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## **Standing Committee on Public Accounts**

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**EVIDENCE**

**Thursday, March 10, 2016**

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**Chair**

**The Honourable Kevin Sorenson**



## Standing Committee on Public Accounts

Thursday, March 10, 2016

• (0845)

[English]

**The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)):** Good morning, colleagues. This is meeting five of the Standing Committee on Public Accounts. It's Thursday, March 10, 2016.

Today we're studying chapter 4, Information Technology Shared Services, of the fall 2015 report of the Auditor General of Canada entitled.

We're very pleased to have a number of witnesses appearing here today.

From the Office of the Auditor General of Canada, we have Michael Ferguson, Auditor General of Canada, and Martin Dompierre, principal.

From Shared Services Canada, we have Ron Parker, president; John Glowacki Jr., chief operating officer; and Manon Fillion, director general and deputy chief financial officer, corporate services.

From the Treasury Board Secretariat, we have John Messina, chief information officer, and Ms. Jennifer Dawson, deputy chief information officer.

There will be three opening statements. We'll start with our Auditor General.

Thanks again, and welcome.

**Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General of Canada):** Thank you.

[Translation]

Mr. Chair, thank you for this opportunity to discuss our fall 2015 report on information technology shared services. Joining me at the table is Martin Dompierre, the principal who was responsible for the audit.

This audit examined whether Shared Services Canada had made progress in implementing key elements of its transformation plan and maintained the operations of existing services.

Specifically, the audit focused on Shared Services Canada's objectives of improving services, enhancing IT security and generating savings.

We also looked at how the Treasury Board of Canada Secretariat assisted and provided governance and leadership on the strategic

vision for Shared Services Canada and how it fits into the government IT landscape.

As part of the audit, we consulted seven federal government departments and agencies to get an understanding of how they viewed their collaboration with Shared Services Canada.

[English]

Our 2010 audit report on aging information technology systems indicated that the federal government infrastructure was aging and at risk of breaking down. In turn, this could affect the government's ability to deliver some essential services to Canadians. The report recommended that a plan be developed for the government as a whole to mitigate risks associated with aging IT systems on a sustainable basis.

In August 2011, the government announced the creation of Shared Services Canada as a new department to manage and transform the IT infrastructure of 43 individual departments, including servers, data centres, human resources, and IT budgets. The IT infrastructure included 485 data centres, 50 networks, and about 23,400 services.

In 2013, Shared Services Canada developed a seven-year transformation plan to consolidate, standardize, and modernize the Government of Canada email, data centres, and network services. Shared Services Canada committed to maintain and improve the level of IT services and security during the transformation.

• (0850)

[Translation]

Overall, we found that there were weaknesses in Shared Services Canada's implementation of government IT shared services to date, specifically in managing service expectations with its partners and in measuring and tracking progress on transformation initiatives and savings.

For example, we found that Shared Services Canada did not set clear and concrete expectations with its partner departments in providing IT infrastructure service to support their services and applications. As a result, it could not show if and how it was maintaining or improving services.

This finding is important because Shared Services Canada needs to understand whether its services meet its partners' needs. As the recipients of these services, Shared Services Canada's partner departments need to have confidence that the levels of IT service they receive from Shared Services Canada adequately support their ability to deliver services to Canadians.

[English]

In addition, we found that Shared Services Canada rarely established expectations or provided sufficient information to partners on core elements of security. This is important, because Shared Services Canada plays an important role in implementing Government of Canada security policies, directives, standards, and guidelines to ensure the security of government IT shared services. As the government's IT infrastructure service provider, it's important that the department collaborate with partners to manage security threats, risks, and incidents to help protect the government's critical IT-related assets, information, and services.

Finally, we found that Shared Services Canada did not have consistent financial practices to accurately demonstrate that it was generating savings. For example, there was no standard costing methodology in place to determine savings, and there were incomplete baselines to measure total savings generated. This finding matters, because Shared Services Canada spends about \$1.9 billion each year to deliver IT services to partners, invest in projects, and fund its operations.

As this audit is a mid-transition review of the department's progress in implementing key elements of the government's IT transformation, our recommendations provide concrete opportunities to look at what has been done so far and to identify needed adjustments. Our report makes eight recommendations to Shared Services Canada and one to the Treasury Board of Canada Secretariat. Both entities have agreed with our recommendations.

[Translation]

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

[English]

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

We'll now move on to our next witness.

Mr. Parker, welcome. It's good to have you here today.

**Mr. Ron Parker (President, Shared Services Canada):** Thank you, Mr. Chair.

[Translation]

Good afternoon.

I am Ron Parker. I was appointed president of Shared Services Canada in July 2015.

I am accompanied today by my colleagues John Glowacki, chief operating officer, and Manon Fillion, director general of finance, to discuss the Auditor General's report that was tabled in Parliament on February 2 and to take your questions and comments.

But first, I would like to briefly outline SSC's history and mandate.

SSC was created to modernize information technology infrastructure services to ensure a secure and reliable platform for the delivery of digital services to Canadians.

[English]

This followed, as Mr. Ferguson noted, the Auditor General's report of 2010, which drew attention to the aging systems of the Government of Canada and the risk those systems were of breaking down and jeopardizing services to Canadians. Shared Services was created to standardize, consolidate, and re-engineer the federal IT infrastructure into a single shared IT enterprise. The department aims to deliver one email system; consolidated data centres; a reliable and secure telecommunications network; and 24-7-365 protection against cyber threats across the 43 departments, 50 siloed networks, some 400 data centres, and 23,000 servers.

This year the Auditor General has noted limited progress in the key elements of Shared Services Canada's transformation program. This report recommends that the department develop a strategy to meet partner legacy and transformation service needs; develop agreements with partners setting out service expectations and reporting commitments; provide partners with more information on IT security, protocols, guidelines, and standards; and prioritize, allocate, and report on funding commitments and realized savings.

• (0855)

[Translation]

Shared Services Canada accepts these findings. They are timely, and they echo the feedback I have received from partners, stakeholders and staff.

In fact, the department has made tangible progress on each of the recommendations. That said, some aspects of the AG's report deserve comment.

[English]

Shared Services Canada's service management strategy has already been finalized and shared with our partners. We've established service level expectations in five priority areas: email, mobile devices, video conferencing, application hosting, and the Government of Canada-wide area network services. Service level expectations cover such areas as service hours, service availability, and the time to restore services.

Regarding the email transformation initiative, the challenges in migrating email systems vary by department. Readiness to migrate also varies by department. As such, the costs of migration differ by department, and additional costs may be incurred. Migrations were also put on hold in November 2015 while the vendor addressed the system's stability and capacity issues.

Finally, regarding security, as noted in the Auditor General's report, it's important to remark that the Auditor General did not test the effectiveness of our security controls. Rather, as he's just said, he focused on the communications with partners and whether security's roles and responsibilities were adequately documented.

[Translation]

SSC's transformation plan represents an unprecedented exercise in orchestration and synchronization. As we move forward, we are placing increased emphasis on client service, sound financial management and ensuring accountability.

We also face some challenges.

[English]

At the enterprise level, work is proceeding more slowly than anticipated. The complexity of the challenges has caused some delays, and some procurements are taking longer than planned. In addition, the capacity of industry to meet our requirements varies, and we have important funding pressures arising, in part, from stronger than forecast demand growth.

To address these issues, we are focusing on a three-pronged approach.

First, our staff are our priority. They are our strongest asset. Their support, commitment, and drive are a very precious commodity, like gold. I want to recognize the Herculean work to remake the delivery of IT infrastructure services supporting all types of services to Canadians. They should be very proud.

First, at Shared Services Canada, service excellence is part of the DNA of our staff, and we must make it easier for people to deliver the services through providing new tools, new processes. This, of course, is a major concern for our customers as well. Improving customer satisfaction is key to Shared Services' success, and is key, at the same time, to improving staff morale. We will strengthen service delivery through new service strategies and the standardization of processes.

Second, the department will update the transformation plan in fall 2016, with the participation of Shared Services Canada's employees, customer organizations, central agencies, and outside experts. We want a conversation about the scope, pace of implementation initiatives, and the cost of the plan, while ensuring that the legacy systems continue to deliver programs and services to Canadians.

Third, we recognize that some legacy infrastructure will remain operational longer than we'd originally anticipated. We will therefore continue to reinforce the legacy infrastructure to prevent outages in the delivery of services to Canadians.

In conclusion, I want to stress that since its creation, Shared Services Canada has made progress in modernizing government-wide IT systems.

[Translation]

We are moving forward with renewed vigour, while absorbing the lessons learned over the last four years, along with the recommendations for ongoing audit and evaluation work.

Ultimately, the IT services SSC provides are an integral part of a vision of a 21st century public service. They complement the Government of Canada's commitment to improve digital services to all Canadians.

Thank you.

• (0900)

[English]

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

We'll now move to Mr. Messina from the Treasury Board, please.

**Mr. David Christopherson (Hamilton Centre, NDP):** I have a point of order, Mr. Chair, in two parts. One, is there any particular reason why we don't have copies of the opening remarks of this witness? Two, it's my understanding that the translators have a copy of the remarks, but not us.

**The Chair:** I guess that these are his speaking notes. Typically, there are occasions when someone will come in and just speak as a witness. They were not circulated because they weren't meant to be circulated.

**Mr. David Christopherson:** Wait a minute. I'm sorry. They weren't meant to be circulated?

**The Chair:** This is a grid line of what he's going to say, and he gave a transcript, I guess, to the translator.

**Mr. David Christopherson:** That's my problem: if there's a transcript in existence of what's being presented, why didn't we get it?

**The Chair:** I'm told by the clerk that speaking notes do not have to be circulated.

**Mr. David Christopherson:** I didn't say they had to be. I was inquiring as to why we didn't get them, because it doesn't look good. There's a copy that's available. It was given to the translators, but not to the committee. This is not just a pedestrian witness who doesn't understand how things work. This is the Treasury Board.

I have to tell you that my antenna is up. Why don't I have a copy in front of me when it seems to be available? That's all. It's not a big deal. I just want to know where it is.

**Hon. Pierre Poilievre (Carleton, CPC):** Mr. Chair, on the same point of order, one solution might be that the witness is prepared to share the transcripts of his remarks with us verbally right now.

**The Chair:** I think that was his intent.

**Hon. Pierre Poilievre:** Okay, let's do it that way then.

**The Chair:** That's always been his intent.

I don't find that it's a point of order, because although it's an inconvenience, certainly, I've attended many different committee meetings where the transcripts of the speaking notes were not provided.

Go ahead, Mr. Messina, and welcome to the committee.

**Mr. John Messina (Chief Information Officer, Treasury Board Secretariat):** Thank you, Mr. Chair. I'm pleased to be here to speak about the role of the chief information officer branch in providing governance and strategic leadership for the transformation of government IT services.

[Translation]

With me today is Jennifer Dawson, deputy chief information officer, who will help me respond to any questions.

The role of the chief information officer branch in the Treasury Board Secretariat is to provide strategic leadership and policy direction for information technology, information management and cyber security.

[English]

We do this with guidance from departmental deputy heads and input from chief information officers as well as other stakeholders. The Auditor General, during his review of the information technology of Shared Services, said it is important that SSC have more support in the form of strategic guidance from TBS to help it achieve its mandate.

● (0905)

[Translation]

He recommended that the Treasury Board Secretariat, Chief Information Officer Branch put into effect an IT strategic plan for the Government of Canada.

Mr. Chair, we agree with the recommendation and have committed to completing an IT strategic plan by March 31, 2016.

[English]

We've also promised to help departments and agencies implement the plan. Accordingly, we have fully reviewed business and technology trends, as well as industry best practices, to determine what changes are needed as a result of advances in information technology, the experience of other jurisdictions, and recent operational developments within the Government of Canada.

[Translation]

As part of our review, the chief information officer branch has consulted broadly with the government's IT community to understand their service and technology needs.

[English]

We have also consulted with our internal policy centres to ensure that the IT strategic plan meets Canadians' expectations for the security of information. Our consultations are now complete, and we are on our way to having the strategic plan completed by the end of the month. Following this, TBS will ensure approval of the plan.

[Translation]

This plan will provide a strategic vision for IT in the Government of Canada. It will give SSC and other departments direction and priorities for enhancing IT management, security and service delivery. It will also help the broader government IT community, as they develop and coordinate their own plans and activities.

[English]

Going forward, TBS will help departments and agencies implement a strategic plan by providing communications, guidance, and oversight.

Mr. Chair, as you can see, much work has been done to address the Auditor General's recommendations. We will continue to work

with Shared Services Canada to provide governance and strategic leadership to help it achieve its mandate.

Thank you for your time today. I would be pleased to answer any questions from the committee.

**The Chair:** Thank you very much to all for your testimony and for your opening statements.

We'll move into the first round of questions, which is a seven-minute round.

Ms. Mendès.

[Translation]

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

I would like to thank you all for your presentations. I appreciate the time you took to prepare to meet with us.

You can well imagine that this is something that we are particularly concerned about because it affects the whole government.

Mr. Messina, you were the last witness to speak, and my first question is for you.

The Office of the Auditor General of Canada recommended that you complete the strategic plan by March 31. Will it be approved by that date or will it only be submitted by then?

[English]

**The Chair:** Mr. Messina.

**Mr. John Messina:** The plan will be completed in the written format by March 31. After that we will be seeking approval for it.

**Mrs. Alexandra Mendès:** Who approves it, if I may ask?

**Mr. John Messina:** The secretary of the Treasury Board will be approving the plan.

[Translation]

**Mrs. Alexandra Mendès:** Thank you.

As a committee, it is our duty to monitor how you will implement this plan.

Could you give us an idea of how this plan will help Shared Services Canada give priority to the requirements of partners and the various departments associated with it?

● (0910)

[English]

**Mr. John Messina:** The plan will help set priorities. First of all, it will establish and list what the priorities are. For example, the priorities are enterprise systems we want to develop for the Government of Canada. Having said that, and articulated that in the plan, there's an example of where going forward we have governance committees that will ensure the priorities are being met and worked on by Shared Services Canada. It's in that context that it will help Shared Services Canada.

**Mrs. Alexandra Mendès:** Thank you.

If I may, Mr. Chair, I'll share the rest of my time with Mr. Chandra Arya.

**Mr. Chandra Arya (Nepean, Lib.):** Thank you.

As the MP for Nepean, which is in Ottawa, I know a bit about Shared Services Canada, because I keep hearing about it from my constituents. Some are union leaders. Some are employees. Some are contractors. Trust me, this is the single biggest disaster as far as they're concerned.

I know you're new and one of the understatements you made is that the complexity of the challenges has caused some delays, and some procurements are taking longer than planned. You also said that the capacity of industry to meet your requirements varies, and that you have important funding pressures arising. This is after four or five years of being under implementation.

Now in 2016 you want to have a conversation about what is called the pace of implementation, the transformation and schedule, and the cost of the plan.

Mr. Messina, you say your strategic plan will be ready at the end of March. Was there not a strategic plan before Shared Services Canada was established?

**Mr. John Messina:** There was no official version of a strategic plan in place. There was a draft version that had been circulated, and it was around in 2013. The strategic plan was not in place before.

**Mr. Chandra Arya:** You have wasted billions of dollars. How many billions of dollars have we spent until now?

**Mr. John Messina:** Sorry, pardon me?

**Mr. Chandra Arya:** How many billions of dollars have we spent until now? We implemented Shared Services Canada without a strategic plan.

**Mr. John Messina:** I can answer that in general. The Shared Services Canada budget was about \$2 billion per year. The government spends about \$5 billion in IT every year, but I don't know exactly how much was spent in terms of the context of your question.

**Mr. Chandra Arya:** No. From my conversations with my constituents, it appears as though the Auditor General submitted a report in 2010 and 2011. Somebody saw a folder lying somewhere, and they said, "Oh, yes, this is a good idea. It will give us good media coverage. Let's implement it without a strategic plan."

I know, Mr. Parker, you are new here, but the things I hear are bad. I was told that one guy was recently recruited without an interview, just based on his resumé. He walked in there and nobody told him what was expected of him.

**The Chair:** Mr. Parker.

**Mr. Ron Parker:** I think in terms of the priorities, the priorities for Shared Services Canada were laid out at the outset to bring 63 email systems down to one, to bring 50 networks down to one consolidated network, and to rationalize the data centres across Canada.

The mission has been clear.

**Mr. Chandra Arya:** Mr. Parker, I understand. The priorities are a very simple, eye-catching thing—consolidate everything—but the implementation went ahead without a plan.

**Mr. Ron Parker:** Shared Services was stood up in 2011. Initially it took until about the fall of 2013 to develop the plan. Since that time, the focus has been on the implementation of the plan.

That's the context for the Auditor General's review as well. Effectively it was in the second year of a seven-year plan at the outset, and that's why it's beneficial to have the Auditor General's observations at this juncture.

We have the time to make course corrections, take those comments on board, and make the improvements that are necessary to achieve the mission with Shared Services.

It's a complex task. It's a difficult task. You understand that.

**Mr. Chandra Arya:** I absolutely understand that it's a complex task. That's the good reason this should have been considered before we went ahead and started spending money on this.

Now, I don't know. Will it make sense to shut down everything and restart the whole process?

● (0915)

**Mr. Ron Parker:** Personally, I don't think that would be a very good plan.

We have the opportunity at this juncture to take stock. We take stock regularly and make course corrections. As I said, we're going to listen to a lot of people. We're looking at the assumptions underlying the original plan, checking them against the reality, and incorporating those revisions into a plan.

We'll be bringing that out in the fall of this year and subjecting it to public scrutiny and discussion. I think that's the way you build the robust plan.

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

Let's make sure as a committee here that we have our cellphones off and also try to direct our questions through the chair and then likewise on the answers.

Mr. Poilievre, please. You have seven minutes.

**Hon. Pierre Poilievre:** In paragraph 4.26 the Auditor General found, "A service catalogue is a central source of information about the IT services delivered by a service provider, including pricing."

Can Mr. Parker explain how pricing is determined, and who pays the price for a given service provided to a client within the system?

**Mr. Ron Parker:** Absolutely. I'll make a few remarks and then ask Madame Fillion to explain the methodology that's being put in place.

The pricing methodology is going to be based fundamentally off of the core level of service provided at the time that Shared Services was stood up, with the base appropriation that Shared Services received. Beyond that, we're looking for pricing to be based on new incremental types of services, growth in demand, those types of variables.

**Hon. Pierre Poilievre:** Sorry. I think you're missing my question.

Let's say Shared Services provides networking services A, B, C to client number one. Does client number one actually pay for those services, or does it come out of the allocation to Shared Services Canada?

**Mr. Ron Parker:** Mr. Chair, the answer is that if client X received A, B, C at the time Shared Services was stood up, then client X continues to receive A, B, C out of our appropriation.

**Hon. Pierre Poilievre:** Out of your appropriation. Then it no longer comes out of the appropriation of the department—

**Mr. Ron Parker:** That's correct.

**Hon. Pierre Poilievre:** —because prior to Shared Services, every department paid for its own IT. Now the cost is transferred to a central budget, presumably passed in the estimates allocated to Treasury Board Secretariat. Is that correct?

**Mr. Ron Parker:** Mr. Chair, the initial appropriation for Shared Services Canada—

**Hon. Pierre Poilievre:** I'm talking about the ongoing....

**Mr. Ron Parker:** The ongoing appropriation is approved every year.

**Hon. Pierre Poilievre:** I understand that, but it's an appropriation centrally to Shared Services. The customer doesn't pay for a service in a normal customer-service provider relationship.

**Mr. Ron Parker:** Yes. Mr. Chair, the appropriation that we receive annually pays for the core services that the clients were receiving when Shared Services was stood up. The clients made a one-time transfer that effectively created the appropriation that Shared Services Canada receives.

**Hon. Pierre Poilievre:** Okay. Was that one-time transfer in addition to costs that the customer had to pay for the transformation as well? The reason I ask is that it says in the report that the costs associated with transformation, the costs borne by the customer, were not figured into the calculation of savings that Shared Services' plan foresaw.

• (0920)

**Mr. Ron Parker:** Mr. Chair, the transformation costs.... Take, for example, the new email system. The client will incur transitioning costs to train staff in the new methodology. They may possibly need to acquire some licences for their staff. It was a mixed bag in terms of the costs that were included.

For example, we estimated the licensing costs, but all of the other costs that you get from a change management perspective were not included in the original base case estimates of client transition costs.

**Hon. Pierre Poilievre:** Have they since been calculated?

**Mr. Ron Parker:** They have not since been calculated, Mr. Chair.

**Hon. Pierre Poilievre:** Okay.

Will they be for future transactions?

**Mr. Ron Parker:** Mr. Chair, we're planning, for the rollout of the new initiatives, to ask the clients for their estimated transition costs.

**Hon. Pierre Poilievre:** Okay.

In your remarks, you said that the department aims to deliver one email system, and that right now, according to the report, only a

small minority of email inboxes have been transitioned into that central system. What percentage is it as of today?

**Mr. Ron Parker:** Mr. Chair, I don't have the exact percentage. It would be about 10%. About 52,000 mailboxes have been transferred.

**Hon. Pierre Poilievre:** I'm sorry, how many have been transferred?

**The Chair:** It's 52,000.

**Hon. Pierre Poilievre:** That would be 52,000 of maybe 500,000. That must include all of government, because 500,000 people must include military personnel and everyone.

**Mr. Ron Parker:** Mr. Chair, yes, the entire public service is included.

It's also important to note that there are many mailboxes that are not necessarily association exercises. Those types of mailboxes are quite common.

**Hon. Pierre Poilievre:** But it's basically every single work-based email of every single person employed by the Government of Canada.

When will that be consolidated into one system?

**Mr. Ron Parker:** Mr. Chair, as I said, the vendor had to suspend the migrations in November 2015. They've developed a plan to stabilize the system. We're working—

**Hon. Pierre Poilievre:** Do you have a date when you expect to have the migration done?

**Mr. Ron Parker:** We do not have a date yet, because—

**Hon. Pierre Poilievre:** Will it be in the plan that you're releasing at the end of March?

**Mr. Ron Parker:** The plan will be finalized in the fall, Mr. Chair. That's about the time that we'll know. We will communicate the revised migration plan when we have it from the vendor.

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

We'll move to Mr. Christopherson please.

**Mr. David Christopherson:** Thanks, Chair.

There is a highly technical term used when something is this complex involving this many billions of dollars and has this much ineptitude and inaction, and that highly technical term is boondoggle. That's exactly what we have here. I'm not satisfied at all that this department has a handle on this. I think the proof of that is in front of us.

I want to follow up on where some of my colleagues have been on this business of the draft plan is going to be "complete"—is the word in the action plan—by March 31, 2016. It then goes on to say that it has to be approved. It seems to me that the March 2016 draft has no more status than the June 2013 draft, simply because it wasn't approved. Let's remember, this is three years they've had the draft plan. The best they can come up with as a resolve is a year ago they said they would update the draft plan from what was then two years before, and we still don't have a final date.



What we have is a game. We have a shell game telling us March 31, 2016, is looking like it's some kind of a deadline where we can start expecting action. All that is, is the completed draft which has no more status than the June 2013 draft, which didn't get acted on either. Then I hear that sometime this fall there's going to be approval. It's not good enough, not good enough.

I want a date. When will this be approved and when will it be implemented? No more of this draft stuff. That's just dodging. When is this report going to be adopted and when will it be implemented?

• (0925)

**Mr. Ron Parker:** Mr. Chair, may I ask a question for clarification?

**The Chair:** Yes.

**Mr. Ron Parker:** It's not clear to me if the member is inquiring about the strategic plan that Treasury Board has been asked for the IT strategy overall or some other deliverable.

**Mr. David Christopherson:** No, it's the draft. It's the plan for March 2016.

**Mr. Ron Parker:** The strategic plan?

**Mr. David Christopherson:** Yes, that's what I'm talking about.

**The Chair:** Mr. Messina.

**Mr. John Messina:** Maybe I could clarify why Ron was asking the question.

The strategic IT plan has some enterprise initiatives and it's because it's strategic it is a directional plan for departments. Then there are specific plans that are very operational that every department would have, and Ron has those for Shared Services Canada. We have the IT strategic plan. We've done a lot of consultation with the community, with CIOs across government, and the completion of that document is March 31. We expect at the latest to have that approved and out to the departments for implementation in the spring time frame. Probably a June time frame is what we're looking at.

**Mr. David Christopherson:** June, this June.

**Mr. John Messina:** June 2016, correct.

**Mr. David Christopherson:** Good, okay. You can expect that we'll be incorporating that in our report and looking for some detailed follow-up.

I want to go back to Mr. Parker's opening remarks. He said, and I quote, that Shared Services Canada "was created to modernize information technology infrastructure services to ensure a secure...". The first word that Mr. Parker used was "secure". So the services were there to ensure, and I continue the quote, "a secure and reliable platform for the delivery of digital services to Canadians."

The Auditor General said, even this morning, "In addition, we found that Shared Services Canada rarely established expectations or provided sufficient information to partners on core elements of security. This is important, because Shared Services Canada plays an important role in implementing Government of Canada security policies, directives, standards...".

My question for Mr. Parker is, if ever there was a buzzword of this era it's "security" and it was used as the first word. So why the

deficiency? Why does the Auditor General find out that you weren't in touch and providing sufficient information on the core elements of security?

My second question is for Treasury Board, the ones who are supposed to make sure they do it. Why did they fail in their job in making sure they didn't do it in the first place?

**The Chair:** Mr. Parker.

**Mr. Ron Parker:** I would like to begin by remarking that indeed the IT infrastructure services that Shared Services Canada provides are secure. We have made important progress in securing the IT infrastructure, the perimeter of the IT infrastructure. As I mentioned in my speaking notes, a 24-7-365 security operation centre has been established, providing an overall perspective on the threats to the Government of Canada's IT infrastructure. We monitor the potential threats to the infrastructure services incredibly closely, along with our security agency partners. While there's never any guarantee—there's no immunity against cyber threats—we are very vigilant and have made investments over the last number of years to increase the security of our IT infrastructure.

In terms of information provided to partners, we agreed with the Auditor General's recommendation that there needs to be better communication. We're taking firm steps already to clarify the roles and responsibilities. Those documents have been circulated to our partners and we're engaging in further action to improve communication.

• (0930)

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

**Mr. David Christopherson:** Am I out of time?

**The Chair:** You have 10 seconds.

**Mr. David Christopherson:** I can do a lot with 10 seconds, Mr. Chair.

**The Chair:** We'll go back to Ms. Zahid.

I'll put it on to your next round.

Ms. Zahid.

**Mrs. Salma Zahid (Scarborough Centre, Lib.):** Thank you, Mr. Chair.

My first question is for Mr. Parker.

I was very surprised to learn that no firm service level agreements were included as part of your relationship with partnering departments. It's not just specific business agreements. No private sector company would sign a contract with an IT service provider without firm service level agreements.

Do you have any comment on that?

**Mr. Ron Parker:** Absolutely. When Shared Services Canada was stood up, it inherited a vast array of different types and qualities of IT services and infrastructure. In most cases, there were no existing service level agreements that came with that IT infrastructure. It's been a big job just to figure out what the IT infrastructure is that was inherited and what is the map to it. We are well on the way to completing that. It is necessary in order to consolidate the networks and the data centres, for example.

We are going to be establishing service level expectations for our clients. You can see in the report on plans and priorities for 2016-17 that we are shifting to a model that is truly business for Shared Services Canada. We are setting targets, for example. They are around the reliability and stability of the desktop functions, the percentage of time that email systems are available, the number of applications migrated, the time that the mission-critical systems are available, and the mean time to restore those systems. All of those indicators are being developed. It's our intent to hold ourselves to account on the targets that we will set for our clients.

We're also intent on measuring customer satisfaction. The Auditor General mentioned this. That as well is an important feedback mechanism for us to understand how we're doing. We've done the first survey and have the results. That's a baseline for us to grow the organization in terms of its maturity.

**Mrs. Salma Zahid:** Will there be some penalties? Without penalties or consequences for failure, service level agreements are meaningless.

Will you build a penalty or some consequence into your new program for failing to achieve the service level agreements, and what could that penalty be?

**Mr. Ron Parker:** I'm going to ask Mr. Glowacki to take that question.

**Mr. John Glowacki Jr. (Chief Operating Officer, Shared Services Canada):** Thank you.

First of all, I have to say that it's a privilege to be here.

Mr. Chair, it is quite typical in this managed service provider industry that when you go into an engagement such as this, you take on the existing status. The agreements are quite standard to come in and say, as the phrase goes, "your mess for less". Basically, you run it at the same status. If there are pre-existing measurements, you take on those measurements and you agree to run them at the same status. What we had here was that, in many cases, there were not sufficient systems in place doing the operational metrics that we could take on and say now we have a baseline and we will continue to measure against that baseline. Absent that baseline, it becomes a best effort kind of engagement.

To your question about service credits, if you will, this goes back to some of the previous questions about how things are paid for. We are trying to migrate from what we were created as. Some base had to be established with the appropriations, but as we move forward, we're going into what we call a fee-for-service environment. As demand goes up, additional services are always added. That's just the law of nature. We will have agreements in place that show the level we will provide, the availabilities, the liabilities, etc. We're all in the

government, so it is not typical to say that we'll provide some sort of service credit if we miss the mark.

Now, the caveat is that we inherited a hybrid environment where we do go to industry for a certain amount of our services. It's predictable that we'll continue to do some services ourselves. For some it will make perfect business sense to have industry doing those. The benefit we get with industry is that we ensure that we have service credits through them. Take email, for instance; we do have service credits. Those are piling up, and we have a very careful count of those. As we unfold the operation, we will apply those as necessary.

● (0935)

**Mrs. Salma Zahid:** Ms. Murray would like to ask a question.

**Ms. Joyce Murray (Vancouver Quadra, Lib.):** Thank you.

Thank you for being here to help us understand the situation with IT services.

My background is in British Columbia. When the British Columbia government tackled shared services back in 2003-04, it was broken into chunks. I'm trying to understand the methodology Shared Services has used to deliver on this very ambitious seven-year program. In British Columbia, for example, desktop management was taken as a discrete project. It took probably about two years to fix that. Then there was the separate project of network services. The mission-critical legacy systems and servers were not touched during that period. The departments continued to provide the service. From breaking it into very distinct chunks, it seemed each of them was manageable, and this was a very successful program.

I am not clear on this from the materials we have. Was Shared Services given the mandate to do all of this in a big integrated project that it would be easy to flounder in, as we know from corporate transformation projects as well as government, or did you have a methodical, step-by-step approach where you tackled one piece, succeeded with that, and tackled another piece?

**The Chair:** Very quickly, please.

**Mr. Ron Parker:** Mr. Chair, the transformation is one program with separate components. There's an email component, a data centre component, and a networks component. We are working in parallel on all of those components. I think it's very essential to do that, because there are many interdependencies between all of these. The networks are essential to email, and essential to data centres, and modernizing them along the way is crucial to the success, in fact, of the data centre project as well.

We have a set of separate projects for email, the data centres, and the network. Their interdependencies have been identified, and we are working to manage those projects so that they intersect at the right time and the right place to enable one another.

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

We'll move into the second round.

[Translation]

Mr. Godin, you have five minutes.

**Mr. Joël Godin (Portneuf—Jacques-Cartier, CPC):** Thank you, Mr. Chair.

Ladies and gentlemen, I would like to thank you for being here this morning and for being involved in the process.

It is important to know that we are responsible for maximizing taxpayer dollars, and I know that this file is a big ship, if I may put it that way. It's a big ship that is difficult to move quickly and re-route. It is a long process.

With what I'm hearing this morning, I'm a little concerned about where we are steering this ship. I have an existential and basic question: are we going the right way to get there? Ms. Murray mentioned that British Columbia made this migration or modernization in phases, by category, by sector.

My question for you is this: are we currently taking the right approach to modernize our systems?

● (0940)

**Mr. Ron Parker:** I can't look back and guess whether it was the best approach. What really matters is where we are now.

As I just said, it is vital that these projects function at the same time because each one has important aspects that facilitate other projects. I think that we started on this road and will move ahead like this. However, if other experts give us advice that can show us a better way, we will consider those methodologies.

[English]

John, do you want to add something?

**Mr. John Glowacki Jr.:** Thank you.

What I would offer, Mr. Chair, is that what we are doing is actual quite typical from the industry. There are dozens, if not hundreds, of cases of going down this road, maybe not quite as big, but certainly going through this same process, and the methodology often is very similar.

Take the infrastructure, because as Ron noted, it is interconnected and there are many interdependencies. You need to take these together. To take them in isolation can cause problems. Going this route is actually quite typical in the managed service provider industry.

[Translation]

**Mr. Joël Godin:** In fact, as the Government of Canada, we mustn't be the norm. We need to be leaders. I think we have to wonder. I don't doubt what has been done; I'm saying that we have to be responsible and that, if this isn't the right plan, we need to change direction and make decisions now.

We need to know, by considering existing systems, how much time we need to get the boat level. If you take a snapshot of the current situation, you are probably able to tell. We understand that IT is constantly evolving and that there are options along the way. We are all thinking that we will do what is best so that we don't have to do it again in two years.

If we take a snapshot of the system now, are you able to tell us how long we will need to do the update with current technologies?

After that, when there are additional expenses, we will need to see whether the government is interested in investing.

**Mr. Ron Parker:** Mr. Chair, we can't make this calculation right now, but I would like to point out that we are open to the advice of experts and others. That's part of the process that we are following to update the plan.

We also fully agree that changes occur rapidly in IT. It's incredible. The growth in IT demand is also incredible. We are going to take into account the developments since the last updates, and I think it will be important that we adopt a methodology that will adjust to technological changes.

[English]

**The Chair:** Okay, Mr. Parker, thank you.

Now we'll move back to Mr. Lefebvre, please, for five minutes.

[Translation]

**Mr. Paul Lefebvre (Sudbury, Lib.):** Thank you, Mr. Chair.

I would like to thank the witnesses for being here this morning.

We hope you see how important this is to us. You are the first group that we have officially asked to appear before the committee. We received the Auditor General's report in the fall, we met, and we decided that this report was what we wanted to discuss first. It demonstrates the importance that you heard in our comments.

You said that the transformation plan will be tabled again in fall 2016. I would like to know how this plan will be different from the previous one, or the draft of the previous plan. I would like us to look a bit to the past, then talk about the future plan.

● (0945)

**Mr. Ron Parker:** We need to put in place projects and determine the interdependence between projects, the capacity of service providers and how to manage them. To do that, the experience of the past four years is very helpful to us.

We have reviewed all the hypotheses behind the former plans, and we have done an update to adjust to current circumstances. It is a work in progress and has not been completed. So it is difficult for me to say whether the plan will be very different from past plans. However, we will certainly be discussing this in the fall.

**Mr. Paul Lefebvre:** Thank you.

The Auditor General's report talks about the service baseline. To measure and quantify services, we need to know where we're starting from. We note that this was not the case. Will this plan take that into account?

**Mr. Ron Parker:** Absolutely. We are going to be setting service targets. What's difficult is creating a financial base retroactive to 2008 or 2009.

**Mr. Paul Lefebvre:** You have to start somewhere, from 2010 or 2011. You need to draw a line somewhere.

**Mr. Ron Parker:** We are starting now with service measures. We just published the first estimates for service levels. We will also increase these measures over time, as recommended by the Auditor General.

**Mr. Paul Lefebvre:** Excellent.

I have one last question, Mr. Chair.

In terms of funding, I didn't find your budget clear. The Auditor General's report indicated that your budget was \$1.9 billion. There was also mention of \$2 billion overall. Could you tell us a little more about the idea of controlling expenses, the inventory and others? I'm afraid that there is no control of the services being provided nor any way to do so. How can we control a budget if we don't know what direction to take? That's a big concern for me.

**Mr. Ron Parker:** Sound financial management is absolutely essential. I will ask Ms. Fillion to explain a little bit more about our control measures and the fiscal programs.

**Mr. Paul Lefebvre:** The programs or the fiscal problems?

**Mr. Ron Parker:** Programs to control finances.

**Ms. Manon Fillion (Director General and Deputy Chief Financial Officer, Corporate Services, Shared Services Canada):** Thank you, Mr. Chair.

I'm pleased to be here to answer questions.

The budget is \$2 billion. That is roughly the budget since the organization was created in 2011-12.

In terms of the funding structures, credits of about \$1.5 billion to \$1.6 billion have been adopted since the organization began. We also have an envelope from partners and clients, which is about \$400 million or \$410 million since the organization's creation.

We have spoken a lot about challenges. We have tried to reassure you by saying just how well we are managing the organization. Since its creation, the organization's challenge has been maintaining the level of services it inherited and that, in terms of service standards, was not standard and completely diversified. That also includes the type of services offered internally to partners.

What we have done that has helped us to better manage the department is to create 25 services that we offer to clients and that they can purchase. For each service, we set standards based on the services offered when the organization was created.

As you said, technology changes rapidly. Things move quickly. Certain services that we provide today were not offered at the time. So we are putting in place a pricing strategy to differentiate the service standards that were covered by the credits when the organization was created, and all the various broader services or new services for which we will invoice a certain amount of money per service, because that is really a service-by-service approach.

The other important thing that is allowing us to move forward and that is telling us we are on the right track, is the fact that we are also aware that we have reduced the per unit cost for all services. The issue is managing service consumption by partners. At Shared Services Canada, it is our duty and our responsibility to provide each partner with information on service consumption so that they are aware of the services they are using and do not request services that

aren't reasonable or completely frivolous. If that is the case, we can at least recover the costs for this type of service.

So that is what we did. I am quite passionate when it comes to talking about this.

• (0950)

[*English*]

**The Chair:** Thank you very much. We're a little over.

We'll go back to Mr. Poilievre, please.

**Hon. Pierre Poilievre:** We're on limited time, so I'm just going to ask some pointed, factual questions and hopefully get straight answers regarding the dates on which you're going to deliver your goals.

One email system for all 500,000 inboxes: when will that be done?

**Mr. Ron Parker:** We do not have a precise date.

**Hon. Pierre Poilievre:** When will you have a date for it?

**Mr. Ron Parker:** Mr. Chair, we will have a revised date when the vendor provides a revised migration plan.

**Hon. Pierre Poilievre:** You added 47,000 emails onto the new system last year, by my calculation. According to this report, a year ago today, there were 3,000 mailboxes on the new system, and you now say there are 57,000. That means 47,000 have been added in the last year. At that rate, it will take more than 10 years to put them all in one system. Is your plan to have it done by 2026?

**Mr. Ron Parker:** Mr. Chair, there are strong incentives for the vendor to accomplish the migration as quickly as possible. The vendor gets paid according to the number of email boxes created and transferred.

**Hon. Pierre Poilievre:** Who is the vendor?

**Mr. Ron Parker:** It's a combination of Bell Canada and CGI. Those are the core vendors.

**Hon. Pierre Poilievre:** When was the contract signed?

**Mr. Ron Parker:** The contract was signed in 2013.

**Hon. Pierre Poilievre:** Did Service Canada include any penalties for delays in...?

**Mr. Ron Parker:** Mr. Chair, there are service credits that accrue in the event of delays.

**Hon. Pierre Poilievre:** Consolidation of data centres from 485 to seven: when will that be done?

**Mr. Ron Parker:** Mr. Chair, this is a question we're looking at carefully in the context of the revised plan. I do not have a precise date for the completion of the data centre migration at this time. All of these measures or issues depend on a balance among the scope of the projects, the amount of time the projects will take, and the funding of the projects.

**Hon. Pierre Poilievre:** According to the report, you're at 436, at least at the time of this publication. What is the number of data centres you have right now?

**Mr. Ron Parker:** Mr. Chair, all together, about 80 or so old data centres have been closed.

**Hon. Pierre Poilievre:** That's from 485, so you're now down to 405.

**Mr. Ron Parker:** Since the beginning—

**Hon. Pierre Poilievre:** So, 405 is roughly where you are right now.

**Mr. John Glowacki Jr.:** I would like to clarify that these are not all data centres. Some of them are closets that have servers in them. I know the report refers to data centres, but I would refer to them as server locations. There is a distinction. In one case we're closing down very large, expensive facilities; in other cases we're simply taking a server from a room and putting it in our in-state data centre.

**Hon. Pierre Poilievre:** Is that distinguished from servers? Because we have those marked separately in Mr. Parker's remarks, where he says there are 23,000 servers that need to be consolidated. Are you distinguishing between them and the data centres?

• (0955)

**Mr. John Glowacki Jr.:** No. It's a combination. That's why this gets a little complicated for simple answers.

**Hon. Pierre Poilievre:** I guess the challenge for us in measuring success is we don't know what we're measuring.

**Mr. John Glowacki Jr.:** Mr. Chair, if I may, this industry that we're in actually lends itself very well to measurement and is very precise once you understand everything you're dealing with.

Our dilemma is, and again, this is very typical of the industry, when you come into this kind of situation, there often isn't a baseline. The organization spent two years learning what it had and two years developing a plan. In the dynamic nature of the IT industry, it's very common to come in two to three years into it and say, "Okay, the world has changed again. We need to revise our plan." We're at that point right now.

**Hon. Pierre Poilievre:** If there is a way to measure success, why then aren't we measuring it?

**Mr. John Glowacki Jr.:** We are, Mr. Chair, absolutely.

**Hon. Pierre Poilievre:** The president stated his goal was one email system for all 500,000 inboxes, seven data centres instead of 405, and consolidating the 23,000 servers. That would then seem to be his definition of success, doing all of those things, but you're telling me now that this would not properly measure success.

How are we as a committee supposed to judge whether you are succeeding if we don't know what your goals are?

**The Chair:** Mr. Glowacki or Mr. Parker.

**Mr. Ron Parker:** Mr. Chair, our goals are outlined very clearly in the report on plans and priorities for 2016-17. We've established the baseline and the processes of establishing metrics by which you can measure us. In terms of the progress of the transformation plan, we're in the midst of updating that plan and we will have the metrics that go with that plan in the fall of this year.

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

Mr. Harvey.

**Mr. T.J. Harvey (Tobique—Mactaquac, Lib.):** Thank you, Mr. Chair.

I have a few quick questions and I ask these with the utmost respect.

We've talked a lot about timelines and some of my other colleagues have asked a few quick questions. Do you think there is a possibility you could provide us with an updated overall timeline for the implementation of the entire original mandate? If you were to say today, what we originally agreed we were going to do, we're going to have done by.... That's question number one.

**Mr. Ron Parker:** That's a question we're examining in the context of updating the transformation plan, and the balance and trade-offs between the scope of the projects, the budget, and the time. It's an interplay across all of those three variables and I think that's pretty normal.

**Mr. T.J. Harvey:** That being said, on page 8, the second paragraph says, "in updating our plan, we recognize some legacy infrastructure will remain operational longer than we originally anticipated. We will therefore continue to reinforce the legacy infrastructure to prevent outages in the delivery of services to Canadians."

Do you guys have an anticipated extra cost that will be incurred to maintain that extra infrastructure that you hadn't originally planned on over the life of the project?

**Mr. Ron Parker:** We're in the midst of putting together our budget plan for the coming year. Our plan will include the specific estimates and I'd be happy to make those available when we have the specifics available.

**Mr. T.J. Harvey:** My third and final question is with respect to the industry. I understand that IT is a sector that changes very rapidly. I understand that things are fluid and that leads to some of the problems that we've talked about today.

Having said that, and given the fact that we're way behind on our original timelines to start with, do you think there's a distinct possibility that if we maintain the trajectory we're currently on, we might not ever catch up?

• (1000)

**Mr. Ron Parker:** Mr. Chair, again, this is a combination of do you change the scope, do you change the funding, or do you change the time? All of those three elements will come into play, so I hesitate to speculate about which of those elements will change in the updated plan until we have an updated plan.

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

We'll go to Ms. Shanahan.

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** Thank you very much, Chair.

There's no question that this is a huge problem or that there's been trouble in paradise, but we want you to succeed, Mr. Parker. We really do.

Can you talk to me about the people in your department? What are the qualifications of the employees: permanent, temporary, contract staff, and outside providers? Just paint us a picture of how your department works and how it moves through this incredibly complex project.

**Mr. Ron Parker:** Mr. Chair, I'd be happy to provide that background.

The vast majority of our staff are technical experts in the CS category, which is the computer sciences category in the government. There's a wide variety of skill sets ranging from data centres to telephony to networks. They bring a wealth of experience and skills to the job every day. There's also, obviously, a group of internal services staff, financial among others, who support us well through this period.

In terms of the overall, I'll say, mix, my view is that we have extremely good staff. We inherited staff from the various departments when we were formed, including large blocks of staff that just moved holus-bolus. You can see this particularly in the procurement area and some of the data centre areas as well.

It is a challenge with 43 departments. They come with different cultures, different experiences, and different ways of operating. This has been one of the challenges that we have faced to get everyone on the same page, moving in the same direction, with the same process and the same understanding of how to work. That's a large part of what we need to do to get the service management nailed down, get everybody understanding the processes of how to work together, how to talk to clients, and how to relate to clients. In that regard, one of the changes that was recently brought was, we've stood up account teams who are charged specifically with talking to the clients and engaging in planning with the clients, and there are service delivery managers who have the responsibility of delivering to the clients and organizing the services that are required to deliver what the clients need.

**The Chair:** Thank you, Mr. Parker and Ms. Shanahan.

We'll go to Mr. Christopherson.

**Mr. David Christopherson:** Very good. Thank you, Chair.

Before we move on to a new subject, I'd like to afford the Auditor General an opportunity to give any concerns or comments he might have around the draft plan and when it was going to be submitted. I've been around long enough to suspect that he shared some concerns around open-ended words like "to be approved".

It's just an opportunity for you, Mr. Ferguson, to comment on what you've heard and whether or not it meets your standards.

**Mr. Michael Ferguson:** Thank you, Mr. Chair.

In actual fact, there are a number of different plans in the whole conversation. I think that the concern about the comments in the Treasury Board's opening statement is valid. The opening statement implied that the plan was going to be complete by the end of March, but then there was going to be some other approval process, which we've heard today will be an approval by the secretary and is expected to be done by June. I think that's something that the committee should, as you mentioned earlier, specifically look for.

There's also the new transformation plan that Shared Services mentioned will be completed later on in the fall. I think that's also something the committee should be seized with and interested in seeing when that's completed.

**Mr. David Christopherson:** Very good. Thank you, sir.

I'll move on to another matter that's been raised on which I'd like to follow up. It's the business of the projected savings being removed from the budget before the savings were actually in place. There was a three-year plan. You had a baseline of \$128 million. You were projecting to save \$72 million a year in a three-year plan. The plan was delayed by at least a year, and yet you went ahead and took the \$56 million out of the 2015-16 fiscal year.

First, I'd like to know why you did that before you had actually achieved the savings. Second, what are the implications and collateral damage from having removed that money before you should have?

• (1005)

**Mr. Ron Parker:** Mr. Chair, Shared Services Canada always understood that there would be a challenge and risks around capturing savings before they actually materialized. It poses a challenge in terms of the email transformation, for example: \$50 million was taken from the reference levels of Shared Services Canada at the beginning of this fiscal year, and the \$50-million savings has not been realized and will only be realized once the migrations occur.

Mr. Chair, the department was asked to provide cumulative savings, and that was the rationale for the—

**Mr. David Christopherson:** So it was outside pressure coming on you to find this money, and even though it made absolutely no common sense to take the money out before you'd realized the savings, you went ahead and did it anyway, because you were pretty much ordered to find the money.

Am I getting it right?

**Mr. Ron Parker:** Mr. Chair, I was not in the department at the time, so I was not party to the conversations.

**Mr. David Christopherson:** What about you, Mr. Glowacki?

**Mr. John Glowacki Jr.:** No, sir, I was not here at that time.

**Mr. David Christopherson:** Isn't that interesting. Nobody is here who was there at the time of the robbery.

I still haven't heard a good.... I'll ask Treasury Board, then. Why the hell did they allow them to do it, or were they the ones who put pressure on them to find the money?

We all know what this was. This was about getting ready for the election and making sure there was a balanced budget. They were holding up money, and they've done it everywhere that we've seen in government. This is just another example of it. Tell me otherwise.

**Mr. John Messina:** I have no comment, Chair. Unfortunately, I wasn't in Treasury Board at the time.

**Mr. David Christopherson:** Oh, isn't that sweet. Every one of them, "I wasn't there; it's not my fault." Well, Chair, they run the risk, but we can still go back and find those who were there, and maybe that's something we ought to consider. Do we have that power? This kind of stuff is not acceptable to hear on crucial questions, "Oh, I wasn't there." You go to the next one, "I wasn't there", and then to the next one, "I wasn't there".

That's not good enough, and it was one of the reasons we made deputy ministers accounting officers, so that they couldn't do that. I have to tell you, Chair, this stinks to high heaven. In terms of governance issues, removing that money before the money was saved makes no sense. I'll give a pass to Shared Services. At least they're not trying to say that it was an okay idea, because it wasn't. It sounds as though they got pressure from on high.

I'm not hearing an answer from on high as to why they sent that through. At the end of the day, we still have an unanswered question here as to why money was taken out of a budget before it should have been, and nobody can answer. That's not acceptable.

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

Mr. Arya, please.

**Mr. Chandra Arya:** Mr. Parker, you mentioned that the capacity of the industry to meet your requirements varies. Did we make the mistake, for ideological reasons, of depending on the industry for everything from design to implementation?

Our public service employees have good background experience and knowledge. There's a lot of corporate knowledge there. Maybe we did not use it at all, or if we did, we did not try to build that corporate knowledge so that we would have the advantage of having it over a long period of time.

Was that one of the major problems?

**Mr. Ron Parker:** Mr. Chair, as Mr. Glowacki noted, we have what I'd say is a very hybrid model between the provision of services by private sector companies and from within Shared Services Canada. Our sourcing strategy is to look at this type of issue on a case-by-case basis to assess the business case for the provision of services from within the department or the provision of services from private sector vendors.

**Mr. Chandra Arya:** But is it not true that the bulk of it has been done by Bell, CGI, and others?

• (1010)

**Mr. Ron Parker:** In terms of the email system, the requirements for the system were developed by public servants in co-operation with private industry. Security requirements are determined by the Government of Canada.

More broadly, in terms of the services we're providing, you have the networks and the fibre that's run, and you have the telephones, and it's very much in those areas where you see private sector involvement.

**Mr. John Glowacki Jr.:** I could give you a brief answer, Mr. Chair.

The core of the transformation plan was developed by public servants. It was augmented occasionally by industry. But those people are actually still in our organization.

**Mr. Chandra Arya:** Mr. Glowacki, Mr. Parker mentioned that the staff was worth their weight in gold, but why is there this high turnover in Shared Services Canada?

**Mr. John Glowacki Jr.:** Again, Mr. Chair, if I may, I will say that this is something that is typical in this situation. The organization is four years old. I have to tell you that I spent 2014 as an adviser to this organization. I refer to it as the longest tour of *Undercover Boss* on record, because I got to see what the people were like with their bosses not in the room and to see what they were doing. My view is that the country needs to understand how dedicated and hard-working these people were.

Before I knew I was going to be part of the leadership here, I got to see what these folks were doing, and they have been working amazingly hard for a long time. The turnover is coming because we're reaching burnout in a number of cases. That's something that as leaders we have to manage. It's also a typical cycle, where the next team has to come in, pick up the mantle, and run with it.

**Mr. Ron Parker:** Finally, on turnover, we have a suite of data that compares our turnover to that of the broader public service. I believe the most recent data is for 2013-14. At that time, our turnover was somewhat less than the public service average, so based on the evidence to date, I think we have pretty typical turnover thus far.

**Mr. Chandra Arya:** When my colleague was asking how we can measure your performance, you said that things are changing in that type of industry, and of course it is always changing. Even when you come up with a plan, by the time the thing is ready, the technology may have gone further. Maybe one day it will be secure enough that we may have to use cloud services, but that does not stop you from giving us specific things by which we can measure your success.

**Mr. John Glowacki Jr.:** I agree, Mr. Chair. That's exactly where we want to be.

Please don't take away that we don't have measures now. The problem is that this is very large and very complex, and it takes time to get the right systems in place. We inherited a hodgepodge of systems. Now what we're trying to do is move towards a world-class industrial set of systems and processes so we can produce those reports, not only for special events like this, but on a monthly basis, by which we would manage—

**Mr. Chandra Arya:** To take a step back, you mentioned the staff, the public service employees who are involved, but when asked when we'll have completion, Mr. Parker replied that the vendor will provide the date. You also mentioned that strong incentives are there for the vendors. It is dependent on the number of emails and built on emails, but what's after that?

**Mr. Ron Parker:** Mr. Chair, in the contracts, for example, there are service level targets that are embedded in the contracts, so the vendors have incentives to perform. We require them to perform as per the contracts that we've established.

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

I'll use the chair's prerogative for a quick question.

Are there any other countries in the world, or any other jurisdictions, doing this? Madam Murray has already talked about British Columbia doing something similar, but are there any other countries that have gone from all these silos to one in the same type of project that we're looking at here?

**Mr. Ron Parker:** There are examples of other countries, perhaps not on the scale that Canada is attempting. There are also examples at the state level in the United States where this type of exercise or project has been launched—

**The Chair:** For any of the strategies, any of the plans, did we take best practices from there? You have looked at those jurisdictions and you've said that these are the best practices, but as you say, the scope of this may well be one of the largest in the world. Is that right?

• (1015)

**Mr. John Glowacki Jr.:** Yes, Mr. Chair, on a governmental basis this is absolutely one of the largest in the world.

I can tell you from my personal experience, if you take a look at the size of the public service being approximately 300,000, I personally won and stood up and led, manned a service engagement of 275,000 users. This has been done in industry more than it's been done in government, but there are plenty of examples that are very similar, such as the State of Texas, and the State of Georgia. The U. K. and Australia have taken different approaches, but they are trying to have very similar outcomes.

**The Chair:** Did any of those countries have the frustrations we are sharing?

**Mr. John Glowacki Jr.:** Yes. This is very typical, absolutely.

**The Chair:** All right. Thank you.

We'll move back to Monsieur Godin.

[Translation]

**Mr. Joël Godin:** Thank you, Mr. Chair.

Earlier, we were talking about the employees, the teams that work with you. It is important to mention their work. We are all technology users and, when things don't work, we can put the pressure on. So please send them my congratulations and thank them for their dedication.

The Auditor General said earlier that you had made little progress. Following what the chair said, the question is simple: is the pill too big to swallow? Is it too late to change our strategic plan?

**Mr. Ron Parker:** First of all, I would like to say that it is essential to create an enterprise-level service when it comes to government computer services.

As for changing or adjusting the plan, should we delay one part in order to move another forward? This is something we are looking at closely in our work, right now. Of course, we will be dealing with this matter when we are writing the plan for this fall. We are going to listen to everyone, the clients, experts, and are making adjustments as necessary.

**Mr. Joël Godin:** I understand that between now and fall 2016 we won't have anything concrete.

Let's move on to something more concrete. The department intends to provide a single email system and consolidated data

centres 24 hours a day, 7 days a week, 365 days a year, to 43 departments, 50 networks, 485 data centres and 23,000 servers.

With that structure, can you tell us where our strengths and weaknesses lie? Where have we made progress? Where are we lagging according to the initial plan?

**Mr. Ron Parker:** We are behind in delivering email systems. That was supposed to be completed in March 2015. As we just discussed, we do not have a specific end date for this project.

As for the data centres, perhaps it's better to say that we are at least 18 months behind.

For the network consolidation, we are probably close to six to nine months behind at this point.

**Mr. Joël Godin:** What I can see is that we are behind across the board.

**Mr. Ron Parker:** There are delays with this project.

[English]

**Mr. John Glowacki Jr.:** Could I add quickly that there are points of progress, such as being able to deliver end-user devices, for instance, to client organizations. BlackBerrys, for instance, used to be very problematic. In some cases, it would take up to two months from the time a person ordered it to receiving it. We now have established a service level of five days and we are meeting that.

Maybe in terms of schedule things have certainly moved to the right, but now—

I think I struck a chord.

**The Chair:** I waited for mine for a month.

**Mr. John Glowacki Jr.:** Sorry, sir. We don't support Parliament.

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

**Mr. John Glowacki Jr.:** In terms of cost savings and efficiencies, we can say that in the four years since we've been in existence, the cost of a gigabyte of storage... Unit costs are very important in managing and demonstrating performance, and we have over 50% savings compared to what they were at the inception of SSC. There is a 20% savings in mainframe costs. The efficiencies are unfolding.

Our ability to present those to an auditor based on audit standards may not exist yet, but it doesn't mean we're not making progress and the rest of that will unfold. That's part of the plan that's being revised.

• (1020)

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

Mr. Christopherson, please.

**Mr. David Christopherson:** I want to return to the \$56 million. I'm not at all satisfied that this has been adequately accounted for in terms of what took place. Clearly I can't get an answer as to why the decision was made, because of previous responses, but I didn't hear even an attempt to give me an answer to my question of the collateral damage, the unintended consequences, of artificially cutting a budget that wasn't adequately replaced through savings. What damage has that done?



**Mr. Ron Parker:** Mr. Chair, it has meant that we've had to reprioritize, invest less in different projects, and I think the data shows that to the largest extent, it's contributed to a slower rollout of the transformation initiatives themselves. That's one of the reasons there are delays. The investment in the transformation plan has not been as large as initially forecasted.

**Mr. David Christopherson:** This is interesting. This is where we get into the bump up between the political and the bureaucratic. I didn't hear anybody here take ownership of that decision. If anything, I heard people saying to go somewhere else down the line to find an answer. We'll have to decide how we're going to wrestle with that as we're pulling together our report. It looks like it was an artificial pressure from outside governance and management, and enough that the Auditor General has made a pretty big deal of it in his report.

Now we're finding out that some of the delays we're dealing with are as a direct result of that money being taken out. This is a big deal, and it's not that complicated. The fact is, there was a three-year plan to save \$72 million. The first year was delayed, and yet they went ahead and took all the money out in one year. Now we're hearing from Shared Services the damage that did.

I can't get an answer out of Treasury Board because that's likely where the pressure came from. I would be very shocked if it were a bureaucrat who ordered them to take that money out. It would be an interesting pursuit of the separation between the bureaucratic and the political were we to go down that rabbit hole. But clearly, I think I can see the politics.

What I want to do is to come back to the Auditor General on this.

Sir, on page 22, exhibit 4.2, you've gone very much out of your way to explain this issue, to make sure that it's highlighted and that we understand.

Can you please give us your further thoughts and comments not only about how this was a mistake, but would you also tell us how this should have been properly handled and accounted for?

**The Chair:** Mr. Ferguson, please.

**Mr. Michael Ferguson:** Thank you.

We felt it was an important case study for everyone to understand what happened. There was the plan to reduce the cost of providing the email services. The plan was to produce 56-million dollars' worth of savings. The fact that the \$56 million was taken out of the budget before the transformation was completed was exactly the issue we wanted to put in front of Parliament, because we knew it would have an impact on the organization. Taking out the \$56 million before the savings were generated meant that the organization would have to react to that in some other ways. I think we've just heard that, in the organization's opinion, the result has been delays in all of the other projects.

We have presented it simply as illustrative, so that people can understand the importance of making sure that the budget is following what is actually happening rather than the other way around. When budgets are reduced before activities have been completed that should produce those savings, it's going to have a sort of fallout effect on other parts of an organization. I think we've heard that today.

•(1025)

**The Chair:** Thank you, Mr. Ferguson. We'll now move to Mr. Lefebvre.

**Mr. Paul Lefebvre:** Thank you, Mr. Chair.

[*Translation*]

We have a saying where I come from and it goes like this, "How do you eat an elephant? One bite at a time". Here, it's as if we're trying to swallow the entire elephant whole. As a taxpayer and someone who represents taxpayers, I find this situation concerning.

In the last five years, we have invested \$2 billion in this transformation, without a strategic plan. That is the past and we are going forward, but it is still something I find very concerning as a taxpayer.

I have a question for Mr. Messina.

[*English*]

The deputy minister you answer to, is it the same one who was there last year?

**Mr. John Messina:** I'm sorry, I didn't catch the question.

**Mr. Paul Lefebvre:** Is the deputy minister that you report to the same one who was there last year?

**Mr. John Messina:** Yes, the secretary of the Treasury Board.

**Mr. Paul Lefebvre:** The secretary of the Treasury Board. What is his or her name?

**Mr. John Messina:** It's Yaprak....

**Mr. Paul Lefebvre:** Thank you.

I'll go to Shared Services, and Mr. Parker or Mr. Glowacki.

In the recommendations put forward by the Auditor General they said you would refine your methodologies and practices for determining savings to support an update to the transformation plan. Basically, you guys are refining.

Can you provide us the specifics on what you will be refining?

**Mr. Ron Parker:** Absolutely.

Mr. Chair, I'm going to ask Madame Fillion to talk to that question. It's her area of expertise.

[*Translation*]

**Ms. Manon Fillion:** Thank you, Mr. Chair.

How will we ensure that the next transformation plan will generate savings? Clearly by implementing the strategic plan. What we have learned since the organization was created is depending on partners, as well as having to give them information on the cost of their services and managing service delivery.

Basically, as Mr. Parker said, the plan will focus on client services, and clients will be at the heart of the transformation plan. All our processes will be geared towards ensuring that we serve the clients properly, disclose their costs and better manage the transformation costs and the infrastructure maintenance costs.

**Mr. Paul Lefebvre:** I want to make sure I fully understand you: are you going to take into account the increase in costs to your clients as well?

**Ms. Manon Fillion:** We are going to put them together, announce them, but it is not Shared Services Canada's responsibility to manage or implement processes in each of the departments. That would be too ambitious. However, we recognize the importance of reporting the costs for all departments.

**Mr. Paul Lefebvre:** When we have a large box like that, we have a large inventory.

[English]

We have a lot of inventory here that we deal with. Is there a plan for inventory control? I'm worried because having seen everything else, I know this wasn't part of the Auditor General's report; however, it's something that comes to my mind. Inventory changes on a daily basis, and if you don't have proper controls, it can get out of hand quickly.

[Translation]

**Ms. Manon Fillion:** Yes, absolutely. We are developing a plan, which is part of our department's strategic investment plan. When the organization was created, the challenge was to make an inventory of the 43 departments, including assets. We will secure that in the asset replacement strategy, which was mentioned a little earlier. Using it and maintaining it at a good level is part of the whole inventory and assets management.

**Mr. Paul Lefebvre:** Thank you.

[English]

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

Ms. Mendès, very quickly, a minute.

[Translation]

**Mrs. Alexandra Mendès:** Once again, my question is for the Treasury Board representatives.

In terms of the strategic plan, which we hope to receive by June, will we be able to meet the deadline of 2020 to ensure the transformation and migration of all these systems to Shared Services Canada? I think that is what we are concerned about, ultimately. Yes, there are delays but, as Mr. Glowacki told us, it seems that there has already been some success.

Can we expect to see the completion of this transformation in 2020 as originally planned?

• (1030)

[English]

**Mr. John Messina:** In response to that, I want to differentiate again. It's important to understand the difference between the IT strategic plan and the transformation plan Mr. Parker was referring to.

For the IT strategic plan, it's setting directions in terms of the way we want to go. We're dependent and we believe that's the proper way to go. We're dependent on the transformation plan that Mr. Parker was alluding to, which is being revised and revisited. We'll look to that in the fall time frame, and until we see that, it wouldn't be appropriate to make any commitments on the dates.

**Mrs. Alexandra Mendès:** Do they have to be somewhat connected?

**Mr. John Messina:** Yes, they have to be. Ours is very much directional, so that's the way we want to go. We want to ensure they get support from departments and agencies in understanding that, and then we'll work with them closely in the fall time frame looking at the transformation.

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

Mr. Poilievre.

**Hon. Pierre Poilievre:** The \$56 million in savings that were figured into the 2015-16 budget were planned and laid out in what document, Mr. Parker?

[Translation]

**Mr. Ron Parker:** Manon, do you remember?

**Ms. Manon Fillion:** Yes, it was part of a Treasury Board submission, when we presented the initiative—

[English]

**Hon. Pierre Poilievre:** Who presented it? Which document was it?

**Ms. Manon Fillion:** It was a TBS submission.

**Hon. Pierre Poilievre:** Whose submission was it?

**Ms. Manon Fillion:** It was an SSC submission.

**Hon. Pierre Poilievre:** SSC submitted that in 2013, right?

**Ms. Manon Fillion:** Yes.

**Hon. Pierre Poilievre:** Okay, so this was not a cutback that was initiated by the political level. It was a submission from the organization in question, three years ago.

[Translation]

**Ms. Manon Fillion:** We prepared a submission from Shared Services Canada to Treasury Board that contained a business case showing savings of \$50 million.

[English]

**Hon. Pierre Poilievre:** This was a business case presented by Shared Services Canada in 2013, not a sudden decision made in 2015.

[Translation]

**Ms. Manon Fillion:** Absolutely.

[English]

**Hon. Pierre Poilievre:** Right. It was previously planned, previously laid out by Shared Services Canada, not suddenly implemented by Treasury Board or some political actor.

[Translation]

**Ms. Manon Fillion:** But in the presentation—

[English]

**Hon. Pierre Poilievre:** No, that was my question, though. My question was clearly whether or not this was a decision made based on a business case presented by Shared Services Canada.

Now, it is true that the government could have decided to provide an extra \$56 million in order to reward SSC for failing to meet its deadline, but if we had done that, imagine the moral hazard, as economists call it. You'd be sending the signal out to the entire government of Canada that if you miss your deadlines and as a result go over budget, don't worry; you'll still get your \$56 million. That would be exactly the wrong way to go, and I can't imagine that we as a parliamentary committee, which is supposed to protect the public purse, would take the position that government agencies and bodies should be rewarded with extra money when they miss their timelines, because ultimately, that's what we would have been saying if we had injected that extra \$56 million.

Now, I would point out that this was not a decision by a political actor suddenly in 2015-16 to cut the budget by \$56 million. This was simply implementing the plan that Shared Services Canada came to Treasury Board with in its own submission three years earlier.

My question then for Shared Services, if anyone wants to explain this, is this: when you made the submission and you said in your submission that you would save \$56 million, did you mean it?

**Ms. Manon Fillion:** When we prepared the business case and we prepared the TB submission,

• (1035)

[Translation]

We clearly established a business case showing savings and

[English]

ongoing costs for \$50 million if we completed the migration. Now we know we're two years delayed, but the savings were delivered before the—

**Hon. Pierre Poilievre:** But you made the commitment. You made the commitment to do it—

**Ms. Manon Fillion:** In the TB submission we did.

**Hon. Pierre Poilievre:** —in the 2015-2016 year.

**Ms. Manon Fillion:** And it's \$50 million, not \$56 million. The other \$6 million is about the software.

**Hon. Pierre Poilievre:** But your organization made that commitment to do that in the 2015-16 year.

**Ms. Manon Fillion:** According to the business case, that was the plan to complete the initiative, by March 30, 2016.

**Hon. Pierre Poilievre:** Exactly. I think this idea that organizations can put forward financial plans for approval at Treasury Board, which are ultimately voted on by Parliament in the estimates, and if they fail, they can come forward and say it's really not their fault that they broke their commitments, because the problem is that Parliament didn't give them more money than they asked for...

When you put forward a business case and you say you're going to save the money, it's your organization's job to save that money. It is not the job of the political level of government to reach into the taxpayer's pocket and find you an extra \$56 million to meet the mandate that you failed to meet.

**The Chair:** Mr. Parker.

**Mr. Ron Parker:** Chair, just to clarify in regard to the earlier member's comment, we cannot speculate about whether or not there

was anything other than the business case behind this \$50-million reduction.

In response to the member's comment about taking responsibility for the miss in savings, the department is taking responsibility for the miss in savings. It has reprioritized as required to stay within the levels of funding approved by Parliament.

**Hon. Pierre Poilievre:** That's good, because the last thing we want is to signal to government agencies that if they fail to meet the financial commitments that they put in their own business cases, Mr. and Mrs. Taxpayer are going to just come to the rescue. In the real world that's not how it works. You go into the business world and you say, "Oh, I'm sorry, I missed the deadlines that I committed to in a contract and it's going to cost an extra \$56 million. Can you spare that extra change?" You'd be laughed out of business. So I think that the government did exactly the right thing in insisting that the fiscal plan presented in the business plan be honoured.

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

Ms. Shanahan, please.

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

I don't know in what world plans are actual results. That's the whole purpose of budgeting, having a plan, then having a follow-up assessment to compare with actual results, and then making decisions accordingly. That's where I want to go. Going forward, what is your internal evaluation process? What does that look like? I think we had a little taste of it earlier, but I would like to understand it more in conjunction.... I'm not a big deadline person; I'm a results person. I want to see this work.

**Mr. Ron Parker:** In terms of internal governance, there are many aspects. We have a senior management board that reviews all of the business plans and all of the projects on a regular basis. We have procurement review boards and we have project review boards that all feed up into the senior management.

We also have our internal audit function that is launching what we're calling systems under development real-time audits to help guide us through this so that we're not looking through the rear-view mirror as much as you would in a normal audit. They will be working with the teams and reporting to me on what they're finding in terms of accomplishments of goals or areas of risk that we need to deal with.

The audit team also is supplemented by the departmental audit and evaluation committee that receives the regular audit reports and with whom we share all of the ongoing affairs of the department. We seek their advice on the transformation projects and other areas that have been audited as well.

Moreover, we have four major projects. The Treasury Board reviews with regular frequency all of the major IT projects that we're running, and there is a regular annual report that we provide to Treasury Board as well on the transformation plan.

There is, up through all of the various levels, quite a system of governance and review.

•(1040)

**Mr. John Glowacki Jr.:** I'll add very quickly that we changed the organization's structure strategically one year ago in April. We are now very much organized like a business, where we have service lines where all the costs and all the interdependencies—everything—rolls in to one specific person. We have a single point of accountability that didn't exist before one year ago. When you have that and then it rolls into the governance Ron was talking about, things don't fall through the cracks as they did before. We have a much better picture than we did previously.

**Mrs. Brenda Shanahan:** Okay, that's encouraging to hear, but every once in a while things do fall through the cracks, so now I'd like to hear from Mr. Messina what the Treasury Board will be doing to more than just review. We're counting on your department to keep an eye on this and ask those hard questions, because otherwise, it ends up in Mr. Ferguson's camp.

**Mr. John Messina:** Mr. Parker touched on a couple of things.

I think first of all, as I mentioned previously, having the IT strategic plan in place will really help Shared Services Canada in terms of its mandate and all departments understanding what it is we're trying to accomplish with them, and there will be a lot of collaboration as a result of that.

The second point, as Mr. Parker highlighted, is that we do provide oversight, and it will be on those major transformation initiatives. It is more than oversight in the sense that the teams participate on the governance committees. We will see if there are any issues and we'll address them right away, because they'll be escalated through the governance committees.

The other thing I would add is that we are working quite closely with Shared Services Canada on the revised transformation plan to ensure that we're also comfortable with the implementation of that, which will be a much more proactive situation as opposed to reacting when there are issues.

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

According to the clock on the wall, our time is up.

I want to thank you for being here today, but I also want to make this fairly clear that we as a committee would like to see these plans.

The Treasury Board needs to complete its IT strategic plan by March 31. I don't know if there's any need to send it to us until it's approved, because as a committee, we want to receive this thing in June.

As soon as that thing is approved, could you send us the plan, approved?

Now to Shared Services, this fall I think there's kind of a timeline for you in regard to the transformation plan. I may have these plan names wrong, but there are certain benchmarks that we expect, and we're going to follow up on this.

I'm speaking without the full committee meeting on this, but you can pretty well expect to be called back here within eight or nine months. Yes, you've given us your plan on time, and yes we have received the transformation plan on time, but how is it going now?

We have appreciated this, and I know how complex this is, and when you have complexities like this, there are problems, but we expect, the taxpayers expect and Parliament expects that we will see goals laid out that are achievable, and that you've met them. We know what the ultimate goal might be, but we want to see some achievable goals on the way to that.

Thank you very much, all of you, for being here today.

Give our best wishes to the secretary—

**Mrs. Alexandra Mendès:** Chair, if I may, could we have a date for the fall, like October 31?

**The Chair:** They will hear from us; it will probably be about November.

**Mrs. Alexandra Mendès:** It would be wonderful if we could have it.

•(1045)

**The Chair:** We will get back to you.

Please wish a speedy recovery to the secretary of the Treasury Board on our behalf.

Thank you very much for being here.

We are adjourned.







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