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Chair: Mrs. Kelly Block



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• (1105)

[English]

The Chair (Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC)): I will call this meeting to order. I welcome you to meeting number 21 of the Standing Committee on Public Accounts.

The committee is meeting in public today to receive two separate briefings. There will be two one-hour panels, the first with a representative from the Privy Council Office and the secretary of the Treasury Board. Unfortunately, the Clerk of the Privy Council is unable to be with us due to illness, and I'm sure all members join me in wishing him a speedy recovery. The second briefing is from the deputy minister of finance.

Members will have noticed that I have asked to extend our meeting today by 30 minutes so that we can go in camera for some very timely committee business. I hope all of you can stay for that extra time.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021, and therefore members may be attending in person in the room or remotely using the Zoom application. I'm sure you can tell by now that I am in the room.

For those participating virtually, interpretation services are available for this meeting. As you know, you have the choice, at the bottom of your screen, of floor, English or French. Before speaking, click on the microphone icon to activate your own mike. When you are done speaking, please put your mike on mute to minimize any interference. When speaking, please speak slowly and clearly.

Unless there are exceptional circumstances, the use of headsets with a boom microphone is mandatory for everyone participating remotely. Also, as always, should any technical challenges arise, please advise me, and I will note that we may need to suspend for a few minutes as we need to ensure all members are able to participate fully.

I'd now like to welcome our witnesses.

Joining us from the Privy Council is Janine Sherman, deputy secretary to the cabinet, senior personnel and public service renewal. From the Treasury Board Secretariat, we have Peter Wallace, secretary of the Treasury Board of Canada, and Roch Huppé, Comptroller General of Canada.

Welcome.

I will now turn the floor over to Ms. Sherman.

You have five minutes.

[Translation]

Ms. Janine Sherman (Deputy Secretary to the Cabinet, Senior Personnel and Public Service Renewal, Privy Council Office): Thank you, Madam Chair.

I would like to thank the committee for the opportunity to be here today and to speak about the culture of the public service, an issue that is critically important to our effectiveness. Given the size, scope and geographic reach of our public service, we are really speaking about a range of different cultures within the varied work environments of public servants.

Yet, public servants are guided by a set of common values that extend across the enterprise: our commitment to providing excellent services to Canadians; our responsibility to provide the government of the day with our best advice; and our dedication to continuous improvement and renewal.

The committee has called upon the public service, in undertaking its operations, to examine best practices in respect of transformation and governance. These comparisons and principles have the potential to inform key issues such as project management, but they have also helped shape our current approach to public service renewal, "Beyond 2020".

[English]

Beyond 2020 was launched in January 2019 and sought to build on the growing spirit of innovation and collaboration across the public service. It's a framework focused on nurturing the mindsets and behaviours within the public service that are necessary to build a more agile, more inclusive and better-equipped institution.

Its application is driven by departments, agencies, communities and individual public servants. Measuring how we are progressing is critical to informing our efforts, both in terms of identifying best practices and highlighting the areas that need greater attention and effort.

One important measure is the opinion of our employees. We are seeing strong progress in a number of areas relating to having their voices and ideas heard, being empowered and thinking differently. For example, in the 2019 public service employee survey, responses indicate that employees have an increasing view that they have opportunities to provide input into decisions that affect their work, that they feel encouraged to be innovative or take initiative in their work, and that they would be supported by their department or agency if they proposed a new idea.

Public service renewal is not an academic exercise that exists outside or alongside the priorities of the day. To the contrary, it is what positions us to quickly adjust and tackle new and emerging priorities. This has been particularly evident in the face of two current challenges for the public service: supporting Canadians through the COVID-19 pandemic and advancing anti-racism, diversity and inclusion.

After the pandemic hit, we heard from public servants that the core aspects of our renewal approach have increased in relevance. In delivering on the government's efforts to support Canadians through the pandemic, we are seeing that the Beyond 2020 themes of being agile, inclusive and equipped are being lived out in quite extraordinary ways. This is a result, in part, of having a strong focus on delivering results for Canadians, which in turn has relied on a relentless commitment to service and to finding innovative ways to deliver practical solutions.

The role of the public service in supporting during the pandemic is still unfolding. It has shown us that the status quo is not always an option. The reality of needing to generate policy, program and technology responses in near real time over the last year has served to highlight the positive and important role that innovation and agility can play in bringing ideas to light more quickly and adjusting at pace to feedback.

It will be important for us to harvest lessons from this experience, to use these findings to help inform our renewal efforts going forward. I believe we will be well served in this work by a defining feature of our enterprise-wide culture: that is, notably, a willingness to look closely at where we need to make change and to learn from our experience, which brings me to the second issue I'll touch on.

We need to tackle racism and increase diversity and inclusion in the public service. Communities and networks of diverse public servants have been working to advance equity and inclusion in our organizations. Despite these efforts and ongoing work, we have not made the progress that we need to. This is why, on January 22, 2021, the clerk released "Call to Action on Anti-racism, Equity, and Inclusion in the Federal Public Service". The call to action is about setting expectations for leaders at all levels to take concrete steps to create a more representative and inclusive public service.

Departments and agencies are already showing a strong commitment to that progress. They're creating anti-racism task forces, advancing a dialogue to better understand and address what is transpiring in the workplace. We have offerings from the Canada School of Public Service on anti-racism, alongside other diversity and inclusion offerings.

We are continuing to develop disaggregated data to provide a better understanding of the experiences of public servants from diverse backgrounds. It is this data that will help us identify where gaps exist, but we must now act on what the results are telling us.

I started by saying I was here to talk about public service culture, and in doing so, I've just outlined a few examples that demonstrate our commitment to renewal, with a focus on culture through our own mindsets and behaviours.

Public service culture and renewal is a journey. It has a past; we are living its present; and it will evolve in the future. It is never

static. We will always welcome opportunities to have open conversations about what we have learned and where we need to improve.

Thank you, Madam Chair.

• (1110)

The Chair: Thank you very much, Ms. Sherman.

We will go to Mr. Wallace for five minutes.

Mr. Peter Wallace (Secretary of the Treasury Board of Canada, Treasury Board Secretariat): Thank you so much.

I'm joined by Roch Huppé, who serves as the comptroller general of Canada. I aim to be as brief and direct as I can. This is an important dialogue.

I want to start off by emphasizing that the Treasury Board Secretariat accepts the Auditor General's spring 2018 report and Michael Ferguson's personal accompanying commentary. By "accept", I don't mean grudgingly accept the recommendations. I mean we embrace the analysis and have worked fundamentally to understand and implement those incredibly important recommendations to prevent the tragedy of Phoenix from ever occurring again.

We take this seriously. We're pleased to report on the progress we've made to date. We're also pleased to discuss with this committee some of the limitations and some of the work we frankly have left to continue to do.

I want to speak to three areas of progress and reform and also acknowledge the limits on those. The first has been essentially the rule set for the policy level. The Treasury Board and the secretariat have worked hard to include the policies and directives that guide deputies and other decision-makers. We've put in place a wide number of policies. These are policy reforms. These are publicly available. They're on the web. I think they're quite consistent with those in other governments. They're largely consistent with those that guide large private sector institutions.

Fundamentally, we've established new lines of accountability and standards around IT projects, including some gating and peer review that didn't exist before and an enterprise architecture review board. That sounds kind of boring and jargony, but it means that the chief information officer now has direct eyes on business-critical projects and reviews [*Technical difficulty—Editor*] prior to investment. We've also put in place a series of other mechanisms and we're happy to answer detailed questions on those in terms of the IT policies.

Roch Huppé, in his role as comptroller general, has been instrumental in establishing new standards for project management. We have senior designated officials and project sponsors for each project, so we actually know who is in charge, which throat to choke and where the primary points of accountability are. We now require concept cases, so we actually know what the projects are about, what they're supposed to be doing and how digital principles can be applied. We've made sure that we've established competency profiles, so that we have some sense of who is in charge of these projects, not only from an accountability perspective, but what their capabilities should be and how we can track that well.

We've also been quite busy working on the HR side. Since April 2020, we have a new set of HR policies in place that effectively increase the flexibilities for deputies to implement their responsibilities with respect to human resources. In particular, deputies can now retrospectively recover performance pay that might have been given in error if the deputy understood in future what they.... Sorry, I won't bother with a detailed explanation. Effectively, we've now given deputies the power to recover performance pay retroactively and also to deploy executives where they need them the most. These are flexibilities that were not available before and are significant reforms.

It's early days and, frankly, the realities of 2020 and 2021 have impaired our ability to collect data and get an early sense of how these reforms are working. We'll continue to monitor and adjust.

These policy changes are important. They're useful and they're directionally correct. I'm very comfortable with them, but I don't take it for granted that they will have the necessary impact. It is something we need to monitor and be on top of. In this area, we're completely and fundamentally on top of the notion of the Auditor General around form and substance. We're paying a huge amount of attention to the application of these new policies with respect to major new programs in terms of income support, immigration reform and, of course, the NextGen of HR-to-pay systems.

These are fundamentally focused on different and more structured methodologies. The early results from these, including the Auditor General's most recent review in February of this year, have shown some real progress. We're very pleased with that.

The last thing I want to talk about is cultural reform. We remain relentlessly focused on the culture of the public service and essentially ensuring that we now have in place enterprise-wide governance for major programs, including a couple of deputy minister committees that I personally chair. Importantly, we are putting in place new internal audit resources to make sure that decision-makers are able to deal with something that they were unable to get in Phoenix, which is a direct line of sight into the actual, independent and verifiable-by-internal-audit understandings of progress against objectives.

We are learning from our experiences in the pandemic where, as Ms. Sherman indicated, we've been able to respond with some considerable agility.

• (1115)

I will finish very briefly by saying that we have the policies and processes in place. We do not take progress for granted. We remain relentlessly focused on making sure that we have policies in place, that we have actual lived experience, that we focus in on the results to date, and that we work with the deputy minister cadre to ensure a great deal of attention on information technology, learning the lessons of Phoenix, and staying on top of these vital areas.

It's much appreciated. We genuinely look forward to questions, because we think this is an incredibly important dialogue. We are pleased to share with this committee our progress and limitations.

Thank you.

The Chair: Thank you very much.

I will now go to our round of questioning.

We will begin with Mr. Berthold, for six minutes.

[*Translation*]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Madam Chair, I would like to join you in wishing the Clerk of the Privy Council a speedy recovery. We hope he'll be back as soon as possible, healthy and fit.

Ms. Sherman and Mr. Wallace, thank you very much for your presentations.

We're waiting for additional answers. The committee asked to see you again because recommendation 1 on senior executive accountability left many questions unanswered.

Mr. Wallace, I believe you said that several new policies have been put in place and that Treasury Board can now recover performance bonuses. That wasn't possible in the past. That's important.

I have another little message, Ms. Sherman and Mr. Wallace. I'd like to acknowledge the excellent work of the public service employees who respond to citizens, sometimes with limited means, since things are changing so quickly. We see that a considerable effort is being made to respond to citizens, and I wanted to share that with you.

I'd like to come back to the point we're discussing today. Ms. Sherman, you talked a lot about culture and the new policy to attract executives to the public service. At this committee, we want to know what is being done to ensure that executives are held accountable for their actions. That's what was missing in the various responses, and we haven't been satisfied with the ones we've received from the government so far.

Do you have a specific document outlining all the measures that have been put in place since 2019 to ensure the accountability of deputy ministers and executives of the public service?

• (1120)

[*English*]

Ms. Janine Sherman: If I can answer the question with respect to deputy ministers, the accountability regime is essentially the performance management program, which is an established program. It has been in place for some time. It's outlined on our website. It does require a rigorous process of evaluation for deputies, in terms of the expected results annually, as well as the achievements they make.

As my colleague mentioned, in terms of performance pay, the significant change was made in April 2018, so prior to the 2019 time frame, but the same in terms of the recovery of performance pay in certain situations.

The overall performance management regime does remain the same. I would highlight that there are several elements of that in terms of program and policy results, management results and leadership results. There is a corporate commitment set each year by the Clerk of the Privy Council.

Since 2017-18, I believe, there has been a requirement for deputy ministers to focus on some of the Phoenix-related issues in terms of ensuring that employees receive pay, that their own systems are working properly and they are addressing concerns, and that they are contributing to the work of Public Services and Procurement Canada as well as the Treasury Board Secretariat in terms of—

[*Translation*]

Mr. Luc Berthold: I'm sorry to interrupt you, Ms. Sherman.

Ms. Janine Sherman: It's okay.

Mr. Luc Berthold: Ms. Sherman, we were talking primarily about the accountability structure, in other words how the government resolves serious cases of mismanagement or major anomalies.

Does the government keep a record of serious management anomalies or problems in each department? How many cases have there been in recent years, since the 2018 reporting deadline? Do we know the number of cases or of disciplinary actions taken?

Is it possible to give us a picture, with concrete numbers, of how accountability of public service executives has improved since then? How has that translated?

On the improvements you mentioned, Mr. Wallace, has everyone suddenly become better? Is there no more mismanagement? Have there been cases where intervention was required?

[*English*]

Mr. Peter Wallace: No, and I don't want to give you an assurance that there is no more bad management.

The policies were put in place on April 1, 2020. They extend the ability the deputies already have, and the accountability in these instances rests with the deputy heads of the institutions. They extend the accountability deputies already have to deal with poor performance, make it possible to retroactively catch up with performance pay that may have been given in error, and also provide deputies with better flexibilities in terms of the deployment of their resources.

Frankly, these are early days. We do not yet have secure numbers on how these authorities have been implemented. It will have been complicated by the realities of the pandemic over the course of the past year. Again, reforms allowed deputies an ability to have additional tools to drive cultural change in their organizations and to apply accountability.

I do wish I were able to give you a number. Unfortunately, the realities of 2020 and early 2021 will obscure the data signal. You'll have to ask me that question in the future. I apologize for not being able to give you a clear answer.

The Chair: Thank you very much, Mr. Berthold and Mr. Wallace.

We will now move to Mr. Fergus, for six minutes.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Madam Chair.

Like my colleague Mr. Berthold, I wish Mr. Shugart a full and speedy recovery. As a resident in the national capital region for over 30 years, and as a member of Parliament, I've had the opportunity to work with Mr. Shugart many times. He's a public servant who has dedicated himself to providing services to the public. We wish him a full recovery.

I'd like to thank Ms. Sherman and Mr. Wallace for being with us and for their testimony. They spoke about the importance of changing not only the policies but also the culture in response to the Auditor General's report on information technology systems.

My first question is for Ms. Sherman.

As we know, changing policies and culture is difficult, but changing policies seems a little easier to me than changing the culture. You talked about the importance of the Clerk of the Privy Council's initiative. He encouraged the community of deputy ministers to better combat racism, and specifically anti-Black racism in the public service, to ensure that the richness of Canada's diversity is reflected at all levels of the public service.

Can you elaborate on what initiatives you think are necessary to ensure that Black Canadians are no longer discriminated against in the public service?

• (1125)

[*English*]

Ms. Janine Sherman: It is, as you have pointed out, a focus and a priority that the Clerk of the Privy Council has put out there for the public service. We are taking it very seriously and looking for significant concrete action to be taken at all levels of leadership.

I would also highlight that, in addition to the call to action, which I've mentioned is reinforcing the importance of action, there's a lot of work that has been done, but we haven't made enough progress. It is actually looking for ways to improve the results we have. We're working on that.

The deputy ministers have also received, in their performance management for the current year, a request to take on particular activities. We've given them a list of things that we are expecting them to do around training, awareness, retention, promotion and leadership development in terms of Black employees in particular and all the different groups of visible minorities and persons with disabilities.

We are expecting people to take significant action. Some of that is training and awareness building, things like unconscious bias training, and then going even deeper into the organizations to make sure there is a dialogue, so that the voices of public servants are heard, people who have, potentially, experienced a very different public service from the ideal we strive for.

There will be an effort to improve recruitment and retention. I would point out that, for some of that, we often have very good results on representation at different levels of the public service. I know we need to do more to ensure that the leadership levels reflect the same diversity and representation. There are efforts to do external recruitment, to look more carefully at our hiring processes and promotion processes inside the organization, to look at any of the systemic barriers and to review policies and programs related to human resources and to hiring.

The disaggregated data that I mentioned is helping us understand, within the representativeness of the public service, where there are particular gaps and areas of focus, in terms of either particular functions and communities or different racialized groups and how they may be represented and under-represented.

That will help ensure that we have a much broader and comprehensive approach going forward in terms of improving the representation of Black employees as well as other racialized groups.

• (1130)

[*Translation*]

Mr. Greg Fergus: Madam Chair, I hope I still have a few minutes left.

[*English*]

The Chair: You have 30 seconds.

[*Translation*]

Mr. Greg Fergus: In that case, I'll be very brief.

Mr. Wallace, you talked about the importance of changing the culture to make up for the problems with the Phoenix pay system.

In 15 seconds, can you give us an overview of the lessons you learned and tell us about the new NextGen system, which ensures that public servants are paid properly?

[*English*]

Mr. Peter Wallace: Very briefly, the original Phoenix was done with incredibly ridiculous and catastrophic tunnel vision. People were making decisions without information, without sharing the information.

We've made sure that NextGen is far more broadly based, infinitely more inclusive, done on an iterative, agile, step-by-step basis. The most recent Auditor General look-see at that, published in

February of this year, confirms that we're on the right track. We're not claiming victory yet, but we're certainly in a much better place.

[*Translation*]

Mr. Greg Fergus: Thank you.

[*English*]

The Chair: Thank you very much, Mr. Fergus and Mr. Wallace.

We will now move to Mr. Blanchette-Joncas, for six minutes.

[*Translation*]

Mr. Maxime Blanchette-Joncas (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Madam Chair.

I can only agree with the wishes for a speedy recovery offered to the Clerk of the Privy Council. I won't dwell on these wishes, as my time is more limited than that of some of my colleagues.

Good morning to the witnesses.

My first question is for Mr. Wallace and Mr. Huppé and concerns the infamous Phoenix pay system.

I can only tell you about the many cases in which I've had to intervene regarding the hell that some public servants are going through. People have told me about their distress. I've heard many testimonies about bankruptcy, divorce and even suicide.

I understand that you have good words of encouragement for better pay management and technological advances, but you'll understand that it does nothing to reassure me. Until I'm told that the problem is completely resolved, I won't be reassured.

You mentioned the competency of existing managers.

Have the people who needed to improve their competencies done so? Were the people who didn't have the competencies required replaced in an effort to fix the problem immediately?

You could, indeed, say it was a monstrous Tower of Babel.

[*English*]

Mr. Peter Wallace: We'll have different answers to the question. It's much appreciated. The actual performance of Phoenix is getting better, but we are of course on our way to replace the system, which is the ultimate objective. The backlog and other aspects have been improving gradually over time.

There remains a relentless focus on two critical components. The first is making sure that the existing Phoenix system does perform better. As I've indicated, we've seen much better outcomes and results from that, and a gradual whittling down of the backlog and a reduction in the harms done, but that remains a very real and pressing concern. We continue to work very directly with our employees, bargaining agents and others to try to improve the performance.

More fundamentally, we're focused on the competencies necessary to get a new system in place. That is being put in place by our colleagues at Shared Services Canada. As I've indicated, we believe that we are on the right track in terms of the procurement process. The Auditor General has reviewed the initial steps and has commented favourably on this, but frankly it's a long way to go and we will need to develop significant new competencies in the application of software as a service, which is not something that the Government of Canada has done before. With Roch and with our new project management standards, we are looking forward to develop those competencies and make sure that we are in a position to deliver excellent results on a going-forward basis.

Roch, is there anything you would you like to add?

[Translation]

Mr. Roch Huppé (Comptroller General of Canada, Treasury Board Secretariat): I don't have much to add, but I have to say that the last point that was raised is important.

One of the most important things is to make sure we understand the competencies and expertise these people need. We are currently working with the community to develop that. We have developed competency profiles.

We're working hard with the Canada School of Public Service to ensure that training is improved. There have been improvements, but there must be more. We're working with some universities to see what programs might be of interest. It's one of the steps that will continue in the coming months and years. Our goal is to improve people's competencies and their chances of success. These are mostly very complex projects. We need to make sure that we give people the tools to meet those challenges.

• (1135)

Mr. Maxime Blanchette-Joncas: Thank you, gentlemen.

My next question will be much more specific because I'm trying to get a better understanding of what's going on.

Were people who didn't have the necessary competencies dismissed or transferred to other departments or positions?

I can't ignore the fact that people have taken their own lives because of the incompetence of some people. The question is clear: Have the public servants who made mistakes been held accountable?

[English]

Mr. Peter Wallace: I apologize for the general nature of this answer. I've been part of the Government of Canada since 2018 and obviously joined at a point after much of the original concern with Phoenix had been realized. The questions have, I believe, been

asked historically, and I believe that the government has indicated...or that accountabilities have been realized but that these are confidential HR matters.

I don't believe that I have specific additional information that I can share with the committee about the events of 2016, 2017 and 2018. I apologize for not having this information. I don't know if others may have additional information they can share, but I believe this is covered by the broad confidentiality provisions of employment law.

[Translation]

Mr. Maxime Blanchette-Joncas: Could the department please let us know if there is any public data on this? Thank you.

On another matter, but still on the matter of the Phoenix system, I'd like to talk about the recommendation in the 2018 report of the Office of the Auditor General, which contains some rather striking elements. The office mentioned that senior officials hadn't adequately briefed deputy ministers and this had resulted in a total boondoggle.

Last month, in February 2021, the office reported the same problem. So there's a lack of communication on the part of senior officials.

What can you tell us about this? Have you really started a change in culture, processes and policies?

[English]

Mr. Peter Wallace: I very much appreciate the question; it's an absolutely critical question. I do not believe that was the finding of the Auditor General in the February 2021 report, but that's a different dialogue, respectfully. There is a change of policy. There is a change of culture. We are in the process of putting it in place. One of the most fundamental things—and I'll ask Roch to deal with this—is that in the Phoenix context, hard, solid information that should have been available to decision-makers and that showed the true state of the progress instead of the wished state of the progress was not made available through the chain of command up to deputy ministers.

That was an unacceptable error. We're working hard to make sure that is corrected in a couple of different mechanisms, including peer supervision, the gating project I talked about earlier, the competencies, but most fundamentally, we are dedicating significant internal audit resources to monitor projects in real time and provide an independent and direct flow of information to decision-makers.

Roch, would you like to comment on that as well?

The Chair: I'm sorry. We are well out of time. Perhaps we can get back to that answer later during the rounds of questioning.

I now need to move to Mr. Green for six minutes.

Mr. Matthew Green (Hamilton Centre, NDP): Thank you.

I want to begin by noting how, when senior management and the deputies come before this committee, and before all committees, it feels a little like being in the hot seat. I want to preface my comments by saying that I'm going to go hard on an issue, but I'm certainly not going hard on a person. I want to be very clear about that. In no way is this going to be a personal line of questioning, because when we talk about these conversations, they're often very difficult for people to explore and I want to be able to unpack it in a thoughtful way.

Ms. Sherman, in your opening remarks you made specific references to anti-racism, diversity and inclusion. Some of these comments have not sat well with me; I'll be very clear. Specifically, you noted, "Communities and networks of diverse public servants have been working to advance equity and inclusion in our organizations." Yet nowhere in this statement have you acknowledged the fact that there are over 500 Black employees engaging in an unprecedented class action lawsuit, based on the culture—not just now but for the last 50 years—which includes the wrongful failure to promote, the intentional infliction of mental suffering, constructive dismissal, wrongful termination, negligence and, in particular, violations of employment law, human rights law and charter breaches as put forward in their claim.

In your opening remarks, you state that efforts are ongoing but there's still not enough progress. I would agree with that, but when you make the assertion that on January 22 the clerk released "Call to Action on Anti-racism, Equity, and Inclusion in the Federal Public Service", I'm wondering why we weren't candid about the fact that this is likely in response to the class action lawsuit.

Can we start there? Again, this is about a difficult conversation around anti-Black racism. That's tough to have. It's not personal. It's not about you. It's about the public service and the way this is being presented.

• (1140)

Ms. Janine Sherman: The question is important, and it is an important conversation, as you said. I think that certainly my reference to the work that has been done is an acknowledgement that people have been working on better equity and inclusion in the public service for many years, a long time. There have been many reports and efforts to identify recommendations and actions that need to be taken. It was meant to acknowledge that work. As the clerk's call to action has pointed out, we have not made the progress that we need to, we have not spent the time looking carefully at our particular processes and systems that do have some level of bias, and we need to understand those.

I'm not in a position, of course, to comment on any cases that are before the courts, and I won't go there. I think that the call to action—

Mr. Matthew Green: I will. I'm going to interject there. You might not want to, but I will. I'll set aside the compensation, because that would include, perhaps, getting into an area where you don't want to go.

I can't understand how, when the clerk is making the assertion that many organizations are creating anti-racism task forces, advancing dialogue to better understand and address what is transpiring in the workplace, you have an entire subset of your service calling for a Black equity commission. You can appoint somebody as a central coordinating entity to carry out and investigate these challenges.

I can share with you that having this as a piecemeal department-by-department response would be wholly inadequate. There has been a call for equitable representation, as per the employment law. There has been a call for the ability for self-declaration. There has been a call for external reporting mechanisms, your own reports on what we're dealing with today, talking about culture, talking about the fear for people to go along with the higher-ups.

I'm wondering why the clerk and the public service would try to parallel a discussion that has already been framed by some of the most egregious claims against the public service, rather than just work with these public sector workers to help negotiate equitable resolutions for this.

Ms. Janine Sherman: I am not trying to say that there are no discussions on both levels. My point about the court case is that I'm not in a position to comment on the specifics of that, as it is advancing through the legal system. It will be addressed and worked through. I think we have to realize that that's one thing that is happening. The call to action and our efforts to improve things in the workplace in a real way, based on people's lived experience, and to better understand that lived experience can work in complementarity with that.

This is not to say that one takes over or subsumes the other. We obviously want to have these efforts under way to improve things, to understand what they are in order to improve them, and to keep working with racialized Canadians, including Black communities of federal public servants.

I don't want to have created the impression that we are not interested in addressing these kinds of concerns. These are the things we are looking at when we are trying to explore programs and policies, as I referred to, within our organization's hiring processes. We have examples in some of our northern regional agencies where they are working to actually build a more inclusive approach to hiring indigenous people in the north in order to make sure that we don't have a system that doesn't relate to the cultural reality of their world. So, we are working on things—

• (1145)

The Chair: Thank you.

I'm sorry, Ms. Sherman. We have gone well over time.

Thank you very much, Mr. Green, for starting that very tough but critical conversation.

We will now move to our five-minute round, and we will start with Mr. Lawrence for five minutes.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much.

I appreciate you all appearing. I'm always very impressed by the civil service...and both of you with your candid answers.

I would like to give an opportunity—maybe 30 seconds of my time—to Ms. Sherman if she wants to finish up her answer. I thought it was a very important conversation that Mr. Green and Ms. Sherman were having.

Ms. Janine Sherman: Thank you very much.

My point in that example was simply to say that we are working at the very grassroots level to try to make sure that there are culturally appropriate and sensitive processes and systems within the federal public service. That's just one small example. All departments, by virtue of the call to action as well as the commitments the clerk has put out to deputy ministers and other GIC appointees, look very closely at how we do our work and how we improve it in an inclusive way that will help to build a much better foundation where all voices and perspectives can be respected.

Thank you for that time.

Mr. Philip Lawrence: Thank you very much for that important conversation.

I'm going to switch directions here. I want to talk a little bit about modernization going forward. I think we've litigated the Phoenix pay issue to a great extent.

I particularly appreciate, Mr. Wallace, your candour and your honest answer. That's how we change things.

Looking at the world in a broader scope, I see a number of issues, whether it be the CRA talking to HRSDC, the cyber-breaches that happened at the CRA, or the fact that Canada lags behind the European Union, Australia and the United States in money spent on R and D relative to GDP. These are challenges, and I believe that the next 10 to 20 years will be dominated by those countries that can get ahead and modernize.

Mr. Wallace, as I said, you've been spectacularly honest and candid, but perhaps you can put a forward-looking lens on how Canada, particularly the government, can capture the future by leading—not just fixing, but leading—in modernization and IT development.

Mr. Peter Wallace: It's an absolutely great question, and I think it's just a massive obsession.

Unfortunately, I almost always start off with a negative. My colleagues are tired and annoyed by this, but we do have to acknowledge that we're in a pretty big hole from the lack of some fundamental investments in some of our income support, immigration and other systems.

You know, I'm 60-odd years old, and we have code that's as old as I am. Frankly, we have to spend some time making sure that it's stabilized, that it has servers that will continue to function, that the mainframes are still alive and stuff like that. That's necessary, difficult, but absolutely critical work in the public entry. We have to make sure that the stuff actually works and doesn't blow up. That's job one.

Job two is to figure out what our clients need, what the policies are that serve our clients—that is, citizens—and then to understand how we bridge from that mainframe, ancient COBOL code—or other words—into a more modern, responsive, digital and agile mechanism.

That involves two parts. First of all, there's a profound need for technical competencies. We need to understand how software and servers work; we need to understand and be a participant in that market, and we need to understand and acquire the competencies. We also need to understand fundamentally how Canadians want to interface with the government and how they will use digital tools to interface with us. We need to bring those things together. That's exactly what we're trying to do right now, and it's an incredibly interesting set of pieces.

I'll add one other point, which I think is fundamental. Governments are a big part of the economy. They generate a tremendous amount of information, and that information has value, both positive and negative. Appropriate, solid, open government and open data strategies or data management strategies at the Government of Canada level will be a significant improvement in terms of our competitiveness.

I'll add one other piece—because I have been a provincial deputy of finance and provincial clerk—which is that integration at a PT level is a really interesting but non-trivial challenge.

I recommend all of these things as fundamental ways to make sure that we enhance the competitiveness going forward.

I very much appreciate the “forward-looking lens”. I share your view that it's critical.

• (1150)

Mr. Philip Lawrence: Thank you.

Do I have any time, Madam Chair?

The Chair: You still have 30 seconds.

Mr. Philip Lawrence: Very quickly, then, what can I do as a member of Parliament or what could the government do to help you with your work? There's so much I'd love to unpack there, but what are the barriers you're facing from government? What can we do to help you modernize the civil service?

Mr. Peter Wallace: It's not just a question of modernizing the civil service. Fundamentally, we need to start from what it is from a citizen perspective—"How do we design from a citizen perspective?"—and make sure that we always include that lens. From a policy, implementation, impact and digital or information technology perspective, as long as we start with the user, we'll be on a good track.

The Chair: Thank you very much.

We will now move on to Mr. Blois for five minutes.

Mr. Kody Blois (Kings—Hants, Lib.): Thank you, Madam Chair.

I'd like to thank the witnesses for their testimony and for taking the opportunity to be here with us today.

Mr. Wallace spoke about not grudgingly accepting, but accepting in full terms some of the Auditor General's reports. Particularly, one of those elements was IT and the renewal of infrastructure that's needed for our civil service to be able to do its work in the 21st century and certainly in 2021.

I'm curious as to whether the work that was started by our public service to respond to the calls by the Auditor General was helpful in the midst of the pandemic, when we were asking a lot of our civil servants to work from home. Can you expand on some of the challenges that happen during the pandemic as we try to continue that important work but without having as many people gathered in one place in our downtown buildings?

Mr. Peter Wallace: I'll take an initial stab at this and then perhaps turn to Roch or Janine if they have additional pieces.

A year ago, the idea that we would not be in the office was just an impossibility. Frankly, 10 or 11 months ago it was still pretty frightening. We were scrambling to pressure Bell to give us more call lines and a variety of things like that. Our colleagues at Shared Services Canada were able to upgrade our laptops, find us bandwidth, find access to the Cloud and roll out Microsoft 365 as a fundamental tool for us on just an amazingly rapid basis. That was along with the supports and other aspects to make that real.

It basically shows that with some focus and capacity, we can do things in a very, very different way. That's kind of the critical thing that's allowed colleague departments to do things like deliver Service Canada benefits remotely and a variety of other pieces. We're now in a position where...and this matters in terms of diversity and inclusion. It matters fundamentally in terms of the access to technical talent. It matters fundamentally in terms of our ability to understand the needs of Canadians, and not just driven from a national capital region office tower. We're now in a much, much better place. I don't want to take advantage of the tragedy of Phoenix, and I certainly don't want to take advantage of the ongoing tragedy of the pandemic, but frankly, we have shown a great deal more flexibility and focus than I would have thought possible.

I think as we begin to absorb some of these lessons, we will realize that our ability to serve Canadians where they are, our ability to work with Canadians where they are, and our ability to employ Canadians where they live will just be enormously important. I think it's quite hopeful going forward. I don't think this will be an

easy journey. I think we do need to understand and be thoughtful. Frankly, though, I think there are some really profound opportunities. I look forward to much, much stronger representation and a public service that ultimately is more representative of the diversity of Canadians, geographically and in almost every other respect.

Frankly, one of the challenges we had—

● (1155)

Mr. Kody Blois: Mr. Wallace, I'm sorry. I have only so much time. You're very eloquent, but I do want to get a few more in.

I have to say that I appreciate where your answer was going. As an MP in a rural area, the idea that we can have some of these important jobs.... You mentioned diversity on the basis of a whole lot of different factors. Indeed, I think having the opportunity for rural Canadians to take advantage of some of these opportunities that are available through the Government of Canada is important. It can lead to opportunities even in our greening of government strategy on reducing emissions.

You talked about culture. Of course, Mr. Green had certainly very important questions around aspects of marginalized Canadians. I want to talk about culture around new public management and how we incentivize the public sector to not be so risk-averse but to be, as you mentioned, citizen-focused and not necessarily process-focused.

Can you speak to some of the initiatives that perhaps your department has taken on to incentivize the private sector, maybe under the strategy of the new public management that has certainly emerged in the last couple of decades?

Mr. Peter Wallace: That is a really interesting and great question. Fundamentally, what public servants need to do, and this goes back to my answer to Mr. Lawrence, is spend a lot more time understanding what the impacts of our programs are—where they have an impact on Canadians regionally, diverse communities, all of those other pieces—and build back and understand what that is.

Whether we call it new public management or all sorts of different names, or even if we go back to earlier concepts like management by results, it is actually just fundamentally looking at the outcomes and then working backwards from the intended policy outcome in conjunction with the policies and fiscal directions of the government of the day. That has to be accompanied with a little bit of fearless advice as well.

Mr. Kody Blois: Madam Chair, I think that's my time.

The Chair: Yes. Thank you so much, Mr. Blois. I appreciate your keeping track of that.

We will now go to our two-and-a-half-minute round.

Mr. Blanchette-Joncas, please go ahead.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

I'm going to go back to the catastrophic file I touched on earlier, the infamous Phoenix system.

I reiterate what my colleague Mr. Green said: the slightly more sensitive questions we're asking today aren't personal attacks on you. However, I can't hide the fact that I'm outraged by the injustices that thousands of public servants are suffering because of the incompetence of the people who were responsible for managing the Phoenix pay system.

We don't want to know the names of the individuals involved. We simply want to know whether someone put on their leadership hat and decided that enough was enough, that the people on the job didn't have the necessary competencies and needed to be moved to another department, and that we needed to find the people who had the necessary competencies to solve the problem and assign them the job.

In any other organization, if the accountant doesn't do their job properly and can't pay on time, they'll be replaced. From what we see, that isn't the case in the government. No one can provide us with any data or tell us whether there have been personnel changes to try to fix the problem. There seems to be a culture of impunity right now. No one is being punished or facing any consequences for this situation.

We just want to know what personnel changes have been made to fix the problem.

[English]

Mr. Peter Wallace: I appreciate the question, and I do think it's fundamental.

I have an ongoing and strong interest in the accountability file, so I don't want to dodge the question.

I can speak only to the period in which I have had personal experience, which is after 2018, and my experience in the Government of Canada. Our colleagues in the responsible department, which is Public Services and Procurement Canada, have brought in new executives—including, I believe, Ms. Sherman—at the associate or deputy minister level, who have driven change. I've certainly chaired and co-chaired the committees to make sure that we have excellent disability information and new standards. We have laid out new processes and a variety of other things to make sure that we are both reducing the error rate and lowering [*Technical difficulty—Editor*] and making progress on the backlog, which remains unacceptable and too high. We're continuing to make progress on those things, and there has been a huge emphasis on ensuring that the appropriate level of executive authority, but also just general talent and capacity, including in Miramichi, is available and operationally in place.

The other piece is that we have put in place for our deputy ministers' performance contracts—and we do monitor and measure this—the need for them to provide timely information into the pay centre and a variety of other pieces, so we've incentivized this at the highest level on a going-forward basis. Those reforms have not

been perfect, but they've been by and large successful in terms of improving the performance.

A fundamental error that was made earlier was that there was no engagement with bargaining agents. There continues to be significant engagement on Phoenix and also, on a going-forward basis, on Next Generation with bargaining agents and our union representative—

• (1200)

The Chair: Thank you very much, Mr. Wallace. I'm sorry to have to cut you off.

We will now go to Mr. Green for two and a half minutes.

Mr. Matthew Green: I'll pick up again on where we are with the Black class action and the decision of this government not to enter into good-faith mediation with a significant segment of its workforce who are bringing in not just complaints but, quite frankly, a plan coming from lived experience and coming from addressing the cultural inadequacies that have been presented and, quite frankly, admitted to in so many different ways throughout these conversations.

I'm going to go back to Ms. Sherman to ask this.

If it's the case that the government is unwilling to mediate and that it's going to drag this out and this is going to be a 15-year class action suit with infinite resources of the Crown, how are you then dealing with the equity issues around your Black workers in parallel with this claim? Is it going to be the government's position that, because there's a class action claim with Black workers, it is going to be unwilling to address these issues or perhaps get movement on some of the issues that have been brought forward? What happens? Does the issue then go into abeyance because of legality?

Ms. Janine Sherman: You've raised an important perspective, and I think what I've tried to put forward, without commenting on the government's approach on the class action and how that will be managed, is that it is going to have to progress through legal channels. We will not stop working collaboratively—

Mr. Matthew Green: Just to be clear—and I have only two and a half minutes—there was an opportunity to mediate. That was a decision that the government made. It could have worked to mediate this in a non-confrontational, non-adversarial way, but instead it's going to lawyer up. That was a choice.

Ms. Janine Sherman: I am not in a position to speak to that choice, but what I do want to say in the short time we have is that we are working very intensively and collaboratively with employee groups, such as the Federal Black Employee Caucus and the network of Black executives. All of those initiatives to continue this conversation, to bring some of these issues forward and to help us tackle those in the system that we are working in now are very important and tied to the call to action. They are tied to our focus, through renewal, on diversity and inclusion. That will not stop. In fact, it's all the more important that we make sure we have a workplace that is inclusive, that recognizes those concerns.

I don't want to position these two things. They are separate, and one is going to go through the legal system, but within the public service and the renewal focus that we have, we are very, very committed to doing that work with individuals and with communities.

The Chair: Thank you very much, Ms. Sherman.

With that, this hour has come to an end. I would like to thank you, Ms. Sherman, Mr. Wallace and Mr. Huppé, for joining us. Thank you for your testimony. I will invite you to leave, and we will suspend for one minute as we prepare for the second hour.

Thank you.

• (1200) _____ (Pause) _____

• (1205)

The Chair: Welcome back, committee.

Welcome to our witnesses.

Members, joining us for our second panel, from the Department of Finance, are Michael J. Sabia, deputy minister; and Andrew Marsland, senior assistant deputy minister, tax policy branch.

Mr. Sabia, you have five minutes for your opening remarks.

Mr. Michael Sabia (Deputy Minister, Department of Finance): Thank you, Madam Chair and members of the committee, for the invitation to Andrew and me to be here today.

In the department, although we continue to be very focused on the immediate issues related to the COVID-19 pandemic, the department nonetheless continues to work on a full range of other important issues facing the country, as does this committee with its work on taxation of electronic commerce.

[Translation]

Your work on the taxation of electronic commerce reflects the fact that our lives are moving online more and more.

The Department of Finance has been engaged for a number of years in working to ensure that firms that engage in electronic commerce collect the appropriate taxes on their activity in Canada. This recently culminated in the announcement in the 2020 fall economic statement of a number of changes that would level the playing field between foreign and domestic vendors, by ensuring that the GST applies to goods and services consumed in Canada, regardless of how they are supplied, or who supplies them.

[English]

Your committee has specifically asked us for an estimate of the revenues that might have been generated in 2017 from the extension of the GST to digital goods and services supplied by non-resident companies. In the department's initial answer to that question from your committee, I understand that we noted that revenues were likely to be broadly in line with the estimate produced by the Office of the Auditor General, and I'll come back to that in a moment.

In the course of briefing ministers and the government, the department, as you know, produces numerous and successive estimates of the revenues that might be raised from a wide range of potential policy actions, or as a result of economic developments that affect the tax system. These estimates are often for economic activity that is not currently subject to taxation, and for which there is little or no data available on the underlying economic activity itself.

[Translation]

As a result, the department's estimates often change and evolve over time, sometimes significantly. Estimates evolve as more and better data become available, and as the department and other agencies such as Statistics Canada come to better understand the nature, scope and prevalence of the underlying economic activity.

This was the case with the development of electronic commerce, and its implications for the GST system. The department has been analyzing this activity for several years, and the Office of the Auditor General's 2019 spring audit found "that the Department of Finance Canada conducted sound analyses" in that regard.

• (1210)

[English]

All that being said, most recently the department did prepare estimates of the revenue that would be generated for the period 2021-22 to the period 2024-25, resulting from a specific proposal for the taxation of digital goods and services that was set out in the 2020 fall economic statement. As part of its ongoing analysis, and using the specific model of the tax changes proposed in the economic statement, the department has produced an estimate of the revenues that would have been generated in 2017 from such a tax.

This estimate suggests that revenues from such a tax in 2017-18 could have amounted to approximately \$160 million. As I said at the outset, it's an estimate that's very close to the Auditor General's, which I think was at \$169 million, so essentially the same number. That being said, I do want to reiterate that the figure is only an estimate. With such an estimate, as with lots of figures published in the fall statement, it's also likely to change as the data on the current and past level of e-commerce activity are revised.

[Translation]

Madam Chair, I hope that this information is useful to the committee.

I want to reiterate that revenue estimates of this nature, where the underlying activity is unobserved or unobservable, can rapidly evolve and therefore lose meaning and value as more and better data become available.

[English]

Before I wrap up, I just want to say and I want to emphasize that we in the Department of Finance very much recognize the value and importance of transparency with this committee, hence our willingness to present that number to you today. By the way, if you want the numbers for subsequent years, we're happy to provide those as well.

We certainly recognize the importance of doing that, and we will endeavour to act in a manner consistent with that principle of transparency, recognizing, obviously, as we also do, the importance of our ability to provide confidential advice to ministers.

I think with that I'll stop. Andrew and I would be more than happy to answer any questions you might have.

The Chair: Thank you very much, Mr. Sabia.

We will now go to our rounds of questioning, starting with our six-minute round.

Mr. Lawrence.

Mr. Philip Lawrence: Thank you, Mr. Sabia and Mr. Marsland, for attending today. I very much appreciate it.

My questions all will revolve around Mr. Leswick's testimony last time and the responses thereto. I have no intention of playing gotcha, but I think there were some mistakes made, and I would like to give you the opportunity to clarify a couple of issues.

Mr. Leswick said, when talking about the carbon tax, "It does go back...through the climate action incentive payment, which is administered through the personal income tax system. It doesn't go back to the government of jurisdiction". Isn't it true that this is not a completely true statement, as in fact a portion of it goes back to the provinces, municipalities and other levels of government?

Mr. Michael Sabia: Andrew, do you want to...?

Mr. Andrew Marsland (Senior Assistant Deputy Minister, Tax Policy Branch, Department of Finance): Yes. Thank you for the question, Madam Chair.

If I understand the question correctly—and let me state my understanding of it—it's that where the federal backstop applies, the fuel charge, revenues are raised in a particular province, and the approach there is that approximately 90% of those revenues are returned to households—in advance, actually. When individuals in that province file their tax returns, the climate action incentive payment in aggregate represents about 90% of those amounts. The remaining 10% are directed through programming to support small and medium enterprises and other entities in specific support programs, the principle being that 100% of the proceeds of the fuel charge—

• (1215)

Mr. Philip Lawrence: Thank you, Mr. Marsland, but the reality is that those redirected funds, as you mention, actually go through the government. It is fair to say that while there may be an argument that the carbon tax could be revenue-neutral, it is certainly not expense-neutral to the individual, as only 90% is returned directly to taxpayers. Is that correct?

Mr. Andrew Marsland: Ninety per cent is returned through the climate action incentive program, approximately, and the remaining 10% is returned through other mechanisms.

Mr. Philip Lawrence: In addition to that, it affects different people differently, in that people have different lifestyles. People out in the rural areas are disproportionately hurt in terms of the amount of money they usually spend on carbon taxes. They drive longer and they may use other fuels to heat their homes, so it's not a perfect fit. In fact, there will be many Canadians—perhaps millions of Canadi-

ans—who actually pay more in carbon tax than they receive for the rebate.

Is that correct? Do you have numbers telling us how many Canadians are out of pocket because of the carbon tax?

Mr. Andrew Marsland: Unfortunately, Madam Chair, I don't have the numbers with me at the moment, but the reality is that the majority of households receive more back than the incidence.... Now, as the question accurately notes, I mean, it depends entirely on the expenditures of a particular household, but in aggregate, the majority of households receive more back than they actually pay.

Mr. Philip Lawrence: Unfortunately, Mr. Marsland, Canadians don't live in aggregate; they live in individual lives, and for many of them it's a burden that they can't afford.

In addition to that, in response to my question on whether GST is payable on the carbon tax, Mr. Leswick said, no, I'm sorry. So he responded in the negative. But that's not true, is it? In fact, that's a very misleading statement, isn't it, Mr. Marsland?

Mr. Andrew Marsland: The way the fuel charge works is that it is applied at the fuel distribution level, so it's built into prices. To the extent that the product being bought is subject to GST, then GST will apply on that product.

Mr. Philip Lawrence: Yes, so Mr. Leswick misspoke there.

In addition, is that GST always returned to Canadians, or is that an additional cost that wouldn't exist without the carbon tax that's not always returned to the taxpayers?

Mr. Andrew Marsland: I think the question depends on whether or not more GST is collected in aggregate, given that obviously expenditure patterns change. But the GST isn't calculated into the climate action incentive payment, no.

Mr. Philip Lawrence: In sum, the GST that is charged on top of the carbon tax is not returned to Canadians. That's a tax on a tax. In addition to that, at least 10% of the carbon tax is not returned directly to taxpayers, so it is certainly not, and cannot in any way be thought to be, expenditure-neutral for our consumers, for Canadian taxpayers.

Mr. Michael Sabia: I think there's a point here that needs to be made. Andrew, correct me if I'm wrong, but given the way it applies, it applies to businesses, in addition to others. Depending on the final incidence, it could well be the case—and in fact we believe it very much is the case—that in refunding the tax to individuals and households, it is very likely that we are refunding to individuals and households somewhat more than they would actually pay, because some of the incidence of that tax falls on companies and it's individuals who are fully compensated for it through the refund process.

Andrew, have I got that right?

Mr. Andrew Marsland: That's correct. The incidence is calculated both by the direct and indirect impacts on houses, but of course the climate action payment is an definitive amount. And to the extent that businesses pay the GST, they would receive an input tax credit, of course.

● (1220)

The Chair: Thank you very much.

Mr. Andrew Marsland: Maybe I could just add one—

The Chair: I'm hoping that we could come back to this line of questioning later on.

We are well over time, and I need to move on to our next questioner, Mr. Longfield, for six minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Sorry, Madam Chair. Actually it's Ms. Yip. She may be generous and share with me, but it's over to her, if that's okay.

The Chair: That's totally fine. Thank you, Mr. Longfield.

Ms. Yip.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you, Mr. Sabia and Mr. Marsland, for coming today.

Mr. Sabia, can you comment on the ability of your department to digitize government services, and on how we can provide this efficiently and in a timely way to Canadians?

Mr. Michael Sabia: This is an area that, as I'm sure you know, a number of different government departments are working on. Certainly, it continues to be a priority from our point of view. The area of that that we're most familiar with and closest to is in the work of the Canada Revenue Agency to streamline and more efficiently digitize the interactions between individual Canadians or Canadian businesses and the taxation authority. That's an area where we continue to be focused, where we continue to invest money to improve those systems.

The same issue is true across a variety of other areas, such as customs operations at borders, where there are opportunities to improve and to reduce the level of friction, as the jargon goes, at the border by making them more streamlined. The same thing is true with respect to immigration and visas.

There's a whole range of areas where the government continues to be focused on that issue and where we continue to make progress and hopefully will continue to make progress over the coming period.

Ms. Jean Yip: It seems that so many of these large government IT projects are prone to not doing so well—I think of Phoenix. Do you think that there's enough funding there?

Mr. Michael Sabia: I can't comment on Phoenix.

Ms. Jean Yip: Well, not Phoenix, but in your area.

Mr. Michael Sabia: I only returned to the government in the middle of December, so I can't comment on things other than having read about them in the newspapers, as we all did for a long period of time, so I can't comment on that.

However, I think it's a big task, and it's not going to be resolved tomorrow. I also think, though, that it's a very important task and

part of ensuring that the country is well equipped for the future. From a Department of Finance point of view and from an expenditure allocation point of view, we continue to look for opportunities to accelerate that work and to continue to fund that work in a way that—everything is choices, with respect to an expenditure allocation—treats this with the priority that it warrants. Resources will be allocated to it on that basis, and I think they have been in the past.

As you know, these are big, complex systems. Having lived through a lot of IT implementations during my many years in the private sector, I can tell you that they're difficult in the private sector, they're difficult in the public sector and it requires a lot of time, attention and resources. I believe that the resources will be there as required.

Ms. Jean Yip: Perhaps there need to be more pilot programs within the design of these IT projects, testing things out to ensure the stability of the infrastructure before you spend larger amounts.

Mr. Michael Sabia: I'm not an expert in what has happened in the public sector in the implementation of these programs, but doing pilots and taking incremental approaches to these things are all pretty much standard practices in large-scale implementations of systems changes. I'm sure that those best practices are being used by the government, but again, I have to say that I'm not an expert.

● (1225)

Ms. Jean Yip: Madam Chair, how much time do I have left?

The Chair: You have approximately a minute and 15 seconds.

Ms. Jean Yip: I will turn it over to my colleague, Mr. Longfield.

Mr. Lloyd Longfield: Thank you, Ms. Yip.

Maybe I'll be sharing my time with Mr. Sorbara when that time comes around.

Mr. Sabia, with regard to the timeliness of responses that we're getting back from your department, we've had some discussions at committee on what's a reasonable amount of time. Some of our reports have been delayed as we've been waiting for responses. We're setting three weeks as a committee standard, asking for responses to come back within three weeks of our asking a question.

Could you comment on what process has to be followed from your end and whether three weeks is reasonable for most questions that we might be asking?

Mr. Michael Sabia: Again, Madam Chair, I've recently arrived, so I can't comment on the history because I honestly don't know what the interval of time has been, on average, in the department's responses to your committee.

Mr. Longfield, if you're able to contribute to my education there, I'm all ears as to what that period of time has been.

Mr. Lloyd Longfield: Speaking of time, I think I'm out of it, but we might be able to pick it up later.

Mr. Michael Sabia: Okay. I wasn't able to give you much of an answer there. I feel bad.

Mr. Lloyd Longfield: We'll circle back. Thank you very much.

Mr. Michael Sabia: Okay. I thought we had six minutes, but I guess I misunderstood what's going on.

The Chair: Thank you, Mr. Sabia and Mr. Longfield.

We will now move to Mr. Blanchette-Joncas for six minutes.

[*Translation*]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

Good afternoon, everyone.

My first question is for Mr. Sabia, whom I thank for being with us today.

Mr. Sabia, during your brief opening remarks, you argued that we couldn't necessarily estimate or draw conclusions about the government's tax losses for 2017 because there wasn't much data available on the subject. Basically, these comments don't tell us anything and don't provide the committee with the clarification it would have liked.

However, the Office of the Auditor General was able to conduct a relevant and rigorous study over this period. Of course, this is still an estimate, but when I asked Ms. Hogan about it on November 17, she specifically mentioned that her office had made estimates based on public data.

So I'm trying to understand. Are you telling us that the Office of the Auditor General would have pulled the data out of a hat? Did the Auditor General fabricate these numbers?

Mr. Michael Sabia: No, not at all. I'm a little surprised by your question, but it's possible I didn't quite get the gist of it.

What I was saying is that, yes, in this area, you have to make estimates of revenue from certain tax systems and other tax systems, but that's also the case in several other areas.

The \$160-million figure I gave you is basically the Auditor General's estimate. So I think the Department of Finance and the Auditor General are on the same page.

It wasn't my intention at all to suggest that the Auditor General made up such an estimate out of thin air. That's not the case at all. I think her staff did a good job, and we did the same thing in the department. The evidence is that the two estimates are basically the same.

• (1230)

Mr. Maxime Blanchette-Joncas: That's great. That answers my question, Mr. Sabia.

I would like to understand one thing. Earlier, you said that the Department of Finance conducted a detailed analysis of the Auditor General's report. Of course, it also says that the Department of Finance calculated the GST shortfall, that is, the difference between the amounts that could have been collected and those that were actually collected.

Does that mean that your calculations reflected the \$160 million?

Mr. Michael Sabia: It's an estimate of the revenue that would have been available in a world where that aspect of the GST would have been in place during 2017.

Mr. Maxime Blanchette-Joncas: Mr. Sabia, you are therefore confirming that \$160 million is the Department of Finance's estimate of the GST revenue shortfall for 2017.

Is that correct?

Mr. Michael Sabia: Yes.

Mr. Maxime Blanchette-Joncas: Great.

Mr. Sabia, \$160 million is not insignificant. A lawsuit involving veterans regarding an accounting error has been dragging on for 11 years. The \$160 million would settle that.

Ms. Hogan, the Auditor General, even told us that her estimate of \$169 million was an underestimate. So I guess there are several million dollars more.

You say that you are preparing briefings and a whole host of analyses for the minister. That makes sense, since it is your role to advise the department and the minister. However, you say that you have no data to corroborate the findings of the Office of the Auditor General. I am trying to understand. You say that you have provided analyses to the government. What is your role with the government?

Who didn't want to provide us with the data before? Was it you or the government?

Mr. Michael Sabia: Madam Chair, I'm in a bit of a tricky situation here. I do not want to comment on the direction or activities of the department in the past.

What I'm saying today is that I feel very comfortable providing this estimate to the committee. That said, I am not in a position to tell you whether or not it is a change.

Our intention is simply to be transparent. In this situation, I think we are well positioned to provide you with such an estimate without compromising our fundamental job of providing important advice to our minister, and through him, to the government.

Mr. Maxime Blanchette-Joncas: Mr. Sabia, I understand that you are uncomfortable with the situation right now. We are talking about your predecessor.

We had questions for departmental officials on two occasions. Last February, the chair of the Standing Committee on Public Accounts had to send you a letter to—

[*English*]

The Chair: I'm sorry, Mr. Blanchette-Joncas, you're well over time. Perhaps you can follow up in the two-and-a-half-minute round.

We will now move to Mr. Green for six minutes.

Mr. Matthew Green: Madam Chair, you're doing a fantastic job. I appreciate the leeway you're giving us and the spirit, the non-partisan way in which my good friend Mr. Lawrence gave me some leeway for the answer.

I believe Mr. Sabia has been by this committee twice. I'm kind of expended on my line of questioning, but I'm really interested in Mr. Blanchette-Joncas', so I'm happy to concede my time to Mr. Blanchette-Joncas if he wants to continue down his line of questioning. If I recall, this was something very important to him, so I'm happy to do that.

Feel free to take it away, Mr. Blanchette-Joncas, if that's okay with you, Madam Chair.

The Chair: Absolutely. It's your time, and if you would like to cede it to another member, you're perfectly able to do that.

Mr. Matthew Green: I want to go on the record and let it be known that the Bloc cannot say I never gave them anything, so today I'm giving my friend Mr. Blanchette-Joncas my time.

The Chair: Thank you, Mr. Green.

• (1235)

[*Translation*]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

My sincere thanks to my colleague Mr. Green.

I will continue along the same lines, Mr. Sabia.

I know that this is the second time you have appeared before the committee. However, we have been waiting for almost four months for clarification on the \$160 million that you are mentioning today. I am still trying to understand why two letters from the committee and a letter from the committee chair had to be sent to the department. We are even having this appearance before the Standing Committee on Public Accounts to get clarification on a piece of data that the department already had in its possession.

I understand the importance of confidentiality and government analyses. I also understand that, when the Office of the Auditor General tables a report in Parliament, it is our privilege to fully appreciate the work of this non-partisan official who is critical to Parliament.

Are you trying to protect the political power in place or, actually, the power that normally comes from the public?

Mr. Michael Sabia: Madam Chair, unfortunately, I did not understand the question. I understood the words, but not the meaning of the question.

Can you just repeat it in a different way?

Mr. Maxime Blanchette-Joncas: Yes, it's quite simple, Mr. Sabia.

In your remarks, you talked about transparency. I'm trying to understand why it took three months to obtain a figure that you already had in your possession at the department.

Mr. Michael Sabia: Okay. That's a reasonable question.

I'll repeat myself a little. Clearly, I always try to honour the past directions of an organization. In this case, it's the Department of Fi-

nance. But you also have to find ways for those directions or practices to evolve. That's why I understand the reluctance in the past to disclose an amount like that. The intent was to better uphold the important principle of confidentiality in terms of the advice we provide to the government.

In my view, which is consistent with Mr. Marsland's, we are able to disclose the amount without putting that other aspect of our activities at risk. That's why we made the decision to share it with you, in the spirit of transparency.

Mr. Maxime Blanchette-Joncas: Thank you, Mr. Sabia.

I am grateful to you for sharing the information with us, but I must tell you that I would have liked to see you do so before. You know that some work had to be delayed.

I am trying to find out whether the department considered this estimate—which was provided to the minister and was not supposed to be made public until today—to be confidential information.

Mr. Michael Sabia: No. Actually, the decision to release that number was made by departmental officials. So it does not reflect any intervention on the part of our two ministers.

Mr. Maxime Blanchette-Joncas: I would like to understand one thing, Mr. Sabia.

In 2017, the Government of Quebec had already made public its estimate of the tax losses incurred with respect to the QST. It estimated them at \$270 million.

Why can't the federal government make this information public?

Why did it take a committee to study this issue, two letters, one letter from the chair of a standing committee of the Parliament of Canada and an appearance by the deputy minister of finance before these figures, which are public by nature, were released?

Mr. Michael Sabia: Clearly, Mr. Blanchette-Joncas, I was not in office at the time.

The only thing I can tell you is that we feel it is important to be transparent with the committee.

Recently, we have slightly changed our attitude about these issues. I think we made a reasonable decision to share the figure and to be a little more transparent. I don't see any problem with that.

To answer your question, I'm not in a position to explain the department's past activities. I can only tell you that some of those activities have changed and some others will change.

• (1240)

Mr. Maxime Blanchette-Joncas: That's fine.

Of course, I expect your department to be transparent from the start. As you know, the committee is accountable. In order to fulfill its role, we have to ask questions.

I understand that you were not there before, but officials still answered questions on behalf of the department. They must still be around today, unless you can tell me that they were fired for not being transparent in their answers.

Mr. Michael Sabia: That's certainly not the case at all.

[*English*]

The Chair: Thank you very much.

We will move on to Mr. Berthold for five minutes.

[*Translation*]

Mr. Luc Berthold: Thank you very much, Madam Chair.

Mr. Sabia, thank you very much for being here.

Mr. Marsland, this is the first opportunity we have had to discuss this.

Being appointed Minister of Finance in the midst of a pandemic is certainly a significant challenge for you, Mr. Sabia. I also understand—

Mr. Michael Sabia: I'm sorry to interrupt you, but you said I was appointed Minister when I'm actually the Deputy Minister.

Mr. Luc Berthold: You are right.

Mr. Michael Sabia: There is a significant difference between the two.

Mr. Luc Berthold: So let's talk about that difference, Mr. Sabia.

Mr. Deputy Minister, earlier, I was very surprised to hear you say that you could not defend the past actions or decisions of certain people, since you were not in office. As parliamentarians, we have a job to do. Personally, I am in the process of learning to work with the Standing Committee on Public Accounts. Various departments are accountable to our committee. Our committee is the only one where we have to act in a non-partisan way in order to obtain answers.

I totally agree with my colleague from the Bloc Québécois that it is unacceptable that we asked the Department of Finance three times to provide us with one figure and that we did not receive an answer.

Mr. Marsland, since you were there from the beginning, could you tell us what happened? Why couldn't we get that number at the time?

[*English*]

Mr. Andrew Marsland: I think our response to the committee, Madam Chair, was that there was no public figure available—and that was correct. There was no public figure available.

As Mr. Sabia mentioned, we do many estimates of many aspects of the tax system, and we do these in the context of providing confidential advice to the government.

[*Translation*]

Mr. Luc Berthold: Mr. Marsland, I agree with the confidential advice to the government. That is fine.

When figures from the Department of Finance are available, I believe the Standing Committee on Public Accounts has the right to

ask for them. We're not asking you for the recommendations on your numbers; we are just asking for the numbers.

I'm really surprised that your number is \$160 million, which is the same number as the Auditor General's assessment, but the Auditor General told us that she thought it was probably much higher than that. Without questioning the numbers you are giving us today, I am a little surprised.

Mr. Sabia, I would like to say one thing. The Standing Committee on Public Accounts is a committee that is accountable to Canadians. You seem to be walking on eggshells when you answer our questions, and that surprises me a little. What we want is transparency. As I said, we understand that ultimately you keep the advice you give to the government to yourself.

Why is it dangerous to give the committee reasonable estimates of uncollected taxes?

Mr. Michael Sabia: In my opening remarks, at the beginning of our meeting today, I used words like “estimate” and “as things evolve” several times. Yes, we have numbers. That said, our goal is to try to answer your questions in a way that will help you better understand the nature of a tax system, in this case—

• (1245)

Mr. Luc Berthold: Mr.—

Mr. Michael Sabia: —not to make things more difficult to understand, because—

Mr. Luc Berthold: Mr. Sabia, I think you can leave it to the members of the committee to determine whether they are able to understand the facts and figures that are presented to them. A reasonable estimate was requested in November. If we had known the amount of the reasonable estimate, \$160 million, we would have been able to continue our work. As my colleague mentioned, it took two letters and another appearance before the committee on your part to get that figure.

Why should parliamentarians not be able to understand that this is a reasonable estimate? What makes you question their ability?

I have a hard time understanding what this is all about. I think we need some clarification on that.

Mr. Michael Sabia: Honestly, I'm again a little surprised at your reaction. I have made it clear on a number of occasions that we are changing directions in a way that is transparent, while also recognizing the importance of what we do, including advising the government. I believe that we are demonstrating a certain openness and that you have the proof of it today.

[*English*]

The Chair: Thank you.

[*Translation*]

Mr. Michael Sabia: I can't explain why—

[English]

The Chair: Thank you.

[Translation]

Mr. Michael Sabia: —in the past, someone decided not to provide you with a certain number.

[English]

The Chair: Thank you.

[Translation]

Mr. Michael Sabia: I'm here and I'm providing you with the number you asked for.

[English]

The Chair: Thank you very much, Mr. Sabia. I appreciate your answer.

We will now move on to Mr. Longfield, for five minutes.

Mr. Lloyd Longfield: Thank you, Madam Chair. I'll be sharing my time with Mr. Sorbara.

It has been a good conversation today. I'll just mention, first of all, the importance of our working together and understanding each other's timelines in the work we're both trying to accomplish on behalf of Canadians. It is very difficult to give some of these answers in terms of the timelines that we have within our committee, when we have really just a few minutes to get some answers on complicated taxation principles.

One for me, Mr. Sabia, is that the GST is collected as general revenue for the government, and then it goes out as a general expense to the government. In a previous answer you said that sometimes the supplier will have to pay GST, and then that becomes part of their remittance back to the government. It's in a different revenue and expense stream than the levy on a fuel surcharge. The Conservatives will call it a carbon tax. We call it a levy on a surcharge, which goes back to Canadians. Sometimes there is terminology used that confuses the types of information we're trying to get.

Could you maybe comment on the general revenue and general expense on GST versus the program revenue and program expenses that are reported in the public accounts?

Mr. Michael Sabia: Andrew, do you want to take that?

Mr. Andrew Marsland: Sure.

Madam Chair, if I understand the question correctly, we report GST revenues. I think we report them net of the refundable GST credit, but as the question suggested, these become general revenues. They flow into the consolidated revenue account and are expended out.

I think the distinction was made between that and the fuel charge, where, under the Greenhouse Gas Pollution Pricing Act, there is a requirement that those amounts be returned to the province through the mechanism of the climate action incentive payment and other mechanisms, and a requirement to account for those amounts on a periodic basis, to show that those requirements were met.

• (1250)

Mr. Lloyd Longfield: Thank you. That answers my question.

Mr. Sorbara, I think you have a question or two as well in the two and a half minutes remaining.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Longfield.

Welcome, Deputy Minister, to the committee again, and thank you for availing yourself.

I wanted to get to the aspect of digitization. You came back today, and we wanted some clarification on the finance department's estimates on numbers with regard to digitization, in one aspect. In terms of looking at the overall economy, and even looking at the NextGenerationEU fund that's been set up with a heavy focus on digitization of not only the European economy but how that's paramount for all economies, how important is it that we take a whole-of-government approach working with industry, private sector, charitable and non-charitable sectors in terms of how we view digitization?

Mr. Michael Sabia: It's very important. If we've learned one thing in this pandemic, it's that digitization and digital access is not a "nice to have" anymore; it's an absolute fundamental. I'd go further than that. In terms of the future economic growth of the country, not just digital access in the sense of broadband connectivity but digitization of businesses, the adoption of digital technology across small and medium businesses is absolutely fundamental.

It should be a national priority, because that's where the jobs and Canada's economic growth will come from in the years ahead. It's an area in which, if I can speak personally, I'm particularly interested, in terms of finding the new locomotives of growth for our national economy. This one is hugely important.

It starts with expanding broadband connectivity, because that's intuitive and important. It goes beyond that. It's the capacity of small and medium businesses to adopt these technologies, to have access to the people who can help them do that. There's a whole range of issues here that are important to the future economic growth and well-being of Canadians.

This issue applies very much, and I agree with you, across governments. It very much applies to an earlier question that was asked about how government interacts with organizations outside of government itself. This is something that Canadians have to get serious about, more serious than we've been.

I say that because the challenge of growth facing our economy is the biggest economic challenge we'll have once we get our way through this pandemic. This is something that warrants a lot of time and attention. It warrants a serious look in terms of government policy as to how to enhance what we're doing in this area.

The Chair: Thank you very much, Mr. Sabia.

We will now move to our last round of questioning.

Mr. Blanchette-Joncas, you have two and a half minutes.

[Translation]

Mr. Maxime Blanchette-Joncas: Thank you, Madam Chair.

I'm going to come back to Mr. Sabia.

Earlier, you really caught my attention when you talked about a change in direction in the Department of Finance. What did you mean by that?

Mr. Michael Sabia: I didn't mean a shift, I meant a slight adjustment. Maybe it's marginal. I don't know; I just arrived at the department. We might be able to share with you other aspects of our activities and be more transparent, while still honouring our core activities, which is to provide advice to the government.

Sharing this number with you is just one example of how we have made a slight improvement in our operations because of the importance of the work that your committee does. We are always open to helping you if we can.

• (1255)

Mr. Maxime Blanchette-Joncas: You just said that improvements have been made. Let me emphasize that; I appreciate the fact that you have provided us with that figure. However, are you telling us that some practices clearly should have been changed in the past? Let's call it what it is. There was a lack of transparency on the part of the department on certain issues in the past.

Mr. Michael Sabia: No, not at all. I did not say that.

Mr. Maxime Blanchette-Joncas: Okay.

How do you explain two answers—

Mr. Michael Sabia: No, Mr. Blanchette-Joncas, I never said that.

Mr. Maxime Blanchette-Joncas: So what are the directions and improvements?

Mr. Michael Sabia: I have made it clear to you that, throughout my career, I have respected the origins and the past of all the organizations in which I have worked. I do the same in the Department of Finance.

The world keeps turning, so it is quite reasonable to make some adjustments to better streamline the activities of the Department of Finance.

[*English*]

The Chair: Thank you very much.

[*Translation*]

Mr. Michael Sabia: It's not the same as—

[*English*]

The Chair: Gentlemen, thank you very much.

We are well over time again. I need to move on to our last questioner.

I will give the time over to Mr. Green for two and a half minutes.

Mr. Matthew Green: I'm feeling very charitable today. Mr. Sabia has been in the hot seat for the last hour. I have no further questions. I'm happy to wrap it up and get into private business, our committee business.

The Chair: Thank you very much, Mr. Green.

With that, our rounds of questions are completed.

I want to thank you, Mr. Sabia and Mr. Marsland, for joining us today and for the testimony you've provided. I will invite you to leave, and we will go to committee business.

Members, I need to advise you that you will have to leave this meeting and log into the in camera platform. The log-in information was sent in the same email as the information for this meeting.

[*Proceedings continue in camera*]

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