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**EVIDENCE**

**Monday, September 19, 2016**

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**Chair**

**Mr. Tom Lukiwski**



## Standing Committee on Government Operations and Estimates

Monday, September 19, 2016

• (1530)

[English]

**The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)):** Colleagues, we'll begin. Could we ask all of our witnesses to take their seats, please. Thank you.

Welcome to the 25th meeting of the Standing Committee on Government Operations and Estimates.

We have with us today, once again, the minister responsible for the Phoenix pay system, and a couple of her colleagues.

Minister Foote, welcome once again. I would ask you to please introduce to the committee the colleagues you have with you, and then I believe you have an opening statement as well.

**Hon. Judy Foote (Minister of Public Services and Procurement):** Thank you, Mr. Chair. It's good to be back again.

With me is the deputy minister, Marie Lemay. Next to Marie is Gavin Liddy, the associate deputy minister. It's good to have both of them here with me today.

Good afternoon, *bonjour*. Thank you for the opportunity to provide you with another status update on the Government of Canada's Phoenix system.

At the outset, I will repeat what I have said numerous times, that what we are discussing today is not the fault of the employees at the Public Service Pay Centre in Miramichi, nor of government employees in general.

In the interest of brevity, my opening statement will focus on three main areas. First is the progress we have made, which is reflected by the current number of pay cases. Second is the actions we have taken since Deputy Lemay appeared before you on July 28. Third is a sense of what we expect pay administration will look like once it reaches a steady state.

As I've said many times, it is absolutely unacceptable for any public servant to not be paid or to be shortchanged for work performed. Fixing pay administration is a top priority and is certainly a top priority for me as the minister. I am committed to ensuring that federal employees get paid on time the money they are owed for work performed.

Today I can report that while there are employees still affected by pay problems, there has been steady progress since the committee last met. The numbers that follow are from the most recent complete pay period: August 24 to September 7.

In the priority one group are public service employees who informed us that they are not receiving any pay. There were actually 59 newly reported cases in that two-week period compared to 720 that were reported on July 18.

In the priority two group are those whose pay is affected by going on leave or exiting the public service. There were 335 new cases compared to 1,100 reported on July 18.

In the priority three group is the backlog of those employees receiving their regular pay, but missing supplementary pay. We started with 82,000 cases, and we are now at 67,500.

In late July our call centre received an average of 2,500 calls a day, and wait times were just under four minutes. The call centre is now receiving 1,250 calls a day on average, with a wait time of about five seconds.

You may be wondering why there is a discrepancy between the number of cases I just stated and the numbers that I reported when I appeared before you previously. As with any major IT system transformation, challenges were expected with Phoenix, and issues did arise. When Phoenix came online, the Public Service Pay Centre was faced with a backlog of about 40,000 cases. Early on, issues related to this backlog were, for the most part, manageable. However, reported pay problems outpaced our capacity to respond, which is why the department took decisive action and hired additional employees.

Since July 28, one of the two main sources of problems with the implementation of Phoenix was the large backlog of unprocessed pay requests. As you heard last time, four additional temporary pay units were set up to handle the backlog and allow the pay centre to deal with incoming pay requests and new cases. As of late July, 57 compensation advisers had been hired to work at the temporary unit in Gatineau, and at satellite offices in Winnipeg, Montreal, and Shawinigan, and those four offices were still being set up. They now have been up and running for several weeks and we now have over 200 employees—220 to be exact, and that number will go to 250—in place who are becoming more proficient with every case they handle.

The other major source of pay issues relates to the learning curve of Phoenix users. Deputy Lemay explained in July that when the department introduced Phoenix it underestimated the amount of training required. The implementation of Phoenix was much more than a new piece of software. It fundamentally changed the way government human resources need to operate. Much more should have been done to plan and prepare for the significant shift. Resources that were allocated for the implementation of Phoenix were not sufficient to ensure a smooth and successful rollout.

To fill this gap, Public Services and Procurement is holding training sessions for human resources staff across the government. Fourteen sessions have been scheduled this month that address those most common for users. The sessions also allow the department to gather feedback, which is used to adjust training materials and find ways to enhance the system.

The department continually renews its website with updated tools, technical guides, and frequently asked questions. Deputy Lemay is working closely with her deputy colleagues, chief financial officers, and heads of human resources across government to identify the problems that are arising and how to solve them.

There is also a constant flow of information to human resources staff and Phoenix representatives across government to highlight ways to prevent common issues. As well, we have a process for continuously improving Phoenix.

The department is working with IBM and pay specialists to identify ways to help our pay advisers more efficiently process payments. Our goal is to make it easier for our pay advisers to get pay flowing to their colleagues throughout the government.

While these efforts are critical, they do not provide much comfort to those who have experienced pay issues. We are working tirelessly to help each and every employee experiencing a problem with his or her pay. No employee need go without pay. I strongly encourage employees to request the emergency salary advances that can be provided by their own departments or through our Phoenix feedback form.

Employees who have received emergency advances or have been incorrectly overpaid will have these amounts recovered over multiple pay periods to reduce the associated financial burden. On September 15, Treasury Board Secretariat announced a process to reimburse employees for any out-of-pocket expenses incurred as a result of missing pay, such as financial penalties for missed or late payments. Employees can claim such expenses through their own departments using a form found on the Canada.ca website, as long as they have receipts and documentation.

Returning to the backlog for a moment, Deputy Lemay made a commitment to clear the backlog by October 31, and I am told we intend to meet that date. We are starting to see our satellite units becoming more operational and processing more transactions daily. The bulk of the transactions in the backlog should be addressed between the end of September and the end of October, which is when we will have the majority of our compensation advisers processing cases at full capacity.

Clearing the backlog alone will not bring us to what we call a steady state, however, and the temporary pay units will remain in

place, and I have said that repeatedly as well. They will remain in place until we have reached steady state. We will have reached steady state when pay requests are processed efficiently, consistently, and with minimal errors.

We have made progress through the remedies we have put in place, but we still have a distance to go. Many partners have helped us get there. Key among these are the unions that have been instrumental in helping us identify problems and staff the temporary pay centre in Gatineau and the three additional pay hub units.

Deputy Lemay and I have visited the pay centre and met with employees in Miramichi. Employees heard it directly from me. They have my full support and in no way should they feel that this situation is of their making.

I have seen first-hand the hard work and commitment of employees involved with the Phoenix initiative. These employees are hard-working and dedicated to getting our pay system back on track. They have collectively stepped up to ensure that public service employees throughout the country are being paid for their work.

In June, I requested a review by the Auditor General of Canada, and I am pleased to report that he has agreed to perform a financial and performance audit of Phoenix.

The department is also committed to an independent assessment of the planning and implementation of Phoenix, which, of course, dates back many years. What has been learned from this experience will be used in planning for future projects.

We're pleased to be here today to answer your questions, and I look forward to having the opportunity to do so.

● (1535)

**The Chair:** Thank you very much, Minister, and colleagues. It is my understanding, Minister, and perhaps you could confirm, that you will be able to be with us until 4:30 p.m.

**Hon. Judy Foote:** I will.

**The Chair:** Madam Lemay and Mr. Liddy will be with us for the second hour, from 4:30 p.m. until 5:30 p.m., after which we will go in camera for some committee business.

Minister, we'll follow the usual procedure for questions and answers. The first round of questions will be a seven-minute round. We'll start with the government side. Madam Ratansi, please, for seven minutes.

• (1540)

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Thank you, Minister, for being here, and thank you for the update. It is commendable that you're trying to do your best to mitigate some of the challenges and problems left by the previous government. It's an interesting situation because people don't understand what really happened. A *Globe and Mail* article really paints a very bad picture. It says:

Canada isn't some tin-pot country that can't pay its workers.... It's a G7 country....

Stephen Harper's Conservative government was eager to demonstrate it could wring billions of dollars of savings out of a fat government bureaucracy it neither liked nor trusted.

And it brought in this Shared Services Canada and the Phoenix system. The article goes on to say that both have been "unmitigated disasters".

How do you put in a system without training the workers and by firing 1,000 payroll advisers who have now taken on different jobs? I think it is important for people to realize that your department and the government have been working hard, but there is still more work to be done. As you mentioned, it is important that no employee goes without pay. I understand that you have opened up satellites in Winnipeg, in Shawinigan, in Montreal, and a temporary call centre in Toronto.

Could you tell me, in your current assessment, how long those centres will be left open?

**Hon. Judy Foote:** Thank you for the question.

Early on I committed to keeping those centres open for as long as we needed to keep them open, the idea being that we're looking at hiring 250 compensation advisers. We need to be able to make sure that we get to what we call a steady state. The definition of that steady state we don't have yet; of course we're looking to past practice to determine what was a steady state, but with a new system, we'd like to think that it will be better than it has been in the past. In order to get there, in order to make sure that as few employees as possible go without pay for work performed if all of the information is entered correctly.... We want to make sure that these individuals we've hired to help our employees, particularly those in Miramichi who are doing a really good job but who need some help from time to time, are kept until we no longer need them.

**Ms. Yasmin Ratansi:** For the backlog that will be targeted to be covered by October 31, do you think your department will be able to meet the deadline of October 31?

**Hon. Judy Foote:** That's a question I continue to ask. It's really important for me as minister to have that comfort that we are doing everything we possibly can to clear up that backlog, bearing in mind that 40,000 of the 82,000 actually came from the previous system; they predated Phoenix. This is why we ended up with 80,000 as a backlog, because, of course, when you brought a new system on stream, you had the employees in Miramichi who were trying to deal with not only the daily cases that they had—employees who were needing to be paid—but they also had the backlog of 40,000 to deal with. That just created more of a backlog. That's how we ended up with the 80-odd thousand.

We are working really hard and we're finding that the more experience the public service employees who are working on the Phoenix system have, and the more they get to work on the system, the better they are at doing it. It is not through no fault of their own that they're not better at doing it, but I think you indicated at the outset that one of the things we have found is that the employees who were expected to do this work were expected to do so without sufficient training.

**Ms. Yasmin Ratansi:** There's the issue of sufficient training and the ones who had training were let go and they found other jobs. The lack of planning, the lack of testing the system, and the lack of dollars now lead you to not realize any savings. In fact, the Harper Conservatives had realized a savings of \$70 million, which will probably now go into millions in deficit.

Do you have any sense of how much it will cost you and your department and the government to repair the damages done by the previous Conservatives?

• (1545)

**Hon. Judy Foote:** What we're looking at is that the previous government looked at saving, I think, \$70 million annually, so this year they would have been saving \$70 million as a result of the introduction of Phoenix and, yes, the elimination of some 700 positions for compensation advisers. There's that and the decisions that were made around the training that was required, but not determined to be a path that the previous government should have gone down....

Then we're going to look at spending in the realm of about \$50 million, I would say, so instead of the \$70 million, whether or not we'll even realize on the \$20 million we don't know, because, as I said, Treasury Board has already introduced measures that will enable them to help those employees who are finding themselves hard done by because of issues associated with Phoenix.

**Ms. Yasmin Ratansi:** Minister, when I was in Newfoundland, the staff at Miramichi were very stressed out. I understand you visited them. Do you have a sense of their well-being now? Have you given them an assurance? Have they received extra help and extra training? Are they now in a good place?

**Hon. Judy Foote:** We are working very closely with the union, and we need to, because of course they are there and they know exactly what stress levels the employees are experiencing. I met with them and I can tell you that they want to do their very best and they're working really hard. We've put in place employee assistance personnel to work with them to help them particularly to deal with stressful situations.

I went there purposely to tell them that what is happening with Phoenix is not anything of their making, that in fact this is happening, and that, really, in terms of the measures that should have been taken in advance when the previous government decided they were going to go with Phoenix, maybe a little more thought should have gone into those measures, to make sure.... If you have a vision for a new payroll system, the focus should not be on realizing savings. You should first realize your vision and then get your savings once your vision has been realized.

**The Chair:** Thank you, Minister.

Mr. Blaney, please, for seven minutes.

[*Translation*]

**Hon. Steven Blaney (Bellechasse—Les Etchemins—Lévis, CPC):** Thank you, Mr. Chair.

In her statement, Ms. Foote told us that everything would be resolved by October 31. Rather than doing partisan politics like my friends across the way, I want to say that I intend to table a motion. The people listening to us are the thousands of Canadian workers who have not been paid and are chasing their money.

Madam Minister, you asked me a little earlier if I had had a good summer. I had a good summer because, happily, I received the remuneration I was due. However, that is not what happened to one of the chief engineers of the coast guard, who is missing \$8,000, or to a sailor who does not earn very much if you compare his salary to that of other federal employees, who has received no pay and cannot pay his mortgage or rent or buy groceries. In addition, you are surely aware of the pathetic case reported by the media of a woman who was coming back from sick leave because of breast cancer. She has four children and is going through an administrative nightmare.

These people did not have a good summer, and they are the reason we are here today. We are not here to do partisan politics. We want solutions. That is why, Mr. Chair, I intend to table a motion to invite the minister to report on the status of the situation, and her schedule. This situation is a disaster, Madam Minister. It is an absolute shambles.

Madam Minister, this is shocking. We have had the opportunity of hearing you, as well as Minister Brison. I think we had the wool pulled over our eyes, because we were told that everything was fine, thank you very much!

On March 10, the Deputy Minister of Public Works and Government Services talked about popping open the champagne. We have to put the champagne back in the refrigerator, because Canadian families have not been receiving their paycheques, and they need them.

On April 19, a month later, we were told that even if problem cases totalled only 1%, they would not launch the system. One per cent of 300,000 public servants means 3,000 people. There were 80,000, and now there are 60,000. Things are not going well at all.

Madam Minister, you knew from the beginning that the pay system was not ready to be implemented. Why did you give the go-ahead when you knew that this was going to create a complete

shambles? I am going to put my question in English to facilitate understanding.

• (1550)

[*English*]

Why have you decided to give the green light to the implementation of Phoenix despite having been briefed on potential risks which could threaten the financial livelihood of Canadian families?

**Hon. Judy Foote:** Thank you for the question.

First, let me correct something you said at the outset. At no point did I say that come October 31 everything will be solved. That is not what we said. We said that the backlog of cases, the 82,000, is what the department is telling me will be solved.

That doesn't mean we won't continue to have challenges. We are talking here about a payroll system of 300,000 employees. There is no payroll system in the country, I would expect, where you don't have challenges if you have a payroll of even half that magnitude.

What we are telling you is that when we get to what is referred to as a steady state, where you know you're going to have some challenges but nothing of the magnitude we have now.... The reality is that we will always have challenges. Will we have thousands of people going without pay? I hope not. That's certainly not where my head is.

I have said repeatedly that it is totally unacceptable for any public service employee to go without pay for work performed. To suggest that it would be acceptable to anyone...it's certainly not. I too have seen the stories that you have referenced. My heart aches for those individuals who are impacted. I too have constituents who are finding themselves in the same situation.

Of course it's not acceptable and we are doing everything we can to deal with that. When you talk about hitting a green light, what is really interesting is if you look at the decision made by the previous government.... I know that you have referenced partisanship. I try to steer away from that, because my issue is to solve the problem. My issue is to not continue to point fingers, but the reality is that what we inherited meant that 700 compensation advisers had been let go by the previous government.

Employees who had been doing that very work—you're now asking why the work is not getting done—were let go by the previous government. It's kind of hard when I ask, "Are you sure this is going to work? Are you sure I'm not going to face issues here? Are you sure that employees are not going to go without pay? Are you sure we're ready to go with Phoenix?", and I'm told every time, after every briefing note, "Ready to go", "Ready to go", "Ready to go". That is based on the information that would have come from the previous government's decision to implement Phoenix.

You're asking me questions here. The reality is that if those employees had not been let go, if the vision had been allowed to proceed without trying to realize \$70 million in savings, I'm expecting that we would not be finding ourselves in the same situation we're in today.

**Hon. Steven Blaney:** Madam Minister, whether—

**Hon. Judy Foote:** It is mine to fix, and I'm going to fix it, with the department.

**Hon. Steven Blaney:** Well, I expect that you will fix it, and I would really appreciate it if you would come back here a month from now and confirm what you said just a few minutes ago regarding the backlog that your deputy minister has committed to eliminate, eliminate, eliminate. I have here a fancy chart, and let me see where it is. I just have to go to your website. This is the backlog: 67,500. These are those who are waiting to get paid for what they did, for what they earned and what they honestly deserve to be paid.

Madam Minister, I disagree with you on whether we have a problem of trust or a problem of judgment, whether you were misinformed, which is a big problem, or whether you made the decision...and this is what we are told: that you had your civil servants telling you the system was not ready; you had the consultants telling you the system was not ready. Now we have entered into this. We are into this mess. What is even more frustrating for us here on this position is that we were told all along the way, "Oh, it's minor; we have just a little emergency, and we are settling this, and only a couple of dozen were affected—"

**The Chair:** Mr. Blaney, excuse me, but I'm going to have to interrupt there. I suspect you could go on for quite some time, and I'm sure the minister would respond accordingly, but we do have some time constraints before us so that we can have all members ask questions of the minister.

Minister, I think you understand where Mr. Blaney is coming from. You may want to phrase a bit of a response in your subsequent answers, but for now we are going to Mr. Weir, please, for seven minutes.

• (1555)

**Mr. Erin Weir (Regina—Lewvan, NDP):** Thank you.

Madam Minister, the last time you appeared before this committee I asked about the Phoenix pay system and you indicated that there were only 77 unresolved cases. After Parliament adjourned, the government acknowledged that there were 80,000 employees who had been paid incorrectly but promised that would be rectified by the end of October.

You've repeated that date today, but it strikes me that with 67,500 outstanding cases the government is not actually on track to resolve that backlog by the end of October. I wonder if you could speak to that timeline of going from 80,000 in July, to 67,000 in September, to having it resolved by October.

**Hon. Judy Foote:** Thank you for the question.

I am as on top of this as you expect me to be and want me to be and am asking the same questions, because I need the assurance—and the employees who are going without pay need the assurance—

that they are going to be compensated for work performed. There's not a day goes by when that question doesn't get asked: are we going to meet the October 31 deadline? I ask that question of the deputy minister. I ask that question of anybody who has anything to do with the Phoenix system. I am told that, based on the number of additional employees we have hired, looking at the number of employees who are getting paid as a result of the additional employees having been hired, and looking at the efficiencies that are being realized in Miramichi as employees become much more familiar with the system, the October 31 deadline is a real deadline.

We are talking about the backlog, and you understand that, because I think there was some concern—

Yes?

**Mr. Erin Weir:** So you do have confidence that the 67,500 cases that are the current backlog will be resolved by the end of October.

**Hon. Judy Foote:** I have—

**Mr. Erin Weir:** It's not just that you're being told that. You yourself believe that deadline.

**Hon. Judy Foote:** I have no reason not to believe it, based on the information I've been given and the work being done in the department. I'm every day at the same thing, not just because I want the backlog cleared up: I want employees to get paid for work performed.

**Mr. Erin Weir:** Okay.

Madam Minister, you have made the point that the Phoenix pay system was a flawed plan inherited from the previous government, but in the end, it was your government that rushed ahead with implementing that flawed plan despite repeated warnings that the system was not ready.

One possibility is that the implementation was rushed so that senior officials could meet deadlines to qualify for performance bonuses. I think you've indicated that performance bonuses will not be paid out this year, but I want to clarify whether top officials who implemented Phoenix might have accrued bonuses that could be paid out at a later date.

**Hon. Judy Foote:** Thank you for the question, but I have to tell you that my mind has not been focused at all on performance bonuses. That is not where I am when it comes to dealing with this file.

We are determined to fix a broken system, a system that, while we inherited it—I repeat again—is mine to fix. I'm not prepared to say we rushed into it, because I know that I repeatedly asked questions, but the reality is that when the question of if could we go back to the other system was asked, I was told no, because of course you had the 700 compensation advisers who had been let go, you had systems that had been changed, and there was no going back.

I asked the question: can we go back?

**Mr. Erin Weir:** When you suggest that it wouldn't have been possible to maintain the previous system for a bit longer while these bugs in Phoenix were worked out, are you suggesting that if the government had not gone ahead with implementing phase two of Phoenix, more than 80,000 federal employees would have been paid incorrectly as a result?

**Hon. Judy Foote:** No. What I'm telling you is that when I asked the question of whether or not we could run two systems, I was told no, that would not work, that we could not run two systems, that we have Phoenix, people are being trained on Phoenix, the system is there, and there was no going back. All of those questions, believe me, were asked when we looked at whether or not—

**Mr. Erin Weir:** Okay, but it's not a question of going back. It's a question of just slowing things down and maintaining the system that was in place. I think a lot of people, including people in the federal public service, recommended that, yet your government barreled ahead with the implementation of Phoenix, which has been a disaster.

On the one hand you're acknowledging the problem, but on the other hand, you still seem to be suggesting it was the right decision to go ahead with implementing phase two of Phoenix.

• (1600)

**Hon. Judy Foote:** I was told that we could not run both systems simultaneously.

**Mr. Erin Weir:** Okay, so is the person who told you that going to have some accountability?

**Hon. Judy Foote:** Well, the buck stops with me. I'm the minister responsible—

**Mr. Erin Weir:** Okay.

**Hon. Judy Foote:** —and I'm the one who has to fix the system, working with the department. It doesn't matter who told me what. The reality is that all of those questions were asked, and what we have to do now is fix the system so that there are no public service employees going without pay for time worked.

**Mr. Erin Weir:** Okay.

There have been some questions about the cost of cleaning up the Phoenix mess. I'm not sure that we really have a final tally of what all these pay centres, the compensation to employees, and the lawsuits are going to cost, but there was a figure of \$50 million put out, and that included an additional \$6 million to IBM for 24/7 monitoring of Phoenix.

What I'm wondering is, what obligations did IBM have under the original contract? Also, why are we now paying IBM more money rather than perhaps expecting IBM to compensate taxpayers for its role in this boondoggle?

**The Chair:** Please give us a very brief answer if that's possible.

**Hon. Judy Foote:** What IBM is being paid to do now was not part of their original contract. They would not have been paid for that, because it is something new.

Gavin, am I right on that?

**Mr. Gavin Liddy (Associate Deputy Minister, Department of Public Works and Government Services):** Yes, you are. That's correct.

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

The final seven-minute intervention will go to Mr. Whalen.

**Mr. Nick Whalen (St. John's East, Lib.):** Thank you very much, Minister, for coming to join us today.

It's obviously a difficult situation. I've had employees in my office this summer. Part-time employees had difficulty getting their pay. I also had employees who were continuing to receive pay after they stopped working following the winter semester, so there can be problems on both sides of the coin.

As I looked into it, I learned that historically a certain amount of overpay and underpay happens throughout the government system. Can the department provide us some information on what the typical year-over-year overpay and underpay is so we can get a sense of what steady state might look like based on the past four or five years under the previous system?

**Ms. Marie Lemay (Deputy Minister, Department of Public Works and Government Services):** I'm not able to provide you with that right away. Maybe in the next hour we'll be able to, if that's okay, when Brigitte will be joining us.

**Hon. Judy Foote:** We'll get that information to you.

**Mr. Nick Whalen:** Fair enough.

In addition to the backlog of these priority-three supplemental pay problems up until June 30, I have a real concern that there is a continuing or perhaps an ongoing problem with new supplemental pay requests since June 30 that might be building up. Can the department give us some sense of whether or not supplemental pay that accrued in July has been paid in August or early September, and whether or not a secondary backlog might be developing? What would be the magnitude of those? What would steady state look like in terms of overtime pay errors for 320,000 public servants?

**Ms. Marie Lemay:** Thank you for the question.

If we're looking at extra-duty pay, now an employee can actually go into the system and put in their hours, and their managers can approve them, and that doesn't even go through the pay centre. That is now automatic, and they normally get it within eight to 15 days, depending on how long it takes for their managers to approve it, and for the process to take place.

Regarding the second part of your question, there are transactions coming into the pay centre, and we've said all along that we have not reached our full operational capacity. People are still learning at all levels, and we're getting used to the system, so we know we're not processing transactions as quickly as we will when we reach steady state, but we are making progress. As soon as the backlog—the 82,000 employee cases—that we have has been addressed, we will have the satellite units that are there, so that's over 200 compensation advisers ready to help Miramichi to get to our steady state, and we'll be able to process all within service standards.

I hope that answers your question.

**Mr. Nick Whalen:** Thank you.



Minister, we've heard a lot about training having been the major part of the problem. Do you feel that would have prevented the problem, or are there other causes, such as understaffing during the transition, that really led to the overworking of the employees in Miramichi? Was the phase one period from February to late April perhaps too short a timeline in which to determine whether or not people were getting supplemental pay processed? Was there a problem in the process beyond just the understaffing and the training?

• (1605)

**Hon. Judy Foote:** It's become pretty obvious that sufficient training was not done. In fact, I spoke with the president of IBM, because I wanted to know what had transpired leading up to Phoenix actually coming on stream. Obviously there's a cost associated with training, depending on the degree of training that you decide to go with, and it was made clear to me that the previous government opted to go with the train-the-trainer model versus actually buying into what IBM had advocated as the amount of training that really needed to take place with Phoenix. It was a real eye-opener for me, given the magnitude of this payroll system involving 300,000 employees, that you would opt for the train-the-trainer model instead of looking to make sure you had as much hands-on training as you possibly could.

I think this again goes to the bottom line of trying to realize savings before you've accomplished what you set out to accomplish. This is why we are finding now that those employees who are working so hard with the right training are doing a really good job; they're really quick studies, but I think the reality is that they weren't given that opportunity when they should have been.

**Mr. Nick Whalen:** Outside the training of the pay staff themselves, is there a problem with the training of managers or individual employees? Is the use of the self-service model, paying employees to track their own time, really efficient? We don't pay people to do cleaning within the buildings or to deliver all their own mail within buildings in government.

Is paying employees to enter their own time and manage their own pay really an efficiency when you look at the greater productivity associated with...especially high-level employees with high salaries, having them spend time doing this, when perhaps payroll clerks might have been a more efficient way to do it?

**Ms. Marie Lemay:** The thinking behind self-serve is that it becomes a much more interactive system, and for the employee at any level, it gives them access quickly to their information, direct entry. I was asked what it does for the future generation of public servants. I think that's actually the type of system that the future generation of public servants will really enjoy, because it gives them access directly. They have the control of how they enter and when they enter some of the information. On that front, I think the self-serve portion is appreciated.

It does require, though, a change in the way we do business. You're quite right; that's the part that I believe, and you've heard the minister say, we've underestimated the impact. In terms of the way to do HR and the change in the way we're going to manage our business, that impact was underestimated. It's part of the reason that we are where we are.

**Mr. Nick Whalen:** If the impact was underestimated, Minister, are we expecting then that the steady state number of employees in Miramichi will be higher than its current complement in order to maintain the quality service that we ultimately will come to expect from Phoenix when it achieves its potential?

**Hon. Judy Foote:** That may very well happen. I certainly am not ruling that out. What I am saying is that in terms of the 200 to 250 additional employees we've hired to help with the backlog and to help the employees at Miramichi, we're going to have to look at the numbers. We have 590 in Miramichi, so in the other four pay hubs, altogether there will be 250 by the time we're finished.

Does that mean that once we reach steady state, if we're able to determine we don't need the additional 250...? That may very well speak for itself and say that if we can, with the training we're doing now and the experience that the employees at Miramichi are getting as a result of this, they will be able to become much more efficient, again, working with the cases they have now. Maybe we won't need additional employees. But until we're at a position where we can feel comfortable that the employees in Miramichi are able to do the job expected of them, given the proper resources to do the job, then we're going to hold on to the 250, because we want to make sure that we fix the problem.

• (1610)

**The Chair:** Thank you, Minister.

Mr. McCauley, for five minutes, please. I'll try to catch your eye and let you know when there are two minutes left in your intervention.

**Mr. Kelly McCauley (Edmonton West, CPC):** Thank you.

Minister, I want to get back to a point we brought up in July at the emergency meeting. It was about the bonuses. We asked, and there were no bonuses paid last year. I have to ask you this. This is nothing but a debacle, a fiasco, or whatever term you want to use for it, with \$50 million of taxpayers' money wasted and countless, tens of thousands of public civil servants affected by this, and yet you're still entertaining paying out bonuses to the people who brought this disaster.

How is that possible? Why can you not just say right now, "I'm making it a focus, and we will not pay a penny of bonuses to anyone involved in this program"? I'm flabbergasted as to why you sit there and say it's not your focus. With \$50 million wasted and tens of thousands of public servants hurt, it's not your focus.

We would like to hear right now that you're not going to do that.

**Hon. Judy Foote:** It is not my focus. I have not even had a discussion in terms of paying out bonuses. I am focused on making sure—

**Mr. Kelly McCauley:** I would ask right now that you state, for the record, that you will not pay bonuses to anyone involved in this fiasco. Why not?

**Hon. Judy Foote:** You know, I am not even versed in how the public service gets paid bonuses, because that is not where my head has been. That has not been the discussion we've had. It's been "let's fix the problem". If the deputy can speak to where we are with bonuses, by all means, but from my perspective, as the minister responsible for fixing this problem, that's where my focus has been and continues to be.

**Mr. Kelly McCauley:** It's great that we're fixing it. I would suggest, though, that you take a look around the country and get feedback. I don't think there's a lot of will to be paying out bonuses to people who squandered \$50 million of taxpayers' money.

**Hon. Judy Foote:** I'm not sitting here telling you that I'm interested in paying out bonuses; I'm sitting here telling you that that's not at all where my focus is.

**Mr. Kelly McCauley:** Thank you.

Let me move on just quickly. We've heard partisan, non-partisan, or however you wish to term it badmouthing or blaming of the previous government for Phoenix. On March 10 you yourself stated that Phoenix was an "example of innovation...and the future...of government operations" and that it had "proven to be a success." On May 17, you said it was absolutely a good idea to move to Phoenix.

How do you reconcile making those glowing remarks about Phoenix with sitting here today blaming everything on the previous government? Is it the disaster and worrisome as you're saying, or is it a success, as you said?

**Hon. Judy Foote:** I don't want to be in the blame game with this, but the realities are the realities. They are what they are in that Phoenix was an initiative of the previous government, and the previous government—

**Mr. Kelly McCauley:** If I may interrupt for a second, blaming the previous government is like taking home a nice steak from the butcher and then burning it and blaming the butcher. You yourself stated that it was an example of the future of government operations, that it was a success.

**Hon. Judy Foote:** It can be.

**Mr. Kelly McCauley:** Perhaps *Hansard* had your comments wrong.

How do you sit here...? I'm curious. You stated all along that no one advised you not to press the button to go ahead with Phoenix, even though in January we heard PSAC saying not to do this. We've also heard recently that consultants at the very beginning of the project, I understand, wrote to your department and said, "It's not ready. Don't go ahead."

Why did we go ahead and start this?

We heard from the staff, from the ground level, from the union, and from the consultants who all said, "Don't do this."

It's not as though it was May; it wasn't as though it was part two and we were saying "Don't go ahead."

In part one they said, "Don't do this", and yet we still did.

**Hon. Judy Foote:** As the minister responsible, I was told we were in a ready-to-go state, that Phoenix was ready to go.

**Mr. Kelly McCauley:** But the consultants who were implementing this program, I understand, told your department not to go ahead.

Is that true?

**Ms. Marie Lemay:** I'll make sure that Gavin gives you the background on the consultant and the leading up to...but what is very clear is that we did recommend to the minister that it was ready to go.

With all the information we had, with the consultants, with the third party, with all the testing—

**Mr. Kelly McCauley:** Are you saying that the consultants said to go ahead?

**Ms. Marie Lemay:** Well, one of the...

Can I let you go with this, Gavin?

**Mr. Gavin Liddy:** We did have an independent third party review as part of the Treasury Board process for monitoring projects. It's a gated process that has checks at every step. Gate 6 was the final step before we went live.

• (1615)

**Mr. Kelly McCauley:** Can I ask you, Mr. Liddy, who the third party was?

**Mr. Gavin Liddy:** The third party was S.i. Systems.

**Mr. Kelly McCauley:** Did any other third parties that were involved in this program tell you not to go ahead?

**Mr. Gavin Liddy:** That was the only third party we had on the project. I know Treasury Board Secretariat had its own.

**Mr. Kelly McCauley:** No other consultants were working on the implementation of Phoenix.

**Mr. Gavin Liddy:** No.

**The Chair:** Mr. McCauley, perhaps in our second hour you can get back to that with Mr. Liddy, but we're past the five minutes.

Now we'll go to Mr. Ayoub for five minutes, please.

[*Translation*]

**Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.):** Thank you, Mr. Chair.

Thank you, Madam Minister, for having come before us again today. It is always a pleasure to meet with you.

I am torn between shame and embarrassment when I see some of my colleagues across the way rending their garments over this situation. We met last July 28 to discuss this, and the committee examined urgent cases. At that time, we got some answers.

And yet, I see today that people are trying to assign blame rather than trying to solve the problem. Very little time is being devoted to the problems of those who are affected by this situation on a daily basis. I see from the reports that the situation is improving. In spite of some serious issues, there is light at the end of the tunnel.

We have talked at length about the origin of some of these problems. We can't both blame the person who is correcting the situation and ask them to change the system. You are correcting the situation.

I would like you to tell me a bit more about the current situation regarding priority number one. Some people have said that we were distorting information regarding people who never received any paycheques. However, corrective measures are being applied.

So that we may inform the population on this matter, could you tell us a bit more about the measures the department is taking to resolve this?

[English]

**Hon. Judy Foote:** Every time I hear that there's a public service employee who has performed their job and who has not gotten paid, it's really disturbing for me, because nobody, as I have said repeatedly, should not get paid for work performed.

This is why, when we started to hear about people not getting paid, we made sure that every department knew and understood how important it was to make their employees aware of the opportunity to avail themselves of emergency pay, so that we would not have individuals out there unable to pay their mortgage, or whatever they need their paycheques for. When we heard about individuals who weren't getting paid, that was a concern for us, because we knew that every department had the ability to write emergency cheques, so that no one should have to go without pay.

Then, when we were hearing that some departments were actually taking the money back in one fell swoop, we said that's not right either. You need to be able to give people a pay system in order to pay the money back...the additional money that they got. With the emergency pay, it was really important for us to make sure that public servants who worked so hard did in fact get cheques. We wanted to make sure that—

[Translation]

**Mr. Ramez Ayoub:** Madam Minister, I'd like some information: how long does it take to issue an emergency paycheque? Are we talking about a week, or a few days?

[English]

**Hon. Judy Foote:** No, departments can turn a cheque around in 24 to 48 hours. In our department, we turn them around in 24 hours.

[Translation]

**Mr. Ramez Ayoub:** We call that “emergency pay”. There is no reason for an employee to wait longer than 24 or 48 hours for temporary compensation. That is when we are agreed that it is an emergency and that a person has to be paid a certain way, but we are working to find long-term solutions.

I would like to ask you an important question. We have talked about IBM, and an audit, and eventually doing a status report on the situation. Will IBM be implementing any other systems in the near future in your department? Are any measures being taken to ensure that such problems do not reoccur?

• (1620)

[English]

**The Chair:** A very brief answer, if that's possible.

**Hon. Judy Foote:** Do we have IBM—

**Ms. Marie Lemay:** I'm not sure if it's IBM.

[Translation]

There are programs, but I am not sure whether the contractor concerned is IBM or another company.

**Mr. Ramez Ayoub:** I may come back to that during the next hour.

[English]

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

Monsieur Blaney, you have five minutes.

**Hon. Steven Blaney:** Madam Minister, we have only five minutes.

I was always told that we should reward success, not failure. I am disappointed this afternoon that, as the leader of the department who is in charge of this big mess—60,000 Canadian families are not being paid or are still trying to catch up with their current expenses—that you don't care that they get a bonus for this mess. I'm not at ease with this and I think many Canadians are not at ease with having bonuses and rewarding a mess like this.

What are the different steps you will take until October 31 to eliminate that backlog, since you told us and we were told as early as six months ago that everything was fine?

I would also like to hear how you will handle.... There are workers who got money, sent some back, got more money. How will we deal with the T4 mess? How can you anticipate, when those people will have to pay their income tax.... Can you reassure us, at least, for those who are waiting for their money, or those who have gotten too much or not enough, that they won't have illegal earnings, or pay too much tax, and have to go through another nightmare when tax time comes in March of next year?

**Hon. Judy Foote:** Let me start by acknowledging, as I have time and time again, that it is totally unacceptable for the individuals who are in this backlog to continue to be in that backlog. That's why we have implemented the measures that we have to deal with that, because again, no one should go without pay for work performed.

There are 300,000 public service employees getting paid every two weeks. Through Phoenix, we have the regular payroll system working. Will there be challenges? There will always be challenges. I said that to you at the outset. You will never have a payroll system of this magnitude where you won't face challenges, but nothing of the magnitude we're experiencing now, and that's why we have taken all the measures that we've taken: to deal with the issues we're dealing with until we get to a steady state, whatever that steady state will be.

From my perspective, it's going to be really important that we do everything we can to make sure there are no further hardships experienced by public service employees as a result of Phoenix. That's why Treasury Board has put in place a process to help those employees and to respond positively to those employees who come forward suggesting that they've incurred additional interest charges or that they've had other problems as a result of Phoenix.

We have put a lot of measures in place. We will do whatever we have to do to fix the system. Yes, I'm the minister responsible and I take this personally. It is really important from my perspective that employees out there who work so hard get compensated for the work performed.

**Hon. Steven Blaney:** I want to believe that this mess will be resolved. I believe that for those who are impacted, this is great news, but still, it's been six months on the go and the disaster has just gotten bigger and bigger. I hope that all colleagues around this table now will support this motion to ask the minister to come and give us an update.

Minister, would you be ready to come and give us an update by or around October 31, reassure us on the current status, and tell us that those civil servants will be and are being dealt with and will be eliminated from that backlog?

**Hon. Judy Foote:** Absolutely, I will.

**Hon. Steven Blaney:** This is what Canadians want to hear. They want to see us working to make sure we are solving those issues. They don't want to see us throwing mud, but once again, Minister, I must tell you that I am disappointed that we have gotten into such a big mess, because this is impacting many families. Please be prepared when you come back to ensure what the aftermath is, because there are people who are being paid one way and they will have to reimburse.... We really want to understand so that they are not double....

• (1625)

[*Translation*]

We don't want people to have to live through two nightmares instead of one.

Thank you very much.

[*English*]

**The Chair:** If you wish, Minister.

**Hon. Judy Foote:** Well, there's no one around this table who wants to see this issue resolved more than I do. We are committed to doing just that, which is precisely why we're talking all the measures we are, in spite of the situation in which we found ourselves. We have put that behind us.

What we're doing is working very closely with the unions, which are working with us, and they've identified people to work with us in our pay centres. We're working within the department. Again, we're doing everything we possibly can. We're working with Treasury Board to make sure for any employees who suffer hardships that we're able to deal with those for them.

A lot of measures are being taken, but the bottom line here is that we have to get the system in place that works. It's a huge payroll

system for the country, and we want to make sure that measures are put in place to respond positively to them, so that at the end of the day we end up with employees who are getting paid for work performed.

**The Chair:** Thank you, Minister.

Madam Shanahan, please, for five minutes.

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** Thank you, Minister, for being here with us today.

I'd like to explore just a bit the kinds of cases we're talking about. I don't want to take up the whole time with that because we can talk about it more in the second hour, but just to give us an idea, who are the people we're talking about? What kinds of cases are there? I have a bit of a background in payroll and tax, and I know that no two cases are the same.

**Hon. Judy Foote:** Well, initially, one of the issues brought to my attention was that students weren't getting paid. I questioned that, knowing that students don't have savings accounts, so how is it possible that we can't pay our students when they come to work with us? Why would we not be able to do that? It was pointed out to me that it's the way it's always been, that students never did get paid up front, and that it sometimes took the two months that students worked during the summer before they got paid, which for me is totally unacceptable.

**Mrs. Brenda Shanahan:** Even before Phoenix.

**Hon. Judy Foote:** Yes.

**Mrs. Brenda Shanahan:** It predated Phoenix.

**Hon. Judy Foote:** Don't forget, 40,000 of the backlogged cases we're talking about predated Phoenix as well. So there are issues there, under the old system, that would need to have been dealt with. We're hoping Phoenix will deal with those so that we never again find ourselves in the situation where students come in to work for the federal public service and don't get paid.

With new hires, information was being entered manually in some cases. If the information didn't get entered quickly or if it sat on a desk for a week or for whatever reason didn't get entered, then that would delay that individual getting paid. The other case we have is overtime. I know Mr. Blaney mentioned the Coast Guard, the people who go to sea, the people who are at sea for a period of time and their overtime is not entered into the system. That delays them getting their overtime. These are just some examples of what we're dealing with.

Having said that, when I ask these questions, it's not tied to Phoenix, per se. These are students, overtime, new hires, and people who are changing jobs or going on to other jobs, for instance. If it's not entered in, it takes a while for them to get on the payroll system. Any number of situations come into play here. That doesn't make it right. Our job now, our challenge, is to get to a steady state that we believe is where it should be in terms of ensuring that public service employees get paid for the work performed.

**Mrs. Brenda Shanahan:** Interesting; so indeed the introduction of Phoenix was intended to address these long-standing problems and to overall make a system that was much more responsive and self-serve, which I'm sure we're going to hear a little bit more about in the second hour. That didn't happen. It was off to an incredibly chaotic start. Actually, I wouldn't worry about paying out bonuses to anybody, because these people have to get paid first before anybody else gets bonuses.

[Translation]

So this is not a problem at the moment.

[English]

Can you tell us, Minister, about your request to the Auditor General to investigate the root causes of what went wrong here? I think at a future point we do need to have some lessons learned and to ensure that this does not happen again.

• (1630)

**Hon. Judy Foote:** As we talk about modernizing IT systems throughout government, modernizing payroll, and looking at enterprise-wide initiatives, the issue for me is what went wrong. How do we make sure this never happens again?

Knowing that we have 80,000 backlogged cases.... I hate calling them "cases", because these are people. These are people who are impacted here. Every time I hear the word "case" I kind of shudder, because I know that for every payroll that we talk about where someone is not getting paid, that's impacting someone's life. That's an individual. That's a person. So we need to make sure we do that.

From my perspective, calling in the Auditor General was as a result of asking what happened here. When the previous government decided to go down this path....

Now, don't get me wrong; it was a 40-year-old system.

**The Chair:** If I could, Minister, I'll have to ask you to wrap up.

**Hon. Judy Foote:** Okay.

It was 40-year-old system that had failed completely on occasion and had to be changed. My question is this: in changing it, what steps were taken to ensure that we were ready, that all the training necessary was done, and that we were ready with Phoenix, so that we would not ever again find ourselves in the situation we're in today?

**The Chair:** Thank you, Minister.

Would you be available for three additional minutes?

**Hon. Judy Foote:** Yes.

**The Chair:** We'll go to Mr. Weir for a three-minute round, and that will complete this round. We'll then suspend for a couple of minutes while you take your leave, Minister. Thank you.

Mr. Weir.

**Mr. Erin Weir:** Thank you.

Minister, in the previous round, you said a couple of times that there was no going back to the previous system, but of course for several months, from February to April, the two systems did function concurrently. I'm wondering why it wasn't possible to just con-

tinue that for a few more weeks or months until these glitches in Phoenix were sorted out.

**Hon. Judy Foote:** I was told that there was no going back, because we had moved on to different systems and we were gradually moving into Phoenix 100%. As well, there was the fact that in terms of moving to a new system, you had fewer compensation advisers. They'd been let go, and people had been put into other jobs, so you couldn't bring them back to do it.

I was given any number of reasons why we had to move full steam ahead, but again, that was with the understanding that we were ready to do so.

**Mr. Erin Weir:** We've focused a lot on the backlog of priority-three cases. Since that 80,000 figure was reported in July, how many new priority-three cases have emerged?

**Ms. Marie Lemay:** Priority three is, as you say, the backlog of 82,000 people—I'm going to use that word now—so as I said earlier, we do have incoming transactions that are dealt with by Miramichi. They are dealt with not at the pace that we hope they will be dealt with when we are fully operational and have reached our steady state, so we are not meeting our service standards in every case. We are for some of the cases being processed. There's no backlog as such; it's just that we are not meeting our service standards. The minute we're done with the backlog, the 82,000 cases, the satellite unit compensation advisers will help Miramichi to get us to that steady state.

**Mr. Erin Weir:** Okay, but could you quantify that failure to meet service standards? How many more people are getting paid incorrectly than the original 80,000 number that's been whittled down?

**Ms. Marie Lemay:** They're not being paid incorrectly; they're not being paid at the right time. There's a time service standard. In some cases we're not meeting the time, but we will as soon as we get to our steady state.

**Mr. Erin Weir:** That's it.

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

We will suspend now for about two minutes while the minister takes her leave, and then we'll be back with government officials. I believe we have one more official joining us.

Thank you, Minister.

• (1630)

(Pause)

• (1630)

**The Chair:** Colleagues, if we could reconvene, I would appreciate that.

As you know, we'll have about 50 minutes for the examination of the Phoenix pay schedule.

Madam Lemay, do you have any opening statement or would you like to just continue on with the questions?

• (1640)

**Ms. Marie Lemay:** The only thing I would note, Mr. Chair, is that we have a new witness, Brigitte Fortin, who is the ADM responsible for accounting, banking and compensation.

**The Chair:** Then may we proceed immediately to questions?

**Ms. Marie Lemay:** Yes.

**The Chair:** Thank you very much. That will save some time.

The first seven-minute round will go to Mr. Drouin.

[Translation]

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

Thank you Madam Fortin, Madam Lemay and Mr. Liddy, for being here with us today. We appreciate it very much.

Since my riding is very close to Ottawa, a lot of public servants work in that town. Unfortunately, these people have been impacted by the implementation of the Phoenix System.

I would like to know whether a notice is sent to employees who are to be dismissed. Does the law prescribe a certain notice period?

**Ms. Marie Lemay:** There is indeed a process, that is to say workforce adjustment, and the employees whose positions are affected have to be advised and given proper notice.

**Mr. Francis Drouin:** And does that vary from one employee to another?

**Ms. Marie Lemay:** In this case, notice had been given in October 2014.

**Mr. Francis Drouin:** I have read the documents you sent us and I am struck by priority three. That is the table. We can see that on July 4, 41 employees were mentioned, and since July 28, the number referred to is 57. Did you have any trouble in this regard? You said you had worked with the unions to find other positions for these compensation advisors, but I imagine that when someone receives a notice from his or her employer that there is no more work, he looks for work elsewhere. Were there such cases?

**Ms. Marie Lemay:** In fact, there were all kinds of cases. It was not as easy as you might have thought.

As you can see, at the outset, there was a plateau. We managed to add people because we opened offices here and there. In fact, there are now four. The unions helped us by allowing the employees who had received notices to come back without being penalized.

**Mr. Francis Drouin:** Successfully attaining your objectives by October 31 is entirely linked to the number of employees you are going to hire. Are you going to be able to reach the objectives regarding the number of hires? I see that by September 26, you may have added 250 employees.

**Ms. Marie Lemay:** That is the plan.

**Mr. Francis Drouin:** And have these 250 employees to be hired by the week of September 26 been given the proper training? Are they ready to work now?

**Ms. Marie Lemay:** That is an excellent question. In fact, people need several weeks to get used to the system. New employees are not totally autonomous from one day to the next.

You are referring to a type of curve that probably looks a little like a hockey stick. It is normal for it to change when it comes to the volume of transactions, or the productivity of satellite offices, because these employees are not fully operational on the first day.

**Mr. Francis Drouin:** Under priority three, as of October 5, you were to solve the problems of close to 40,000 people in the space of two pay periods. That represents a lot of people. It is half of your objective. Do you think you are going to make it?

**Ms. Marie Lemay:** I understand why we are asked that question a lot. This is not just based on our intuition. If you study this, you will see that as of the month of July, there were a certain number.

How are we going to manage to resolve all of the cases in the backlog? The same curve that applies to the compensation officers—the one that looks like a hockey stick—applies to the resolution of cases, but with a lag. That is why we still intend to resolve the cases that make up the backlog and affect 82,000 employees. We believe we are going to be able to do so.

**Mr. Francis Drouin:** We saw in the media that certain employees are worried about their T4s. Has the department spoken to the Canada Revenue Agency about these 80,000 cases, since there could be some errors? Do you have a plan in place?

• (1645)

**Ms. Marie Lemay:** This is a topic of discussion within the federal government, whether we are talking about the Department of Finance, the Canada Revenue Agency, or Treasury Board. We are also discussing things with our partners the unions. This issue is very important for the employees, who want to solve these problems as quickly as possible, that is before the end of the year, so that the T4 forms properly reflect their remuneration for the year concerned.

The 200 employees who are going to work in the satellite offices are going to help us stabilize things. They can also help us to recover the amounts due. Our objective is to do as much as possible before the end of the year so as to reduce T4-related issues as much as possible.

**Mr. Francis Drouin:** We know that there are holidays in the month of December. People leave on family holidays. It would be difficult for me to go back to my riding and tell people that I am very sorry not to know whether they will receive proper T4s by February 28, but that they will have to comply with the law in any case.

**Ms. Marie Lemay:** Allow me to go back to one of the issues.

Earlier, the minister explained that at the outset, when we were making emergency payments, we were applying a policy under which we recover an amount as soon as it is available. We stopped doing that because that approach was not very humane in light of the circumstances. We wanted to ensure that we were not automatically taking back the salary of people who had just received an emergency payment. We wanted to stagger that over several payments and several pay periods.

Currently, we are discussing things with the unions and our colleagues at Treasury Board so as to determine what this will represent. In fact, the longer things take, the greater the repercussions on the fiscal year and on the T4 forms. Consequently, we are going to try to resolve things during the current fiscal year.

**Mr. Francis Drouin:** Perfect.

How much time do I have left, Mr. Chair?

[English]

**The Chair:** You have 20 seconds.

[Translation]

**Mr. Francis Drouin:** Thank you, Mr. Chair.

[English]

**The Chair:** I had Mr. Blaney on my list.

Mr. Falk, do you care...? If not, I'll go to Mr. Weir.

**Mr. Ted Falk (Provencher, CPC):** Sure. I care a lot.

**The Chair:** I bet you do.

Mr. Falk, for seven minutes.

**Mr. Ted Falk:** Thank you very much, Mr. Chairman.

Thank you, Deputy Minister, Associate Deputy Minister, and Assistant Deputy Minister, for coming to the committee.

This is a file that I'm not intimately familiar with, but I've been trying to pick it up. Certainly, I've been hearing about it in the media, and I've been hearing about it from folks in my riding. In fact, as recently as two weeks ago I was at an event in my riding and a federal employee asked when the Phoenix system would be fixed. He said that he was on parental leave and was still getting paid, but he was trying to be smart about it. He was putting the money into an account, he said, because he knows they're going to ask for it back.

There are obviously problems to fix. I hope everybody who's receiving payments and shouldn't be is as wise as that individual and is setting that money aside with the understanding that they're going to be asked to repay it.

As you know, people's paycheques are a very sensitive thing. In a construction company that I own, I employ close to 100 people, and there are a lot of things you can tamper with when it comes to employment. You can change people's job descriptions. You can change what they do. You can change their hours of work. You can change their roles and their positions, but once you've committed to paying them on a biweekly or monthly basis, that's like a sacred cow. We have electronic funds payments in my company, and I know from my own experience that when payment is due on Thurs-

day at midnight, by Friday at 12:01 a.m. people are on their computers to make sure that money is in their account, because if it's not in the account, it creates a lot of problems. It creates problems with automatic payments that are due. It creates problems with cheques written on the understanding that the money would be in the account.

When that money doesn't show up in the account, it creates problems for the livelihoods of these people. It creates problems in their families because they get cheques that are bounced, they get damaged credit ratings, or they get overdraft charges at their banks. They get late payment notices and late payment fees, and their credit ratings are damaged.

I'm wondering about this. As a department, you've said that these employees are going to be compensated. How do you expect and intend to compensate for some of these things?

**Ms. Marie Lemay:** First, let me tell you that we are heartbroken when we hear these stories. We want employees to get paid and we are working so hard to fix the system and make sure that we get to our steady state as soon as possible.

We have done many things. One is that, to start with, we've tried to prioritize our work so that if employees do not get paid and should, they have a place to go. If they're not finding their way through their department, they come directly to us through some of the forms and processes we've put in place, so we can actually know and act on it. We've put some additional systems in place to make sure employees would have that. It's the same thing for the emergency payments. If they need them and can't get them through their department, we make sure they have a process by which we can help them get that.

Now, in terms of compensation, you may have heard that our colleagues at Treasury Board have put a system in place. A claims unit has been set up. On their website, they have some of the eligible expenses. There's an across-government process so that everybody is treated fairly and will be made whole.

• (1650)

**Mr. Ted Falk:** It's encouraging to hear that.

How do you compensate somebody for a credit rating that has been damaged or for a cheque that may have bounced at a local vendor or merchant? Their credibility has been damaged in their community and in the places where they do business, and that kind of compensation is very difficult. That's one side of the coin.

The other side of the coin is something that I find very disturbing in just what I've been picking up here. Prior to the rollout of the Phoenix system, IBM raised caution flags as to the readiness of the system to go into full implementation. After that, Public Service Alliance of Canada raised cautionary flags about proceeding with the secondary rollout, but in all those instances, the department proceeded anyway.

What I heard here earlier is that you had a third party outside consultant. Also, did I hear correctly that the Treasury Board also had a consultant separate from yours?

**Ms. Marie Lemay:** I will let Mr. Liddy answer that, but I think it's important for me to make sure it's clear that nobody went ahead or recommended to go ahead with a system that we thought would experience the difficulties that we did. Yes, the implementation did not go as planned. We're not happy with that; we are doing everything we can to fix it, and we have to put a lot of measures in place, but if we had thought that would be the case, we obviously would not have proceeded with implementation.

**Mr. Ted Falk:** Just before you answer that, when I look at it and I see that the developer of the program is sending up caution flags, the employee union is sending up caution flags, and you proceed anyway; you even proceed with the hiring of a third party outside consultant. That tells me that you recognized that maybe you needed to get a third opinion. That should have been another caution flag. That's three caution flags that were not heeded, yet you proceeded anyway. It seems kind of reckless that the department would have done that in the presence of those cautionary flags.

Now we have to hire additional folks to correct the problem. We have a problem. We have a mess. We have to fix it. We have to keep our employees happy. We have to do some damage control. What's it going to cost us? What are all these extra employees going to cost?

This system was supposed to save us money, to save the taxpayers money, but now it's going to cost extra money. Do you have a cost estimate for what all of this is going to cost?

**Ms. Marie Lemay:** We do. Maybe I'll let Gavin talk to the roll-out of the system beforehand so you have the answers to your questions.

**The Chair:** A short answer would be beneficial.

**Mr. Gavin Liddy:** I'll make it short, Chair.

IBM did indeed tell us to slow down after we looked at a lot of defects in the spring of 2015, and that's exactly what we did. We delayed the rollout from October and December to January and February. Brigitte and I met with IBM on a weekly basis and monitored the number of defects that were being cleared. In January, IBM said we were ready to go. We also had the third party come in, not because we thought we needed one, but because that is the process for managing large, complex IT projects in accordance with the Treasury Board policies, that was the gate 6 review that we had brought in. We thought we were ready to go.

We were not without concerns. We thought that there would be problems. We anticipated them. We added extra staff. We developed a war room. It just wasn't enough, obviously, when we hit February. It's clear now that it wasn't enough, but at the time it was all systems go from our independent third party. We also checked with departments to see if they were ready and we got nods from them as well.

**The Chair:** Thank you very much, Mr. Liddy.

Mr. Weir, you have seven minutes, please.

**Mr. Erin Weir:** Thank you.

I'd like to delve into the question of compensating employees who have not been paid through the Phoenix system. The government has announced a new process that involves the Treasury

Board Secretariat. I'm wondering how we can have confidence that employees will be compensated in a timely way and will not get caught up in another administrative mess.

• (1655)

**Ms. Marie Lemay:** I should really let my colleagues at the Treasury Board answer that question, but we had a lot of discussions and they have looked at this very carefully. I know they are very conscious of that and absolutely want to make sure that this process is a streamlined process, so that people can have access to money quickly. That's what they are actually putting in place involving all departments. There will be different levels of, I'll say "claims", so that there are some easy processes and the more extreme and more complicated cases will be looked at by the Treasury Board directly.

**Mr. Erin Weir:** My constituency office has been dealing with a case of a contract employee who had her contract extended and is getting paid, but the Phoenix system classified her as having been terminated so she's not receiving drug coverage. She's having to pay out of pocket for medications. I'm wondering if that's something for which the government is prepared to compensate employees.

**Ms. Marie Lemay:** I'm going to look at what I see on the website here, and Gavin says yes.

**Mr. Gavin Liddy:** Yes.

**Mr. Erin Weir:** Okay, there has been a lot of talk about financial penalties for missing mortgage payments or tuition payments, but there will also be compensation for people who have missed out on health care benefits—

**Mr. Gavin Liddy:** —for premiums being paid is my understanding.

**Ms. Brigitte Fortin (Assistant Deputy Minister, Accounting Banking and Compensation, Department of Public Works and Government Services):** If you will allow me, for the health care plan, if employees are missing out on wages to pay their deductions, they are asking for claims and are being refused by the insurer, there is a process in place, if there is a high financial penalty that the insurer will honour their medical claim. Then when they are back on payroll, the deductions will be taken and they will be covered retroactively.

**Ms. Marie Lemay:** I don't know that it's part of the TBS process though. That's a separate thing, just to be clear.

**Mr. Erin Weir:** Okay, could you give us an estimate of how much these compensation payments are likely to amount to?

**Ms. Marie Lemay:** We don't have that. We are in discussions with TBS on this and we don't have that amount. Until they come forward, it will be difficult.

**Mr. Erin Weir:** Just to clarify, those compensation payments would be in addition to the estimate of \$50 million for addressing Phoenix.

**Ms. Marie Lemay:** You're correct.



**Mr. Erin Weir:** Okay, thank you for clarifying that.

Mr. Chair, I'm inclined to make a motion. I believe the clerk has copies of it that she's able to circulate.

I would move that the Standing Committee on Government Operations and Estimates reopen its study of Shared Services Canada and invite former chief statistician Wayne Smith to appear as a witness.

**The Chair:** Thank you.

I'm going to suspend for about 30 seconds and consult with the clerk, if I may.

We're back, televised.

Mr. Weir, apparently that is not in order only because we're not in committee business. We will be going to committee business at about 5:30, and certainly you can make your motion then and we can deal with it at that time. It has been duly noted.

**Mr. Erin Weir:** Mr. Chair, I think in previous meetings, including our last one, it's been possible to make motions at any time during the proceedings. Is that not correct?

**The Chair:** I'll let our clerk go over the procedures of this committee. Clearly we can do anything in the committee if there's unanimity; we're the master of our own agenda.

**Mr. Erin Weir:** I don't want to use up a lot of time on process, so if it's not clear that it's allowed, we can deal with it later, but my understanding was that we were able to make motions.

**The Chair:** Sure.

Is there concurrence within the committee to allow Mr. Weir to make the motion now or would you care whether it was made in committee business?

**Ms. Yasmin Ratansi:** I would prefer it to be during committee business.

**The Chair:** We have no unanimity, Mr. Weir. Unfortunately, you have only a couple of minutes left in your intervention.

**Mr. Erin Weir:** Thank you.

It seems there were real gaps in the testing of the Phoenix pay system. It appears that out of a very large number of possible pay scenarios, only a fraction were actually tested. I wonder if you could explain why that occurred.

**Ms. Marie Lemay:** Are you referring to 16,000 different pay scenarios that were tested?

**Mr. Erin Weir:** Yes, but that was out of, I think, 80,000 possible scenarios.

• (1700)

**Ms. Marie Lemay:** Maybe Brigitte or Gavin can speak to why that number was chosen.

**Ms. Brigitte Fortin:** We looked at some permutations of business rules, and the 80,000 business rules were all tested within those 16,000 scenarios, because one test case can include multiple business rules. So the 80,000 business rules were tested in 16,000 different testing scenarios.

**Mr. Erin Weir:** So your sense is that the testing was adequate.

**Ms. Brigitte Fortin:** My sense is the testing was adequate according to IBM standards and methodologies.

**Mr. Erin Weir:** Okay.

It seems that the Phoenix pay system is somewhat similar to the boondoggle with Shared Services in that both were efforts to cut corners by centralizing payroll and IT systems among different departments and agencies. Our committee has already studied Shared Services, but that whole question has really come to a head with the resignation of the chief statistician on Friday.

I wonder if you have any comment on the similarity between these cases and what went wrong.

**Ms. Marie Lemay:** The only thing I would say on this is that the initiative was taken for pay consolidation and pay modernization, and it was taken so that we would achieve a modern and effective pay system and at the same time achieve savings. I can't draw any parallels.

**The Chair:** Thank you.

Mr. Ayoub, go ahead for seven minutes, please.

**Mr. Ramez Ayoub:** Thank you, Mr. Chair.

[*Translation*]

I want to thank the witnesses once again for being with us today.

I would like to go back to the call for tenders that led to the selection of the Phoenix system. I would like to know when IBM was selected, and when the choice was finalized.

**Ms. Marie Lemay:** I am going to let Mr. Liddy tell you about the order in which things occurred.

**Mr. Gavin Liddy:** We issued a call for tenders in 2008. Several companies submitted bids. After a fairly lengthy competition, we selected IBM to provide the system. The system is based on the PeopleSoft system.

**Mr. Ramez Ayoub:** Fine.

We know what the current situation is. Have you had time to update the cost-benefit analysis on the Phoenix system, in order to examine the current problems, the additional cost, the training required, and the estimates for the coming months and years in the budget that will be tabled? You have talked about savings, but there are also costs. What are the forecasts for the coming years, at least in the short term? Have you had time to examine that, or are you still in emergency mode and attempting to solve things here and there in order to provide paycheques to all of the affected employees?

**Ms. Marie Lemay:** We are still very focused on resolving the pay problems; that is our priority. Nevertheless, we have begun to examine the causes of these problems and are looking at the future. As I already said here, we have committed to doing a study on lessons learned, because it is very important to know how we could have done things differently, in order to adjust for the future.

We will certainly improve the system as we go along, and continuously. We have not yet begun the study on lessons learned and how this could influence things in the future, but we are going to begin that soon.

**Mr. Ramez Ayoub:** Let's go back to the current situation, as compared to the one that occurred at the beginning of the system's implementation. Is it your opinion that the problems are being resolved and that this will be done as quickly as possible? We are talking about October. What is the current situation, as compared to the one that existed in the beginning of the crisis? I hear all kinds of things in this regard. Some people say that the problems are getting worse, or the reverse, which is that things are improving.

• (1705)

**Ms. Marie Lemay:** I see three phases, the last one being the stabilization of the situation.

We established indicators as to the number of people who have not yet received their pay because they left the public service. We implemented a process to allow people to explain their problems to us. Emergency payments are being made. All of our indicators are pointing in the right direction.

That said, we are very much aware that there are still cases that have not been resolved. We have to attack the backlog, but we also have to deal with current transactions. What I am going to say will allow me to correct what I said earlier to some degree. It is certain that we have to improve the turnaround times, but any system will always have bugs that need to be worked out. We are now working on the backlog, and in that regard the indicators are good.

The second phase will begin after October 31, when there will be a transition, so to speak, from the state of crisis to a state of stability. As I said, compensation advisors have been assigned to helping the Miramichi staff in order to meet our service standards and stabilize the situation. Afterwards, we will determine how many compensation advisors are needed to maintain that stability. At that point we will decide which advisors will be let go, if any. However, that will not be done until we have stabilized the situation; that is to say it will not be done until people are being paid in keeping with our service standards.

**Mr. Ramez Ayoub:** On the topic of stability, what characterizes the new employees? Are these employees who used to work for the service but had been laid off? Employees who worked for the service are being called back. These may be people who retired recently or changed areas more quickly following the implementation of the departure strategy. That is what I understand.

**Ms. Marie Lemay:** The group is made up of all of those you just mentioned. These people are joining our core teams in Miramichi. They will bring stability to the situation.

**Mr. Ramez Ayoub:** Basically, your objective is to stabilize the situation as quickly as possible in order to be able to free up these people again afterwards.

**Ms. Marie Lemay:** Exactly. Our objective is to have the people in Miramichi be able to maintain a stable situation once everyone has gotten used to the system, once the change has been managed and the system improved after some adjustments.

The system has three components: the people who enter the data, the users, and the compensation advisors. These three components require adjustments and need to be improved. Once all of that has been done, we will see if the Miramichi compensation advisors will be able to maintain stability on their own. You've heard the minister say that if things do not work smoothly, we will keep more advisors on.

[English]

**The Chair:** *Merci, madame Lemay.*

Mr. Blaney, you have seven minutes, please.

**Hon. Steven Blaney:** Thank you, Mr. Chair.

[Translation]

Ms. Lemay, if I understood correctly, the department has opened temporary offices in four cities?

**Ms. Marie Lemay:** That is correct.

**Hon. Steven Blaney:** And those four cities are Winnipeg, Montreal, Shawinigan and Gatineau. Is that it?

**Ms. Marie Lemay:** Yes.

**Hon. Steven Blaney:** Since then, over 200 new employees have been added to solve the pay system issue.

**Ms. Marie Lemay:** Yes, and they have been assigned to those four offices.

**Hon. Steven Blaney:** You have also provided additional training sessions because the initial training was not adequate. Is that correct?

**Ms. Marie Lemay:** We provided training sessions for the compensation advisors. We also held some for the human resources people. We have dedicated teams that are going from department to department to discuss the three priority issues that were raised by the users, in order to make the system operational.

**Hon. Steven Blaney:** I believe that the IBM software supplier was also asked to make improvements. Is that the case?

**Ms. Marie Lemay:** Precisely.

**Hon. Steven Blaney:** So there are four new temporary offices, and additional training and fees. To pick up on my colleague Mr. Falk's question, how much has this cost Canadian taxpayers up till now?

**Ms. Marie Lemay:** We estimate the costs at \$50 million.

**Hon. Steven Blaney:** Are we talking about \$50 million up till now?

**Ms. Marie Lemay:** Yes, that is the estimate we have currently. Of this amount, as we mentioned, \$25 million has gone to the satellite offices opened in Gatineau, Montreal, Shawinigan, and for our call centre in Toronto. That amounts to \$25 million. Our estimate—in order to be very conservative—covers the period until the month of March, that is to say the end of the fiscal year.

In addition, an amount of close to \$6 million has been allocated to the work of IBM. We are now asking them to work 24/7. They are working evenings and nights. We are also making adjustments to the system to improve its functionality.

Finally, an amount of \$16.1 million has been allocated to additional resources, in order to manage complaints and get work done 24/7 in many cases. This comes to a total of \$50 million.

**Hon. Steven Blaney:** Out of that \$50 million, \$25 million was used to open four temporary offices?

• (1710)

**Ms. Marie Lemay:** And the call centre.

**Hon. Steven Blaney:** And the call centre. And then there was an amount of...

**Ms. Marie Lemay:** There was \$5.7 million for IBM.

**Hon. Steven Blaney:** This amount of \$5.7 million is for the consultant?

**Ms. Marie Lemay:** It is for IBM.

**Hon. Steven Blaney:** It is for IBM. I see.

**Ms. Marie Lemay:** And the amount of \$16.1 million—

**Hon. Steven Blaney:** Let's talk about that amount of \$16.1 million.

Can you explain to me what this \$16.1 million will be used for?

**Ms. Marie Lemay:** We have put a lot of elements in place since the Phoenix system was launched. Among other things, we had to create a whole team to manage the questions and complaints we received, to ensure that we could manage them well and answer them properly. We are providing training. This amount will cover all of the training we offer, either to the departments, the compensation advisors, or others. We also have an internal team that provides support to IBM. We work together.

**Hon. Steven Blaney:** Out of this amount, Ms. Lemay, I believe one part has already been committed and the other will be by the end of the fiscal year. So with this sum, you feel you will be able to eliminate the famous backlog by October 31.

**Ms. Marie Lemay:** Yes. And may I add, to make sure we understand each other, that there are 82,000 cases in the backlog, or, rather, 82,000 employees.

We never said—

**Hon. Steven Blaney:** The figure I have here is 67,500.

**Ms. Marie Lemay:** That is correct, but there were 82,000 employees at the outset. I want to make sure that people understand that we never said that as of November 1, all problems would be solved. We know that there will be a transition period after October 31, when we will have to adjust our capacity in order to verify the stability of the system, and see how many compensation advisors we will need, and how many teams we will need with the new system. Once people are used to using it properly—

**Hon. Steven Blaney:** Ms. Lemay, the amount of \$50 million adds to the cost of implementing the Phoenix system. What had been forecast for the new Phoenix system?

**Ms. Marie Lemay:** It was a \$309-million project.

**Hon. Steven Blaney:** How many employees are there normally, or how many were there with the old system? There are now 200 additional employees. How many federal employees manage the pay system?

**Ms. Marie Lemay:** There were 2,000 pay system employees before Phoenix, and we now have 1,300, if I am not mistaken, because approximately 700 positions were abolished.

**Hon. Steven Blaney:** So, 50—

[*English*]

**The Chair:** Mr. Blaney, we're out of time.

[*Translation*]

**Hon. Steven Blaney:** It would be interesting to see whether there will be additional costs later.

Thank you.

[*English*]

**The Chair:** Thank you.

Mr. Grewal, you have five minutes, please.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair.

Thank you, Deputy Minister and your assistants, for coming today.

I've been sitting here listening, and I think the one thing we can all agree on is that it's unacceptable to have people working who are not getting paid. We had those sentiments from the beginning of this problem.

I've been looking at some of the numbers here, and I'm trying to come to a conclusion on this one example. If you weren't getting paid and then your issue got resolved, could you also have issues on your week-to-week pay, your supplementary pay, or if you took a leave of absence, let's say? If you weren't getting paid and then your pay issue got resolved, is it possible that if something in your status changed, you then could have another issue?

**Ms. Marie Lemay:** Well, I suppose it is possible. I will tell you, though, that when we look at employee cases, we look at all the cases we have. Most of the time, one employee will have more than one transaction we have to address, such as in the backlog, for example. There are several actions we have to take for one employee.

**Mr. Raj Grewal:** So this 67,500 represents the number of cases, not necessarily the number of—

**Ms. Marie Lemay:** It's the employees who have cases in the backlog.

**Mr. Raj Grewal:** Employees who have cases; so would it be doubled up? Let's say one employee has two cases.

**Ms. Marie Lemay:** It's probably more than that. On average, it's more than that.

• (1715)

**Mr. Raj Grewal:** So the 67,500 represents the number of employees with issues, not generally the number of cases open.

**Ms. Marie Lemay:** You're correct.

**Mr. Raj Grewal:** Okay. Interesting.

Next, in my opinion, the most important part of this is making people whole. For example, if a student or an employee had to take out a loan to pay for their daily groceries, mortgage payments, or stuff like that, you've set up a subsidy program. How can we ensure, once they claim that subsidy, there's not a delay in that—a double-edged sword, almost?

**Ms. Marie Lemay:** The system is set up by our colleagues at Treasury Board. I can tell you that they're very mindful of the very issue you raise, that of trying not to create more issues in trying to address this, and of the nimbleness, the timeliness, making it as easy as possible, and making it fair and equitable across government. One party that is working very hard with Treasury Board on this is actually the unions. There was a lot of discussion. They actually brought this, I believe, so there's a very good collaboration there. The intent is to make it fast and streamlined, and to get the money out.

**Mr. Raj Grewal:** When Phoenix is fully implemented, what will be the average cost savings per year for the government?

**Ms. Marie Lemay:** If we're able to reach a steady state with the number of compensation advisers as planned originally, it would be \$7 million a year...or, sorry, \$70 million a year.

**Mr. Raj Grewal:** So we've basically forgone a year's worth of savings trying to fix the program. Am I correct?

**Ms. Marie Lemay:** For PSPC it's \$50 million.

Just to be clear, it's \$70 million a year.

**Mr. Raj Grewal:** Your estimate to fix it is about \$50 million, and you estimate a savings of about \$70 million.

**Ms. Marie Lemay:** Yes.

**Mr. Raj Grewal:** I mean, not even the most conservative of accountants would say that there's no plus or minus 5% to 10% on both those numbers.

My last question is this. For me, it just seems like a simple solution—I'm not an IT guy—that if somebody works, they get paid. Has there been discussion of cutting manual cheques to ensure that people have money in their pockets every two weeks? Once upon a time we did it. A lot of businesses across the country do it. I'm sure there's a way to get that done.

Was there any discussion alluding to that, to say that this thing will take a lot longer than we anticipated to fix, so is there a possible way to solve the bottleneck in this process, start getting people their money, and then we will figure out how to fix this system?

**The Chair:** Quickly, Ms. Lemay.

**Ms. Marie Lemay:** You may know that there is a process in place right now where within departments, within 24 hours, they can actually get a cheque or, if they want, direct deposit.

**Mr. Raj Grewal:** Is that every time? Let's say I haven't been paid for six months, or four months, or something like that. Can I call every week and say, "I have an emergency, I need pay"?

**Ms. Marie Lemay:** Yes. I hope your case will be resolved so that you don't have to do that, but yes.

**Mr. Raj Grewal:** Fair enough—

**Ms. Marie Lemay:** I would say on top of that, though, that we added a layer with the feedback form, so that people who wouldn't be able to get through to their departments and didn't know where to go could actually fill out the feedback form. We've committed to working with their departments to make sure they get that. We added this extra measure to make sure that people would have access to that.

**The Chair:** Thank you, Madame Lemay.

[*Translation*]

Mr. Blaney, you have the floor.

**Hon. Steven Blaney:** Thank you, Mr. Chair.

Ms. Lemay, I have here a January memo concerning the implementation of the new Phoenix pay system. This memo mentioned that the system was to be replaced. I will read the most important excerpt. In fact, you made some comments on this when you attended the emergency meeting. The memo reads as follows:

[*English*]

Staff at the pay centre have received training and the Phoenix project team's resources will be on site in Miramichi to assist during the implementation, including to address any system-related issues that may arise.

[*Translation*]

That was on January 20, 2016. However, you are telling us today that things did not work out at all.

Can you explain how you realized that there was a major problem and that you were going to hit a wall? I remind you once again that both the union and the consultants had advised us of that. In addition, internal memos were circulated about this.

That said, I'd like to go back to the training.

How can you guarantee us that by the end of October the situation will have stabilized?

• (1720)

**Ms. Marie Lemay:** First of all, I want to specify that the situation will not have stabilized by the end of the month.

**Hon. Steven Blaney:** I was talking about the end of October.

**Ms. Marie Lemay:** No. On October 31, we will have dealt with all of the cases in the backlog. Afterwards, we will work with the teams in Miramichi and with the people in our satellite units so as to establish a stable situation. When that has been accomplished, we will be able to see how many people we will need. There will have to be a transition period between the two. On November 1, certain transactions will be late, but we will have 200 people.

**Hon. Steven Blaney:** However, you will have eliminated the backlog. In order to do this, you are offering additional training, as you mentioned. We are talking about \$16 million.

As my colleague has just joined us, I want to inform him that the projected cost for the system is now \$50 million.

With regard to training, could you tell us how this money is being invested and how you are going to obtain results?

**Ms. Marie Lemay:** In fact, a lot of training had been planned before the implementation, but clearly it was not sufficient, nor was it exactly what we needed. As I said previously, we underestimated the management of change and the scope of that change for the users.

There are the users, the human resources people, and the compensation advisors. Three different types of training were required. We offered on-site training to the compensation advisors. By talking to them and discussing things, we quickly realized that we had to offer additional and different training.

As for the users, we are working with the Canada School of Public Service in order to prepare courses that are a little easier than the ones that exist.

As for the human resources people, our teams are going into the departments to talk about the three priority issues.

**Hon. Steven Blaney:** Thank you very much, Ms. Lemay.

*[English]*

I will share my time with Mr. McCauley, who has a question regarding the partner with which you've been implementing the system.

**Mr. Kelly McCauley:** Mr. Liddy, you mentioned earlier that there was just one outside party involved with the program. Is that correct?

**Mr. Gavin Liddy:** Yes, we hired—

**Mr. Kelly McCauley:** What do you consider IBM or PwC or these types of companies?

**Mr. Gavin Liddy:** In terms of a role of a third-party independent review, it was S.i. consultants.

**Mr. Kelly McCauley:** I asked, and the question was specific, were there any other consultants that warned you, “Do not go ahead”?

**Mr. Gavin Liddy:** No.

We had discussions with IBM in May after we found defects, and they didn't say “don't go ahead”. We asked, “How long will it take you to resolve?” and “Do you need to delay?”

**Mr. Kelly McCauley:** So for none of the other consultants, however you term them, third party or whatever, no one advised you “don't go ahead”?

**Mr. Gavin Liddy:** No, not to my knowledge.

I don't know, Brigitte, if you have knowledge.

**Ms. Brigitte Fortin:** No.

**Mr. Kelly McCauley:** Is that not to your knowledge or a “no, it's definite”? Can you maybe get back to us if it's not a “no definite”?

**Mr. Gavin Liddy:** I can get back to you, yes. I was following the project very closely starting in May 2015, so I'd be very surprised.

**The Chair:** Thank you.

Our final five-minute intervention will be with Madam Shanahan.

*[Translation]*

**Mrs. Brenda Shanahan:** Thank you very much, Mr. Chair.

*[English]*

Madam Lemay and Mr. Liddy, I think you were here when my colleague asked a question about what a steady state would look like, and that's what I want to tackle a little bit more. There was the question about what the rate of overpayment and underpayment was as part of the long-standing payroll problems that could exist under any payroll system and what we expect that to look like in the future steady state scenario. Further to that, I would like to know what steady state will look like at the Miramichi pay centre, the number of cases that employees will be able to handle per day, and whether the additional full-time advisers that have been hired will be staying on. I realize you won't have all the answers, but we want to have an idea of what that steady state will look like.

**Ms. Marie Lemay:** Thank you for the question.

One thing that, to my mind, is really important, which we cannot lose sight of, is that we really believe that steady state will be better than what we had before. The steady state will be an environment in which it will be easier for employees to self-serve, and they will be able to do their transactions much faster. The objective of steady state is to have fewer errors and be more timely. It will be a much better place. We're not there yet, but that's what it will be.

• (1725)

**Mrs. Brenda Shanahan:** The stress will be considerably lower.

**Ms. Marie Lemay:** Yes.

Maybe I'll let Brigitte talk briefly about the overpayments before Phoenix, because you were asking for that number and she does have it.

**Ms. Brigitte Fortin:** Thank you.

At the time we went live with the new pay system, from the old pay system there were 18,000 cases of employees who had overpayments, for a value of \$21.7 million. That was the state of affairs from an overpayment perspective before Phoenix. That was not necessarily an annual amount; it was a portrait of the amount at that particular point of time.

**Ms. Marie Lemay:** So the goal of steady state will be to be in a much better place.

Do you want me to follow up on the question in terms of Miramichi?

**Mrs. Brenda Shanahan:** Yes, please.

**Ms. Marie Lemay:** In terms of the number of cases in Miramichi, for example, that's one of the things we don't know yet. How many cases the compensation advisers will be able to process when they are fully used to the system, when the system is optimized, is actually a very important factor. We had a plan and that's what led to having 550 compensation advisers. Will that be the end result? Maybe it won't be. If it is, then we will have to let go of all the satellite units and we will keep our Miramichi office open and fully functional. If we happen to need more compensation advisers, then we'll have to assess at that time. Steady state will not be calculated in the number of compensation advisers; it will be calculated in timeliness with regard to the service aspect. We're looking at timeliness, accuracy of payment, and...I'm missing one.

**Mrs. Brenda Shanahan:** You have those metrics in place and you know what you're going for as far as steady state is concerned.

**Ms. Marie Lemay:** We have a pre-Phoenix metric. The one we are working with now with colleagues is actually an, I'll say end-to-end metric. It's not just about the pay centre. It's about from the moment when somebody works to the moment they get paid. There are a number of HR transactions or steps that have to be taken. We believe if we're looking from a service point of view and if we're thinking of the employees, that's what matters to them. We're looking now at the entire thing end to end.

**Mrs. Brenda Shanahan:** Very good.

How much time do I have, Mr. Chair?

**The Chair:** You have about 30 seconds.

**Mrs. Brenda Shanahan:** Okay, I'll share it with Nick then.

**Mr. Nick Whalen:** I'm just getting some feedback regarding a question I asked earlier on the number of complaints that you guys have received with respect to overtime pay since June 30. How many PAR, pay action request, forms or Phoenix feedback forms have you guys received since July 1 with respect to priority three?

**Ms. Marie Lemay:** I think there were two elements. Did you say overtime? Overtime is automatic.

**Mr. Nick Whalen:** No, we'll just go with the priority three category of complaints since July 1.

**Ms. Marie Lemay:** Our priority three is a fixed number. It started with 82,000 and it's now at 67,500.

**Mr. Nick Whalen:** I don't think you understand my question. That category of problems since July 1, how many have there been?

**Ms. Marie Lemay:** Well, there's a whole bunch of things in the backlog, right? So it's the normal transactions coming in. I'm not sure I do understand your question.

**Mr. Nick Whalen:** Exactly. How many new ones which you do not consider part of the backlog that are the same category of errors?

**Ms. Marie Lemay:** It's the normal flow of business.

**Mr. Nick Whalen:** You mean another 40,000?

**Ms. Marie Lemay:** Well, it would be more than that. The flow of business transactions come in—

**Mr. Nick Whalen:** No, that are not processed.

**Ms. Marie Lemay:** That are not processed? Well, they're processed but some are processed in a timely fashion and others are processed a little late.

**The Chair:** I think I know what Nick's getting at. Perhaps offline, when we suspend to go in camera, we'll have a couple of minutes. Perhaps you and Nick can get together and you can get the answer to Nick's question back to our committee.

**Ms. Marie Lemay:** Yes.

**The Chair:** We'll move on.

We have one three-minute intervention left, and it will be Mr. Weir.

**Mr. Erin Weir:** I would just like to reinforce the point that it would be great if you could report back to the committee on what this number of new cases since July is. I tried to ask about that as well.

I suppose, related to that, I'm wondering if somebody gets to December 31 and has still been paid the wrong amount, either because the backlog isn't fixed by October 31 or because of these new problems cropping up, what the solution is to ensure that they're not paying the wrong amount of income tax.

● (1730)

**Ms. Marie Lemay:** Well, that is something that we're turning our minds to. Our objective is really to try to solve as much as we can, but people will need to have interactions with employees too, because if they do not want us to do the recovery of taxes in a certain time, then we'll have to look at what the implications are at that point.

**Mr. Erin Weir:** You've characterized the Phoenix pay system as part of this modernization of the public service. I wonder if you could give us a heads-up about any other modernization efforts that the government has in the works.

**Ms. Marie Lemay:** One of the things that we've been working on is actually the HR component of the system, because Phoenix is an integration of HR and pay. Now, in our new world, HR equals pay, really. There's one project to slowly implement the initiative called "My GCHR" and that is one of the projects that we've been, and are still, working on. We actually delayed it a little bit because of Phoenix and to be mindful of everything that's happening.

**Mr. Erin Weir:** I appreciate your delay with that one.

I did want to ask a little bit about the pay centre in Miramichi. Before a labour tribunal this past week, the government seemed to be arguing that a big part of the problem was that Miramichi wasn't processing things quickly enough. I think that's unfair to the people who are working there under really tough conditions. It does raise a broader question about why the government decided to situate the pay centre in Miramichi in the first place. Do you believe that was the right decision? Is that really the best place for it?

**Ms. Marie Lemay:** I will tell you that the employees that we have there are really good employees. I have visited the place. Mr. Liddy was there recently. The minister was there. Those employees are working very hard, and if at any time there was some miscommunication and anybody thought we were blaming them, that's not the case at all. They are hard-working employees. They're good employees and they've been very successful.

**Mr. Erin Weir:** You've had to set up pay centres in all these other areas, so is Miramichi the right place to have the national pay centre going forward?

**Ms. Marie Lemay:** Yes. I would say that the satellite units that we had to set up had nothing to do with location. It had to do with adding people to be able to process.

**Mr. Erin Weir:** So it's just coincidental that you set up one of the centres in the national capital region to try to rehire the experts in this area who were laid off.

**Ms. Marie Lemay:** That's where there was availability of people. We were in an emergency situation wanting to set up a satellite unit so that we could help and pay employees as fast as possible. It seemed very natural to do it here because there were people here.

**Mr. Erin Weir:** Might this not be a more—

**The Chair:** I'm afraid we're going to have to cut it off there, Mr. Weir.

Madam Lemay and Monsieur Liddy and Madam Fortin, thank you once again for being here.

I have one question from the chair, if you wouldn't mind. You can submit this; you don't have to answer it today. Monsieur Grewal raised the question that there are perhaps 67,500 employees still on this backlog list, but that doesn't necessarily tell us how many cases there are. In fact, you were starting to say there's probably more than two or three cases per person. I'd be interested to know exactly how many cases are on the backlog section.

**Ms. Marie Lemay:** Absolutely.

**The Chair:** Could you provide that information to the committee in a response?

**Ms. Marie Lemay:** Yes.

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

We will suspend now for about two minutes and go directly into committee business, which will be in camera.

*[Proceedings continue in camera]*







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