaction, however people gave a different reaction.

During the summit France and Canada both publicly took issue with Bush's requirement that Palestinians hold election. Chretien insisted that it is up to the Palestinian people in selecting who should be their leader. French President Jacques Chirac during the news conference reiterated his opposition to Washington's anti-Arafat stance.

In his peace plan, Bush called electoral and judicial reforms in Palestine leading to the replacement of Arafat. The proposal also envisions the eventual creation of the Palestinian State. Bush's failure to enlist the full support of the G-8 leaders for his peace initiative did not appear to upset the US president. "The response has been positive and for that I am grateful," Bush said.

Aid to Russia

It was committed during the summit that Russia will receive \$20 billion during a period of 10 years to dismantle aging nuclear arsenal and also biological and chemical weapons. In that US alone will contribute \$10 billion and it is expected that other countries will contribute the rest of the amount. Canada committed to pay \$1 billion.

The main idea is to ensure that these deadly arsenals of aging nuclear weapons as well as biological and chemical weapons do not fall in the hands of terrorists. It was emphasized during the meeting that the Russian stockpiles are vulnerable to theft by terrorists.

It was hoped by the leaders that the plan would relieve concern that Al-Qaeda, the terrorist organization behind the September 11th attacks in the US that killed more than three

thousand people might not have already obtained radioactive weapons.

In addition to contributing \$100 million annually for ten years, Canada will provide technical support to Russia as part of the plan. The priorities include the destruction of thousands of tons of chemical weapons, the disposition of nuclear materials, finding jobs for former weapon scientists and tearing down Russia's 200 decommissioned nuclear submarines.

Fresh hope for Africa

The G-8 leaders unveiled an African action plan that is long on sweeping promises. The leaders of the group of eight industrialized nations agreed "half or more future increases to foreign aid to developing countries could be channeled to Africa." However the commitment had strings attached.

As host Prime Minister Chretien made it his personal mission to keep the plight of Africa on the international agenda, the terrorist, the Middle East and other hot spots were competing for attention.

Canada promised to open its market to African goods by eliminating tariffs and quotas on most imports from 34 of Africa's least developed countries effective January 1st and to do away with the so

called "tied aids" that require recipient countries to use foreign aid to buy Canadian goods and services.

Finally it was agreed that the amount of about \$6 billion would be given to African countries by this year, the half of the total aid placed by the G-8 countries.

Chretien said that Canada alone will give \$6 billion dollar to Africa over the next five years.

Other issues discussed concerned tension between India and Pakistan. They also agreed that Pakistan must put permanent stop to terrorist activities originated from its territory.

Earlier when all the leaders arrived, they were given a white Stetsons hat to greet them at Calgary. All the leaders had put on that except French President Chirac who refused to wear the hat. Eighty miles of radius of air was put out of bound for all the aircraft. In addition six thousand police and security forces secured all the lanes and roads of Kananaskis areas.

Demonstrations took place at Ottawa, the capital of Canada, Calgary and also around the village where the summit was held. However the demonstrations were peaceful and no violence took place.

Reactions of press and observers

An amount of approximately \$500 million that had to be spent for this summit is being questioned. During the meeting Italian Prime Minister Silvio Berlusconi told his colleagues that he did not think that face-to-face summit no longer required. French President Chirac, the next host of the summit, said to build on the Kananaskis foundation making the future summit even smaller and more remote with the greater use of teleconferencing and video technologies. But insisted that those still need for physical contact.

One of the anti-capitalist activists from San Francisco, USA asked for boycotting the GAP (fashion clothing brand) saying that, "GAP exploits cheap third world labour for making its clothes."

While reacting about G-8 summit one Mr. Graed Caplan who worked for the United Nations "New agenda for the development of Africa," said about commitment of G-7 members for aid to Africa; it is found that not one of the seven western countries has lived up to their repeated solemn commitments. It is only Scandinavian countries and Holland that have upheld the commitments. Looking at billions in aid that president George Bush recently promised, every penny is explicitly conditional on what he calls, "economic

freedom," the slogans that have caused such damage to Africa over the past two decades.

In return for desperately needed loans, poor countries have been forced by the international monetary fund and world bank backed by G-7 to adapt structural adjustment programme (SAP), harsh market based austerity policy of deregulations and privatization that those are supposed to reduce poverty and generate economic goal. It is believed that SAP actually forced African governments to slash their poor health and educational budget and introduce user fees for schooling and healthcare. Commented by Mr. Caplan

Comments Mr. Bush by journalists

Trouble haunts Mr. Bush as he hits to the G-8 summit as reported by Tom Raun of Associated Press. Everywhere he turns it seems that President George Bush faces another dangerous international crisis that defies a simple solution. The war against Al-Qaeda terrorists, and intractable Middle East conflict, the India Pakistan stand off, an apparent showdown with Iraq. "There are huge crisis which are up to the boiling point," said Derek Mitchell an analysts with the Centre for Strategic and International

Studies.

So to say the G8 summit which took place only for a period of 30 hours this year dealt with:

- λ 20 billion dollar financial grant to Russia to dismantle/destroy aging mass nuclear, biological and chemical weapons.
- λ 6 billion dollar aid to African countries to alleviate poverty and attend to health problems.
- λ Middle East crisis and fruitful solution for that. Mr. Bush's proposal for peace did get support but on the issue of ouster of President Yasser Arafat the was division of opinion. Canada and France believed and supported the outcome of election.
- λ India-Pakistan issue was discussed and Pakistan was asked to stop terrorist operating from its territories.

So to say the issues for business in the summit were precise. Developing countries other than Africa was neither discussed nor was in the agenda. Poor countries like Bangladesh may have to look at this year's G8 Summit with care and analyze the future aid package expected to come from wealthy nations.

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Arabs and Red-Indians: Brothers in fate!

YAMIN ZAKARIA writes from UK

THE recent statement made by US President Bush regarding the Israeli-Palestinian conflict, is a further evidence of the growing contempt for the Muslim and Arab world. Recently a senior member of the Congress issued a statement, calling for the expulsion of all the Arabs from West Bank. These European "settlers" want to mete out the same treatment to the Palestinians as their forefathers gave to the Native Americans. The

"pro Arab" voice within the US is expecting the Palestinians to show gratitude for negotiating the back garden, instead of the entire house, which was confiscated after 1949. Eventually the Palestinians will be "rewarded" with a provisional state (back garden) on their own lands. Lands that were occupied by the colonialists after the destruction of the Ottoman state, and then later handed to the Zionists. A provisional state for the Palestinians is intended ultimately for a permanent solution to the long-standing conflict. State without security (no military force)

and economic independence would be a state in name only. The future of these Palestinians would be in the hands of the Israeli verment rather than the Palestinian authority. It is hoped that such a manoeuvre would immediately lead to a halt in the suicide bombings. In the long term it may coax the Palestinians to accept the reality of the Judeo-Christian viewpoint, namely God promised the land to the Jews. Astonishingly, a nation that lectures the world about the sacredness of its secular identity, expects the world to swallow B i b l i c a l

arguments. Could the Native Americans claim the same position with respect to the European "settlers" on their land?

Such a solution of provisional state is more likely lead to a permanent ubjugation of the Arabs and facilitate Judeo-Christian dominance over the region. This manoeuvre would complete the mission that was initiated by Pope Urban in the 12th century. It is absolutely appalling that the Arab regimes do not comprehend the real position of the US in this conflict, and continue to be dictated by the US, as if she is an honest broker in this conflict. The Arab and the Muslim masses no doubt view the Israeli government like the UN, almost an extension of US, foreign policy department. Strong relationship between Israel and the US is not a simple matter of convenience; it forms corner stone of the US foreign policy in the region. Many would point out the strong Jewish lobby inside the US, has very strong influence over the Senate, Congress, business, financial institutions and is ultimately shaping her foreign policy. In addition to the

religious, economic and political factors, history of these European "settlers" has also contributed towards shaping the foreign policy of US. As Noam Chomsky pointed out for the hundreds of years of violent colonial history has had a clear impact in shaping the psyche of the US nation. Hence under the current US dictation, what awaits the P a l e s t i n i a n s is perhaps same fate as the Red Indians.

The similarities can be seen in the following points: a) The Europeans "settled" in North America, slowly confiscating the lands of the Native Americans. Likewise the Israelis are also called "settlers", a popular media term to hide the shame of illegally occupying other people's land. These settlers in the US are called euphemistically "the frontier people", continued in their territorial expansion using force, deception and violation of treaties after treaties. Similarly the Israelis have also been expanding their territory since the inception of their state in 1949.

b) The European settlers used propaganda heavily, denouncing the

Native americans as mere savages. Countless Hollywood films over the years reinforced the same image. While Hollywood may be a source of entertainment for the rest of the world, it is also a valuable source of information for the docile US masses. Similarly the Palestinians are being exclusively classified as terrorists, while every act of violence from the Israelis as an act of self-defence. Israelis are either acting in self-defence or as a positive force in favour of "peace" but never as terrorists or illegal occupiers of land. When tanks are deployed against children, it is a measured response against the terrorists with sticks and stones. In contrast, when the suicide bombers sacrifice their lives for defending their own territory, it is simply an unjustifiable act of terrorism. How is it that a nation becomes terrorist in

their own lands, simply illustrates the amazing impact of the mass media. Invasions of Lebanon in 1982 was a primary act of self-defence, even though 20,000 civilians (mainly Arabs) were killed in the process. It was still a one sided affair as far as the media was concerned. It is the cowboys against the Indians or in today's term the progressive democratic Israelis against the backward unruly Arabs -- images enforced by the entertainment industry along with the mainstream media.

c) Treaties that were formed with the Native Americans were never honoured. They were broken at will, whenever it was inconvenient, employing the most brutal measures against a truly peaceful nation. Similar measures were meted out to the native Mexicans and during the slave trade in Africa. They call it the American dream, which has been

achieved at the expense of a World nightmare. The same can be said for the way the present UN resolutions are simply being pushed aside, unless of course it happens to be countries like Iraq. Every international convention has been broken by the Israelis, for which they may get a verbal reprimand but if you are Arab, face the wrath of the US F15, and Tomahawk cruise missiles.

The US cannot be an impartial broker in this conflict, because they do not and cannot understand what it means to disposes and uproot a nation. The Arabs have replaced the Red Indians, so that the cowboys can continue to hunt.