



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Government Operations and Estimates

OGGO • NUMBER 158 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, December 6, 2018

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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)): Colleagues, it being 3:30, we'll convene this meeting.

I want to welcome Minister Qualtrough back to our committee.

It's good to see you again, Minister Qualtrough. It's been a while. You never phone; you never write. It's good to have you here.

Hon. Carla Qualtrough (Minister of Public Services and Procurement and Accessibility): Thank you.

The Chair: Minister Qualtrough, I think you've appeared before enough committees to know the procedure. We'll be asking you to introduce the officials who are with you and then commence with your opening statement, which will be followed by questions from our committee members.

Madam Minister, would you care to introduce your officials and begin your statement?

Hon. Carla Qualtrough: Thank you.

Hello, committee members.

Joining me from Public Services and Procurement Canada are Les Linklater, associate deputy minister, human resources-to-pay stabilization; Michael Vandergrift, associate deputy minister; Marty Muldoon, chief financial officer, finance and administration branch; and André Fillion, assistant deputy minister, defence and marine procurement, acquisitions program.

From Shared Services, we have Ron Parker, president; Sarah Paquet, executive vice-president; and Denis Bombardier, chief financial officer.

May I proceed?

The Chair: Committee members, I just want to remind you that we are televised.

Please, Minister, the floor is yours.

Hon. Carla Qualtrough: Mr. Chair and committee members, I welcome the opportunity to appear before you this afternoon to discuss the 2017-18 supplementary estimates (A) for Public Services and Procurement Canada and Shared Services Canada.

As many of you are aware, both departments play an integral role in the federal government by supporting the operations of other

departments and agencies in providing important services directly to Canadians. To support those operations, we are requesting \$185.9 million in supplementary estimates (A). This includes \$60.9 million for Public Services and Procurement Canada and \$125 million for Shared Services Canada.

Allow me to begin with our request for Shared Services. SSC provides modern, reliable and secure information technology infrastructure services in support of the digital delivery of programs and services to Canadians. Of the \$125 million that the department is seeking, \$97.6 million will support projects that are mission-critical to Government of Canada IT operations. Examples include the migration of key government applications that support services to Canadians into more secure and modern public cloud solutions or enterprise data centres.

To date, the department has closed down over 160 legacy data centres that presented significant security and service risks to the Government of Canada and opened three enterprise data centres. This includes the new, state-of-the-art facility in Borden, Ontario, which is the Government of Canada's largest enterprise data centre and the result of a successful public-private partnership. It requires no service disruptions for maintenance and provides greater physical and cyber security for Canadians' personal information.

These supplementary estimates also include \$14.6 million to expand and support information technology services at Immigration, Refugees and Citizenship Canada.

[Translation]

These investments are part of the government's strong commitment to ensure we are properly resourced to address evolving IT needs and opportunities.

I am continually impressed by the tremendous determination and hard work of SSC's employees in meeting the technology needs of its customer departments. Whether it's protecting government systems against security breaches, supporting our immigration officers at points of entry, or implementing the fastest recorded computer platform in the government to support timely and accurate weather forecasts and warnings, the department plays a crucial role in improving services to Canadians.

But perhaps the best way to sum up the department's progress is by looking at its customer satisfaction survey results. Since 2015, customer satisfaction has been consistently trending upward—something I am particularly proud of. This is a direct result of the hard work of SSC officials and appropriate government investment in the organization.

From the beginning, our government committed to delivering common IT infrastructure that is reliable and secure, while at the same time providing departments what they need in order to deliver services that are timely, citizen-centred, and easy to use. That is exactly what we are doing.

[English]

Let me now turn to Public Services and Procurement Canada.

As announced in budget 2018, responsibility for the build in Canada innovation program, or BCIP, will be transferred to Innovation, Science and Economic Development Canada at the end of the fiscal year, as part of a broader initiative to streamline and simplify the suite of innovation programs across the federal government.

Of the \$60.9 million we are requesting for the department, \$39.8 million is for the BCIP. This money will fund the first of four years for the renewed BCIP program, so that we can build upon its success and meet those high demands going forward.

As this committee heard directly during the procurement study, BCIP helps Canadian businesses bring their innovative projects or services to market. It does this by matching them with federal departments and agencies that can use a company's product, helping to bridge the pre-commercial gap by providing innovators with a successful first real use of their pre-commercial innovations.

There have already been 353 contracts, worth \$163 million, awarded under this program; 80% of the firms that benefited from the program brought their products to market, and 78 of those products have been exported to 48 countries. Simply put, we know the program works, and the volume of submissions is rapidly growing. I can tell you that we are encouraged by the increasingly high demand for this flagship innovation procurement program.

On that note, I would like to thank this committee for its recommendations on procurement modernization, including BCIP.

I now turn to our request of \$13.6 million for continued efforts to stabilize the Phoenix pay system.

This request, which includes \$11.8 million transferred from last fiscal year, will fund ongoing functional and technical support to the pay system. This work is within the scope of the contract between the federal government and IBM. It also includes \$1.8 million for funding to increase support services to employees with pay issues within PSPC. This item represents PSPC's portion of the \$25 million announced in budget 2018 to hire more staff to support employees within the department on human resources-to-pay issues.

As I've said before, I remain fully committed to ensuring that Canada's public servants are paid accurately and on time. There is no greater issue that continues to face the public service, and our

government has no higher priority. That's precisely why we have significantly increased our capacity to address employee pay issues.

Since Phoenix was launched, we have nearly tripled the number of compensation staff, from 550 to more than 1,500. This includes the 700 positions eliminated by our predecessors. This is but one of the suite of measures we've put in place to stabilize the pay system.

●(1535)

[Translation]

We're also implementing innovative ways of working—including a new approach called pay pods, which I described during my appearance in May.

Unlike last year, we are no longer at the stage of diagnosing problems. Instead, we are in the process of optimizing our systems to meet the needs of compensation centre staff, unions and employees using the Phoenix system.

Pay pods group together teams of pay specialists that exclusively service specific departments and agencies.

For the departments involved in the pilot project, we have seen a substantial reduction in the backlog and the number of employees with pay issues has dropped significantly.

With this proven success, we're now in the process of implementing pay pods across government. We are rolling out pay pods so that by mid-2019, all 46 organizations served by the pay centre will be transitioned to the pay pod model. As of October 2018, half of all pay centre employees are now served by a pod.

[English]

With the actions we've taken, we are now starting to see a steady decline in the case backlog. In fact, we've seen more than a 21% reduction in the queue since January 2018, even as we've taken on additional work to process \$1.5 billion in retroactive payments for employees. Said differently, we've been able to decrease our queue of transactions awaiting processing by about 130,000 transactions.

Even greater improvements are seen when we focus on the departments with pay pods. Since January 2018, pay pod departments have seen a 23% decrease in backlogs. We are optimistic that our efforts will continue this positive trend.

The next item I would like to discuss is the \$5.5 million we have requested for the federal contaminated sites action plan. That amount would be transferred to two Alaska Highway projects. This important roadway stretches nearly 2,500 kilometres across northern British Columbia and southern Yukon into Alaska, and it is key to the economic prosperity of the regions it serves. This funding will help us to continue to ensure the highest standards of safety and environmental responsibility as we undertake important renovation work.

The last of PSPC's requests is \$2.5 million to better support the Government of Canada's digital advertising fund. The fund is administered by the Privy Council Office in accordance with Treasury Board Secretariat policy, and managed by my department through our online advertising unit. Created in 2013, the digital advertising fund aims to use digital advertising to communicate with Canadians rapidly about major announcements and priorities, including unforeseen issues. The increase in funding would allow departments and agencies to better communicate on emerging issues related to things like health and safety recalls.

Mr. Chair, as you can see, PSPC and SSC have diverse mandates, and the nature of our funding requests reflects the numerous ways that our departments touch the lives of Canadians.

[Translation]

I am proud of the unique role our departments play, and I am deeply grateful for the talented and dedicated public servants that have brought their skills to PSPC and SSC.

We look forward to your questions. Thank you.

[English]

The Chair: Thank you, Minister.

Before we commence with questions, I just want to reconfirm that you are with us for the first hour, as I understand.

Hon. Carla Qualtrough: Yes.

The Chair: Your officials will be with us for the last hour.

Hon. Carla Qualtrough: Yes.

The Chair: Thank you very much.

We will start with our seven-minute rounds.

Madame Ratansi, go ahead.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you.

Thank you, Minister, for being here.

I know that the supplementary estimates (A) have already been voted on in the House, but I'm glad you're here because we have a few questions that arise from your presentation.

You are requesting \$11.8 million for funding of the “functional and technical support to the pay system”. I understand that the backlog has dropped by 130,000 since January 2018. Could you explain what efforts are being made to further reduce the backlog quickly?

• (1540)

Hon. Carla Qualtrough: Thank you for your question.

As I said in my speech, we are taking a real client-centred approach to addressing pay issues. We have recognized that it's better to address employees as a whole and to deal with all of their individual transactions. That is what has happened through the pay pod model.

I will remind this committee that it was in fact employees in Miramichi who came up with this concept in the first place. I'm very pleased that it is rolling out as successfully as it is. We are trying to bring departments online as quickly as we can, as their capacity

permits, and we intend to have pay pods serving all departments serviced by the pay centre in early spring of next year—it depends how you define spring, I suppose, but by May of next year.

Les, I don't know if you want to add anything.

Mr. Les Linklater (Associate Deputy Minister, Human Resources-to-Pay Stabilization, Department of Public Works and Government Services): We are also continuing to maintain and increase our capacity in terms of human resources, both in Miramichi and in our regional offices. An important development over the course of the last year has been the establishment of our client contact centre in Gatineau, with 200 staff who have access to the Phoenix system and to the case management tool. They are now able to provide first-point-of-contact response and assistance to staff who are calling, for a certain number of transactions.

Ms. Yasmin Ratansi: Thank you.

Your budget also includes the 700 employees who were fired by the previous government. Have you re-hired them?

Hon. Carla Qualtrough: Yes. As I said, we have increased capacity from the 550 who were in place when we launched Phoenix to approximately 1,500. These are certainly not the exact individuals because some, of course, had moved on or retired, but we have replaced those individuals.

Ms. Yasmin Ratansi: In terms of your pay pods, you said that the initiative has been suggested by the employees themselves. You are rolling out pay pods to all 46 organizations. When, approximately?

Hon. Carla Qualtrough: As of October of this year—so just last month—we have pay pods servicing approximately half of the clients served by the pay centre, so approximately 110,000 employees. By next May, all employees serviced by the pay centre will have pay pods in place.

Ms. Yasmin Ratansi: Can you give an update on how you plan to roll out those pay pods? You suggested that there's been a decrease in backlogs by 23% through this pay pod system. Is it the combination of pay pods and customer services that you have adopted?

Hon. Carla Qualtrough: Les and his team have done a lot of work to identify the operational readiness of a department or an agency to be able to deliver through the pay pod model. Working with departments and agencies, they have basically determined a rollout list of when a certain department or agency will be getting a pay pod.

A very interesting thing about the pay pod model is that it's quite nimble, in the sense that it responds to the needs of the individual agency or department. Maybe you can give an example. Some are serviced internally. It's very agile.

Mr. Les Linklater: Indeed, for pod zero, the pilot pod that was set up about a year ago, in December 2017, we have been keeping with the principle that new never becomes old. As new intake and new transactions come into the pay centre, to the pod, those are dealt with first. Any spare resources that the pod has over the course of a pay period are directed to the priorities of the individual departments, as the minister flagged. Some departments choose to do more complex cases. Others look at older cases, but really they set the priority, provided we are able to stay on top of the new intake.

Ms. Yasmin Ratansi: The Phoenix system has been giving a lot of constituents a lot of headaches, especially with respect to the CRA and the T4 slips. Now that we are coming to year-end, could you tell me what work is being done for the upcoming tax season and what lessons have been learned so that our constituents are not crying and being chased after by CRA?

Hon. Carla Qualtrough: We're definitely building on the improvements and the lessons learned over the past three years, and we have been for some time. In fact, I'm not sure the work ever stopped from last season. We've been preparing for this upcoming season. CRA, TBS, unions and employees themselves have all been very focused on ensuring that we address any potential issues with T4s, whether it be employees identifying overpayments or anything else.

Les, is there something you'd like to add?

• (1545)

Mr. Les Linklater: We have a very detailed operational plan with the CRA and their partners. We have already been doing dry-run testing to be able to produce the T4s in February. To ensure system stability, we've put an operational freeze on any further system changes during the period between now and the release of the T4s. The inputs that we enter into the system will result in appropriate and correct T4s for staff.

We're also working with unions and Treasury Board Secretariat to make sure that staff are aware of their responsibilities around reporting overpayments. We're also getting ahead of that curve to ensure that we're lowering the stress and providing an opportunity for staff to repay net overpayments as opposed to the gross.

Ms. Yasmin Ratansi: Do the technical issues that were there in Phoenix remain? Does IBM continue to be a good partner when it comes to addressing the Phoenix issues?

The Chair: If you could keep it to about a 30-second answer, Minister, I'd appreciate it.

Hon. Carla Qualtrough: Yes, we definitely have a close working relationship with IBM. We've set up a technical experts committee with IBM, Oracle and the department. It's a cross-department initiative that ensures all technical issues are addressed immediately and don't become problems, and it has worked quite effectively.

The Chair: Thank you very much.

Mr. McCauley, you have seven minutes, please.

Mr. Kelly McCauley (Edmonton West, CPC): Welcome back, everyone. I think most of you have been with us before.

Minister, can you explain why your government still has not released the RFP and the draft RFPs for the Canadian surface combatant to the PBO?

Hon. Carla Qualtrough: It is my understanding that arrangements have actually been made between DND.... I understand that question was asked of the President of the Treasury Board and arrangements are now being made.

Mr. Kelly McCauley: When will it be released to the PBO?

Hon. Carla Qualtrough: When exactly will it be released, Michael?

Mr. Michael Vandergrift (Associate Deputy Minister, Department of Public Works and Government Services): I think they're working out the arrangements around the management of it, because of the sensitive information in the RFP. There have been exchanges of correspondence between the PBO and the deputy minister on this.

Mr. Kelly McCauley: When will you release the RFP and the draft RFP to the PBO? He has top clearance. There's nothing in there that can be hidden from him, nothing that's too sensitive for the PBO to see. When will it be released to the PBO?

Hon. Carla Qualtrough: All I can tell you is that DND and the PBO are working out those details right now.

Mr. Kelly McCauley: Okay.

When last we checked with the PBO, which was very recently, DND had refused to release the information.

Hon. Carla Qualtrough: As of this morning, my understanding is that they're working out those details.

Mr. Michael Vandergrift: The deputy minister has written to the Parliamentary Budget Officer offering to provide the RFP and making arrangements around.... People have particular security clearances—

Mr. Kelly McCauley: Will they release the draft RFP as well?

Mr. Michael Vandergrift: It's the RFP for surface combatants.

Mr. Kelly McCauley: What about the draft RFPs?

Mr. Michael Vandergrift: That will have to be worked out with the deputy minister and the Parliamentary Budget Office. The request has been for the RFP, as I understand it.

Mr. Kelly McCauley: Do you find it acceptable that the largest spending project in Canadian history has taken so many years and so many requests for your government to respond, to provide the RFP to the PBO? You've even stated it as a challenge in your NSS annual plan about project budgets, etc.

Why so long? Do you find it acceptable?

Hon. Carla Qualtrough: I'm not sure I would characterize it as either unacceptable or acceptable. I wish these things would go more quickly, but right now we're at a point at which that information is being exchanged.

Mr. Kelly McCauley: Okay.

The PBO in his report on the combat ships has said that there is going to be about a quarter of a billion dollars in added cost from inflation, etc., for every month of delay.

Do you agree with that assessment?

Hon. Carla Qualtrough: Is that what we have assessed it at?

Mr. André Fillion (Assistant Deputy Minister, Defence and Marine Procurement, Acquisitions Program, Department of Public Works and Government Services): We're aware of the assessment. Obviously, the budget for the entire project is with National Defence and their chief financial officer. They also have their own calculations, which they use.

In reality, if you look at the size of the contracts and the size of the project—in the \$50-billion to \$60-billion range, with inflation—your assessments, I think, are fairly close to what the PBO has been coming up with in his own assessment.

Mr. Kelly McCauley: Okay.

When are we actually going to start cutting steel for the frigates, please?

Hon. Carla Qualtrough: Do you mean for the CFP?

It will be in 2025 or 2026.

Mr. Kelly McCauley: Okay. I think the last time you were before us, you said 2021. Now it's—

Hon. Carla Qualtrough: I apologize. Delivery is in 2025 or 2026; cutting steel is in 2021.

Mr. André Fillion: It's in the—

Mr. Kelly McCauley: Are you sure of that?

Can I ask when you received updated information? I'm looking at the British T-26 project. They're much further ahead of us. They're not planning delivery until 2025.

Hon. Carla Qualtrough: I'm sorry; it's in the early 2020s.

Mr. Kelly McCauley: How is it that we don't even have a contract yet and we are going to leap four years ahead of where the British are?

• (1550)

Mr. André Fillion: As you may have heard, we identified a preferred bidder in October. We are in the final throes of the negotiations, a phase that we call a “conditions precedent” phase, in which we look at intellectual property, capability.... If everything goes well, we are expecting to award the contract to the preferred bidder early in 2019.

From there, the next phase will be the design phase, which—

Mr. Kelly McCauley: I understand all that. When are we going to start?

Mr. André Fillion: It will be in the early 2020s.

Mr. Kelly McCauley: If we grant the design in early 2019, when are we going to start?

Mr. André Fillion: After a few years of the design phase, in the early 2020s we expect to cut steel, with the first deliveries—

Mr. Kelly McCauley: You say “early 2020s”. I'm not asking about what part of the decade. What year can we expect to start? It's a simple question.

Mr. André Fillion: As the first step, once we have awarded the contract with the ship designer, we will obviously plan the next few years of work of design. Once we have these first engagements, with the actual contract awarded, we will be able to refine the schedule.

We're expecting two to three years of design work before we can actually cut steel. Let's say early 2019 to 2022, then cut steel, with a delivery in the 2025 time frame.

Again, at this stage we have identified a preferred bidder, but we have not sat down and awarded the contract.

Mr. Kelly McCauley: So it's 2022 at the earliest?

Mr. André Fillion: I would say so.

Mr. Kelly McCauley: Okay.

Concerning the three icebreakers we bought from Sweden 18 years ago, the public security documents released by BNN stated that the value for the three icebreakers was \$68 million. We know there have been no significant upgrades to those icebreakers in the last 18 years. After 18 years of wear and tear, we purchased them for \$660 million, I think.

Do you believe we got the right price for them?

Mr. Michael Vandergrift: We did an analysis of the costing, including getting third party expert advice when entering into the negotiations for them. We believe, based on that advice, that we did get—

Mr. Kelly McCauley: Who was the third party, please?

Mr. Michael Vandergrift: It was a firm on.... I can't remember the name. I will get it to the committee, sir.

Mr. Kelly McCauley: Did we look at leasing the three? I understand that the original plan was to lease the three.

Mr. Michael Vandergrift: The Coast Guard looked at leasing and in the end decided that the better objective was to purchase, so that they can maintain that ship throughout its life.

Mr. Kelly McCauley: It was a Coast Guard decision to purchase and not to lease.

Mr. Michael Vandergrift: It was a Coast Guard decision at the end of the day. The Coast Guard in the end decided that they would like to have a purchase so that they can maintain the vessel as part of their fleet through the remainder of its service.

Mr. Kelly McCauley: Great.

Now, in the public accounts committee last week, a senior procurement official from PSPC said that the government is looking at moving the aerospace engineering test establishment out of Cold Lake to Ottawa.

I'm wondering, Minister, whether you support this move.

Hon. Carla Qualtrough: I am very concerned with making sure that we have the right facilities in the right regions of our country, and if the advice and the decision are that.... It's a very difficult decision, because I have a daughter who went to Cold Lake and I understand the implications, but if that's where it needs to be, that's where it needs to be.

Mr. Kelly McCauley: Do you support the decision?

Hon. Carla Qualtrough: Yes.

The Chair: Thank you.

Mr. Blaikie, you have seven minutes, please.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I was wondering whether there is any money set aside in the supplementary estimates to reimburse Canada Post workers who were on short-term disability during the rotating strike.

Hon. Carla Qualtrough: No, there is not.

Mr. Daniel Blaikie: They're already making 70% of their salary because they have a work-related disability. Do you think it was fair that they weren't paid for five weeks?

Hon. Carla Qualtrough: It has to do with the fact that when the decision was made to do the rotating strike, the collective agreement was effectively terminated, and as a result the benefits under that agreement were terminated.

I don't think it was fair at all, but it—

Mr. Daniel Blaikie: That was a decision that the corporation made; they could have decided to carry on with those benefits. In fact, it's a decision you could have made.

Hon. Carla Qualtrough: In fact, they did carry on with some of the benefits. They continued with the disability benefits.

Mr. Daniel Blaikie: Yes, but there are a lot of people who weren't paid their short-term disability benefits. Do you think that's fair?

Hon. Carla Qualtrough: Short-term disability continued for individuals who were on short-term disability, as I understand it.

Mr. Daniel Blaikie: That's not our understanding at all, from the many people who wrote to me who were on short-term disability.

Hon. Carla Qualtrough: I can get that clarified for you. My understanding—

Mr. Daniel Blaikie: Then the question becomes—and we've brought this up in the House—why didn't you get on the phone to Canada Post management and get the answer then and reinstate the benefits for those people? We know that under the Canada Post Corporation Act the corporation exercises its powers and duties in such a way as to comply with such directives as the minister may give to it. Why did you not see a need to tell your corporation not to cut off disabled workers during a rotating strike?

To be clear, Canada Post workers weren't out every day; it was a rotating strike. In any given region there were maybe up to four days on which those Canada Post workers weren't working, and every other day they went in to work, delivered the mail, and got paid. But the people who were on short-term disability, who were already collecting only 70% of their salary, didn't get paid at all.

How are they going to make that money back, if government doesn't reimburse them for the money they lost during that rotating strike?

• (1555)

Hon. Carla Qualtrough: My understanding is that most benefits continued, that Canada Post put in place a process by which employees could make requests for special compensation, and none of those requests were denied.

Mr. Daniel Blaikie: Why do you think they should have to ask for special treatment, when those are benefits they're entitled to?

Hon. Carla Qualtrough: All they literally had to do was make the corporation aware of their loss and they would have been reimbursed—

Mr. Daniel Blaikie: The corporation decided to make a mean-spirited decision, as a tactic to try to break the strike, one that you endorsed by doing nothing.

Hon. Carla Qualtrough: I don't characterize it that way, sir.

Mr. Daniel Blaikie: Well, I do, and so do the many postal workers across the country. Are you not listening to them? Are you listening only to Canada Post management?

Hon. Carla Qualtrough: I think we've done a very good job over the past year of working hard to repair the relationship between management and the union, which had been significantly fractured in the decades before.

Mr. Daniel Blaikie: Well, I'll tell you what. When workers went back, after you legislated them back to work—

Hon. Carla Qualtrough: We have set Canada Post on board for a new vision that puts service to Canadians first.

Mr. Daniel Blaikie: Well, when Canada Post workers went back after being legislated back by your government, one of the first things they found out was that, despite the fact that there were only maybe several days during the five weeks on which the rotating strike was happening, Canada Post was telling them that it was going to dock them for the entire five weeks, from their accumulated personal leave and their vacation leave.

Now, you tell me, as the person responsible for Canada Post, how you think that's going to improve labour relations between Canada Post management and the workers.

Hon. Carla Qualtrough: I can tell you that the relationship is not where it needs to be to move forward with decisions at Canada Post—

Mr. Daniel Blaikie: So why are you letting your management poke them in the eye, when you say you want better relations?

Hon. Carla Qualtrough: I have every confidence in the newly established leadership of Canada Post. We have a brand new board and a brand new chair and acting interim CEO, and they have done a significant amount to address the needs of Canada Post employees—

Mr. Daniel Blaikie: Well, what I'm telling you today—

Hon. Carla Qualtrough:—whether it be because of bullying and harassment or through addressing issues of overtime. They are moving ahead on these really important issues.

Mr. Daniel Blaikie: What I am telling you today on behalf of the many postal workers who have contacted my office—so it's not coming from me—is that when they reported back to work because they were required by your law to report back to work, one of the first things they heard was that Canada Post was going to dock their personal leave and their vacation leave for the entire duration of the strike, notwithstanding the fact that almost every day of that strike they went in to work and reported to work.

That's a consequence of your legislation. Your legislation specifically exempts the entire strike period from counting against that accumulation; never mind that they were going to work.

How do you think you're going to improve labour-management relations and get a negotiated solution, when you allow your management, as their first act after you legislated those people back to work, to poke them in the eye? How do you think that promotes better labour-management relations?

Hon. Carla Qualtrough: I appreciate and sympathize with the toll that the labour dispute has taken, particularly on employees—

Mr. Daniel Blaikie: They don't need your sympathy. They need you to do something about a management that repeatedly decides to poke and prod them, and take them on—

Hon. Carla Qualtrough: This is a new Canada Post management. This is not the Canada Post management of times past.

Mr. Daniel Blaikie: Actually, if you talk to the workers there, they'll tell you it is.

The Chair: Mr. Blaikie, I know how passionate you and others are when dealing with this. This was a long-simmering dispute. I can understand all of that. I can understand why the questions you were posing to the minister are such that it may tend to inflame the emotions, again, of members of this committee or members of the union.

However, all I'm suggesting here, sir—and to the minister—is that we continue to do what we always do at committee and treat all of our witnesses with respect. The questions should be direct, and they should be aggressive, at times, if you feel that they should be posed in such a manner, and I would also ask the minister to answer direct questions with direct answers, if possible, but I'd like to keep this on a level that is respectful of both the minister and the witnesses along with her.

Mr. Blaikie, you have about two and a half minutes left.

Mr. Daniel Blaikie: Thank you.

I'll come back to a comment that the minister made about how this isn't the Canada Post of years past. One thing that Canada Post is paying for right now, with interest, is the decision to deny Canada Post workers their sick leave during a previous rotating strike and subsequent lockout, when they were legislated back to work. After years of significant cost to the union representing those workers, and to the corporation itself, an arbitrator determined that actually there was an acquired or vested right to those benefits, and the company was not within its rights to deny those benefits.

We've seen something similar happen with respect to the short-term disability plan. There are many people who worked there in 2011 and who work there today, and they span that whole period. When they look at what happened in 2011 and what's happening now, they see that Canada Post management is adopting the same techniques. They decided to take away sick days, which is what obtained at the time, in 2011, and they decided to go after short-term disability, which replaced those sick days now. When they look at that situation, they don't see what's different. Canada Post has engaged in the same kinds of strike-breaking tactics in 2018 as it did in 2011.

Why don't you explain to those people, who don't see it in their daily work lives, what exactly you think the difference is between Canada Post management techniques in 2011 and Canada Post management techniques today?

● (1600)

Hon. Carla Qualtrough: Thank you.

Well, I am of the firm belief that Canada Post management is behaving differently than it has in the past. We gave a very forward-looking mandate to the new chair, in January of this year, which corresponded with our service-focused vision for Canada Post. We put at the very top of the list to improve relations between management and labour, which, as I indicated, were fractured.

I have met with unions, and I know personally that the leadership of CUPW, in particular, is grateful for some of the initiatives that management has taken, particularly with respect to bullying and harassment, which I referred to, and dealing with a very clunky past process on overtime, which the chair at the time had dealt with directly. I think it's unfortunate—

Mr. Daniel Blaikie: One major issue has been that Canada Post uses mandated overtime repeatedly.

The Chair: I have given some additional time for my intervention, but unfortunately we are out of time for this intervention.

We'll now go to Mr. Jowhari. You have seven minutes, please.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

I'd like to welcome the minister and the staff.

Minister, I'd like to start by asking a clarifying question. While Minister Brison was here on his estimates, our colleagues from the other side indicated—one may say insinuated—that you denied the request to release the CSC RFP to the PBO. I've had the opportunity to review the transcript and did not see that the request was made to you at any point while at this committee.

I want to give you a chance to clear this up. I'm going to ask this specific question: Have you been asked by the PBO to provide the CSC RFP? If so, have you done that?

Hon. Carla Qualtrough: To the best of my recollection, I have not been asked to provide that, no.

Mr. Majid Jowhari: Thank you.

Going back, in your opening remarks you indicated that 353 contracts worth \$163 million have already been awarded under the BCIP program, that 80% of the firms benefited from the program, and that 78 of those products have been exported to 48 countries. This is great work that has been done on the innovation side.

I'd like to ask you a question about defence procurement. The opposition often highlights potential challenges yet doesn't talk about some of the significant achievements we have made under our procurement programs, especially the defence procurement program, in helping to ensure that our men and women are well equipped with what they need.

Can you highlight some of those specific achievements under the defence program?

Hon. Carla Qualtrough: Thank you.

A lot of work has gone on, both behind the scenes and in delivering for Canadians, in defence procurement. It started really with the robust work and consultation and technical expertise that went into the fully costed defence policy that we have: "Strong, Secure, Engaged".

We also have a defence investment plan that lays out the planned investments in defence procurement for the next 10 years. It allows businesses in particular to anticipate what will be needed by the military so that they can make strategic investments in their own innovation and R and D.

We've also launched the future fighter jet procurement for the 88 replacement jets and expect the delivery of our first interim jet next year. The first large vessels that were designed and built under the NSS are in the water. We've launched an offshore fisheries and science vessel. We've launched the first AOPS.

We've done a contract for purchase and sale of a fixed-wing search and rescue aircraft. We've selected a preferred bidder for the Canadian surface combatant. We've issued an advance contract award for the maintenance of our frigates. We've cut steel on the first joint support ship at Seaspan. We announced that we will build a sixth AOPS. We have new tactical armoured patrol vehicles, new military pattern trucks, and new equipment for the Canadian Rangers.

We've actually delivered a lot in defence procurement.

• (1605)

Mr. Majid Jowhari: Great.

Are there any numbers or percentages that your team can provide indicating how much of this procurement has gone to Canadian businesses? That's as a percentages or in dollar numbers.

Hon. Carla Qualtrough: I'm sorry. I don't have that number in my head.

Mr. André Fillion: What is also important to note is that when we do the procurement for large defence contracts, we invoke what we call industrial and technological benefits, which require suppliers to invest the equivalent amount of the contract into Canadian industry, so that we see a lot of work being done here in Canada, directly or indirectly related to the contracts that are awarded.

Mr. Majid Jowhari: If you could provide the committee with an example and a percentage of how much is done, we would really appreciate it.

Minister, following up on the passion demonstrated by my colleague Mr. Blaikie, I'd like to talk about the recently passed Bill C-89. This bill was quite different from the previous bill, Bill C-6, which was passed in 2011, and has many positive and different approaches to bringing in back-to-work legislation.

I would like to ask you to highlight some of those positive or different approaches.

Hon. Carla Qualtrough: Thank you.

In June 2011, CUPW workers ran rotating strikes as part of a labour action. Less than two weeks later, Canada Post locked out CUPW workers and the Harper government passed back-to-work legislation. This, as the courts described, was very heavy-handed legislation that mandated a wage increase, mandated the kind of offer the arbitrator must receive, and mandated the terms of the contract. It was quite prescriptive in the way it outlined how the process would proceed.

In contrast, in the current environment we have been assisting the parties for over a year in this labour dispute, and Canada Post never locked them out. We didn't run to legislate quickly; we waited as long as we thought we possibly could.

Also, the legislation itself is as opposite as you could possibly get from the legislation of 2011. It did not dictate any terms for the contract. It set out a process whereby we would once again try mediation, move to arbitration, and give the arbitrator absolute discretion to determine the process and the way that arbitration would go down—not move to single-offer arbitration.

In addition, the parties have the opportunity to submit names for the mediator, and the Minister of Labour would go to the chair of the Canadian Industrial Relations Board if there weren't one upon which the parties could agree.

It was very much laying out a process instead of dictating terms.

Mr. Majid Jowhari: Thank you.

I have about 40 seconds left, which I'll return to the chair.

The Chair: Thank you very much.

Mr. McCauley, we're now into five-minute rounds, and you're up.

Mr. Kelly McCauley: Thank you, Minister.

Alberta has been beaten enough, with the economy and the layoffs, and I'm disappointed that the government would decide to hurt us further by moving jobs out of Cold Lake to Ottawa.

Just going back to Mr. Jowhari's comment, to clear the record, it was I, myself, who asked for your intervention to release the RFP. We've asked twice. We've asked Minister Brison, and we've asked Minister Sajjan. We actually just followed up with the PBO, and we just got an email back that they have not heard anything from DND about getting the RFP, so maybe I can ask you to provide us with.... Whom did you speak to from DND, and when was the information provided?

Hon. Carla Qualtrough: I apologize; I can't explain that—

Mr. Kelly McCauley: Not at this time, because I have other questions.... Maybe you can get back to us in the second round.

Minister, Matthew Matchett, who was alleged to be behind the supply ship leak, was hired after the alleged leak to work for PSPC. Can you speak to any details that you have on his departmental transfer to PSPC, and whether he is still working there, because he seems to be disappearing from GEDS?

You can answer just briefly.

• (1610)

Hon. Carla Qualtrough: Thank you.

Mr. Les Linklater: I can speak to the issue. Mr. Matchett is in fact an employee of PSPC, and he has been suspended.

Mr. Kelly McCauley: Okay. Was he removed from GEDS on purpose, then, for that reason?

Mr. Les Linklater: I would have to get back to you with more detail on that, but he has been suspended.

Mr. Kelly McCauley: When was he suspended?

Mr. Les Linklater: Why was he suspended? I'm not at liberty to get into personnel management issues.

Mr. Kelly McCauley: I asked when.

Mr. Les Linklater: I don't have the exact date, but we can provide that to the clerk.

Mr. Kelly McCauley: Yes, if you don't mind....

Dave Perry, vice-president of the Canadian Global Affairs Institute, said in a 2018 report, "If Prime Minister Trudeau wants to see his defence policy implemented as outlined, he needs to change Canada's defence procurement system to enable it to spend procurement money at the rate projected in SSE." At that time, he also provided in his report very clear information that there's no possible way to actually achieve SSE with the current spending.

Do you agree with Mr. Perry's statement that we need to change our defence procurement system?

Hon. Carla Qualtrough: I agree that we need to make our entire procurement system more efficient and less clunky, for sure. I think we've taken some really important steps towards that.

I'm going to ask André to explain the risk-based authorities. It's a very important distinction. I think you'll be pleased with it.

Mr. Kelly McCauley: You have 30 seconds at the most, please.

Mr. André Fillion: Yes, SSE, "Strong, Secure, Engaged", is a challenge for all departments involved. We are working on some improvements to streamline defence procurement. One of the significant initiatives we have undertaken is to move, for example,

authorities for ministers and departments to award certain contracts —

Mr. Kelly McCauley: Have you seen Mr. Perry's report showing the massive gap between "Strong, Secure, Engaged" and what the estimates and the budget are showing, that the two of them don't align? Do you agree with that?

Mr. André Fillion: We're aware of that, and—

Mr. Kelly McCauley: What's your feeling? Are you saying Mr. Perry is incorrect, or is he correct?

Mr. André Fillion: No, he is presenting facts as they are, and—

Mr. Kelly McCauley: Thanks. That's just what I wanted to know. With SSE, we are challenged with this low procurement, and it does not reflect the reality of our ability to purchase items. That's what I wanted to get at.

Do you believe that we need an overhaul of our procurement system, Minister?

Hon. Carla Qualtrough: As I said, part of my mandate letter is in fact to modernize our procurement, and that would, in large part, include defence procurement, because it is absolutely clunky and at times prohibits getting the equipment we need quickly.

Mr. Kelly McCauley: I think we all agree.

Now, Minister, do you support this committee in undertaking a comprehensive study on the state of the more critical aspects of the federal defence procurement process—not specific projects as such, but the process—to review the problems facing industry and government, and how we can resolve them?

Hon. Carla Qualtrough: I would definitely encourage your committee to prioritize your business as you see fit, and if that is what you deem to be a priority, I would support it.

Mr. Kelly McCauley: Okay.

PSPC has.... You've commented that there is funding in the estimates to develop simpler and better procurement. There are funds for allocations in the Treasury Board central votes, in the supplementary estimates (A) under this. It's been almost four years since this government has taken over, and it's clear that the issues of our defence procurement system are deeply embedded and will not be fixed with band-aid solutions or simple adjustments.

As such, given the matter at hand, and given that I don't want to take up too much of the committee's time, I'm going to move a motion, please:

That, pursuant to Standing Order 108(2), the Committee conduct a full-scale study on the state of the more critical aspects of federal defence procurement to review the problems facing our procurement process and how to resolve them, as well as study options to streamline our processes for industry and the public service, that the Committee hold no fewer than ten meetings, that the study begin no later than Monday, February 4, 2019, and that the Committee report its findings to the House.

Now, I will state for the record that I'd like to go immediately to a vote. If the government decides to adjourn on this motion, then we will believe it's a simple refusal of the government to accept the study and to move forward on this issue.

The Chair: We're open for debate. Now I'm looking for speakers on the speakers list.

Mr. McCauley, you have the floor.

Mr. Kelly McCauley: I'm fine.

The Chair: Was that it?

• (1615)

Mr. Kelly McCauley: That's it.

The Chair: Mr. Peterson, go ahead.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): I would like a procedural clarification, Mr. Chair. Was this a motion given on notice, or is this the notice now that we're receiving? I'm not familiar with this motion.

The Chair: The normal 48 hours' notice had not been given, but this would be considered, in my opinion—and I have consulted with the clerk on this—about the subject at hand. In other words, if you are introducing a motion about a subject that is currently being discussed or debated—which this seems to be, particularly since we've had questions on defence procurement from both the government and the opposition side—I consider this motion to be in order.

Pardon me, Mr. McCauley?

Mr. Kelly McCauley: I just have one comment to make, and then I'll relinquish the floor.

The Chair: The floor is yours, Mr. McCauley.

I'm looking for a speaker. We have Mr. Peterson on the speakers list next.

Mr. Kelly McCauley: As I mentioned, we don't want to make this project-specific, but an overall review. We've heard from the minister that she supports such a study. I would hope the government members agree that we can move forward with this very important issue.

I relinquish the floor.

The Chair: Mr. Peterson, go ahead.

Mr. Kyle Peterson: Thanks, Mr. Chair.

I'm going to move that debate be now adjourned on this motion.

The Chair: The motion to adjourn the debate is in order, which requires an immediate vote.

(Motion agreed to)

The Chair: We have about 12 minutes left before the minister has to go. We are now, on the speakers list, at Mr. Peterson.

Mr. Peterson, you have five minutes.

Mr. Kyle Peterson: Thank you, Mr. Chair.

I appreciate the minister and our other witnesses' being here today.

When Mr. McCauley started his last round, he asked a question dealing with DND and PBO communications, I think, and you weren't able to answer or weren't given the opportunity to answer. I wonder if you have an answer now, and if you'd like to answer. Otherwise, we can....

Hon. Carla Qualtrough: I had answered previously that I didn't recall being asked that, but I certainly can be corrected on that, and we will definitely.... I don't understand why there's information discrepancy, but we'll figure that out, for sure.

Mr. Kyle Peterson: Okay, thank you for that. I just wanted to make sure we had that clarified.

I'm going to talk a bit about the estimates and the request for some money for Shared Services. There's a \$125-million request, and I think almost \$98 million of that deals with projects that have been characterized as mission-critical to Government of Canada IT operations. Taking a step back on that, who makes the assessment on whether something is mission-critical or not?

Mr. Ron Parker (President, Shared Services Canada): The mission-critical applications are determined by the departments that use them, based on a set of criteria, usually around health, safety and national security.

Mr. Kyle Peterson: Okay. Thank you for that. I just wanted to get some background on that.

Part of that is the new data centres. One of them is not far from my riding, at Base Borden. Am I to understand that these are up and running now, functional and operational?

Hon. Carla Qualtrough: Yes.

Mr. Ron Parker: Yes.

Mr. Kyle Peterson: Okay. Is a portion of that money just going to the usual operations of these data centres?

Mr. Ron Parker: I'm going to ask Mr. Bombardier to cover the specific uses of those funds.

Mr. Denis Bombardier (Chief Financial Officer, Shared Services Canada): The money goes toward building the infrastructure, so that's the main use of the money. After that, first it goes toward establishing the IT equipment, and then, on an ongoing basis, toward maintaining that equipment and providing the service associated with the data centres themselves.

Mr. Kyle Peterson: Okay, thank you.

A lot of this money and this new technology is meant to provide better services to Canadians, decrease turnaround times, etc. I think the way your department measures consumer or customer satisfaction is through a survey. You mentioned a little bit in your opening statement about the customer satisfaction survey results. Can you elaborate on those and what progress they are showing, if any?

Mr. Ron Parker: Thank you for the question.

We've made real progress in terms of improving our customer satisfaction. This is really attributable to our employees and their hard work along the way.

The index of customer satisfaction is up about 30% since December 2015, from 2.79 to 3.62 in September, which reflects better service, faster service and more service to departments. For example, the volume of service requests is up roughly 20% so far this year, so demand is growing.

• (1620)

Mr. Kyle Peterson: Thank you for that.

Also, Minister, in your opening comments you alluded to the build in Canada innovation program, BCIP. My understanding is that it's being transferred to ISED at the end of the fiscal year.

Hon. Carla Qualtrough: Yes.

Mr. Kyle Peterson: I think there was a request for \$60 million or so for that department, and almost \$40 million is for the BCIP.

What is that money going to be used for?

Mr. Michael Vandergrift: Thank you for your question.

The money will be used to fund BCIP projects. BCIP is a really successful program in which innovators submit ideas and they are tested by the National Research Council to determine whether they are truly innovative. About one third or so are deemed to be innovative.

The program links up these innovations with departments to test them and do trials. In essence, these companies with innovations get their first customer. Their first customer, being a government department, gives them both the benefit of having their product in use and also the benefit of being able to say that they have a customer in the Government of Canada, to aid further commercialization and marketing of their product.

These funds, requested as part of the supplementary estimates, are to fund those BCIP projects. They will eventually be moved over to ISED next year and will fund the program as part of the Innovation Canada suite of programs.

The Chair: Thank you very much.

[Translation]

Mr. Deltell, you have the floor for five minutes.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you very much, Mr. Chair.

Good afternoon, Minister, gentlemen, ladies and colleagues.

Mr. Chair, before I start asking my questions, I must say that it seems a little surprising, if not unfortunate, that the government members declined the minister's openness to address very relevant questions about the Department of National Defence and all related expenditures. The government members refused the debate and that's unfortunate.

Madam Minister, I would like to talk to you about the issue at the heart of the northern defence strategy, the construction of the icebreaker *Diefenbaker*. As you know, it is a huge project worth more than \$1 billion. When it was announced in February 2013, it was supposed to cost \$720 million and the launch was scheduled for 2021. Now, the probable cost is \$1.4 billion and the launch could take place in 2023. Within a few years, the price has doubled and the delivery date has been extended.

I would like to know where we stand. Have we started cutting steel to build the *Diefenbaker*? Otherwise, when will the first cut take place?

[English]

Hon. Carla Qualtrough: Michael, would you like to comment?

Mr. Michael Vandergrift: The *Diefenbaker* is part of the program of work at Vancouver Shipyards. We're working with the shipyard on the program of work right now.

The schedule that you've identified remains the schedule at present. There are projects that need to be completed, though, in advance of the *Diefenbaker*, under the current schedule as laid out. The project, then, remains as you describe.

Mr. Gérard Deltell: Is it 2023?

Mr. Michael Vandergrift: I believe that's the date. We can verify and come back to you with the exact date.

Mr. Gérard Deltell: Well, Mr. Chair, we're talking about something very important now.

Do you think it would be a good idea—because there is some rumour about that project—that it be done somewhere else, in another shipyard? What do you think of that?

Mr. Michael Vandergrift: I don't think I should be speculating about that. The project right now is part of the umbrella agreement with Vancouver Shipyards under the national shipbuilding strategy.

Mr. André Fillion: Let me add that the premise for the national shipbuilding strategy was to give the shipyards involved in large ship construction a program of work over several decades, so that they could actually make the investments, become world-class, and then deliver ships under it.

Part of the umbrella agreement with Vancouver Shipyards includes this program and gives some returns on investment for the efficiencies that they have to bring into the yard.

[Translation]

Mr. Gérard Deltell: When you talk about some returns, the word "some" is weak, Mr. Fillion. We are talking about doubling the bill and postponing the delivery date. Not a piece of steel has yet been cut to start this project. Now you are telling us that everything is fine and that you are in talks with people.

I'm asking you again. Do you think we can continue this program as planned? Should we not consider pursuing it elsewhere?

[English]

Mr. André Fillion: The NSS program is constantly.... I would say that this is the kind of conversation we have every day about how we deliver the ships that are part of the program.

I think it's fair to say that in the last eight years, since the program was announced and the contracts were awarded, many lessons have been learned concerning the optimism about scheduling and costing that we are correcting as we go along. It's also fair to say that we've put a lot of risks behind us as the shipyards have reinvested and have brought in new workforce. They've also put new equipment in their yard and are now building ships.

Going forward, I would have to say to you that, as we are updating our schedules and our cost estimates, those lessons learned and that experience are helping immensely. Yes, there was some optimism in the original estimates for all the programs that are being delivered under the national shipbuilding strategy.

•(1625)

Mr. Gérard Deltell: Now my question is directly for the minister.

What do you think of that project? The budget has doubled, going from \$720 million to \$1.4 billion. It was supposed to finish in 2021, and now we're talking about 2023. What do you think of that?

The Chair: If you could answer in 30 seconds, I'd appreciate it.

Hon. Carla Qualtrough: I wish that more accurate costing and scheduling had been done initially, when the NSS was put in place years ago, but as was said, we are constantly updating and learning from the optimism of early estimates.

Mr. Gérard Deltell: Are you happy with that?

Hon. Carla Qualtrough: I'm glad that we now have more accurate numbers and timelines.

The Chair: Thank you.

Minister, before I go to our next intervention, which will be from Monsieur Drouin, you had indicated that you could be with us for an hour. If we wanted to complete a full round of questions from committee members, we would have approximately eight minutes left—five minutes for Monsieur Drouin and three minutes for Mr. Blaikie. Would you be able to stay for that additional time?

Hon. Carla Qualtrough: Yes, I would.

The Chair: Thank you very much.

Monsieur Drouin, you have five minutes, please.

[*Translation*]

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

I would like to remind the members of the committee that we did not vote against the motion; we simply voted to adjourn the debate, just because we were taken by surprise. Normally, there is a spirit of co-operation within the committee. We will therefore consider the motion and we will have the opportunity to check whether it is satisfactory.

Thank you very much to all the witnesses who are here today.

Madam Minister, I have to ask you some questions about the Phoenix pay system. I know that you are requesting, through supplementary estimates (A), \$13.6 million to stabilize the Phoenix pay system.

I'm concerned about the figure of \$1.8 million to fund increased support services to employees with pay issues.

Did the employees use that money? Are requests to use those funds made by employees? I imagine there were issues.

[*English*]

Hon. Carla Qualtrough: No. In budget 2018, we announced \$25 million to support departments in addressing their Phoenix issues. The \$1.8 million is PSPC's share of that \$25 million.

Am I correct?

Mr. Les Linklater: That is correct.

I'll just note that the Treasury Board Secretariat does have a claims office, which has been set up to help employees who have suffered

out-of-pocket expenditures as a result of Phoenix to deal with those hardships.

[*Translation*]

Mr. Francis Drouin: Okay. So the department is responsible for paying the amount of those claims, even though the claims office is located at the Treasury Board Secretariat.

Mr. Les Linklater: As the minister said, the money was given to the department so that it could help its own workforce stabilize the system.

In addition, there is the Treasury Board Secretariat claims office, which provides money to people who have experienced pay issues because of the Phoenix system, to help them pay for certain expenses.

Mr. Francis Drouin: In your remarks, Madam Minister, you also mentioned that, since January 2018, the queue has been reduced by 21%. I know that we must proceed cautiously towards achieving the objectives.

Is a similar decrease expected in the next quarter, for example? Will this 21% decrease happen every month? Has there been a greater decrease per quarter or is it the same? Has there been a greater increase this summer or fall?

I'm asking you several questions.

•(1630)

Hon. Carla Qualtrough: Things are going well with the pay pods.

[*English*]

As we bring more departments and agencies into the pod system, we get better results for those departments and agencies. As I've said, in the departments and agencies that have been in pods longer, such as those in pod zero from last November, we have a more significant decline in the backlog than in those that are not being serviced in that model.

We anticipate stabilization to follow that same trend. If I had to, I would predict that the departments and agencies that are in pod zero will achieve stabilization—i.e., get rid of the backlog for their departments—in a corresponding flow of the pod rollout, if that makes sense.

[*Translation*]

Mr. Francis Drouin: You mentioned that, since the pay pods were implemented, there has been a 23% reduction in backlogs.

[*English*]

Hon. Carla Qualtrough: Yes.

I would say that—and I don't mean it to sound as cheeky as it might come across—a year ago, my constant nagging was that we had to find a way to keep the numbers from going up. Right now, my constant nagging is about how to get the numbers to go down more quickly. That's a much better place to be than where we were a year ago.

[*Translation*]

Mr. Francis Drouin: I know I don't have much time left. I'm going to ask one last question.

We know that the Treasury Board has already taken new steps to plan a new pay system, because the other one will become obsolete at some point. Is there co-operation between Public Services and Procurement Canada and the Treasury Board to work on this matter?

Hon. Carla Qualtrough: Absolutely. We work together.

Mr. Les Linklater: Absolutely. We have a lot of experience in pay administration, so we are in regular contact with our Treasury Board counterparts to learn from our experiences.

Mr. Francis Drouin: Thank you very much.

[*English*]

The Chair: Our final intervention will be from Mr. Blaikie, for three minutes.

Mr. Daniel Blaikie: Thank you.

I'm certainly going to take Monsieur Drouin's word that if Mr. McCauley moves his motion again, he won't have any reason to vote against it.

Minister, section 6 of the back-to-work legislation extends the provisions of the collective agreement, but it excludes the period for which there was a strike. It doesn't make any distinction between a rotating strike and a full-blown strike. Do you think that it made a material difference to the operations of Canada Post that the strike was a rotating strike, as opposed to a full strike?

Hon. Carla Qualtrough: I would suggest that the uncertainty and the economic impact of the rotating strike were quite significant.

Mr. Daniel Blaikie: You don't think there was a difference between what would have happened to the mail under a full strike, as opposed to a rotating strike. Is that what I'm hearing you say?

Hon. Carla Qualtrough: No.

I would assume, although not having lived it—

Mr. Daniel Blaikie: Why do you think it didn't make a difference for people on short-term disability? Their pay was completely suspended for the five weeks, even though Canada Post delivery was not completely suspended for five weeks—in fact, not even close.

Hon. Carla Qualtrough: I don't think I can answer that question to your satisfaction, sir.

Mr. Daniel Blaikie: Could you commit to reimbursing those folks on short-term disability who didn't get paid at all for five weeks, despite the fact that the operations at Canada Post continued and the mail got delivered?

Hon. Carla Qualtrough: I can't make that commitment at this time.

Mr. Daniel Blaikie: I think that's unfortunate to hear, because that's exactly the kind of commitment I think those people are owed. The delivery of the mail and the profits of Canada Post were not suspended for five weeks. It makes no sense to me why your government would choose, in the back-to-work legislation, not only to agree with the decision in the first place, but then to protect the company, within your government's legislation, from having the union be able to take any action retroactively. That's what section 6 of your agreement does.

Why was that provision included in the back-to-work legislation?

Hon. Carla Qualtrough: Unfortunately, I don't know why it was or wasn't. We'll have to confer with the Department of Labour—

Mr. Daniel Blaikie: You are the minister responsible for Canada Post—

Hon. Carla Qualtrough: I am, and I—

Mr. Daniel Blaikie: —and you don't know why clauses were included or not included in the back-to-work legislation for Canada Post.

Hon. Carla Qualtrough: The back-to-work legislation was within the responsibility of the Minister of Labour—

Mr. Daniel Blaikie: Am I to understand that you, as the minister for Canada Post and as a member of cabinet, weren't consulted on the back-to-work legislation? Was there not a cabinet discussion about the back-to-work legislation, where you reviewed the various clauses of the legislation?

Hon. Carla Qualtrough: Can I answer now?

Mr. Daniel Blaikie: Yes, please.

Hon. Carla Qualtrough: The Minister of Labour was the lead on the back-to-work legislation. Absolutely, we worked very closely together. I am hesitant to give you a rationale, when I don't have that information in front of me, as to why we chose specific wording or a specific clause, but I can definitely get that information to you.

• (1635)

Mr. Daniel Blaikie: I think it would be important, particularly in light of the fact that the company is now using that section in order to deny an appropriate accumulation of personal days and vacation days to workers who are back at work.

The Chair: Thank you, Mr. Blaikie.

Minister, thank you for being here. I understand that you have other commitments.

Hon. Carla Qualtrough: I do. Thank you.

The Chair: Colleagues, we will suspend for two or three minutes. We ask the officials to remain seated, and we will reconvene as soon as we can.

• (1635)

_____ (Pause) _____

• (1640)

The Chair: Colleagues, we are reconvened. We will not have any opening statements, since we were provided one by the minister. We will go directly into seven-minute rounds of questions.

We will begin with Madame Mendès.

You have seven minutes, please.

[*Translation*]

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you very much, Mr. Chair.

I would like to welcome you all.

We had some discussions with the minister. I would now like to go into more detail, specifically regarding Shared Services Canada.

[English]

You are requesting \$94.3 million under votes 1(a) and 5(a) to address program integrity issues. I would like to ask you, if I may, to address the specifics of those integrity issues and what exactly we are talking about when we talk about integrity issues.

Mr. Ron Parker: Absolutely, I'm happy to provide some detail. I may ask my colleagues to add in.

The program integrity issues that these funds are intended to deal with relate principally to software—operating systems that are going out of service in 2020. We need to replace those, plus equipment that is past its end of life and needs to be replaced, to sustain the critical service delivery to Canadians.

Mrs. Alexandra Mendès: This is across all government departments?

Mr. Ron Parker: This is across all government departments, yes.

Mrs. Alexandra Mendès: We're talking about equipment from the average laptop or desktop to servers and—

Mr. Ron Parker: We're not talking about the desktop level per se. This is the background infrastructure: servers and storage, networking, and security devices.

Mrs. Alexandra Mendès: What about software?

Mr. Ron Parker: Yes, it's software in terms of the operating systems that enable those servers to function, for example.

Mrs. Alexandra Mendès: This is a lot of money. I understand that this is a kind of technology that costs a lot of money. Is this plan to be rolled out during the current fiscal year, or is it something that will roll out into the next fiscal year?

Mr. Ron Parker: In broad terms, there's an infrastructure replacement program that is required over time. If you imagine that the Government of Canada's total IT infrastructure were, say, somewhere in the \$4-billion to \$6-billion range, given the depreciation rates of IT equipment, that figure would imply something in the neighbourhood of \$750 million to \$1 billion of replacement a year, just to give you a sense of scale.

Mrs. Alexandra Mendès: Okay.

Does this also touch any of the technologies used by National Defence, for example, or is this strictly for other departments?

Mr. Ron Parker: We supply technologies to the Department of National Defence, as well as to other departments, outside of the command and control necessary for military operations. The Department of National Defence continues to control that, as well as their top-secret IT infrastructure.

Mrs. Alexandra Mendès: You wouldn't, then, touch that area.

Let me go to the federal pay system. That obviously is not a resolved issue, but my colleague—I think Mr. Peterson—asked before whether we are already looking at a replacement system, a new system that will eventually be brought in to replace Phoenix.

Would you have a timeline for this? Is there something in the current request for allocations? What is the timeline for the replacement system, Mr. Linklater?

Mr. Les Linklater: Thank you for the question.

Treasury Board Secretariat was allocated \$16 million over two years in budget 2018 to explore options for software to replace Phoenix. The work that has been undertaken now by the chief information officer, Alex Benay, is focused on identifying, through an agile procurement process, appropriate software that could potentially handle HR management for the Government of Canada.

Mrs. Alexandra Mendès: Am I to understand that we are avoiding the very descriptive RFPs? Instead, we're saying, "We need this objective. What do you have to offer us?" Is that more what we're going into?

Mr. Les Linklater: Essentially, yes.

Mrs. Alexandra Mendès: That's good to know. It's a little progress compared with what we were doing before.

To go back to the pods, I think this is something that warrants congratulations for finally having a system that seems to bring resolution to many of the issues. You are telling us that the final departments to enter into the pod system will be doing so in May 2019.

• (1645)

Mr. Les Linklater: We have two more waves of deployment. The next will be in February, and the final one will be in May.

As you can imagine, as we staff up and build human resources capacity, we also need to ensure that we have appropriately trained senior staff who are able to act as team leads, coaches, and data analysis support workers within the pod to help direct the work. We are now going through a number of processes to ensure that we have the qualified staff available to take those leadership positions as we staff up with more junior compensation staff who would help with the pods.

Mrs. Alexandra Mendès: Would that imply using staff who are currently in the pods to train the new ones coming into pods, or transferring those who have already been working in the pods to leadership positions in the new pods, or a mix of both?

Mr. Les Linklater: It's more the second, but we would be doing so very judiciously. We don't want to disadvantage them or see any *recul*—

Mrs. Alexandra Mendès: —or dilution.

Mr. Les Linklater: —by moving qualified staff too soon out of a pod that is functioning well.

There is some exchange of skills, but one of the exceptional innovations from the pod is the cross-training that happens with the staff who are brought in. We've seen, over the course of the last year, that staff who were recruited at fairly junior levels are able to double if not triple their competency within about six to eight months. The cross-training and the support of the pod through the mentors and the data analysis is helping to broaden the skill sets.

The Chair: Monsieur Deltell, go ahead.

Mr. Gérard Deltell: Thank you so much, Mr. Chair.

[Translation]

Mr. Fillion, I would like to come back to the Diefenbaker, which we discussed earlier. According to what you said, you're correcting as you go along. Can you elaborate on that?

When we talked about the Diefenbaker, we were told that it would now cost twice as much as the original estimates and that it would take longer than expected to complete.

What do you mean when you say correcting as you go along?

[English]

Mr. André Fillion: What I was saying is that under the national shipbuilding strategy approved eight years ago, in 2010, contracts have been awarded to the tune of about \$8.8 billion since then. I talked specifically about the estimation of costs and schedules that took place in preparation for the announcement of the national shipbuilding strategy, and the initial estimates that were made.

Since then, as I said, many of the risks have been put behind us as the shipyards have stood up their workforce and have invested. Ships are now being produced: There are three offshore Fisheries science vessels in construction, and one launched on the west coast; there are three Arctic offshore patrol ships in construction on the east coast with Irving Shipbuilding.

As this experience is obtained and gained, and as the Government of Canada experience is also improved, I think it's fair for me to say, having been in this business for several decades, that there's a lot more sophistication and a lot more accounting of risk in estimations that are now done for the future.

That's not to say that they're without risk going forward. When we're talking about warships, there aren't very many things that anybody can undertake that are more complex than building a warship. As much as we factor in risk, there are the unknown unknowns that we will continue to face in the future. I would say, however, that the level of sophistication has improved significantly. That's what I meant by the corrections that are being made as we go forward.

Mr. Gérard Deltell: Do we expect any other "corrections", as you say?

Mr. André Fillion: I think you can never say never in this business. When we talk about the complexity and size of a project such as the Canadian surface combatant project, I don't think that anyone I've ever met, working internationally or in Canada, can actually predict all of the risks that will exist or will materialize or not materialize in the future. We do factor them into the estimates, but we are facing issues as we go.

For example, some of the projects we have delivered over the years.... A failure of a system during testing can set you back financially and schedule-wise. Some things cannot be predicted per se. That's why you do testing.

• (1650)

Mr. Gérard Deltell: It could be a never-ending story. Public money is not a buffet; it's not a blank cheque. We're talking about a real project. I know and I recognize that it's huge and involves extra security. We're talking about warships; I recognize that.

But we're talking about doubling the price, from \$700 million to \$1.4 billion. It's too much. What you're saying to us is not good insurance for us, talking about "never say never". Well, I'm sorry, sir, but I'm afraid.

Mr. André Fillion: Again, having been in the business for several decades and having successfully delivered many projects, I will say that every day we work in this business.... There are hundreds, thousands of projects nobody hears about that are delivered successfully.

What I was trying to say is that, as you go along with developing new weapons systems, there are things that can happen. I have given the example of an armoured vehicle project that occurred a few years ago, where a steering system issue appeared and set the project back for several months. There are those kinds of things, so I cannot stand here and tell you for sure that everything will unfold exactly as has been planned. However, as I said, the sophistication in the planning has improved to factor in some of these unknowns.

Mr. Gérard Deltell: My main concern is that this is not a blank cheque. After hearing what you said, if I were the shipyard builder, I would say, "Well, it's party time", because it's "never say never" and "correcting as we go", and this is an open door to a blank cheque. I am very concerned, but I have some other issues to address on that.

Mr. Vandergrift, maybe you can join the conversation.

I talked a few minutes ago about the fact that there are some rumours that maybe we could do it somewhere else. Well, now I'm not talking about rumours. I will just ask you a clear question. Did you have any conversations with Seaspan or someone else about building the *Diefenbaker* elsewhere?

Mr. André Fillion: We are in conversations with Seaspan on a weekly basis. Again, we want to go back to the umbrella agreement that we have signed with Seaspan, which does include the *Diefenbaker*, or the polar icebreaker, as we call it. It is part of a program of work that the Coast Guard is planning to do, so it is part of the program. This is a signed agreement that we have with the yard, and we are moving forward so that they can do the planning in the long term for it.

To go back to the issue of—

Mr. Gérard Deltell: Mr. Fillion, just as a clarification, did you have any conversations to move the *Diefenbaker* elsewhere, yes or no?

Mr. André Fillion: No. Again, we have a signed agreement.

I just want to go back to the cost, if I may.

Mr. Gérard Deltell: Sure.

Mr. André Fillion: There's one issue of costing, the precision of costing, but there's also another issue, the issue of affordability, which we constantly have. Those are two things. First of all, you have to have the discipline, the mechanisms and the processes to come to the appropriate costing, and then what comes out of that in some cases is cost increase. I talked about some of the earlier optimism.

With that always comes a question of affordability. We have these conversations between departments, and we have conversations obviously within the Government of Canada. At the end of the day, the Coast Guard, National Defence and the Royal Canadian Navy have to be able to afford these ships and to make sure they are getting them at a price that constitutes value for money.

The Chair: Thank you.

Mr. Blaikie, you're up for seven minutes.

Mr. Daniel Blaikie: Public sector unions recently have started talking about an offer the government has put on the table that amounts to an effective two-year wage freeze, which has upset some, particularly in light of the troubles with Phoenix over the past couple of years. Is a lack of confidence in Phoenix being able to deliver on pay increases affecting the kinds of offers that the government is prepared to make?

Mr. Les Linklater: Well, we certainly have a lot of learned experience from our efforts to implement the 2014 round of collective agreements. We are providing that advice to the Treasury Board Secretariat and clearly through the governance structures that we have set up over the course of the last 24 months, which does include the unions. I meet with them every six weeks. Their views on trust in the system are well known to us. What's happening at the negotiating table I'm not at liberty to discuss. I'm not privy to those conversations.

• (1655)

Mr. Daniel Blaikie: How many new cases is Phoenix generating each month, notwithstanding whatever might be in the backlog? How many new pay issues arise each month?

Mr. Les Linklater: I would say that, on average, we're seeing about 80,000 new transactions entering into the system at the pay centre every month. Outside of the pay centre, I would have to verify those numbers.

Mr. Daniel Blaikie: Those would be 80,000 transactions where there's a problem or difficulty with pay—

Mr. Les Linklater: It's not necessarily a difficulty with pay. It could be flagging an HR event such as someone going on leave or taking an acting assignment, but it's something that would have an impact on compensation.

Mr. Daniel Blaikie: In terms of pay issues where there's a problem that would require a resolution at some point, how many new cases do you see in a month?

Mr. Les Linklater: I would say that the backlog represents a significant number of outstanding pay issues, and as we're working through that, the complexity comes to light.

Mr. Daniel Blaikie: What I've heard from public sector unions is that, notwithstanding whatever is already in the backlog, there are new pay issues that need resolution, and not just because somebody is going on leave and Phoenix has flagged it, but because there's a case of overpayment or underpayment.

In terms of problematic pay transactions that will find their way to the backlog if they're not addressed immediately, how many new cases do you see in a month?

Mr. Les Linklater: With any large system on the scale of the pay system, it's not unexpected to see errors arise.

When we see issues that result in an outcome that is not foreseen, that would generate what we call an incident report. That is then immediately dealt with to address the issue in the system, and then remedial action would be taken on the file.

Mr. Daniel Blaikie: How many new ones of those are you seeing in a month?

Mr. Les Linklater: I would say at this point that we have about 1,000 outstanding incident requests that relate to some sort of issue that has come up in the system.

In terms of parsing the number of transactions that relate to an error as opposed to a delay in processing, I don't have those figures.

Mr. Daniel Blaikie: If somebody from the public sector union is listening today—somebody who is dealing with their members on a monthly issue where they're saying they got overpaid or underpaid—and they hear it's about 1,000 new cases a month, do you think they're going to feel like that's the right answer?

Mr. Les Linklater: That's the number of incident reports that we have. The number of cases could be much higher. If there are processing issues—if a file isn't loaded, if we have a technical glitch or a network outage—the number in any given pay period could be higher.

Mr. Daniel Blaikie: From what I've heard, 1,000 certainly sounds low to me.

I'm wondering if I'm not using the proper term of art to elicit the appropriate answer. I feel like we might be two ships passing in the night right now, and I'm trying not to be—

Mr. Les Linklater: I think the terminology would relate to whether there was an error in the pay, or whether there was a delay in processing a transaction that has an impact on pay.

Mr. Daniel Blaikie: What does that difference mean if I'm working for the public sector in terms of whether I'm getting paid properly or not? Whether it was an error or a delay, what does that mean for me when I get paid? Am I seeing what I should be seeing on my cheque, or is there a problem?

That's what I'm trying to get at.

Mr. Les Linklater: If there is a delay, it doesn't necessarily mean there's a problem. If there is something like an overpayment, clearly that is a problem, and there are processes to deal with those.

Mr. Daniel Blaikie: You're telling me that this would be in the order of about 1,000 new cases a month.

Mr. Les Linklater: I would say that this relates to the number of incident reports; the number of cases could be higher.

Mr. Daniel Blaikie: All right, I'm going to be honest. I'm not exactly sure what that means, which is unfortunate.

I want to know, from the perspective of people getting paid, when they see their cheque, does it look right to them or not? I'd like to know how many people a month are having the experience that it doesn't look right.

I'm not sure how to navigate your terms to get that answer. If you could help me, that would be great. If you're going to reiterate what you've said already, I can move on. I'm looking to you for direction.

Mr. Les Linklater: Well, base pay is provided every two weeks. If an individual feels that he or she is not getting what is owed, they can report that—they do report that—and that gets escalated either through the client contact centre or through our escalation unit at PSPC.

We do investigate, but we ask that the severity of the issue be assessed before it comes to us so we can ensure that those with the most severe financial hardship are dealt with quickly. For those with lower-level financial issues—and I don't want to diminish this—we will get to those as we work through the higher priority first.

• (1700)

Mr. Daniel Blaikie: All right.

I'm going to move to my next line of questioning, which has to do with looking at alternatives.

I've heard that the CRA has a payroll system in place that is not Phoenix. It interacts with Phoenix or works with Phoenix, but it's not exactly Phoenix, and it's having a higher rate of success than Phoenix. There are some who feel that it could be adapted well enough to serve as a replacement for Phoenix and that it would be a lot quicker than starting from whole cloth on a new system.

When you're asking for money in the supplementary estimates to explore new systems, how much of the resources available for developing a new system is being invested in exploring that option seriously, versus looking at developing a new option from whole cloth?

The Chair: It's a wonderful question, but unfortunately we have no time for the answer, unless Madame Yip wants to cede some of her time to allow you a chance to answer.

Madame Yip, you're up for seven minutes. Go ahead, please.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): No, I don't think I'll be sharing my time today.

Thank you very much for coming.

My first question is in regard to Shared Services Canada and the supplementary estimates (A) for capital expenditures. Why is it minus almost \$26 million?

Mr. Ron Parker: Monsieur Bombardier can answer that.

Ms. Jean Yip: Are you able to find the figure?

Mr. Denis Bombardier: Not quite.

In supplementary estimates (A), the main negative amount is a vote transfer, actually. It's an internal transfer between votes. In plain language, it means that we're transferring some money from our capital expenditures to our regular O and M expenditures. You can see that on the supplementary estimates (A). That's a main....

Ms. Jean Yip: Okay. Can you explain what the funding for core information technology services is for? What does it involve?

Mr. Denis Bombardier: The main item under this \$2.5 million is actually the charge that.... For every submission that goes in front of the Treasury Board, there's a charge per FTE that's being allocated to Shared Services, and that represents the majority of that amount. It's \$700 per FTE, actually.

Ms. Jean Yip: I'll move to my next question. What do core information technology services involve?

Mr. Denis Bombardier: Again, the per-FTE charge covers everything that an employee requires from SSC to perform his work, in terms of a computer, phone, etc.

Mr. Ron Parker: If I may.... For example, a new employee comes in and needs a new workstation spot. That requires new cabling, a new phone line, and those kinds of expenditures. Every time there's a move, that could also entail a refit for the IT technology. That's covered by this \$700 per employee.

Ms. Jean Yip: Okay. Thank you.

With three new enterprise data centres, in terms of the security and service risks, I'm wondering how they're going to avoid the fate of the 160 closed-down legacy data centres. What safeguards will be there to guard privacy and security, and do you have enough funds allocated for safeguarding that?

Mr. Ron Parker: The government has made significant investments in cybersecurity and IT security since 2016. The funds allocated to the enterprise data centres are very much intended to better secure the data and the functioning of the IT systems in them.

To start with, in terms of the physical layout of these data centres, they are physically protected, segregated in a way that the old data centres were not. They are not, for example, incorporated in commercial buildings. Because of this, as well, they have dedicated power supplies, dedicated heating and cooling, and dedicated telephone lines and communication lines. All of this builds redundancy into these enterprise data centres.

As the minister said, another feature they have is built-in redundancy, so if there is a failure of a power supply system, they have two or three more generators to pick up the need to run for a long period of time.

In terms of IT security, it is built in by design, following the Treasury Board policies around security. Furthermore, there are all of the technical controls that we receive from security agencies. These are modern, state-of-the-art data centres that will protect the data of Canadians.

• (1705)

Ms. Jean Yip: Following up on the first round of questioning regarding the federal contaminated sites, how many contaminated sites does PSPC have responsibility for? How has this number evolved over the last 10 years?

Mr. Marty Muldoon (Chief Financial Officer, Finance and Administration Branch, Department of Public Works and Government Services): I don't have the number of sites with me, but we'd be happy to provide that.

Mr. Michael Vandergrift: I can add, if I could. The funding here is for two sites associated with the Alaska Highway. It's moving funds from last year into this year for the two projects in that area. The Alaska Highway is one of the major federal contaminated sites, and PSPC is working on its remediation.

Mr. Marty Muldoon: If I may, I was able to find some information relevant to your question. You may be well aware that the federal contaminated sites action plan has been going through multiple phases. This is the third phase of the funding. Under this particular phase, we're managing 46 different sites through the remediation process.

The segment that Mr. Vandergrift just walked us through was that there are two fairly significant contamination areas along the Alaska Highway. We were to have dealt with them by now. The action you're seeing here in these supplementary estimates is to move the funding through the delays—because the season is so short along the northern reaches—and forward it to this year and next year to deal with those two sites. I hope that answers your question.

The Chair: Thank you very much.

Mr. McCauley, we have you for five minutes, please.

Mr. Kelly McCauley: Thank you.

Mr. Linklater, we discussed this in an earlier meeting. I think there's a kind of Treasury Board direction not to go after people who have been Phoenixed for overpay until this is made whole. I'm still getting a lot of calls at my constituency office about this happening, about PSPC asking people for money and withholding money for overpay when they still haven't had their T4s fixed from two years ago. Is that just an oversight, or has the policy changed? Do you know?

Mr. Les Linklater: The policy hasn't changed, so if there are issues in constituency offices that you're experiencing, I would invite you to provide a list of those individuals to me. We'll look into those cases.

Mr. Kelly McCauley: Great.

I want to get back to the gentleman in regard to the purchase of those three tugboats/icebreakers. Again, 15 years ago, they were worth \$60 million. We're paying \$858 million. You said it was the Coast Guard that wanted to buy them instead of leasing them.

Is it common to give the Coast Guard the ability to overrule such decisions or to give them the final say on that? What oversight went into this? We could have leased them, as was originally planned. We could have leased them for probably less than \$10 million a year for the three years that it would take to build brand new ones, and for less than the \$600 million we're spending on 15- to 18-year-old ones.

Mr. André Fillion: Every time a decision like this is made, there is a business case that is done by the navy and the Department of National Defence, if it's about navy capability, or by the Coast Guard. What goes into these business cases is obviously the costs that are available on the open market, but there are also third party reviews done of these to look at different ways parametrically for—

• (1710)

Mr. Kelly McCauley: Will you be able to make that business case public, to us or to taxpayers?

Mr. André Fillion: This would have to be asked of the Coast Guard. Again, those are some of the decisions that are made for these kinds of capabilities.

Mr. Kelly McCauley: Okay. Let me just skip to my next question.

In 2016, the government announced that for the combat frigates we were going to go to an existing off-the-shelf design, and of course we haven't. What changed? When did we make the official change to allow paper designs like the T-26 to submit a bid?

Mr. André Fillion: As I said earlier, we have selected a preferred bidder as part of the consultation process—

Mr. Kelly McCauley: I know that, and I don't have a lot of time. When did we change the policy? It was announced by CANSEC: an off-the-shelf design to save money and time. Now we're going to a paper design, which is going to take longer and be more expensive.

Mr. André Fillion: Fundamentally, the requirements of the navy were established, and the procurement process was built on meeting those requirements. I think it's fair to say that any warship or Canadian surface combatant we select will require some sort of work done to it. There was—

Mr. Kelly McCauley: Were we getting ahead of ourselves?

Mr. André Fillion: There was a threshold established for the level of maturity the design would have to have to be deemed acceptable, and that was established early on, as you said, in 2016.

Mr. Kelly McCauley: Right, but in 2016 we said “off-the-shelf design”, and T-26 is not. I'm asking when we decided to move away from that. Was it when the navy said that an off-the-shelf design was not going to be satisfactory and they needed to expand it?

Mr. André Fillion: Again, this is procurement that's still in process. We have not landed yet on the final decision. We are in negotiations with our preferred bidders. I need to make a caveat before I talk further about it.

Mr. Kelly McCauley: Sorry, I have a couple of other questions. I'll be out of time.

When are we going to see updated costing on the frigates? If we do go with the T-26.... Because of the added weight—it's about 1,200 tonnes more displacement than original guesstimates for the other two competing bids—that's going to add about 13% to 15% to the cost, plus the quarter billion a month in delay.

I don't see you being ready to start in 2021. When are we going to see updated costing? You said the navy is working on it. When will we see public costing?

The Chair: You have about 30 seconds left for you answer.

Mr. André Fillion: The costing was re-baselined as part of “Strong, Secure, Engaged” last year.

Mr. Kelly McCauley: When will we see updated costing, please, on the frigates?

Mr. André Fillion: The frigates budget was re-baselined as part of “Strong, Secure, Engaged” last year, when the government announced the acquisition of 15 surface combatants. There has been some work done as part of that costing to take into account the uncertainty of which design would be selected.

Mr. Kelly McCauley: So SSE already covers all this: the uncertainties, the delays and everything else.

The Chair: Thank you.

Mr. André Fillion: The costing that was done by National Defence in preparation for “Strong, Secure, Engaged” does account for uncertainty, not knowing yet which design is to be selected, and also the fact that some of these designs, even independent—

The Chair: Thank you.

Mr. André Fillion: All right. I'll stop here; otherwise my microphone will be disconnected.

The Chair: We never seem to have enough time.

My understanding is that there are no more questions coming from the government side.

Mr. Drouin, am I wrong? Apparently, I am wrong.

Mr. Francis Drouin: I have just one question, Mr. Chair. Then I will give the time to Mrs. Mendès. I have five minutes.

My question is for Mr. Vandergrift.

I want to go back to the whole issue with the CSC RFP and the PBO. Is there any evidence that you could show to us, any correspondence between the government and the PBO where we could see that we've tried to share this information, that we've requested some information or we've attempted to communicate with the PBO?

Mr. Michael Vandergrift: I could table with the committee, if the clerk and the chair so wish, copies of a letter from the deputy minister of National Defence to the Parliamentary Budget Officer dated November 22, 2018, offering to make available the RFP for the Canadian surface combatant and offering to work out the arrangements for making that available to the Parliamentary Budget Officer.

Mr. Francis Drouin: Great. Thank you.

That's my Christmas gift. I'm done, and I'll wish you all a happy holiday.

• (1715)

The Chair: Madame Mendès, go ahead.

Mrs. Alexandra Mendès: Thank you, Mr. Chair.

Thank you, again, for your patience.

I'm going to pick up on Mr. Blaikie's question about the CRA model, because we love to learn from best practices, or at least I do.

First, I consider the pod system a best practice. I do think that whoever came up with this idea deserves a lot of credit. I, personally, come from the community sector. We tend to be very versatile. We do a lot of things at the same time and learn about a lot of things. I believe that flexibility and complementarity in the way you execute tasks are an excellent way of working, generally speaking. Perhaps eventually taking this pod system to a permanent model for the human resources department would not be a bad idea. That's my two cents there.

On the CRA system.... And I didn't know; I heard it for the first time. If this is a good system and if it's working for them, is it something that you would consider looking at in the studies of future pay systems?

Mr. Linklater, go ahead.

Mr. Les Linklater: First of all, in terms of the pod model, that's an innovation that came from the floor in Miramichi. The staff, along with unions, suggested that we move to the entire employee pay file model, and I'm happy to pass along your words of congratulations. Thank you.

In terms of the next-generation system announced in budget 2018, I think we need to be clear that the lead for assessing options rests with the Treasury Board Secretariat. While we do work very closely with them on stabilization efforts and providing our lessons learned, the actual scoping of options is being led by the chief information officer at Treasury Board Secretariat.

I wouldn't be in a position to offer a view as to the suitability of the CRA system going forward. I do know that it does integrate their finance and HR systems. It runs on SAP software, and it's been about 20 years in the making.

Mrs. Alexandra Mendès: Okay. Still, going back to the current system, you have 46 of the 99 government departments at the pay centre. With regard to the ones that kept their own pay counsellors but that do interact with Phoenix because they're still using Phoenix, do you know what their level of satisfaction is in terms of their employees being paid properly, on time and the right amounts?

Is there a difference between those that kept their own pay counsellors and those that were sent to Miramichi?

Mr. Les Linklater: We do know that the number of outstanding or long-standing pay transactions for departments and agencies not served by the pay centre is considerably lower than that for those that are served by the pay centre. That said, they continue.... Those not served by the pay centre do interface with Phoenix, whether it's direct entry, web-based or however. They do have issues with technology and linkages with their HR systems. Remember, there are still more than 30 HR systems feeding into Phoenix, so maintaining those interfaces and ensuring data integrity remains a challenge.

Mrs. Alexandra Mendès: Thank you very much.

The Chair: Mr. McCauley, go ahead.

Mr. Kelly McCauley: To follow up on Mr. Drouin's comment.... I apologize. My understanding from your comments was that DND had submitted the RFP, but the intent is that DND will submit it.

Mr. Michael Vandergrift: That's right. It's working out the arrangements of how to do so.

Mr. Kelly McCauley: Thanks very much for clarifying that. We've been asking for a long time now. I hope that DND does follow through.

I want to get back to the comment about when we'll actually start cutting steel.

Mr. Fillion, I think you said that we expect to have contracts signed by early 2019. Is that correct? When do you think we'll have it chosen?

Mr. André Fillion: Let me go back again to where we are at with the solicitation process for the Canadian surface combatant. As I said, in October we did announce the preferred bidder, which triggered what we call the conditions precedent phase. We are negotiating with the preferred bidder on intellectual property so that we can build, maintain and engineer the ship in the future. We are—

Mr. Kelly McCauley: But when do you think we'll move to the next step?

Mr. André Fillion: Assuming that all goes well as we continue with the negotiations this month, we can be in a position potentially early next year to have a contracted award for the design of the ship. Obviously, the outcome of the award is conditional on the negotiations. If the negotiations turn out to be unsuccessful, then we would go to the second bidder.

• (1720)

Mr. Kelly McCauley: Are you negotiating right now?

Mr. André Fillion: We are in negotiations with the preferred bidder as part of the conditions precedent phase.

Mr. Kelly McCauley: My understanding is that the CITT ruling was to delay everything 90 days until it could do the review, not to do any negotiations. Correct me if I'm wrong.

Mr. André Fillion: One of the bidders filed a procurement review complaint to the Canadian International Trade Tribunal on November 21. The tribunal has decided to inquire into the complaint, and it also issued an order to postpone the award of the contract.

Mr. Kelly McCauley: I thought it was also not to continue any of the negotiations.

Mr. André Fillion: It's a postponement of the award of the contract. The negotiations are ongoing. Maybe Michael can add to that.

Mr. Kelly McCauley: If it's not successful, then we won't have lost any time.

Mr. Michael Vandergrift: We've also asked the CITT, under the regulations, to rescind the order prohibiting the award of the contract, given the urgency of this case. We've made that request to the CITT, as well, so that we can proceed on schedule. The case, of course, will be heard at the CITT, and we'll make our defence.

Mr. Kelly McCauley: As long as it's not getting delayed...

I'm going to get back to a Coast Guard question. Why was the Coast Guard future capability design not rolled under the NSS, under the same kind of rules?

Mr. André Fillion: Much like the defence policy, "Strong, Secure, Engaged", which sets a path for the future capabilities of the Canadian Armed Forces, that was not part of the national shipbuilding strategy per se. Obviously, when the NSS was announced, there was a program of work that was also established at that time, but the long-term investments required for the Canadian Armed Forces, the navy and the Coast Guard are part of a separate decision, which is a policy for the department and the forces.

Mr. Kelly McCauley: Do you agree with the way the contract is spelled out, the way it does not limit the design search to stay within Canada, or how the RFP is set up for it? Are you happy with how the RFP is for choosing the design for that? I understand that it's not as favourable to Canada as perhaps the NSS.

Mr. André Fillion: I'm sorry, but I'm having trouble hearing you.

Mr. Kelly McCauley: I mean the contract, the RFP, for the Coast Guard future capability. I asked why it didn't go under the NSS. I understand the NSS is focusing on helping develop Canadian industry, Canadian capacity. I understand that the future capability design is not under the NSS, and therefore it does not provide the same kind of benefit to Canada. I'm just asking whether that is something you approve of, or whether it is an outlier. Is there a benefit to doing that process as opposed to following the NSS?

Mr. Michael Vandergrift: I assume, Mr. McCauley, that you're talking about the three icebreakers.

Mr. Kelly McCauley: No, I mean the Coast Guard future capability design.

Mr. Michael Vandergrift: As Mr. Fillion said, it's still policy work under way. There's no active RFP for future Coast Guard design that I'm aware of.

Mr. Kelly McCauley: My understanding is that there is this capability to design future ships for the Coast Guard but not following the NSS guidelines, and therefore we won't see the same economic benefits from capacity-building that we could count on.

The Chair: Unfortunately, we'll have to leave it at that because we're out of time.

Do we have any further questions from the government side?

Mr. Blaikie, go ahead.

Mr. Daniel Blaikie: I have three minutes, but if Mr. McCauley would like to pursue his questions with those three minutes, he's welcome to.

The Chair: We have one three-minute intervention left.

Mr. Kyle Peterson: Don't we have five minutes?

The Chair: You had five minutes but you ceded that time.

Mr. Kyle Peterson: Maybe I want to uncede it so I can run out the clock so I don't have to hear Mr. McCauley for three more minutes.

Voices: Oh, oh!

The Chair: There is a three-minute intervention left. We've gone through a complete round except for the three-minute intervention that is left.

Mr. Kyle Peterson: I have as much right to ask questions as you do.

The Chair: Mr. McCauley, go ahead.

Mr. Kelly McCauley: I have just one last question. When we did the maritime helicopter project, we went outside and hired Hitachi as kind of an oversight. Should we be looking at something similar to that for the frigates?

Mr. André Fillion: As we have gone through the national shipbuilding strategy implementation over the last several years, we've relied quite a bit on external advice, third party advice from different firms, whether it's on costing or scheduling, or even on some of the formulation of the project. We also get advice from an independent adviser who is very experienced internationally in the delivery of ships, who is in contact with us constantly as we bounce ideas off him and he provides us advice.

• (1725)

Mr. Kelly McCauley: Are these as robust as perhaps the oversight that Hitachi was assisting us with for the maritime helicopter project?

Mr. André Fillion: I would say that they are not exactly the same, but, having been involved in the maritime helicopter project myself with the national shipbuilding strategy, I think they're of the same kind. They're not exactly the same, but I think they're both very

useful in the sense that they do bring a sober second thought to some of the thinking in the work we are doing.

Mr. Michael Vandergrift: We also have fairness monitors heavily involved in the procurement as well to their end, in all the meetings, witnessing the process and providing observations to us as well.

Mr. Kelly McCauley: Thanks, gentlemen.

The Chair: Thank you all, madame and gentlemen, for being here. If there's any additional information you think would be of benefit to any of our committee members or the clerk, I would suggest and encourage you to submit those pieces of information directly to our clerk.

Once again, thank you for being here. I hope you all have a very happy and prosperous Christmas and New Year.

The meeting is adjourned.

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