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Chair

Mr. Pat Martin

Standing Committee on Government Operations and Estimates

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• (1530)

[English]

The Vice-Chair (Mr. Mike Wallace (Burlington, CPC)): Let's get this meeting started.

This is meeting number 21 of the Standing Committee on Government Operations and Estimates. Today, pursuant to Standing Order 108(3)(c)(i), we are undertaking a study of Shared Services Canada, a new entity. We are honoured today to have the Honourable Rona Ambrose, the Minister of Public Works and Government Services, with her officials, to give us a presentation.

The floor is yours, Minister.

Hon. Rona Ambrose (Minister of Public Works and Government Services and Minister for Status of Women): Thank you, Mr. Chair, and my thanks to my colleagues from the House of Commons for inviting me. Thank you for the opportunity to address the subject of Shared Services Canada.

With me today are Liseanne Forand, the president of Shared Services Canada, and Grant Westcott, the chief operating officer.

[Translation]

Thank you for the opportunity to discuss Shared Services Canada with the members of the committee.

Joining me today are Liseanne Forand, President of Shared Services Canada, and Grant Westcott, Chief Operating Officer.

[English]

Madame Forand has a distinguished career in the public service and was the COO of Service Canada before joining us at Shared Services Canada. Mr. Westcott comes to us from the private sector. He was the executive vice-president of technology infrastructure for CIBC, for the global bank.

Shared Services Canada was established earlier this year to reduce duplication in Government of Canada information technology, or IT, infrastructure services, to modernize the way we deliver services to Canadians, and to improve the security of federal IT infrastructure. The Government of Canada is the first national government to undertake such a fundamental IT transformation. Consolidating our IT infrastructure is the smart thing to do. We will be guided in this initiative by our duty to provide good service and our commitment to value for taxpayers' hard-earned dollars.

[Translation]

Consolidating our IT infrastructure is the smart thing to do. We will be guided in this initiative by our desire to provide good service to Canadians and save taxpayers' hard-earned dollars.

[English]

Of course, the case for taking this direction could not be more persuasive. As committee members are no doubt aware, the Auditor General has raised concerns about aging IT infrastructure within the federal government.

In the spring 2010 report, it was noted by the Auditor General that many IT systems “are supported by old infrastructure and are at risk of breaking down”. The report stated, “A breakdown would have wide and severe consequences—at worst, the government could no longer conduct its business and deliver services to Canadians.”

As part of Budget 2010, the Government of Canada committed to a review of its operations to identify opportunities for administrative savings and improving efficiency while also improving delivery of services to Canadians.

The administrative services review, as you know, focuses on administrative and overhead costs. This is a commitment to transformation and modernization. While it is a key part of restoring budget balance, it also provides a unique opportunity to enhance the mission-critical IT infrastructure that enables the government to deliver services at a lower cost.

Before Shared Services Canada was created, every federal government department and agency set up and ran its own IT infrastructure. This produced cumbersome and expensive infrastructure: 100 e-mail systems, 300 data centres, and over 3,000 networks across government. Simply put, our IT systems overlap, they are outdated, and they are inefficient. The government is years behind the private sector when it comes to IT modernization, but when we are finished, I believe we will be a world leader.

Enterprise-wide IT consolidation has been studied in other levels of government and the private sector and has been proven to yield efficiencies and savings. As part of our due diligence, Public Works and Government Services Canada contracted with PricewaterhouseCoopers to undertake a data centre feasibility study. The study was aimed at identifying potential actions to improve the efficiency of data centre management and service delivery.

Recommendations from this study were considered, along with a wealth of real-world experiences from other governments and private sector companies, in charting our government's course. Other governments and private sector companies have demonstrated that streamlining and consolidating in the areas of e-mail, data centres, and telecommunications is indeed the smart thing to do, and they are reporting substantial savings and efficiencies. Modern efficiencies lead, of course, to better service to citizens.

The Government of British Columbia, for example, began its consolidation in 2002 and reduced its data centres from over 100 to two data centres by 2011. As a result, energy costs alone are expected to be 50% lower. This is a proven model of success and is considered an industry standard.

I would encourage the committee to consider the experiences with shared services consolidation of organizations such as IBM, Hewlett-Packard, or the Canadian banking industry. The opportunities before us—namely, the ability to make the federal government's IT backbone safer, greener, and more efficient, as well as simpler, more modern, and sustainable—are long overdue.

Between 2006 and 2008, Hewlett-Packard, for example, has gone from 85 data centres to six globally, generating significant savings and resulting in greener data centres. The Government of Ontario reports that, at maturity, their IT consolidation is saving \$100 million annually, representing 10% of total IT spending and between 20% and 25% of IT infrastructure spending.

In short, the on-the-ground experience acquired by both the public and private sectors indicates that there are important and real savings to be achieved through IT consolidations such as the one we have launched. This is about transformation and modernization.

Going forward, we are intent on maintaining productive relationships with our employees. They are very talented people who understand how we can achieve our objectives to transform the way the government does business to better serve Canadians. It was encouraging to learn that the Professional Institute of the Public Service of Canada supports in principle the streamlining and standardization of the government's IT systems to achieve efficiencies and cost savings, as well as the creation of Shared Services Canada.

• (1535)

As the minister responsible, I am confident in how we are creating this fundamental change. Shared Services Canada officials are actively implementing their strategy to engage employees, the IT sector, and client departments. Their governance model has been completed and is in the implementation stage.

Public Works and Government Services Canada employees who were already supporting IT infrastructure services became Shared Services Canada employees on August 4. Responsibility for e-mail,

data centres, and network services in 42 other departments and agencies was transferred to Shared Services Canada in mid-November.

The new senior management structure of Shared Services Canada has been announced. The transition plan that will guide Shared Services Canada to become a stand-alone department by April 1, 2012, is well under way.

I am very excited about what we're going to accomplish and I am confident that this initiative will produce savings and reduce the government's ecological footprint, while strengthening the safety and security of government data. It will also create efficiencies by realizing economies of scale and making it more cost-effective to modernize services, while improving infrastructure and service delivery.

I want to add that we are committed to ensuring that this initiative contributes to the deficit reduction action plan.

Information technology is essential to supporting our business and delivering services to Canadians, but it costs taxpayers more than it should. We can do better. Like other departments, Shared Services Canada will identify 5% and 10% savings for consideration by the government, including areas in which it will streamline and save. The results of this work will be reported in Budget 2012.

We will move to one e-mail system. This will save money and make it easier for Canadians to find the people they need to contact and for public servants to conduct their work. Information technology should support accountability, and we are determined to make sure it does.

We will save more taxpayer dollars by reducing the overall number of Government of Canada data centres and ensuring those that remain are robust, secure, and energy efficient. Over the medium term, this will mean reducing the number of data centres from over 300 to fewer than 20, while shifting to more modern and efficient systems.

We are also committed to reducing the number of networks that connect to data centres and to streamlining networks in our buildings.

To support this work, and when it makes sense to do so, the Government of Canada will pursue public-private partnerships.

In conclusion, our approach to IT is modelled on proven success in both the private and public sectors and is the smart thing to do. It's the safe thing to do, it's also the green thing to do, and it is the sustainable thing to do.

Canadians rightly expect our government to manage taxpayer dollars in a fiscally prudent and responsible manner. I am confident that the establishment of Shared Services Canada will result in modern, reliable, and secure IT infrastructure services at a reduced cost to the Canadian taxpayer.

After examining the evidence and hearing the witnesses, I'm sure you will agree with me.

I would be pleased to answer any questions you may have.

• (1540)

[Translation]

Thank you, Mr. Chair.

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): Thank you very much, Minister, for that interesting presentation.

I know that committee members have been eager to get started on this study of the new entity of Shared Services Canada. I'm sure they have many questions. We'll begin right away with the official opposition and Denis Blanchette.

[Translation]

Mr. Denis Blanchette (Louis-Hébert, NDP): Thank you, Mr. Chair.

Welcome, minister.

I hope that we will have the opportunity to see Ms. Forand and Mr. Westcott again so that they can answer more questions. What we have before us is very important. The President of the Treasury Board—I think it was last week—talked about transforming the public administration. This is the first example of that transformation. I feel that an in-depth study on this would be worthwhile.

You said that public servants were doing excellent work, and we agree with that.

The report says that the transition will cost \$145 million. Logically, that means that we have to invest to be able to save money later, if that is the actual goal.

I would like to know how you plan to really generate savings in the short term as part of the government's budget-balancing exercise.

[English]

Mr. Grant Westcott (Chief Operating Officer, President's Office, Shared Services Canada): Mr. Chairman, our transformation program is estimated to cost in the order of \$375 million. That's to take us from 100 e-mail systems down to one, to consolidate approximately 300 data centres down to less than 20, as the minister has mentioned, and to do a substantial amount of work in the corresponding networks that support the execution of the data centres.

[Translation]

Mr. Denis Blanchette: Mr. Westcott, I know that you will give me a detailed explanation of all that. I hope that you will do so when I see you again.

There is one thing I'd like to know. My question is for the minister. It seems that we first need to invest in creating the infrastructure necessary for the required computer tools, so that we can then save money. Isn't it premature to think that we can save money in the short term? I think that savings will be generated in the medium term, but that will not immediately contribute to the return to balanced budgets. That's my question for you, minister.

[English]

Hon. Rona Ambrose: Sure. There are three... If you look at this, because this is of course an eight-year plan, as you know, and as you rightly indicated, there are quite a bit of savings in the long term, but there are also savings in the short term. As you know, in the last few months since establishing Shared Services Canada, a lot of it has been about stabilization: stabilizing the workforce and stabilizing the services, remembering that our IT delivers critical services and essential services to Canadians. It's important as we move forward to always ensure that we can continue to operate and that our client departments can deliver those important services to Canadians.

Then, of course, as you know, we're talking about e-mail, networks, and data centres. Consolidation is the next step. Then we move to the opportunity for transformation. We are able to foresee, just in the consolidation of certain elements—like contracting, for instance—savings that we can harvest in the very short term. But for the larger savings for a transformation project like this, you're right to say that they will happen in the long term.

Grant, did you want to add anything to that?

• (1545)

Mr. Grant Westcott: Yes. By way of example, in terms of generating short-term savings, because we've consolidated 43 departments together, we get a consolidation dividend because we need less management and less corporate overhead.

The second thing, as the minister has said, is that we've also inherited a whole series of contractual arrangements that were negotiated within the context of each individual department for all ranges of things: software licensing, hardware maintenance agreements, and this type of thing. By examining those contracts, we can look at all the contracts that are there. We know already that there are wide variances in pricing. By consolidating them, we can then go to the lowest price by aggregation of the contractual arrangements and thereby reap savings that way.

A third way is though telephony modernization. By way of example, today the Government of Canada has 330,000 Centrex phones. That's a technology that was invented by Nortel approximately 60 years ago. Today that continues to cost \$31 a month per phone. We can substitute the voice over IP phones that cost \$15 per month. There is another example of a short-term benefit.

[Translation]

Mr. Denis Blanchette: That's okay, but I would like us to discuss this further later on. Our committee time with a minister is precious. We are very happy to have her with us.

[English]

The Chair: Denis, I'm afraid there's no time to ask a further question anyway, as we're well over time.

Next, for the Conservatives, Mr. Jacques Gourde.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chair. I also want to thank the minister for joining us today, given her busy schedule. I thank her for setting an hour aside for us, and I think all the members of the committee appreciate it.

Minister, in your opening statement, you said you were intent on maintaining productive relationships with employees, owing to their considerable talents. Employees understand how to save money, create money-saving opportunities, and enhance IT security and structures within the government.

How did you consult employees about the creation of Shared Services Canada?

[English]

Hon. Rona Ambrose: Chair, as I indicated in my opening remarks, we have a great capacity within the Government of Canada in terms of our public servants working in the IT field. In fact, across the government departments, the reaction from employees working in IT is that they are very excited about this undertaking.

We have been briefing all our bargaining agents in order to keep not only employees but also union officials informed of the developments. Senior officials, including the president, have met with the presidents of both the Professional Institute of the Public Service of Canada and the Public Service Alliance of Canada, and five of these high-level meetings have taken place so far. In addition, Shared Services Canada officials have also met with other union officials.

We also held a workshop recently between Shared Services Canada and the Professional Institute of the Public Service of Canada to outline the next steps for working together and supporting employees. This meeting then resulted in a joint transition steering committee and four subcommittees that will work on issues such as staffing and labour relations, communications, and a consultation framework and governance.

Shared Services Canada has identified contact leads for each of the 43 departments and agencies, and mechanisms for regular communication and consultation have been put in place to ensure that all employees are kept informed. There have been many, and will continue to be many, site visits to meet as many employees as possible.

Again, going forward, we are intent on maintaining productive relationships with our employees. They are very talented people who best understand how we can achieve our objectives.

It's important to remember that this is about improving services to Canadians. We do need a modern, reliable, secure infrastructure to provide Canadians with the quality of services they deserve, and, frankly, employees who work in this area know this best, so we are

calling on them for ideas. They want to be a part of this transformation. They are excited about it.

Liseanne has been the one working very closely with the unions and with employees, so I will ask her to just make a further comment.

• (1550)

Ms. Liseanne Forand (President, Shared Services Canada): Thank you, Minister.

Very briefly, we have offered to approximately 85% of our employees the opportunity to take part in an information session with either Grant Westcott or me or with some of our ADMs. We've all been really encouraged by how eager they are to contribute. What we hear a lot at these sessions is they recognize that the way in which the Government of Canada currently operates is not as efficient as it could be. They are the experts. They know that, and they all have ideas on how they would like to contribute to the transformation we're talking about.

We know they are excited. We're working with them, and at the same time we're working with their bargaining agents to make sure we can help them appreciate how to organize their representation for people stretched across 43 different departments, and how we can streamline the processes between those departments and Shared Services Canada.

[Translation]

Mr. Jacques Gourde: Minister, the Minister of Finance recently addressed the Canadian Club of Toronto. He announced that pre-budgetary consultations would start at the beginning of next month. He also said the 2012 budget would continue prioritizing economic growth, the protection of Canadian jobs, deficit reduction and the return to a balanced budget in the medium term.

You said in your opening statement that Shared Services Canada would contribute to the deficit reduction action plan and that the results of those efforts would be included in the 2012 budget. Could you please expand on that a bit?

[English]

Hon. Rona Ambrose: As I indicated, we believe it's important that Shared Services Canada also contribute to the deficit reduction action plan. It allows us the opportunity to work toward our goals of consolidation, because as Grant has expressed to you, some of the benefits of consolidating across 43 departments are immediate. We can harvest those savings and we can be a part of the deficit reduction action plan. Shared Services Canada, like all other departments, will put forward a 5% and 10% recommendation for savings toward the deficit reduction action plan.

The side benefit of that is that we are able to consolidate, and that will actually create better services for Canadians, while saving money for taxpayers and resulting in efficiencies.

The Chair: Jacques, that concludes your time. Thank you.

Thank you, Minister.

For the NDP, Alexandre Boulerice.

[Translation]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you, Mr. Chair.

Minister, thank you for joining us this afternoon.

I would first like to clarify the following. We all agree with public assets being used efficiently. We do want people's money to be spent in the most efficient and effective way possible. I think that, in general, what you're aiming for is commendable. However, we are worried about how you plan to get there, how you intend to handle certain matters.

You will reduce the number of data centres from 308 to 20. I would like to know how many jobs will be cut once that measure is implemented.

[English]

Hon. Rona Ambrose: I appreciate that question.

As I said, and you reflected as well, this is about improving services to Canadians. Our employees are very involved in the desire to see that transformation as well. From what the Auditor General said, the Government of Canada clearly needs a modern, reliable, and secure infrastructure so we can provide the quality of services they deserve. The current approach is clearly inefficient. It's duplicative, it is aging, and it's fragmented, which means we are spending too much money and we're spending it on the wrong things. We're not spending it on making sure those services are delivered efficiently.

We will be examining a variety of options and business models as we move forward. Once we've identified the best options, we will be developing detailed plans in each of these three areas. Until that work is completed, any impacts, including the nature and size of the workforce that will be required, are not known. In the event there are FTE reductions, Shared Services Canada will manage those reductions through careful human resource planning and with a view to minimizing the impact on indeterminate staff. As I said before, we will respect our commitments to employees and we will keep them informed as these plans move forward.

As Liseanne said, we have had good meetings with employees. They want to be a part of this transformation. I feel very strongly that we have a lot of good capacity within the Government of Canada working on IT to help us with this IT transformation as we move forward. Every step of the way we will not only include our employees in these plans but keep them informed.

•(1555)

[Translation]

Mr. Alexandre Boulerice: Thank you, minister.

I am surprised, even stunned. This is one of the rare times I have heard of employees being enthusiastic about losing their job at the end of the process.

A little earlier, you talked about the money that could be saved through outsourcing. I would like to get an idea of how much expertise will be lost in the public service once whole sections of Shared Services Canada start being handled by the private sector. What role will subcontractors and their supposed savings play?

In a previous life, I often heard about savings generated through outsourcing, but that was not always the case at the end of the year. What percentage of services will subcontracting account for in this new organization, Shared Services Canada? Are we talking about 20%, 40%, 50%?

[English]

Hon. Rona Ambrose: In what area? What is your specific question?

[Translation]

Mr. Alexandre Boulerice: You talked about using outsourcing to save money. That's what you said earlier. How much will subcontracting be used? What services will be outsourced to the private sector? What will be the impact of the loss of expertise in the public service?

[English]

Hon. Rona Ambrose: I think you're referring to my remarks in my opening statement that as we move forward, and where feasible, we will also examine public-private partnerships.

[Translation]

Mr. Alexandre Boulerice: Don't you have a more specific answer about the use of subcontracting and the private sector? Will it be done systematically, will it be very extensive?

Outsourcing to the private sector may lead to a loss of expertise in terms of our computer systems. In the province of Quebec, the Duchesneau report showed the dangers of losing expertise in the public sector. That loss makes it impossible to assess whether or not the contract submitted by the private company is reasonable.

[English]

Hon. Rona Ambrose: I think you're getting a little bit ahead of where we're at now, which is stabilizing the workforce and looking at consolidation of existing contracts across the 43 departments, which is what we are working on now and what Grant was alluding to.

I said in my comments that as we move forward over the next eight years, when we look at different options and models, public-private partnerships will be something we will also obviously consider. We're looking to not only expertise within the public service but also meeting with the SMEs and the ICT sector, which we're also doing consultations with.

The Chair: That is all the time you have, Alexandre.

Next is Bernard Trottier.

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you, Chair.

Thank you, Minister and staff, for coming in today.

I want to pick up on the subject of e-mail. You stated there are more than 100 e-mail systems, or 100 e-mail systems for federal government employees right now. In my experience, that strikes me as very inefficient. Can you tell us more about this current state of e-mail systems across the government and some of your plans to streamline that, please?

Hon. Rona Ambrose: You're correct, there is obviously merit in consolidating e-mail, both for those who work within the government—thus making it easier to communicate between public servants and departments—and for those outside of government who are looking to contact people who work in the public service. There's currently no standard for e-mail across the Government of Canada, making it very difficult for ordinary Canadians to find the people they need to contact and for public servants to do their work.

There should obviously be a standard e-mail system that's more easily accessible. Shared Services Canada has a mandate to ensure that the most efficient e-mail system is in place for all of government. Most departments implemented their e-mail solutions in the late eighties and early nineties, at a time when there was little consideration of or opportunity to share common solutions. As you know, a lot has changed since then in the area of IT.

These e-mail systems that we have right now in the Government of Canada are not fully compatible either. While approximately 80% of departments use Microsoft Outlook, 15% use Lotus Notes, and 5% use Novell GroupWise for their e-mail systems. Departments have different versions and have adopted a variety of rules and practices. This results not only in fragmentation, but also in higher costs to the individual departments.

We know that e-mail consolidation is the smart thing to do and is considered a best practice by industry and governments alike. The operation of multiple e-mail systems across the government also means that departments are negotiating and maintaining separate licences and have their own technical support teams in place. This duplication is very costly and it's unnecessary.

Having so many e-mail systems also means that e-mail is less secure than it should be. It's imperative that the Government of Canada move to a single standard for e-mail.

Shared Services Canada will move the government to one e-mail system. As I indicated, not only will this save money and make it easier for Canadians to reach federal government employees, but we quite simply can't continue to maintain the duplication, the inefficiency, the low interoperability, and the suboptimal economies of scale and fragmentation that arise from each department managing its IT infrastructure independently. This is why Shared Services Canada was created.

E-mail will be our first transformation area. The goal is to consolidate into a single e-mail system both for internal government and for interface with businesses and Canadians.

• (1600)

Mr. Bernard Trottier: Thank you.

My follow-up question is around the data centres, which is another big item you talked about. You mentioned 300 data centres across the government and some big impacts in terms of employees, as well as real estate and energy costs.

The former Auditor General raised concerns about aging IT in her spring 2010 report. She noted, as you did in your opening remarks, that the IT systems are supported by some very old infrastructure, that they're at risk of breaking down, and that this could have some very severe consequences.

Could you tell us more about the current state of those data centres and again share with us some of the plans for improving that?

Hon. Rona Ambrose: Right now, as I indicated earlier, there are over 300 data centres across the country that store data and computing equipment for departments. That's not reliable, nor is it economical.

In some data centres there is an excess of computing capacity that's actually barely used. At the same time, other data centres are straining to meet the demand. The silo nature of our current system prevents data centres from maximizing current capacity, and each data centre has different reliability and security standards on top of that.

As you pointed out, the Auditor General raised concerns about aging IT and said that many IT systems are supported by old infrastructure and are at risk of breaking down, which is why we're acting.

Older data centres are also less energy efficient than newer ones, as they have out-of-date heating and cooling systems that cost more than they need to, frankly, and are wasteful in terms of energy use. Shared Services Canada will save taxpayer dollars by reducing the overall number of Government of Canada data centres and making sure they're robust, secure, and energy efficient.

Over the medium term, this means reducing the number of data centres from over 300 to less than 20. Obviously, not only is this good for the taxpayer, but it's good for the public service, and it's also good for the environment.

A whole-of-government approach will be taken to consolidate and manage data centres. Data centres are considered mission-critical infrastructure and will be managed responsibly. The streamlining of data centres will be done in a gradual and prudent way. Consolidation is expected to be staged while moving to modern, secure, and scalable facilities.

Mr. Bernard Trottier: Great.

How much time do I have, Mr. Chair?

The Chair: You're over time already, Bernard. I'm afraid that concludes your time.

Mr. Bernard Trottier: Thank you very much.

The Chair: Thank you, Minister.

For the Liberals, we have John McCallum for five minutes.

John.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you.

And thank you for being here, Minister, and Madame Forand and Mr. Westcott.

My first question goes back to a comment made by my colleague, Monsieur Blanchette.

I think it's a good idea for the minister to give us the broad outlines for this large and complicated project. Would it be possible for the officials to return relatively early in the new year to drill down into more detail on this for perhaps one hour? I think originally you were to come for two hours today. Would the officials be able to return for one hour, let us say, in the new year?

Hon. Rona Ambrose: I'll discuss that with them. It's—

Hon. John McCallum: I'll ask them, then.

Do you mean you want them to answer the question?

Hon. Rona Ambrose: No, I think it's—

Mr. Mike Wallace: On a point of order, Mr. Chair, I don't think it's up to the witnesses to decide whether they're coming back. We can put that on the agenda when we're dealing with the Shared Services study.

I don't think it's been an issue. I think—

An hon. member: I'm sure there's—

The Chair: Wait a minute, we have a point of order on the floor.

Mr. Mike Wallace: That was my point of order.

The Chair: I think it's reasonable. If we want these witnesses back, we'll invite them and arrange a time in the new year.

• (1605)

Hon. John McCallum: I'm happy not to pursue it further. Thank you.

In general I'm not at all opposed to this project. I obviously agree that one should get good value for taxpayers' money, and I think over the medium term, if it's done well, it will save money. I note that according to PricewaterhouseCoopers it's a 15-year project, from 2011 to 2026, so we're talking pretty long term.

My concern is more with the timing. In general, if you have a 15-year project, the savings tend to come near the end. You have to make the investments or incur the costs before you can reap the savings—not entirely, but I think it's fair to say the bulk of the savings will only come after the investments and those costs have been incurred.

What I find very difficult to believe is the contention, I think by your colleague Tony Clement at a press conference, that this will save hundreds of millions of dollars in reducing the deficit when the deficit elimination is supposed to occur in three years. We're talking about a project of 15 years here.

My first question to the minister is in terms of the costs and the approximate timing of incurring those costs. Mr. Westcott gave a figure of \$375 million. I notice, on page 26 of the PricewaterhouseCoopers report, that these costs exclude capital investment. They exclude the cost of new facilities. They exclude many things. And IT costs generally overrun what is estimated.

Putting that to one side, of these costs of \$375 million, can you explain approximately how much will be incurred, for example, in the first three years, versus later years—front-end-loaded costs, back-end-loaded costs, spread over equally...?

Hon. Rona Ambrose: I know Grant is dying to answer your question, but I'll just say I appreciate your “in principle” support of

this project. This is a long time in coming. I think it's something that will allow us not only to make our IT infrastructure more secure, but more modern. It will transform the way we deliver services to Canadians.

In terms of our commitment, and I think that's what Tony Clement, the president of the Treasury Board, was referring to, we will participate in the deficit reduction plan, and our savings that we identify will be articulated in Budget 2012.

In terms of the overall transformation and the savings from that, I'm going to let Grant speak to it because I can see him chomping at the bit.

Hon. John McCallum: Could you do the timing of the costs and the timing of the savings together then?

Mr. Grant Westcott: As the minister has mentioned, we have to deliver 5% and 10% reduction targets, as other departments have. We have a commitment to do that within the first three years.

At the same time, we're developing our plans for the major transformational activities around e-mail, the data centre, and telecoms. The e-mail initiative will go first, and we believe we've found the funding to support the activities around that project. It will start to yield savings...starting with a little bit in year two, a bit more in year three, and then the substantive savings, based on our preliminary estimates so far, will materialize in year four.

Hon. John McCallum: What about the costs?

Mr. Grant Westcott: We've sourced the costs. We've got them covered in the existing budgetary and fiscal frameworks. We know how to pay for it.

You're quite right that they do tend to be front-end loaded, but we've covered it within our budgetary frameworks. We're not asking for new money. It will yield substantial economies in year four, and then that becomes the source of funds to actually help us fund—

Hon. John McCallum: Yes, but look, if you didn't do this project, you wouldn't have those costs. So if the savings don't come until year four, and the budget is balanced by year three, and you're incurring costs in years one, two, and three, how can this project possibly help to balance the budget three years hence? I agree, it could produce savings 10 years hence—

Mr. Grant Westcott: No, no, it's not 10 years—

Hon. John McCallum: —or five.

Mr. Grant Westcott: Mr. Chairman, could I try to answer the question?

The Chair: Briefly, if you would. We're running out of time.

Mr. Grant Westcott: We've committed to deliver savings for our deficit reduction targets of 5% and 10%. At the same time, we've also found savings that will fund the e-mail project in years one, two, and three. The e-mail project starts to yield net savings in years two and three, and the bulk of the savings comes in year four. We've in fact funded it from our existing base, built a brand new e-mail system, and delivered the savings by year four, so the government benefits from that activity.

•(1610)

The Chair: You're well over your time, John. Thank you.

Now, for the Conservatives, Kelly Block, you have five minutes, please.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

I would like to join my colleagues in welcoming you here, Minister, as well as Mr. Westcott and Madame Forand.

I've listened with interest to the opening remarks about this new project, as well as the questions that have been asked. I know my colleagues on this side have focused on e-mail and data centres. What I'd like to do is just ask about the networks that link all of these e-mails and e-mail systems and data centres. Can you tell us more about the status of the networks?

Hon. Rona Ambrose: Sure, I can. That's a big component to this undertaking.

Across the federal government there are more than 3,000 overlapping and uncoordinated electronic networks within and between departments and agencies. As Shared Services Canada streamlines and renews data centres, it will also at the same time be streamlining the networks that link data centres together. This will lead to further efficiencies and savings.

In addition, many government buildings house several departments. Instead of having one network for one building, each department has its own network. For example, Place du Portage in the national capital region, the Dominion Building in P.E.I., Canada Place in Alberta, and the Guy Favreau Complex in Quebec all have several departments and several different networks. The Guy Favreau Complex alone has nine different networks. This is inefficient and it's difficult to maintain.

The government can obviously save money by building networks once and by serving many departments at the same time. Through consolidation of these networks, we will also be able to provide a higher degree of security. Having an organized and coordinated system of electronic networks means it will be easier to detect and address security issues. That's one of the overarching reasons the Auditor General pointed out for moving ahead with this.

When we look at our aging IT infrastructure, there are concerns about cyber attacks and the security of our information, which is obviously key to delivering services to Canadians, and it's also important that we keep that information safe for Canadians, to safeguard that information. That's another reason why we have to move forward with this project. We have to move forward with transforming the way we are managing our networks, our e-mail system, and our data centres right now.

Mrs. Kelly Block: I'm glad you mentioned that. That's a great segue into another question I have. The Government of Canada's IT structure has been a target of cyber attacks in the past. I'm just wondering what impact consolidation will have on the security of government IT systems.

Hon. Rona Ambrose: The consolidation of services and assets will strengthen our efforts to ensure that government IT infrastructure is reliable and secure. By reducing the number of diverse e-mail systems, data centres, and networks, and by ensuring that security is built into any new infrastructure from the outset, the Government of Canada will be in a better position to deal with cyber attacks. Furthermore, our government stays committed to ensuring that online transactions are secure and that Canadians' personal information is protected.

The creation of Shared Services Canada builds upon existing programs and steps that have been taken to date—by reducing the number of diverse e-mail systems, data centres, and networks and by ensuring that security is built into any new infrastructure from the outset. It's obviously something that's on the minds of a lot of Canadians because they worry even in their own homes about the security of their e-mail systems, the security of their data. One way to think about it is to consider your home and how many doors and windows you have in your home. The more doors and windows you have, the more you have to secure them. It's all about access points—how many access points there are for potential cyber attacks. When you think about the fact that just one department has nine different networks, and you think about the number of access points into those systems, it's not difficult to understand why we need to consolidate and why we need to look at strengthening our efforts and our infrastructure so that it's more reliable and it's more secure.

Are there any comments either of you might like to make?

•(1615)

Mr. Grant Westcott: I think you've covered it well.

Hon. Rona Ambrose: Well, there you go.

The Chair: Right on your five minutes, Kelly. Thank you very much.

That concludes our first round.

If I might take the liberty of one observation and one brief question, it seems the PricewaterhouseCoopers report could be wildly optimistic in its saving, and it could be wildly inaccurate in its cost projections. The only thing we know with any certainty is that massive IT projects like this are never on time and never on budget. Usually the costs explode.

Why do you think this outside group's analysis of our internal IT is accurate? How can you trust it?

I also worry about the contracting out of the work. Are we not going to be contracting out the expertise and the knowledge of the reworking? Isn't that a concern—from a security point of view and an ongoing maintenance point of view—that we may not have the internal expertise left once all this work is done?

Hon. Rona Ambrose: Quite the contrary. We have a lot of internal expertise that will work with us and guide us in this transformation, and will participate as we move forward. As I indicated early on, and as Liseanne mentioned, employees who work in this area are excited about this transformation and to participate in it. These are the people who are working with this aging IT infrastructure and they are the ones fixing it and servicing it. They know that moving to a more modern platform is important.

On your comments about the PricewaterhouseCoopers' report, we always look to ensure that there are proven models out there before we make a decision to move forward. I think that's important. We contracted PricewaterhouseCoopers to look at data centre consolidation in particular, and they came back with a report that makes all kinds of recommendations. It's just one piece of advice we've received and also proven models we've looked at.

But IT infrastructure consolidation is now considered to be an industry standard, so not moving ahead really isn't an option when you think about the fact that IT infrastructure and our IT backbone is responsible for delivering some of the most important services to Canadians.

The Chair: Fair enough. I understand. Thank you.

Hon. Rona Ambrose: The PricewaterhouseCoopers report is one tool that we're using for advice, but of course proven models and real world experience are out there. Of course, Grant has experience in the private sector with CIBC, but we've looked at what other governments, like Ontario and British Columbia, have done and also at some of the proven models other subnational governments have embarked upon overseas.

I'll maybe ask Grant to talk about what his experience in the private sector was.

Mr. Grant Westcott: As the minister has mentioned, I worked in banking for almost 10 years. We went through a similar journey as has been described here, where in fact we consolidated 22 data centres down to two. We did the same sort of thing around the telecommunications front, where we reduced the number of networks substantially and built up a global network. We did do a lot of the telephony conversion from old-style telephony to voice over IP. We also consolidated seven different network schemes into one enterprise network scheme.

All of that took place over a period of nine years. I'm not suggesting that there weren't some bumps and grinds along the way, but by and large we did it within the timeframes that we set out. The way we approached it—and I think this is the cornerstone of other experiences that have gone forward—was to make sure you don't turn these into megaprojects. You break them down into manageable chunks. You make sure that there's a clear understanding of what things need to be accomplished and what the benefits of that accomplishment are as well, so that you harvest the savings as you proceed.

Obviously there has to be significant oversight and governance associated with it. There is a fair amount of approaches and methodologies around the transparency of all the project management techniques, and you need to bring the right balance of capital experience and determination to the forefront.

This type of work is doable.

• (1620)

The Chair: I just wanted to state the reservations that I have. Anyway, thank you.

Now for the NDP, Anne Minh-Thu Quach.

[*Translation*]

Ms. Anne Minh-Thu Quach (Beauharnois—Salaberry, NDP): Thank you, Mr. Chair.

I also want to thank the minister, Mr. Westcott and Ms. Forand for coming to explain their new project.

I acknowledge the fact that we must improve infrastructure systems and networks, but it seems to me that this is being done at employees' expense. In fact, you said that 300 data centres would be reduced to 20. It's certain that thousands of jobs will be cut.

You say that this is good for the public service, but I am very skeptical. I think that eliminating quality jobs is rather alarming. In addition, I am wondering about how service accessibility in the regions will fare. Will people living in the regions have as much access to services as those with access to services concentrated in large urban centres?

[*English*]

Hon. Rona Ambrose: The data centres themselves house data, and there are people who work to maintain those data centres. But it's not a service-related activity, so there are no front-line service delivery personnel associated with data centres.

When you see that large 300 data centres going down to 20, we're not talking about things like Service Canada organizations. There are no large numbers of personnel associated with those. As we move forward, in the event that there are any full-time reductions over the long term, we will manage those reductions with very careful human resource planning and with a view, obviously, to minimizing the impact on our staff.

We have said all along that we have a good rapport, communication, and open dialogue with the staff. Today we will continue with that. We're committed to that. We want them to be a part of this transformation, and we will continue to respect that commitment to them and include them in the plans as we move forward.

[*Translation*]

Ms. Anne Minh-Thu Quach: I know that this service is not provided directly to the population, but if we go from 300 data centres to 20, several thousand jobs will eventually be cut. I assume that this will affect the service provided.

If departmental technology infrastructure has been somewhat neglected for so many years and has deteriorated, the government is somewhat responsible. Can the government guarantee us that the newly implemented system will be assessed more or maintained more regularly? We want to avoid the system being deemed outdated in a few years, so as to eventually justify additional cuts.

[English]

Hon. Rona Ambrose: The Auditor General's report pointed to and reflects what you've said about the need to keep on top of our IT infrastructure. It's amazing to look at the changes in technology that are available to us, even in the last 10 years. You look at the changes in the network systems and e-mail systems and software availability even in 10 years—no matter how many decades some of this equipment goes back.

So there's a very strong business case around moving forward with this. It's built on proven business models in the public sector. As I said, the Government of Ontario has had a good experience, and the Province of British Columbia. Consolidation of IT infrastructure is something that was a conversation 10 years ago in the private sector. It has been proven to yield efficiencies, not only in security but in energy efficiency.

One of the first things that needs to be done in any successful consolidation is to bring together all of the resources, including our human resources, which is what we're doing right now. The first stage of this is stabilization, and that's why we have an ongoing dialogue with the employees. We want to call on them for their expertise as we move forward. While we're now responsible for the IT infrastructure of 43 departments, they are the people who have been in each of these departments doing this work, so they have the expertise, and we are including them in this plan as we move forward.

• (1625)

The Chair: Your time is up, Madam Minh-Thu. Thank you.

Peter Braid is next for five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you, Mr. Chair.

Thank you, Minister and officials, for being here this afternoon.

Minister, you must be encouraged, as I am, to hear today not only the interest of opposition parties but their support of this initiative as well.

In your opening remarks you mentioned some examples of other jurisdictions that have previously gone through IT consolidation exercises. I think you mentioned Ontario and B.C. Perhaps there are some other examples internationally as well. We have some private sector examples, with which Mr. Westcott is very familiar.

Can you explain what lessons we've learned from these previous examples, and how we plan to apply these lessons to the federal government's exercise?

Hon. Rona Ambrose: We're in a good position of moving forward now, in the sense that other governments have done this before us. There's a lot of private sector information out there, and examples, best practices, and proven models for us to take a look at.

Whether it's in the public sector or the private sector, it has been demonstrated that streamlining in the areas of e-mail, data centres, and telecommunications is the smart thing to do. Those are proven business models and they are reporting substantial savings and efficiencies.

Just as an example, I mentioned earlier that the Government of British Columbia began its IT consolidation in 2002 and reduced its data centres from over 100 to two in 2011. Of course, these are large servers that create a lot of heat and energy. Some of ours are very outdated. In British Columbia alone, as a result, energy costs are expected to go down by 50%.

In 2010 the United States government announced that it's working on reducing its 2,100 data centres by at least 800 by 2015. This is expected to save an estimated \$3 billion annually. In the corporate world, IT consolidation is a continuous process, particularly when merger and acquisition activities are actually pursued. All major Canadian banks and insurance companies manage their IT infrastructures on an enterprise basis, which is what we're moving toward.

The enterprise-wide IT consolidation has been proven to yield both efficiencies and savings in the private sector. One of the key things they have learned is that it is essential to consolidate your infrastructure first and then begin a process of transformation and streamlining. That is what we're doing in our first stage that I've explained to you—stabilizing.

At the back of my mind I'm always very cognizant of the fact that the services we are delivering to Canadians today, like pension benefits—very important services for Canadians—have to be maintained throughout this entire process. Our number one priority is maintaining those services to Canadians. That is critical.

In the next part, our priority is to streamline and consolidate, but we always need to have top of mind that our number one priority is maintaining those critical services for Canadians.

Yes, it's a very large undertaking, but as Grant said, there are a lot of proven business models out there. If we approach this in the way we have outlined and planned, we believe it's achievable.

Mr. Peter Braid: All right. Thank you. I appreciate some of the specific examples of cost savings as well.

The current patchwork of systems across government is obviously very costly. By the very nature of IT infrastructure, its costs seem to be continually spiralling. How will this consolidation process and the shared services initiative help to manage the spiralling costs of IT over time?

• (1630)

Hon. Rona Ambrose: Well, the approach we have now has been in existence for about 50 years. As I indicated, each department managed its own IT infrastructure system, in part because some of the technology we had in the past didn't actually support large consolidated models. As I've said, even just in the last 10 years, technology has changed substantially.

What we had was duplication, unnecessary diversity, and inefficiency. There are challenges with maintenance. There are unnecessary security vulnerabilities that we shouldn't be exposed to. Also, of course, there's aging IT.

The technology exists out there now—and a lot of people are using it—that will enable us to move beyond that fragmented approach and leverage the scale and the buying power of the Government of Canada.

I believe that moving to a more robust technology platform is long overdue. Not only can we create efficiencies, but we can make sure the critical services we deliver to Canadians are safe and sustainable.

The Chair: Thank you, Minister.

Thank you, Peter. That concludes your time as well.

The last questioner we have is Denis Blanchette, but I'm aware that we're getting close to your deadline, Minister. Do you have two or three minutes more for Denis to have his turn?

Hon. Rona Ambrose: Sure; three more minutes. It's just that we have another meeting.

The Chair: If we could do a half a round, Denis, perhaps you could truncate your questions?

[*Translation*]

Mr. Denis Blanchette: Thank you, minister, for these few extra minutes. It's very appreciated.

In answering a colleague's question, you said that you wanted to consolidate services in order to better structure our assets. Clearly, our infrastructure is aging. So, everything is to be centralized and will become a strategic asset of the government. We must keep that in mind.

Will you commit to ensuring that no cuts are made to this government asset, so that Canadians can receive the services they are entitled to and the level of performance expected from a modern public administration?

[*English*]

Hon. Rona Ambrose: In fact, this kind of transformation will do the exact opposite, which is to increase our opportunity and our ability to deliver services to Canadians, whether it's just something as simple as businesses that interface with the Government of Canada.... We hear from small and medium-sized enterprises all the

time about how complicated it is to make the connections they need to with the people across government when they want to do business with the Government of Canada, so just something as simple as having one e-mail system.... This is about making the interface easier between the citizens and the government and between businesses and government. That's just at the most basic level.

When we look at creating better and more efficient networks and at our data centres and how we manage our data and make it more secure, all of that speaks to delivering better services to Canadians. The Auditor General has said that what is at stake here if we do not modernize our IT infrastructure is that services to Canadians will suffer. So our intention here, our motivation, is to make sure that we can continue to deliver those critical and essential services to Canadians.

The Chair: I think that's all the time we have.

Thank you very much, Minister, for being here. You are always welcome at our committee. I think this has served us very well in our study as we undertake the review of the massive and ambitious undertaking you're entering into.

Hon. Rona Ambrose: Good luck with your study. I look forward to hearing about what you learn from it. I appreciate it.

The Chair: Thank you for being here.

Mr. Mike Wallace: I'm going to move that we move in camera when they've cleared the room. Committee business is in camera.

The Chair: There's no need to wait, really.

Mr. Mike Wallace: Oh, okay. I'll move that we move this in camera.

The Chair: We can call this in camera now and give them a moment to clear the room.

[*Proceedings continue in camera*]

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