



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Government Operations and Estimates

OGGO • NUMBER 062 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, November 29, 2016

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Chair

Mr. Tom Lukiwski

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• (1530)

[English]

The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)): Ladies and gentlemen, we'll begin our meeting now.

I have a couple of quick announcements. There will be votes this evening. Everyone is aware of that. My understanding is that the bells will commence ringing at 5:45 p.m., which will interrupt our second hour, the examination of the supplementary estimates (B). I would recommend to the committee that we continue to sit until 6 p.m. That will give us at least an hour and a half to deal with the supplementary estimates (B), and still have 15 minutes to get from this room to the House of Commons. If I don't hear any objections, that's how we'll proceed.

Minister Foote, welcome once again to our committee, and thank you for being with us.

Today's meeting is to discuss, in the first hour, the continuing study on the Phoenix payroll system. The second hour and a half will be discussions with the Department of Public Works and Government Services on their supplementary estimates (B).

With that very brief introduction, Minister, you know how this committee operates. The floor is yours for your opening statement.

Hon. Judy Foote (Minister of Public Services and Procurement): Thank you for the invitation to be here, and I welcome this opportunity, but first, I'd like those who are accompanying me today to introduce themselves.

Mr. Ron Parker (President, Shared Services Canada): I am Ron Parker, President of Shared Services Canada.

Mr. John Glowacki Jr. (Chief Operating Officer, Shared Services Canada): Hello. I am John Glowacki, COO, Shared Services Canada.

Mr. Alain Duplantie (Senior Assistant Deputy Minister and Chief Financial Officer, Shared Services Canada): I am Alain Duplantie, CFO at Shared Services Canada.

[Translation]

Ms. Marie Lemay (Deputy Minister, Department of Public Works and Government Services): Good afternoon. My name is Marie Lemay, and I am the Deputy Minister of Public Services and Procurement Canada.

[English]

Mr. Gavin Liddy (Associate Deputy Minister, Department of Public Works and Government Services): I am Gavin Liddy,

Associate Deputy Minister, Public Services and Procurement Canada.

Mr. Marty Muldoon (Chief Financial Officer, Finance and Administration, Department of Public Works and Government Services): I am Marty Muldoon, Chief Financial Officer, PSPC.

Hon. Judy Foote: It is a privilege for me to be here to give the Standing Committee on Government Operations and Estimates an update on the Phoenix pay system, as I had committed to do during my last appearance.

I am also pleased to participate in the committee's review of the supplementary estimates (B) for both Public Services and Procurement Canada and Shared Services Canada.

Allow me to repeat, as I have done many times, that it is completely unacceptable for any employees to not receive the pay they earn. I have been seized with this issue since pay problems first emerged, and fixing the government's pay system is a top priority.

Public service pay is complex and unique. There is no other pay system in the country with almost 300,000 employees, across 101 departments, with 27 collective agreements and 80,000 business rules.

The planning of Phoenix and the broader pay transformation initiative was flawed, but casting blame doesn't help public servants facing frustrating pay delays. They need solutions.

When I was made aware of the extent of the problem, I took early and decisive action. Many measures have been put in place since late spring to address pay issues and support our employees.

I announced the creation of a satellite unit in Gatineau to immediately begin working on the backlog. Over the summer, we added and staffed three additional satellite offices in Shawinigan, Winnipeg, and Montreal to provide additional support. I committed to keeping these offices until the backlog is eliminated and issues are resolved.

We've taken several steps to better support employees. We established a new call centre and a Phoenix feedback form to make it easier for employees to reach us and to report pay problems. We have communicated regularly about the availability of emergency salary advances for these employees affected by pay problems. We also provide regular updates to media and employees on our progress.

On the training front, we updated our materials for managers and employees, and we made more information available on our website. We also provided targeted training sessions to human resources advisers on how to effectively work with Phoenix. The department implemented system enhancements to improve how Phoenix functions and to increase automation.

Finally, we have worked closely with all of our partners. The Treasury Board Secretariat put in place a claims process to repay employees who have incurred costs related to pay issues, such as interest charges. The Canada Revenue Agency has information on their website and a 1-800 number for employees concerned about the tax implications of pay issues. We continue to collaborate with unions on a number of fronts, including a recent agreement to have government IT specialists help enhance Phoenix.

These measures have allowed us to make significant progress, but more still needs to be done.

Let me turn now to our efforts going forward. When I last gave the committee an update, my officials and I discussed our goal to eliminate the backlog of approximately 82,000 employee pay cases by the end of October. Despite our best efforts, we could not completely eliminate the entire backlog, and to date we have closed the cases of 83% of employees in the backlog.

The majority of cases left in the backlog predate Phoenix. These are complex cases that require time-consuming manual calculations. We are seeing cases that date back several years and involve multiple transactions. For example, when dealing with a retirement, it is common to first have to close several related pay transactions, such as salary increment increases, acting, and promotions.

Once all of these files are closed, there are additional transactions needed, such as termination payments and severance payments, before final payment to an employee can be issued. This process can be very lengthy where we are dealing with old files, and the verification of salary and other amounts is required.

As of today, approximately 15,000 public servants still remain in the backlog. It is important to note that these cases involve supplementary pay, but missing pay of any sort is concerning, and a priority that must be addressed.

These remaining cases are being handled by a dedicated group of expert compensation advisers, and our goal is to process them as quickly as possible.

During my last appearance, I also spoke about reaching a steady state, where pay transactions are processed efficiently, consistently, and with minimal errors.

●(1535)

We are now seeing much higher rates of productivity in our pay offices. Users have become more accustomed to the system and incoming pay requests are now processed more quickly and efficiently. For example, in May we processed about 40,000 pay transactions. However, in September and October, that number increased to approximately 100,000 transactions each month.

The dip in processing productivity after Phoenix was implemented had an impact on the caseload being carried in the pay system. For a period of time, we received more transactions than we could address.

Because of the situation, we had to refine our plan to reach steady state, which includes the following three elements: a concentrated expert team to eliminate the backlog; a prioritized approach for the timely processing of cases in or entering the pay system; and a process of validation and improvement.

This plan considers productivity rates, incoming work, the availability of employees, and other variables. It also prioritizes cases that may cause employees financial hardships or have tax implications, namely, those with disability claims, returning from leave, terminations, and new hires.

A key lesson taken from the Phoenix experience has been the need to consult widely and validate. This is why I have told my department to review the plan and its assumptions with other client departments, employees, and unions. This focus on validation will ensure we have a robust and reliable go-forward approach. Many good ideas on how to improve the pay system have come from our front-line compensation advisers.

Steady state won't happen tomorrow, but we're seeing progress. The processing times for certain transactions have already improved. For example, overtime is now processed automatically once entered and approved in the system.

Much of the discussion around Phoenix has focused on software, but at the heart of our pay system is people: those using the system and those depending on it for their pay.

In our public service pay centre in Miramichi, which I visited again this month for the third time, we are currently training our next generation of compensation advisers. A few weeks ago, the department welcomed a new class of 91 recruits who have started the one-year training program that will give them the skills needed to work at the pay centre. The program ensures the presence of a constant pool of qualified compensation experts.

At this point, Mr. Chair, I would like to acknowledge the hard work of the employees in Miramichi. They are dedicated, committed, and are working so hard on a daily basis to make a difference.

As the year-end approaches, we are acutely aware that employees who were not paid correctly are worried about tax implications. Public Services and Procurement Canada is working closely with the Treasury Board Secretariat, the revenue agencies, and the unions to minimize the potential for problems and to ensure that employees have the information they need.

Employees can visit the CRA website or contact their call centre for general inquiries about taxes. Employees looking for information on their T4 slips can contact the Phoenix call centre.

There is a significant effort under way to support employees experiencing pay issues.

If employees have been overpaid, these amounts will be recovered over multiple pay periods to lessen the impact. We are working directly with employees facing financial hardship to identify other payment arrangements, if needed. Those who have incurred out-of-pocket expenses as a result of missing pay can seek reimbursement through a Treasury Board Secretariat claims process.

I understand and appreciate this has been a very difficult situation, and I appreciate as well the patience of everyone whose pay has been affected.

Thank you to the staff who are working so hard to process pay transactions. On my most recent visit to the pay centre in Miramichi, I heard from employees about the progress being made and the challenges that still remain. This team is dedicated to helping their colleagues across the government, and I expressed to them my support and gratitude.

There are important lessons to be learned from this experience. That is why I called the Auditor General of Canada to do a full review of the Phoenix project. In the meantime, I have put on hold plans to transition additional departments to the pay centre.

• (1540)

The government needed a new pay system. However, the planning of Phoenix and the broader pay transformation initiative was driven by cuts instead of by service. The former government sought annual savings of \$17 million at the expense of employees.

Mr. Chair, I don't need to convince anyone that Phoenix should have been better planned and implemented. Pay transformation was compromised as soon as the decision was taken to eliminate the jobs of some 700 compensation staff before we had transitioned to Phoenix. Had those jobs been kept longer, we would not be in the situation we are in today.

We have been working very hard to address pay issues. Our backlog is almost 80% eliminated. Processing rates are up, and we now have a plan to arrive at our steady state.

There is still much to do, and deputy minister Lemay will provide a new update on our progress toward resolving backlog cases and an update on our plan to reach steady state when she meets with the media on December 14.

Turning now to the department's supplementary estimates (B), but keeping with Phoenix, the department identified the need for an additional \$50 million in extraordinary funding and is requesting this

funding in supplementary estimates (B). We discussed this figure when I appeared before you in September.

The funding is composed of \$5.7 million for additional support from IBM, such as a 24-7 troubleshooting support and refinements to the system; \$24 million for our satellite offices and call centres; \$16.1 million for our complaints centre, training and support to departments, and system maintenance; and \$4.2 million for contingencies.

Turning to Shared Services Canada's supplementary estimates, Shared Services Canada is seeking additional funding of \$4.7 million, which would be largely used to support initiatives under way at client departments. For instance, \$1.6 million would go to help modernize Canada's weather radar network for Environment and Climate Change Canada.

Other funding is directed to support ongoing projects at Immigration, Refugees and Citizenship Canada and the Canada Revenue Agency. Also, \$1.5 million is earmarked for added telecommunications costs related to new government employees.

These investments would strengthen and complement the work of Shared Services Canada as it also resets its transformation plan.

Thank you for your attention, and I'm happy to answer your questions.

The Chair: Thank you, Minister.

Minister, before I turn to our committee members for questions, we have you scheduled until 4:30, but your opening statement was a few minutes over what we expected. Minister, would you be prepared to stay here about an additional five minutes, so that we can get an entire round of questioning from all our committee members?

Hon. Judy Foote: Absolutely.

The Chair: Thank you very much.

We'll start with our seven-minute round, then.

Ms. Shanahan.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you very much to the minister and all the members of the panel for being here today.

Of course, we didn't really want to be back here today for this update. This committee was told the problem would be resolved by October 31, and yet here we are.

It's most concerning that we still have 15,000 employees who are experiencing difficulties. Also, what's going to be coming down the road is concerning, with all of the adjustments that have to be made to employee pay. Having worked in a payroll department myself some time ago, I can just imagine the T4s and having to deal with the out-of-pocket expenses.

I do commend you on being proactive in calling on the Auditor General to conduct an audit into the Phoenix pay system. I know, from sitting on the public accounts committee, that this would have been our concern, as well, given the amount of taxpayer funds this represents.

I'm somebody who likes to go to the root causes of problems, so what really concerns me in all of this is that it could have been avoided, to a large extent. I think back to the fact that you had to rehire experienced people and less-experienced people. I can just imagine that staff who were let go two years ago, prior to the transformation taking place, were experienced staff. They probably went off and found other jobs, and when it came time to address this lack of capacity, you had to go out and find people, hire them back and train new people, leading to even more problems down the road.

Minister, could you talk about how difficult that was in just trying to roll back the compensation department to where it needed to be, including the satellite department in Miramichi?

• (1545)

Hon. Judy Foote: What became obvious to us as the system was rolled out was that removing 700 compensation advisers before the vision had actually been realized, in terms of the new pay system being up and running as it should, really had a detrimental impact, because we did not have the experience there. We did not have the individuals who were familiar with all of the 80,000 regulations, the different union agreements, what was required in getting the job done.

When the decision was made by the previous government to remove the 700 compensation advisers, clearly they didn't take into account what was really important here, which was to make sure that, if you're going to transform a pay system, you do it with people who know what they're doing. By removing those individuals, they removed a core component from the 46 departments that were actually being covered with the February and April rollouts.

The departments that didn't have their compensation advisers removed are not experiencing the same degree of difficulty as are the other 45 departments where the compensation advisers were removed. That speaks for itself, in terms of the impact. You learn from experience, but unfortunately it's a hard lesson to learn for those employees who have been impacted by pay issues.

I feel comfortable in saying that if the employees had not been removed, had been allowed to stay until the system was up and working as it should have been, then we would not be here today having this discussion.

Mrs. Brenda Shanahan: Minister, once you were in place, you reported in February that when phase one was scheduled to start, your department told you it was ready to go and you gave the signal to go. It was the same thing with phase two. By the time May, June, and July rolled around and it had reached a crisis point, you met with this committee again to say that October 31 would be the date.

Do you have confidence in what your officials are telling you? This is really the concern we now have with your leadership in the department.

Hon. Judy Foote: I believe the employees in the department are working very hard to make sure we meet the deadlines.

Unfortunately, what happened with the October 31 deadline was that there were a significant number of backlogged cases that were very complex. As much as I and the department wanted to meet that deadline—no one puts a deadline in place not expecting to meet it—clearly the complications they ran into with the backlogged cases, and there are still 15,000 of them, prevented us from meeting our goal.

You know, everybody wanted a win here. I know the department has been working really hard. I have confidence that they are doing the best they can. I think we need to find out exactly what happened to get us in the position we're in. That's why I called in the Auditor General to do a review of this. No one wants to do a bad job. Everybody is working as hard as they can to fix this problem.

• (1550)

Mrs. Brenda Shanahan: Thank you, Minister.

The Chair: Thank you very much.

Mr. Clarke.

[*Translation*]

Mr. Alupa Clarke (Beauport—Limoilou, CPC): Thank you, Mr. Chair.

Thank you for being here, Minister. We very much appreciate it.

[*English*]

I think that today we have good news. I see in your introductory notes that you have a more careful tone and that you have a more objective interpretation of the work ahead than was the case in July. You said, "Steady state won't happen tomorrow but we're seeing progress" and that in the meantime, "I have put on hold plans to transition additional departments to the pay centre." I want to congratulate you on being more careful in your interpretation of the situation.

Minister Foote, I'm having a hard time deciphering the statements provided to the committee and press conference statements, because the numbers are sometimes from only the Miramichi pay centre, and then afterwards we're told that satellite offices are also struggling with Phoenix.

The second point of confusion is derived from the numbers being presented sometimes as the number of files for individual public servants and then suddenly as the number of transactions.

The final but biggest frustration is receiving numbers based on backlogs, the first backlog and the second backlog, instead of based simply on the number of all files presently left unresolved.

All this jargon makes it impossible for someone who is not a pay specialist to truly be able to gauge the magnitude of how many public servants are awaiting payments to be processed right now. Here is what I as well as our journalist press group friends would like to understand clearly: What is presently the total number of individuals, current and former public servants, waiting for funds from all pay centres in Canada?

Hon. Judy Foote: In our backlog, we still have 15,000, and those are the complicated cases that I referred to. In the initial discussion around a backlog we talked about 82,000 cases; we still have 15,000 employees who are waiting for supplementary pay.

Within Miramichi and our satellite offices, we are dealing with our day-to-day issues that arise. We still have a regular payroll that gets paid every two weeks with approximately 300,000 employees getting paid. The difficulty that occurs is with overtime pay, but now that we've automated that, of course that's not an issue to the degree that it was.

New hires—

Mr. Alupa Clarke: Sorry to interrupt, Minister.

Of the 82,000 cases that were backlogged on July 5, there are 15,000 cases left.

Hon. Judy Foote: Yes.

Mr. Alupa Clarke: How many cases have arisen since then that are not part of the 82,000? Are there any new cases? If not, we would like to know.

Hon. Judy Foote: What we have going through Miramichi are cases that come in on a daily basis, so the input and the output can vary. As I said in my remarks, in May we were at a point where we were processing 40,000 cases there. Today, we can actually process 100,000 a month. Both the number of cases that come in and the number of cases that get dealt with vary from day to day, but on average we are able to process 100,000 cases a month if we have them.

We took people out of Miramichi and assigned them to work on the backlogged cases, so there was a build-up of cases in Miramichi that we had to deal with. We have about two months' worth of work built up there. If we can put through 100,000 a month, that means there would be about 200,000.

• (1555)

Mr. Alupa Clarke: Another thing we find a bit shocking is that according to the official position, which we learned from newspaper articles, memos were sent out within the Department of National Defence, for example, to require that pay advisers get their Phoenix system training and present proof of their certificate of completion in October, because only about half of the pay advisers had completed it at that point. It had not been made mandatory at the start, apparently.

My question, Minister, is this. Halloween was the date set for clearing the backlog. If we go back a bit earlier, on September 19 you said there was no reason to believe that the backlog wouldn't be cleared by October 31. How could you say that then when half of the pay advisers had not even received the formal training for the program they were meant to be using?

Hon. Judy Foote: We really had no reason to doubt, at that point. That's why we put in place the deadline that we did. Again, when you talk about how complicated the cases were, that caused issues even for those who have experience, because there are so many different transactions that can refer to one case.

For us, it wasn't a matter of wondering whether or not we'd be able to clear up the 82,000. We fully intended on doing that, but even for

compensation advisers and human resources personnel who are well trained, there are issues that come up all the time when you're dealing with 80,000 different regulations and with 46 departments.

Mr. Alupa Clarke: Today, can you confirm whether all the pay advisers have completed their training for the Phoenix system?

Hon. Judy Foote: Do you want to speak to that?

Ms. Marie Lemay: I believe the numbers you're referring to are employees and managers who had to take training.

Mr. Alupa Clarke: That's right.

Ms. Marie Lemay: We can tell you the PSPC numbers. We're at 89% for managers and 87% for employees.

Mr. Alupa Clarke: Okay, perfect.

Thank you very much.

The Chair: Mr. Weir, you have seven minutes, please.

Mr. Erin Weir (Regina—Lewvan, NDP): Madam Minister, near the beginning of your opening statement, you said, "We have closed the cases of 83% of employees in the backlog." Later on in your statement, you said, "Our backlog is almost 80% eliminated." What proportion of the backlog has been cleared up? Is it 83% or is it less than 80%?

Hon. Judy Foote: It's 83%.

Mr. Erin Weir: Okay, so the "almost 80%" was perhaps an error in the remarks?

Hon. Judy Foote: It's 83%.

Mr. Erin Weir: Okay, thank you. So, 83% is clearly less than 100%.

Last time you appeared before this committee, I asked whether the government was on track to meet its stated deadline of October 31. That date has come and gone, and we still have 15,000 employees remaining in the backlog. I'm wondering if you can tell the committee when those cases will finally be resolved.

Hon. Judy Foote: In terms of not meeting the October 31 deadline, there was no one more disappointed than those of us who are working at PSPC. Clearly, we had hoped that we would get them all resolved by October 31. As I've said, a lot of those cases go back three years—they predate Phoenix—and they are complicated cases. In terms of when we will get them cleared up, we are going to get them cleared up as soon as we possibly can. That's why we have put a dedicated team to work just on those 15,000 cases, because we need to get those resolved as quickly as possible.

Mr. Erin Weir: I would also like to touch on the issue of employees who will have incorrect figures on their T4 income tax forms. Your answer to this issue used to be that it would all be wrapped up before the end of the calendar year. It doesn't sound like that's the case. Your answer today seemed to be that employees could go to the Canada Revenue Agency's website or call the toll-free number.

Is that really the extent of the government's plan to deal with this challenge of incorrect information on tax forms?

•(1600)

Hon. Judy Foote: We're going to make available whoever we have to in order to respond to any concerns that employees have, whether we do that through the Canada Revenue Agency or whether we do that through PSPC. Clearly, if employees think there are errors on their T4s, they need to get in touch with PSPC, and we will work with them to find out if, in fact, there are.

Mr. Erin Weir: It's not just a matter of employee concerns. If an employee actually hasn't been paid the correct amount by the end of the year, then the number on the T4 is going to be wrong.

Hon. Judy Foote: That's why we're encouraging employees to get in touch with us. That's why we have made available the call centre. We have the website there, and we have lines that they can call. It's really important that they reach out to us if they think they're having an issue, or if they've been overpaid and they're concerned about their T4. We are going to make every effort we possibly can to make sure that any issues with their T4s are corrected.

Mr. Erin Weir: I'd like to ask about the costs of responding to this Phoenix boondoggle. In the supplementary estimates, we have almost \$50 million to pay for supplementary pay centres, but you've also mentioned that the government is going to have to compensate employees who incurred interest charges and penalties by missing payments as a result of not receiving the money that they've earned. Do you have any sense of how much that compensation is going to cost?

Hon. Judy Foote: Fifty million dollars is the number we're working with at this point in time. Whether or not there will be additional costs remains to be seen. At this point, that is what we're working with and that is what we're asking for. I spelled out what that \$50 million will be used for. That's the number we're working with. With this file, as you know, if there are additional costs, then we'll have to deal with that, but at this time, \$50 million is the number.

Mr. Erin Weir: At a previous meeting we were told quite explicitly by your officials that the \$50 million did not include the compensation of employees. Are you now suggesting that the \$50 million encompasses the employee compensation as well as the pay centres?

Hon. Judy Foote: No. Are you talking about the claims unit? That's separate from the money that's being spent by PSPC. The money—

Mr. Erin Weir: I agree. I'm asking how much it's going to be.

Hon. Judy Foote: Do we have a number?

Mr. Erin Weir: I'm just trying to get a handle on the total cost of resolving the problem.

Hon. Judy Foote: We don't have a number on that at this point in time.

Mr. Erin Weir: Okay.

Even if Phoenix seemed like the right solution at the time, knowing what you know now, would you acknowledge that it was a mistake to rush ahead with the implementation?

Hon. Judy Foote: Clearly the payroll system that existed for the Government of Canada needed to be replaced. I think the issue, as I mentioned earlier, came from trying to achieve savings at the

expense of employees. Phoenix was the payroll system that the previous government decided we should go with. The reality is that when you remove compensation advisers who are familiar with everything to do with government payroll, that becomes an issue.

In terms of the actual rollout, I was told that all the information that was needed had been looked at, that they were ready to go, and that we had nothing to be concerned about. In February, as the rollout happened, people seemed to be satisfied that it was working well. Then in April, I think it was with the second—

Mr. Erin Weir: I think there were all sorts of problems reported in February. I think your government went ahead with phase two of Phoenix even though there were a lot of known problems in phase one.

I want to go back to your point about the importance of experienced pay advisers. Was it a mistake to locate the main centre in Miramichi, given that none of the people who had expertise on federal payrolls were located there?

Hon. Judy Foote: I don't think it was the wrong decision. As I always say, it's important to make sure that we have federal employees outside of Ottawa. There's an opportunity in other parts of the country to have federal employees. I think that's important.

I think that if sufficient training had been done, we would not be having an issue today. If compensation advisers had been kept on in Ottawa to support the Miramichi centre, we would not be experiencing what we're experiencing today.

Locating the centre in Miramichi was not a mistake. The mistake was removing the compensation advisers who could support the employees that were in the Miramichi centre.

•(1605)

The Chair: Thank you very much.

Mr. Whalen, you have seven minutes please.

Mr. Nick Whalen (St. John's East, Lib.): Thank you very much, Mr. Chair.

Thank you Minister for coming today.

It's clear from the testimony we're hearing today that, as with Shared Services Canada, the previous government left Canadians and government workers with a transformation initiative that was doomed to fail.

Compensation advisers were fired. Savings from pay modernization were already booked before they were really earned. Legacy systems were left understaffed. It's clear that the die was cast, but it would be helpful if you could explain to us what your staff officials told you would have happened had you wanted to stop the transformation initiative in February or April.

Hon. Judy Foote: Clearly, the fact that 700 compensation advisers had been let go made it impossible for us not to proceed, because we did not have the human resources necessary to deal with payroll that we should have had. We were now down to 500-and-some employees in Miramichi. Actually, we probably didn't have 500 or even 600 until later, because only so many were brought in at a time.

That the human resources aspect was not considered—people with experience, people who know government payroll—was a real issue for us. We were training employees and making sure that they had a good appreciation and understanding of government payroll. At the same time, we were trying to deal with a backlog of cases. We were trying to deal with complicated cases. I think the big issue for us was the layoff.

Even if we had wanted to get some of these individuals back, they had moved onto other jobs. Some had retired. It was impossible to access the employees because they had gone onto other jobs.

Mr. Nick Whalen: Minister, you talked a bit about the backlog with Mr. Weir.

I read the synopsis of the current state of the queue and I guess they took a snapshot of a point in time on November 16. They said they would expect at steady state they would have 80,000 in the queue, and that they would be able to process 100,000 in the queue. It looks like with 200,000 in the queue, it should take six months to work through the backlog and get down to steady state. I'm concerned. Perhaps you can provide us with some confirmation that you're satisfied that the department isn't burying the hard cases as they seem to have done with the projections that were given to us in the summer, where the hard and difficult cases were buried, and now we have 15,000. Do we have confidence that they're not doing that in respect of the 200,000 in the queue under the new system?

Hon. Judy Foote: I have no reason to believe that anything is being buried. When they started working on those 82,000 cases, I believe that clearly when they got down to the more complicated cases, it took much more time. I have no reason to believe that in the queue there are complicated cases, because we have put processes in place now to deal with these issues as they arise, compared to having inherited 40,000 cases that predated Phoenix.

Mr. Nick Whalen: Fantastic.

Earlier in our study into the Phoenix situation, we'd asked, I believe it was, Mr. Liddy, about who was letting go of the pay advisers, and who was responsible for the decision-making that led to almost 1,000 pay advisers being let go on the Friday before the election. I'm wondering whether or not you could speak to the advice that was given to your department immediately after having come in about those almost 1,000 people who were let go, the decision-making that went into their being fired.

It's my understanding that departments that chose to keep their pay advisers didn't have the problems. It was only those who made the very clear mistake to save money at the expense of workers' pay who have caused this crisis.

Hon. Judy Foote: That's the problem that I think we all now acknowledge. Letting go of people with the experience to deal with the government payroll caused the problem. As I said, I don't think we would be here today having this discussion if these individuals had not been let go in the 45 departments that we brought together. The other 55 departments still have compensation advisers. They're not experiencing the same difficulty. We're all under the Phoenix payroll system, but they have the compensation advisers so that employees can deal with their compensation advisers. That's what we don't have in the other 45 departments.

●(1610)

Mr. Nick Whalen: Minister, after all of this, with various points along the way of people being unnecessarily or improperly being let go from the work that they were doing in managing the legacy system, do you have confidence in the advice that your officials are giving you?

Hon. Judy Foote: The officials were given a job to do. They were told that the government payroll system was going to be replaced, and it needed to be. It was broken. There's no doubt about that. The problem I think was that it was based on realizing \$70 million in savings annually. When that is the focus, or that is what you're being told—how to realize that \$70 million annually—then you work according to the directive you've been given.

The reality is that to achieve that \$70 million annually, it meant fewer compensation advisers, which makes sense if the system is up and running, but not before you've implemented the system. Realizing savings is a possibility when you put a system in place that you're comfortable is working properly.

The problem for us is that having Phoenix up and running without the support of compensation advisers to enable us to get to that steady state point where we needed to get to wasn't possible.

Mr. Nick Whalen: Do you feel now that officials throughout the PSPC are aware that they need to appropriately staff their legacy systems in the context of any transformation initiative so that we won't see this continually happening? I think this might be the third or fourth place we've seen this already in our first year.

Hon. Judy Foote: I think it's really important that officials are able to speak clearly and inform those who are telling them that something needs to be done, of what steps should be taken to get there.

The Chair: Thank you very much.

We'll go to five-minute rounds now.

Mr. McCauley.

Mr. Kelly McCauley (Edmonton West, CPC): Welcome back, everyone.

I think I can echo Ms. Shanahan's comment. I think we'd prefer at this point to be past this.

I have to state right off the top that I'm very disappointed that you commented that casting blame doesn't help public servants facing frustrating pay delays, and then you launched right into the blame game. It's very disappointing. I think if your government had focused half the time on fixing the system rather than on blaming the previous government, we wouldn't be here today.

You stated that it is because of the layoffs, yet your department still pulled the trigger and went ahead. We have the Gartner report, and I'll read from it: "Departmental testing has achieved approximately a 50% pass rate." Gartner identified that the training hadn't been done. Yet the department still went ahead. We knew of the problems in advance, yet your department still went ahead.

On March 10, you commented on the process of going ahead with Phoenix as an “example of innovation” and the “future direction of government operations” and that it’s “proven to be a success”. Your ADM at the time commented that it was a remarkable job and then later that it was absolutely a good idea to move to Phoenix. Yet now it’s blame the past.

I’m just curious. How do you reconcile blaming the previous government when it was your government that pulled the trigger? If you knew of all these problems, why did you say, right after Phoenix started, that it was a success, and why did your department go ahead?

Hon. Judy Foote: I would love for it to have been a success, and nobody is more seized with the issue of making sure that Phoenix is a success than I am. The reality is that no, I’m not interested in pointing a finger in terms of blaming—

Mr. Kelly McCauley: Yet that’s all we’ve heard from you.

Hon. Judy Foote: —but when it’s pretty obvious that the focus is on achieving savings versus keeping employees who know the system, that’s really important to point out, which I’ve done.

Mr. Kelly McCauley: Let me just ask why you did not step back. If that was the issue, why did you go ahead? Why did you not step back and say, “It’s not ready. Gartner’s aware that it’s not ready.”

We heard from PSAC in January about their concerns.

Hon. Judy Foote: At no point did either report, certainly the report I was shown, indicate that we should not proceed. In fact, the difficulty, I was told at the time, was that 700 employees had been laid off. Going back to not proceeding wasn’t a possibility, because we did not have the human resources personnel to do that.

Mr. Kelly McCauley: It just seems very odd, if we knew of these issues, that you still went ahead.

I want to bring you back to September 19. We asked you on September 19 about paying bonuses to the bureaucracy responsible for this fiasco, and you said at the time, and I’ll quote you again, “I am not even versed in how the public service gets paid bonuses”.

It has been two months. I hope you’ve taken the time to be versed on the bonus system. I’d like to find out right now whether you’ve ruled out paying bonuses to those responsible for this mess. Have you paid out any bonuses for those responsible for this?

Hon. Judy Foote: I’ll repeat again that the ongoing pay issues are not acceptable. My focus has never been on paying bonuses. I have my personal opinion on performance pay for PSPC executives involved in Phoenix, but Treasury Board guidelines are clear. Executive pay is a responsibility of the deputy minister and the clerk.

Mr. Kelly McCauley: Have you paid out any money yet for this year?

Hon. Judy Foote: That is not part of my responsibility as minister. That is the purview of the deputy minister and the clerk.

Mr. Kelly McCauley: I congratulate you on not answering the question.

I want to follow up on Mr. Weir’s question about the T4s.

We’ve had overpays in the past, larger than what we’re seeing right now. How did we address it in the past so that the T4s were correct?

I also want to follow up on what Mr. Weir was stating. We don’t think it should be up to the public servants to follow up on their T4s. A T4 is not the easiest thing to figure out if it’s off by \$1,000 or \$2,000. I would strongly suggest that you find the resources and make sure that the T4s are correct and that you do not just throw them back at the public servants and say that it’s up to them to follow up and call the support line if they think their T4s are wrong.

•(1615)

The Chair: Give a very brief answer, Minister.

Hon. Judy Foote: Okay. It is interesting that you raise overpayments and T4s, because if you look at 2012, \$53 million was paid out in overpayments. In 2013, it was \$45 million, and in 2014, it was \$78 million. How it was dealt with then, I don’t know. I wasn’t here. I wasn’t part of government then. Whether individuals contacted the department or the department contacted individuals, I don’t know. I do know that we are reaching out.

The Chair: Thank you.

[*Translation*]

Mr. Ayoub, you have five minutes. You may go ahead.

Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.): Thank you, Mr. Chair.

Thank you all for being here.

Minister, I’m torn when it comes to the situation in which we find ourselves. As you said, it’s unacceptable for employees not to be paid. I hear from people in my riding who are affected by what’s going on and are understanding up to a point. They feel for the Miramichi employees they are dealing with, but they are obviously worried. They quickly realized that a huge part of the problem was a lack of training, in particular.

That said, you’ve inherited a problem you didn’t create. You had to climb aboard the train, so to speak. You had to jump on board and try to do your best.

Of the 80,000 or so cases you expected to process, 15,000 remain. Ultimately, that means about 5% of all affected employees still need to be dealt with. I wouldn’t go as far as to say that that’s an acceptable number, but it is a major improvement, nevertheless. As I see it, there’s hope.

The measures you will be taking through the Auditor General are another reason to have hope. I think it’s a good idea to be a little more patient than my colleagues in the opposition, who prefer to jump to conclusions in terms of what lies ahead. The Auditor General will have the opportunity to take stock of the situation, and only then will we really be able to lay blame.

Right now, my concern is what will happen going forward to the 15,000 unresolved cases and other cases that might be added to the backlog, even though we hope it will lessen or disappear.

I'd like to know what steps your department is taking to clear the backlog and ensure the situation continues to improve.

What is the relationship like between staff at the Miramichi pay centre and satellite offices and affected employees?

• (1620)

[English]

Hon. Judy Foote: In terms of the individuals who are working at Miramichi, these employees are working above and beyond. I appreciate all of the hard work they're doing. They know, of course, that it's their colleagues whose pay is being impacted here, and they want to see the issues resolved as much as we do. They take it personally, because they're very dedicated, committed individuals.

For the 15,000 remaining in the backlog, we have put together a group of expert compensation advisers to deal solely with them. We are hopeful that those will be resolved as quickly as they possibly can, of course. But again, these are complicated cases. Some of them go back three years, and they can involve any number of transactions that should have been dealt with but weren't, and were allowed to accumulate. The individuals in this expert group we've pulled together to deal just with those 15,000... We're hoping that they'll get those dealt with sooner rather than later.

[Translation]

Mr. Ramez Ayoub: Thank you for your answer.

Some unresolved cases involve temporary employees, specifically, and they are usually students.

Do you process the files of students, who more commonly work during the summer or on a temporary basis, differently than you do the cases of permanent employees?

[English]

Hon. Judy Foote: Students are a special group. I have said from the outset that students don't have savings; students need to be paid for work performed. Traditionally, I'm told, students, like others in a lot of cases, would in previous years work for two to three months for the government before being paid. That is totally unacceptable as well, because students need to be paid. We've put a process in place to ensure that they are paid. I have heard there are students in some departments who have not been paid—not summer students, but students who are coming into the system as new hires in an interim position for a period of time, and we're looking closely at that.

The Chair: Thank you very much.

Mr. McCauley, for five minutes, please.

Mr. Kelly McCauley: I want to go back to the Gartner report and their comments on contingency planning. They say, "Contingency plans to address unforeseen cut-over and post cut-over issues are normally in place for a program this size. Again, these plans may be in place, but none of the interviewed departments have knowledge of contingency plans."

They follow up, and this is after the first time it had been delayed, and state that a second delay will have a reputational impact, but not

a dollar impact on our public servants or any of the other problems of reputational impact. They say that any "confidence issues with departments will likely be further exacerbated with another delay. This will drive additional scrutiny."

They go on to say that departments that have made "staffing adjustments in anticipation of the move to pay centre and Phoenix will have to develop contingency plans until the next go-live date."

Gartner is saying that it could have been delayed as long as they had contingency plans developed. They could not find any evidence of contingency plans, or at least no one was aware of them. Again, I just have to ask, why did we go ahead?

Mr. Liddy, I think you stated that IBM and S.i. Systems said to go ahead. The Gartner report, which I think you referenced as well, said there was nothing about not going ahead, but it gave pretty clear instructions and a pretty big red flag about contingency plans and staffing contingencies, yet there's nothing there. You went ahead anyway, causing a massive \$50-million waste of taxpayers' dollars and unheard of disruption for our public servants.

Again, why did we go ahead?

Mr. Gavin Liddy: The Gartner report was commissioned by Treasury Board. We weren't made aware of the contents of the Gartner report until January 29. When we had a look at it, we realized that it was based on interviews with departments in December. I quote—

• (1625)

Mr. Kelly McCauley: I'm sorry, Mr. Liddy. When did you first get access to it?

Mr. Gavin Liddy: On January 29.

Mr. Kelly McCauley: January 29 is when you first got the Gartner report?

Mr. Gavin Liddy: Yes, in draft format.

Mr. Kelly McCauley: Into Public Services or into Treasury Board?

Mr. Gavin Liddy: Public Services and Procurement Canada. We weren't aware that there was a report being commissioned by Treasury Board.

Mr. Kelly McCauley: But you did get the report in January?

Mr. Gavin Liddy: In a draft format, yes.

Mr. Kelly McCauley: But you got the report in January, because I'm pretty sure—

Mr. Gavin Liddy: Let me quote—

Mr. Kelly McCauley: I'm pretty sure. Sir, let me finish.

Mr. Gavin Liddy: Let me quote. Can I quote?

Mr. Kelly McCauley: I'm pretty sure that at a previous committee Public Services stated that you did not get a copy, or is it that you got a copy and you didn't inform the minister?

Mr. Gavin Liddy: No. I got a copy of the draft report on the 29th, and we did not pass it on to the minister because we felt that we had addressed all of the issues raised by Gartner. I'll quote:

Gartner has identified only one criterion with a high probability of occurring, and a high negative impact....

That was with respect to testing, and it was based on interviews and incomplete knowledge of the people who were interviewed. So when we went live—

Mr. Kelly McCauley: “Departmental testing—”

Mr. Gavin Liddy: —we had—

Mr. Kelly McCauley: Let me finish: “Departmental testing has achieved approximately a 50% pass rate.”

Mr. Gavin Liddy: Yes, which is incorrect. That was based on interviews with people who are in departments and who weren't aware of what we had actually done.

We ran 16,000 tests. When we went live, we had 124 pay and pension defects remaining, none of which were critical. In the regional pay system that we were running, we were working with over 1,000 defects. We did 150 releases a year. We—

Mr. Kelly McCauley: We have asked repeatedly in this committee—Mr. Weir asked repeatedly—if we could not have delayed, and we were getting “no, no, no”, that we had to go ahead. It's pretty clear in the Gartner report, which said yes, apart from reputation, we can delay a second time, and it identifies that you had better have these contingency plans addressing the exact same thing that the minister has been going on about on the staffing issues. Right in here, it said to be prepared for it, that they could not find the plans, and yet we still went ahead. I have to ask why.

Mr. Gavin Liddy: Because the system was ready to go ahead, and we were dealing with an old regional pay system that was failing repeatedly and a huge error rate. Then, when we did cut over, we ran three pay cycles, and the cutover was successful. The problems we've had are basically when—

Mr. Kelly McCauley: What about the issues of contingency and the issues of if we have to delay? You need to have a contingency plan for the staffing changes, but no plan was done and you went and pulled the trigger. The department—

Mr. Gavin Liddy: No. There was a contingency—

Mr. Kelly McCauley: —and this government pulled the trigger anyway and went ahead.

Mr. Gavin Liddy: If I could answer the question, Mr. Chair....

Mr. Kelly McCauley: Please.

Mr. Gavin Liddy: We ran three pay cycles after we first cut over. We did have a contingency plan. We augmented the pay centre staff by 10% to make sure we had capacity and, in a number of departments, which is referred to in the Gartner report, we had to change when we were rolling them out. That was the contingency plan, which we did adopt.

When we ran three pay cycles in the month of February, we felt—and this is what the previous deputy reported, and which we advised the minister of—that the system had actually worked. It wasn't until May and June that we realized the transactions were not being entered, and that the pay centre was behind schedule. That is when it

emerged we had significant issues, but when we made the decision to cut over, we felt like we were ready. We felt we had resolved all of the issues raised by Gartner, even though we didn't get the report until January 29, and we were relying on the independent third party that was hired to do a systematic review of the process end to end and their advice.

The Chair: Thank you.

Madam Ratansi, you have five minutes, please.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you, Minister, for setting the record straight that the overpayment offered during the 2012 to 2015 period was in the amount of \$246 million. I hope that has been recovered.

Regarding the question that Mr. McCauley asked, I am looking at a letter that the deputy minister sent, which states:

The Department confirms that no outside consultants advised against implementing Phoenix....Independent reviews were completed by S.i. Systems, in alignment with the Treasury Board Secretariat policy, prior to going live. S.i. Systems' report states that "[on] the basis of the evidence provided, the Review Team feels that the Transformation of Pay Administration initiative should proceed to the next phase—a two-phase deployment of Phoenix, as scheduled.

Then it talked about the benefits outweighing the risk.

Could you explain to me this contradiction between the Gartner report and the S.i. Systems report?

Mr. Gavin Liddy: I don't see it as a contradiction, actually. I think both reports found, at certain points, some of the same things.

S.i. Systems did a more systematic review. It interviewed and it looked at data it gathered. The Gartner report was based on interviews with departments exclusively. We felt like we addressed all of the issues that were raised in both the Gartner report and the S. i. Systems report. Ultimately S.i. Systems recommended that, on balance, we should proceed, since the risks of remaining on the old system were—

• (1630)

Ms. Yasmin Ratansi: When the interviews took place with departments and the department's response was probably that it was not comfortable going live, could you tell me whether you had sufficient competencies or capabilities within the departments to take on such large-scale enterprise projects? Is it there? Is that why the department felt a little uncomfortable going live on Phoenix?

Mr. Gavin Liddy: In our case, we didn't feel uncomfortable. We thought we were ready to go. We had already delayed it.

I would also say that we felt we had the competencies to deliver the project. My predecessor had spent years in the department, in the compensation world. The person who is the lead of the project, who will come to the table shortly, is Brigitte Fortin. She had spent years—and they had already implemented a very complicated pension project, which serves over 800,000. We had no fundamental issues when we implemented that and in fact, the service levels are very high now and we've actually moved forward on that.

We felt that we certainly had the competencies and we felt that we had the right partners involved. We did a number of independent reviews. It wasn't just S.i. Systems. We also had Maplesoft come in and do a review in 2014. We felt that the delay instead of launching in October and December had bought us the time to resolve the remaining defects and get our partner departments ready to go.

Ms. Yasmin Ratansi: Minister, do you want to respond?

Hon. Judy Foote: I think part of the problem, and we've acknowledged this, and what became clear to us was that, in terms of the output through Miramichi, and this was no fault of the employees at Miramichi at all, there just wasn't sufficient training carried out with the employees. That, for me, was an issue when we talked about this, in that we need to make sure that our employees have the skill sets necessary to do the job expected of them.

I think the reality is that there was a decision made prior to the launch of Phoenix, when the department determined that it was ready to go. The training that had taken place through working with IBM was a train-the-trainer model. For anyone who knows, on a file of this magnitude, you really need to have more in-depth training of individuals who are going to be dealing with a payroll system as complicated as the one that we have with the Government of Canada, so that was an issue.

Right now, of course, what we've done as a government is we've made sure that our employees are trained.

Ms. Yasmin Ratansi: I have a quick question.

When we were doing the study of Shared Services, the challenges they were facing was due to a lack of consultation to develop their IT transformation plan. Could you give us an update on what's happening there? Those are large initiatives that the government is undertaking.

Hon. Judy Foote: I'm really pleased to report that the transformation plan has been completed. I am very pleased with the input that we have received. We've certainly consulted industry, but as well, there have been opportunities for Canadians to have a say on the transformation of Shared Services. The president is here, Ron Parker, who will be speaking after I leave.

We're really looking forward to having a system that is the right system for the Government of Canada, recognizing that anything we do in terms of an enterprise-wide system for government takes time. We have to be prepared to invest, as we did in the previous budget, because the resources just weren't made available. It's the same thing with Phoenix. These are enterprise-wide solutions that really do need to have the proper attention and resources dedicated to them for us to realize on the vision.

The Chair: Thank you, Minister.

Our final intervenor will be Mr. Weir, for three minutes, please.

Mr. Erin Weir: Madam Minister, experienced pay experts were laid off, in many cases because they did not want to relocate to Miramichi. How can you say it was a mistake to lay off experienced pay experts, but that it was not a mistake to relocate the pay centre to Miramichi?

•(1635)

Hon. Judy Foote: I think it was a mistake to lay them off, because I think they would have been invaluable in assisting the employees who were hired in Miramichi. Some of them took retirement. Others went on to other jobs in the public service. If you're going to look at

Mr. Erin Weir: You're saying, though, that their workplace should have been maintained in the national capital region rather than trying to relocate everything to Miramichi?

Hon. Judy Foote: What I'm saying is that it wasn't wrong to locate the pay centre in Miramichi any more than it was wrong to locate the pension centre in Shediac, New Brunswick.

The reality is that if you're going to put in place a more advanced payroll system, you should be able to realize savings. Whether or not the necessity of laying them off would have been today, tomorrow or next week, the reality is we needed that expert advice, I think, to enable us to realize the vision the previous government had when it said we needed to replace the payroll system.

Mr. Erin Weir: If you had seen the Gartner report in January, would you have delayed the implementation of Phoenix?

Hon. Judy Foote: From what I'm told, we had dealt with the issues raised in the Gartner report.

Mr. Erin Weir: It doesn't seem so.

Hon. Judy Foote: Well, I'm told we had, and that in fact both S.i. Systems and all the work that had been done up to that point did not suggest in any way, shape, or form that we should not proceed.

Mr. Erin Weir: Okay. In the \$50 million that we talked about, about \$6 million is going to IBM for additional monitoring. IBM designed the Phoenix system. What kind of responsibility does it bear, and at some point should it not be reimbursing the Government of Canada?

Hon. Judy Foote: We've been working very closely with IBM. What they're being asked to do now is outside the initial contract. It's additional work that—

Mr. Erin Weir: In terms of the additional contract, what kind of requirements were there on IBM? What kind of recourse do Canadian taxpayers have for this product that clearly didn't work and wasn't tested very effectively?

Hon. Judy Foote: I think it's fair to say that Phoenix as a system, while there are issues, as with any system, you're going to find things that you're going to have to deal with and try to find a way to better a system. We're working very closely with IBM. No system is perfect.

I think the employees recognize they're working closely with the system. Like anything else, they make recommendations on how to do things better—

Mr. Erin Weir: Are we going to seek any compensation from IBM?

The Chair: I'm sorry, Mr. Weir, I'm going to have to cut you off. We're a little over time now. I was going to have to interrupt the minister in any event.

Minister, once again, thank you for being with us today. Regardless, this has been a difficult issue for everyone, both the government and most particularly the employees. I know I can say on behalf of all our committee, regardless of sometimes heated discourse, our desire is to see this problem fixed permanently.

Hon. Judy Foote: Yes.

The Chair: Good luck to all of you and your officials in getting that done.

Hon. Judy Foote: Thank you.

The Chair: We will suspend for a few moments, while we get ready for our next set of witnesses.

- _____ (Pause) _____
-
- (1640)

The Chair: Colleagues, ladies and gentlemen, I think we will begin.

Welcome to all of our witnesses, again. Thank you all for being here.

I notice we have a new addition to the witness table. Welcome, Mr. Barr.

Mr. Parker, if you have an opening statement, I would ask you to deliver it now, and then we'll go into our round of questioning.

Mr. Ron Parker: Thank you, Mr. Chair.

We've already gone through who I'm accompanied by, including Mr. Barr, who is the director general for strategic policy, planning, and reporting.

[*Translation*]

I'd like to provide an update on the measures Shared Services Canada, known as SSC, has taken to improve information technology, or IT, services and upgrade IT infrastructure for the Government of Canada.

[*English*]

SSC's mandate is clear. It is to deliver the IT infrastructure backbone for the programs and services that Canadians get from the government daily. When you cross the border or when you apply for social benefits, SSC is there and providing reliable and secure systems connecting Canadians to their government. SSC is also there to assist in national initiatives, such as making a home for Syrian refugees and responding to emergencies by providing increased IT capacity.

- (1645)

[*Translation*]

I want to point out that, first and foremost, Shared Services Canada has a duty to address the IT issues of its clients. That includes helping them ensure they can deliver programs and services to Canadians, to the extent our resources allow.

[*English*]

The customer service delivery model we're using focuses on service excellence for customers and Canadians built on easy, secure,

digital access to programs and services. SSC works with our customers to understand their business requirements and to help bring those requirements to life within SSC through careful planning and then delivery.

I would like to note that there's been an improvement in customer satisfaction to 2.91 in October, up from 2.79 in December last year, when we started to conduct surveys. This may not sound like a large improvement, but it takes a lot to move an average that is calculated over 42 customers. There is obviously still a lot to do, an enormous amount to do.

[*Translation*]

SSC employees make every effort to serve clients. Our employees are inspiring. They are committed to providing quality service to clients, regularly working evenings and weekends. They strive to ensure the stability of the Government of Canada's IT infrastructure, not only on an urgent basis, but also every day through ongoing monitoring and maintenance.

[*English*]

The skills and talents of SSC employees are in demand. They have lots of choices about where they work. There are frustrations. Change can be destabilizing, but they have chosen to make their contribution by helping to secure the future of the IT infrastructure that is so critical to the service delivery to Canadians, and we need to continuously recognize this.

[*Translation*]

Now, I'd like to talk to you about the IT transformation program.

Since the program's creation in 2013, the technology landscape and environment have changed considerably.

[*English*]

The need for the enterprise approach outlined in the Treasury Board IT strategy is clear. There is an enormous growth in the demand for digital services, and the scope of the need for IT infrastructure could not be dealt with by departments working in silos. The need for consistent and system-wide cyber and IT security has come to the forefront. Along with the overall economies of scale, these are all considerations.

The revision of the IT transformation plan is based on the lessons learned in project design and service delivery. It also benefits from the advice we've received from wide-ranging consultations with SSC employees, customers, industry, departments, and Canadians, all this fall. We were pleased to receive over 780 submissions to the consultations.

[*Translation*]

SSC works with the Treasury Board Secretariat to ensure the consistency of the Government of Canada Information Technology Strategic Plan 2016-2020.

[English]

The revised plan will be comprehensive. It will include detailed implementation strategies and revised timelines. The revised plan will focus on core business improvements in the areas of service management, financial management, and project management, as well as in cyber and IT security. We will also enhance our people strategy.

This plan will not represent an end to transformation. Given the change of pace in the IT industry, it needs to have a three-year focus and to adapt to the continuous change in the IT landscape. Improvements must be continued so that Canadians remain well served.

SSC will provide the committee with its revised IT transformation plan once it's totally finalized. The revisions will be based on SSC's fall 2016 consultations with its partners, the IT industry, and Canadians, on the Treasury Board contracted independent review by the IT consulting firm, Gartner, and its assembled expert panel, and on any subsequent cabinet decisions, as I mentioned when we were here in May.

• (1650)

[Translation]

The current infrastructure is made up of data centres, networks, storage devices, and servers, all of which SCC inherited when the department was created. This infrastructure will be upgraded through transformation projects. In the meantime, the systems need to be maintained and kept up to date, a job that accounts for a large share of SCC's daily workload on behalf of its clients.

[English]

SSC received more than \$460 million in budget 2016 to strengthen cybersecurity protection and upgrade out-of-date mission critical infrastructure. This investment reduces the risk of breakdown of the existing infrastructure, reduces the cybersecurity vulnerability of aging systems, and keeps important services running for the benefit of all Canadians.

I'd also like to take a moment to address specific issues related to Statistics Canada.

[Translation]

Shared Services Canada and Statistics Canada are working together on modernizing the IT services Statistics Canada relies on to deliver its programs to Canadians.

[English]

The chief statistician and I have a joint commitment to continue to modernize Statistics Canada's IT infrastructure to meet their business needs while respecting the confidentiality and integrity of their operations.

I want to be very clear. SSC's enterprise data centres provide the data security required by Statistics Canada. Employees working at the data centre serving Statistics Canada are secret cleared and take an oath to meet the requirements of the Statistics Canada Act. They are subject to the same legal remedies as any Statistics Canada employee.

In addition, SSC and Statistics Canada have worked together very closely over the last eight weeks to specify Statistics Canada's requirements for the next 12 months and map these to additional infrastructure requirements. The most pressing needs will be met by the end of February 2017, with work continuing to meet all of the identified business needs in the following months.

[Translation]

Thank you. My colleagues and I would be pleased to answer your questions.

Thank you very much, Mr. Chair.

[English]

The Chair: Thank you very much.

We'll begin our questioning with Monsieur Drouin, for seven minutes, please.

[Translation]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

I'd like to thank all the witnesses for being here today.

Normally, I would have questions for the Shared Services Canada representatives, but out of respect for my colleagues in the national capital region, I must inquire about the Phoenix situation. As you know, many of our constituents work in the public service, so we are particularly concerned about this issue.

Ms. Lemay, the last time we met with you was in the summer. We were on the other side of the room and it was a bit warmer out. I had asked you about the backlog. When you said those cases would be resolved by October 31, I asked you whether that was a conservative estimate. You said it was, and you assured us that you would respect the deadline.

I'm having trouble wrapping my head around all this. What happened? The cases in the backlog related to Phoenix were already known. Those cases were on the radar, even those originating from the old system. Did the department understand the source of those cases or not? How did you arrive at October 31 as the deadline for resolving those 80,000 cases?

Ms. Marie Lemay: Thank you for your question.

As you saw, at that time, we were very optimistic about meeting the October 31 deadline. The planning relied on estimates of how long it took to resolve certain cases. What became quite clear was how complex the files in the backlog were. In fact, 82% of the outstanding cases were related to transactions predating Phoenix, some even going back several years. So we are talking about old transactions. What happens is that, whenever a case is opened, there are more transactions associated with the case, meaning these are very complex transactions, very complex cases. Ultimately, what took the longest was assigning teams of experts to deal exclusively with that, in Miramichi and at the satellite offices, in order to be able to resolve these outstanding cases.

Mr. Francis Drouin: I'm going to pick up on what my colleagues said. In September, the minister repeated that she had every reason to believe that the situation would be resolved. I imagine your team told her that was still the case.

It was quite obvious that the target would not be met. In August, some 60,000 cases were still outstanding. To my mind, it was quite clear that you weren't anywhere close to meeting the target.

• (1655)

Ms. Marie Lemay: It wasn't quite so obvious to us. In fact, it wasn't at all obvious. We had taken the stance that, if we realized we weren't going to meet the target, we would say so immediately.

You probably kept up with our technical briefings. We had plotted out a timeline, and we were sticking to those targets up until almost the middle of October, if I'm not mistaken. That's when we began to veer off course. That's when it became clear.

It's important to keep in mind that we did many key things over the summer. We set up satellite offices and call centres. We had to hire more than 200 staff. We made a huge number of technical enhancements. We established all sorts of methods to communicate with employees. There's a list of 30 or so actions we took to make things better and to give employees access to the application.

Mr. Francis Drouin: I completely agree with you, but shouldn't the minister have said, in early September, that the department might not be able to meet the October 31 deadline?

[English]

I want to ask Mr. Liddy about the Gartner report. Was that shared with Madam Lemay? Why was it not shared with the minister's office? If we go back to February when the advice was given to move ahead, if that Gartner report had been there, "By the way, Minister, we have the Gartner report that says there might be some issues...", I don't know if the minister would have reacted the same way if she had had that particular report in her hands. Why was that not shared?

Mr. Gavin Liddy: We thought we had addressed all of the concerns in the Gartner report when we went live, and we thought we had a more systematic third party review which provided us assurances that we were making the right decision to move forward.

Mr. Francis Drouin: We also heard from the union leadership that they kept telling you guys that there were problems. Given that, yes, you may have had a third party report and you were assured, there were still some concerns raised by other parties—

Mr. Gavin Liddy: Not in January there weren't, and when we went forward... Again, most of the Gartner report was based on interviews with departments. When we went forward to the public service management committee, the Secretary of the Treasury Board canvassed the room of all of the departments, including those that were interviewed, and asked, given what they had just been told where we were with testing, where we were with readiness, did they feel we were ready to go. Brigitte can comment better on the union engagement, but in January and December, when the last union engagements occurred, we also felt that they were ready to go with us, and we were ready to move forward in partnership.

Then, as I said, we ran three pay cycles where we felt that the cutover had gone well, and it was only when we started to see that the transactions... The first signs from the union, if I remember correctly, were after we had actually had the blackout period for the second cutover. Again, we felt we had sort of crossed the point of no return at that point.

Mr. Francis Drouin: I have to ask a question on behalf of my colleagues Mr. Fergus, Mr. MacKinnon and Mr. Amos. They're really concerned about the T4 issue. As you know, in Quebec you don't do one income statement. You do two tax filings, and that's going to have a huge impact on their constituents, including public servants who are being impacted by Phoenix. What's the strategy to deal with that? Are we going to give them enough headway to deal with this? How are we going to deal with this?

Ms. Marie Lemay: You've heard the minister talk about the priorities. The transactions that have the most tax implications are terminations, leave without pay, disability, and new hires, so we're really concentrating on those to minimize any implications on the taxation period.

Having said that, one of the things we have seen is there are overpayments, obviously. You've heard about that. What we've put in place is a method... We have a call centre and if employees want to repay the overpayment, they can call the call centre. What that does with the overpayment is if the overpayment is recorded before the end of the year, not repaid but recorded, the overpayment will not be reflected in the T4. We've actually—through TBS with our folks, Brigitte's team and the unions—worked with Revenue Canada and actually Revenu Québec to be able to come to an agreement where those T4s, if the overpayment is recorded, the employees don't have to have paid it back, but the T4 will not reflect the overpayment. In terms of the emergency payments—you may have heard about those—they don't appear as an earning on the T4.

The Chair: Thank you very much.

Mr. McCauley, for seven minutes, please.

Mr. Kelly McCauley: Welcome back, everyone.

Mr. Parker, first of all, congratulations on getting the service scores up. It's a remarkably big jump, when you look at it. I have quite a few constituents in my riding who work downtown at the government office for Shared Services, and they have commented that they are getting similar feedback on the scores. So that's very good.

The weather services, it's \$400,000 for an upgrade of weather services. Where and what exactly is that for?

• (1700)

Mr. Ron Parker: Mr. Chair, I'm going to ask our CFO to respond to that.

Mr. Alain Duplantie: Thank you for that question. This is a top-up on the weather renewal project that's taking place. There's already funding in the system, but there was a recognition, at the time of the development of the Treasury Board submission, from a timing perspective, that there would have to be a small top-up that would go through supplementary estimates in latter years.

Mr. Kelly McCauley: Good.

Mr. Alain Duplantie: That's what we're seeing now.

Mr. Kelly McCauley: Perfect.

Mr. Parker, we've seen a media report about the big red 10, 10 projects that are code red. Now this is going to come as a shock to a lot of the people in this room and probably to people watching TV. Do you have enough money to address the red 10 so that we don't end up with bigger issues down the road? Is it a resource issue, where you have the money but not the bodies?

Mr. Ron Parker: Mr. Chair, for the most part, the issues are not related to money. Just as a bit of context for the overall portfolio projects we have, about 75% of the projects are green, 13% are yellow, about 7% are red, and approximately 6% remain to be classified.

Mr. Kelly McCauley: When can you move those reds into the yellows?

Mr. Ron Parker: There is progress on moving a number of them to yellows. Some are red, and likely will remain red for a period of time yet.

Mr. Kelly McCauley: StatsCan's not red, though.

Mr. Ron Parker: StatsCan is not red.

Mr. Kelly McCauley: Good.

Ms. Lemay, Mr. Liddy, I want to read an email I got while we were chatting before. This is from a public servant watching on TV right now: "I'm retiring after a 36-year career on December 29. I've been overpaid, underpaid by \$7,000. I called the pay centre, weekly, daily, about the issue, and now I've been told to stop calling. I cannot get any answers or anyone to call me back, even when promised. I'm trying to repay the overpayment, not have my T4 affected, and be able to receive my well-earned pension...".

I want to come back to this, and I'm glad Mr. Drouin brought it up, the whole T4 thing. There are still problems out there. I'd like to get some sense of reassurance from both of you that it's not just a matter of telling them, as this lady was told, to just call the call centre. Now the call centre is telling her to stop bugging them and to call someone else.

Are we going to have an actual plan in place, a contingency plan, something concrete to help these folks so that, come January 2, they're not getting T4s reflecting money they didn't receive?

Ms. Marie Lemay: The issue of T4s has been on our radar for a while, and it's already been—

Mr. Kelly McCauley: We spoke about that in September, but these problems are still happening.

Ms. Marie Lemay: The discussions have already taken place with the unions, Treasury Board, our folks, CRA, and Revenu Québec to make sure that we have everything in place to support the employees. The first thing is to get through those transactions as quickly as we can. The terminations are transactions that are on our priority list with the other transactions.

In supporting the employees, there are a number of things we are doing. CRA has a line up already. We will have one in a little while specifically for explaining the T4 as soon as it's close to the T4 season. It will be a seamless work arrangement so that employees are supported and understand how to read their T4s.

Mr. Kelly McCauley: I'm sorry if I sound cynical, but we sat here in July and were told that October 31 was a hard deadline. We heard

the minister, I think in September, say that she had no reason to believe it was not going to be October 31.

We're hearing the same assurances now about the T4s. Why should we believe you? What assurances, besides saying you're talking about it, are we going to have in place to look after these people? These are real concerns. They don't all have access to an account or this and that, and they're getting turned away from call centres. It's become an issue of a real lack of confidence.

Ms. Marie Lemay: I absolutely hear you that these are real people, and this really is something that matters to a lot to us. We're at a very different point from where we were in the spring, when we implemented. We now have the capacity and we know that we process more cases that come in. That's a critical, critical stage. We know how long it takes to process cases. We have real data that we can actually model and plan with. We are working with our partners, with the departments, with the unions. We're engaging our employees, and everybody is totally engaged in this. We're at a totally different place from where we were earlier.

• (1705)

The Chair: You have one minute.

Mr. Kelly McCauley: Great.

The satellite offices.... We've heard a lot about the steady state, and that's a whole new buzzword I can use in the future. Assuming that we eventually have Phoenix running and we get to a steady state, the satellite offices, the added bodies, the extra money, how much of that is permanent program spending, and how much of it is going to get wrapped up and closed down when we hit a steady state?

Ms. Marie Lemay: What we've said all along, and you've heard the minister say—

Mr. Kelly McCauley: I've heard her say a lot of things that turned out to be—

Ms. Marie Lemay: We will keep them open as long as we need to. We will make sure that we have—

Mr. Kelly McCauley: Okay. Assume it's all perfect, that we have a steady state and we have everyone's T4s, no backlog. Do we close the satellite offices, or is the intent to keep them running forever?

Ms. Marie Lemay: The model we are developing.... We are talking and meeting with the unions and the departments to make sure that we have looked at all the issues and that all our assumptions are right, and we'll be able to see, in time, what we need and whether we need more bodies or not.

We are not excluding anything, but we haven't cast the die on that.

Mr. Kelly McCauley: So you don't have a time yet. Okay.

The Chair: Thank you very much.

We have Mr. Weir for seven minutes, please.

Mr. Erin Weir: When the minister was asked about executive compensation, she indicated that it was the responsibility of the deputy minister. One of the concerns about the Phoenix pay system is that its implementation may have been rushed in order to meet an artificial deadline to allow senior executives to qualify for performance bonuses. Can you tell us whether any of those bonuses have been paid, or whether Phoenix executives have accrued bonuses that may be paid out at a later date?

Ms. Marie Lemay: First, I would like to...I was going to say "debunk the myth". There was no speed target for executives to implement Phoenix so they could get their bonus, so that is not the case.

In terms of the performance pay, we have assessed all the executives at PSPC. Some of the performance pay for executives will be on hold until we have the evaluations that I talked about, and we will assess accordingly. Others will get their performance pay.

Mr. Erin Weir: Okay.

When you say "on hold", that doesn't mean they are not receiving the bonus; it just means a delay.

Ms. Marie Lemay: I said "on hold" for performance pay until we have the evaluation and can assess accordingly.

Mr. Erin Weir: Okay.

I have a question on Shared Services. Our committee heard from Wayne Smith, the former chief statistician, who resigned in protest of what he saw as major problems in the arrangement between your organization and his. I wonder if you could give us your take on his resignation.

Mr. Ron Parker: We met with Mr. Smith quite a few times between December 2015 and April of this year, and we discussed the issues that he raised. We did work through the operational and other issues to that point. There were no technical or operational issues that were left on the table. Yes, there was a lot of work still to do, but the point of principle that Mr. Smith raised, in terms of the overall situation he believed he was in, was not something that we particularly focused on, as that is really an operation of government set of issues outside my purview.

Mr. Erin Weir: I take the point that you've been given a mandate to provide IT services to Statistics Canada, but Mr. Smith makes the point that there are some entities within government, such as Parliament itself, that have been deemed so independent that they need to have their own IT and shouldn't rely on Shared Services. Do you think he has a point with respect to Statistics Canada?

• (1710)

Mr. Ron Parker: Those decisions are the purview of the Prime Minister, in terms of the machinery of government. To a large extent, the decisions revolve around the different jurisdictions of the executive level of government versus Parliament versus the judiciary, so they respect the division of accountability throughout the Westminster system. Similarly, parliamentary entities such as the Auditor General follow that type of process.

Just to come back.... Who is an SSC customer is fundamentally decided through the orders in council.

Mr. Erin Weir: If we take it as a given that the decision was made, is it important for Shared Services to have a monopoly on the

IT services for Statistics Canada, or would it be legitimate to say Shared Services will do what it can, but if Statistics Canada needs something more or something different to fulfill its mandate it can go to other suppliers of IT services?

Mr. Ron Parker: The government has decided to go with an enterprise approach for the reasons I noted in my opening statement. Those are the foundational factors that I believe led to the conclusions of who should be covered and the nature of the services, mandatory or not.

If there are special requirements that one of our customers has, we will work closely with that customer to develop a service level agreement related to that, with the appropriate charges to make sure we can deliver those services.

Mr. Erin Weir: I did also want to ask the Department of Public Services and Procurement whether any effort is going to be made to recoup money from IBM, given the problems that are now apparent with the Phoenix pay system, and specifically with the inadequate testing of it before it went live.

Ms. Marie Lemay: With the contract with IBM right now, it is correcting any defects that could have happened as part of warranty. We have no reason to sue IBM right now.

Mr. Erin Weir: So you're satisfied with IBM's design and testing the Phoenix system?

Ms. Marie Lemay: It has provided what it was asked to provide, and it is correcting when it's not working from that point of view.

Mr. Erin Weir: So you see the problems as lying within the government of Canada, not IBM.

Ms. Marie Lemay: The problem will end up being, I believe, multiple points of failure. I don't think you can point to one problem.

Mr. Erin Weir: Is IBM one of the points of failure? Should it have some accountability for that?

Ms. Marie Lemay: As I said, the way the contract was set up, IBM has delivered and is actually respecting its warranty and correcting defects if they come up.

Mr. Erin Weir: One of the explanations that's been presented for not meeting the October 31 deadline is that the remaining cases are particularly difficult and complex cases. Wouldn't it always be a situation that the cases that are left at the bottom of the pile or that are resolved last are the most difficult ones? Shouldn't that have been anticipated?

Ms. Marie Lemay: It's interesting that you say that, because at the moment of implementation, there was a backlog of old transactions, which we did not expect, and those were transactions that we had to deal with at the moment, so at the starting point. As you know, we did not have the capacity to be able to process at the moment of transition, for a number of reasons. This was the implementation of a complex system, as you know. You would have a normal learning curve, except that, in this case, we underestimated the change management in the learning, plus we did not have the capacity to be able to mitigate that. We had to go out and rehire more than 200 people. That kind of made everything lag, so those big cases that we had, the ones from pre-Phoenix, as I say, are complicated and transactions that—

The Chair: It's a complicated situation, but unfortunately I have to keep your answer brief.

We are now going to Madam Ratansi, for seven minutes, please.

Ms. Yasmin Ratansi: My questions are going to be addressed to you, Mr. Parker, for the first round.

According to the SSC's current quarterly financial report, you are forecasting \$2.2 billion in expenditures. Could you tell me what is capital and what is operational? Is it split between capital and operational?

• (1715)

Mr. Ron Parker: It is split between capital and operational.

Ms. Yasmin Ratansi: How much?

Mr. Ron Parker: Alain, do you have the breakout of that, please?

Mr. Alain Duplantie: Certainly. If you were to look at the supplementary estimates page proofs, you would see that the capital is at \$445 million, the operating is \$1.3 billion—

Ms. Yasmin Ratansi: Fair enough.

Mr. Alain Duplantie: —and to that we would add just over \$400 million in revenue, which would come in on the operating side, altogether bringing it up to \$2.3 billion.

Ms. Yasmin Ratansi: But that was a budget expenditure. Why would you add your revenue to a budget expenditure? Was \$400 million a revenue?

Mr. Alain Duplantie: The \$400 million in revenue comprises a couple of factors. On the one hand approximately \$160 million is collected as a result of the administrative services review formula. So when SSC was created, some of the reference levels were established by the transfer of appropriations, and some would be complemented, if you will, on an annual basis through the transfer of revenues from departments—

Ms. Yasmin Ratansi: So it's a quid pro quo. Your revenue is cost-neutral.

Mr. Alain Duplantie: No, the revenue is covering a cost. In the case of the administrative services review formula, it's complementing our base reference level.

Ms. Yasmin Ratansi: Okay.

The question I asked was why you would add revenue to your expenditure. That's okay. I have another question then.

I think you said \$460 million was given to you in budget 2016. What was it for? Was it to support the transformation of the government IT systems?

Mr. Ron Parker: The funding was basically divided into two pockets. The first pocket was about \$383 million and that was for the renewal of the mission critical legacy existing infrastructure. That's replacing equipment in place, whether it's networks, servers, storage, or whatever is deemed to be mission critical. It's not geared to transformation per se. The other \$77 million was targeted at improving cybersecurity and IT security.

Ms. Yasmin Ratansi: In your supplementary estimates (B), you're asking for \$4.1 million for the incremental cost of providing core information technology service. Is this a one-time cost, or is it a continuum?

Mr. Ron Parker: Mr. Duplantie will take that question.

Mr. Alain Duplantie: When it comes in through supplementary estimates, it's in-year only. It's not costed.

Ms. Yasmin Ratansi: So it will be an annual cost that you will ask for, because in 2015 you asked for \$3.7 million. Are you going to ask for an incremental amount for this every year in your supplementary estimates?

Mr. Alain Duplantie: Sorry, which component of the supplementary estimates do you mean?

Ms. Yasmin Ratansi: I'm looking at the \$4.1 million that you're asking for this year in your supplementary estimates (B), but in 2015 you asked for \$3.7 million. Is it because you were not able to properly predict the cost? Is it unexpected costs that you are trying to adjust for?

Mr. Alain Duplantie: There are different components to make up the \$4.5 million. In some respects there are transfers between departments, which are mid-year in-year adjustments based on the evolution of plants. In one respect it's with regard to the weather radar project which is \$1.6 million. It's starting in this fiscal year. Money is coming in through supplementary estimates. I anticipate that we will see it through the main estimates process, because there are planned expenditures over about a four- to five-year horizon on that project, starting in this fiscal year.

Ms. Yasmin Ratansi: Thank you.

Madam Lemay, I have a question for you.

There was a question asked about IBM and whether you were satisfied or whether IBM was going to provide any compensation. You said IBM provided what it was asked to do. Given the confusion we have regarding the Phoenix system, if IBM provided the things we asked for, was there a fault in the RFP? If your RFP was not properly prepared, then you have a problem.

• (1720)

Ms. Marie Lemay: When we do the evaluation and when the Auditor General comes in, I'm sure different points will be identified.

I would say that the transition and the issues that the employees are facing right now have more to do with how at the time of implementation we underestimated the change management associated with this system, because it's actually a real change. It's an HR change. There are some real changes in HR and we did not, I believe, collectively provide the proper environment for employees and managers to understand them.

Ms. Yasmin Ratansi: How many minutes do I have?

The Chair: You have 30 seconds.

Ms. Yasmin Ratansi: I wanted to ask you to take us through the implementation process from the time that this project or the decision to go forward was implemented. If you can't answer me in 30 seconds, I will have to let somebody else ask you the question.

Ms. Marie Lemay: It might be a little hard to do in 30 seconds. Are you referring to 2009 when the project was approved?

Ms. Yasmin Ratansi: Yes. You were probably not there, but we need to know some timelines so that we understand the complexity and what the decision-making problems were.

The Chair: Of course, now the entire 30 seconds has been taken up with the question.

We'll move to Mr. Clarke, for five minutes, please.

[Translation]

Mr. Alupa Clarke: Thank you, Mr. Chair.

Ms. Lemay, I'm going to continue with you.

Why did you wait more than six months after the Phoenix pay system was installed to make training mandatory for managers and employees responsible for overseeing problems related to the system?

Ms. Marie Lemay: The training was actually available before the transition. As I said earlier, it's part of the change management component. The training was available, but for reasons specific to each department, employees and managers didn't take the training.

We are pleased to report that, right now, nearly 90% of managers and almost 87% of employees at Public Services and Procurement Canada have taken the training. It's important training. It doesn't take long, and it's available on the Canada School of Public Service website.

Mr. Alupa Clarke: Given the intense nature of the problems stemming from the Phoenix pay system, do you not think the training should be mandatory?

Ms. Marie Lemay: Should we make the training mandatory? As I told you, we haven't made it mandatory, but we have strongly encouraged people to take it, and we are at a 90% participation rate. I'm not sure that the real issue is whether the training should be mandatory or not, but people should certainly take it.

Mr. Alupa Clarke: I asked the minister a question that she couldn't answer. She explained that it wasn't necessarily possible to differentiate between new and old cases since they are transaction-based.

I thought about the fact that it was possible to determine that, on July 5, there were 82,000 unresolved cases. Despite all the transactions and complexities of the old and new cases, you are still able to say that 15,000 of the original 80,000 or so remain outstanding.

I'm curious, then, as to why you aren't able to tell us how many new cases, if any, are not included in the 82,000.

Ms. Marie Lemay: I thought the minister had given you an answer. I want to make sure I give you the right information.

First, the backlog in question had 82,000 cases. Of that number, 15,000 are still outstanding.

Every single day, the system handles incoming and outgoing transactions. In May, we were able to process about 40,000 transactions. Since we didn't have the capacity to process all the transactions, we were processing fewer than were coming in, which

led to the backlog. That's what the minister explained. It's equivalent to about two months of extra work as compared with our current service levels. Today, we have the capacity to process approximately 100,000 transactions per month, and that explains the 200,000 transactions the minister talked about. We have slightly more than 200,000 transactions over and above our current service levels.

Mr. Alupa Clarke: That sounds rather ambiguous to me. As I told you, it was possible to determine that exactly 82,000 employees were affected by the Phoenix pay system problems. I realize that all sorts of other pay- and system-related problems exist. That said, are there any new cases directly linked to the Phoenix pay system?

• (1725)

Ms. Marie Lemay: Thank you for pressing the issue. It's important to point out that they aren't necessarily pay problems. They are transactions that take longer to process. As a result, pay cases are processed at a slower rate. They aren't necessarily problems. It has to do with the volume of transactions we're processing.

We've put a system in place. If someone isn't paid for whatever reason, it's crucial that we know about it. The employee has to notify their department and needs to receive an emergency payment, or they can fill out the form on our website, in which case, we make sure they receive the necessary payments if they weren't paid at all.

At the pay centre, the rate at which transactions are being processed has slowed. They are taking longer to process.

Mr. Alupa Clarke: I see. Thank you.

It seems that the public service management committee meets from time to time, and that's a very good thing.

Do you recall the date that the committee met and decided to deploy the Phoenix pay system?

Ms. Marie Lemay: I'm going to ask Mr. Liddy to answer that. I'm aware of the situation, but I wasn't on the job at that time.

Mr. Gavin Liddy: It was on January 31, 2016.

Mr. Alupa Clarke: Very good. Thank you. The date was January 31, 2016, then.

Had any special bonuses been planned for—

The Chair: I have to stop you there.

Mr. Alupa Clarke: All right. Hopefully, I'll have the chance to come back to it.

The Chair: Mr. Ayoub, you have five minutes. You may go ahead.

Mr. Ramez Ayoub: Thank you, Mr. Chair.

Public Services and Procurement Canada requested authorization to reinvest \$5 million in revenues from the sale or transfer of real property. I'd like to know where the money from the sale or transfer of real property came from and how you plan to invest it.

Ms. Marie Lemay: I'm going to ask Mr. Muldoon to answer that, if you don't mind.

[English]

Mr. Marty Muldoon: Thank you very much for your question.

The way that the funding revolves when we sell or dispose of an asset is that we will bring the proceeds of the sale of that asset back into the department for future investment in our capital programming. What you're seeing here in our estimates for that \$5 million item is that we have now entered into the first phase of a disposal of a building. I believe it was a parking garage. This is the bringing back to the department the first segment of two segments of instalments for that. The way it works is that once it's concluded its sale, we'll bring the rest of the money in through a supplementary estimate some year in the future when that asset is actually successfully sold.

[Translation]

Mr. Ramez Ayoub: Similarly, you received \$54.5 million through the supplementary estimates to maintain and upgrade federal infrastructure assets. I'd like to know which crown-owned buildings have benefited from this investment in maintenance. Do you think that the amounts invested were sufficient or that more funding will be necessary going forward?

[English]

Mr. Marty Muldoon: That's a good question.

That \$54 million, although it shows up in these supplementary estimates, is actually an item that goes all the way back to supplementary estimates (A). This was a horizontal investment program that was annualized, as you know, for the federal infrastructure investment of federal assets. It's showing here as a tabled item, but we've had that money since the beginning of the year when the supplementary estimates were tabled, and we've been investing those in the horizontal projects that go behind that particular expenditure. They're made up of something in the order of half a billion dollars that was disbursed over several federal departments in those horizontal initiatives.

To your direct question, I can't speak to where we are on that precise amount. This is part of a multi-year investment strategy for the restoration and rehabilitation of many federal assets.

[Translation]

Mr. Ramez Ayoub: Thank you.

Ms. Lemay, I'm going to come back briefly to the unfortunately now-infamous Phoenix payroll situation.

I have heard about some ongoing cases that are highly complex from a data entry standpoint, cases where the employees have to punch in and punch out. I won't dwell on a specific case, but it does nevertheless illustrate the scope of the problem. These people are in a unique situation that the system can't resolve, requiring the employer to process their pay information manually.

How are you going to resolve those cases? Do you have a way to categorize them? I know that, in July, you had identified a category system for ranking problems. Have you prioritized those categories? What steps must be taken to resolve the problems in that category so they don't drag on?

• (1730)

Ms. Marie Lemay: There are many ways of identifying problems, of finding their source and correcting them.

Among the measures we've taken since last summer, an integrated team held more than 30 briefings with members of departmental human resources teams so as to discuss the three problems that occur most often. That seems to have worked well. These meetings help the departments and the human resources managers to support their employees.

That is one way of getting at the cause of the problem.

[English]

The Chair: Thank you very much.

We will go to Monsieur Clarke. You're back on again.

[Translation]

Mr. Alupa Clarke: Fantastic, thank you.

Getting back to my question, I wanted to know, Ms. Lemay, if your department had put in place special bonuses for those who worked on getting the Phoenix pay system operational by a certain date.

Ms. Marie Lemay: I don't know if you are familiar with how our performance agreements work.

Mr. Alupa Clarke: No, but I would like to know.

Ms. Marie Lemay: Normally, our performance agreements contain several objectives, but there was no objective concerning this specific date.

We conclude performance agreements with various objectives, and employees are assessed according to the successful completion of these objectives.

Mr. Alupa Clarke: Do the performance objectives include specific criteria?

Ms. Marie Lemay: Yes, there can be all kinds of criteria.

However, if you are alluding to the question that was put to me earlier, as to whether incentives had been offered in order to accelerate the implementation of Phoenix, my answer is that there were none.

Mr. Alupa Clarke: Well, that's quite a clear answer.

Ms. Marie Lemay: There would have been incentives had the implementation been a success.

Mr. Alupa Clarke: I understand. That's another paradigm.

The Gartner report states that it would have been wiser to keep the old system while implementing the new one. Was that done? Was the old pay system still being used when the new Phoenix system was launched?

Ms. Marie Lemay: It was used during the preliminary phase. Since then it has been accessible to consult historical information, if you will. However, it is not up to date regarding current information.

Mr. Alupa Clarke: I see.

Had you planned to make it accessible in real time, and not only to have access to historical data?

Ms. Marie Lemay: I don't think so, but I'm going to ask my colleagues to confirm whether that had been planned or not.

Ms. Brigitte Fortin (Assistant Deputy Minister, Accounting, Banking and Compensation, Department of Public Works and Government Services): No, we had not planned on maintaining it after the second implementation, in April.

Mr. Alupa Clarke: Fine.

Ms. Lemay, I also think that during one of your last public statements, you spoke of hiring more public servants. Is their salary included in the supplementary estimates?

Ms. Marie Lemay: You may be referring to the agreement we concluded with the Professional Institute of the Public Service of Canada?

Mr. Alupa Clarke: Yes.

Ms. Marie Lemay: That will be included in the supplementary estimates or in our operations budget. For the moment, we have not yet gone forward. We received a few expressions of interest. We will see if this works.

Mr. Alupa Clarke: Their salaries will be among the additional expenditures required though, won't they?

Ms. Marie Lemay: We had a contingency plan, so they will no doubt be included in that.

Mr. Alupa Clarke: Mr. McCauley, would you like to add something?

• (1735)

[*English*]

Mr. Kelly McCauley: I'll go back to the backlog. In September we asked if we were in danger of growing the secondary backlog while we were tackling the main backlog. I don't know if we got a 100% clear answer. I'm just trying to figure out what the secondary backlog is.

We've also heard reports that the non-Miramichi pay centres' backlogs, which are 30%, I believe, of the public service, aren't being counted toward this 82,000 originally announced in July, and that any new numbers after, added to the 82,000, are also not part of the backlog. I know it's backlog, backlog, backlog, but what is the non-82,000 backlog?

Ms. Marie Lemay: Thank you for allowing me to clarify that.

When we talk about the backlog, we're talking about the departments serviced by Miramichi, because that's what PSPC is responsible for.

Mr. Kelly McCauley: Yes, we know that, and there are 15,000 left. What's the other side of the coin for the outstanding backlog?

Ms. Marie Lemay: At Miramichi, they are the incoming transactions I was talking about. That's the equivalent of two months of work. The transaction pay—

Mr. Kelly McCauley: So there is no non-Miramichi backlog.

Ms. Marie Lemay: On the non-Miramichi, the way we've done this is, over the summer we were in touch with the departments. We don't service them in terms of pay. They have their pay advisers in the departments. Just before the end of October, we did a last touch with 15 of the departments, which represent about 70%, and they were seeing no issues like ours. The CRA, being one of the big ones, was done by October 31, I believe.

Mr. Kelly McCauley: You come into September, we—

The Chair: That's time, just when it was getting good.

Mr. Fraser, welcome to our committee. We have five minutes for you, sir.

[*Translation*]

Mr. Sean Fraser (Central Nova, Lib.): Thank you, Mr. Chair.

Before I begin, I would like to thank the witnesses for their presence here today.

[*English*]

There are a lot of dates being thrown around. I'm new to this committee for today.

One of the things that would really help me, even though I've been paying attention to this issue in the news and in my discussions with caucus colleagues, would be if you could walk us through the process that led us up to today. I think my colleague Madam Ratansi mentioned earlier that she wanted a picture of how things rolled out. You started to mention that the implementation of the pay modernization system began in 2009. A 50,000-foot overview of how this thing went would be very helpful to me and I think to Canadians as well.

Ms. Marie Lemay: The pay transformation initiatives had two components: the pay consolidation and the pay modernization. If we look at the consolidation, that decision to implement the gradual consolidation of pay services in Miramichi was made in December 2011. In 2012, in January, the first wave of workforce was adjusted, so about 125 people got their letter saying that they would be adjusted. The first wave of people were hired in Miramichi in March 2012. Then there was a second wave of people who were informed that they were affected back in September 2012, and a second wave of hiring in September 2013, and then there was a third wave in October 2014, for a hire in January 2015. At that point about 1,400 compensation advisers had been informed that their work would be affected and close to 500 had been hired in Miramichi. That's for the pay consolidation portion.

In terms of the modernization portion, that's the Phoenix portion and that actually covers 101 departments—sorry, I should have said the consolidation was for 46 departments. That's when the compensation staff went from 2,050 to about 1,320 overall. The departments that are not serviced by Miramichi kept their compensation advisers, and the consolidation for the 46 departments happened in Miramichi. Parallel to that you have the pay modernization, which is Phoenix, and the implementation and the rollout that we heard about, the waves one and two.

Mr. Sean Fraser: Just changing gears for a moment, I know that a PSPC official told the committee that services related to contaminated sites are part of the optional services provided by PSPC to other federal departments. PSPC in the supplementary estimates is requesting \$5.7 million for the federal contaminated sites action plan.

What kind of contaminated site services are we talking about here that PSPC provides to other federal departments and agencies?

• (1740)

Mr. Gavin Liddy: On a fee-for-service basis, we do project management rather than having a number of government departments duplicate expertise in contaminated site management. We offer it on a fee-for-service basis, so that is design, contracting, and engineering. We've done some of the larger ones: Sydney tar ponds, Giant Mine in the Northwest Territories, and a large project going on in Victoria.

These two that are specific here are our own. One is the Esquimalt Graving Dock, and we ran into some challenges on a failed tender, actually. The other one is that we were going to decontaminate the land for the proposed site for the memorial to the victims of communism on Wellington Street, and that project is no longer going forward.

Mr. Sean Fraser: Are these figures representative of a cost-recovery model?

Mr. Gavin Liddy: No, these figures are actually money that was given to us under the federal contaminated sites action plan. We have about \$112 million and we're just carrying forward that work in this year.

Mr. Sean Fraser: To the extent that you're requested to assist with further contaminated sites in the future, presumably in the next round of supplementary estimates would you see an additional increase?

Mr. Gavin Liddy: We will get some of our own money for our sites specifically. We would also continue to offer that service to other government departments as part of a broader plan.

Mr. Sean Fraser: Okay.

Mr. Chair, is there any time left?

The Chair: You have 15 seconds.

Mr. Sean Fraser: I'll take this opportunity to say thank you to the witnesses. That's very helpful.

The Chair: Thank you very much.

Mr. Weir, you have three minutes, please.

Mr. Erin Weir: I would also like to welcome Mr. Fraser to our committee, even though it's somewhat intimidating to have someone taller than I am on the government side.

I want to return to the Phoenix pay system. There's been a lot of focus today on the backlog, but of course new problems crop up every day. I appreciate that the government has chosen to classify that as not meeting the service standard, as opposed to adding to the backlog.

I want to ask about this notion of the steady state that we're trying to get to and what that would look like. In that steady state, how many problems with payroll would be considered to be normal or acceptable?

Ms. Marie Lemay: Again, we don't define the transactions as problems. If you have an acting and you put the transaction in, that's not a problem. That's a pay transaction we have to resolve. That's part of what we get—

Mr. Erin Weir: How many unresolved transactions would be considered normal in the steady state we're trying to achieve?

Ms. Marie Lemay: If we look at the last few months, what we estimate right now are about 80,000 to 85,000 transactions a month, so requests for a pay action.

Mr. Erin Weir: In this steady state, would the temporary pay centres be shut down, or would some of them continue to serve?

Ms. Marie Lemay: We'll have to evaluate that, because as I said, right now we know we can do 100,000 transactions a month, but that's with the satellites, and they were really important. The assessment we'll have to make is how efficient we will be when we get steady state and what we will need in terms of capacity.

Mr. Erin Weir: If those temporary pay centres were maintained, that would really wipe out the supposed savings of converting to Phoenix, wouldn't it?

Ms. Marie Lemay: That would change the original plan, obviously.

Mr. Erin Weir: It seems that both Phoenix and Shared Services have been attempts to centralize government services that have encountered many problems. Is there some kind of systemic reason that the Government of Canada has difficulty with this enterprise-wide transformation?

Ms. Marie Lemay: How long do I have to answer that one?

The Chair: Not as long as you would like, but give her a shot.

Ms. Marie Lemay: I'll just say this. We will learn. We have already learned a lot from the Phoenix implementation, and we will learn more.

The Government of Canada is a big organization to have pan-government systems. It's 101 organizations. We will learn about how we need to build the accountability and the governance of these projects. Pay is one where it really matters, and we will hear everything until the last minute. We will take advantage of that and learn from it, because we need to be able to apply that to other projects we do.

The Chair: Very good. Right on time.

Colleagues, as you know, I mentioned at the outset of this meeting that, even though the bells will start ringing in just a few moments, we will go until 6 p.m., and we'll try to get in as many questions as we can on the normal rotation round.

We'll now go to Mr. Whalen, for seven minutes.

Mr. Nick Whalen: Mr. Weir, if you like to hang out with tall people, you're more than welcome to come and play for the Liberal basketball team.

Voices: Oh, oh!

Mr. Nick Whalen: Mr. Liddy, I want to drill down a little bit on some of the timing issues around this Gartner report. Mr. McCauley has brought it up at a number of meetings. Mr. Drouin has referred to it. Can you just clarify that you received the draft Gartner report on January 29?

• (1745)

Mr. Gavin Liddy: Yes, on the 29th of January.

Mr. Nick Whalen: Was there a final report that you received at a later date?

Mr. Gavin Liddy: Yes, there was. It was within a few days, but I don't recall exactly when.

Mr. Nick Whalen: So it was sometime in the first week of February.

Mr. Gavin Liddy: Yes. I would say sometime in the first week of February. I can clarify that.

Mr. Nick Whalen: When did you make the minister aware of the report?

Mr. Gavin Liddy: I would have to go back, but it would have been after the second committee appearance here. I think in the summer was when I believe we made the minister—

Mr. Nick Whalen: So you had received the report essentially around the first week of February but did not make the minister aware of the report until well past the decision-making time regarding the implementation of phase one or phase two, or the inclusion of the special branch offices to deal with the issue. It wasn't until almost August that you made the minister aware of the report.

Mr. Gavin Liddy: I would have to go back and check, but that sounds about right. Again, this was a report commissioned by Treasury Board Secretariat and not part of the government—

Mr. Nick Whalen: Who precisely in Treasury Board would have commissioned the report?

Mr. Gavin Liddy: I believe it was commissioned by the comptroller general of Canada.

Mr. Nick Whalen: Is the comptroller general responsible for all pay to all government employees?

Mr. Gavin Liddy: Well, the Treasury Board Secretariat is the employer, so they have responsibility for collective bargaining and—

Mr. Nick Whalen: If the comptroller general had commissioned a report regarding its ability to ensure that employees are being appropriately paid, don't you think you should have made that immediately available to the minister?

Mr. Gavin Liddy: We felt we had addressed the concerns that were raised. We took all of the concerns—

Mr. Nick Whalen: Well, it's pretty clear at this point that the concerns weren't addressed, but at the time you're saying you felt that she was fully informed, when she wasn't provided the existence of a report that directly went to the auditability of the system.

Mr. Gavin Liddy: We felt we had addressed the concerns and when we made.... We didn't make a recommendation. We informed the minister of the decision to move forward. It actually wasn't the minister's decision. We felt we had addressed all the concerns raised by Gartner, and so did the deputy minister community, including the comptroller general and the secretary of the Treasury Board.

Mr. Nick Whalen: You consulted the comptroller general about the report?

Mr. Gavin Liddy: Absolutely.

Mr. Nick Whalen: What issues did the comptroller general have about the Phoenix pay system?

Mr. Gavin Liddy: The ones that were raised in Gartner and also the ones that had been raised to him directly by heads of HR and CFOs. Mainly—

Mr. Nick Whalen: What would they be?

Mr. Gavin Liddy: Testing, readiness to go live within the pay centre itself.

Mr. Nick Whalen: What about auditability?

Mr. Gavin Liddy: No, that wasn't one of the concerns that was raised.

Mr. Nick Whalen: What about anything related to the comptroller general's concerns regarding the accuracy of pay?

Mr. Gavin Liddy: Not that I recall.

Mr. Nick Whalen: Okay.

Another thing that you mentioned made me think of some other testimony we've received. Under the old system, how long did it normally take for employees to receive their special pay? These are things like overtime pay, duty pay for filling in for somebody else, mat leave pay, this non-standard pay.

Mr. Gavin Liddy: It varied by department because each department had its own.... I can give you an example. Seventy-five days was not abnormal for acting, for example.

Mr. Nick Whalen: Right. That would be five pay periods.

Mr. Gavin Liddy: Yes.

Mr. Nick Whalen: You said the pilot was designed to see three pay periods. Who provided the advice that a three pay period pilot was going to be sufficient to determine any issues with respect to non-standard pay?

Mr. Gavin Liddy: When we did the initial rollout in December that the deputy mentioned, the decision was to go from one big bang, one cutover, to two cuts. We felt that three pays was sufficient to do that.

Mr. Nick Whalen: On what basis did you feel that three pays would be sufficient, given that you just told me now that it's five and a half pay periods before you even expect to receive overtime pay?

Mr. Gavin Liddy: Yes, but the system was designed to eliminate that gap, to allow people to enter—

Mr. Nick Whalen: Yes, but Mr. Liddy, it may have been designed to eliminate the gap, but the only way we would know whether or not there were problems would be self-reporting by employees. It's their experience of pay that matters.

As MPs, when we first started receiving concerns in May, that jives very well with your 75-day timeline when people were saying they hadn't received their overtime pay from February.

Who recommended to the minister that three pay periods would be sufficient to determine issues that employees themselves would not recognize as a problem for almost 11 weeks?

Mr. Gavin Liddy: Again, we're talking about two different systems. You can't compare.

Mr. Nick Whalen: We're talking about employees receiving their pay and it's their experience that's important here.

Mr. Gavin Liddy: I totally agree with you. It is about employees receiving their pay and no one's working hard to regulate that, but it's two different systems.

One system was designed to automate, so they wouldn't have to wait 75 days.

• (1750)

Mr. Nick Whalen: I'll repeat my question. How did that three pay period recommendation come about? It clearly defies all logic.

Mr. Gavin Liddy: I'm not sure. Brigitte, do you know why we ended up with that?

I know the decision early in the project was to divide it so we didn't do it all at once. We had an opportunity to keep the old pay system going at the first launch.

Mr. Nick Whalen: There are people in my riding who are still missing \$25,000 in pay from the Coast Guard. I receive tweets in the middle of these meetings all the time.

You still haven't answered. Who made the recommendation? Who designed the pilot to be so short as to obfuscate the very issues we're trying to identify in the pilot?

Mr. Gavin Liddy: Again, it's not trying to obfuscate. It's two different systems.

The Chair: We'll try to allow a 45-second answer. Madam Lemay, it seems you want to chip in here.

Ms. Marie Lemay: I don't think we'll be able to pin one person to this discussion. This is a project that had a lot of people involved in making decisions. The three pay period....

One of the big risks of the transformation was that 300,000 people would not get paid. In terms of the overtime.... The Coast Guard is a very specific group, and we're trying to pay a lot of attention to them because these are really serious issues. We're very aware of them. We're working very closely with DFO and the Coast Guard on this because it is important. They have a different type of work.

The Chair: Madam Lemay, I'm going to have to cut you off here because we've limited time. Suffice it to say the answer is you don't know.

Ms. Marie Lemay: Of the three weeks, no.

The Chair: Thank you.

Mr. McCauley, Mr. Clarke, you have seven minutes.

Mr. Kelly McCauley: Mr. Clarke will go first.

[Translation]

Mr. Alupa Clarke: Thank you, Mr. Chair.

Mr. Liddy, I would like to continue along the same lines as Mr. Whalen.

I imagine you are well aware that one of the fundamental principles of our parliamentary democracy is ministerial responsibility.

There are two systems. First, there is ministerial responsibility in the Westminster tradition. Second is the responsibility of public servants. This is the main system used in the United States.

I think our system is better. We truly want ministers to be responsible for their decisions rather than attacking public service professionals.

You said that, in light of the Gartner report, you considered that it was not necessary to inform the minister. Do you not think that, having made that decision of your own accord, or at least with your advisors and Ms. Lemay, you made it difficult for the minister to exercise ministerial responsibility in the interest of all Canadians?

Mr. Gavin Liddy: We received a great deal of advice. We received three reports, including one from the Maplesoft Group, as well as a good many comments from departments and other clients. We actually received a great deal of advice about what we should do. Based on what all the partners and advisors advised us to do, we decided to go ahead with the project. We thought about it, but it is clear that ...

[English]

we didn't do some things that we should have done. There were some weaknesses and we've lived through those results, as have a large number of public service employees. For that, I apologize personally. It's deeply upsetting to them. I wish we could have done things differently, but that's in hindsight.

At the time, we felt we had made the right decision to move forward, taking into effect all of the advice. All of the advice found its way into a deck where we informed the minister of the decisions that we were making going forward.

[Translation]

Mr. Alupa Clarke: I understand. Thank you for making that statement.

In closing, whether the report was positive or negative, I think the minister should have seen so she could make an informed decision.

I will now give the floor to my colleague.

[English]

Mr. Kelly McCauley: I just want to get back to the backlog.

I recall that I think it was in July we were discussing the backlog and how 20,000 or 40,000 was a huge surprise. It caught everyone by surprise in your department.

Refresh my memory. Was it 40,000 that the department was not aware of, or you were aware of the 20,000, and then the other 20,000...? I recall asking how we did not possibly know.

• (1755)

Ms. Marie Lemay: There were 20,000 of backlog just at the last minute, and then there were 20,000 of transactions that were sent to us after, which were pre-Phoenix.

Mr. Kelly McCauley: Okay.

I recall your saying earlier, and we've seen it in your press announcements, that some of the outstanding backlog is from a year or two years ago, the more difficult ones.

How many of the outstanding ones are from the old system two years ago?

Ms. Marie Lemay: Are you talking about from the 15,000 employees?

Mr. Kelly McCauley: Well, of the backlog as we understand it. I think you said there were about 15,000 left to clear.

Ms. Marie Lemay: Of those, what I can—

Mr. Kelly McCauley: You said that a lot of those were pre-existing.

Ms. Marie Lemay: What I can tell you is that the analysis we did is that of all of the transactions for the 82,000 employees—that seems like a number—82% of those were actually pre-Phoenix, so of the whole....

Am I answering your question?

Mr. Kelly McCauley: No, not really, but I'll move on.

For the sake of argument, if we did not have a backlog and we entered Phoenix on day one clear, that someone had thought to inform you that there was this backlog, would we be in this position right now? How much of it is because of the outstanding backlog that you were not aware of?

Ms. Marie Lemay: Well the backlog did contribute to it, but I would say that because we didn't have the capacity, the compensation advisers, we didn't have those to mitigate. We had to go out and hire. That, the learning curve, and the change management would be, for me, the three elements.

Mr. Kelly McCauley: We saw in the Gartner report that clearly the training wasn't there and we didn't have a back-up plan.

Again, we saw that PSAC brought up issues in January, and we brought it up in committee in February and in March. Everything was rainbows and unicorns. In committee, with PSAC, it was a completely different idea of what the problems were, but we still went ahead with that.

If we knew we were short of these 700,000 bodies—and the numbers change depending on who you talk to on that side—and this was going to be a problem, why, again, did we go ahead?

Ms. Marie Lemay: I joined on April 11, so right in the middle of the two—

Mr. Kelly McCauley: I know. I assume that you would have asked this question, though.

Ms. Marie Lemay: I can tell you that at the time, one of the things that was very clear was that there was a lot of stress on the system. It wasn't decided the day before that these compensation advisers were going to leave. As I said, notices were issued back in 2014, so people had started leaving.

My assumption, then—and I don't want to put words in the mouths of my colleagues—was that you balance the risk. The system was without compensation advisers for a long time. Departments were saying they were going to have a hard time retaining these people.

All of that, in terms of being able to push back, were also factors that were included in the decision.

Mr. Kelly McCauley: I'm sure, Madam.

Very quickly, on the backlog, because this 40,000 was a surprise and hidden—whether a mistake, incompetence, or maliciously hidden—is there another 20,000 or 40,000 perhaps hidden from the department?

Ms. Marie Lemay: I don't think anybody tried maliciously to do anything in this, right?

Mr. Kelly McCauley: But if it says “aware it happened”, it did happen. Are there another 20,000 that we're not aware of and we weren't aware of originally?

Ms. Marie Lemay: This is why we're engaging with the departments—and our employees, but definitely the departments—to talk about our plan, our way forward, our capacity to make sure that we have everything at Miramichi and that our estimate of the 80,000 to 85,000 transactions is the right one.

The Chair: I'll attempt to give Mr. Weir about two minutes.

Mr. Erin Weir: Thanks very much.

There have been major problems with efforts to centralize payroll and IT systems across the federal government, yet the government wants to plow ahead with some similar initiatives. I wonder whether the difficulties with Phoenix and Shared Services should be giving the government more pause about these transformation projects.

Ms. Marie Lemay: I'll do two seconds on that one.

As I said earlier, the key thing is to learn from the experiences that we have. I can assure you that we are learning collectively in the community of deputy ministers. This is something we're looking at to make sure that we learn from these projects going forward.

Mr. Erin Weir: Is one of the lessons to slow down on these things and be much more diligent and careful?

Ms. Marie Lemay: One of the big lessons is to think of change management when you start and to think of the impact on the people and to set it up so that you have accountability and the right governance.

Mr. Ron Parker: I would only add that it's important to get all the feedback you can, and this is the opportunity we're having with the reset of Shared Services' transformation plan. We've taken the time to consult broadly, talk to client departments, talk to Canadians, and talk to our employees and to the bargaining agents. We're benefiting from other expert, outside consultancy advice. These all factor in, and in ways that our predecessors did not have the chance to take advantage of.

• (1800)

The Chair: Thank you very much.

Colleagues, as you know, it's 6 p.m. We're cutting things short by about half an hour.

Madam Lemay, Mr. Parker, and all of you as our witnesses, thank you for coming.

I would ask, however, that if our committee members have additional questions that they didn't have enough time to ask you because of the truncated version, you will, I assume, allow them to give written questions directly to you and will respond in kind to our clerk.

Specifically, Mr. Whalen asked a series of questions about who made a decision on the three pay period test. I would ask that even though your answer was that you're not sure or you don't know, you undertake to find out exactly who did that and then respond as if it were a written question to accommodate Mr. Whalen's concerns.

Thank you all for your attendance here.

The meeting is adjourned.

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