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Mr. Pat Martin

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• (1530)

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): I'm going to call our meeting to order, ladies and gentlemen.

Welcome to the 24th meeting of the Standing Committee on Government Operations and Estimates. We will be working today on our study regarding the new entity, Shared Services Canada, and we're very pleased to welcome as our first witness in today's study Mr. David Nicholl, the corporate chief information technology officer for the Province of Ontario.

It's "technology" only once, actually—

Voices: Oh, oh!

Mr. David Nicholl (Corporate Chief Information and Information Technology Officer, Province of Ontario, Ministry of Government Services): Yes, just the once.

The Chair: It's very nice to have you here, Mr. Nicholl. Thank you for making the effort to come here and share your experiences with us. If you have an opening statement of five or ten minutes, that would be welcome, and then the committee members will have questions. The floor is yours, sir.

Mr. David Nicholl: Good afternoon, everyone.

I'd like to thank Mr. Girard and the committee for inviting me to speak to you this afternoon. I'm honoured to have the opportunity to tell you about the Government of Ontario's experience with IT shared services.

Please note that I am here in my capacity as the corporate chief information officer for the Province of Ontario. I have been invited by Shared Services Canada to sit on their advisory board, but I have not yet participated in any meetings.

I've been in the IT business for about 30 years. My experience includes large projects in both the private and the public sectors. I've worked in the financial services industry for a long time, I did a stint with a software development company, and now I am with the Ontario government.

My assignments have taken me around the world, starting obviously in Northern Ireland, where I was born and brought up. I then came to Canada, spent some time in Bermuda, went back to the U.K., and then came back to Canada. So I've done a little bit of travelling around.

I was instrumental in leading the transformation to an IT shared services model, and I'm happy to be here to share with you the knowledge I gained from that experience.

In 1998 Ontario introduced a strategy to use information technology to advance the government's business vision and enable flexible, responsive, and innovative public service. The government had recognized that business directions and accelerating demands could not be addressed by the information technology capacity of the day. The strategy was a comprehensive plan to accomplish three goals.

The first was to invest in a common infrastructure. The government could no longer afford to run multiple IT infrastructures and information silos and needed the improved service and lower costs that common infrastructure promised.

The second goal was to develop appropriate corporate policies and standards. The existing processes for developing policies and standards were slow, cumbersome, and outdated, and they were ill-suited to support the transformation to a common infrastructure.

The third goal of the strategy was to ensure the necessary governance, organization, and accountabilities were put in place to address future needs.

The approach of providing information technology services to business clusters instead of individual ministries was adopted. A business cluster was defined as a grouping of government programs and services that had a common theme, were delivered to clients with similar interests and requirements, and could be supported efficiently with common or similar support.

Cluster CIOs, who reported both to the deputy minister and to the corporate chief information officer, were appointed. The role of the management board of cabinet—a committee with functions similar to those of your Treasury Board—as overseer of IT strategy and initiatives was strengthened, and an enhanced committee of deputy ministers was established to provide stronger corporate coordination and direction. The position of corporate chief information officer was established to manage the transformation to a new cluster-based IT organization.

Building on the foundations already in place, an evolution of the strategy took place between about 2005 and 2008. That enabled the full consolidation of IT infrastructure resources into a single IT organization through the investment of \$32 million to drive standardization in the technology environment. This allowed us to put our arms around the whole IT infrastructure function and manage our resources far more effectively.

The changes resulted in a permanent base reduction of \$100 million annually. Over a period of two years a massive shift took place: hundreds of people were reassigned, over 100 large and small data centres were closed, and over 1,500 servers were decommissioned. A single e-mail system was implemented and a common IT help desk went live.

This transformation of the infrastructure landscape was critical to the future effectiveness of the IT organization, but it also proved its worth financially. We saved over \$100 million per year over the first two years, broken down roughly as follows.

We saved \$70 million in infrastructure consolidation and \$2.4 million in asset management. Organizational changes, which were both staffing reductions as well as fee-for-service conversions—basically converting consultants into full-time staff—saved just over \$16.5 million. Common components, applications, and services—basically, sharing applications around ministries—saved a further \$3 million. A collection of other things amounted to \$8 million saved.

In addition to our technology, we also consolidated skills and knowledge in centres of excellence for project management, accessibility, privacy impact assessments, and our Microsoft .Net development.

● (1535)

In 2009 we launched IT Source, an internal consulting organization that recruits, develops, and manages a group of OPS IT employees—for example, project managers and systems architects and analysts—who are deployed to IT projects across the IT organization for specific periods of time. This provides an alternative to fee-for-service consultants and retains our experience in-house.

Just one example of how profound the impact of this transformation has been is in our recent migration from Microsoft XP to Windows 7 and Office 2010. In 1998 this change would have involved approximately 27 different groups and ministries. By 2006 it would have required nine. Today it involves one group, which is the organization responsible for infrastructure.

Now, although a key driver of the transformation of the IT organization was obviously cost savings, we also took advantage of the fact that structural changes were being implemented in order to initiate a critical change in the way in which our IT professionals perceived their roles. Rather than just being focused on the day-to-day development and maintenance of systems, we encouraged staff always to keep in mind the ultimate purpose of the technology—to support government lines of business—and to consider how they might best achieve that goal.

The results are encouraging. We have seen a significant shift in attitudes amongst our staff. There's now recognition of the importance of viewing themselves as partners with the business in the delivery of public services.

That's a very brief description of our consolidation journey to date. Clearly we have realized very significant returns on our investments, and we have greatly improved both the efficiency and effectiveness of our IT organization and our service to Ontario citizens and businesses as a result.

I'm in your hands.

The Chair: Thank you very much, Mr. Nicholl. That was very interesting. I'm sure we'll have some questions.

We'll begin with the NDP, with Mr. Alexandre Boulerice.

You have five minutes, Alexandre.

[Translation]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Good afternoon. Thank you for being here and for your presentation.

Something I found particularly interesting in your testimony is that, as part of the exercise similar to the one by Shared Services Canada, you have chosen a management structure with nine different entities that cluster departments and agencies that have similar models. But here we're talking about a process where we want to group everything together in one single organization, one single centre, extremely centralized.

Why did you decide not to use that model and instead use a model divided into nine entities?

[English]

Mr. David Nicholl: Just to be clear, we still have our nine clusters. Once the clusters were formed after 1998, basically most of the IT support stayed in one of those nine clusters. They had infrastructure and they had business solutions, the actual development of applications and support of applications.

Between 2005 and 2008 we stripped out all of the infrastructure, but all of those nine clusters were still left servicing the business solutions need. We still have the existing structure of clusters. We've simply taken away the servers and e-mail and all the stuff you can do in one spot and we've consolidated the infrastructure piece.

So that's what we did.

● (1540)

[Translation]

Mr. Alexandre Boulerice: These clusters and attempts to save money through centralization are always complex processes.

What was one of the mistakes you made and could recommend that the current government not repeat?

[English]

Mr. David Nicholl: That's a tough question. I would say that some of the change management with staff probably could have been done better than we did it. We were given—and frankly, it was a good thing—a very tight, strict deadline. We had two years to do this, so the \$100 million of savings that was achieved was actually minuted out of ministries' budgets over a period of two years. As you all know, when you minute out money from ministry budgets, you really have to achieve what you said you would do.

So we had very strict deadlines in doing what we had to do. Therefore, I think in all honesty we probably.... We moved just close to a thousand people out from those nine clusters into the consolidated organization. That was very tough for those thousand people. They typically arrived still doing their old jobs, because it takes a long time to sort out a lot of the residue of what's left in that big organization.

If we'd had more time, I would say that it would have been much easier from a staff perspective if we had been better prepared to receive them into that new organization. When you're scattered over the province of Ontario, and we were.... We had perhaps one group servicing Natural Resources. They were doing maybe servers, e-mail, laptops and PC support, and maybe some help desk stuff. You might have had three or four people doing that for a small office. We came along and said, "Okay, the server person, you're in the server organization, and the PC person, you're there". It was just very, very difficult, especially in smaller offices, to try to sort out who was doing what.

So I think if there was one thing I had my druthers to change, I would probably like to have been a little more organized when we received people in. But again, as I think I said—I'm not sure I said it—one thing that was very important for us was that we talked and communicated all the time to people, so at least they knew what was going on even though it was happening to them.

The Chair: You have less than one minute, Alexandre.

[Translation]

Mr. Alexandre Boulerice: You said you had to move about a thousand employees following those administrative changes and that the process made it possible to save money. Did it also lead to job losses?

[English]

Mr. David Nicholl: We did have about \$60 million in cost savings, but we did not set out to actually reduce our numbers. During that two-year period we actually didn't move anyone out of the organization at all. We actually committed that we would wait until.... We kind of put a three-year time window on it and said that everybody's job was protected for those three years and we were going to make sure they still had work.

Since then, obviously it's allowed us to rationalize, and there has been some downsizing of people. But frankly, most of the \$16-odd-million we saved in staff costs was a result of actually going the other way. We actually removed huge numbers of fee-for-service consultants, which are enormously expensive. The management board of cabinet actually gave us approval to increase our FTE count. In return, I think the number we're saving right now is somewhere around \$65 million a year—not just in this exercise but across the whole IT organization—by actually moving from fee for service to an FTE count. It's mostly through that exercise that we had staff saving costs.

The Chair: Thank you, Mr. Nicholl.

Thank you, Alexandre.

For the government side, Mr. Jacques Gourde.

[Translation]

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

I'd like to thank our witness, Mr. David Nicholl, for being here today. We appreciate your being here and your expertise.

You just said that the Province of Ontario managed to save \$60 billion a year. Taking into account the size of Ontario and the size of the Government of Canada, could you estimate how much the Government of Canada might be able to save?

• (1545)

[English]

Mr. David Nicholl: No. I wouldn't even try, honestly, I really wouldn't. I wouldn't try.

[Translation]

Mr. Jacques Gourde: The 2010 Auditor General's report indicates that a good number of computer systems have been around for a long time and could lead to major breakdowns within the Government of Canada, which could have a negative effect on the delivery of services to Canadians.

Did you have the same problem before upgrading your computer technologies in Ontario?

[English]

Mr. David Nicholl: Going back to 1998, I would say not. I would say that by 2006-07 we were starting to realize that we had an aging application infrastructure, which is what your Auditor General referred to.

In about 2008 we started a program that we called our major application portfolio maps, where we took a proposal forward to cabinet that said we had risk-rated...we looked at our whole suite of applications in government, and there were about 2,200 applications running across all of our ministries. We said, of those applications, how many are absolutely business critical, where service to individuals and businesses would be impacted. We had a list of 250 of those applications that were considered business critical.

We then went through a risk-rating exercise, mostly from a technology perspective, but also a little bit from the business side. In fairness, it was mostly a technology study of what was most at risk. We came up with a set of 77 applications that we felt were the applications most at risk—if they fell over we were in danger of not being able to bring those applications back. It was purely age. We asked for some money. We didn't get that; we got a portion of that to actually start working through those 77 applications. That program finishes March 31 of 2012. Today we have remediated about 70 of the 77 applications, and there are some really big ones that are taking longer. They're funded, and we're actually working on them, and there are probably about two years to run.

I would say, from an application modernization perspective, which is specifically what the Auditor General was referring to, the infrastructure consolidation did not address that, no, but the end result of having gone through an infrastructure consolidation means that we are in a better position now to ensure that from an infrastructure perspective we're not dealing with archaic or out-of-date or unsupported hardware, operating systems, or packages.

I wouldn't say it's a direct correlation, but there has absolutely been a very positive outcome from having done the infrastructure piece first.

The Chair: You have about one minute, Jacques.

[Translation]

Mr. Jacques Gourde: I would like to put it in perspective. All the departments of the Canadian government have their own email addresses. We would like these addresses to all have a common denominator.

Did you have the same problem with the ministries of Ontario? Did the restructuring go well?

[English]

Mr. David Nicholl: We had exactly the same thing, where we had 27 different ministries, each with their own mto.on.ca. Each ministry was the same. Part of the exercise we went through was to collapse down to a single e-mail address: @ontario.ca. We did that at the same time we took the seven or eight e-mail systems we had running. We actually collapsed it into a single Microsoft exchange instance and we all went to one address.

It's very difficult, from a mental perspective. Ministries like their little name on it, but eventually everybody accepted it.

Even things like name resolution cause huge problems, so when you've got two John Smiths, somebody has to be John.Smith and somebody has to be John.Smith1 or John.Smith2. It can cause all kinds of issues, just so you know, but it can be done.

The Chair: Thank you.

Jacques, that concludes your five minutes.

For the NDP, Mathieu Ravignat.

• (1550)

[Translation]

Mr. Mathieu Ravignat (Pontiac, NDP): First, I'd like to thank Mr. Nicholl for being here today. His comment on the reduction in the use of consultants as a result of shared services was very interesting.

Could you give me more information about the percentage of that use before and in subsequent years?

[English]

Mr. David Nicholl: Honestly, I'm not going to try to give you percentages. I really don't have numbers like that here with me, and I wouldn't even try to remember.

What we tried to look at was how many consultants we had on board that were consistent every year. We need to use consultants for various things, and we wanted to make sure we were using consultants where they would be best used. That is really in two places. The first is when you have project work and clearly that work is not going to be repeated over a period of time. The second is when you need some expertise. That's when you really want a consultant with you, when you need some expertise.

We tried to work out where the bar was for the number of consultants we had running on a regular basis, a regular run rate coming in, and that's what we went after.

I did mention IT Source. IT Source is a very important part of that. We did try to say, look, there is a need for variability when it comes to staffing within our clusters and staffing our projects. Rather than having to go outside all the time for those people, we thought, why don't we grow that ourselves? We created IT Source, and it's 250 people. We did it through fee-for-service conversions, and we staffed IT Source with FTEs, full-time people. They operate as consultants, except they are full-time people.

[Translation]

Mr. Mathieu Ravignat: Okay.

I would also like to add something to that question. I don't know if you have had the chance to read the report that the government purchased from PricewaterhouseCoopers. It sets out the percentage of desired consultants. Is that not judging the process before the process has run its natural course?

From the start you were unwilling to determine the percentage of participation from the private sector. Doesn't it seem strange to you to decide on a percentage for the private sector at the outset?

[English]

Mr. David Nicholl: Well, I would say that people who are aware of what the workload is would have a very good idea of what that number should be.

Again, I'm assuming that there are reasonable plans that are created on an ongoing basis, so I would say that within a period of a few years you should have a fairly decent idea of what your full-time complement should be. Yes, I would say it's doable, for sure, as long as the planning has been done and the workload is known. You should be able to do it, absolutely.

[Translation]

Mr. Mathieu Ravignat: Thank you. I'm going to move on to a second subject.

I would like to talk about the consultation process that you used, particularly with the workers, the public servants at the provincial level and the unions.

In your opinion, was that consultation and collaboration essential?

[English]

Mr. David Nicholl: Yes, absolutely.

[Translation]

Mr. Mathieu Ravignat: What did those people contribute to the process?

[English]

Mr. David Nicholl: For us, I think it was very important. We had ongoing dialogues with our bargaining agents. We have two main bargaining agents that we deal with, and it's important for us to disclose to them before we make changes. That's what we have and that's what our arrangement is. Clearly it's always valuable to have their support. They're not always going to agree with you, of course, nor should they, but being open and transparent and telling them what was going on was important.

What was just as important for us was our communication with our staff as well. We put a huge amount of effort into making sure we communicated to people and that we were transparent with them. We knew we were rushing fairly quickly, with a two-year time window to get this done, so it was important for us to do a lot of communication. I personally put a lot of time into getting that message out.

[Translation]

Mr. Mathieu Ravignat: We hope that the colleagues on the other side of the House have listened to this example and taken note of that model.

Do I have any time left?

[English]

The Chair: No, Mathieu, you have no time left.

[Translation]

Mr. Mathieu Ravignat: That's all. Thank you very much.

[English]

The Chair: Thank you, Mathieu.

For the government side, we will go to Mr. Bernard Trottier.

You have five minutes, Bernard.

• (1555)

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you for coming in today. It's a real delight to have you here today. As a taxpayer in the fine province of Ontario, I'm really proud of the work you're doing. Of course, Ontario has its own fiscal challenges over and above what you're doing, but I think together we'll right things.

I also have a bit of background in these kinds of projects. I spent the last six years of my career, before becoming a member of Parliament, working with an organization called IBM. You might have heard of them. Many years ago we went through our own transformation across about 150 different countries; we lived that, and of course we helped other clients also transform themselves.

The cost savings are pretty solid. Obviously this is something you've lived and you're able to document. I want to talk more about the service side of it.

Your customer, as an IT organization, is the ministries and the clusters. I'd like you to describe some examples. Pick one or two ministries or clusters and describe how, on the one hand, customer service to your internal customer was improved by doing the consolidation—in other words, it wasn't just a cost question—and then in turn describe how those ministries or clusters are able to deliver better services to the citizens of Ontario.

Mr. David Nicholl: Just one clarification. Clusters and infrastructure belong to the same IT organization, so the clusters CIOs have a dotted line into every deputy, and I do their performance appraisals. We are one organization, and that's a very important thing.

However, to go to your specific service question, what we set out to do on day one was we wanted to at least match the service we had when we went through transition. That's enormously difficult to do,

as you know, coming from IBM. We worked a lot with IBM and a lot with HP on their transition and what they had done. One thing we had been warned about was we would see a dip in service, so fight against it, but it will happen, and be ready to respond to it.

I would say probably a really great example of what we focused on was through our help desk. Part of the new structure consolidation was with our help desk. We probably took a huge step up in our measurements and our metrics on what was actually happening at the help desk, because we knew our calls were the most important thing telling us how we were doing.

One incredible advantage of having consolidated together was the fact that we could actually see what that picture was. We put a classic big screen up on the wall. We were reasonably well automated on our help desk. We were seeing the number of calls coming in, how many calls were waiting, what kinds of problems they were having. So through that consolidation, we had a single window into how we were impacting the 65,000 to 67,000 employees of the OPS.

I think I also mentioned our upgrade from XP and Office to the new version. That would have been an enormous undertaking seven or eight years ago. It's still a big undertaking, but it's nowhere near as big as it was.

Mr. Bernard Trottier: Okay.

Mr. David Nicholl: From a service impact to OPS, we really reduced what those service impacts are.

Mr. Bernard Trottier: Just to clarify something then, let's say the Ministry of Education or Health or Transportation are able to go through migrations and make changes more effectively. If you are a citizen demanding services from those ministries, would there be any changes that they might have noticed, anything that was better now or anything that was worse?

Mr. David Nicholl: Nothing's worse, I would say, certainly from a service level perspective. We introduced the online birth certificate program, for instance. It's a fairly convoluted application where we had infrastructure running in two separate places for an application. To have done that, where two cluster infrastructure groups were trying to coordinate that, as opposed to what we have now, where Service Ontario is our key client-facing organization, by having done that consolidation I know for a fact that we could certainly deliver it a lot quicker. For both birth and death certificate programs, for sure I know they improved.

Another good example would be OSAP. We recently went mobile with our OSAP app, for instance, and we could never have done that. If we'd had infrastructure spread, we could not have done that in the speed we did it.

Mr. Bernard Trottier: To maybe rephrase what you're saying, with the pace of change in technology you're able to deliver that much more quickly—

Mr. David Nicholl: Absolutely.

Mr. Bernard Trottier: —and more effectively. It's harder to do in a decentralized, non-shared-services organization.

•(1600)

Mr. David Nicholl: Not only harder to do, but because you have no standardization on platforms or operating systems or applications, or anything, the cost of building the connections.... There's no comparison at all.

The Chair: Thank you, Bernard. Thank you, Mr. Nicholl.

Next, for the Liberals, John McCallum for five minutes.

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

Welcome, Mr. Nicholl.

I want to try to get the timing straight in my mind first. As I understand it, beginning in 1998 you moved to the system of a relatively small number of clusters.

Mr. David Nicholl: Yes.

Hon. John McCallum: Then beginning in 2005, I think you said, you took two years to move to one single entity.

Mr. David Nicholl: Infrastructure entity.

Hon. John McCallum: Yes.

So if you look at the period as a whole, starting from 1998 and moving forward to today, I would have thought that.... Do you not have to make certain investments that cost money before you save money, or did you save money right away, starting in 1998?

Mr. David Nicholl: I have no personal experience with 1998. It was actually before my time. I can very much talk to 2005.

We did have an investment fund. I think it was \$38 million we got to help us do the project. There absolutely were investment dollars put into this. I would say that you certainly have to invest money to make this happen. If nothing more, you need to dedicate some staff to do it, or it just won't happen. So there is a cost to it, yes, for sure.

Hon. John McCallum: On a net basis, are you saying the government saved money in year one?

Mr. David Nicholl: The government actually probably broke even in year one, yes. Absolutely, yes.

Hon. John McCallum: But that's having already created the clusters, so I don't think you could have done it—

Mr. David Nicholl: You're absolutely right, yes; there were two steps. That's why I was very clear in my intro—

Hon. John McCallum: But you don't have knowledge of the costs of the earlier step to create the clusters?

Mr. David Nicholl: No, it—I have it, actually, so I will find it for you. There is a dollar figure in here in my paper somewhere for the 1998 work. I know it wasn't a huge amount. I certainly have it, yes.

Hon. John McCallum: The other question I wanted to ask was about two dimensions of jobs.

Going back to 1998, because it seems to me like a continuum of time, to what extent were job losses limited to attrition and to what extent were people laid off?

The second dimension of that question is something we heard in an earlier presentation. If you centralize all these many centres around the country—or, in your case, around the province—to one

place or a small number of places, are those larger places generally in Toronto or bigger cities, meaning that rural Ontario would suffer most from such a process?

Mr. David Nicholl: As I said—I have the number, by the way, for 1998; there was an investment of \$110 million in 1998, it tells me here.

Hon. John McCallum: Thank you.

Mr. David Nicholl: That's okay.

Basically, when we started what we called e-Ontario, which is our consolidation, there was attrition, but we committed that during that process we would not be letting anyone go during that period of time. As I said, most of our staff cost savings actually came from fee-for-service conversions.

We were dedicated to continuing to deliver what we call our field services. We would leave the people in place in the field who were supporting all of the offices, whether in Ottawa or Sudbury or wherever it happened to be, so that we would still have that on-site support. We shut down a lot of smaller server rooms around the country. When we consolidated our help desk, we actually had a single help desk, but we had it in three locations, so we had a virtual help desk. It was in Toronto, St. Catharines, and North Bay, and there was actually a small one in Guelph. We left those in place; we replaced all the infrastructure underneath those help desks, but we left the people in place. There was no reason to move them. They were fine where they were. It didn't cost us any more money to leave them in Guelph than it did to have them in Toronto.

We very much worked on the basis that we wanted to keep people in place to support business people where they work, because that's important for us in providing service; where we could make use of technology to allow people to stay where they were, in this case with our help desks in North Bay, St. Catharines, and Guelph, we did that as well.

Hon. John McCallum: Perhaps the displacement would have occurred in the earlier period, when you moved from every ministry to a small number of clusters. Would that be correct?

Mr. David Nicholl: No, our clusters are certainly well spread.

We're a little different from the federal government. We have a reasonable staff presence in Thunder Bay and a reasonable presence in Sudbury. We still have cluster people who are attached to their businesses. Ontario went through this spreading out back in the 1980s and 1990s when a ministry moved. For instance, MNR moved to Peterborough, so we have cluster people in Peterborough supporting that business, absolutely. That did not change at all.

•(1605)

Hon. John McCallum: Are you saying that this whole process, starting in 1998, didn't really have any effect in terms of concentrating employment in smaller places and shutting down units in smaller towns?

Mr. David Nicholl: We really haven't seen that, no.

The Chair: That concludes your time, John.

Thank you, Mr. Nicholl.

Next is Mr. Ron Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair, and thanks, Mr. Nicholl. That was very interesting.

From the sound of it, you had noble goals of improved services, lower costs, and accountability. You achieved the lower cost anyhow, it looks like. You said there was \$65 million a year in savings—

Mr. David Nicholl: It was a hundred.

Mr. Ron Cannan: It was \$100 million? Okay, but was that ramped up over...?

Mr. David Nicholl: It was two years.

Mr. Ron Cannan: It was over two years—

Mr. David Nicholl: Yes. It was 60:40.

Mr. Ron Cannan: Then there was the accountability and the improved services aspect. Obviously if our ultimate goal is our constituents—in your case residents of Ontario and in our case Canadians—they have better and more efficient e-mail services.

You mentioned you had seven or eight e-mail systems. Is that correct?

Mr. David Nicholl: Yes.

Mr. Ron Cannan: I was just doing some research, and within the federal government there are over 283,000 employees and more than 200 departments or crown agencies. Right now there are over 100 different e-mail systems for federal government employees.

Look at him; he's cringing.

The federal government's e-mail systems are not fully compatible. While approximately 80% of the departments use Microsoft Outlook, 15% use Lotus Notes and 5% use Novell GroupWise for their entire system. Departments have different versions and have adopted a variety of rules and practices. This results in fragmentation and higher costs and seems extremely inefficient.

You said you weren't there in 1998, but did your colleagues tell you that you had a very similar situation?

Mr. David Nicholl: We were much smaller.

Mr. Ron Cannan: Right, so basically ten times the....

When you're looking at different mailbox servers for the 100 different e-mail systems...the average cost per mailbox today is apparently \$19, the industry has indicated, whereas the benchmark in the industry average is about \$12, which would represent about 30% in savings government-wide. This could provide substantial savings, since at the present time there are over 300,000 mailboxes operating in the federal government. Obviously there is a huge potential for savings.

Is this the kind of cost saving you've achieved by consolidating your systems?

Mr. David Nicholl: We have about 100,000 mailboxes. My best guess or estimate at our mailbox cost is about \$9 or \$10, and that's unlimited size. You have to be careful in comparisons between how many e-mails you're allowed to store or if you are capped at a certain size. Our scale is different, but the opportunity is there for sure.

Mr. Ron Cannan: The other aspect I know we're all concerned about is cyber threats and attacks. Obviously with one mail system you have that much more of a secure system.

Mr. David Nicholl: I think it's a great byproduct. It's a double-edged sword. A little bit of distribution maybe protects you a little bit as well sometimes, but certainly it allows you to focus and concentrate on securing what you have. There are two sides to it, though.

Mr. Ron Cannan: It's a lot easier than securing 100 different systems.

Mr. David Nicholl: Yes.

Mr. Ron Cannan: Did you do any consolidation within your phone system? Coming from the private sector to Ottawa—I've been here six years—the communications system is phenomenal. The voice-over-IP phones average \$15 per month, while we're paying somewhere around \$31 per user, with over 300,000 of these legacy phone lines.

Has the Ontario government explored phone consolidation as well?

Mr. David Nicholl: Yes. It's not part of eOntario, which is the consolidation. We're centralized on a Bell Centrex system in downtown Toronto, but we have the same issue outside of Toronto: very disparate systems, PBXs in every office, very difficult to maintain.

We are looking, as I'm sure the federal government is, to our network as the means to move out of that environment. In fact, we have a request for an RFI on the street—I think it's closed—to go to industry to ask, from a strategic perspective, what we should be looking at.

With this, the most important part is your network. You have to have a secure and solid network if you're going to do this, so we've put a lot of effort into working with our partner on our network side to make sure we get a stable network in place, which we have now. We're now looking at how we can start bringing some unified communications, things like voice over IP or video on your network, into play. We'll start small, I suspect, because our network is—

• (1610)

Mr. Ron Cannan: Are you anticipating cost savings there as well?

Mr. David Nicholl: Oh, absolutely, we do, yes.

Mr. Ron Cannan: Have the industry—

Mr. David Nicholl: No, we haven't quantified what it would be.

Mr. Ron Cannan: Okay. Thank you very much.

The Chair: That just about wraps up your time anyway, Ron, so thank you.

Denis Blanchette.

[Translation]

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

I'd like to thank you for being here, Mr. Nicholl. In passing, I'd like to congratulate you, you and the Ontario government, for the results you've obtained.

Before asking my first question, I have a request. Obviously, you were not in the position prior to 2005, but what you did is based on what was done previously. Could you provide the committee at a later date with some data, particularly about what my colleague Mathieu was saying—the percentage of your budget that you set aside for consultants, before and after the clusters.

Also, to follow up on Mr. McCallum's question, I'd like to know how the profitability of the exercise developed when you started creating clusters. Was it immediately profitable for the government or only after a number of years or after certain conditions had been applied?

Could you please provide the committee with those details? I think it would be very interesting for us.

[English]

Mr. David Nicholl: I'll ask, but we certainly have the numbers of consultants, going back over the years. Yes, for sure we can do that.

Whether we have them as a blanket number between all of the IT organizations or whether we have them separated out between clusters and infrastructure, I'm not so sure, but yes, absolutely, we can do that.

[Translation]

Mr. Denis Blanchette: Okay.

How does the Ontario government think? When the time comes to talk about consolidation, shared services, and so on, what's considered first? Are you looking systematically for savings first, functionality first, or customer service which leads to services to citizens? What motivates the Ontario government's thinking about changes to information technologies?

[English]

Mr. David Nicholl: Speaking directly to the 2005 infrastructure consolidation, which is really what we're here to talk about, I think, to be fair, there were a number of motives.

Clearly, we had been watching what hits.... Hewlett-Packard was kind of the poster child from this perspective, but IBM was there as well, and we certainly learned a lot from both IBM and HP.

I think there was a realization of what the potential could be, from a service perspective. When you're managing a single set of infrastructure as opposed to multiples, you can react more quickly and you can do things much more efficiently and much more effectively. You can ally your clusters. In other words, you can ally your IT people who are involved with the business to focus a lot more on providing the higher-end types of services, such as application development, advice, strategic planning, or information management. You can really shift your focus of work away from worrying about a desktop or a laptop or a BlackBerry or an e-mail account, and start thinking about things that really matter to citizens and to businesses.

I think the mantra was very much about that service element. There's no doubt that the cost savings were attractive as well, but honestly, in this case, one really does go with the other. There's no excuse for it not to; you really can increase services and you really can save money.

[Translation]

Mr. Denis Blanchette: Thank you very much.

Unless I'm mistaken, the secret to your success is this: you have made good use of new technologies and their capabilities, you have been able to rely on your employees and you manage contracts given to the private sector much more rigorously. If I summarize it that way, would I be correct in saying so?

• (1615)

[English]

Mr. David Nicholl: There's probably more to it than that, especially in the area of how you manage a large number of servers. Virtualization, which is what everyone's moving to, really was a huge help to us and allowed us to remove a very large number of servers in a very short period of time. We adopted virtualization very robustly. So I would say that new technology was definitely a big help to us.

We couldn't have done it without our staff; it wouldn't have worked. We asked a lot of them. We put them in very difficult situations and they responded brilliantly, and they still do to this day. So I would absolutely say that the staff were a huge part....

The one thing you didn't see, from a critical success factor, was governance through our whole organization, up to and including the Management Board of Cabinet. They were aware of what we were doing. We had incredible deputy support to do this. We had support from our business ministries. The governance piece around this was vitally important. Even for the application modernization that one of your colleagues was speaking about earlier, which we're still doing to this day, the governance of that and the involvement of the management board have been critically important as well. Every six months, we report to the management board on that project. We know they're interested; they ask good questions. That was a large part of the success as well.

We really did have a lot of factors—we had the stars aligned—and that was a big part of our success.

The Chair: Thank you, Mr. Nicholl.

Thank you, Mr. Blanchette; your time is up.

Now, saving the best for last, we will go to Mike Wallace.

Mr. Mike Wallace (Burlington, CPC): I don't think I'm the last, but thank you for that, Mr. Chair, and I'm not sure that I'll be the best.

I appreciate your coming, Mr. Nicholl, and sharing your experience. I have a few background questions for you so that I understand.

This project started in 2005 and it was ongoing for a number of years. Obviously, it didn't happen overnight. I think there was a change in government in the meantime. Regardless of the government in power, they committed what was still there to make this project go forward. Is that an accurate statement?

Mr. David Nicholl: Absolutely.

Mr. Mike Wallace: In terms of using expertise from outside government and getting private sector advice and so on, can I ask you if you were with the private sector prior to this, or have you always been a public servant?

Mr. David Nicholl: I was private sector.

Mr. Mike Wallace: When you joined, you became a public servant. Is that correct?

Mr. David Nicholl: I did.

Mr. Mike Wallace: What is happening outside government in the private sector? Are they way ahead of us on this from a government perspective? If you could give us the lay of the land, I'd appreciate it.

Mr. David Nicholl: We have a fairly mixed infrastructure model ourselves. If I've left the impression that we do it all ourselves, we do not; we have a fairly large private sector involvement in everything we do.

For instance, our network is totally outsourced. We do not do our own network. It's a contract that we've run for quite a few years. Some of the remote support for our more complex servers is provided by the private sector. The private sector advises us on numerous things. We have just built a new data centre in Guelph, for instance; we're going through a massive transition of about 500 applications from our old decrepit data centre into this beautiful brand new data centre in Guelph, and we've had a lot of help to do that. We could not have undertaken that process without private sector expertise and involvement. They are involved with all the steps all the way through.

For any technology changes we go through, we have expertise from the outside helping us, whether that's Microsoft or IBM. As well, advisory services from the PwCs and the Deloittes of the world are very much involved in what we do.

We try to live the partnership theme with our private sector partners. They are our partners. They work with us very closely. As you do, we go through enormous rigour on procurements and contracts, but once they're in, they become a partner, and we really operate that way.

Mr. Mike Wallace: With your vision of where the computer world is going, what would be the downside for Canada not to pursue the shared services approach that Ontario did? I think we're basically in agreement around the table. There are maybe some practical pieces about how it's implemented. There might be some different views on it. As a Canadian—I'm assuming you are Canadian—

• (1620)

Mr. David Nicholl: I am.

Mr. Mike Wallace: —why would you say it is important for the Government of Canada to pursue this approach at this time and not wait any longer?

Mr. David Nicholl: As a taxpayer, I would say that there are enormous benefits to both the efficiency of the operation you are running and to your ability to turn around services for citizens and businesses in Canada, purely because you can't do anything without at least two ministries talking these days. Everything is interrelated, especially on the service side.

Transportation doesn't exist on its own anymore. In fact, transportation doesn't even deliver the services anymore. If you walk into Service Ontario, you want to be able to do your driver's licence renewal and your health card renewal at the same time. If you haven't made some strides to integrate the organizations, trying to do

that very simple action is very difficult. Just from pure common sense of what it takes to deliver integrated service, it's just a prerequisite.

We have to work more closely together. Citizens don't care that you're feds and we're the province. They want to be able to come in and do a transaction with you, and they don't really care where you're from. We also have to work much more closely than we do with the federal government on how we can integrate our services better. We did it with the birth certificate and the SIN card, so that when you have a birth of a child, everything is done at once. By integrating like things together, you just deliver services so much better than you can do when everyone is spread out across the place and not doing it together.

There are other great lessons to learn. Talk to the IBMs and the HPs of the world. They couldn't have done what they did unless they had gone through the agonies they went through. IBM certainly would not be the success it is if it had left itself the way it was.

We're no different. There's no reason we can't learn from both private and public sectors. Certainly our experience is that we can deliver services so much more quickly than we could before that consolidation.

The Chair: Thank you, Mike. That concludes your time.

Mr. Boulerville is next.

[Translation]

Mr. Alexandre Boulerville: Thank you very much, Mr. Chair.

Before I start, I'd like to make sure of one thing. Was the Integrated Justice Project part of the whole review of the centralization of IT services in the province in the late 1990s and early 2000s? Was it part of the whole process?

[English]

Mr. David Nicholl: No.

[Translation]

Mr. Alexandre Boulerville: Oh, it wasn't part of it.

[English]

Mr. David Nicholl: It's history to me, I have to admit. I wasn't around for it, but I saw no overlap between them at all.

[Translation]

Mr. Alexandre Boulerville: I just wanted to check.

What feedback did you get from the various agencies and ministries following the changes made at the end of the exercise? What were the general comments? Where there many complaints? Did anyone congratulate you? Was there a lot of discontent or were you lauded?

[English]

Mr. David Nicholl: As I think I did say earlier, honestly, it was a tough couple of years. We were fixated on our service levels. As I explained before, the help desk consolidation allowed us to know right away how we were impacting people in the OPS. There is no doubt whatsoever that we had to be on our game to respond whenever we had issues or problems.

We never had an impact on citizens and we never had an impact on business. We certainly had to put people through a fair bit of change and go through a fair bit of change management when it came to something as simple as changing someone's e-mail address, because it does impact a lot of things.

I would say that what we wanted to do was prepare for the worst. We wanted to prepare to ensure that no matter what change we went through, we were ready to respond, right to someone's desk if necessary, during those first few days whenever a major change took place. We set ourselves up to do that, and I think we were pretty successful at it.

That said, change is always tough, and there's going to be stuff that happens; again, it's really about how you respond to it. People will give you congratulations for responding quickly. They don't normally congratulate you when you just do the job and it happens to work. That's just a problem with IT in general.

• (1625)

[Translation]

Mr. Alexandre Boulerice: What performance indicators do you use to verify the quality and efficiency of those services? Are those performance indicators the same for the ministries and for the businesses you offered services to?

[English]

Mr. David Nicholl: I would say yes, very much so.

At the service desk, for instance, we'd measure exactly common things, such as how long somebody was on the phone, how long each call took, and how many calls were coming in. We'd measure how good our knowledge records were, meaning that when you get a call, what was the quality of the answer? Is it something brand new, or have we come across it before, and if so, is there a record there for it? We certainly measure things across the board, such as our network response. We'll measure all kinds of response times at various stages of our network.

It's quite difficult, sometimes, to measure an end to end; it's hard sometimes to actually get a measurement of when you hit enter and it goes off and comes back and then something happens. Because there are so many parts involved, it's sometimes technically quite difficult to actually come up with those numbers, but we've done it as much as we can. We measure it on a monthly basis and we publish it on a monthly basis. It's a very important part for us.

[Translation]

Mr. Alexandre Boulerice: Perfect. Thank you.

You made major changes and there was upheaval that perhaps upset some employees. But I'd now like to hear what you have to say about the future. What technological challenges do you anticipate? What measures do you plan to adopt for the future?

[English]

Mr. David Nicholl: I would say that it's the size of some of the products that we have to run. For instance, we have one of the largest Microsoft Exchange instances in Canada. We and the Royal Bank seem to battle it out a little bit for who's the biggest. I think we are; it's not something we're terribly proud of, but we are.

I would say we're always aware that consolidating exposes more; by that, I mean you're actually a lot more aware of your usage and what you're actually doing with it. When you're spread out across the map and you haven't really got a good control on what your assets are, it's quite likely that things are happening that you're not even aware of. When you consolidate things into one place, you can see them all and measure them. It's mostly good stuff, but occasionally you will come across something, either from a scale perspective or perhaps from the pure knowledge perspective of knowing you've got that much, that can have ramifications for you. You're a lot more knowledgeable about your environment because you can see it.

That's generally good. There's sometimes a downside to it, but generally it's an upside.

The Chair: Thank you, Mr. Nicholl, and thank you, Mr. Boulerice.

That pretty much concludes the one hour that we had set aside for your testimony, Mr. Nicholl. I'm sure the committee joins me in thanking you for coming. We find it very interesting and very useful.

There is one thing I would ask. I know there was a request—from Mr. Blanchette, I believe—for you to provide some of the additional data regarding the amount of contracted work versus in-house work, so if that data could be sent to the clerk of the committee, it would be very welcome.

Mr. David Nicholl: Sure.

The Chair: Thank you very much for coming. We appreciate it very much.

Mr. David Nicholl: You're welcome.

The Chair: It's very useful.

Mr. David Nicholl: Thank you.

The Chair: I'm going to suspend the meeting for a minute while we change to our next panel of witnesses.

• (1625)

_____ (Pause) _____

• (1630)

The Chair: We will reconvene the meeting of the government operations committee and welcome our next panel of witnesses. We have the Information Technology Association of Canada, represented by Mr. Karna Gupta, president and CEO. Welcome back, Mr. Gupta. It's nice to see you again. We also have Ms. Linda Oliver, the vice-president of ITAC. You are very welcome here.

We look forward to your opening remarks, and then we'll proceed with questions.

Please go ahead, Mr. Gupta.

Mr. Karna Gupta (President and Chief Executive Officer, Information Technology Association of Canada): Thank you, Mr. Chair.

Thank you, honourable members.

With me is Linda Oliver, as you've mentioned.

What I'm going to do is walk you through ITAC's position relative to the shared services that have been set up.

ITAC, as you know, speaks for the Canadian information and communication technology companies across the country. We represent both large and small companies across the country. About 65% of our members are small and medium-sized companies, but we do produce approximately \$140 billion in revenue through this sector. Seventy per cent of our members are SMEs. We have a strong representation from all sectors and geographies.

The decision to consolidate and move to enterprise-wide management of IT services we believe is a good decision. We support it. We think it will lead to a significant amount of savings and modernization within the government.

Many of our members have gone through a similar transformation, some on a very large global scale, very similar to the size that you're looking at within the federal government. You heard from the previous speaker that organizations like IBM and HP are poster children for it. They have generated a significant amount of efficiency and competitiveness in going through the transformation.

For example, the public data always show us HP as the poster child. They have cut 85 data centres to 6, as you know, and they have reduced the overall applications going out from 6,000 to 1,500. It did triple its bandwidth at half the cost. Annually, they were claiming to be generating about \$1 billion in savings.

Personally, I was involved in a large-scale global consolidation post-acquisition when I was running a company out of the U.S. It was involved with multiple geographies, with staff in 65 different countries, and with multiple systems. Going to an enterprise system not only allowed us to save money, but it improved our customer satisfaction tremendously and also our overall competitiveness in the marketplace.

Many of our members helped other organizations through similar processes. Organizations like GM, major Canadian banks, and also the Ontario, Alberta, and B.C. governments have gone through some of these.

We have learned some lessons from all of these examples along the way. We, as the private sector, are here to help the public sector go through this process that has now been launched. What I would like to do now is go through three basic themes that, based on our experience, I can frame for you.

The first one is to collaborate. The private sector and public sector need to collaborate on this early and all along the way. It is often too easy to think that incumbent organizations have all the answers, but it is always better to draw upon the experiences of others. The benefit of experience is huge. We urge the federal government to actively consult the private sector and other organizations on the way forward. It should be done early and it should be done often.

There is a real opportunity here to establish a new way of working with the industry. We need to move from a formal paper process to an open, ongoing dialogue. This is the best way to share information. We, as ITAC, can facilitate much of this with our members. Our members have vast experience and global best practices and are making investments in technology years in advance. Building strategic relationships with businesses, including small and medium-sized enterprises, will best allow government to provide strong services to Canadians.

This does not mean letting go of expertise—far from it. The government needs to be a knowledgeable buyer and manage the performance and results of its suppliers while relying on the best the industry has to offer. It is important for SSC to have the required tools, talent, and resources to create the conditions for success. This transformation is highly complex and time consuming. With proper collaboration, we can balance the risks and rewards and work together for success.

● (1635)

Second, take an outcomes-based approach to launch this project. What this means is that when procuring solutions, Shared Services Canada needs to focus not only on the problems to be solved, but also on the outcomes they would like. That will spell success. Our advice would be to stay away from a prescriptive approach too early.

Again, the key is collaboration and trust between the government and the private sector. We need to be in constant communication to make sure the problems are well understood and the potential solutions and outcomes are all doable within the budget. Opportunities like this type of transformational project are great ways to help develop innovation and economic growth and to keep jobs in Canada.

This outcomes-based approach has amazing results. We have seen it in the private sector. It lets the companies come forward with creative ways to solve problems while at the same time competing on cost. In short, it leads to creative and innovative solutions without necessarily compromising on outcomes.

Third, make it work. This is the hard part. This is where SSC needs to execute on the plan and show results. Based on our experience, one of the most important things here is to have a clear governance structure. Who does what? How will the decisions be made in a timely manner? What is the process to get things done? You have to get this clear, right from the very beginning, and have a good change management process along the way.

You also have to look at the culture of the organization. In this case, I've heard, there are 43 departments. To us, in the private sector, this is almost like merging 43 different companies at the same time. With all the different ways of doing things, it is important that the culture of the employees and the value propositions are clearly articulated by the management to the base. SSC must be allowed to build a team for success.

Finally, there is the implementation plan itself: how long should it take to get this thing done, to go from here to there? In our industry, there are generally best practices for projects of this nature, and typically they run from three to five years. It is not one mammoth project; it is multiple small and medium-sized projects.

The process is to allow for the adoption of innovation along the way. Let's not lock in the technology choices very early at the start. It is a long horizon and you need to be able to choose technology as you move along the course. Sustainability for technology is important.

We would like to work with Shared Services Canada to find innovative ways of accelerating our consultation and procurement processes. We've already provided some recommendations to SSC on various items to increase our collaboration and speed to market and to ensure a win-win result.

In closing, I'd like to thank you again for this opportunity. ITAC is ready to help in any way we can, especially in facilitating a dialogue with our members to make this transformational project come to reality.

I'd also like to extend my personal thanks to SSC's current senior leadership. They have reached out to us for consultation and we are very pleased to have had the opportunity to provide them with some input.

I'd be happy to take any questions at this point.

Thank you, Mr. Chair.

• (1640)

The Chair: Thank you, Mr. Gupta.

We'll just jump right into it, then, with Alexandre Boulerice for the NDP.

Five minutes, Alexandre.

[Translation]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

Mr. Gupta and Ms. Oliver, thank you for being here today. We appreciate it.

My first question sort of follows on the heels of Mr. Nicholl's testimony. He told us that a large part of the savings realized by integrating technological services in Ontario was due to the fact that external consultants, whose services are expensive, were not being used as much. So these people saved money and managed to build expertise internally by doing the work themselves.

Do you think that's justified? Do you think it's a good direction to go in? Do you support this kind of vision?

[English]

Mr. Karna Gupta: I would not comment on Ontario's specific case. To answer your question a little more generically, I think, it would be what kind of competency you have within the government, in the organization that's being consolidated. If you do not have the requisite skills to run a project of this magnitude and this complexity, then you would need to go to the people who have done it in the past and have the necessary experience. In our view from the private sector, it is critical that you put the right team in place who can see through these kinds of benefits.

Having said that, if you do have internal skills, it makes it a lot easier to move forward, because they know all of the internal systems. You're looking at very large organizations coming together and delivering something very significant. There are a lot of things internally within government that for an external party would take a long time to learn and understand. That's where the savings could be generated: if you have the requisite skills internally.

[Translation]

Mr. Alexandre Boulerice: In your opinion, should the external resources of private companies make it possible to do the work? If not, should they be used to help train employees of Shared Services Canada and pass on expertise to them, so that they can then be self-sufficient?

• (1645)

[English]

Mr. Karna Gupta: I would go against my own recommendation and be a little more prescriptive on this answer. If you don't have the skills, go hire the people who do have these skills and spend the money to do it right. That would be my recommendation to SSC.

But when you have this large an organization, I'm almost certain that you have these necessary skills, and you'd be able to save a significant amount of money there.

[Translation]

Mr. Alexandre Boulerice: Let's talk about something else. In your opinion, what factors influence the delay in implementing a model like the one that Shared Services has for information technologies? Also, what are the typical situations in which cost overruns occur? What traps need to be avoided to prevent cost overruns in this type of sizeable operation?

[English]

Mr. Karna Gupta: That's a very good question. Thank you.

In my personal experience when we did this in the company I was involved with, the biggest issue we struggled with was trying to create one massive project versus breaking it into multiple projects. So you could not track the progress and you could not see the benefits at each stage of the way. If you keep it as one very large project, it's very hard to have an exact start date and end date and to have the benefits as planned by the project managers coming through to the senior leadership.

Our approach from an experience point of view was to break up the large project into multiple projects and hold accountable the people who are doing it for delivering the benefits they put out along the way. Otherwise, you're not going to see it.

[Translation]

Mr. Alexandre Boulerice: Are you afraid that Shared Services Canada is becoming a kind of monstrous megaproject that will get out of the government's control? Would it be better to split up the project?

[English]

Mr. Karna Gupta: I do not know what the project structure is in Shared Services. I know that there are three things they're looking at, but I don't know what the approach is. I don't think they're there yet, at least from the information I have, in regard to what kind of project they have, how they're breaking up each of the items, whether it's the e-mail network or data centre, and, for each one of them, how it's broken up into multiple projects. But if they're broken up, then the benefits are much more readily understood.

The Chair: That's it for time, Alexandre. Thank you.

For the Conservatives, Peter Braid.

Peter, five minutes.

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

Thank you, Mr. Gupta and Ms. Oliver, for being here this afternoon and sharing your experience and your perspective.

One of my preoccupations is the support of innovation. I wanted to follow that theme a little bit. Do you see this Shared Services Canada initiative as an opportunity to support and spur innovation in Canada and, as well, to showcase Canadian technology? Are there opportunities to do that? If so, could you elaborate?

Mr. Karna Gupta: I do believe that whenever a project of this nature is undertaken by government, it does allow a huge opportunity for Canadian companies to showcase their technology, and to almost make government one of the first customers to showcase what they're building. That needs to be done within the construct of the business objective. That's where I laid out two themes.

One is that we need to have a clear view on the outcome, on what you're trying to achieve. Two, do not prescribe the technology choice too early, because you're not tapping into the innovation that might be there two years down the road.

From a process point of view, it is management that has to decide if there is a framework to do that. But in terms of answering your question directly, it's a tremendous opportunity for young Canadian companies to showcase their technology. I absolutely believe so.

Mr. Peter Braid: To pick up on that, do you see a particular opportunity for Canadian SMEs involved in technology?

Mr. Karna Gupta: Yes, I do believe the SMEs do a lot of the applications, a lot of the work. Some of the applications could be very relevant to the types of services you're going to be delivering to the population, and in any sector, because as a country we are moving towards a digital society. Everything you and I consume and dispense is done digitally.

In terms of developing applications, some of them—even I don't know today—might be there two years from now, and some of the SMEs could be anywhere in Canada. Not being prescriptive based on the tools that you have today allows you to spur on that innovation. If at the onset it is laid out that this will allow for SMEs to showcase certain technologies, you spur on that additional development. But it's always driven by one overriding circumstance: does it deliver to you the outcome you're looking for? It is not at the cost of the outcome.

• (1650)

Mr. Peter Braid: That's great.

Now, speaking of the direction that technology is going in and that Canada is going in, one thing we're hearing about a lot more often is this notion of cloud computing. I'm just curious, would these changes that we're proposing to make with Shared Services Canada then position the government to take advantage of steps in the direction of cloud computing if that decision were to be made in the future? Is this a platform that might help towards that?

Mr. Karna Gupta: Yes, I believe so. Cloud computing is a big issue in today's world in terms of the cost of delivery and

efficiencies. Just in that context, it should play a big role within Shared Services decision-making. I'm almost certain.

Mr. Peter Braid: Great.

How much more time do I have?

The Chair: You have about 90 seconds, Peter.

Mr. Peter Braid: Okay. I have time for one last question.

We're hearing from witnesses appearing before our committee that there are, it seems, two key advantages: one is to save costs and the other is to improve service. With respect to that second objective, could you elaborate a little on that, given the experience of many of these other examples we're aware of, such as those of provincial governments and private sector companies?

Elaborate on this opportunity to improve service: how that happens and why that's important.

Mr. Karna Gupta: Sure. From a private sector point of view, when we embark on anything of this magnitude, there are really two dimensions to it. One is the effectiveness and the other one is efficiency.

The efficiency one is a lot more easily understood because you're centralizing things and your overall cost is going down. From an effectiveness point of view, you're looking at how your customers and how your go-to market improves.

I can tell you without a shadow of a doubt that from a customer satisfaction point of view, if all your customers are dealing with you in the same way—if they're on a similar code structure and if you deal with their problems in the same way and in a timely fashion—your customer satisfaction goes up tremendously. As you know, in the private sector, customer satisfaction is a big piece. That kind of drives your market. So there is a definite link in these projects to deliver that.

The Chair: Thank you, Peter. That concludes your time.

Thank you, Mr. Gupta.

Denis Blanchette, five minutes, please.

[Translation]

Mr. Denis Blanchette: Thank you, Mr. Chair.

Mr. Gupta and Ms. Oliver, welcome. At the beginning of your presentation, you described certain conditions that were necessary for this kind of project to be successful. You also warned us of certain problems.

Allow me to use the word "project", even though we understand that you're talking about multiple projects. If we do things right, if we do things by the book, in your group's experience, when might we hope to see the project being profitable, since it's necessary to invest up front to obtain a return on investment?

What do your members have to say about the time needed to make the operation profitable for everyone?

[English]

Mr. Karna Gupta: It's an interesting question because there's no clear answer, largely because the financials vary from project to project or from overall program to program on a transformational project, and they come in different sizes and shapes.

I can only talk about the one I was personally involved in. When we looked at it, we saw that it was between a three-year and five-year payback. That's why I mentioned that we fell within that benchmark of a three-year to five-year payback.

Payback came in a couple of fashions. One was your resources, with "resources" meaning the people on your staff. You have merged companies and you're simplifying the whole IT and delivery mechanisms from a consolidation point of view, but what do you do with these people?

You have two choices. One, if your company is in a growth mode, meaning you're doing more things more effectively, you can redeploy the people to do something differently. You'll always have some talent that does not fit the need, but at the end of the day, you've finally found a set of people who are doing other work that they didn't get done before.

The second part of the benefit, coming purely from the private sector, is how you deal with the end market and the customers. From the customer's side, the benefit is absolutely direct, because the last thing any private organization would want is to deal with 16 different customers in 16 different ways and have training done differently in trying to deal with that.

So that benefit, in terms of both effectiveness and dealing with customers, is absolutely direct. There are no two ways about it.

• (1655)

[Translation]

Mr. Denis Blanchette: Thank you very much.

You said earlier that the exercise we're talking about here was the same as merging 43 companies. What the Government of Canada wants to do is a tremendous undertaking.

In your experience and the experience of your members, which of Shared Services Canada's models are the most adapted to that type of challenge?

[English]

Mr. Karna Gupta: If there is one significant challenge that the shared services would face, it would be that you're talking about 43 departments that are all operating differently, with different cultural tones. Merging them into one organization with similar values and cultures—that's where the challenge would be for the leadership.

That is a significant challenge, and I just cannot imagine it. In the private sector we don't have something this large and complex in terms of merging organizations on the cultural side. But that needs to be paid attention to. This is where you may need some outside help in order for the shared services to deal with these kinds of mergers.

You're talking very significant change here. It's not the technical side, it's not the execution side, it's the people side. The people side is very critical here, and that needs to be paid attention to.

[Translation]

Mr. Denis Blanchette: You are talking about organizational culture and governance with a view to implementing a project that might be somewhat successful.

I'll repeat the question I just asked, but I'll ask it slightly differently.

Are there models that, given the size of the operation, should right away be excluded to better target what needs to be done and how it needs to be done? Do you have any recommendations for us in this respect?

[English]

Mr. Karna Gupta: I cannot recommend specifically what would work for the shared services, because I don't know the composition of the organization. I can play back to you what I have seen work, which is to have the projects very well defined with a start and an end date, a very "blocking and tackling" approach. If a project starts on a certain date, it needs to end in six months or nine months from now. It has to yield x number of dollars in benefit, and certain customers will be dealt with in a certain way. Those milestones must be met.

The governance of all of these projects, how they'll be managed, is where a lot of attention needs to go up front. If I were to translate that, with the complexity that Shared Services faces today with 43 departments, they should spend all of the necessary time up front planning it rather than jumping into execution tomorrow. Significant effort needs to go into planning, and in this case, I would say, consulting the private sector to get the input of what has worked and what hasn't worked. Whether it's the Ontario government or IBM or HP, have those consultations. Then assess what works best for that specific instance. That's where a lot of investment needs to be made.

For most of us not doing this, sitting outside as observers, we'd feel that a lot of time has been going by, and a lot of investment going in, with no output. But this planning stage is absolutely critical to get it on the right footing. The governance itself and how it needs to be executed: that is where the time needs to be spent.

The Chair: Thank you, Mr. Gupta.

Thank you, Mr. Blanchette.

We now go to Kelly Block from the Conservatives.

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

I just want to thank you for coming here today. It is a very interesting study around Shared Services Canada.

Mr. Gupta, you mentioned in your opening remarks that collaboration and trust between the government and the private sector are key, and that both the Government of Canada and the private sector must be satisfied that they are in a win-win IT relationship.

Do you believe this win-win relationship has existed between the government and the private sector in the past? And how do we ensure that it exists in the future as we move forward?

• (1700)

Mr. Karna Gupta: Thank you for that question.

I think in a lot of the areas in procurement, we have worked very closely with the government at the federal and provincial levels. When you look at the shared services side, it's not just procurement. A significant amount of effort is upfront planning and setting the right model that would work. That early consultation to deal with the private sector is very important.

In terms of the current leadership of the shared services, definitely that has been the approach so far, with us and with other industry groups. In that sense, I believe, at the initial starting block we're off on the right track. It needs to be followed through in terms of getting the right people around the table.

Often these consultations need to be in smaller groups. We could facilitate five or six key people from various industries to meet with the other side to engage in a dialogue where the actual knowledge transfer and information exchange is a lot more robust than having a group of 40 people sitting around, trying to figure out what to do.

Those changes are probably subtle, but I think having a smaller group in a specific case, on a specific basis, will increase the robustness of the engagement.

Mrs. Kelly Block: I also want to follow up on another comment you made.

You didn't make this comment, but I've heard this in other places: "Culture eats strategy for breakfast." You referenced the culture of an organization and the need to attend to it and to communicate it. I'm wondering when you think about the need for a shift in culture....

You also said that SSC must be able to build a team for success. I just want to give you an opportunity to comment further on that, and perhaps describe for us how an organization like SSC would start to build a team for success, paying attention to the culture or the need to shift the culture.

Mr. Karna Gupta: Thank you.

I won't make the supposition that the cultures are all bad—it would be a bad premise to start with—but they are different. If we start with the assumption that there is some difference in culture in different departments, it would take some amount of time within each of the department's leadership to meet with the SSC's current leadership and establish what the protocol is, how they would operate, and that there is transparency within the management, up and down. That's where a lot of time needs to be spent.

It looks like it takes a lot of time and that it will be a time sink for management, but it is necessary for future success. I can only comment on it based on, again, my personal experience. It's a tremendous amount of time sink. In my case, we had direct employees in 65 different countries, so we had to move people around from country to country to do that. It is a tremendous investment in time, and you often question the economics of it. There are no clear economics in that sense. It is, absolutely, just time with people to ensure they understand: one, what outcome you want, so there is clarity; two, how you are going to get it done, so there is a process in place; and three, how you are going to measure them, so that people are accountable to deliver what you ask them to.

Mrs. Kelly Block: Do I have any more time?

The Chair: Thirty seconds, Kelly, if you like.

Mrs. Kelly Block: No, that's fine.

Thanks.

The Chair: Thank you very much.

We will move then to the Liberals, and John McCallum.

Hon. John McCallum: Thank you.

And thank you both for being with us.

You gave a timeframe of three to five years for getting a project done, but the PricewaterhouseCoopers consulting study that we've seen has more in the order of 10 to 20 years. So given the scale of this, with the 43 departments, are you disagreeing with this study? Are you saying three to five years for this specific project, with the 43 departments?

Mr. Karna Gupta: No. I think the projects we have done in the private sector are single-threaded. They were not 43 departments or 43 companies merging at the same time, and the scale and scope were not as large as what you're seeing here. I would not dispute the PricewaterhouseCoopers study. What I'm saying is, transformation-wise, IBM should have been larger than HP, just given the sheer size of the organization.

It is a function of the organization and a function of the type of project you're undertaking. In smaller cases, what I have gone through is three to five years.

• (1705)

Hon. John McCallum: Okay, thank you.

Now let's take the 10 to 20 years as a given, then, and given that, presumably one needs to make some investments before one reaps the savings. So if the whole thing is 10 to 20 years, how many years do you think it would take before there would actually be net financial savings?

Mr. Karna Gupta: That's a very good question. I think this is where, in setting up the projects, it's very critical how you break them up. A big part of the initial stage is investment, but a big part of the downstream investment should be fed by the benefits you garner in the early years. That's why the breaking up of projects is also critical from a purely financial metric point of view.

A project is not just the work. It has to embody the financials with it. If it is generating some financial benefit in the first two, three, or four years, that net benefit should go towards the investment of future years. I don't see it as a 20-year investment and your payback starts on the 21st year, or a 10-year investment with payback in the 11th year. If I were looking at this, I would look at it in a slightly different way. How do I break it up so that at some point my surplus, so to speak, funds the future investment?

Hon. John McCallum: Okay. I'm certainly not saying the net benefit would have to wait until year 21, but if we assume, for example, it's a 20-year project, you scale up the length. Given your experience, are you saying it would take until year four, or three, or six, or...?

Mr. Karna Gupta: I don't know in this case. I couldn't answer that question. But if it is a five-year project...for the ones we have done, I'd say by about 20% to 30% of the way in, you should start getting some significant benefits.

Hon. John McCallum: You're saying about 20% to 30%. So if it's 20 years, that would be four to six years in?

Mr. Karna Gupta: Yes.

Hon. John McCallum: Okay.

I'm going to change the subject. We had some union people in the other day, and they naturally have an interest in minimal outsourcing. I assume your clients have an interest in maximum outsourcing. So in both cases, I think it's fair to say there's a personal interest.

Can you tell us what factors the government should consider when looking at whether to have a lot of outsourcing or a little bit of outsourcing?

Mr. Karna Gupta: They're probably to some degree dependent upon the outcome model. If you go to a cloud for various aspects, then a significant amount of internal management could be moved out. That's one scenario.

If you replicate what you have today, but just modernize it, then you continue to have a more skilled labour force of the same number or maybe a smaller number, because you consolidate functions. My speculation at this stage is that Shared Services Canada would probably fall somewhere in between, given the state of technology. So outsourcing would free up some employment within the government sector. The question is whether the talent at that point would be reusable for something else.

There will be a requisite change on the private sector side. I couldn't tell whether there would be a net loss or a net benefit, but most of the time this kind of generates a little bit of a net benefit on both sides.

Hon. John McCallum: Thank you very much. I think my time is up.

The Chair: It pretty well is now, John. Thank you.

Scott Armstrong.

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): Thank you both for being here. I enjoyed your presentation.

Mr. Gupta, you talked basically about a framework that has been successful in the past or about how mistakes that have been made in the past have led to a successful framework. You talked about the top of that framework being constant and ongoing collaboration between the private sector and the public sector as we move forward in this.

You talked about the outcomes-based approach, having specific goals and about how we have to reach those specific goals within the project. Then you talked about making it work and about how we have to actually make this effective and make it work if we're going to reap the benefits from it and how that's going to require a sound governance structure. Then you talked about the implementation plan of three to five years, and, looking at the size and the breadth of this project, and after listening to your answer to Mr. McCallum's

question, I guess that would probably be a little longer for this project.

In one of the answers to the questions you mentioned accountability. You didn't talk about that when you originally presented the framework. I'm assuming that would be under the governance structure. Could you maybe elaborate a bit on an ongoing system of accountability that has been successful in the private sector when these projects have been implemented?

• (1710)

Mr. Karna Gupta: Thank you.

As I mentioned, the way we did a project was to have very clear governance at the outset—the framework as to who does what.

The second piece that goes with that from an accountability point of view is to establish something like a scorecard model. If you have clear scorecards available to the accountable managers across the functions and across, in this case, the same geography as to what output they'd be measured against, those can be tracked regularly, and there is a review process.

Tracking is done not just for tracking's sake; there are consequences of not delivering. If things such as who is accountable and what the consequences are and what you expect out of them as a governance body are known up front, then the model is much more robust in terms of meeting those expectations, because people understand them much more clearly. The last thing you want to do is to have a vague set-up with no consequence attached to it.

Mr. Scott Armstrong: With 43 departments and the large breadth and scope of this project, you're going to have to have a lot of the accountability in the governance structure simply because you're going to have so many smaller projects when the big project is broken down into small pieces.

You're going to have to place a lot of emphasis on various types of accountability for various types of mini projects. Would you agree?

Mr. Karna Gupta: Yes.

Mr. Scott Armstrong: Moving on, when we break down the main project, one of the projects is going to have to do with collaboration of data centres. We've heard a little about that at this committee for the last several weeks. At what stage in the 10 to 20 years or however long this project will take—and you talked about percentages before—are we going to be looking at the collaboration of these data centres? Can you express that?

Mr. Karna Gupta: Would you clarify the question? There will be a collaboration of these data centres in what context?

A voice: A consolidation.

Mr. Scott Armstrong: Yes, "consolidation".

Mr. Karna Gupta: Depending upon which one you pick first—you have three elements now, with e-mails, data centres, and the network—the easiest one would probably be e-mails in terms of sequencing. The hardest one would probably be the network. The data centre would be somewhere in the middle.

The data centre consolidation really depends upon what is classified as a data centre today. I'm almost afraid to ask the question here. In government, the data centre could be a couple of servers sitting in the closet, or it could be a data centre that is properly breathing and everything else, the way a data centre is. Depending on what you have, on what you find in your investigation process, on what the team finds, they would know best.

So to come up with a number saying that all the consolidation should be done by this time would be a hard thing to do, because I don't know what you have.

Mr. Scott Armstrong: In British Columbia they started a project similar to this in 2002. They reduced their data centres from one hundred to two, and because of that benefited from 50% in energy cost savings.

Mr. Karna Gupta: Yes.

Mr. Scott Armstrong: That can happen immediately, as soon as you consolidate these data centres and collaborate. Is that a big part of the savings we're looking at?

Mr. Karna Gupta: That is the easiest one to look at. The footprint of consolidation is seen not only with the building but with the energy costs, maintenance, support, security—you name it. All aspects have to do with cost and are of immediate net benefit to the project. There's no doubt about it. That's a measurable. You're paying the bills, so there's nothing artificial about it.

Mr. Scott Armstrong: For companies who have done this in the private sector and who have completed this project, have they started to move forward in the next steps? Once Shared Services Canada has reached the end of this project, what are we seeing down the road for what we have to do next in the terms of data management?

Mr. Karna Gupta: I don't know what the next step would be, but the question that's always on the table for government to consider is that government should do what they do best and let the private sector do what they do best, which is manage the technology, and deliver the latest technology, and allow governments to deliver the services.

To that extent, you need to build some level of sustainability into the model. You should not have a discussion in 20 years on what we do next in terms of either reconsolidating or doing something else. The current project plan should build out that it is an evergreen process so that you have a sustainable model to always bring in new technology and upgrades.

• (1715)

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

Thank you, Mr. Gupta.

Alexandre, five minutes, please.

[Translation]

Mr. Alexandre Boulerice: On this side, there's always a concern about ensuring that people are getting their money's worth when the government undertakes expenses. This is a considerable project, and it involves a lot of money and contracts. Our experience in Quebec has shown us that the multiplication of contracts and the loss of internal expertise can often lead to collusion. To reward friends, for example, they're given contracts, but there isn't really work being

done. A situation where the mass is so sizeable can open the door to this kind of gift, which doesn't really correspond with the objectives of the project.

Do you think there is a risk of this becoming an open bar? We're dealing here with the IT sector and not construction, but the same type of situation could occur in the context of this megaproject.

[English]

Mr. Karna Gupta: Thank you.

The risk is always there, depending upon how you plan it. The risk is always there. It really comes down to the execution of the plan, which pieces of the competency you must keep within the government and which things you could get outside. A certain level of competency you have to keep within the government to make sure that you don't expose yourself to those undue risks.

[Translation]

Mr. Alexandre Boulerice: As for the exploding costs of these megaprojects, it might have seemed like a good idea in the beginning, but some skidding can lead to a loss of control and, in the end, astronomical costs. The gun registry is a good example of that, in my opinion: it was supposed to cost \$2 million, but it ended up leading to colossal amounts.

You said earlier that, in your opinion, multiplying contracts, assigning smaller, more specific tasks, would make it more possible to maintain control. Is there something else that the government should do to prevent an explosion of costs when it comes to Shared Services Canada?

[English]

Mr. Karna Gupta: Thank you. I will answer this question slightly differently.

It is not something you're doing new: you have an existing cost that the government is already incurring in running its IT and delivering the services, right? So the issue is where you go from here. Unlike a new project, which you have never done and is a new cost—understanding that there could be overruns and everything else—a replacement cost comes into play, in that you're replacing something you're doing today with something different.

Having said that, I will also go back to my previous point, which is that it's very important to have the financials of these projects—one, ten, fifteen, two hundred—whatever numbers they are, very well defined and measured very regularly in terms of where they are tracking to. Otherwise, you wouldn't really know how they are doing. You cannot wait until the end to say, “Whoops, we had 10 times the cost.” That would not be.... It has to be tracked regularly.

The Chair: You have about 90 seconds left, Alexandre, if you'd like.

[Translation]

Mr. Alexandre Boulerice: Shared Services Canada will have a number of different clients, including organizations, agencies and departments.

In your opinion, will a centralized agency be in a position to respond to the various needs of these different clients?

[English]

Mr. Karna Gupta: I believe the overall IT needs to be centralized. There is no other way to move forward for any institution. For any institution of any size and scale to have completely separate organizations running IT infrastructure is, in today's technological sense, really unheard of. So in that sense, consolidation is absolutely critical to be efficient and effective.

[Translation]

Mr. Alexandre Boulerice: Thank you.

[English]

The Chair: That pretty well concludes your time, Alexandre. Thank you.

Mike Wallace.

Mr. Mike Wallace: Thank you, Mr. Chairman.

I want to thank our guests for coming this afternoon.

Just as a little bit of a clarification for me, the organizations you represent in ITAC, are they all private sector operators? Is there any government involvement at all in terms of membership in your organization or is it all private sector involvement?

• (1720)

Mr. Karna Gupta: ITAC is all private sector. Our total membership is somewhere near 400 companies. It's fully funded by the industry.

Mr. Mike Wallace: And they're mostly larger players in the industry...? Would individual consultants be members of your group too?

Mr. Karna Gupta: Anybody who touches IT would be our members. From a carrier point of view, it would be large carriers to small and new carriers. From a technology supplier point of view, it could be from IBM to small software companies. They're all over the place.

Mr. Mike Wallace: Do you get feedback from them on how the marketplace is in terms of whether they're busy or not busy, or if there's a lot of employment or a lot of opportunities? What's the marketplace telling them at this moment in time?

Mr. Karna Gupta: Globally, I think the IT market is still showing reasonable growth year over year. If you were to talk to most of the multinationals operating in Canada, they would probably say that the Canadian market outperformed in terms of year-over-year growth for their financials compared to most of the other geographies, if you leave out the emerging countries. In the G-8, Canada is outperforming them. The market is robust for them, but there is a struggle at mid-range because their access to market and capital continues to be an issue.

Mr. Mike Wallace: This might be difficult for you to answer, but in a project like this for the Government of Canada, is there an opportunity, would you say, for the smaller operators, versus us just hiring the IBMs and the HPs of the world to do work for us? Do you see this as an opportunity to add their intellectual expertise? We basically can buy servers from anyone, but it's their intellectual capacity we're looking for. Is there an opportunity here or is this really only for the larger operators?

Mr. Karna Gupta: I believe the small and medium companies, and particularly Canadian technology and Canadian innovation, could be showcased here, even through the big organizations. A lot of the big organizations source some of their technologies from younger companies. I will give you one of my past companies. It was a public company, Certicom, of which I was CEO. We sold our stuff through IBM, Microsoft, and others. It was a successful technology company in Canada and got sold through the others—so yes....

Mr. Mike Wallace: I actually agree with my NDP friend who was questioning before this. My experience has been mainly at the municipal level. I was there for 13 years, and I've been here for six years. Sometimes people think that once somebody pokes a hole in the bottom of the public purse, lots of coins will fall out it.

My personal concern is that with a big project like this there will be an opportunity for people to overcharge the Government of Canada and the Canadian taxpayer for services provided because of the size of the project and so on.

You're telling us today—or you told my colleague from the NDP—that the onus is on us to set the parameters correctly to be able to make sure that those costs are maintained and reasonable. Is that a correct statement on my part, or does the industry itself have a responsibility to make sure it's not poking a big hole in the bottom of the purse?

Mr. Karna Gupta: I'll make two comments on this. One, the project scope is well defined, and when industry has lined up to quote something, I assume and I would believe most of my members will deliver within the price they put out. The risk is always that the scope keeps changing, and the buyer will always want changes within the current cost component. In the private sector that is known as customization. Hence I made the comment that a change management process needs to be put in place as part of the governance, so you know that if there is something different from what's out there that is specific to your needs, it will require new work, and that may cost more.

The private sector also fully understands, our members fully understand, that over time government will spend less money on IT. The government's overall IT consumption would go down, as would any other institution's. They understand that.

Mr. Mike Wallace: Thank you, Mr. Chair.

Thank you for your answers.

The Chair: I have just one question, building off Mike's, before we go to the last round.

Are contracts of this nature in the IT sector most often of a fixed-cost or a cost-plus relationship?

• (1725)

Mr. Karna Gupta: I think that varies. Often they are fixed-cost, but that does vary by project.

The Chair: Very good.

I think this will be the last round of questioning, shared between Denis Blanchette and Mathieu Ravnignat.

Mr. Mathieu Ravignat: What do you think is the difference between the expertise present in the public sector to go ahead with this and that which needs to be drawn from the private sector?

Mr. Karna Gupta: Having the public sector running this complex IT organization over this long has yielded a very significant pool of talent that resides as government employees. That talent pool is probably not readily available to a lot of small and medium companies if you look around today, so that talent pool needs to be harnessed. You are changing all right, but there is a talent pool, so there is a significant skill set within the public sector that can be reused, and must be reused, and it's valuable.

In this case, the private sector skill set you would bring in more often than any other would embark on a transformation plan and break it up into projects. You would have to look at how to measure those, how to know they were successful, and how to track them, so it would be almost like running a company. For that part you would probably need to look to some experience from the private sector.

Mr. Mathieu Ravignat: Second, would there not be an inherent danger in the centralization process in that it would weaken security measures or at least make things easier to attack with regard to access to information and so forth? I would imagine there are ways around this, but is there not an inherent risk?

Mr. Karna Gupta: I think on this one I'll respond that it's probably more a myth, to some degree, than it is real. When you have a smaller system, you are more vulnerable, in large part because most of the time you are on an older version of software. If you have a hundred different e-mails, I can almost assure you that only one is up to date and the other ninety-nine are six generations behind and therefore more vulnerable.

So you would expect, just by virtue of moving to a newer technology, that you would be a lot more secure, because from a security point of view you're up to date on all of the new technology that's available. It would be the same with your data centres and your network. Your data centre sitting in a closet is very vulnerable compared to a secure facility that is running 100% of the time.

So I think there is a little bit of a myth against centralization. There is a physical risk. You have one building or six buildings—the same way the stock exchange is in one building—so there is a physical risk. But from a technological point of view, the risk is actually lower by centralizing.

[Translation]

Mr. Denis Blanchette: Mr. Gupta, in the past hour we've talked about certain things we need to consider. Since we're running out of time, I'd like to give you the opportunity to tell us what other significant mistakes we should absolutely avoid so that the operation is not a failure, but a success. What traps should we avoid to make this project a success?

[English]

Mr. Karna Gupta: Thank you.

There are a few things. I think I mentioned them as I went through my comments and the questions and answers, so I'll start from the top.

[Translation]

Mr. Denis Blanchette: Would you like to suggest something else?

[English]

Mr. Karna Gupta: The issue is that the major risk at the beginning, obviously, is not having proper planning put in place. There's a very significant amount of risk that is run if you don't have a plan. The other risk along the way is in terms of how you measure the project and how you measure the outcomes.

The third risk is if the people who are doing it are not accountable or are not given the tools to be successful. You can't ask people to do things if they don't have the talent, the tools, and the support from this committee and the rest of the government to get it executed. They need support from all of the other existing departments that consume their services now. They need them to be supportive and collaborative, the same as the private sector would be. So that's a major risk. Those risks are real because you're consolidating and there are shifts in the power balance and changes in the organization.

Finally, the risk is human. The whole risk is in the human area in terms of the culture and getting people into the same outcome-based approach. There is very little challenge on the technological side. Technology is never really a problem. Most of the time, the problems are the other issues.

● (1730)

The Chair: Thank you, Denis. That concludes your time.

Thank you very much to our witnesses, Mr. Gupta and Ms. Oliver from ITAC. Your testimony has been very helpful. We may in fact need to talk to you again as we continue with our study of Shared Services Canada. Thank you for being here.

Mr. Karna Gupta: Thank you again for having me here.

The Chair: As the witnesses leave, I will remind everyone that at the next meeting we'll be hearing from the newly appointed public service commissioner. The day following that—I believe it's February 13—we will hear from PricewaterhouseCoopers, but in the second hour we will have a planning committee meeting to talk about what we'll do after the break, if that's agreeable to everyone. That's what we're doing next.

Thank you, everyone, for being here. We're adjourned.

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