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# **Standing Committee on Government Operations and Estimates**

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**EVIDENCE**

**Wednesday, June 12, 2019**

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**Chair**

**Mr. Tom Lukiwski**



## Standing Committee on Government Operations and Estimates

Wednesday, June 12, 2019

• (1555)

[English]

**The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)):** Colleagues, we are convened in public.

We welcome our witnesses here today.

Mr. Matthews, thank you for being here with your officials on relatively short notice. Of course, as you well know, the estimates have already been tabled, so this round of interventions will be slightly more informal. I understand you have a very short opening statement, and then we'll go to questions.

To my colleagues, rather than having a preordained, formal list of questions, if you do have questions for our witnesses, please indicate that by a show of hands, and we'll do it fairly informally. We'll try to get through this as quickly as we can.

We have Mr. Jowhari, Mr. McCauley, Mr. Blaikie and Madam Ratansi. We'll go in that order. Once we have completed all of the questions committee members may have, we'll be in a position, perhaps, to dismiss the panel.

Mr. Matthews, please proceed.

**Mr. Bill Matthews (Deputy Minister, Public Services and Procurement Canada, Department of Public Works and Government Services):** Thank you, Mr. Chair. I'll be extremely quick.

Thank you for inviting us back. The only thing I want to highlight to you is that, in addition to the same cast of characters we brought with us the last time, we've asked Dr. Janet King, who is responsible for the federal science infrastructure initiative, to come. There was some discussion last time on that topic, so we thought we should have her here with us.

The second point is that there were some outstanding questions from last week's meeting. I believe we have tabled answers to those questions with the committee, so I believe they are with you.

I will stop there.

Thank you.

**The Chair:** Thank you very much.

Also, committee colleagues, Mr. Matthews and Mr. Bombardier have generously agreed to dispense with their opening statements, which I have with us. I am suggesting that if we can get a consensus on this, we accept both of those statements as read and have them

appended to the evidence. Do we have agreement, committee members?

**Some hon. members:** Agreed.

[See appendix—Remarks by Bill Matthews]

[See appendix—Remarks by Denis Bombardier]

**The Chair:** That's fine. In that case, we will proceed directly to questions.

Mr. Jowhari, we'll start with you for five minutes.

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

Welcome back again.

I'd like to go back to the challenge we started with last year. It's been almost four years since we started in our current mandate, the 42nd Parliament, with a challenge on our hands, i.e., Phoenix. I understand that a lot of progress has been made, but I'd like to get a summary, as this may very well be the last meeting of this committee in the 42nd Parliament. Can you give me a sense of where we started and where we are now? As we are shutting down and going through the summer, we're going to knock on doors and a lot of constituents are going to ask us what we have done. I'd like to be able to respond with the top three or four things and to say that we are moving forward.

I'll stop there and give you the time you need to be able to retool us before we talk to our constituents.

Thank you.

**Mr. Bill Matthews:** Just to eliminate the middleman, all questions on Phoenix are going to Mr. Linklater.

**The Chair:** Mr. Linklater.

**Mr. Les Linklater (Associate Deputy Minister, Human Resources-to-Pay Stabilization, Department of Public Works and Government Services):** Thank you, Mr. Chair.

I think if we look back to the rollout of Phoenix, it's no secret that there were significant challenges, and that there are still challenges, with HR-to-pay stabilization. That said, over the course of the last three years, the government has made significant investments, both in capacity—meaning human resources—and in financial support to ensure that we are eliminating the backlog of transactions as quickly as possible and that we are investing in new ways of processing pay through additional stabilization efforts.

Back in the day, the workload management model, if you will, consisted of working transaction by transaction, which was not what the unions told us we needed to do. It was not what the staff on the floor told us we needed to do, and so we have listened to the input from staff, from bargaining agents, from public servants. They've asked us to work from a more holistic perspective, which has resulted in the pay pod model, which has been established in Miramichi. With it we are aligning dedicated resources to departments or a single department or a group of departments that have comparable collective agreements, to be able to align the HR and the finance groups within those departments with the pay pod people who are actually managing the compensation on the ground. Therefore, we are able to resolve issues much more quickly and we're able to process all transactions coming in now as they come in, so that new never becomes old. This allows us essentially to stop adding to the backlog and, at the same time, with capacity in the pods, to look at cases related to the new intake that's coming in, and also to focus on key priorities for departments. Departments have more of a say in what's being processed and when, on the assumption that new is not becoming old.

The transition to the pay pod model took a considerable amount of time and effort, as well as investment in training and development, to make sure that we had the right leadership in the pods—the coaches, the trainers, and the supports for the staff, who were able to, through on-the-job training and coaching, as well as classroom training, grow their skill sets. This has reached the point where we have seen a decrease in the global queue of about 33% since January of 2018 when it peaked.

We are continuing to see incremental declines, as we demonstrated in the dashboard that was posted last week. Our service standards continue to fluctuate, but have been improving over the course of the three years. There's still a long way to go until we get to where we need to be—dealing with 95% of all transactions within 20 working days—but we are making significant progress. All of this is happening at the same time we are processing a significant number of collective agreements that the Treasury Board Secretariat has negotiated. Essentially, we've issued \$1.9 billion in retroactive pay, which has required our staff not only to work in Phoenix, but also to go back into the old processing system, extract data, run calculations on retroactive pay, and then work through any remaining residual manual work that the system was not able to process.

We've also continued to invest in the system. We've added functionality that wasn't there in 2016. We have continued to work on process improvements. We're now in a place where we have regular and predictable technological releases, and we are able to test, which we had not been able to do in the past.

•(1600)

**The Chair:** Thank you very much.

Mr. McCauley, you have five minutes.

**Mr. Kelly McCauley (Edmonton West, CPC):** Mr. Linklater, I have nothing for you, but I just want to say thank you for all the help you've given our constituents when they've run into very difficult Phoenix problems.

I think for Mr. Fillion, I just want to discuss the AOPS. The first five cost about \$400 million a ship averaged out. The sixth one, we

hear, is going to be \$812 million. We asked the Minister of Defence in committee of the whole what the seventh and eighth would cost, and he wasn't able to provide information. The minister was here last week and said they would be less expensive than the \$400 million. I'm trying to figure out why the sixth one is more than double the cost, and why the seventh and eighth are going to be cheaper.

**Mr. André Fillion (Assistant Deputy Minister, Defence and Marine Procurement, Acquisitions Program, Department of Public Works and Government Services):** When you refer to the \$800-million figure, that is for the authorities that were sought when the decision was made to add the six AOPS to the program of work. That authority included the price of the ship, which is around \$400 million, as well as other things. There was also \$150 million associated with the fact that there was a mutual decision made between the Government of Canada and the yard to slow down production between AOPS 3 and AOPS 6 to actually help close the gap of production between AOPS 6 and the first surface combatant.

**Mr. Kelly McCauley:** So...

**Mr. André Fillion:** I'll just finish, if you don't mind.

There was an additional \$250 million associated with all six of the ships, related to inflation, exchange rates and such things. The actual price of the six ships is in the region of \$400 million, but as we went to seek these authorities, these other decisions were also included as part of that, so going forward, for AOPS 7 and 8, we will leverage certainly what we refer to as the learning curve, the efficiencies, the production line—

**Mr. Kelly McCauley:** I understand that. To reiterate my question, Kevin McCoy testified in the Senate that the \$400 million would be for about the third ship, and the costs would then come down, with the first ship costing around \$500 million and the cost then coming down. You're now saying that the sixth ship would cost \$400 million, when Kevin McCoy in the Senate committee testified that it would be less expensive. Why is it \$400 million?

**Mr. André Fillion:** What I can tell you is that the sixth ship... Okay, I'll tell you two things. The sixth ship has been negotiated at about \$400 million. We're also tracking what we refer to as the "learning curve" between ships.

**Mr. Kelly McCauley:** Right.

**Mr. André Fillion:** It's taking about 33% fewer labour hours to build the second ship versus the first ship, and about 10%—

**Mr. Kelly McCauley:** Is it a fixed cost, a price cap or how?

**Mr. André Fillion:** There is a cap for all six, but we're also tracking where the efficiencies are between ships, and like any learning curve in a shipyard environment, at some point the curve starts to flatten. In fact, it's not really just with the ship, but in other learning curves like the production environment, where you start seeing the curve starting to creep up because of inflation at 2%, 3%, 4% or 5%. At some point, your learning curve flattens, but inflation catches up.

**Mr. Kelly McCauley:** What's the cap on the seventh and eighth ship?

**Mr. André Fillion:** It has not yet been negotiated.

**Mr. Kelly McCauley:** Is it a cap? Will it be cost plus?

**Mr. André Fillion:** The Coast Guard and we will be negotiating. It will be a cost reimbursable, with an incentive scheme much like the first six ships to incentivize the yard to deliver on time and on budget.

**Mr. Kelly McCauley:** There was \$150 million, again, to smooth out the production gap, but we gave them an extra ship to smooth out the production gap. Now we're giving them two more ships that further fill out the production gap, so we're on the hook for three extra ships and an extra \$150 million. Why was there the first \$150 million if we gave them an extra ship and two extra ships, and why is there the continuing production gap?

**Mr. André Fillion:** There was a significant gap between the end of production of our Arctic offshore patrol ship and the start of the surface combatants. There have been a number of measures to close that gap, all of which together are such that we are at a point now where there will not be massive layoffs of blue-collar workers simply to then rehire them, plus more for the surface combatants.

The three measures were the slowing down of ships three to six, and the addition of four and six and seven.

**Mr. Kelly McCauley:** What was the general cause of the production gap? Was it just this delay in getting the decision made on the CSC? This is quite significant, having to throw in three extra ships and \$150 million on top of that.

**Mr. André Fillion:** There is a cost avoidance associated with.... There are three benefits for Canada. First of all, there are six Arctic offshore patrol ships for the Canadian navy. It also brings two ships to the Coast Guard earlier than any other way we could have made possible, but there's also a cost avoidance to Canada for not laying off workers, from not having the shipyard laying off—

• (1605)

**Mr. Kelly McCauley:** I'm not sure I understand that.

**Mr. André Fillion:** Also, I would like to add that the costs associated with the delay to the surface combatants are also quite significant. There has been an investment of cash for those decisions, but there's also a significant cost avoidance by not having layoffs and with the delay of the surface combatants.

**The Chair:** Mr. Blaikie, you have five minutes, please.

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

I want to follow up on some of the comments the minister made in her opening statement about the integrity regime and putting changes to the integrity regime on hold. In particular, I think the way the minister more or less phrased it was that a lot had happened since the initial consultation on, and changes to, the integrity regime, so I guess she's going to take some time to digest what happened.

In the department's view, what has happened that would change the outcome of the consultation on how the integrity regime should be structured? What are the factors or variables that have changed that would lead to a different integrity regime policy?

**Mr. Bill Matthews:** I would make a couple of points. You characterized her remarks quite accurately. What has happened is that there's been lot discussion, I would say, in various forums, including Parliament, the media and online, and a lot more engagement by people who may not necessarily have been interested in the first round. We heard a lot of consultation in the first round. The formal submissions in writing that we got were very useful, but I wouldn't say they were numerous.

The discussion that we have heard and that is of interest covers a wide spectrum, but I'd say the most important ones are the range of offences. Under the draft policy, there are ranges of offences being added. There has been discussion about maybe some additional ideas on that front, and then some discussion around the length of time in play. Right now the current policy is 10 years, with a possibility of reducing it to five, I believe. Under the draft policy, you're looking at a regime that is up to 10 years in the way it has been drafted. Is that the right approach? There's lots of discussion on that front as well. Those are the first two off the top of my head.

Michael, is there anything you want to add to that list?

**The Chair:** Go ahead.

**Mr. Michael Vandergrift (Associate Deputy Minister, Public Services and Procurement Canada, Department of Public Works and Government Services):** Mr. Chair, we also look at the transparency provisions and how the regime is administered, including the rationale for decision-making, or what can be made public, in terms of the reasons for the decisions made by the registrar. We also look at the independence of the registrar and making sure that that is—

**Mr. Daniel Blaikie:** Are these considerations that weren't foreseen by the department in the draft they were preparing initially?

**Mr. Bill Matthews:** I think that some of them are re-visitible ideas with some new input. But in terms of the ideas around transparency, and what could potentially be made public around decision-making, my recollection is that is a new discussion that has taken place. I didn't hear a lot about that in the initial go-round.

**Mr. Daniel Blaikie:** Okay, thank you.

**The Chair:** Thank you very much.

Madam Ratansi.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** I thought it would be Mr. Drouin.

**The Chair:** It can be whoever you wish.

Mr. Drouin.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** I actually don't have a lot of questions, but I do have one question for Mr. Linklater dealing with the pay system. But perhaps Mr. Matthews will direct the traffic.

I heard this morning that Treasury Board has said they are going to have pilot projects, and one of the things they mentioned is ensuring that we have a parallel system so that we're not left with no system at all. What I'm hearing is that we've obviously learned some lessons. Just from my own perspective, how are you working in collaboration with Treasury Board on this particular file?

**Mr. Les Linklater:** Yes, we are working very collaboratively with the secretariat as they work through next generation. My understanding is that Treasury Board officials are also appearing today, and they will probably be prepared to speak in more detail.

**Mr. Francis Drouin:** Yes.

**Mr. Les Linklater:** But they are now working with three qualified vendors they hope to qualify to be able to then work through the construct and the concept of HR-to-pay pilots, which will necessarily draw on the experience and the expertise of PSPC in regard to federal pay. That is very complex, as you know, and requires a lot of knowledge of how to apply collective agreements, and how to deal with the interfaces with numerous stakeholders, including bargaining agents, insurance companies, the 33 HR systems—although the pilot should look at an HR-to-pay integrated approach.

We do have regular governance meetings where we talk not only about stabilization but also starting the conversations around the next gen and how the pilots can and should be developed. But I would defer to my Treasury Board colleagues for any detail on the next steps.

• (1610)

**Mr. Francis Drouin:** That's great. Thank you. That's it.

**The Chair:** We'll go to Mr. McCauley, then, for five minutes.

**Mr. Kelly McCauley:** I want to stick with the shipbuilding. I saw today that we pulled the polar icebreaker from Seaspans. Is that correct?

**Mr. André Fillion:** Do you want me to take this?

**Mr. Bill Matthews:** I can start and André can correct me if I misspeak. The polar icebreaker is a one-ship build. It's an extraordinarily complicated build and basically the most complicated build we have in the package. We are revisiting options around the polar, so no decision has been made as to where it will be built.

**Mr. Kelly McCauley:** But we had discussions with other... I recognize that all that information is obviously desperately needed, especially considering what the Chinese and the Russians are doing up north. Are we in talks with any other shipbuilders in Canada or outside of Canada right now for a polar icebreaker?

**Mr. Bill Matthews:** We are not in active discussion to my knowledge—again, André, chime in—but...

**Mr. Kelly McCauley:** In active discussion?

**Mr. André Fillion:** First of all, I would like to say....

**Mr. Kelly McCauley:** It's a serious question. Originally, it was supposed to be, I think, 2019 and then it got put back to 2023. We're probably looking, to be honest, at 2030 if it was left with Seaspans. We have to act so....

**Mr. André Fillion:** To answer your first question, I would have to say that we're constantly in conversation with our allies who are in shipbuilding. We are aware of what our allies are doing with the construction of large icebreakers. We are not actively talking to them about options yet. The announcement was made a few weeks ago as a substitution for the non-combat package of works, so we will, however, be looking at options.

**Mr. Kelly McCauley:** Do you know when we will have a new announcement on what is going on with the polar icebreaker?

**Mr. Bill Matthews:** We don't have a time frame at this stage.

**Mr. Kelly McCauley:** It's a six months, two years type of thing. Is there a level of urgency?

**Mr. Bill Matthews:** I suspect the former: six months.

**Mr. Kelly McCauley:** Okay, that's fair enough. Just getting back to the costs, we've chosen the T26. Have we settled the contract yet with the BAE and Lockheed?

**Mr. André Fillion:** We awarded the design contract in February to Irving Shipbuilding, who in turn awarded the subcontract to Lockheed Martin Canada who is working with BAE Systems.

**Mr. Kelly McCauley:** However, the question I have is if we have updated the costs on that. We saw the PBO's costs, which I understand were close to the PSPC-DND costs. The reason I ask is that the PBO costs were based on a lightship weight of 5,400. The T26 from what I've seen is about 7,000, so the added weight is obviously going to be added costs, etc.

Have we updated the costs at all since the decision?

**Mr. André Fillion:** What I can tell you is that we've just finished the competitive process to select the design. National Defence has a budget of \$56 to \$60 billion. The result of the competitive process confirms that at this point, there is still [*Technical difficulty—Editor*] in the budget to deliver the 15 surface combatants.

**Mr. Kelly McCauley:** This is based on the heavier ship and the new design and everything?

**Mr. André Fillion:** On the results of the competitive process, which meets the requirements of the navy, yes.

**Mr. Kelly McCauley:** Mr. Vandergrift, you're nodding your head. It's still 60, give or take, obviously?

**Mr. Michael Vandergrift:** The competitive process tested this as well, right.

**Mr. Kelly McCauley:** Okay, that's fair enough.

With the change in the order for Seaspans and the joint supply ships being moved up, what's the added cost going to be? Seaspans can't just drop tools and start up. What are the added costs and who's going to bear those costs?

**Mr. Bill Matthews:** Maybe I'll start.

The benefits of the reordering are that we were able to start JSS block construction earlier, so there's a benefit there in terms of the JSS.

**Mr. Kelly McCauley:** I'm just asking specifically about the costs. What are they and who's bearing the costs?

**Mr. Bill Matthews:** I don't have a number for you, but the other thing I think it does for us is by putting a one-ship gap between the two JSSs, it lets us take any learning from JSS 1 and apply it to JSS 2, so we think we get a more efficient build.

**Mr. Kelly McCauley:** Would you be able to provide us with the added costs, and again, who's going to bear those added costs? Is it the taxpayers or Seaspan?

**Mr. André Fillion:** We saw two opportunities there to mitigate the cost risks associated with this decision—not necessarily added costs, but the mitigation of cost risks. One of them is to bring the efficiency of JSS 1 into JSS 2 by giving the engineers enough time to do the design changes and to incorporate them into JSS 2, and another to avoid rushing into the construction of the offshore oceanic science vessel, which required more design maturing before the start of construction. We were worried about entering construction without a mature enough design, which would otherwise have actually driven costs up.

•(1615)

**Mr. Kelly McCauley:** Let me ask a really straight question. Is there an added cost to the taxpayers of this change in order?

**The Chair:** A short answer, please.

**Mr. André Fillion:** Not the way we're tackling this issue. In fact, we are trying to mitigate risks to costs.

**Mr. Kelly McCauley:** Is that a no?

**Mr. André Fillion:** That's right.

**Mr. Kelly McCauley:** Perfect. Thanks.

**The Chair:** Madam Ratansi, for five minutes please.

**Ms. Yasmin Ratansi:** Thank you very much. We thought that we didn't have questions, but now we have plenty of questions suddenly.

**Some hon. members:** Oh, oh!

**Ms. Yasmin Ratansi:** We have just completed the greening of government strategy and the real estate is the biggest contributor to greenhouse gas emissions. I was looking at the departmental plans, where you have stated that you want to reduce greenhouse gas emissions, lower operating costs and energy consumption of federal buildings. We think that PSPC is doing a good job, but what we found a little strange is that when there are conferences, 500 people go to Vancouver or whatever. How are you trying to modernize the way public servants travel for business, because that's another contributing factor to greenhouse gas emissions?

**Mr. Bill Matthews:** This has been a longstanding question around the technology available basically to avoid travel when you can. Can you attend or participate in meetings virtually, versus hopping on a plane and travelling?

There has been significant work, I think, to upgrade the facilities to allow virtual conferencing. That said, there is still travel required and there's some work being done to modernize the government's travel system itself, which is the tool we use to book our travel where

necessary. That system needs some work. That will not result in greening; that will just be a better travel system for public servants to use when they travel.

One of the priority areas for us with the travel system is that, frankly, it is not very helpful for people who have accessibility issues. We need to do some work on that front, so there's a two-fold issue there.

Where we can, we encourage our employees to participate virtually rather than hopping on a plane.

**Ms. Yasmin Ratansi:** Okay.

The second question I have is regarding procurement. I think your departmental plans say that you may have some risks because of a shortage of experience procurement officers. How is the e-procurement strategy working to mitigate those risks?

**Mr. Bill Matthews:** The e-procurement system is a really important system for the department and for the whole of government. This is a contract that is under way with Infosys as a prime contractor. It's basically to put an off-the-shelf tool in the hands of public servants to allow them to do the basic end of procurement themselves. It will require less expertise for the more basic transactions once it's up and running.

That lets us save our resources—our procurement experts—for the more complicated procurements, like the one Mr. Fillion was just talking about. That's where the real value add for procurement experts is. That's the goal of that system.

It will also give the government much better data on its procurement. When this is all said and done, we'll have much better data on our procurement initiatives, which will help for better decision-making.

The final piece I'll add is that we do work with the Treasury Board Secretariat, as well as National Defence to a certain extent, because that is where the big procurement expertise is required—a strategy to bring people in, train them, get them certified to the extent they need to be and share resources where we have to.

**Ms. Yasmin Ratansi:** That segues into the national shipbuilding strategy and to the procurement. You're talking about e-procurement relieving the expertise to go and do the big purchases.

How has this strategy worked, and what is the impact of this strategy on the three major shipbuilding partners?

**Mr. Bill Matthews:** The shipbuilding strategy is now at a stage where you have certainty on the east coast in terms of what is being built. You have AOPS 1 through 8 all being delivered and planned as we speak, and then they will transition into building the surface combatants. They have a nice long run of ships they can predictably deliver, and they can manage their workforce accordingly.

On the west coast, you have VSY, who will be building 16 vessels, as per an announcement a couple of weeks back. That's the new announcement. That, again, gives them some certainty, and also repetition—in terms of building the same ship in a repeated fashion—let's them learn more easily and drives some efficiencies. Again, they have a nice long run ahead of them.

The third piece of that is that, when you look at the age, in particular of the Coast Guard's fleet, there is additional capacity needed in terms of delivering ships for the Coast Guard beyond what those two yards can do, so the government made an announcement about adding a third yard to the program.

•(1620)

**Ms. Yasmin Ratansi:** Thank you.

**The Chair:** Mr. McCauley, do you have anything more?

**Mr. Kelly McCauley:** I have a couple more on ships. I'll stick with ships.

The new AOPS 7 and 8 are going to be for the Coast Guard; therefore, a new design. Is it going to be a radical change in the design, or is it more just de-weaponizing it? How much more cost will be added by the design changes?

**Mr. Bill Matthews:** I can't give you a firm answer on your costs yet. Those discussions are ongoing. But the logic behind the AOPS for Coast Guard is minimal design changes, because the value there is around delivering ships to the Coast Guard quickly. If you were to do a major design overhaul, I think you would have questions about schedules.

Those discussions are ongoing, but we're not anticipating significant design changes.

**Mr. Kelly McCauley:** Can we probably assume they will be relatively minor?

**Mr. Bill Matthews:** That's the value of the AOPS to Coast Guard: it ships quickly.

**Mr. Kelly McCauley:** Do we have any start date for the combat ships?

**Mr. Bill Matthews:** A start date...? We're in a phase right now, Mr. Chair, of working on finalizing the design over the next three to four years. We're hoping to start to build in early 2025.

Was that right, André? You can—

**Mr. André Fillion:** It's earlier than that—three to four years from February 2019 in design, and then start of construction after that.

**Mr. Bill Matthews:** Sorry, I misread my notes. They say “early 2020”, not “early 2025”, so there you go.

**Mr. Kelly McCauley:** Let's go with early 2020.

I want to follow up Ms. Ratansi's comment about the greening government strategy. I mentioned that PSPC is the only one I've been able to find in the entire government that actually has a plan on the greening of government in the departmental plan. So, well done, PSPC.

Do we have new delivery dates, please, for the joint supply ships—the first one and the second one—and do we have updated costs?

**Mr. Bill Matthews:** My understanding of dates, at their current stage, Mr. Chair, is that 2023 and 2025 are the two dates that are in play. For costing, I'll have to turn to my colleague André, or maybe you'll give us 30 seconds.

**Mr. André Fillion:** The budget remains at \$3.4 billion, and we're about to start negotiations for the construction contracts with the yard.

**Mr. Kelly McCauley:** I know we're using the Berlin design. Have we finalized the Canadianization of the changes for it?

**Mr. André Fillion:** It is being finalized, and again, back to the re

**Mr. Kelly McCauley:** Did you say it has been or it is being?

**Mr. André Fillion:** I said it is being.

**Mr. Kelly McCauley:** So, is it close to being finalized, or...?

**Mr. André Fillion:** Again, going back to the resequencing question you had earlier for us, it was also about putting all efforts on the joint ship design work—getting it done so that we could start construction—and then spending more time on the offshore oceanic science vessel. All efforts are now on the joint supply ship design work, to complete the design work and start construction next year. I can say that construction on some of the blocks has already started, but the full construction contract negotiation will be ending in early 2020.

**Mr. Kelly McCauley:** Can we assume that when the polar icebreaker is re-awarded, it will fall under the build in Canada policy and will be built in Canada?

**Mr. Bill Matthews:** The Government of Canada has a build in Canada policy, so that's what we're working with.

**Mr. Kelly McCauley:** Yes, so we can assume, then, it will be awarded to another shipbuilder?

**Mr. Bill Matthews:** All options are on the table.

**Mr. Kelly McCauley:** In Canada?

**Mr. Bill Matthews:** Well, all options are on the table, but there's a build in Canada policy in play.

**Mr. Kelly McCauley:** I have just a couple of quick last questions.

Is the CSC going to be on a cost-plus basis? Or is it going to be with a price ceiling like the first three AOPS were, in my understanding? How's that going to be done? It's the same with the joint supply ships.

**Mr. André Fillion:** On the two different contexts—

**Mr. Kelly McCauley:** Just the CSC.

**Mr. André Fillion:** On the CSC, I think it's fair to say that the early ships will still be in the design and prototype kind of stage and that you can expect a base payment that will be more along the lines of time and materials, which is a typical approach internationally. As we mature—

**Mr. Kelly McCauley:** Time and material, so it's more along a cost-plus basis.



**Mr. André Fillion:** It's so that we can establish parameters that can allow us to go more into a performance-based contracting approach with incentive fees and, eventually, potentially even with a fixed price for the production line. This is an approach that is used—

**Mr. Kelly McCauley:** My understanding is that the first three were going to be cost-plus, and then after that a price ceiling with incentives. Is that correct?

**Mr. André Fillion:** Correct. It has not been decided yet, but what I can say is that the early ships will have—

• (1625)

**Mr. Kelly McCauley:** Or any [*Inaudible—Editor*]

**Mr. André Fillion:** The early.... The first, second and third of the 15 ships will still be in a stage where we're trying to learn about building them, and the base payment will evolve as we mature the construction processes and we'll go towards—

**Mr. Kelly McCauley:** I'm missing something here. With the first three ships, we haven't decided how we will be paying or how Irving will be reimbursed?

**Mr. Bill Matthews:** I can take that one.

The principle we'd like to get to with a run of 15 ships is that as you move through the run, you want more risk sharing as you're learning, and then, as you get towards the 15th, or towards the end, we are hoping to have a price cap on each one, as they've learned what they're doing. But earlier on, you'll have a more flexible arrangement, and that is the discussion.... We haven't landed it yet, though.

**The Chair:** Thank you very much.

Madam Yip, you have five minutes, please.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** Thanks for coming.

With respect to the Translation Bureau, what progress has been made and where are we now with regard to technical challenges and revamping quality control?

**Mr. Bill Matthews:** I have a couple of things to highlight. The Translation Bureau has gone through a rather massive transformation, and it's ongoing.

The two things in that industry that I would highlight are the more automated scheduling tools for how the work is assigned, but more importantly, the use of artificial intelligence and tools like that—automated translators—which are changing the nature of the work of translators.

Those who are working with written text have gone more from being word-for-word translators to being more editors, because, using tools, you're able to get a reasonably good quality of translation as a starting point. The nature of the work has changed, and that has helped to drive efficiencies. The workforce is very much outside with the discussion there.

If you were in the world of translating voice, obviously that world hasn't changed very much, so you're still very much dealing with traditional approaches and not a great change that is reforming that industry. There have been some health and safety concerns that I think you may be aware of around auditory issues for translators in

that field, and we are working with our employees to deal with those issues.

**Ms. Jean Yip:** Are materials being translated into languages other than the official languages?

**Mr. Bill Matthews:** The biggest change there, Mr. Chair, is in recent additions in both the House and the Senate of indigenous languages. You're seeing, with appropriate notice, the ability to provide translation into languages other than English and French for those purposes. That's relatively new and has gone reasonably well.

In terms of how those languages can take advantage of the artificial intelligence tools, that's not as easy. To make proper use of these AI tools, you need a certain base of translating knowledge that you can feed the system. With some of our indigenous languages, we don't quite yet have the base that we would in English or in French to take advantage of those tools, but that will come with time.

**Ms. Jean Yip:** Do you have enough translation resources to—

**Mr. Bill Matthews:** In general, yes.

**Ms. Jean Yip:** —follow up on the many indigenous languages?

**Mr. Bill Matthews:** There are some that are more challenging than others, Mr. Chair. There is just a lack of speakers, frankly, of some of those languages, so we have been reaching out across various communities so that we can get a broader base of expertise outside as we need it. It's more of a surge capacity.

Those discussions continue. We've been adding to our base of translators as we go, and we will hopefully continue to grow that base in the future.

**Ms. Jean Yip:** I'm going to share the rest of my time with Ms. Mendès.

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

Thank you, all, for being here.

[*Translation*]

My question has to do with translation and interpretation. I've been hearing, for a while now, about how difficult it is to recruit interpreters. That's not the case for translators. Interpreters, however, are in short supply, and it's likely related to health.

Do you have a plan to deal with the shortage of interpreters? Have you found any solutions?

**Mr. Bill Matthews:** Thank you for your question.

You're absolutely right. In the past, we had trouble finding people to fill positions. Recently, though, we've started working with universities to develop more programs so we can train more students.

[*English*]

We are working actively with universities to generate more resources in those areas.

The HR plan is obviously critical to the Translation Bureau's long-term success. Those discussions will continue. But there are lots of forums where we bring together our employees, contractors, universities and other experts to actually talk about these challenges, and they've really generated some benefits.

•(1630)

**Mrs. Alexandra Mendès:** Thank you very much.

**The Chair:** Mr. Blaikie, no questions?

We'll do one-offs now, if there are other questions.

Seeing none, then, gentlemen and lady, I would like to thank you for being here. I know that sometimes it's a little awkward to come here on short notice, but we do appreciate your attendance here today.

Colleagues, we will suspend for a few moments while we get our next panel to the table.

•(1630)

(Pause)

•(1630)

**The Chair:** Colleagues, I'll call the meeting to order again.

I want to thank the Treasury Board Secretariat for being with us today. We have a number of witnesses before us.

Mr. Purves, welcome back again, sir. It's good to see you again. I understand that you have a brief opening statement. If you could commence with that, sir, and then we'll go directly into questions.

Mr. Purves, the floor is yours.

•(1635)

**Mr. Glenn Purves (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat):** Thank you very much, Chair, and thank you to committee members. Good afternoon.

I'll be as brief as I can to allow for as much time for questions as possible.

Again, thank you for inviting us today to speak about the estimates. The main estimates present financial requirements for the 2019-20 fiscal year, including but not in addition to the amounts already shown in the interim estimates.

[*Translation*]

Part I of the document, the Government Expenditure Plan, gives an overview of spending requirements for 2019-20 and comparisons to previous fiscal years.

Part II, the departmental Main Estimates, provides information on planned spending by each federal organization requesting authority through the appropriation bill.

Additional details are available online, including forecasts of statutory spending, allocations from Treasury Board central votes, and expenditures by program or purpose.

Finally, I would remind the committee that the Government of Canada Infobase is also available to provide you with more information on authorities and expenditures.

[*English*]

Mr. Chair, the main estimates for 2019-20 present a total of \$299.6 billion in planned budgetary expenditures. Of this amount, \$125.6 billion is for voted expenditures, while \$174 billion is forecast to be spent under statutory authorities.

Of the \$125.6 billion in voted spending, the largest departments are the Department of National Defence, at \$20.5 billion; the Department of Indigenous Services Canada, at \$12.2 billion; Treasury Board Secretariat, at \$7 billion; the Department of Indian Affairs and Northern Development, at \$6.9 billion; and the Department of Foreign Affairs, Trade and Development, at \$6.4 billion.

Voted expenditures are approximately \$12.7 billion higher than the previous main estimates, including \$6 billion for budget 2019 initiatives.

The increase in voted expenditures also reflects funding decisions made prior to budget 2019, including additional funding to settle outstanding claims, advance reconciliation and improve services and infrastructure in indigenous communities; the ramping up of infrastructure spending under the investing in Canada plan and the new building Canada fund, as well as the Gordie Howe International Bridge; increased capital spending for Canadian Coast Guard ships and VIA Rail trains; and increased funding to reduce greenhouse gas emissions and protect species and habitat.

Of the \$174 billion in statutory spending, the largest components are benefits for the elderly, at \$56.2 billion; the Canada health transfer, at \$40.4 billion; public debt charges, at \$24.7 billion; fiscal equalization, at \$19.8 billion; and the Canada social transfer, at \$14.6 billion.

The estimates do not include payments from the employment insurance operating account or expenditures legislated through the Income Tax Act, such as the Canada child benefit.

In terms of individual departments, four have increases of over \$3 billion in comparison to last year's main estimates.

For the Department of Finance, the \$5 billion increase relates to a \$2.1 billion increase in interest on unmatured debt due to the upward revision of forecasted interest rates by private sector economists, and increases in the Canada health transfer, fiscal equalization and the Canada social transfer.

The Office of Infrastructure of Canada sees a \$4.6 billion increase, due mostly to an additional \$2.2 billion through the gas tax fund to address short-term priorities in municipalities and first nation communities as announced in budget 2019, and an increase in \$2.1 billion in contributions under the investing in Canada plan, the P3 Canada fund and the new building Canada plan.

The Department of Indian Affairs and Northern Development increase of \$3.9 billion relates to settlements for federal day schools, the sixties scoop and specific claims.

The \$3.8 billion year-over-year increase for the Department of Employment and Social Development relates primarily to a \$2.8 billion increase in benefits to the elderly, due to changes in the average monthly rate and in the number of beneficiaries. The department also has a total of \$333 million in budget 2019 funding for a wide range of initiatives.

There is one particularly significant decrease, \$6.6 billion, for Treasury Board Secretariat, which relates to the one-year funding of budget 2018 initiatives across the government.

With that, Mr. Chair, I will hand it over to you for questions.

• (1640)

**The Chair:** Thank you very much.

We'll start with a five-minute round, beginning with Madam Ratansi, please.

**Ms. Yasmin Ratansi:** Thank you for being here.

I was looking at your departmental plans, and there is this question of financial risk that departments have to talk about. Could you first explain, with the various departments you have—your multiple departments—what your definition of “financial risk” is?

For example, with the seniors department, you're talking about the aging population and how we will have to match the payment of OAS. How does a department, which has to manage its budget and provide its departmental plans, determine...? It can't do 100%, but you want to move from the present 13% to 75%. What do you do? How does the department work its financial risks?

**Ms. Karen Cahill (Assistant Secretary and Chief Financial Officer, Treasury Board Secretariat):** In our departmental plan, the statement about financial risk is not as much related to our own financial risk as the guidance we give other departments on financial risk. We have the centre of excellence for costing under the Treasury Board of Canada Secretariat, and what we are trying to do is educate people on how to best calculate or be cognizant of their financial risk.

What we're trying to achieve as a plan is to ensure that people, other government departments, have a better sense of how to establish their financial risk, especially when they're costing their initiatives. That's not necessarily the financial risk that we're talking about in the departmental plan. That does not necessarily pertain to our own department, per se, but it pertains to the work we're doing with other government departments.

**Ms. Yasmin Ratansi:** I'm not talking about your department. You are the centre that takes in—

**Ms. Karen Cahill:** Yes. That's the guidance we're giving to other government departments.

**Ms. Yasmin Ratansi:** There are so many diverse ways to do risk assessment—

**Ms. Karen Cahill:** Yes.

**Ms. Yasmin Ratansi:** —and you're doing financial risk assessment, which is the biggest one. How have you taught these departments to mitigate those risks, or what are some of the best practices that you have established so that departments...? At the

moment only 13%, in my reading, are able to talk about their financial risks and you want to increase it to 75%—

**Ms. Karen Cahill:** What we're—

**Ms. Yasmin Ratansi:** —so what are you doing to move forward?

**Ms. Karen Cahill:** Through the centre of excellence on costing we're trying to educate other government departments on how to best assess their financial risk and—especially when they're presenting TB submissions to our department, or through the Treasury Board Secretariat—how to best cost their financial risk as well.

Costing is not something people are really used to doing. We're trying to also give them the right guidelines to ensure that they perform costing as accurately as possible, understanding that when you're costing an initiative there are many things that would be out of your control that you will not necessarily take into account.

**Ms. Yasmin Ratansi:** Yes.

**Mr. Glenn Purves:** Maybe I could just add to that.

When guidance is provided to departments in creating their departmental plans and so forth, on the financial risk side there are certain risks, from a standard deviation standpoint, that are tail risks. It's important to be able—as you're providing a story in terms of the programs and the costs attributed to these programs—to speak to some of the outliers that exist and how the department is mitigating the risks with respect to those outliers.

• (1645)

**Ms. Yasmin Ratansi:** There are sometimes risks beyond their control.

**Ms. Karen Cahill:** Yes.

**Ms. Yasmin Ratansi:** So, if there are geopolitical risks or other risks, then how do you guide them, or what do you do? Do you have, yourself, a mitigating strategy when departments provide their financial risk, to say maybe we'll put a buffer or something?

**The Chair:** Give a very brief answer if that's possible.

**Ms. Karen Cahill:** We're not putting the buffer ourselves. What we can do is challenge the departments to ensure that they have looked at all the mitigating factors and that they themselves have put the buffers on the costing that they have provided.

**The Chair:** Thank you very much.

Mr. McCauley, you have five minutes.

**Mr. Kelly McCauley:** Thanks.

Ms. Santiago and Mr. Purves, a couple of estimates meetings ago, we asked about the \$90 million under vote 10 for LNG and you didn't have an answer for us at the time. Are you able to update us now on what that money is for?

**Mr. Glenn Purves:** I'm happy to provide information on what I know with respect to that LNG item.

As you know, it's still in the main estimates and it's still contained under vote 10.

**Mr. Kelly McCauley:** Yes.

**Mr. Glenn Purves:** I'll just read it.

The \$40 billion LNG Canada project represents the single largest private investment project in Canadian history—

**Mr. Kelly McCauley:** I know all the talking points. What's the \$90 million for?

**Mr. Glenn Purves:** Right now, because it's still in vote 10, a lot of the program design and a lot of the due diligence in precisely where that \$90 million will be allocated are still being worked out.

**Mr. Kelly McCauley:** Why vote 10? Vote 10 traditionally has rarely been used, and now we've seen hundreds of millions poured into these votes. Why the \$90 million?

**Mr. Glenn Purves:** Vote 10 is—

**Mr. Kelly McCauley:** On behalf of taxpayers, I'm trying to figure out what the \$90 million is for, but it's almost a year now and we can't get an answer. Why has it been squirrelled away in a vote 10?

**Mr. Glenn Purves:** Vote 10 is a circumstance where there is a significant strategic project or initiative that covers many departments, so it's a horizontal initiative.

Until such time as the submission goes through Treasury Board and the allocation is made to various departments, it's captured under vote 10. So in this instance, I believe the item was announced as part of the fall economic update, and we had it as an item in the supplementary (B)s that were approved.

I think that's the meeting you were talking about before.

**Mr. Kelly McCauley:** Right. It went through the supplementary (B)s without an answer. We still don't have an answer on the main estimates. Again it's a lot of taxpayer's money. It would be nice to know what it's for. There has to be some plan. I can't imagine the government just threw \$90 million in there and walked away.

**Mr. Glenn Purves:** I have additional details on the venture and so forth. I'm happy to provide them, but until such time as it's allocated through Treasury Board, it's very hard for me to be able to say precisely where the funds go in which department, because it does cover a few departments.

**Mr. Kelly McCauley:** I want to pull up a question I had from last week. The government has made an offer to the public sector for compensation for Phoenix of five days—two days' leave, one day's leave, one day's leave, and one day's leave in 2019-20. The government wouldn't make an offer like that without knowing how much that would cost the Treasury. What's the cost of that offer, regardless of whether it's accepted or not?

**Mr. Glenn Purves:** There are many different cost aspects to that. There's a liability component and then there's the direct cost component.

In terms of the liability, I think five days were offered. Of those days, it becomes a contingent liability on the books of Canada for three years. After that, those liabilities are unwound over a period of about 14 years.

**Mr. Kelly McCauley:** Altogether for the five years, what will it cost, ballpark?

Around \$290 million?

**Mr. Baxter Williams (Executive Director, Employment Conditions and Labour Relations, Treasury Board Secretariat):** As the liability is established, it's unwound as people use it.

**Mr. Glenn Purves:** That's the thing. Over the period of time—  
• (1650)

**Mr. Kelly McCauley:** So you made the offer of five days without any idea of...

**Mr. Glenn Purves:** The net cost is zero because the expectation is that people will use those days.

**Mr. Kelly McCauley:** If the net cost is zero, why not give them 20 days for all of their hardship? There is a cost behind giving everyone five days off because people have to cover for them. There's usually—

**Mr. Glenn Purves:** Again, there's a liability attributed to it, but the liability is then unwound.

**Mr. Kelly McCauley:** Okay. What will the liability be?

**Mr. Glenn Purves:** Just to be clear, there are circumstances where employees have left the public service and were paid out—

**Mr. Kelly McCauley:** Right. That's paying those who cashed out.

**Mr. Glenn Purves:** They would be cashed out. For those who work 24-7—Correctional Services employees and so forth—where if someone's not there, they have to have somebody else in place....

**Mr. Kelly McCauley:** You understand my worries. You can't explain it to us. You've made an offer of five days to 290,000 people, but there's no cost behind that.

**Mr. Glenn Purves:** No. I'm just saying that it's not a simple calculation. I was happy to go through that last week.

**The Chair:** Thank you.

Mr. Blaikie, you have five minutes please.

**Mr. Daniel Blaikie:** Thank you very much, Mr. Chair.

Thanks to you all for being here.

I want to go back to Mr. McCauley's first line of questioning with respect to vote 10 and government-wide initiatives.

I'm asking for a little historical perspective here.

When I first came to Parliament almost four years ago—it's not terribly long ago—and was studying the estimates, my understanding of government-wide initiatives was that they were strategic initiatives that cut across different departments from a management and an administrative point of view. So if you had some kind of management training that you wanted to implement or if some kind of new software was going to be shared among departments, that might be a place where government-wide initiatives lie. Has the definition of what constitutes a government-wide initiative changed for the purposes of vote 10?

**Mr. Glenn Purves:** Let me just describe what the definition of vote 10 is. It's subject to the approval of the Treasury Board to supplement other appropriations in support of the implementation of strategic management initiatives in the public service of Canada.

Broad strategic initiatives over time have encompassed a number of different initiatives. When you look at it, you'll see there is funding for indigenous early learning and child care. There is \$120 million that's in there for that.

**Mr. Daniel Blaikie:** My understanding initially—

**Mr. Glenn Purves:** The LNG—

**Mr. Daniel Blaikie:** —which corresponded to the relatively low amount of spending that we've traditionally seen under vote 10— was that there was more emphasis on strategic management initiatives that are about changing or improving the way departments manage their business. That actually had a kind of management-specific meaning. It seems to me that there has been a widening of the definition of what counts as a government-wide initiative that corresponds to a massive increase in the amount of funding that's being requested under the vote. It's not exactly clear to me when that definition changed, nor is it clear to me how some of the things you just mentioned are under vote 10 are substantially different from some of the new budget items that are also across departments.

If you look—and I'm sorry I don't have a great example for you right now, but I'm sure you can find some—you'll see that even under Treasury Board, ensuring proper payments for public servants is a cross-departmental initiative. We'll find that line in other departmental estimates. It's likewise with advancing gender equality.

Why are those just not under government-wide initiatives then? On the definition you've just given us for government-wide initiatives, it seems that would be an appropriate place for them to lie.

What are the criteria that distinguish those new budget items that are appearing in separate departmental estimates versus the ones that appear under government-wide initiatives?

**Mr. Glenn Purves:** When you look historically, you'll see there are many factors that could influence the use of vote 10. One of them is if there are more initiatives being pursued that have horizontality in them, in the sense that they touch many different departments, that is one thing that could actually lead to an augmentation in the volume through that vote.

Another thing is just the strategic nature of these from the position of the Government of Canada.

The third is that when you look at the budget items, arguably through the budget process there was an identification of a certain amount that would go with a certain department. That's why you're seeing a number of budget implementation votes with the same title but residing under different departmental pages. They know exactly how much should go to each department.

In this case, these are for horizontal initiatives where it's not clear precisely how much should reside with one department versus the other. There are a number of departments involved, and that's consistent with—

**Mr. Daniel Blaikie:** If I could follow up: If the initiative isn't developed sufficiently to know roughly how much funding is going to be required under which department, is it not premature to be coming to Parliament for authority to spend? Is it not fair to expect that the government would have done at least enough homework that it has a rough sense of the level of involvement of each department

and the corresponding financial need before it comes to Parliament for spending authority?

**Mr. Glenn Purves:** I can't comment on the timing of each of these precise issues, but the intention is to ensure that the supply is there such that when the Treasury Board submission goes through—

**Mr. Daniel Blaikie:** I mean—

• (1655)

**The Chair:** I'm afraid we're completely out of time. We will have additional questions, though, Mr. Blaikie. Don't worry. We won't leave here until you satisfy your curiosity.

We'll go to Ms. Mendès for five minutes.

**Mrs. Alexandra Mendès:** Thank you very much, Mr. Chair.

[*Translation*]

Thank you all for being here.

Ms. Cahill, I'm going to continue with Mr. Blaikie's line of questioning in an effort to arrive at the answer he was looking for.

if I understood correctly, you told my fellow member, Ms. Ratansi, that people in the various departments aren't really in the habit of budgeting.

**Ms. Karen Cahill:** That's not necessarily true.

Allow me to clarify something, if I may. I wasn't talking about budgeting. I actually referred to costing. It's something departments are doing more and more of. Coming up with accurate estimates requires the right tools.

**Mrs. Alexandra Mendès:** My question ties in with what Mr. Blaikie was asking Mr. Purves about.

Under vote 10, I believe, funding in the amount of \$90 million is being requested with few details on how the money will be used and what programs it will support. Is that due to the fact that departments lack the capacity to adequately account for how they will spend the funding allocated to them?

**Ms. Karen Cahill:** No, I don't think that's it. A number of steps go into coming up with an estimate. I can give you an example that relates to our department. It relates to what you see in one of the votes. When we include an initiative in the estimates, we provide the best possible estimate we are capable of at the time. As you know, once the initiative is approved, the request goes to cabinet, to the Treasury Board. That is the time to spell out the costs and the number of people. The details of the program or initiative are then fleshed out.

The funding requests are submitted to the Treasury Board, and, in many cases, you also see them because the spending authorities are approved at the parliamentary level. We are then able to provide more accurate estimates. To begin with, only the broad strokes of the initiative are laid out, but as it is developed, the associated costs become clearer. That is altogether different from the issue related to vote 10.

As I told Ms. Ratansi, the challenge of costing falls to us, and the people responsible are highly competent. Nevertheless, when an initiative is still in its infancy, the costs are often less detailed. We provide more detailed costing as the initiative is developed, and that is prior to the submission to the Treasury Board.

**Mrs. Alexandra Mendès:** If I understand correctly, that state of affairs has nothing to do with vote 10, for which details are lacking.

**Ms. Karen Cahill:** No, that's not always the case.

● (1700)

**Mrs. Alexandra Mendès:** What's the problem with vote 10, then? Why aren't there more details so that Parliament knows exactly what it is voting on? Why isn't it fleshed out?

**Ms. Karen Cahill:** Vote 10 falls more within Mr. Purves's domain.

**Mrs. Alexandra Mendès:** I know Ms. Santiago would also be quite capable of answering the question.

**Mr. Glenn Purves:** Thank you for your question.

[English]

For vote 10, again, as I said to Mr. Blaikie, these are for horizontal initiatives. They cover many departments. There are design aspects that are still being worked out. It's not known what the precise amounts are that are going to be allocated for each department, so it can't necessarily be treated in the same way that some of these budget measures have been treated, where the precise amounts are known for different departments and then they're put in budget implementation votes.

Again, the details are still to be worked out, but it's still a horizontal strategic initiative where the expectation is that the funding would be needed before the next supply window or appropriation act.

**The Chair:** Thank you very much.

Mr. McCauley.

**Mr. Kelly McCauley:** I have a last couple of things for you. I'm looking at the departmental plan.

I have a quote here from the "Departmental Results", on page 1:

Canadians deserve to know how the government spends their tax dollars, what results are expected from government programs, and what is being achieved.

When I look at page 11 of your departmental plan, the very first one, on the results, states: "Departments achieve measurable results", with the indicators, and the "[p]ercentage of departmental results indicators for which targets are achieved", and then, under "Target", a non-specific target is put in. It's ironic. Why would we not put an exact target?

The very next one is Treasury Board proposals. The target is "at least"—not a firm number. Again, these are paper documents tabled in Parliament to hold the government and departments accountable, but the plan is between 75% and 85%, or "at least". Why, in the Treasury Board, which is supposed to be the leader on the departmental plans, are we still seeing such problems, I guess?

**Mr. Glenn Purves:** I'll kick in just from the broader vantage point. I think the root of your issue is, why aren't indicators either

better indicators or more specific, or why is there ambiguity around this?

**Mr. Kelly McCauley:** Yes. If your boss asked you "What are your goals for the year?", nowhere would you would get away with saying, "Between 75 and 80" or "at least this."

**Mr. Glenn Purves:** I would say—

**Mr. Kelly McCauley:** You're supposed to be the leader on this, and yet, according to the Treasury Board framework, your own departmental plan isn't, I guess, up to snuff.

**Mr. Glenn Purves:** I wouldn't characterize it like that. I think that the policy on results was put into place in 2016, and as part of that, every department has to create its departmental results framework. It has to identify the indicators that are most useful and most measurable to be able to actually identify results related to its core responsibilities, as you know. Through the departmental plans and the departmental results reports, I think we've seen an evolution over the last couple years in how these indicators are being refined and the type of indicators being used. Certainly the indicator that you're citing—

**Mr. Kelly McCauley:** So you're saying next year there will be more specific numbers?

**Mr. Glenn Purves:** I would say that, as more time goes on, you're going to have more refinement in a lot of these indicators, because you tend to have more experience with the actual data behind them, and over time you tend to have a narrowing of indicators, as well, in terms of ones that you find are more meaningful. That's part of the reason we have that GC InfoBase, because we want to make sure that Canadians can actually access this. What are the hits they are searching on? To use Treasury Board's departmental plan as an example, what are Canadians interested in about that departmental plan? What are the indicators they're interested in?

**Mr. Kelly McCauley:** The departmental plan is setting out the department's priorities and what Canadians can expect. I would think that Canadians expect to know what they're getting for—

● (1705)

**Mr. Glenn Purves:** I would say that those priorities are very clear in the departmental plan. You're saying that one indicator is not up to snuff. We have a lot of indicators, and I think these are things that we continue to improve. Certainly in terms of the OGGO report—I think that was your recommendation 11 or 12—

**Mr. Kelly McCauley:** I have one last minute. I think we'll move on from my....

**Mr. Glenn Purves:** Sure.

**Mr. Kelly McCauley:** In the Q and A for Treasury Board, on the estimates, question 7 says:

Most of my organization's Budget measures have not yet been approved by Treasury Board. What can I say about those measures at a committee appearance?

The answer is:

Give brief, high-level responses that stay as close as possible to the Budget narrative.

I don't think you wrote that, but when you look at the government's own website, the definition of the budget is "a financial expression of...government...policies", with the estimates providing "a breakdown...of how government plans to spend public funds". We're advising public servants, when they're asked questions about the estimates that they don't have answers for, to stay as close as possible to the political narrative. Do you not see any issue?

**Mr. Glenn Purves:** No, I wouldn't characterize it that way at all. I think, coming out of the experience last year, the interest was in ensuring that—

**Mr. Kelly McCauley:** This is from your own documents, though.

**Mr. Glenn Purves:** —public servants who are sitting across the table at committees are able to respond on issues. In other words—

**The Chair:** I'm sorry, Mr. Purves but we'll have to leave it at that. If you wish to give—

**Mr. Glenn Purves:** I think it's the opposite of what you're saying.

**Mr. Kelly McCauley:** I think we'll agree to disagree.

**Mr. Glenn Purves:** Fair enough.

**The Chair:** Thank you very much.

Mr. Drouin, go ahead for five minutes, please.

**Mr. Francis Drouin:** I don't think I'll need five minutes.

I know this morning there was an announcement about the next generation payments system when I was driving. I heard some key words about a pilot project and making sure there's a parallel system. I can see that we're learning. We've obviously learned from the Phoenix pay system, and I was wondering.... I'm assuming....

Ms. Manchevsky—did I pronounce that properly?

**Mrs. Jacquie Manchevsky (Corporate Secretary, Next Generation HR and Pay Team, Treasury Board Secretariat):** Yes, that's excellent.

**Mr. Francis Drouin:** Can you update this committee on where you want to go with this particular pilot project and what the next steps will be over the next year?

**Mrs. Jacquie Manchevsky:** Sure. Maybe I'll take you back to two budgets ago. There was \$18 million set aside to stand up a team that was going to look at options and recommendations. At the time, the set-up was around pay and the replacement of Phoenix. What I would say is that as we got out there and started working with vendors, it became very clear to us there really isn't such a thing. You typically would buy an HR and pay system, and so the next generation HR and pay team came into being.

The team was led by Alex Benay, but was very much supported by OCHRO and Nancy Chahwan, the chief human resources officer. It started as a team, a very small team, that was going to use an agile procurement process, which I'll talk briefly about, to identify options moving forward.

The team did a few things. One was looking at lessons learned. We had the benefit of looking at other jurisdictions, Australia, California and Alberta, and also at Phoenix and at recommendations in OAG reports to look at lessons learned and what we could do differently.

The other thing we did was to engage civil servants; we engaged government departments and HR professionals to identify what some of those key things were as we move forward.

Then there was the agile procurement process. The way it typically works in procurement, as I think most of you would know, is that the government hunkers down and writes down a series of business requirements in a little cave, and then sends them out. It goes out to the vendors, and the vendors are trying to figure out what government means. There are long blackout periods. By the time the whole thing is done, nobody has actually spoken to each other, and it's years later, and of course what you've asked for is typically outdated.

What this process does is that it allowed us to kick off with an industry day back in the fall when we talked about a process wherein we would, in fact, do it through a series of gates. We weren't going to hunker down; we were going to sit down and identify through each gate...and down-select vendors.

Gate 1, which was last fall, leaned on digital standards. The digital standards include, of course, security, official languages and accessibility, but there is what I like to call the non-digital of the digital standards, which says that thou shalt consult the client, thou shalt be iterative, thou shalt be agile and thou shalt be in the open. We had really embraced all of those standards. Gate 1 was about whether vendors could meet those standards.

Seven vendors applied through gate 1, and very quickly we down-selected five into gate 2. Gate 2 was all about the testing. We brought in subject matter experts from across government. Those were executives. We brought in user testing. We ran user testing in lobbies. We had public servants from coast to coast to coast testing it. From that, we were able to down-select three vendors from gate 2 to gate 3.

I should also say that the interesting part about this process is that, because of its openness, we sat with vendors and defined what those requirements were. That was very helpful to us because, as government, we don't know what the latest and greatest is out there. Vendors were sitting with us and saying, "You don't really mean that; what you mean is this", so the gates would change, and the requirements would change within the gates. We had unions in the tent. The unions helped us define what those requirements were. They sat and did the bids with us as well.

The objective of gate 3 was to do two things. We achieved part one today, which is quite exciting. The first objective was to qualify up to three vendors we could draw on. We realized early on that government isn't homogenous. The possibility of our using one system across the Government of Canada is unlikely.

•(1710)

**Mr. Francis Drouin:** Yes, so is it like a standing offer, and you can pick and choose.

**Mrs. Jacquie Manchevsky:** Yes, that's how I define it. My procurement colleagues have a very different... But, yes, in my mind it's this ability; it's a standing offer. These are leading-edge companies that we can call on for a whole raft of things. We realize that it's not going to be a one size fits all. They are going to be some government departments that will be looking for something different.

Today we were able to advise on the three companies. The next phase will be the first problem that we're going to launch, which is identifying a vendor that we will want to move forward with to look at piloting HR.

**Mr. Francis Drouin:** Great, thank you.

**The Chair:** Thank you very much.

Colleagues, is there anything else?

Mr. Blaikie, you will have the last intervention.

**Ms. Yasmin Ratansi:** Madam Yip had a question she wanted to ask.

**The Chair:** I'm sorry, I didn't have that down here.

**Ms. Yasmin Ratansi:** Oh, you didn't? Sorry.

**The Chair:** We'll go Mr. Blaikie and then back to Madam Yip.

**Mr. Daniel Blaikie:** I just want to come back to some of these questions in the estimates.

What I'm hearing—and you can correct me if I'm wrong—is that in these votes, whether it's the central vote, the budget implementation vote from last year or a corollary in this year's estimates, the expanding government-wide initiative votes essentially are being constructed this way because government wants to be able to do its program design and then spend the money right away. It's a timing issue. You used that word earlier, that it's really about timing. The idea is that, as soon as program design is done, the money has already been approved, and off we go.

Is that a fair characterization of the reason these large votes are being presented to Parliament for approval prior to program design being complete, or even begun in some cases?

**Mr. Glenn Purves:** I would emphasize implementation. Making sure of the design and the implementation, making sure that the funds are dedicated to the right departments in certain circumstances with respect to vote 10, and are identified for the right votes is appropriate. There are times when many initiatives are ready for a decision but certain implementation parameters still need to be worked out. If you want to say—

**Mr. Daniel Blaikie:** But in some of these cases, we're talking—

**Mr. Glenn Purves:** —it's purely a timing issue, I would say it's more about making sure that the funding that is approved is targeted and directed in the best way possible.

**Mr. Daniel Blaikie:** Yes, but I just don't see how we can be asked to approve funding when even the broad lines, in some cases, aren't already established. Don't you think it's an odd control? Parliament is supposed to be about spending control. We're supposed to challenge government on whether or not the way it's proceeding with a

particular policy objective actually makes sense. Since this government came in and these estimates were formed, the tendency has been to ask Parliament to approve more funding with less information about how the money will actually be spent.

The only thing I've heard that approaches a justification for that is that we want to be able to spend the money as soon as we have the program design so that there's no time-lapse between when the program design is complete and the authority is granted by Parliament. I don't find it a compelling argument. You talked about the end of the supply cycle and that there are only so many supplementary estimates. In fact, the government's own estimates reform has caused there to be fewer ordinary supplementary estimates and therefore fewer opportunities to come for spending authorities after program design has been complete.

There's no restriction in the Standing Orders on how many supplementary estimates the government can bring forward or when it can bring them forward. In fact, the government can adopt supplementary estimates as an order of the day, as a government order in the House, and cause votes to happen outside the ordinary supply cycle. I mean, there is a supply cycle that's set up. That's helpful, obviously. It's routine. But it seems like the habit of government, of having only three supplementary estimate cycles and now two, has become canonized in a way that's not true of the...

I guess what I'm really driving at is that I have been objecting to the way government has reformed the estimates process in this Parliament. That's not a secret to anybody sitting at this table. I don't think it's a secret to almost anybody who's been paying attention to this. My principal objection has been that government is coming to Parliament with less information about how it actually plans to spend money. It has the blurb from the budget; that's nice. Mr. McCauley cited a document that I cited at the last meeting that actively encourages departments to respond to detailed spending questions with the high-level blurb from the budget. I mean, that doesn't help parliamentarians do their job.

What is the justification for moving to a system that makes it impossible in principle for parliamentarians to ask questions about how the money will actually be spent? Why are we doing this? It's undermining parliamentarians' ability to do their job. I want to know what the win is. I can speculate as to what it is. People familiar with politics would say that this creates opportunities for government to play fast and loose with other people's money. That's what happens. And that's true of not just government. In any organization where you don't have executives who are prepared to answer detailed questions about what they plan to do with money, you run into trouble.

•(1715)

**The Chair:** Thank you, Mr. Blaikie.

I won't ask you to make any kind of response, as we're completely out of time. However, it's a legitimate question—

**Mr. Daniel Blaikie:** It's frustrating.

**The Chair:** —so if you could provide a narrative in your answer, through the clerk, to Mr. Blaikie's direct question, that would be much appreciated.

**Mr. Glenn Purves:** Sure. I'd be very happy to answer it.



**The Chair:** Thank you very much.

Finally, we will go to Madam Yip.

**Ms. Jean Yip:** Thanks for coming.

An amount of \$300,000 is allocated for advancing gender equality. How is that funding being spent?

**Mr. Glenn Purves:** That's correct. In December the Canadian Gender Budgeting Act passed. Under that act, there's a requirement for the Minister of Finance to look at incremental measures and to do GBA+ assessments. A gender budgeting document accompanied the last budget, and it did these kinds of assessments. Under that act, there's a requirement for the President of the Treasury Board to look at, for lack of a better word, the "stock" of spending—existing spending—and to do an *ex post* assessment of GBA+ of government programming. That funding will be used to help support that initiative on an ongoing basis.

**Ms. Jean Yip:** So, collecting data—

**Mr. Glenn Purves:** Collecting—

**Ms. Jean Yip:** —ensuring accountability—

**Mr. Glenn Purves:** Collecting data, and the addition of an extra FTE. It will work towards trying to get better administrative-level data from programs, and working with other departments to ensure that better administrative-level data is able to sync with StatsCan data in a way that will allow better data to come from these programs.

The intention is to do this on an ongoing annual basis, and looking at our existing reporting structure—like on the departmental results reports and so forth—to see how we can integrate that information better. That funding is going towards annual costs for Treasury Board to implement the requirements under the Canadian Gender Budgeting Act.

**Ms. Jean Yip:** That requires hiring people to do that?

**Mr. Glenn Purves:** It will be an extra FTE, but also—

• (1720)

**Ms. Jean Yip:** FTE is...?

**Mr. Glenn Purves:** Full-time equivalent, so an extra person. It will also go towards whatever data implementation is necessary for doing that.

There are certain data activities that will be required, and working with the departmental community—possibly consultations and so forth—and so those funds will be used to defray the costs of those initiatives.

**Ms. Jean Yip:** In your departmental plan, it says that the TBS plans to increase diversity at the executive levels of the federal public service. What initiatives will the TBS put in place to increase diversity?

**Ms. Karen Cahill:** First of all, I'd like to say that currently, for the number of EXs from minority groups, we are over and above the workforce availability. That's for executive groups.

The percentage of executive employees who are aboriginal persons, however, is below the workforce availability. We will try to increase the overall representation of aboriginal persons through targeted recruitment programs. We will also address potential barriers to career advancement and work with departments to accommodate second language training. To be an executive you have to be able to speak both languages. Those are a few of measures we will take to meet the need for indigenous public servants.

I don't know, Sandra, if you want to add to that, but it's what we're planning to do.

We're also looking at different ways of increasing the accessibility of our building through the tools we offer the employees.

**The Chair:** Thank you very much.

Colleagues, since this is our last meeting of this Parliament, I wish all of you a very good and, hopefully, productive summer.

Since we're all partisans around this table, it would be completely disingenuous of me to say I hope to see all of you back here again.

**Some hon. members:** Oh, oh!

**The Chair:** However, in all honesty and all sincerity, I do wish all of you the best of luck in the upcoming campaigns. I hope you really do have a good summer.

Mr. Purves, to you and your officials, thank you once again for being here. I do hope to see you and your officials back here the next time we sit. Once again, I hope all of you have a very successful and productive summer.

Colleagues, we are adjourned.



**Opening Statement**

**By**

**Bill Matthews**

**Deputy Minister of Public Services and Procurement Canada**

**At**

**Standing Committee on Government Operations and Estimates**

**Follow-up: Main Estimates 2019-2020**

Mr. Chair and Committee members, good afternoon and thank you for inviting us back. Given that Minister Qualtrough tabled opening remarks with the Committee at last week's appearance, I will make my opening statement very brief.

With me today from Public Services and Procurement Canada are Associate Deputy Minister Les Linklater and Michael Vandergrift, as well as our Chief Financial Officer Marty Muldoon and Andre Fillion, the Assistant Deputy Minister responsible for Defence and Marine Procurement.

In addition, given that at last week's session, there was some discussion about the renewal of federal science infrastructure, I have invited Dr. Janet King, the Associate Deputy Minister leading the initiative to join us today.

We are pleased to be back to answer any follow-up questions you may have regarding our Main Estimates for 2019–2020.

I would like to draw the Committee's attention to the presentation that was tabled last week on this topic and I would be happy to provide the committee a walkthrough of the deck. Alternatively we can just leave it as tabled and members are free to refer to it, if it is helpful in framing their questions.

The deck contains information about this year's Estimates, which amounts to a request of \$4.2 billion for PSPC.

Well over half of this amount will be spent on property and infrastructure such as the parliamentary precinct.

This year's Estimates also include \$1 billion in new spending as outlined in the Government's 2019 Budget.

Of this, \$373 million will provide long-term, predictable funding for larger capital projects such as the rehabilitation of the Alaska Highway.

\$275 million will provide maintenance, repair and other real property services for federal office space, which PSPC provides for 99 federal departments and agencies in more than 1,500 locations across Canada.

Mr. Chair, I would also note that more than one-third of the new spending will support the Government of Canada's ongoing efforts to stabilize the current pay system and address pay issues.

These funds will help maintain the increased capacity for processing pay transactions.

Mr. Chair, I will stop there. If you would like me to walk through the presentation, please let me know, if not, I look forward to the Committee's questions.

Thank you.

**Opening Statement by Shared Services Canada  
Official**

**Standing Committee on Government Operations and  
Estimates**

**2019-20 Main Estimates and  
2019-20 Departmental Plan**

**June 12, 2019**

Thank you Mr. Chair.

**[Denis Bombardier, Chief Financial Officer]**

I am very pleased to have the opportunity to appear before the Committee to discuss the 2019-20 Main Estimates and the Departmental Plan for Shared Services Canada.

As members of this Committee well-know, Shared Services Canada delivers a wide range of IT services to departments.

These services support the delivery of programs and services to Canadians.

And we have made important progress.

Over the last number of years, we have closed over 200 outdated, legacy data centres and opened 3 large

state-of-the-art ones that are more efficient, reliable, and secure.

These enterprise data centres provide our clients with modern IT infrastructure that improves the services and programs they deliver to Canadians.

The cloud service broker has become a central part of the Department work.

The Department has evaluated more than 200 requests for cloud services from more than 45 departments.

And just last month, Mr. Chair, we announced a renewed agreement with Microsoft Canada on a new suite of modern digital communications tools for the public service.

Through this agreement, Shared Services Canada will provide 400,000 federal public servants in over 100 departments with a suite of Office 365 tools that will



enable them to deliver services to Canadians that are timely and citizen-centred.

Let me now turn to the Shared Services Canada's Main Estimates.

Through these Main Estimates, Shared Services Canada is seeking \$1.9 billion in funding to continue providing modern, reliable, and secure IT infrastructure services to our partners and Canadians.

This includes:

- \$120 million to replace aging IT infrastructure;
- \$12 million to support the 2021 Census;
- \$10.3 million to support cyber security investments;  
and

- \$1.6 million to support the Government of Canada in becoming a leading barrier-free employer, As the Canadian Accessibility Act requires, and hiring 5,000 persons with disabilities over the next 5 years.

The Accessibility, Accommodation and Adaptive Computer Technology Program assists employers to integrate employees with disabilities, injuries, or ergonomic requirement by providing access to systems, programs, information, computers and other resources.

This investment will be used to increase the capacity of the program to meet the growing demands for its Government-wide services.

Mr. Chair, as we move forward, we are putting a renewed focus on strengthening our IT infrastructure to ensure it is secure, reliable and responds to the needs of Canadians.

These investments and our ongoing initiatives will help improve the services we provide to departments and to Canadians.

Mr. Chair, Shared Services Canada is making great progress as it continues to evolve a modern and secure digital government service delivery model within an ever-changing IT landscape.

This concludes my opening statement.

Thank you Mr. Chair.

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