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Chair

Ms. Yasmin Ratansi

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• (1530)

[English]

The Chair (Ms. Yasmin Ratansi (Don Valley East, Lib.)): Welcome to the 34th meeting of the Standing Committee on Government Operations and Estimates.

Today we are looking at large IT projects. In the first hour, we will have witnesses from the Treasury Board: Madame Corinne Charette, the chief information officer; and Ms. Valerie Wutti, executive director.

I understand, Madam Charette, you have some opening remarks that you want to make.

[Translation]

Ms. Corinne Charette (Chief Information Officer, Chief Information Officer Branch, Treasury Board Secretariat): Good afternoon, Madam Chair.

Thank you for inviting us to appear before your committee to discuss the Treasury Board Secretariat's role in providing guidance and oversight to institutions on the management of large IT projects.

Allow me to introduce myself. My name is Corinne Charette. I'm the Chief Information Officer of the Government of Canada. As you know, I am responsible for setting direction and policies and standards for Information Technology and Information Management as well as Security, Privacy and Access to Information in the government. I've been on the job since last May. I bring to the table over 30 years of experience in the private and public sectors.

My role includes supporting the government in its commitment to continue improving public service management and to ensure value for money for taxpayers.

[English]

With me today is Val Wutti, the executive director of the IT project review and oversight division at the Treasury Board Secretariat.

In November 2006, the Auditor General examined the management of large IT projects and issued her recommendations on the overall management of these projects. Since then, I'm pleased to say that we have acted on those recommendations. We have implemented a series of measures that strengthen our challenge and oversight functions to ensure that departments' IT projects succeed.

Before going into detail, let's discuss what constitutes an IT project. It's an important point. There are essentially two types. First, there is the kind that deals with basic infrastructure such as data

centres or telecommunications networks that computer systems rely upon. Infrastructure projects usually involve the purchasing of the equipment, computers, software, other devices, and telecommunications facilities and services.

The second type of IT project is at least as complex as the first. In this type, IT is used to create a system that is going to be actively in use by any department or agency in support of their program. These projects typically change business processes or implement new legislative requirements in order to improve delivery of government programs. They support programs such as processing tax returns, issuing employment insurance cheques, protecting our borders, etc. These are application systems in support of government programs.

The Auditor General focused on this latter type of project in the 2006 report.

• (1535)

[Translation]

The Secretariat has similarly focussed on strengthening the management of these large IT projects. We are talking mainly about this type of project.

We have published a new Policy on the Management of Projects in 2007 and are progressively implementing it. We have also developed tools and guidance documents which the community is already using. These tools will help departments improve the management of their projects. The government is a very large organization with accountability for program delivery resting with deputy ministers.

The Treasury Board Policy on the Management of Projects reinforces deputy ministers' responsibility for monitoring adherence to this policy within their organization and taking action when compliance issues arise. In the case of IT projects, each department has a delegated project authority and is only required to go to Treasury Board to seek approval for projects that are higher than that authority.

[English]

When the rollout of the new policy on the management of projects is complete in April 2011, we expect that Treasury Board ministers will see fewer projects requiring their approval. There are two reasons for this. Currently, most delegated project authorities are based on the dollar value of the project. We are moving to an approach that considers the department's capacity to manage projects and the risk and complexity of a proposed project. Only projects that are riskier and more complex than the department's capacity to manage them or projects that require amendments to what had previously been approved will require Treasury Board approval.

We are also challenging departments to reduce the size of their projects to help reduce the risk. Instead of having one large project that takes many years to complete, we are encouraging departments to break them up into fewer, smaller projects that deliver value for the investment faster. This will result in smaller, lower-risk projects that are more likely to be successful. This approach would also help departments make better informed decisions on the implementation of the overall project based on outcomes to date. They would also allow deputies to stop investing further if the outcomes are not satisfactory. Clearly, we are steering departments away from an all-or-nothing approach to IT projects.

Once a department has received Treasury Board approval, the secretariat expects that departments will apply the appropriate project management and oversight processes, as prescribed by the policy and related instruments. This is not to suggest that TBS takes a hands-off approach. In fact, the secretariat continues to monitor higher-risk, more complex IT projects. We have taken additional steps to guide organizations and to ensure, or contribute to, the success of their IT projects.

In particular, we have improved templates and guidance and expectations for preparing business cases and for preparing project charters and management plans. We have created an executive dashboard that highlights the five key performance indicators of a project: cost, schedule, risk, scope, and issues.

Last, we have established an independent review program to help project executives gain useful insights at key points or gates in their projects. This will allow them to make appropriate course corrections, including terminating projects if they no longer meet the expected outcomes.

[Translation]

The use of these products is not mandatory, but they guide deputy heads in managing the implementation and risks of their projects, within the spirit of Public Service renewal, by reducing the "web of rules", by providing appropriate guidance and tools and by establishing clear accountabilities on management practices.

Deputy heads are accountable for ensuring that IT projects contribute to program outcomes and support the government's objectives.

• (1540)

[English]

The Treasury Board continues to work closely with departments by providing the advice they need to make sound management

decisions. Departments are aware of available IT project management guidance and tools. This is reinforced regularly through our meetings with the community of CIOs. Their adoption remains a departmental responsibility and decision. However, we are very pleased to see that even though the policy will be fully deployed in April 2011, many departments have anticipated it and have already taken up a lot of these practices.

In closing, in cases of higher-risk, more complex IT projects, the secretariat closely monitors progress and performance and continues to work with departments in optimizing ultimate project outcomes.

Madam Chair, this concludes my opening remarks. I would be very pleased to answer any questions.

The Chair: Thank you, Mrs. Charette.

We'll start the first round of eight minutes with Ms. Foote.

Ms. Judy Foote (Random—Burin—St. George's, Lib.): Thank you, Madam Chair. Thank you to our witnesses here today. It's good to have you here with us to clarify some of the outstanding issues.

Certainly if we look at what has come from the Auditor General and the public accounts committee, there were some serious issues identified with respect to the large IT projects in the past. If you look at the Secure Channel project, it was by no stretch of the imagination a mess. If you look at something that was initially meant to cost \$96 million and eventually—from what I'm reading—ended up costing in the vicinity of \$1 billion, it just blows one's mind that something like that could happen.

I look at the recommendation from the public accounts committee and the Auditor General that Treasury Board Secretariat take more of an active role in ensuring that large IT projects follow all government guidelines. Then I go down and see again that Treasury Board was involved in the oversight, strategic direction, and decision-making for the secure channel project. I guess I have to ask what has changed. What would you do differently? How would you ensure that we don't find ourselves in this mess again. So many taxpayers' dollars went to an initiative that wasn't viable, and that was deemed a waste of taxpayers' money.

Ms. Corinne Charette: Thank you, Madam Chair.

There are two questions: what has changed, and what are we doing differently going forward?

First, in terms of what has changed, Secure Channel was originally conceived as a project going back to roughly 1999-2000. Nine years later, 2009, many things have indeed changed, both on the technology front and the experience front, in terms of understanding of the broad IM/IT community in Canada, and in fact worldwide, in terms of IM/IT, cyber security, and so on. Within government, certainly our policies, management frameworks, and oversight have also changed.

First of all, let me say from a policy perspective that in 2007 we came out with the enhanced project management framework policy, which I think is a key step in equipping the government going forward to be more effective and a better manager of large and complex IT projects—and IT projects across government are bound to be large.

I mentioned a couple of strategies in my opening remarks, but I would stress them again. Whereas Secure Channel was targeted as one large project, going forward in our new project management framework we are stressing the segmentation of large projects into what we call a program of discrete and independent projects that can be launched, followed, and monitored independently. They can individually contribute benefits that can be followed, if successful, by different projects that can continue to build on their initial success and continue to refine, expand, or roll out the solution further. So that's an important step forward.

Over the last 10 years, I think projects have become very large for many reasons, and this is true with my experience in the private sector as well in government. The demand for IM/IT is quite strong. Departments, in fact all organizations, rely on services, so there is always a requirement for more automated support. Nevertheless, it is the challenge of the IM/IT organizations across government, and Treasury Board is working actively with them to properly segment these programs into manageable projects. Each one will come up with a business case that will allow for the evaluation of success. Clear project charters on these individual projects will indicate roles, responsibilities, and the governance that the departments and their deputies are going to exercise. As well, project gating stages at regular intervals will report on status, success, or any issues that might arise and allow for corrective action, including such things as bringing in independent project reviewers to get a different heads-up and so on.

The project management framework has gone a long way to help, and I think will, over the next number of years, contribute significantly to improving project outcomes. That is the number one element that we are proposing to do differently.

In terms of general guidance to the community of CIOs that I have provided and will continue to provide going forward, we are being very careful not to be too ambitious with unproven approaches. We are pushing the community to work initially with smaller projects that can pilot outcomes. Once these approaches are tested, then we can build sound business cases that reflect better cost because a pilot has come back with some results, and we can better plan for future rollouts given that it's not as abstract a problem.

• (1545)

Certainly our guidance is to decompose programs into projects, pilot approaches, to conduct rigorous business cases, monitor a lot more closely and regularly, and in this way improve outcomes.

The Chair: You have one minute. You can ask a question for 30 seconds, and there will be 30 seconds for the response. I have to maintain the time.

Go ahead.

Ms. Judy Foote: I appreciate your response and how significant your reply was.

I would assume that when this initiative started we were getting the same type of response then. Nobody felt we would ever get ourselves into a situation where what started out to be a \$96 million project would go to \$1 billion. I guess I'm looking for some assurance that we're not going to find ourselves in the same situation again.

Ms. Corinne Charette: Certainly. We are working very hard to avoid, if not eliminate, being in such situations.

The Chair: Thank you.

We'll go to the next person.

Madame Bourgeois.

[*Translation*]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you, Madam Chair.

Thank you for accepting our invitation, ladies.

You said that Treasury Board Secretariat did not want to have large projects. Did I understand that correctly?

Ms. Corinne Charette: We don't want projects that are larger than necessary. For a number of reasons, some projects are large. The key is to know when a project can be broken up into phases that generate profit. There are sometimes more opportunities to do that in one program than in others.

• (1550)

Ms. Diane Bourgeois: If I understood correctly, you say that you require that large projects be broken up into pilot projects. So these are test projects.

Ms. Corinne Charette: An initial project is the pilot project. If a new and unproved approach is being tested, before committing the government to a major investment, clearly, in some approaches, particularly for information technologies, the technology and the products change month by month, if not day by day.

Ms. Diane Bourgeois: Okay.

For Government Enterprise Network Services, we have in front of us a project that seems to generate a billion dollars. Are these accurate figures?

Ms. Corinne Charette: Since the project started, in 1999 or 2000, these are pretty up to date figures that reflect the cost of development, the prototype phase that took place right at the beginning, and the costs of using the service from 2004 to the end of 2009.

Ms. Diane Bourgeois: To echo what my colleague said, the Auditor General of Canada criticized the famous Government Enterprise Network Services because no business case had been made, among other reasons. In your answer to my colleague, you said that, basically, a lot of things have changed and adjustments had to be made to reflect costs and demands and the changes that had been made.

Does that mean that at the outset, in 2000, no business plan or strategic planning was done to give us indicators for time, implementation and business cases, so we might stop beating about the bush and come right out and say that the deadlines and budgets assigned are being adhered to?

Ms. Corinne Charette: In the history of Secure Channel, the Voie de communication protégée, business cases have been prepared. In her comments, the Auditor General says that they were not exhaustive enough. The purpose of the new policy is to strengthen current and future analyses. Certainly the direction that is supported in all departments and agencies is to prepare business cases according to the most complete and most widely used standards.

Ms. Diane Bourgeois: Does that mean you have no final plan? You have no business case and final plan? You say you're working on it now. Does that mean that right now, you are working with thin air? Could you please clarify this?

Ms. Corinne Charette: No, excuse me, I expressed myself badly. We have a template, tools that now lay out the suggested, recommended way of preparing business cases. Yes, the new policy includes those tools, and they have been created and are available.

Ms. Diane Bourgeois: Regarding Government Enterprise Network Services, you have a business plan. I am not asking whether you ordinarily work or you have the tools to put a business plan on paper, which is completely different. What I am asking is whether you have a business plan for GENS.

Can you submit it here, today?

Ms. Corinne Charette: I don't think, I know that for the use of the existing service we have the costs of the existing services as they have been used since 2006, absolutely. We know how the money is allocated among the departments and agencies, and the support they are given.

•(1555)

[English]

The Chair: May I just interrupt?

I think you're talking at loggerheads. She's asking for a business plan, and you're from the Treasury Board, so you give guidelines. Perhaps you can show us or send us a template of what you sent to the departments, because they are supposed to prepare a business case and you're the oversight body in terms of policy. If you could do that, perhaps Madame Bourgeois will be satisfied as to what sorts of guidelines you provide to the departments. If we could have that commitment from you to supply that, maybe that will change the channel a little. Okay?

Ms. Corinne Charette: Madam Chair, that's an excellent suggestion. Yes, we have a template and we'd be more than happy to submit it. Absolutely.

The Chair: Okay.

Continue, Madame.

[Translation]

Ms. Diane Bourgeois: Ms. Charette, you understand that when we talk about Treasury Board Secretariat, which has to apply to Treasury Board to release funds for Government Enterprise Network Services, if we are not sure that you know where you are going and we see a billion dollars going by under our noses, then as M.P.s we have to approve those expenditures. That is a lot of money, a billion dollars! It means that the people are working with virtually nothing in their hands.

That is what I wanted to say.

[English]

The Chair: Do you want to respond to that, briefly?

[Translation]

Ms. Corinne Charette: We are aware of the size of the investments, but a distinction also has to be made between the start-up costs and regular operating costs. At present we have this service and we are constantly working to reduce costs and find better solutions.

[English]

The Chair: For the betterment of our understanding—and I was with public accounts as well—if we could have a flow chart that shows what happens when a department suggests...because these are large IT projects, and we're going to be speaking with Public Works. Say GENS is coming on. What is the process they follow? We as MPs have to look after the public purse, and so do you. How do we have the satisfaction of knowing that due diligence has taken place? It would help if you just give us that “how the bouncing ball goes”.

Okay? Thank you.

With that, we move over to Monsieur Gourde for *huit minutes, s'il vous plaît*.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Madam Chair.

Thank you for your testimony, ladies. It will be very helpful to us.

I have one little question for Ms. Charette. What measures has Treasury Board Secretariat taken to improve the management of large information technology projects and ensure better returns?

Ms. Corinne Charette: Madam Chair, the question is what measures have been taken by Treasury Board to ensure sound management of projects and ensure better returns...

Mr. Jacques Gourde: And improve the management.

Ms. Corinne Charette: As I said, our strategy consists mainly of this: we have improved or updated our project management policy so that it better reflects what are called best management practices for project management. This is based on various strategies, including preliminary studies, but mainly on techniques like project charters, where results are very clearly described, the scope of the project is clearly defined, the role of the sponsor and business representatives from various parts of the country are clearly depicted, and the ultimate objectives are described and measured. So there is that, for one thing. Another is that there is also the entire independent project review program, which is very much encouraged.

So in any project there is the project team that works closely with its business sector. Best practices refer to the fact that independent reviews, which are sometimes done every six months, sometimes yearly, by experienced outside consultants who may come from the outside and take an independent look and offer the project team objective feedback, both for the sponsor and for the team members, are extremely beneficial. We have used that technique successfully several times recently, and we have also put in place a whole program with the community to encourage and facilitate the adoption of this technique.

One thing we have is a training program for people who want to be independent project reviewers. We have a manual that has helped reviewers and teams to prepare better. We also have a procurement tool that is used to establish a list of experienced, accredited reviewers who have met the criteria.

So there is a whole set of tools and monitoring methods. As well, we also work closely with the community and we are often invited to sit on project review advisory committees where we regularly take part in determining status and make recommendations as necessary. We are also in frequent contact with the departments, and we encourage them in various ways to share their experience, and so on.

• (1600)

Mr. Jacques Gourde: I would like you to tell me about the tools that have been created. Do you have evidence that these tools produce good results?

Ms. Corinne Charette: Absolutely. For the independent review program, there was an important project in the waste water management program.

I am going to let Ms. Wutti explain that case, because she is very familiar with it.

[English]

Ms. Valerie Wutti (Executive Director, Information Technology (IT) Project Review and Oversight, Chief Information Officer Branch, Treasury Board Secretariat): We have a project in Agriculture and Agri-Food Canada, the national land and water information system, and they were using tools like the executive dashboard, independent reviews. These tools helped them have the types of insights they needed at the executive level so they were able to make course corrections and successfully conclude that project last spring.

We see more adoption of those tools. I've been working with Natural Resources Canada, and they're starting to adopt these tools. We're seeing it going into Citizenship and Immigration. Departments are seeing the benefit of these tools. They are very receptive to using them and appreciative of the benefit they bring to the projects.

[Translation]

Mr. Jacques Gourde: How do you decide what projects will get follow-up?

Ms. Corinne Charette: For example, when a department presents a submission to Treasury Board, in particular to get approval for a project that exceeds the limit allocated to its authorities, we can review the submission, and if we think the project involves somewhat higher-risk elements, we can decide to put it on our follow-up dashboard and get more involved. In other cases, the

departments come to us and ask us for help. In our experience, the agencies and departments are all very motivated when it comes to making sure their programs are successful. They seek help when they can get it, and we are very happy to work with them. We monitor the biggest projects in the community, which is not a huge one, closely. We are aware of developments and we are able to identify the risk level.

Mr. Jacques Gourde: How do you monitor these projects?

• (1605)

Ms. Corinne Charette: Mainly by attending meetings of what is called, in English, a steering committee or advisory committee, to which we are periodically invited, as managers. The project managers do regular follow-up. If necessary, we request documents or additional support. If we think there is a risk of getting off course, we ourselves strongly recommend an independent review so that the agency or department, working with a reviewer or independent team of reviewers, can really focus on the problems identified and then take action.

Mr. Jacques Gourde: Thank you.

Thank you, Madam Chair.

[English]

The Chair: We now go to Mr. Thibeault for eight minutes.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Madam Chair.

Thank you both for being here today. It's a very complex issue to try to wrap your head around, and you're helping me understand, as well as I'm sure many of my colleagues around the table.

I want to go back to what Madame Bourgeois was asking. Before we get to the bouncing ball, as the chair mentioned earlier, my questions relate to this. How do you make your decisions before we get to that stage? Are there discussions with the industry on IT before you even get to that bouncing ball stage?

Ms. Corinne Charette: Madam Chair, that's a very good question. Absolutely, we do discuss with industry through a number of forums, and independent of a specific project or any procurement activity, we are in touch with the industry on our general orientations, on their opinions on new technologies, and so on and so forth.

When it comes to specific initiatives, there is quite a prescribed process on which my colleagues from Public Works will go into greater detail later on, but there are formal consultation steps with industry and so on.

Yes, industry is consulted, as are our colleagues in government departments and so on.

Mr. Glenn Thibeault: Okay. So are there studies or research, then, that the Treasury Board has done to justify a trend to a more bundled contract in various sectors, specifically in IT, for example?

Ms. Corinne Charette: I'm sorry, just to be clear, are you saying towards a more bundled...?

Mr. Glenn Thibeault: Yes, there's a trend to see that we're going toward more bundled contracts. Are there studies or research that would indicate why Treasury Board would want to go one way or the other?

Ms. Corinne Charette: Well, certainly the Auditor General's recommendations in 2006 were that we should move towards smaller projects, and therefore smaller contracts by association. Other industry research from the Standish Group and many other project management advisory boards certainly stresses that smaller projects have a much higher likelihood of success than big, monolithic projects. So yes, I would say that, and my experience in the private sector, as well as, I'd say, quite a bit of experience, indicates that smaller is better. It's problem decomposition: try to achieve smaller, more regular, and more repeatable results.

Mr. Glenn Thibeault: Then help me understand. We have the Auditor General's report saying that smaller is better, and then we're looking at going into things like GENS, which is a large IT project. Are those two conflicting, or should we be looking at something else? Maybe you can help me understand the whole process.

Ms. Corinne Charette: I won't pre-empt my colleagues from Public Works and Government Services Canada, but GENS, as I understand it, is not yet a project. It is currently being discussed as a supply arrangement for the provision of services and facilities to a number of government departments in the area of telecommunications.

Once procurement is finished, the next logical step is a series of projects. Government departments rely on telecommunication services of many types. A lot of government departments are using telecommunication facilities and services, some of which are right at the end of their technology life. They've been around for a long time, so there is a high likelihood that there are newer, more efficient, and probably more cost-effective solutions. Once a procurement arrangement is in place, departments have to step forward and initiate projects that will move them from what they are using today to the next generation.

GENS procurement may lead to much more than one contract. In fact, it might lead to a number of projects, depending on how many government departments and agencies participate. Right now, there are 124 separate networks across government. Many will move toward replacement, because their business cases indicate that it's more cost-effective to move and incur the migration cost. This way they benefit from improved technology and reduced operating costs going forward. Any IM/IT decision for investment is going to look at these factors.

• (1610)

Mr. Glenn Thibeault: Great.

The Auditor General's report talks about how we need a clear and concise business plan relating to these initiatives. Has that been done for GENS on a project basis? Do we have business plans in place for GENS?

Ms. Corinne Charette: I believe that business plans are being prepared, but they are not necessarily finalized. The procurement is not finalized, either. Over the next year or two, we would expect to see an overall plan, together with individual plans. These would reflect departmental migrations from existing technology to some-

thing procured under the GENS supply arrangement. Once procurement is completed, it will take some time to finalize plans based on cost inputs.

Mr. Glenn Thibeault: Is that the type of business plan we will be able to see at committee? What is being brought forward?

Ms. Corinne Charette: It certainly could be. GENS will have a number of business plans. There are 124 networks across many departments, and they won't necessarily all migrate at once. In fact, it would not be advisable for them to migrate all at once. If two or three departments decide to migrate together—if they're co-located in a building, for example—then it would make sense for them to say that they have these facilities that cost this much, that they plan to go to the new system, that these are the anticipated costs and the migration costs, and that they will migrate over 12, 24, 36 months, according to their situation. We would expect to have those plans. They are necessary to operate in conformity with our new project management framework and suggested times.

The Chair: Madam Coady.

Ms. Siobhan Coady (St. John's South—Mount Pearl, Lib.): Thank you, and I appreciate both of you being here today.

I know these are difficult questions for difficult issues. I'm continuing with questions on accountability. That will be something your department would be very involved in. You talked about the Treasury Board Secretariat's oversight function. I'm going to talk specifically about that function. These are going to be direct questions, and your succinct answers will be appreciated.

First of all, I was a little astounded to hear that, even though the Secure Channel overruns went from \$96 million to a \$1 billion, the best we can do is a template of tools. We got into a \$1 billion challenge, and all we have is a template of tools that really isn't required. I'm going to ask you, who developed this template of tools, and what did it cost to develop?

Ms. Corinne Charette: I'm sorry. Who developed these tools?

Ms. Siobhan Coady: Who developed them, and how much did it cost to develop the template of tools that you're now discussing as part of this program?

Ms. Corinne Charette: I'll ask Val to answer that question.

Ms. Valerie Wutti: Some of the tools were developed by my team in consultation with the IT community in Ottawa. I couldn't tell you an exact price because I didn't price it out as to how much for the business case.

• (1615)

Ms. Siobhan Coady: Did you use outside consultants for this, or did you use internal sources?

Ms. Valerie Wutti: Mostly for the business case and project management charter, those were internal resources. For the independent review program we used a lot of external resources—

Ms. Siobhan Coady: Could we get copies of or can we know or can you tell us or table what exact costs were involved in the development of these tools?

Ms. Valerie Wutti: Sure.

Ms. Siobhan Coady: Okay. Rather than just go around that a little bit, who holds the ultimate accountability for this? You've given a suggested template of tools now. Even though we're talking about billions of dollars, we have a suggested template of tools, but who holds the accountability function?

I heard you talk earlier about being invited to sit on the steering committee and so on, but we're talking large sums of money and we need some accountability here. That is really where the oversight function falls. So who holds the accountability of the spending and the issuance of ensuring that these tools are being utilized effectively?

Ms. Corinne Charette: Madam Chair, in answer to the member's question, accountability, according to the Federal Accountability Act, definitely rests with the deputy ministers in each department. It is their accountability to follow policies and ensure compliance with Treasury Board policies, standards, and guidelines.

Ms. Siobhan Coady: Okay. So the whole oversight process you have—even though we talked about it at the very beginning. There's an oversight function by the Treasury Board?

Ms. Corinne Charette: Yes.

Ms. Siobhan Coady: You're clearly saying that the utilization of the template of tools and the accountability function rests solely with the deputy ministers. That's what I'm hearing you say.

I'm going to turn to Service Canada, who handles tens of millions of transactions, as you know, from CPP to employment insurance. They stopped using Secure Channel. As you know, they had several series of crashes; they had a lot of problems and issues. One of the concerns around this is, who covered the cost of these problems? They actually had to go out and do some additional work, as you know, under Secure Channel, but we're not quite clear on who covered the cost.

I'm sure the deputy minister was quite involved in this from that oversight and accountability process, but we're not quite sure: was the administration drawn from the EI fund, or how were they actually covered?

Ms. Corinne Charette: To be honest, I can't say that I have the exact way that each department funds their part of Secure Channel. What we do have, and would be happy to share with you, is the allocation of Secure Channel costs across each of the departments. All 129 departments actually use different components of Secure Channel. Certainly HRSDC is one of the major users and we know what their share of the overall cost is. What sources they fund their share from, I'm sorry, I don't have that answer.

Ms. Siobhan Coady: I guess my question goes to the point that Service Canada stopped using Secure Channel, so they had to develop another mechanism and means. How is that funded now that they're outside of Secure Channel and they stopped using it?

Ms. Corinne Charette: I'm sorry, Madam Chair, I have to correct the member.

Service Canada is an active user of Secure Channel today. They did momentarily stop for a very short period of time. To my understanding, it was less than three months. They have been and continue to be an active user of Secure Channel.

Ms. Siobhan Coady: In those three months they had to have an alternate system, and my question goes to how it was funded. When they had to go out and use a separate service, how did they fund that service? Was it drawn from the EI fund or was it drawn from other sources?

You're not able to tell us at this point?

Ms. Corinne Charette: I don't have the details of their specific funding. However, they did not go to an external service.

Ms. Siobhan Coady: They used internal services?

Ms. Corinne Charette: That's right.

Ms. Siobhan Coady: I'm out of time.

Thank you.

The Chair: Thank you.

Madame Bourgeois.

[Translation]

Ms. Diane Bourgeois: Thank you, Madam Chair.

Ms. Charette, there are some things I would like to come back to. In your opening statement, you talked about the broad directions you are taking at Treasury Board Secretariat in respect of large projects. One thing you said is that you prefer smaller projects; you don't want large projects. I also noted that this policy will come into effect in 2011.

Have I understood this correctly?

● (1620)

Ms. Corinne Charette: Not entirely, and I will clarify it for you. The policy has been available to the community since 2007, but implementation of all components of it is being spread out until April 2011, because there is a major effort in the community and at the Secretariat to develop investment plans.

We are therefore asking the communities to start planning the investments they have to make in major projects, and in particular IT projects, and to present us with a somewhat more comprehensive picture. We are also asking them to spread their projects out over a period of time, essentially so they can evaluate them in terms of risk and their organizational capacity. The tools have been distributed and the departments are already starting to use them.

Ms. Diane Bourgeois: Okay.

We have a billion dollar project in front of us. You say you prefer small projects rather than large projects. A draft solicitation of interest and qualification has just come out. So that means you are giving large projects the go-ahead. Can you explain this?

Ms. Corinne Charette: I understand that it may look that way.

Are you talking about Secure Channel, the Voie de communication protégée, or about GENS or SREG, Government Enterprise Network Services?

Ms. Diane Bourgeois: I am talking about GENS.

Ms. Corinne Charette: GENS and Secure Channel are two different things. This summer, Public Works made a request for information to the supplier community concerning updating telecommunications services. Secure Channel is not in that procurement basket; it has been in place since 2006, since it was last renewed, and it is used by 129 agencies.

GENS is a procurement system that is to replace 124 telecommunications in the various departments and agencies in Canada, for both telephones and telecommunications, but it is not Secure Channel. It is a consultation.

Ms. Diane Bourgeois: Is the draft solicitation of interest and qualification a consultation?

Ms. Corinne Charette: It was a request for information. There was a consultation, and the final procurement has not yet been submitted. My colleagues at Public Works will be able to tell you more about it.

• (1625)

Ms. Diane Bourgeois: In June we were told, and it was proved, that the consequence of the GENS project will be that a number of small and medium enterprises in Canada and Quebec will disappear. Has Treasury Board Secretariat done a study on the impact this large information technology project would have on the Canadian and Quebec economy?

Ms. Corinne Charette: We have not done a study of that nature. However, we are currently studying the community's need to migrate to more modern networks, if you will. It would not be desirable to consider that as a large project, because that is not the case. A series of projects in departments and agencies will be coming out of GENS with the aim of migrating their networks to the new generation; that will essentially activate part of that procurement.

[*English*]

The Chair: Mr. Warkentin, for five minutes.

Mr. Chris Warkentin (Peace River, CPC): Thank you very much. I appreciate the time.

I appreciate the witnesses' time as well this afternoon and the testimony given thus far.

There are a number of things I want to talk about. I think we're looking for a little bit of additional clarification with regard to Secure Channel. I think there have been some discussions here in terms of when this happened, but the history might be important for us.

My understanding is that by March 2006, over \$600 million had been spent. At that point, the overruns had taken place. It was some time ago.

In the review by the Auditor General, a number of things were identified as concerns, and concerns that she had relating to any program that was to be developed. She said that prior to this going forward, there had never been an agreement among the different departments as to what types of benefits would be provided by Secure Channel, to whom, and at what cost that would come

forward. There was no indication as to what the budget would be in terms of the full life cycle costs of the program and how the departments would split those up. Also, there was no business case to identify the source of funds that would be used to sustain the ongoing provision of the service.

I know that when we came into government there were large concerns amongst many people in the House of Commons. We'd seen a number of different boondoggles related to large technology projects. Secure Channel was one, but that wasn't the biggest. I think the long-gun registry was something that a lot of people hearkened to, and a lot of folks out there were very concerned to see the escalation of that particular program and how the technology just got completely out of hand.

In 2007, our government announced something called "the executive dashboard", which had a number of different components. I think members of this committee would be very interested in understanding a little more about how the executive dashboard ensures that these types of things don't happen any more and about what you and your department are able to do as a result of these new tools to ensure that these questions are answered, such as who's going to pay and what benefits are being provided.

We look at GENS, which is being proposed right now. It is going to be a program that many different departments will have an option to utilize. Are these questions going to be answered before the execution of this, and do these tools ensure that?

Ms. Corinne Charette: Absolutely. That is a very good question. Thank you.

The executive dashboard is definitely a key tool in oversight and monitoring. We are in the process of really consolidating information so that in the spring of 2010 we can have a first view of a number of projects across government on the same consistent basis, and certainly the ones that we would consider bigger and more risky. There is a lot of activity going on.

Certainly following projects from a risk, scope, schedule, and budget perspective are all key elements on the dashboard. In IT, there's an old adage, that what gets inspected gets corrected. Really, the dashboards have already proven successful for that reason, because those dashboards will highlight to people outside the project team, within the department, at Treasury Board, and so on, the status of the project.

So there's no question about it; that is something important that we are spending a lot of time on. In fact, Val's team is spending a lot of time on that area.

Mr. Chris Warkentin: The difficulty with any department, as it is for any company or anybody who's considering buying into a network or into the provision of a service without seeing the full scope of it, without knowing the full costs, is that it's tough to say, yes, we're going to buy into it. So as it relates to Secure Channel, many of the departments said, "Well, we thought it was going to provide a different service than it did, and in the end it's costing us more than what we thought."

Do we have some assurance that those issues are going to be resolved, so that when a large service is being contemplated, such as a GENS, there is a costing, there is a commitment from the different departments, and the commitment is based on information that can be related to what the end result or the end service is?

Do we have some assurance that Secure Channel, which is only being utilized at 50%, which isn't a cost-recovery model, won't be replicated in other technology services?

•(1630)

Ms. Corinne Charette: Certainly it would be our objective to avoid overcapacity in any IM/IT solution. It's just not a good value-for-money approach.

Certainly departments, because they are accountable for their IM/IT investment spend, do have to be able to project the estimated costs with the greatest degree of certainty. They have limited funds, and they're making difficult priority decisions, so we are working with the community towards doing exactly that. And the business cases, if they are done at the right moment with the right information, will help us to do that better.

Mr. Chris Warkentin: Thank you so much.

The Chair: Thank you.

Considering the number of questions we've had, there seems to be an issue around simplicity. We had asked that you provide us with a flow chart, and I was looking at what the Auditor General had asked for.

You stated that the accountability was really the departments' accountability. But the Auditor General believes it is the Treasury Board's accountability. As it says, "Before recommending that the Treasury Board approve an IT project..." Since you do approve it, it would be helpful for us, when you're presenting your flow chart, to show us where, at what portion, you approve or disapprove or challenge the department, to make us familiar with how that flow takes place, what template you use for a business case, and how well that business case is there.

I know it's the departments' job to do it, but how well do you challenge them that they have the capacity, the human resources, etc., to do it? As Ms. Coady and Madame Bourgeois were asking, where is that accountability? What are we doing? How are we following that bouncing ball?

So it would really help us to have that, and I hope we can get something from you.

You have 30 seconds to say a final word, if you have one, before I go to our next set of witnesses.

Ms. Corinne Charette: Madam Chair, thank you.

We will come back with a flow chart that shows, for those projects that require Treasury Board approval, the moments at which we do provide approval and challenge and at which points of the process we can inject oversight and so on.

The Chair: Thank you.

Ms. Siobhan Coady: Madam Chair, there's other information that I had asked for as well—who developed the tools, and the cost....

The Chair: Yes, that's right; you'd asked for a breakdown.

What we will do is send you a letter so that we have everything covered in that. We will send a reminder.

Madame Bourgeois.

[*Translation*]

Ms. Diane Bourgeois: I would like to know what a large project is. It seemed like we were not using the same terminology. What is a large project, to your mind? A billion dollars, or a million dollars?

[*English*]

The Chair: Okay.

So you will give us the parameters that you use as well.

Thank you very much.

We will turn now to our next set of witnesses. They are from the Department of Public Works and Government Services.

Welcome, Monsieur Chénier, chief executive officer; Mr. Rath-Wilson; and Madame Renée Jolicoeur.

Mr. Chénier, you have some opening remarks? *Oui*?

Can we shave it down to seven minutes maximum?

Thanks.

•(1635)

[*Translation*]

Mr. Maurice Chénier (Chief Executive Officer, Information Technology Services Branch, Department of Public Works and Government Services): Thank you, Madam Chair.

Members of the committee, my name is Maurice Chénier. I am accompanied by Mr. John Rath-Wilson, Chief Operating Officer, Information Technology Services Branch, and Renée Jolicoeur, Assistant Deputy Minister, Accounting, Banking and Compensation Branch, who is leading our department's pension transformation project.

We are pleased to be here to discuss the department's management of large IT projects and the service delivery approach for the GENS initiative.

Members of the committee may be familiar with some of PWGSC's large IT projects, such as SIGMA and the pension transformation project. In every large IT project, we are guided by the four criteria for success outlined in the 2006 audit by the Auditor General, Ms. Fraser: good governance, sufficient organizational capacity, effective project management and strong analysis leading to sound business cases.

For example, last year PWGSC successfully implemented SIGMA, a new financial and materiel management system. The SIGMA initiative adopted the Auditor General's four criteria and delivered the project on time and within budget.

Our pension transformation project will replace 40-year-old technology with state-of-the-art, commercially-available software products, streamline business processes, and centralize pension services within PWGSC. This initiative is also currently on budget and on schedule to meet its 2012 completion date.

[English]

I will now turn to Government Enterprise Network Services, a key initiative under the government's plan to modernize its data and voice networks. Our role at Public Works and Government Services Canada is to enable departments to use the GENS-related service and to assure quality performance and service delivery compliance.

GENS is a procurement vehicle that will permit departments, on a totally optional basis, and based on a validated business case in their own departments, to contract and consume readily available services from the industry.

The Auditor General, at the March 24, 2009, meeting of the Standing Committee on Public Accounts, stated that GENS is not a major information technology project. Rather, it is a contract for services. However, in developing GENS, we have been guided by industry best practices and are mindful of the Auditor General's recommendations. A dedicated, multi-departmental team has been set up to develop and deliver on GENS. We have implemented effective project management practices. We have put in place a sound governance structure, which is led by a multi-departmental steering committee.

Currently, each department is responsible for its own cabling, wiring, network, and communications services. Naturally, this has led to multiple service contracts, a duplication of resources and services, and excessive costs in the long run.

The long-term goal of GENS is to rationalize 124 separate government networks into fewer shared networks. The gradual standardization and use of shared telecommunications capability and capacity will yield benefits. IT security will be enhanced for the Government of Canada. Collaboration among departments will be easier. The government will be faster and more agile in deploying new applications. And there will be overall savings to the Government of Canada.

GENS' first partner is Human Resources and Skills Development Canada, which has more than 450 sites across Canada and requires urgent modernization of its telecommunications services. No other department will be migrated to GENS until it has developed its own business case and a cost-benefit analysis.

To engage private sector companies in the process and to hear their views, we have consulted broadly and will continue to do so. Three separate requests for information were conducted between 2006 and 2008. We held formal industry consultations between December 2008 and February 2009. In May of this year we released our operational justification business rationale and summary report on the findings to date. The draft solicitation of interest and qualification document, which sought more industry comment, was released in July and August.

• (1640)

[Translation]

While industry reaction has been generally positive, some concerns have been raised. In response, the department has incorporated changes to its procurement approach. Notably, general professional services have been removed from the statement of work, as requested by some small and medium enterprises.

While we are still analyzing the most recent input, we anticipate further changes to the procurement approach before going forward.

As we move forward in modernizing the government's IT environment, PWGSC will continue to engage industry in an open dialogue. We will also ensure balance between meeting the government's operational needs and the interests of suppliers, while providing best value to Canadians.

We would be happy to answer your questions.

[English]

The Chair: *Merci beaucoup.*

We will go to the first round. We'll go to Madam Foote for eight minutes.

Ms. Judy Foote: Thank you.

Thank you to you, as well, for appearing before us today as witnesses.

You know that we have had the discussion about Secure Channel and the issues associated with that and the take of the Auditor General and the public accounts committee on Secure Channel.

I'm interested in learning a little more from you about GENS and where we are with that, given the Auditor General's comments with respect to Secure Channel.

You say that each department will be responsible for developing its own business case for participating in GENS.

Mr. Maurice Chénier: Yes.

Ms. Judy Foote: And what involvement will Public Works Canada have in that, in terms of working with the department and looking at the associated costs the department comes up with?

Mr. Maurice Chénier: That's a very, very good question, and I will do my best to clarify the method that has been put in place to actually go forward with the GENS initiative.

Madame Corinne Charette, the CIO of Canada, made the same distinction as Madam Sheila Fraser made about large IT projects. There are two types of IT projects in the Government of Canada. The first type is to acquire a set of pieces of technology and to build a new solution for the Government of Canada, which is what we are doing with the pension modernization project, where we are building a business solution that requires Treasury Board approval and funding, etc.

The second type of IT project, which is very important, establishes a set of procurement vehicles for departments to use these services on an as-needed basis, if these procurement vehicles make economic sense when they reach the end of the life cycle of their IT infrastructure.

Going back to GENS, to be very clear, GENS' first client is HRSDC. We have consulted with the industry on how many contracts we will do—and we're not done. We have changed the approach so that HRSDC, upon the result of the next step in the procurement of GENS-related services, will update their business case and make the final determination if the pricing obtained from the competition of the GENS service is indeed yielding the return on investment and the cost/economic benefits associated with the GENS service.

We are not seeking Treasury Board approval for \$1 billion in the sense of putting accountability on the Government of Canada for \$1 billion. The contract that will go out for GENS will be a no-revenue guaranteed contract, meaning that it will cost zero dollars if the departments who are building their business cases one by one don't think it makes sense when their contracts expire. So if it doesn't make sense, they will use other vehicles and GENS will be totally optional.

So in working with Madame Corinne Charette, the real importance of this is when we engage government liabilities up-front, locking in a huge investment, and there are governance and take-up issues later. This is why GENS has been broken into.... The approach is to look at what the industry has to offer, to look at the market pricing in each department, starting with HRSDC, and no other department, on a scale of probably not more than \$5 million to \$10 million—if they go with the first chunk of services. HRSDC will proceed as the first client of GENS, and after that, departments will send business cases to Public Works and Government Services Canada and we will make the calculation whether the pricing of GENS is indeed better than their own method of running their network when it's at the end of its life cycle.

• (1645)

Ms. Judy Foote: And the objective is to have fewer contracts out there?

Mr. Maurice Chénier: The objective is to take advantage of shared capacity in major cities, and all of that. Definitely.

Ms. Judy Foote: You said there is some concern out there among SMEs with respect to procurement as a result of going down this path and having fewer contracts, and you anticipate some changes there. Give me an example of what those types of changes will be.

Mr. Maurice Chénier: Okay. The concern, first of all, has been around trying to make sure everyone understands—and we have been doing consultation to hopefully try to alleviate and put clarity in those technology dialogues, which is not always easy.

There is no such thing as a pre-committed \$1 billion contract on GENS, first of all. It is optional. All of the departments have their own money to run their networks. They don't need new money to replace their networks. It's an ongoing operation. They need a vehicle to do so.

The small and medium enterprises have been rightfully concerned that maybe one contract would commit everything in one chunk of work to one industry player and that there's no other option or everything is locked.

There is still residual concern that GENS, the way it is packaged today, had some pieces of professional services still embedded in it

that could be procured separately. We have issued a draft statement of interest for qualification this past July-August.

We have received a fair amount of very good feedback from large, medium, and small firms, and we are doing the analysis now to see what residual components of those concerns are still there, to see if more changes will be brought in.

• (1650)

Ms. Judy Foote: You're saying it's voluntary by department. So if a department has a really good relationship with a supplier, are they going to be allowed to continue that, even though the objective of GENS is to try to come out with fewer contracts?

Mr. Maurice Chénier: Yes. Where business requirements and operational reasons are clear, we are not eliminating the other contracts that are also providing data communications services. We are not putting all our eggs in one basket.

The Chair: Thank you.

We will go to Madame Bourgeois.

[*Translation*]

Ms. Diane Bourgeois: Thank you, Madam Chair.

Welcome to the committee, Mr. Chénier. I want to have your role here clear. Can you tell us where you were before you became being Chief Executive Officer, Information Technology Services? What were your duties, and where were you?

Mr. Maurice Chénier: Before obtaining the position of Chief Executive Officer, I was Chief Operating Officer at the Department of Public Works. So I was in charge of computer infrastructure operations for our department, Public Works and Government Services Canada. Just before that, Ms. Bourgeois, I was in charge of large projects in connection with the year 2000 conversion for that department. I oversaw the implementation of systems with Citizenship and Immigration Canada and Justice Canada and I also acted as architect and engineer for the Secure Channel project.

Ms. Diane Bourgeois: So you were involved in Secure Channel.

Mr. Maurice Chénier: I played a role in Secure Channel.

Ms. Diane Bourgeois: What sort of role? Were you in charge of Secure Channel?

Mr. Maurice Chénier: My role was as director of the implementation project, so it involved putting the project in place, with a project management approach and discipline, based on the needs expressed to me by the Treasury Board of Canada and our partner departments.

Ms. Diane Bourgeois: So when the Auditor General of Canada said that there was no business case for Secure Channel, you were the manager?

Mr. Maurice Chénier: No ma'am, not at that point. I took over the project a little later, at the start of when operations were implemented.

Ms. Diane Bourgeois: At the point when you took up that position in the Secure Channel project, did you present a business case?

Mr. Maurice Chénier: Yes, that was in 2005, I think. An analysis of costs and of how costs could be recovered in the long term was submitted to Treasury Board, which established parameters for striking the right balance and determining how to put the system into production, in December 2006.

Ms. Diane Bourgeois: And yet in 2006, if I am not mistaken, the Auditor General of Canada identified deficiencies in this regard.

Mr. Maurice Chénier: Exactly. If I recall correctly, Ms. Fraser pointed to five elements in relation to Secure Channel. In 2004-2005 a business case was submitted, containing parameters that did not all materialize, for example maximum use of the secure channel. Some departments experienced a slowdown in their capacity to use Secure Channel.

[English]

Another aspect Madam Fraser actually noted was that governance, which was multi-departmental governance, led by Treasury Board, actually could have been tighter to make sure that there was commitment from every department to get on board as planned.

Madam Fraser also said that Secure Channel, as a project management delivery, with the other three projects she evaluated, has been well managed. In fact, if we look at page 25, paragraph 3.110, Madam Fraser said that in its entity as a project management delivery organization the solution was delivered. There's been some take-up issue and a governance issue in ensuring that it is there at the time everybody needs it.

• (1655)

[Translation]

Ms. Diane Bourgeois: Once you had moved to the Secure Channel program and the Auditor General of Canada had made her recommendations, I am wondering whether you learned about these mistakes.

Mr. Maurice Chénier: Thank you for your question.

Yes, undoubtedly. The importance of learning in these large projects is to have a good repertory so it can be referred to at any time.

[English]

Madam Fraser has really focused on four elements. First, have good governance.

If we look at what we're doing now with Madame Charette and her multi-project management framework, we now involve multiple departments with good governance. We're not alone at the table making decisions.

Second, make sure that you have the organizational capacity. Don't take on something that you will figure out later is harder than you thought it would be to manage and for which you don't have the right skills or people. In my own organization, I have created a body of knowledge, which is major projects, and we now have certified project managers.

Third, Madam Fraser said to make sure that you do good business analysis and set good business requirements and that you apply them going forward. We are applying that, Madame Bourgeois, as part of

our best practice in the ongoing improvement mandate for managing IT projects. I am a certified project expert myself.

[Translation]

Ms. Diane Bourgeois: In fact, the Auditor General focused on four elements, and in particular on the business case. In your presentation, you said twice that you are going to eliminate excessive costs, that you are going to achieve savings.

Have you reached those conclusions from the business case? Could you provided the business case to the committee clerk?

Mr. Maurice Chénier: Thank you, Ms. Bourgeois.

We have done consultations and surveyed the industry to give ourselves demarcation lines regarding the benefits and potential savings if the networks are consolidated. I think we all agree that we are all on the same wavelength, that 124 networks in the Canadian public service is a lot, and that in the long term the costs are excessive.

We therefore did research into private sector enterprises and other institutions. That gave us savings margins, for example 10 to 15%, 20 to 25%. We also consolidated and modernized our wireless services. We have achieved savings of 40 to 50%. So we have some indicators for determining, once GENS is in place, whether each department will be able to comply and whether the operating costs are really going to be better than what we have today.

The Chair: Mr. Gourde, you have the floor.

Mr. Jacques Gourde: Madam Chair, I would like to thank the witnesses for coming today.

You may have started to answer my question. What are the objectives and benefits of the Government Enterprise Network Services initiative?

Mr. Maurice Chénier: Thank you.

[English]

The Government of Canada is powered more and more by IT. For four years in a row we have been number one in online service delivery. Our government service is something to be really proud of. We have more and more information technology delivering government services.

The actual advantage and benefit and the reason behind a government enterprise network service is that we're in 2009 and we do not need 124 networks any more. We can deliver our government programs with fewer networks and enable better security, because 124 networks could easily be 124 interesting back doors. We need to improve the modernization of those aging telecommunication services in every department.

• (1700)

[Translation]

The goal is to create shared capacity so that 100 departments are not doing all the work, year by year, without taking advantage of central or decentralized expertise to modernize our computer systems, particularly when it comes to networking, to ensure that all our departments are well connected, so that electronic services can be delivered to Canadians and businesses.

Mr. Jacques Gourde: Thank you.

How will Public Works and Government Services Canada make sure that adequate control is retained over the management of Government Enterprise Network Services and control is not handed to the private sector?

Mr. Maurice Chénier: Thank you.

[English]

My role as chief executive officer at Public Works and Government Services Canada is also the role of service manager. My role with an initiative such as Government Enterprise Network Services is that when departments have confirmed that it makes sense, the price is good, the quality is worth it, and they come to us...I ensure that I keep the industry compliant in terms of quality, delivery performance, and actual agility in deploying the service. I am the one who monitors contractual performance on a monthly basis. I am the one, unfortunately sometimes, who has to negotiate penalties and actually has to hold accountable our suppliers in ensuring that they deliver the service that meets the service-level requirements of every department.

So my role is that of service manager, and I report on a monthly basis, with very rigid discipline on performance. All the contracts we have in GENS will definitely fall into that category, and with our multi-vendor approach we will mitigate putting all our eggs in one basket.

[Translation]

Mr. Jacques Gourde: What are the next steps in this process?

Mr. Maurice Chénier: As I mentioned a little earlier in my presentation, the dialogue with the private sector, with small and medium enterprises, has started. We are aware that small and medium enterprises are the infrastructure and the backbone of our economy in a number of provinces.

We have received pages and pages of very worthwhile comments. After we distributed our draft documents, in August, the analysis is not yet complete. The next step is to finish the analysis, check with Corinne Charette to make sure there is a good synergy so that we can go ahead, reconfirm our partnership with HRSDC, publish the results of the analysis, and implement our approach in the following months, to be able to deliver the operational needs of our first client, HRSDC, which has urgent needs, by the end of 2010 or mid-2011.

Mr. Jacques Gourde: What has been the industry response to the consultations on Government Enterprise Network Services?

Mr. Maurice Chénier: The response has been generally positive. We have had a lot of response from the industry. Themes and trends have been conveyed to us very clearly.

[English]

So we had extremely clear themes and trends that came from the consultation.

First of all, the actual consultation highlighted that the telecommunication industry is not a highly fragmented industry. You don't have 200 players that have made huge capital investments in laying down fibre optics from coast to coast; there are really only about four or five in Canada.

The industry told us that the ability to converge those services is indeed ready. I'll use a good example. At home, each one of us,

including me, does not need a cable for the Internet any more. I don't need a cable for my telephone and I don't need a cable for my alarm system. Now all the companies offer one service called Internet protocol convergence. The consultation also told us to be careful not to bundle professional services into this, so we have made initial changes to that.

There are still some concerns that we're analyzing. There are some residual pieces in the package of GENS that could be looked at separately; it may not be core to GENS, and this is the analysis we're doing.

Generally speaking, the feedback we have received has been supportive. We have confirmed that the way we were asking to consume the service is the way they can offer that, and that we were not asking for something special that could lead to the industry delivering something just for us that is usually more expensive.

● (1705)

[Translation]

Mr. Jacques Gourde: Thank you very much.

[English]

The Chair: We will go to Mr. Thibeault, for eight minutes.

Mr. Glenn Thibeault: Thank you, Madam Chair.

Thank you, witnesses, for being here today. I want to thank you for your opening statements. It really helped me understand what you were going to be speaking to and focus a bit on my questioning.

You talked a bit initially about how you're replacing old software. These are positive things. Bringing in state-of-the-art equipment is positive. The Auditor General also brought forward, as you've outlined here—and you're guiding yourselves by these criteria—good governance, sufficient organizational capacity, effective project management, and strong analysis leading to sound business cases. Again, all of these are positive.

The Auditor General also brought forward the fact that large IT projects aren't always as successful as smaller projects. Has PW considered the concerns of the Auditor General when looking at large IT projects in a design like GENS?

Mr. Maurice Chénier: Definitely, and with permission, I will use two examples.

The first example is GENS. I want to be very clear: GENS will not commit \$1 billion of government funds up front, where we go to Treasury Board to receive authorization to spend it right away. GENS is going to start small, with HRSDC. It's going to set the marker for more departments to come on board if the GENS results give us those price and performance markers, which we don't really have until we test the market.

I will refer to the second aspect in terms of my example about sizeable chunks and how we mitigate that. I have a lot of admiration for my colleague, Madame Renée Jolicoeur. We have worked together for many years, and we have learned the hard way sometimes. The pension modernization project, as an example, has been broken into multiple releases, and I believe we are in our fourth or fifth release right now. It's in production and it's on time. It is a large, complex project. It has been managed in chewable releases of software pieces, which so far is hitting the mark in terms of making sure we have checkpoints before we go to bigger commitments.

Mr. Glenn Thibeault: Okay.

If I understand what you're saying, then, it's starting off with HRSDC. It's going to be a small project. Other departments then have the option to jump in if they feel it's going to benefit their department. Is that correct?

Mr. Maurice Chénier: Yes.

Mr. Glenn Thibeault: So what will be the determining factor for the department to decide if they're going to jump in or not?

Mr. Maurice Chénier: The determining factors are these: they're at the end of the life cycle of their network, and maybe there is no replacement vehicle in place; the cost of operation for their network will be x dollars; and their security exposure will be x percent. Once they analyze all those parameters, they come see to me at Public Works and Government Services Canada, and I will say that we have a series of procurement vehicles in place that can help them mitigate that and converge the networks. If our offer is below the mark in terms of where they are in running their network, that is definitely where the business case and a letter of intention will follow, with commitment from that department to work with us on a project-by-project basis.

• (1710)

Mr. Glenn Thibeault: So one department jumps on and the next one jumps on because they see the benefits, and then down the road we don't necessarily know that problem A is coming at us from this angle. Will that limit the departments from then changing and going back? Will it become almost proprietary, so that once you're in GENS you're stuck with GENS forever, and you can never change if you realize you need something different?

Mr. Maurice Chénier: First of all, a network deployment is usually something that takes up to two or three years. This is something that requires a lot of labour in terms of putting it in place. GENS is not about creating a brand-new network; GENS is about modernizing the aging network components in each department in a timely manner. HRSDC is an example. They're coming on board with GENS, but only with one component on GENS—the wide area network, not the other component. They will stay with other suppliers until they see the benefit of GENS. They will not be locked into one supplier or multiple suppliers in GENS.

The Chair: One more question.

Mr. Glenn Thibeault: I'll make it a very quick question.

I just wanted to flag one thing you were speaking about in your opening statements, that the long-term goal of GENS is to rationalize the 124 separate government networks into fewer. So 123 networks is fewer. Do you have any idea of the number you're looking at?

Mr. Maurice Chénier: The plan is to reduce our exposure on aging networks. Our method is to work with departments, with the CIO of Canada, to look at the ones at risk first, to take care of what is at risk of impacting government programs first. There is no plan to go to one single network. It would be putting all of our eggs into one very vulnerable basket. Where we have a building location that is serving five government departments, which have five entries into that building for five telecommunications services, and they're all used at 10% each, we could do fewer than five, definitely. We are going to work with departments and their topology, one by one, to actually achieve a streamlining.

The Chair: Thank you.

We'll go to the second round.

Five minutes, Madam Coady.

Ms. Siobhan Coady: Thank you very much. I appreciate the time you've taken and the candour you're giving in your responses this afternoon. I appreciate the three of you being here.

I have a couple of quick questions. First of all, I'm sure you've prepared a business case with the development of GENS. So there had to be a business case for your department becoming involved with GENS. What was your business case in bringing this forward? How is this helpful to Public Works and Government Services Canada?

Mr. Maurice Chénier: We have done what we call a strategic framework, which is called the business rationale. We are not committing upfront any liability of the Government of Canada for this. What we have done so far, which has been distributed to this committee and to the public accounts committee, is the framework on how we're going to proceed and the benefit that will lead to the completion of scanning the market so we will know the price of the market. Then we can complete the business case with our first client department, which is HRSDC.

Ms. Siobhan Coady: Just for clarity purposes, it wasn't what the business case would be for HRDC; it is what your business case is. For example, are you getting a fee for service rendered to the various departments? How does this benefit Public Works and Government Services Canada? What was your business case for offering GENS to all the other departments?

• (1715)

Mr. Maurice Chénier: That's a very good question. We were getting bombarded with a lot of requests to renew various parts of contracts and to try to help departments to figure out how to modernize their network. HRSDC came to us a couple of years ago. They told us they were in 450 locations across Canada and they wanted to modernize. So for Public Works, the business reason to do this is to have fewer fragmented contracts out there in the long term.

Ms. Siobhan Coady: So the benefit to you is that you have fewer contracts to administer. So there's no fee for service between you and HRSDC for monitoring and developing the GENS or anything of that nature.

Mr. Maurice Chénier: When we broker a service with a department, we use a financial mechanism called a “revolving fund” for the Government of Canada. There are minimal full-costing policy charges for the contract management.

Ms. Siobhan Coady: I have a question about the organizational capacity, which you referred to as one of your pillars. Did you have to hire additional people for this project? Are you using contractual employees? Is there a renewal process?

Mr. Maurice Chénier: We have a group in Public Works and Government Services Canada called Service Transitions and Major Projects. The group is headed by a director general. We have a number of highly experienced public servants from Public Works in HRSDC coming to help us. We also have third-party contracted professional services to help us with research, putting documents together, and all that.

Ms. Siobhan Coady: So the third-party contractors are part of the organizational capacity for this project. How are their contracts renewed?

Mr. Maurice Chénier: We are using the Government of Canada mechanisms that we have in place today, such as Task-Based Informatics Professional Services (TBIPS), which is a pre-qualified set of 150 to 200 suppliers. We ask for a service and we get the best candidates from there.

Ms. Siobhan Coady: Is there a renewal process? You have all this expertise and this third-party contractor is now working with you....

Mr. Maurice Chénier: We have reduced the burn rate and the slow-down of that project until we hit the next milestone, which is beyond the analysis of the feedback from the industry.

Ms. Siobhan Coady: So what has been the cost to date for the development of the GENS project, if I can use that term? You've hired third-party contractors. You've been working in this service transformation. What's been the cost of developing?

Mr. Maurice Chénier: I don't have those exact numbers with me today. I can definitely forward them to you.

Ms. Siobhan Coady: Would you mind tabling it for the committee?

Mr. Maurice Chénier: Certainly.

Ms. Siobhan Coady: Thank you.

The Chair: Madame Bourgeois, *cinq minutes*.

[*Translation*]

Ms. Diane Bourgeois: Thank you, Madam Chair.

It is my prerogative, as a member of this committee, to make a comment rather than ask questions. It may be lengthy, but it is for the benefit of my colleagues, and I do this with all due respect for Mr. Chénier and the people at the table.

On May 7, 2009, Public Works submitted a business rationale to the committee, which is not a business case. A business rationale does not define the scope of the project, does not contain an analysis of options, does not have criteria for measuring success, and most importantly does not contain costs, in resources or work hours. It therefore cannot be considered to be a business case.

The Deputy Minister of Public Works, François Guimont, appeared before the Government Operations Committee on

May 24, 2009. He said that the business rationale was not a business case. He also said there were no tables with figures.

We are told that each department will do its business case. That is what we have been hearing since 3:30. On January 15, in a meeting with Industry, Peter De Souza, who was the director of technology strategies at the Treasury Board of Canada, said he did not know whether there were potential savings, but he assumed it would be about 20%. Tests were planned, but it was not known what would be saved, because no business case had been done.

We are told that research has been done with private firms and there are indicators that will show whether savings have been made. I don't think that research can be tabled with the committee, because there is none. Since the beginning of the meeting, we have been told things that can't be proved.

We are also told that there has been a consultation with small and medium enterprises. In fact, there was a consultation, and there was the draft solicitation of interest and qualification. On May 28, the Minister of Public Works told us clearly that professional services were completely excluded from that draft. And yet those same professional services appear in this draft solicitation of interest and qualification, but this time they are under the rubric of managed services. In the draft, they are called managed services.

Madam Chair, with all due respect to the witnesses, we have to get back to the subject. I have the impression we are being set up to be the fall guys. I do not like being told things that are not exactly true. So I would like it if our researchers could check everything that has been said today, both by Treasury Board Secretariat and by PWGSC. If there is in fact a business case, I would like to be able to see it. Even though we expect the departments to be able to do it, why spend \$600 million when there is no business case? For fun?

It is shocking, Madam Chair.

Thank you very much.

• (1720)

[*English*]

The Chair: Thank you.

As you can appreciate, we, the flip side of public accounts, have to be accountable, and I was wondering if you have a step-by-step process, or a Gantt chart, that will say, here is why GENS was created—not the verbiage—the reason GENS was created, how much it cost. It is a work in progress, yes, we know, but the step-by-step process and how consultation has taken place.... What was the business case, and could we see the business case? I think that has been demanded by people.

We will remind you, we will send you a note, but I think that's the general feel. It's the frustration of the members, because we're here to protect the public purse.

Thank you.

We'll now go to Mr. Holder for five minutes.

Mr. Ed Holder (London West, CPC): Thank you, Madam Chair.

And I'd like to thank our guests for being here today to help us better understand the project and the spirit behind it.

I came from a business background before entering this political world a year ago. In my 30-plus years of business, I've certainly understood the need to rationalize, where you can, to provide services where you can, and, in your words, if I may, Monsieur Chénier, to lower the cost of operations and exposures. I understand shelf life is associated with all the various networks out there, so to do that makes good sense.

You did not have an opportunity to respond to the prior comment. My sense in business is that while you can't always specifically and materially know, to the percent, what the savings might be, I would say that you do have some sense as to the rationale behind it. May I ask you to respond to the comments made by the prior speaker, because you deserve an opportunity to be heard on that.

•(1725)

Mr. Maurice Chénier: Thank you.

When I reflect on the information Madame Corinne Charette has provided, first I want to reiterate the fundamental difference Madame Sheila Fraser stated in terms of the two types of information technology projects.

The type of information we have in terms of our targets or our performance indicators.... As we know, this started with the federal expenditure management review in 2003. This concluded that actual savings realized by enterprises have done what we wanted to do: yielded a gradual savings of 15% to 30% depending on the speed of the execution once they were put in place.

We have also definitely indicated that we do have targets. Once we know the industry landscape and how it plays out, it can lead to achievable benefits and savings. I will not deny we have targets that vary between 15% to 20%, and I am not surprised to hear people like Mr. Peter de Souza quoted that in their consultation we're not so sure where we're going to be between the 10% or the 20%. It depends on how the industry will respond to us.

We do have a very good example, in our experience, and it's very important. I did not have a chance to comment on that. Our communication services, which have been in place for many years, have delivered economies of scale and cost savings ranging from 10% to 50%. And we have all that evidence. We've achieved 40% to 50% savings by streamlining procurement approaches for the mobile wireless product and services. Our government teleconferencing services have achieved a savings of 30% over the lifetime of those streamlined contracts. Our converged network services contract, which is in place today, has also led to some interesting savings of

15% to 20%. The long distance service savings we have achieved through the same approach...we have confirmed savings of up to 54% over the long term.

So the approach we're using is sound, and the indication here is that we are trying to find the answers to all those affinity and accuracy questions. This is why our approach is to confirm that step by step, without committing the Government of Canada to a large expenditure.

Mr. Ed Holder: I'm absolutely delighted you came here today. Thank you very much.

Mr. Maurice Chénier: Thank you.

The Chair: Thank you very much.

Thank you, committee, for being here.

Before we wrap up, so that I'm not missing anything, we have made a request of the witnesses today to provide us the parameters for GENS: a Gantt chart, or a step-by-step process of moving toward GENS; the cost; and how it will be sustainable. That's the question that was asked—do departments give the money?

Have I forgotten anything?

Yes, Madame.

Ms. Siobhan Coady: I also asked how these contracts are renewed, in terms of employees, as well as the costs of the project.

Mr. Maurice Chénier: Perfect. No problem.

•(1730)

The Chair: Is there anything I've forgotten? No?

Would you like to make some last remarks?

Mr. Maurice Chénier: Thank you, yes.

Again, thank you for the invitation. I think the more we actually spend time understanding the rationale or the vision behind what we are doing, the better informed we're all going to be.

The bottom line at the end of the day is that the Government of Canada is a leading country still in information technology. Unfortunately, the Government of Canada, the federal government, is starting to lag behind with some of those technology services. Our mandate is to make sure we stay upfront and that we do the right thing.

The Chair: In making that request, we suggest that you respond to us in two weeks so that we have sufficient time to review it.

I'd like to thank the committee members. I think the bells are ringing for the vote.

Thank you very much. The meeting is adjourned.

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