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3   MANITOBA PUBLIC UTILITIES BOARD

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5

6   Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)

7   GENERAL RATE APPLICATION

8   FOR 2012/13 INSURANCE YEAR

9

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12

13 Before Board Panel:

14   Susan Proven   - Board Chairman

15   Len Evans   - Board Member

16   Regis Gosselin   - Board Member

17

18

19 HELD AT:

20   Public Utilities Board

21   400, 330 Portage Avenue

22   Winnipeg, Manitoba

23   October 19, 2011

24   Pages 1302 to 1533

25

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 1                       APPEARANCES

 2   Candace Grammond              )Board Counsel

 3   Nicole Hamilton               )

 4

 5   Kathy Kalinowsky              )MPI

 6   Michael Triggs               )

 7

 8   Raymond Oakes                 )CMMG

 9

10   Byron Williams                )CAC/MSOS (MPI) Manitoba

11

12   Nick Roberts   (np)           )MUCDA

13

14   Liz Peters                    )CAA Manitoba

15   Jerry Kruk                    )

16

17   Dave Schioler  (np)           )IBAM

18

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17   DONALD PALMER, Resumed

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18             date as possible, on BTO initiatives; and

19             given the budgeted amount of 37 million

20             for 2011/'12, advise if the Corporation

21             plans to spend the balance of that amount

22             by year end                                 1501

23

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1   --- Upon commencing at 9:31 a.m.

2

3   THE CHAIRPERSON: Good morning, everyone.

4   I see that we do have our expert witness. So would you

5   like to introduce him?

6   MS. KATHY KALINOWSKY: Actually, first

7   what I'll -- I will do is I've passed out to the Board

8   secretary a number of undertakings, and a couple them

9   deal with IT, so I thought we could get that on the

10 record first, get those distributed, and that would help.

11 And then what I will simply do is hand over to my

12 colleague, Mike Triggs, on the far left-hand side, who

13 will be conducting the direct examination of Mr. Geffen

14 this morning.

15   So with that, this package of

16 undertakings, they have been circulated, I'm seeing. So

17 we could go through the exhibits now and mark each of

18 them as exhibit numbers. Undertaking number 1, which is

19 the new net income projection, that would be MPI Exhibit

20 number 21.

21

22 --- EXHIBIT NO. MPI-21:   Response to Undertaking 1

23

24   MS. KATHY KALINOWSKY: Undertaking number

25 4, which is out -- which is a payout year over year for

1   those claims involving individuals that don't have a

2   registered vehicle yet receive PIPP benefits, should be

3   MPI Exhibit number 22.

4

5   --- EXHIBIT NO. MPI-22:   Response to Undertaking 4

6

7   MS. KATHY KALINOWSKY: Undertaking number

8   9, which is increases in various expenses, should be MPI

9   Exhibit number 23.

10

11   --- EXHIBIT NO. MPI-23:   Response to Undertaking 9

12

13   MS. KATHY KALINOWSKY: Undertaking number

14   10, which is a schedule removing the business

15   transformation initiative expenses from the trend ratios,

16   should be marked as Exhibit number 24 for MPI.

17

18   --- EXHIBIT NO. MPI-24:   Response to Undertaking 10

19

20   MS. KATHY KALINOWSKY: Undertaking number

21   11, which MPI refiled Schedule 3, excluding immobilizers,

22   BPR and the BTO from the trend analysis should be marked

23   as MPI Exhibit number 25.

24

25   --- EXHIBIT NO. MPI-25:   Response to Undertaking 11

1   MS. KATHY KALINOWSKY: Undertaking number

2   12, which is MPI providing a post-event analysis in terms

3   of the outage that occurred in the spring of 2010.

4   That's one (1) of the IT ones that we thought would be

5   helpful to have produced this morning. That is MPI

6   Exhibit number 26.

7

8   --- EXHIBIT NO. MPI-26:   Response to Undertaking 12

9

10   MS. KATHY KALINOWSKY: Also similar is

11   the MPI Undertaking number 14, which is MPI retainer

12   letter, or in this case it's a contract, between MPI and

13   Gartner, should be marked as MPIC Exhibit number 27.

14

15   --- EXHIBIT NO. MPI-27:   Response to Undertaking 14

16

17   MS. KATHY KALINOWSKY: And finally,

18   Undertaking number 17, which is the annual sustainability

19   report the Board requested. That should be offered as

20   MPI Exhibit number 28.

21

22   --- EXHIBIT NO. MPI-28:   Response to Undertaking 17

23

24   THE CHAIRPERSON: Thank you. Do you want

25   to go ahead?

1   MR. MICHAEL TRIGGS: For the record, I'm

2   Michael Triggs, I'm director of legal services for

3   Manitoba Public Insurance and today we are going to be

4   having Martin Geffen testify on matters related to the IT

5   optimization project.

6   Mr. Geffen is the vice-president of

7   Gartner Group, and I'll -- I have provided the Board

8   secretary with a copy of Mr. Geffen's resume and would

9   like to have that marked as Exhibit 29 -- MPI Exhibit

10   number 29.

11

12   --- EXHIBIT NO. MPI-29:   Resume of Martin Geffen

13

14   THE CHAIRPERSON: Now, do you want to go

15   ahead?

16   MR. MICHAEL TRIGGS: Yeah. Yes, I will

17   proceed. Mr. Geffen --

18   THE CHAIRPERSON: Oh, we'll -- we'll

19   swear him in first, then.

20

21   MPI PANEL 4:

22   MARTIN GEFFEN, Sworn

23

24   EXAMINATION-IN-CHIEF BY MR. MICHAEL TRIGGS (QUAL.):

25   MR. MICHAEL TRIGGS: Mr. Geffen, you are

1   a Vice-President of Gartner Consulting, and your resume

2   has been provided to the Board as -- as -- entered as

3   exhibit evidence, so I just wondered if you could run

4   through it, so the highlights, your qualifications that

5   make you an expert in --

6   THE CHAIRPERSON: I think we -- I'm --

7   yeah, we're having a problem hearing you I think. But,

8   yes, it's because the mic -- you could use that mic

9   that's directly there and then put it towards you. Thank

10 you.

11   MR. MICHAEL TRIGGS: Is that much better?

12

13   THE CHAIRPERSON: Yes, thank you.

14

15 CONTINUED BY MR. MICHAEL TRIGGS:

16   MR. MICHAEL TRIGGS: Okay, great. Thank

17 you.

18   Mr. Geffen, so you're the vice-president

19 with Gartner Consulting. Your resume has been provided

20 to the -- the panel. I just want to go through the

21 highlights of your -- your -- the -- your experience and

22 qualifications regarding the use and planning of

23 information technology, please. Thank you.

24   MR. MARTIN GEFFEN: Thanks, Michael. So,

25 I -- let's see, I am a vice-president with -- with

1 Gartner Consulting, have been with Gartner for eleven

2 (11) years now. Have been doing consulting to large

3 corporations across -- across North America, really for

4 the -- about the last twenty-five (25) years.

5   My area of focus is in IT strategic

6 planning, IT organizational design, and IT governance,

7 that's most -- most of the areas that I -- I work in.

8   And have done a number of engagements for

9 organizations that are doing large-scale business-enabled

10 tren -- technology-enabled business transformation. So

11 that's the use of technology to really drive business --

12 better business results, putting new systems in place.

13   And so you can see on my resume there, it

14 -- a number of organizations that I've done this for

15 including MPI, for some large hospital corporations, for

16 some work with compensation board organizations across

17 Canada and -- and the United States. I'm happy to

18 provide more detail if -- if you have any other -- other

19 questions on that.

20   MR. MICHAEL TRIGGS: No, that's good.

21 Thank you, Mr. Geffen. So we'd like to have Mr. Geffen

22 qualified as an expert in the use and planning of

23 information technology?

24   THE CHAIRPERSON: Yes. All right.

25 We'll turn to our Intervenors. And I see Mr. Williams in

1 the room. Are you willing to accept this witness, Mr.

2 Williams?

3   MR. BYRON WILLIAMS: Yes, we have no

4 issue with the witnesses qualifications, Madam Chair.

5   THE CHAIRPERSON: Okay.

6   MR. JERRY KRUK: Madam Chair, CAA has no

7 objection to that either.

8

9 RULING (QUAL.):

10   THE CHAIRPERSON: Thank you very much.

11 All right. Proceed.

12

13 EXAMINATION-IN-CHIEF BY MR. MICHAEL TRIGGS:

14   MR. MICHAEL TRIGGS: Thank you. So, Mr.

15 Geffen -- Mr. Geffen, you are here to testify today about

16 MPI's IT optimization plan, is that correct?

17   MR. MARTIN GEFFEN: Yes, I am.

18   MR. MICHAEL TRIGGS: You've reviewed the

19 optimization plan and are familiar with it, is that

20 correct?

21   MR. MARTIN GEFFEN: Yes, I am.

22   MR. MICHAEL TRIGGS: So before we get

23 into actually the -- the detail of the -- the plan and

24 that I'd just like to refer to the -- the transcripts of

25 the previous testimony of Ms. McLaren on Page 828, in

1   which she stated under oath that:

2   "Gartner is an organization that

3   provides advice and oversight, they

4   don't do work."

5   Do a lot of your clients give you such a

6   ringing endorsement?

7   MR. MARTIN GEFFEN: Well, we -- we hope

8   they give us better endorsements than that.

9   MR. MICHAEL TRIGGS: Out of fairness to

10   Gartner and also to Ms. McLaren it's -- it's somewhat

11   taken out of context. The rest of her statement goes on

12   to say:

13   "So that makes them really valuable to

14   people heavily reliant on IT to really

15   have that independent global

16   perspective on some of these

17   initiatives."

18   And I was wondering then, you know, give

19   the -- the panel -- explain to them, you know, who

20   Gartner Consulting is and the expertise that Gartner has

21   in dealing with and advising on IT matters.

22   MR. MARTIN GEFFEN: Sure. Thank you. So

23   Gartner -- Gartner is an organization that's been around

24   since about 1979. We provide advice to corporations

25   around the globe through, really, three (3) areas.

1   Through research and analysis, we have about -- about a

2   thousand analysts around the globe who con -- who

3   continually do research on specific IT topics and publish

4   those -- their results and also make themselves available

5   for consultation one off -- one on one consultation with

6   our clients who subscribe to these services.

7   We also have a consulting organization

8   that provides advisory work. So this is kind of more

9   hands on, so we actually do some hands on work around

10 helping to develop strategies, help sourcing, help

11 selection, those kinds of things.

12   We also are one (1) of the worlds largest

13 providers of events in -- in IT. So curr -- at -- at

14 this time, every year in October we run an -- an event in

15 florida and there's about between eight (8) and twelve

16 thousand (12,000) of our clients will come to hear

17 Gartner analysts talk. So that's kind of a little bit

18 about who we are.

19   We're -- have about forty-five hundred

20 (4,500) associates around the world. We are -- we are --

21 we field about eight hundred and fifty (850) media

22 inquiries every year. So the media comes to us to ask

23 about specific technology issues and -- and questions.

24 About 70 percent of the -- of the Fortune 1000 companies

25 are our clients.

1   And our consulting is the -- both the

2   research and advisory advice and our consulting advice we

3   strictly hold to our level of independence and ob -- and

4   objectivity. And I think that's the -- the to -- the

5   context in which Marilyn was -- was addressing this, is

6   that we don't do any -- we don't have any partnerships

7   with -- with hardware providers, software pro --

8   providers, we don't do systems implementation or -- or

9   software coding. We do provide independent and objective

10   advice to our clients around the world.

11   MR. MICHAEL TRIGGS: Thank you. Can you

12   please describe Gartner's relationship with MPI and the

13   services that it has -- provides to MPI?

14   MR. MARTIN GEFFEN: So I understand from

15   -- actually, from reading previous transcripts that we

16   did some work on Y2K with you, so this was prior to my

17   tenure at -- at Gartner. So we -- we did some -- some

18   planning around Y2K. The -- the -- we recently, over the

19   past three (3) years, been working with -- with MPI on

20   providing an oversight role on the BPR program.

21   And so in that role what we did was we

22   provided a regular quarterly review of the overall

23   program, did an assessment in terms of scope, adherence

24   to budget, adherence to discipline, and where we felt

25   that there were potential risks or issues being raised we

1   raised those issues. We made some recommendations about

2   mid-course corrections and -- around that and presented a

3   report to both the CIO, VP of strategy, and to the CEO on

4   a quarterly basis.

5   So that's been an ongoing role that we've

6   had at -- at MPI. We've also -- MPI does subscribe to

7   Gartner's research and -- and analytical services as

8   well. And one (1) of the -- the services that Gartner

9   does provide to our clients is we do pure comparisons.

10   We do bench-marking from a very structured apples to

11   apples pure comparison around the IT operations and

12   spending. And we have recently done that last November

13   with -- with MPI.

14   We ran -- we'd ran a benchmark. And we

15   have recently been retained to continue to provide

16   oversight for the ITO program, much like we were doing

17   for the BPR program, and for some of the other strategic

18   programs as well. And we will -- as part of that, we

19   will be conducting annual benchmarks so that MPI will

20   have a very clear understanding of how they compare to

21   pure organizations with respect to IT operations and --

22   and spending on IT.

23   MR. MICHAEL TRIGGS: How much does MPI

24   pay Gartner on an annual basis and what percentage does

25   this make up of Gar -- of Gartner's annual revenue?

1   MR. MARTIN GEFFEN: So MPI spends about -

2 - our -- our consulting contract to do this oversight is

3 -- is two (2) se -- two hundred and seventy-five thousand

4 dollars ($275,000) a year, and that is less than eight

5 one hundredths (8/100) of 1 percent, so .08 percent of

6 our total consulting revenue.

7   MR. MICHAEL TRIGGS: Thank you. Now,

8 we've had some discussion about the IT optimization

9 project in previous testimony before the -- the panel.

10 The intent of the IT optimization problem (sic) basically

11 is to fix a problem.

12   So without getting into the technical

13 details of what is a complex information technology

14 problem can you provide an analogy of a commonplace

15 problem that would help provide just a high level

16 conceptual understanding of the issues that MPI is

17 facing?

18   MR. MARTIN GEFFEN: There's a couple of

19 ways of thinking about it, I think. One (1) is if you

20 think about you're driving a car. And if you have your

21 car you don't do your regular maintenance on the car, you

22 can be driving your car for three (3) or four (4) years

23 and you've ignored your -- the ven -- the manufacturer

24 recalls, you haven't done your regular annual or -- or

25 5,000 kilometre or 10,000 kilometre maintenance, and so

1   you're driving a car down the highway that seems to be --
2   be working effectively but it really is at risk of having
3   something serious or not-so-serious go wrong given that -
4   - and you've ignored a brake recall or a -- or you
5   haven't done your -- your appropriate maintenance, and so
6   there's a kind of a risk of -- be -- because you've not
7   done your regular maintenance there's a risk of things
8   going wrong.
9   There's a -- because it -- and the -- the
10 cost of repair that would -- could potentially be much
11 higher than what would have -- or cost had been had you
12 done the upgrades all the way -- all the way along. And
13 so that's kind of one (1) way of thinking about kind of -
14 - of the -- the need for the -- the ITO program and how
15 that fits.
16   The other is if you think about, you know,
17 living in a, you know, fifty (50) or sixty (60) or a
18 hundred year old house, the house has been built up over
19 time yet parts of it were done according to code that
20 were code ten (10) years or twenty (20) years ago.
21 You've -- you've made additions that were done under time
22 constraints or under budget constraints that -- that --
23 so each of those will now have an effect on anything you
24 want to do going forward, so parts of the -- of your
25 wiring may not actually be to current code.

1   So do you -- if you wanted to do a new

2   addition to get the building permit to do current code to

3   do the -- the new addition you need to bring it up to

4   code. You might actually have an addition which is in

5   the way of doing a further addition or upgrade, so it's

6   kind the -- the effect that you've kind of built

7   something over time, and so it's kind of built together

8   in piecemeal rather than with an overall architectural

9   review.

10   MR. MICHAEL TRIGGS: Thank you. Now,

11 over the past four (4) years MPI has spent approximately

12 $110 million on the BPR. That's the business review --

13 business process review. And you've already talked about

14 what Gartner's role has been in that project, but can you

15 explain what the difference is between the -- the BPR and

16 the IT optimization project?

17   MR. MARTIN GEFFEN: Sure. So, BPR is

18 what we -- is what we often think about as a technology-

19 enabled business transformation project. So it's -- it's

20 a project or a program of putting in new systems and

21 solutions to deliver new business functionality.

22   So, you've got streamlined renewal, you'd

23 -- enhanced driver ID, so these are all new -- new

24 features and functions that your customers or business

25 partners can actually see and feel and -- and use. And

1   they drive real -- real business value.

2   The ITO project, is really looking at --

3   okay, let me -- let me step back. So, in order to run

4   all of these applications and sys -- and -- and

5   solutions, you need an underlying technology. So you

6   need servers, you need networks, you need work stations,

7   you need the appropriate security, protocols, so that

8   when you've put in a new solution for auto glass, or for

9   direct customer access to be able to declare a -- a --

10 make a first notice of loss online for example. That --

11 that's just a -- a hypothetical example.

12   So you need all of that underlying

13 technology. So the ITO program is really about putting -

14 - laying that foundation and putting -- and -- and making

15 sure that those -- that the underlying infrastructure is

16 in place to en -- enable the -- the -- the business-

17 enabled solutions to run appropriately.

18   MR. MICHAEL TRIGGS: So you -- you

19 described a bit about the relationship between the -- the

20 BPR, those new functionalities and systems, and talked

21 about the IT optimization, how there is an integrated --

22 what's the impact -- what would be the impact if the IT

23 optimization plan doesn't go ahead? What would the

24 impact be upon the BPR systems?

25   MR. MARTIN GEFFEN: Sure. The -- a -- a

1   way to think about it is that it -- it's a nece -- it's a

2   necessary requirement to run these solutions. So if I go

3   back to the analogy I was talking about earlier, that if

4   you moved into a sh -- you know, a shiny new condo, and

5   you had an expectation of what you, you know -- what you

6   -- what you expected value coming out of that, but then

7   decided not to pay the maintenance fees to do the -- the

8   -- the -- the condo fees to do upgrades to the heating

9   system, or to the pool, or the -- cut the grass. Over

10   time, the -- the -- the condo would degrade and so you --

11   your expectation would not be -- the -- you would not be

12   meeting your expectation of what -- what you'd want to

13   achieve.

14   So, similarly, if you think about ITO

15   being the infrastructure, really the infrastructure layer

16   on top of which all of those applications that you build

17   are running, you need to maintain this. You need to

18   position it so that in future you can actually do the --

19   the next layer of -- of -- of business function that --

20   that you want to achieve.

21   So for ex -- for example, and I -- I think

22   the first notice of loss is a good example, because I

23   don't think that exists today. But imagine you wanted to

24   actually do, you know, drive better customer service,

25   drive your costs down, by having an online capability for

 1   your customers to do a first notice of loss.

 2   Then you would -- and -- and you need to

 3   have the underlying security infrastructure so that --

 4   that every customer would have a user ID and password, so

 5   you would know that on -- they -- only they could get in

 6   and when they got in, it was them and -- and that they

 7   could only do the kinds of things that they need to do.

 8   So that -- that's the ITR compo -- ITO

 9   component would be having the -- the security

10   infrastructure, the servers, the network connectivity, so

11   that you could build real business functionality on top

12   of that to drive real business value.

13   MR. MICHAEL TRIGGS: Thank you. Now the

14   IT optimization plan refers to this. There will be six

15   (6) -- six (6) components to it.

16   There's the infrastructure optimization,

17   there's the application optimization, there's the IT

18   service management, there's centralized monitoring,

19   there's improved security, and there's the disaster re --

20   recovery and business continuity.

21   Now each of these are kind of, you know,

22   are technical terms and kind of, you know, non-IT people,

23   like myself kind of gloss over a little bit when you --

24   you have the -- hear those. So can you please explain

25   for -- for the Board members, in non-technical ter --

1   language, what each of these areas are?

2

3   (BRIEF PAUSE)

4

5   MR. MARTIN GEFFEN: Okay. So to -- to

6   answer your question, let me just walk through each --

7   each one (1) of those -- those six (6) areas in -- in --

8   individually.

9   The infrastructure optimization is

10   focussing on what I like to call the boxes and wires. So

11   it's really about the servers, the -- the disc drives,

12   the network connectivity -- so all of those physical

13   devices that are -- are necessary to run the -- to --

14   that you -- to run -- run those applications and so

15   infrastructure optimization is about putting -- upgrading

16   that -- those current infrastructure to current

17   standards, putting in place infrastructure that will

18   actually allow you to be effective and efficient today,

19   and also to -- to move into the future with -- with some

20   of the plans that -- that MPI is talking about.

21   The application optimization is really

22   about the software. And you'll see that there -- there's

23   really kind of two (2) classes of software. There's

24   underlying operating software, so that's the -- the

25   operating systems, that -- that drive the hardware and

1   the software, that allow you to run the programs that --

2   that you -- the actual business programs like AOL and

3   CARS. And then there's the business application, so the

4   AOL and CARS and -- and -- and PIPP-type of applications.

5   And so, the application optimization talks

6   about optimizing both of those -- both of those. You'll

7   see that in -- in -- in the prior -- in some of the prior

8   submissions, that the ITO is really focussing on the

9   operating software, not on the -- the application

10 software -- the actual business software.

11   With regards to IT service management, IT

12 service management is -- has -- is an emerging

13 discipline. It's been in place for a number of years now

14 in the IT industry, and so it's kind of -- it's more than

15 a buzzword, it's a -- it's a -- you can become ITSM

16 certified.

17   You might have heard the -- the term ITIL,

18 and -- and -- that's the IT infrastructure library.

19 That's kind of the -- a set of policies and procedures

20 and guidelines around doing IT service management. And

21 what -- IT service management is really the set of

22 disciplines, processes, rules, guidelines, tools for

23 delivering IT within an organization.

24   So you'll -- you'll -- you might hear

25 about things like incident management, problem

1 management, change management, these are all ITSM

2 disciplines and organizations that have taken IT -- an

3 ITSM approach that are using ITIL or some other form of -

4 - of -- of ITSM guidelines, will -- will mature up the

5 path to a -- a place where they're actually are very

6 structured and repeatable processes for each of those

7 areas. So rather than doing it on a -- on a kind of an

8 ad hoc, one (1) off manner, you're doing it in a very

9 structured way.

10   Centralized monitoring is sort of what it

11 sounds like. It's -- it's a -- both a set of tools and a

12 set of capabilities and processes that allow -- that

13 allow an organization to monitor the technology that's

14 running.

15   And so you can think about sort of the --

16 the -- it's rarely this complicated, but I actually have

17 seen it this complicated, kind of like a NASA control

18 centre, where you -- you could have screens up and which

19 can describe network traffic, server optimization,

20 attempts to get on to -- unsuccessful attempts to get on

21 to the network. All of those kinds of things.

22   And -- and the value of doing cen --

23 centralized monitoring is it allows you to monitor your -

24 - your -- your environment. It allows you to be very

25 proactive so that you can actually start to see where

1   issues might be occurring and -- and address those issues

2   before the -- the system or the -- the infrastructure

3   might -- might go down. Okay?

4   Improved security, we've talked a little

5   bit about it, so this is really about -- you can think

6   about sec -- security as being -- some organizations

7   include virus protection as -- as improved security and

8   so that's an -- an important to ensure that you don't get

9   hit by viruses and that's is -- clearly in place at -- at

10   MPI.

11   Other parts of security are -- the two (2)

12   key areas are -- are authentication and authorization.

13   What's authentication? Authentication says we need to

14   authenticate that Martin Geffen really is Martin Geffen,

15   so that when I try and get onto your systems, you really

16   have -- are confident that it's Martin Geffen getting

17   onto the system.

18   And -- and authorization is -- says that I

19   should -- I -- there are only certain things that I

20   should be allowed to do on your -- on your solution. I

21   should be able to process a claim, or I should be able to

22   do a -- a driver licence registration, or -- or certain

23   things.

24   And so, what improved security will allow

25   you to do will be allow you to both monitor attempts to

1   get onto the network, and it will also enable you to have

2   a more robust both authentication and authorization

3   regime, both for your current users and potentially for -

4   - for future users as you might broaden the -- the user

5   base.

6   And, lastly, disaster cover and bo --

7   business continuity are two (2) very closely related

8   concepts. Disaster recovery is really the concept that

9   says we have an IT infrastructure in place. We have a

10 data centre with servers and -- and networks with access

11 -- which provide access to those servers. You have

12 applications in place. You have data in place.

13   Should there be some kind of a disaster,

14 whether it be a fire or a flood or a malicious employee

15 or -- or anything like that, you should be able to

16 recover in an expeditious manner to a place that makes

17 sense for that organization. And different organizations

18 will determine what level of disaster recovery they need.

19   So -- so do you need to recover -- you

20 know, do you need to be 24X7, you can't be down for more

21 than a second? Can you be down for four (4) hours? Can

22 you be down for two (2) days? So that's the disaster

23 recover perspective, is -- is putting that kind of

24 technology in place that says you can recover and be up

25 and running your systems in a time frame that is

1 appropriate for -- for the -- the kind of business that

2 you're running.

3   Business continuity is a -- is a broader

4 perspective of -- of disaster recovery. And we think of

5 business continuity as being the ability to continue to

6 do business regardless of -- of an occurrence of such --

7 such a disaster, and so it's not just about technology

8 although technology is often a big part of the solution.

9   So, as an example, if we think about H1N1

10 or SARS or something like that, where a part of your --

11 your staff is unable to work and a big part of your staff

12 is -- you don't want them to come in because you don't

13 want them to get infected, you want them to work from

14 home.

15   So what business continuity would say is,

16 If we think through that -- that scenario what would it

17 take to have key -- you know, who are the key people that

18 need to keep working and what would it take to keep them

19 working processing claims or -- or processing

20 registrations.

21   And it's more -- it's -- it would include

22 both the technology that's required, so the networks, the

23 -- the workstations, the systems, but it would also

24 include the manual processes that are required and the

25 training that's required to allow someone to -- for

1   example, to stay home and continue to do critical work.

2   MR. MICHAEL TRIGGS: Thank you. So what

3   is the state of MPI's IT environment today?

4   MR. MARTIN GEFFEN: So simply I would

5   characterize it as -- as highly functional but at risk.

6   So there's lots of applications out there. You're

7   delivering real business value. You're run -- running

8   your business, but you are at risk because of some of the

9   -- the work that -- that needs to get done to address the

10   security -- potential security issues, potential server

11   or disc failures and that -- the kind of thing.

12   MR. MICHAEL TRIGGS: Thank you. Madam

13   Chair, there's -- in one (1) of the documents that's

14   filed under PUB-2-26, Attachment D, at page 5, I don't

15   want you to go to that at this moment, there is a very

16   small slide deck presentation. I have had it blown up

17   and provided to the Board secretary for circulation.

18   But even that particular blowup is kind of

19   hard to read. There's two (2) charts on that. The --

20   I've had one (1) of the charts blown up even more, so

21   that's easier to see. And then the second chart is blown

22   up again, but there's a slight difference in this

23   particular chart, is that it has more detail than what

24   was actually provided into the original slide deck that

25   was part of Attachment D.

1   So I'd like to have those probably -- I

2   don't know if -- as one (1) exhibit, I guess, is the

3   three (3) documents attached together. So that would be

4   MPI Exhibit number 30.

5   THE CHAIRPERSON: So we'll mark that one

6   number 30.

7

8   --- EXHIBIT NO. MPI-30:   Three (3) documents, blowups

9   of charts

10

11   THE CHAIRPERSON: And you'll take us

12   through it slide by slide -- or not you but your -- Mr.

13   Geffen? And are they in the order that we're going to

14   look at them? I'm seeing, "Over the last fifteen (15)

15   years while the business functionally has grown," that

16   slide that has that narrative on it on the top --

17   MR. MICHAEL TRIGGS: Yes.

18   THE CHAIRPERSON: -- that's the one

19   that's on the top?

20   MR. MICHAEL TRIGGS: Yes, that's the

21   first slide –

22   THE CHAIRPERSON: Okay. And that's how

23   we'll deal with them?

24   MR. MICHAEL TRIGGS: Yes. And just for a

25   bit of explanation on that again. This is the -- the sli

 1   – the slide came from the slide deck that was part of

 2   PUB-226. And these other two (2) documents behind, the

 3   two (2) pages are basically just kind of a -- a further

 4   blowups of what's there so they're easier to read on

 5   that.

 6

 7   CONTINUED BY MR. MICHAEL TRIGGS:

 8   MR. MICHAEL TRIGGS: So, Mr. Geffen, the

 9   slides -- the purpose of these slides are, as I say --

10   you know, it says, MPI technology foundations complex and

11   at risk. It shows what the environment looked like in

12   1995, and also what's in 2010.

13   What does these -- these -- these charts

14   tell you as -- as someone who is familiar with IT

15   environments?

16   MR. MARTIN GEFFEN: So interestingly you

17   -- you'll see that there is a Gartner footer on this and

18   it -- these are actually pictures that were built by --

19   by MPI staff and we used them to illustrate just this

20   point in -- for -- for the work that -- that you've seen.

21   And the -- the point is that, if you look

22   in -- in, you know, in 1995 you were actually in a very

23   simple environment where you had a small number of

24   servers, small number of applications and you had kind of

25   a one (1) point connection to -- to your solutions.

1   That if you look in your -- in 2010 the --

2   see the -- the systems have grown. There's a large

3   number of applications that have been added, large

4   numbers of applications and servers, infrastructure

5   that's been added. And there is -- you can tell there's

6   -- it's a really complex interaction and integration

7   between the various systems.

8   So it has kind of grown up over time and

9   not in a -- architech -- architected way. And if I -- if

10 I go -- go back to my -- my example about the house, it's

11 kind of how you've grown up. You know, over time you've

12 added new things, or AM -- MPI has added new things.

13 They've added them under time pressure due to having to

14 address a -- a business need or to address a regulatory

15 requirement, they've added them under -- potentially

16 under financial pressure. And so they've kind of added

17 these things over time. And so now it's kind of -- it's

18 -- it's held together -- so, I -- I don't know if it's

19 quite that bad, but it's kind of bail --string and

20 bailing wire. Kind of all these -- these -- these

21 components that are -- that are hanging together.

22   And so if -- if you think about all of

23 these interconnections, all of these systems there really

24 is a risk of -- of things going wrong. There is a -- a

25 real risk that if you make a change in one (1) place in

1   the environment you might have an unforseen effect in

2   another place in the environment. And so it makes it

3   very difficult -- it makes it very important when you

4   think about making a change in any one (1) place, to

5   think all the way through and do it in a very structured

6   way.

7   Sorry. One (1) -- one (1) thing I -- I'd

8   like to add as -- as well, if you think -- if you think -

9   - if you -- if you look at all the -- the bits and

10 pieces, and we've come back to the security component,

11 you'd need to think through the fact that if Martin -- if

12 you -- you've author -- you've authorized Martin, so you

13 want to -- and you -- you -- you needed this environment

14 to authorize that Martin should access -- get access to

15 this environment, you'll assume when to authorize that

16 Martin should access to -- you know, this and that and

17 that, but not this over here. And to -- his access over

18 here should only be this portion. So again, there's a

19 level of complexity of -- of insuring that your

20 appropriate security is -- is in place.

21   MR. MICHAEL TRIGGS: Okay. You

22 mentioned, you know, the architecture not being

23 appropriately designed. So how would, if someone who was

24 starting from fresh approach this, as opposed to the way

25 it was done?

 1   MR. MARTIN GEFFEN: So let me say, you

 2   rarely have the opportunity to start form fresh because

 3   what -- business is business and, you know, life is life.

 4   And so these things do actually -- organic and they grow.

 5   But the -- the way that you might actually

 6   start from -- if you -- if you had the time and you were

 7   going to step back you would think through a -- an

 8   underlying data structure, you'd have a layer of -- of

 9   data, you'd have a layer of your services, you'd have

10   appropriate service bus -- what's called a service bus, a

11   way of actually getting access to all the appropriate

12   data from all the various servers and applications.

13   You'd have a -- a consistent security layer. You might

14   have a sec -- a consistent presentation layer.

15   And so you'd kind of build this up in a --

16   in a structured way. And you'd have -- so for -- for --

17   from an example from a -- the -- when we think about the

18   presentation there, for example, all of your -- your

19   applications would have the same look and feel. And so

20   any staff person or any customer who had access to the

21   systems would get onto your solutions and navigate

22   appropriately because they'd have one (1) -- one (1) way

23   of addressing it, rather than now. If you went onto AOL,

24   it would look one (1) way, and you go onto CARS another

25   way. You need to sign in to AOL using one (1) set of

 1   user ID and password. You need to sign into another

 2   application using a different user ID and password.

 3   MR. MICHAEL TRIGGS: The testimony last

 4   week was that MPI experienced thirty-six (36) critical

 5   incidences between April 1st and October 11th. What does

 6   that tell you about the state of MPI's IT environment?

 7   MR. MARTIN GEFFEN: Well, certainly it's

 8   higher than what you would like it to be. It is --

 9   frankly, I guess, not surprising, but -- a high number is

10   not surprising if you think -- if you -- if you just look

11   at the picture and understand the complexity and

12   understand all of the different things that could go

13   wrong. What the -- what the inter -- interrelationship

14   of the various systems and solutions are. It's not

15   surprising that you're -- you're exper -- experiencing

16   those -- those -- those incidents.

17   Given that you have not, you know, as --

18   as part of ITO, is kind of bringing software and hardware

19   up to current levels. Given that you haven't applied

20   those patches it's not surprising that -- that those --

21   those kinds of incidents occur.

22   And given the -- the complexity of the

23   environment. When -- when we think about outages or

24   incidents, we oft -- we often think of, you know,

25   different severity levels. And you talked about a critic

1   -- critical -- critical levels. It's not surprising that

2   these incidents are at a critical level, given the lev --

3   the -- the integration and interaction among the various

4   different solutions.

5   MR. MICHAEL TRIGGS: Although it's not

6   surprising, but what does that mean as far as the

7   consequences for MPI?

8   MR. MARTIN GEFFEN: Oh. Well, the

9   consequences for MPI are -- well, the -- the consequences

10   there are -- that have been clear to you. So that

11   there's downtime, reduces cust -- levels of customer

12   service. It can reduce the, you know, reputation within

13   -- of the organization in -- in the marketplace. Those

14   are the kinds of things.

15   So when -- when we think of that kind of

16   risk management, we think of reputational risks, customer

17   service risk, it can -- it can incur costs to repair. So

18   -- and it could conceivably -- the cri -- critical

19   incidents don't refer to -- to security breaches, but

20   security breaches could -- could -- could result in -- in

21   information being released to the public that should --

22   or to individuals that -- that should not have that.

23   MR. MICHAEL TRIGGS: Thank you. Madam

24   Chair, another slide, I think this is -- yeah, the day

25   this was entered in as a separate exhibit again. But I -

1 - but was this passed out to the group yet? Okay.

2   THE CHAIRPERSON: We have that one. It

3 looks like one that we saw before. It's number 4 in this

4 series?

5   MR. MICHAEL TRIGGS: Yes, that's correct.

6   THE CHAIRPERSON: Yes. So you're going

7 to address that one (1), as well?

8

9 CONTINUED BY MR. MICHAEL TRIGGS:

10   MR. MICHAEL TRIGGS: So, Mr. Geffen, this

11 is a slide entitled "Service management and service

12 delivery at MPI is immature." There is a chart on the --

13 the bottom right-hand column side of the -- of the slide.

14   Can you explain what that chart is about

15 and what it tells you?

16   MR. MARTIN GEFFEN: Sure. The -- this

17 chart is -- I think it's an -- I know it's an outcome of

18 the -- the work that -- that HP did as -- as part of the

19 -- the -- the initial IT optimization investigation.

20   And the way to read this chart is the --

21 the -- the columns down -- the -- the left-hand column is

22 real -- a list of processes that are important in order

23 to maintain a robust, scalable IT environment, where your

24 -- where the -- the -- the environment is -- is always up

25 and running and where it's ready to -- where it's in

1 place to support new requirement -- new business

2 requirements as -- as they come down -- downstream.

3   Some of them are clearly within the ITSM

4 framework, so if you think about service level

5 management, capacity management, those are traditionally

6 thought of as ITSM processes, but they -- it -- it --

7 it's a broader list of -- of -- of very important

8 processes that -- that are important to maintaining your

9 IT environment.

10   A way of thinking about maturity in -- in

11 IT and it's a very structured way of -- is to think about

12 the -- looking at the -- the categories in -- across the

13 top, where you've got from optimization management

14 defined, repeat -- repeatability and initial.

15   Often we think of the -- the first one (1)

16 is really -- is ad hoc, so you're always kind of doing

17 these things on a one (1) off basis, or you're kind of

18 doing them on an ad hoc basis.

19   Every time you need to put a new server

20 in, it's -- it's as if you're doing it the first time.

21 The -- the person that's doing it says, Oh, I know what I

22 need to do. They make their list, their -- their -- and

23 they -- and they go out and do it rather than following a

24 structured set of procedures and policies.

25   And so if we're looking at this over here,

1 what -- the assessment -- the -- the other thing that we

2 do -- that we look at in IT when we look at this kind of

3 maturity assessment is that not all organizations need to

4 be optimized at the far -- at the far right.

5   Once again, it really is a business

6 decision about -- based on the kind of organization you

7 are, what things are important as a business decision.

8 You'll -- you'll make -- you'll -- you should be able to

9 make a determination of where you want to be kind of

10 usually in the repeatable, defined, or -- or managed

11 range so that you actually do have a managed way -- a way

12 of managing your environment. You -- you have confidence

13 that the process are repeatable.

14   And so you can see from -- from this chart

15 over here that the -- the MPI IT processes are relatively

16 immature and are being done kind of on ad hoc or -- or

17 one (1) off basis every time a new -- a new user ID's

18 been -- it might not be quite this detailed, but every

19 time you're doing a new user ID you kind of need to think

20 through what are the steps for issuing a user ID for

21 Martin Geffen around kind of what systems he has to get

22 access to, what kind of capabilities should he have when

23 he -- when he comes onto the systems.

24   MR. MICHAEL TRIGGS: Is it possible to

25 use these, the cloud charts there to which the -- has all

1   the lines and expanded parts, and also the -- the other

2   chart you just referred to, to kind of give the -- the

3   Board an understanding of how MPI's disaster recovery and

4   business continuity plan as it currently exists fits into

5   -- can be described in this?

6   MR. MARTIN GEFFEN: I'm just checking to

7   -- to -- checking where -- where on this list some of

8   these things are so I can re -- refer to them. So I

9   think that there's two (2) -- two (2) issues that -- that

10 we need to address. One (1) is having the appropriate

11 infrastructure in place should a disaster occur.

12   And so if -- if a disaster should occur

13 and we've determined that we need to be up within four

14 (4) hours because that's the -- the level of service that

15 our customers expect and that's -- that's what we need to

16 deliver to our customers, then we need to have an

17 environment which has the applications, the data, the

18 servers, and the -- the connectivity to that -- that

19 environment that we can bring it up in -- in that time

20 frame.

21   So what we need to be able to do is take

22 our -- or take backup or whatever our storage is, move it

23 over to -- to an environment where the -- the disks are

24 ready and waiting or already have that -- that data

25 replicated.

1   We need to have the connectively so that

2   our staff can actually sign onto those solutions and be

3   running those applications within four (4), six (6), or

4   eight (8) hours or whatever we've determined.

5   So that's really about the kind of

6   underlying infrastructure portion of disaster recovery.

7   Similarly, with -- with res -- you need to have the

8   disciplines, training, and processes in place so that

9   when -- when a disaster occurs we can rapidly react and

10   actually make that transition.

11   So it's not -- it's not a trivial thing to

12   say, We're running over here, and now what we need to do

13   is we need to run over here. We need to know what the

14   steps are so that we've got all the correct data, we know

15   what we've lost so we know how far back we need to go and

16   recreate things. We need to know who the critical people

17   are, what their roles are so that they can -- that --

18   that they can kick into action and -- and carry out their

19   roles for that disaster recovery.

20   And so -- so -- and -- and those are

21   reflected so that -- that processes and the disciplines

22   are reflected in the -- the analysis around service

23   continuity, infrastructure and access management, and --

24   and operations and event. Okay.

25   MR. MICHAEL TRIGGS: In -- in your

1 testimony you've said that the consequences of -- of the

2 current system as it exists is that it's -- you know,

3 it's -- or that that's -- it's going to be increased

4 costs for re -- repairing, constantly having to repair

5 these things, and there's going to be increased risk of

6 failures and that.

7   Why is it important to MPI to address

8 those issues now?

9   MR. MARTIN GEFFEN: So as -- as I've

10 said, your -- your -- the -- the environment is at risk

11 of -- of, you know, those thirty-six (36) critical

12 incidents be -- or thirty (30) critical incidents -- an

13 increasing number of critical incidents so that -- that

14 it's at risk of having a larger impact, not -- not just a

15 few days, but a larger impact where it -- it could be

16 more days or loss of data, that kind of thing. And

17 you're at risk of increased costs, both increased costs

18 of repair, to get back up to speed, but increased costs

19 of downstream remediation. And so the -- when you say,

20 Why is it important to do now, you could continue to

21 defer but you would continue to be at risk, and I believe

22 that the risks would increase and -- and get greater.

23   And so I think it's im -- it is important

24 to do it as early as possible to address the -- the

25 current risk and the -- and the current costs that you ha

1 -- that you are experiencing.

2   MR. MICHAEL TRIGGS: Okay. We've --

3 we've talked a bit -- a fair bit now about the risks that

4 MPI is facing and the immaturity of its delivery system

5 and the state of its IT environment and that. The IT

6 optimization plan is -- really is a plan to fix those

7 elements on that.

8   What is Gartner's view on the need to fix

9 those, the pla -- the identified problems and, more

10 importantly, the plan for fixing them?

11   MR. MARTIN GEFFEN: So let me just

12 actually go back to the -- the past question and add a --

13 just sort of continue with the -- the analogies. If you

14 -- if you took your car into the -- you had not

15 maintained your car, you took it into -- into the shop

16 today and the -- the mechanic said to you or the -- the

17 person said to, You know, your brakes are going, you need

18 to fix them, you would have a decision to make. You

19 could defer or you could fix them.

20   And I think that that's -- that's the --

21 the example of, you know, why do it and why do it now,

22 because you need to make that decision and -- and make it

23 based on what your perception of -- of the risk is and of

24 the costs are.

25   So with respect to that -- with -- with

1   respect to the -- the current question is -- is can the -
2   - our perspective on the -- the plan for -- for fixing
3   the infrastructure and applications. Is that the -- the
4   question?
5   MR. MICHAEL TRIGGS: That's correct, yes.
6   MR. MARTIN GEFFEN: Okay. So I think
7   we've identified, you know, what -- how important the
8   infrastructure is to run the applications to deliver the
9   current value that's -- the current business value to
10   meet this current business requirements.
11   We've talked about how important it is to
12   position yourself to actually achieve new outcomes that
13   you're looking to in terms of increased customer service,
14   decreased operating costs and -- and those kind of
15   things, and why infrastructure is important to do that,
16   and why the underlying applications are important to do
17   that.
18   So given the -- the current state of risk,
19   given the current level of importance, we've kind of
20   looked at the various components of the IT infrastructure
21   and the -- and the application components, and all of
22   those make -- make real sense to address the kinds of
23   issues.
24   So it's -- you know, you're -- you're
25   addressing your brakes but you're not addressing the tra

1 -- the transformation because the transformation's just

2 fine. You're addressing the underlying infrastructure

3 but you're not changing the ongoing applications, the --

4 the core functionality of AOL or CARS because that's part

5 of a different portfolio, you know, part -- part of a

6 different assessment.

7   MR. MICHAEL TRIGGS: Now once the -- the

8 plan of business is fixing these problems, but the next

9 step is -- part of the plan is avoiding those problems in

10 the future, and that's a component of the IT optimization

11 problem.

12   What -- what's Gartner's views on MPI's

13 plans for avoiding those problems in the future?

14   MR. MARTIN GEFFEN: So again we've

15 identified how -- you know, that you currently have

16 issues, that the issues -- you have evidence of -- of

17 what the issues are, the potential for the issues to

18 continue and to get -- to -- to get larger, and so, once

19 again, it's important to address.

20   We -- I think it's clear that it's

21 important to address them and the ways that you've put in

22 place to address them are the IT -- or the way that the

23 ITO program has put -- has cho – has -- is addressing

24 them is through the ITSM optimization, so putting in the

25 training and the discipline and the tools to manage the

1 environment, to plan for capacity for the environment so

2 that it's not only here for today, but also for the

3 future.

4   That also the central -- central

5 monitoring, for example, is another way of addressing

6 that so that you have an -- you have a way of monitoring

7 and measuring the environment so that you can identify

8 where they're -- where potential issues are occurring or

9 may occur in the future and addressing them proactively.

10   MR. MICHAEL TRIGGS: Now, in -- in your

11 engagement summary, which is in PUB-2-26, Attachment D,

12 page 6, you don't have the -- panel members don't have to

13 go to that, Gartner makes a statement. It says:

14   "MPI has put in place an effective plan

15   to leverage emerging technologies to

16   drive real business value and is

17   implementing an enhanced capability to

18   perform oversight over the IT risk and

19   value."

20   What is the basis for your conclusion on

21 that?

22   MR. MARTIN GEFFEN: So we've worked with

23 -- with MPI for the past three (3) years doing oversight

24 on the -- the BPR program and so we have a pretty good

25 idea of MPI's capacity for putting in applications. We

 1 have a pretty clear understanding of the kinds of

 2 applications and business -- technology-enabled business

 3 transformation that's taken place.

 4   We've also been involved in and observed

 5 some of the changes that have taken place over time. And

 6 so for example the consolidation of the information

 7 technology organization under one (1) umbrella. So they

 8 have a consistent way of delivering IT and a consistent

 9 view over the organization of -- of all information

10 technology.

11   We've been involved with under --

12 understanding, kind of, how your governance structures

13 around IT work and how they align with the overall

14 enterprise-wide capital planning governance processes.

15 We understand how -- we -- we've looked at, kind of, your

16 risk management processes for IT and how they align with

17 overall enterprise-wide risk management processes.

18   So base -- based on all of that we -- we

19 made that statement in terms of the value being delivered

20 by IT and the plans going forward to -- to deliv -- to

21 support that.

22   MR. MICHAEL TRIGGS: Is there anything in

23 the plan that Gartner believes should not be in it?

24   MR. MARTIN GEFFEN: As -- as I said

25 before, I think that, you know, we -- we've looked at the

1   -- at the plan based on our understanding of -- of the

2   environment. Given our involvement over the last number

3   of years we don't think that there's -- there's anything

4   in the plan that should not be in it.

5   MR. MICHAEL TRIGGS: Is there anything in

6   the plan that should be, that -- that is not?

7   MR. MARTIN GEFFEN: Again, I -- we don't

8   believe that there's anything in -- there's no -- there

9   is -- based on our understanding there is nothing that we

10 know that is at risk or is going to put you at risk in

11 the future that -- that should -- that should be

12 addressed.

13   MR. MICHAEL TRIGGS: Is it fair to say

14 that the IT optimization plan is a reasonable and prudent

15 plan?

16   MR. MARTIN GEFFEN: Yes, it is.

17   MR. MICHAEL TRIGGS: Can MPI skip any key

18 components of the plan, you know, the I -- the

19 infrastructure application, the improved security, the

20 business continuity, the IT optimization, centralized

21 monitoring.

22   Is there anything that can be skipped?

23   MR. MARTIN GEFFEN: It's all of these

24 items are a business decision. It's like -- as I said

25 earlier, you go to the -- you go to the shop and the

1 mechanic says repair your brakes, you can make a decision

2 not to repair your brakes or you can make a decision to

3 defer repairing your brakes. We would recommend you

4 repair your brakes.

5   So we -- we think that all of these items

6 are best practice, are all important, should not be a

7 skip -- we shouldn't -- should not be skipped. Some of

8 the items are items that could be deferred sometime. So,

9 for example, centralized monitoring. I know a number of

10 my clients, a number of organizations who have chosen not

11 to create a centralized monitoring environment due to

12 cost or their perception of risk. So that -- that's an

13 example of something that could be deferred over time,

14 but it is a best practice and we would recommend doing

15 it.

16   MR. MICHAEL TRIGGS: You mentioned

17 deferring the centralized monitoring. How much -- what's

18 the cost of that of the $71 million of the plan?

19   MR. MARTIN GEFFEN: I believe it's less

20 than a million dollars.

21   MR. MICHAEL TRIGGS: So is it Gartner's

22 opinion that it's best to do it all now or to defer

23 components of the plan?

24   MR. MARTIN GEFFEN: So the answer to that

25 is these -- these things are -- are all necessary, they

1 are -- all would be considered best practice for an IT

2 operating environment. That if you can do them, which --

3 and when I say, If you can do them, if you have the --

4 the resources available to do it, then I would suggest

5 that it's appropriate to do that now.

6   MR. MICHAEL TRIGGS: Now, does Gartner

7 advise clients on the appropriateness of IT expenditures?

8   MR. MARTIN GEFFEN: Yes, we do.

9   MR. MICHAEL TRIGGS: And how does Gartner

10 advise -- assist clients in -- in the issue of

11 determining the appropriateness of these IT expenditures?

12   MR. MARTIN GEFFEN: So there's at least

13 two (2) ways that we -- we've done that in the past. The

14 first is through our bench-marking practice. And so, our

15 bench-marking practice is something actually we're quite

16 proud of. We have a -- a large database of costs and

17 complexity of -- for running IT -- the IT environment.

18 So we -- and we have a very structured way of identifying

19 pure organizations so that we're com -- really comparing

20 apples to apples.

21   And so what we can do with -- with

22 organizations is give them a very clear understanding of

23 how they compare to comparable organizations. And when

24 we say "comparable" they're not necessarily organizations

25 in -- doing exactly the same thing, but that have the

 1 same workload and same level of complexity in their IT

 2 environment. So that's one (1) way of doing that.

 3   The other is that we -- through -- through

 4 our -- our methodologies and tools and database is we

 5 also work with organizations to do large-scale project

 6 planning, and so we have the experience and the insight

 7 and access to prior contracts and -- and prior vendor

 8 contracts, prior experience to be able to help

 9 organizations who build out large tra -- large technology

10 projects, make -- do estimating at a high level, and

11 then, as you get closer and closer, at a more granular

12 and detailed level for their -- their expenditures.

13   MR. MICHAEL TRIGGS: Now, you're aware

14 that MPI has budgeted $71 million for the IT optimization

15 plan and that approximately $47 million of this is for

16 hardware purchases.

17   Given the size and complexity of MPI's IT

18 requirements, is this a reasonable and prudent

19 expenditure?

20   MR. MARTIN GEFFEN: As I've said, you

21 know, we -- the -- these are -- these expenditures

22 address issues which put MPI at risk for operations and

23 which put MPI at risk for increased costs and so, for

24 those reasons, we do think it's reasonable and prudent.

25   MR. MICHAEL TRIGGS: Very much related to

1   that is, how confident are you that the $71 million is a

2   correct amount?

3   MR. MARTIN GEFFEN: We've looked at the -

4   - the budget information and reviewed them at a

5   relatively high level. We think that they are good rough

6   order of magnitude estimates at -- at this point in time.

7   We've looked at each of the details. We

8   think that, if anything, they're conservative estimates.

9   And I think that it's important at -- at an early stage

10   in a project such as this to be conservative, have the

11   right kinds of contingencies in place that you -- that

12   you know you have the right kind of -- you have the right

13   -- you are confident that you have the right resources to

14   do that project.

15   MR. MICHAEL TRIGGS: All right. Okay,

16   changing topics just a little bit here. For

17   clarification, a lot of the documentation that was

18   submitted to the PUB mentions a number of times, "Single

19   point failures," and that they need to be addressed.

20   Can you explain what single point failures

21   are and how they tie into what we've been discussing so

22   far?

23   MR. MARTIN GEFFEN: Sure. Again, as --

24   as I reflect, I may -- let me add just before I -- I move

25   to that -- that question, one (1) of the -- I -- I talked

1   about them being the right kinds of conservative

2   estimates at this point in time. I think that with large

3   programs such as these, as you get closer and closer to -

4   - to delivery as you do more and more detailed planning,

5   necessarily your costs will get more and more precise.

6   It's like building a building if you think

7   about it, that the first time you meet with your

8   architects you're at here. Once you've done the design

9   you're over here. Once you're with your general

10 contractor you're pretty firmed up. And so I think that

11 -- and you -- we know that we're here at this point, at -

12 - and I think that there are good solid conservative

13 estimates at this point.

14   If we looked at any of the details, that

15 you'll go higher on some and lower and others. You'll

16 spend more on your service and -- and less on your

17 software, much like in -- in a construction project,

18 you'll spend more on -- on the flooring and less on the -

19 - the seating kind of thing.

20   And -- so I just wanted to -- just to

21 confirm kind of where -- where we are at -- in -- in this

22 process. The -- the other thing that we feel confident

23 about these -- these costs are that for -- most of the

24 costs are hardware costs and some of them are actually

25 ser -- project-based service costs. Each of those will

1 be tendered through an RFP process, is -- is our

2 understanding. And as you get closer and closer to that

3 you -- you will get market -- market-based pricing for

4 each of those costs.

5   So that's -- that's the other thing that

6 lends us -- that leads us to have high confidence that

7 the -- the cost envelope for the entire program is

8 reasonable and appropriate, okay.

9   So sorry to bring -- to bring you back.

10 And if I go forward to the single points of failure I

11 know that there's lo -- lots of discussion about single

12 points of failure. And the -- the thing to think about

13 the single points of failure is if I -- I go back to the

14 -- the cloud chart as an example.

15   Any one (1) of these things -- I'm not

16 sure that any -- that -- which ones are, but any one (1)

17 of these things could be a single point of failure. So

18 it's a place where a connection is required from one (1)

19 application to another to do business. So we need to

20 transfer data from the driver's licence to the

21 registration system or from the -- from the registration

22 system to the claims system. If the connection breaks,

23 that's a single point of failure.

24   Similarly, if you have your data centres

25 in this building and there is -- power is coming in from

1   -- I don't know who your provider is, let's call it Telus

2   right now, and a backhoe cuts the -- somebody else is

3   doing construction and they cut the – the connection --

4   your -- your network connection to -- is severed. You

5   have no connection to the outside world. That's a single

6   point of failure.

7   Many organizations will actually have a --

8   a communication line coming in from one (1) service

9   provider from the north of the building and from the --

10   another service provider, Rogers, for example, to the

11   south side of the building, to address those kinds of

12   single points of failure. There are many, many of those

13   kinds of -- of issues.

14   THE CHAIRPERSON: Can I interject at this

15   point, because you mentioned the architect, then you

16   mentioned the next step, and then ultimately down to the

17   contractor, right? I just want to know who you are?

18   Because, first of all, I -- I know you're

19   the architect. But then how far do you take this? Do

20   you actually have project manager that actually -- I

21   mean, you said the prices could go up or down depending

22   on what we put in place. But also -- and I don't mean

23   "we," because we're not doing it -- what MPI puts in

24   place. But also, the prices go up and down depending on

25   who's doing it, right?

1   So, who -- how far do you actually take

2   this project? Are you right there on the site or, so to

3   speak, as the contractor? And are you actually taking it

4   right down to that level? Managing it? Do you know what

5   I mean?

6   MR. MARTIN GEFFEN: I do. And first let

7   me apologize, I realize I've been saying "you" when I've

8   been referring to MPI and -- and -- and so I apologize if

9   that's been inappropriate or -- or confusing.

10   The -- with respect to who "we" are, we,

11   Gartner, are? We are actually not the architect. We're

12   almost kind of like the building inspector, if you will.

13   So...

14   THE CHAIRPERSON: So that's what Ms.

15   McLaren meant when she said you're not doing the work.

16   MR. MARTIN GEFFEN: Correct.

17   THE CHAIRPERSON: Okay. So you just have

18   the plan and you give it to them and then they have to

19   carry it out or?

20   MR. MARTIN GEFFEN: So, it's almost...

21   THE CHAIRPERSON: Go ahead and -- and I

22   interrupted you. I just want to know, just how -- how

23   much we're getting out of you for the 71 million.

24   MR. MARTIN GEFFEN: Okay. So let me --

25   let me answer that.

 1   So, none of the 71 million, I don't think,

 2   is from -- from -- from Gartner. It -- we are -- if you

 3   -- if you -- if you think about -- I think -- I actually

 4   think the building inspector is a -- is a good analogy

 5   because the architect will do the drawings, the designer

 6   will take the drawings down to the next level, the

 7   architect will spec out the -- the -- and then you'll

 8   give it to the general contractor or the -- the pricing

 9   and -- and they'll put the pricing together.

10   The -- the architect and the general

11   contractor will go to the building inspector and say,

12   Okay, this is kind of what we look -- look like. Is it

13   to code? Does it seem -- it's -- it's not quite right,

14   because they'll -- they -- what -- what -- our role is

15   not to ensure that you're according to standard or

16   according to code. Our role is really to say, Okay, look

17   at these plans. Do they seem like they're right?

18   That's the first thing as kind of, you

19   know. So -- MPI has asked us, kind of, Do these

20   components look like they're the right things, and based

21   on the risks that have been identified, we say, Yes they

22   are the right kind of things to be doing.

23   Then MPI is going to come forward and say,

24   Okay do we now -- so -- so as part of our regular

25   quarterly oversight role, what we will do is -- we will

 1 review project plans. We'll review risk reports, we'll

 2 review issue logs. We will meet with the project

 3 managers who are actually doing it and are being paid to

 4 do the job.

 5   We'll meet with the -- potentially with

 6 people on the ground who are actually doing the job,

 7 doing the implementation, to investigate where the issues

 8 are. And then we will come back to MPI and say, You have

 9 this project in place. It's, you know, it's a $5 million

10 project. You're halfway through your -- you are behind

11 schedule or ahead of schedule. These are some of the

12 issues that we see that are concerned. You should really

13 be addressing these.

14   So, our -- our role is really about course

15 correction -- it's about oversight and course correction.

16 So we really have no interest in how the job -- in -- in

17 what the -- what the job is being -- is -- is doing. Or,

18 it -- we're -- our interest is that it is being done

19 appropriately and it's going to get to end -- it's going

20 to get to end of job. Okay. Is that...?

21   THE CHAIRPERSON: So the cost, as we've

22 heard, is 71 million. And that's for your work. Is it?

23 Or, that -- no. That's the estimated cost of the total

24 project. Okay.

25   So, how much are we paying Gartner then

1   for this role that you're playing, the hundred thousand?

2   Okay.

3   MR. MARTIN GEFFEN: Sure.

4   THE CHAIRPERSON: All right.

5   MR. MARTIN GEFFEN: So the se -- the se -

6   - the 71 million is to -- let's -- is to -- I'm going to

7   simplify it for my purposes here. The 71 million is to

8   buy, you know, a bunch of computers, a bunch of disc

9   drives, buy some application software to train your IT

10   staff on how to do processes, to build, you know, build

11   structured processes to do all those kinds of things.

12   That -- that's what the $71 million is going to pay for.

13   We will do -- our organization will do

14   none of that.

15   THE CHAIRPERSON: Right.

16   MR. MARTIN GEFFEN: You're --

17   THE CHAIRPERSON: Okay, I do understand –

18   MR. MARTIN GEFFEN: Okay.

19   THE CHAIRPERSON: -- it now.

20   MR. MARTIN GEFFEN: So.

21   THE CHAIRPERSON: All right.

22   MR. MARTIN GEFFEN: Okay. And so you're

23   paying us two hundred and seventy-five thousand dollars

24   ($275,000) to provide a regular oversight role, not only

25   for ITO, but for other programs to actually ensure that

1 you're -- that -- that you will achieve the outcomes that

2 you're looking for.

3   THE CHAIRPERSON: Heard -- I heard the

4 two hundred and seventy-five thousand (275,000) that we

5 were paying before to you. But then I was confused

6 obviously about this particular project. And this

7 particular project -- now Mr. Evans said a hundred

8 thousand. Is that not right?

9   Like I just want to know what this

10 particular project, the IT project, is costing us in

11 terms of your -- Gartner's bill for that, or is there --

12   MR. MARTIN GEFFEN: And so --

13   THE CHAIRPERSON: Is that part of the two

14 hundred and seventy-five thousand (275,000) or...?

15

16 CONTINUED BY MR. MICHAEL TRIGGS:

17   MR. MICHAEL TRIGGS: Yeah. I guess maybe

18 a fairly leading question here for Mr. Geffen. Is it

19 fair to say that there will be a plan? There'll be a

20 number of contractors out doing work for MPI to do this

21 IT optimization plan. The total price of the plan will

22 be around 271 million -- I'm sorry, will be $71 million.

23   Gartner's role in this is that of giving

24 independent advice and oversight to MPI in this process

25 and they will be paid two hundred and seventy-six

1 thousand dollars ($276,000) a year for doing that?

2   MR. MARTIN GEFFEN: Yes.

3   MR. REGIS GOSSELIN: Can I just clarify

4 that? Because I'm looking at a table here that's showing

5 that the engagement duration will be for five (5) years

6 at a cost of 2.8 million.

7   MR. MARTIN GEFFEN: Oh, okay. Sor --

8 sorry about that. So -- so there's two (2) -- so it's

9 two hundred and seventy-five thousand dollars ($275,000).

10 The -- the full -- okay, I'm -- I'm sorry. Yes. So the

11 -- we -- we will be paid two hundred and seventy-five

12 dollars ($275,000) a year for five (5) years to provide

13 this kind -- this level of -- of oversight for -- so this

14 -- that's on the consulting basis.

15   In addition, as I had said at the very

16 beginning, we provide research and analysis services. We

17 provide the -- a peer connect for senior level executives

18 with -- within IT and the -- so part of that budget will

19 be a five (5) year retainer for those services as well,

20 okay. And I can -- I can get you that breakdown if you -

21 - if you want me to.

22   THE CHAIRPERSON: Proceed. Are you going

23 to undertake to get that for us?

24   MR. MICHAEL TRIGGS: If you -- if you

25 wish us to, yes, we can.

1   THE CHAIRPERSON: All right. I'll just

2   turn to Mr. Gosselin.

3

4   (BRIEF PAUSE)

5

6   THE CHAIRPERSON: Yeah, I think we have

7   it. Yeah. So we don't need it as an undertaking. Thank

8   you. Okay, I think now I'm back on track. And so you're

9   not the architect, but the architect is part of that

10   other. Yeah. Okay, so go ahead.

11

12   CONTINUED BY MR. MICHAEL TRIGGS:

13   MR. MICHAEL TRIGGS: So the IT

14   optimization plan has identified a problem and a

15   solution, and Gartner, as the independent advisors,

16   looked at the plan that's been developed by others,

17   supports that plan. However, for there to be a solution

18   the plan has to be successfully implemented.

19   What are the requirements for successfully

20   implementing a major IT project?

21   MR. MARTIN GEFFEN: So there's been lots

22   and lots wri -- written about this. I would encapsulate

23   it maybe in -- in a few key areas. The -- the first is

24   strong executive, strong and engaged executive support.

25   So if you have a large scale pro -- program like this

1   it's really important to have executives at a level who

2   are -- who can make a decision and who are very engaged

3   and understand the pro -- the program, involved in the

4   program.

5   The second is availability of resources.

6   And when I say "resources" I'm talking about the time,

7   the schedule, the knowledge and skills of the people, and

8   the right number of people. And I would say many

9   projects -- IT projects fail because -- because of

10 unrealistic expectations around this. People would say,

11 you know, it's going to be -- an organization will say,

12 It's a six (6) month project and really it's not, it's a

13 -- you know, it'll take -- it'll take nine (9) months.

14   And, you know, that -- we -- we -- you

15 need -- need to have the right number of people to

16 actually do the project. There are, kind of, realistic

17 expectations of what -- what -- the amount of work that

18 needs to get done and you need to be able to staff and --

19 and resource appropriately.

20   The third area are strong project

21 management -- strong project management discipline so

22 that we actually understand how to manage projects, we

23 have the appropriate people who are doing -- managing

24 those projects, they have the right kind of authority to

25 make requests, demand requests, do the kinds of

 1 communication and monitoring and measurement that -- that

 2 needs to take place.

 3   The fourth area is about change management

 4 and governance, so that we -- when we understand we --

 5 we're marching down a path, if we want to change the path

 6 -- so, you've probably all heard about scope creep and so

 7 -- kind of, when we change the path or broaden the path

 8 that we have the appropriate structures in place that we

 9 make those changes in a purposeful and -- and approved

10 manner. So we don't just wander down a different path,

11 we actually have the -- the governance process so that we

12 know who -- who can make those -- who needs to be

13 informed, who can make the decision, and how those

14 decisions are going to be made. So that's governance and

15 change management.

16   And -- and finally, measurement and

17 monitoring. Be able -- being able to know where you are

18 in the project, in the project budget, in the project

19 schedule. So when you are -- when you do want to make a

20 change you want to -- you have a structured way of doing

21 the change order, so you actually can then monitor and

22 measure the fact that we've made a change, we understand

23 what the impact of that -- of that is on gov -- on

24 budget, on schedule, and on -- on overall functionality.

25   So those are the kind -- those are the --

1   really the five (5) key things that I think are important

2   to having a successful IT project.

3   MR. MICHAEL TRIGGS: Based on your

4   experience working with MPI, can you comment on MPI's

5   ability to carry out major projects like this?

6   MR. MARTIN GEFFEN: So our experience

7   really is based on providing that kind of overview or

8   oversight role on the BPR projects over the last three

9   (3) years. So we've been -- we've -- we've seen MPI do a

10 number of large projects that have had very tight, you

11 know, tight deadlines, they have very clear -- clear

12 deliverables that have been set either internally or

13 externally.

14   And I would say that, you know, if -- if

15 we look through that -- that long list, that list of five

16 (5), our experience is that MPI has actually quite good

17 on -- on all of those areas. We found that they -- the

18 governance processes are in place, the mon -- monitoring

19 and measuring process are there -- are in place, very

20 strong project management disciplines that we never get

21 into a situation on one (1) of our quarterly reviews

22 where we ask for a project status or a budget or a

23 variance from budget, or where's the change order for

24 this.

25   We never had the situation where we can't

1 find that or we don't -- we don't have that. The

2 executive support is -- is -- has been in place for all

3 of these projects in -- and really, from a -- a level

4 that makes a difference in terms of understanding the

5 project and understanding where the issues are.

6   And, finally, there is a realistic

7 understanding of what can be done and what needs to be

8 done and to have the right kind of resources in place so

9 that even when there's an external deadline posed, such

10 as a regulatory change -- so we need to have the system

11 in by this time, or we need to have this capability in by

12 this time. So it's not built -- you -- you like to build

13 a project schedule by saying, Okay, what needs to get

14 done? And lay out the schedule. Sometimes you actually

15 are given a deadline. But the -- the way of managing the

16 resources and the rollout of the capability and the

17 functionality is done in such a way to meet those kinds

18 of deadlines.

19   MR. MICHAEL TRIGGS: Based on Gartner's

20 worldwide research, how does MPI compare to other

21 corporations in successfully implementing major IT

22 projects?

23   MR. MARTIN GEFFEN: So again, there's lot

24 s of literature about project success and failure.

25 There's an organization called the Standish Group that

1 published a seminal research a number of years ago where

2 they -- where they describe the fact that 29 percent of

3 all large IT projects fail.

4   KPMG did a survey in 2006 where they

5 surveyed organizations and -- and they found that, you

6 know, 86 percent of respondents said that projects did

7 not deliver what they expected to. And I've got on my

8 high horse a little bit over here.

9   A project delivers -- is successful in --

10 in -- needs to deliver -- it's successful in three (3)

11 ways. You come on time, come in on budget, and deliver

12 what you expected to deliver, what the -- the

13 functionality. And so when -- when you think about, Was

14 it a failure, you could be a failure on -- on any one (1)

15 of those three (3) areas.

16   And so our -- to -- to your -- to answer

17 your question directly, you know, on those BPR projects

18 MPI has a track record of delivering all of those

19 projects on time, on budget, and delivering the

20 capability that was expected.

21   MR. MICHAEL TRIGGS: So just to summarize

22 because a lot of numbers were given there. MPI's been

23 successful in implementing a hundred percent of its

24 projects, but according to, you know, KPMG's stats, 89

25 percent of them fail.

1   Is that correct? Or 82 percent, was it?

2   MR. MARTIN GEFFEN: So the -- the real --

3   the words were, "did not deliver in some aspect."

4   MR. MICHAEL TRIGGS: Now I appreciate you

5   can't predict the future, but given MPI's past successes

6   and the -- your knowledge of the IT optimization plan and

7   any requirements or qualifications you wish to put on it,

8   what are your expectations of MPI se -- being able to

9   successfully implement the IT optimization plan?

10   MR. MARTIN GEFFEN: So -- so my

11   expectation is of success. That's the -- the short

12   answer. You know, we've seen the -- the track record is

13   of having the prerequisites, the drivers for success in

14   plan. There's nothing that we see for this project that

15   those drivers will not be in place the way that they have

16   in the past.

17   And from a purely personal or selfish

18   perspective, part of our role will be to provide a

19   regular ongoing view and raise those flags where we think

20   things are going off track so that they can become on

21   track. And our experience has been with BPR, where we

22   did raise those, MPI addressed them and -- and came back

23   on track to deliver the success that they saw in -- in

24   BPR.

25   MR. MICHAEL TRIGGS: Thank you. And one

1 (1) final question. Can you speak to how this program

2 will position MPI for the future and not just fix the

3 current problems? So once the current problems are

4 fixed, how is that going to help MPI for the -- to the

5 future?

6   MR. MARTIN GEFFEN: In -- in two (2) ways

7 that we've talked about a little bit already. The first

8 is that we'll remove the risk, so remove current

9 incidents, current failures, so that conti -- a

10 enhancement of customer service, if you will, through --

11 through avoiding issues that are occurring today.

12   And, secondly, in positioning MPI to add

13 new business capability and functionality going forward.

14 And so I talk about that -- the example I talked about

15 earlier was kind of first notice of loss, or you can

16 think about any kind of other external capability so that

17 at some point -- you know, in our increasingly connected

18 world, at some point MPI is going to want to or be forced

19 to allow customers or other business partners access to

20 their systems to drive business value.

21   A client of mine once said to me, Amazon's

22 great because Amazon gets everybody to do their work and

23 -- do their work for them and love it. And that's kind

24 of where we're going. And so this -- this is the -- the

25 -- what ITO is going to do is we'll put the kind of

1   networks in place, the kind of service in place, the kind

2   of security authorization and authentication mechanism in

3   place which will allow you to move to that next step.

4   MR. MICHAEL TRIGGS: All right. Thank

5   you, Mr. Geffen. That's all the questions I have for Mr.

6   Geffen now. If -- if -- are there questions?

7   THE CHAIRPERSON: I'm sure we probably

8   have them. Do you have some questions? Yeah. Yes, I

9   think we do have questions, but we're going to take a

10 break until about five (5) after -- maybe ten (10) after

11 since we're -- we've -- I lost track of time it was so

12 fascinating. Okay. So we'll meet back at ten (10)

13 after.

14

15 --- Upon recessing at 10:52 a.m.

16 --- Upon resuming at 11:13 a.m.

17

18   THE CHAIRPERSON: I think we're back in

19 place now. Yes, I guess we are ready for you, Ms.

20 Grammond.

21   MS. CANDACE GRAMMOND: Yes, thank you,

22 Madam Chair.

23

24 CROSS-EXAMINATION BY MS. CANDACE GRAMMOND:

25   MS. CANDACE GRAMMOND: Mr. Geffen, I'm

1 the lawyer for the -- the Board, and I'll have some

2 questions for you with respect to your evidence and the

3 matters that you've been speaking about.

4   The first one is actually a question that

5 I had about your resume. Just -- I want to seek a

6 further detail from you. You say in the first bullet

7 point that you conducted a multi-year oversight of a

8 significant technology-enabled transformation program for

9 a large automobile property and casualty insurer? Can

10 you tell us which insurer that was?

11   MR. MARTIN GEFFEN: That would be MPI.

12   MS. CANDACE GRAMMOND: Okay. That's what

13 we were wondering. So that would be the -- the BPR?

14   MR. MARTIN GEFFEN: Correct.

15   MS. CANDACE GRAMMOND: Okay. You

16 commented about the various aspects of the services that

17 Gartner has provided to MPI over time. And I take it

18 that you've been the lead contact person from Gartner,

19 with those projects over the years?

20   MR. MARTIN GEFFEN: Yes, I have.

21   MS. CANDACE GRAMMOND: Can you tell us a

22 little bit more about the benchmarking component of the

23 service that's provided?

24   MR. MARTIN GEFFEN: Sure. So we have a

25 range of benchmarking services that -- that we do provide

1   to -- to organizations. And most recently we've

2   conducted a -- a benchmark for MPI that looked at

3   spending on IT oper -- operations. So -- did a

4   comparison of MPI's spending on -- on IT operations,

5   compared to peer -- peer organizations.

6   MS. CANDACE GRAMMOND: So was that

7   historical spending, or was that study tied in with the

8   project that's being proposed now?

9   MR. MARTIN GEFFEN: So, no, it's purely -

10   - it -- the -- the benchmarks are -- they're very

11   structured, peer to peer analyses, and so it was done --

12   focussed on a -- on -- on the prior twelve (12) months

13   spending.

14   MS. CANDACE GRAMMOND: So, the -- the

15   last twelve (12) months from the time the analysis was

16   done?

17   MR. MARTIN GEFFEN: Correct, yes.

18   MS. CANDACE GRAMMOND: That's not a -- a

19   document that we have filed on the record here. And this

20   question is partly for you and partly, I guess, for Mr.

21   Triggs, whether the Corporation would undertake to file

22   that document with the Board?

23   If -- if you want to take it under

24   advisement, Mr. Triggs, so you can consult, I'd be fine

25   with that, but I just wanted to -- to put the request out

 1   there. Okay.

 2   MR. MICHAEL TRIGGS: Yes, we'll take that

 3   under advisement. Actually, I've -- I've been advised

 4   that that's fine. We'll --

 5   MS. CANDACE GRAMMOND: A figure has

 6   appeared at the back and given the nod, so great. Thank

 7   you. So we'll -- we'll take that undertaking. Thank

 8   you.

 9

10   --- UNDERTAKING NO. 21:   MPI to file benchmark study

11   that looked at spending on IT

12   operations (under advisement)

13

14   CONTINUED BY MS. CANDACE GRAMMOND:

15   MS. CANDACE GRAMMOND: And, Mr. Geffen,

16   we had some discussion in your direct evidence about the

17   -- the fees that are being -- are going to be paid to

18   Gartner over the next number of years. And so I -- I

19   think it was clarified, but just for reference, I'd ask

20   you to go to the re -- the contract, that MPI has filed.

21   It's Exhibit 27. This is one (1) of the documents that

22   was filed this morning.

23   And if we go to page 18, the pages are in

24   the -- the upper right-hand corner. So if it's clipped

25   together you might not actually be able to see the page

1   18.   But it's Section 4.8.

2   So we see a chart under 4.8.1 that I

3   believe details the two (2) components of the -- the fees

4   that Gartner is charging to the Corporation?

5   MR. MARTIN GEFFEN: Correct, yes.

6   MS. CANDACE GRAMMOND: So the -- the

7   second number, we'll deal with that first.   The two

8   seventy-five (275) -- two hundred and seventy-five

9   thousand (275,000) annually, that's the consulting

10 component that you mentioned, is that right?

11   MR. MARTIN GEFFEN: Correct.

12   MS. CANDACE GRAMMOND: And the upper --

13 or the -- the first number, the two hundred and seventy-

14 eight thousand three hundred dollars ($278,300), is for

15 the -- the research component and the other details that

16 are listed there.

17   MR. MARTIN GEFFEN: Yes.

18   MS. CANDACE GRAMMOND: Okay. So when we

19 add those together it's obviously, in round numbers,

20 about five hundred and fifty thousand (550,000) a year,

21 which gets us to that 2.8 million over five (5) years?

22   MR. MARTIN GEFFEN: Correct. Exactly.

23   MS. CANDACE GRAMMOND: And we have that

24 total contract price at the top of the next page.

25 There's that two point eight (2.8) or between 2.8 and 2.9

1 million for the life of the contract.

2   MR. MARTIN GEFFEN: Right, yeah.

3

4   (BRIEF PAUSE)

5

6   MS. CANDACE GRAMMOND: Okay. So, Mr.

7 Geffen, let's talk a little bit about the -- the genesis

8 of -- of Gartner's involvement in the -- the IT

9 optimization project. We -- we heard some evidence from

10 MPI that it had conducted an internal review of systems.

11 And then HP became involved. And we know that Gartner's

12 involved.

13   Can you tell us what -- what unfolded and

14 how Gartner got involved in this?

15   MR. MARTIN GEFFEN: So to the best of my

16 recollection, we had been involved with do -- doing the -

17 - the BPR reviews, doing regular quarterly reviews. We

18 were aware that HP had conducted the review but were not

19 involved in the initial review.

20   We were asked to kind of -- as part of the

21 -- the prior service, such as kind of per -- look at the

22 -- the review and just provide some -- some feedback, and

23 -- and did that. And subsequent to that, we were asked

24 to work with MPI to develop this kind of statement of

25 work to provide an oversight capability for IT on -- on

1   an ongoing basis.

2   MS. CANDACE GRAMMOND: And in accordance

3   with the evidence you've given, you had some involvement

4   with MPI over the last number of years through the

5   business process review.

6   Was this IT optimization issue something

7   that came to your attention over the -- that period of

8   time?

9   MR. MARTIN GEFFEN: It really was not

10 part of our purview. Our focus was really on the BPR

11 projects and we -- we focussed on that. And the only

12 extent that we looked at infrastructure was if there was

13 going to be an -- a delivery issue on infrastructure

14 regarding BPR. And we -- my recollection is that in our

15 reviews we rarely found an issue around that, but if we

16 did, we kind of raised those as being...

17   MS. CANDACE GRAMMOND: Yeah. And I -- I

18 appreciate that in the work that Gartner was doing in the

19 BPR initiative, you know, it didn't include the -- the

20 task of IT optimization. But I guess what I was trying

21 to get at is whether something came up over the course of

22 the work that was done that maybe ra -- raised a flag on

23 Gartner's side, saying, you know, the -- this -- they

24 need some help here with -- with their IT?

25   MR. MARTIN GEFFEN: No, I -- I don't

1   believe we raised a flag on -- on that at any time.

2   MS. CANDACE GRAMMOND: Okay. So, Mr.

3   Geffen, you've told us about the review that Gartner did

4   of the HP study. And did Gartner then conduct interviews

5   with members of MPI flowing from that review?

6   MR. MARTIN GEFFEN: No, we did not.

7   MS. CANDACE GRAMMOND: Okay. I'm going

8   to ask you to go to the HP report. And you may have it

9   loose, and that's fine. For the Board, I can tell you it

10 is in our book of documents at Tab 22. Tab 22 is fairly

11 thick. But if you go very close to the beginning of Tab

12 22, after the actual Information Request, you'll see an

13 attachment, PUB/MPI-1-62, Attachment A. That's the

14 beginning of the -- I'm calling it the HP report, but

15 it's really a slide show -- or a copy of a slide show.

16   And I'm -- I'm asking you to go there

17 because I'm going to spend some time with --

18   THE CHAIRPERSON: Yeah, we have it.

19   MS. CANDACE GRAMMOND: -- with some of

20 the slides. So I'm going to ask you to go to page 3 of

21 that slide show. The -- the page numbers are in the

22 bottom left-hand corner. If we go to page 3 we have a

23 slide that's called "Key findings" at the top.

24   THE CHAIRPERSON: Yes, we have that.

25

1 CONTINUED BY MS. CANDACE GRAMMOND:

2   MS. CANDACE GRAMMOND: Mr. Geffen, do you

3 have that?

4   MR. MARTIN GEFFEN: I do.

5   MS. CANDACE GRAMMOND: Okay. So this --

6 this is, in essence, part of the executive summary of the

7 HP document and -- and sets out really in a very

8 distilled version the -- the key findings that HP came

9 to.

10   And I -- I gather that Gartner is in

11 agreement with these key findings. Is that right?

12   MR. MARTIN GEFFEN: Correct.

13   MS. CANDACE GRAMMOND: And if we deal

14 with the -- the first one (1), so current state is high

15 risk of failure, and then the -- the further detail says

16 MPI at high risk of outages due to single points of

17 failure. You spoke about that a little bit, Mr. Geffen,

18 in -- in your earlier evidence.

19   Can you comment on outages that you may be

20 aware of, that have occurred, and how critical in your

21 view, those outages were?

22   MR. MARTIN GEFFEN: So, I don't have

23 detailed knowledge of specific outages, other than the --

24 the count that we've been -- we've been talked about and

25 some anecdotal description about -- about those -- those

1   outages.

2   It seems like those outages did lead to

3   some cessation of business. Oh, I'm sorry. I'm probably

4   -- my -- I'm -- I'm not looking at the microphone.

5   So, it -- it seems like they -- they did

6   lead to some -- some cessation of business and some cost

7   of remediation repair. And, you know, I -- I can't judge

8   it -- kind of the level of severity, but often cessation

9   of business has a reputational or a marketplace effect in

10 the -- in the customer base.

11   MS. CANDACE GRAMMOND: I know you spoke

12 about, in your direct evidence, the fact -- in the

13 context of disaster recovery, that it's a business

14 decision organization by organization. How long can they

15 afford to be down? Has Gartner formed a view with

16 respect to MPI of what an acceptable level of outage

17 might be?

18   MR. MARTIN GEFFEN: So we have not. We

19 know that, you know, some conversation has been done with

20 regards to business impact -- the, kind of technical

21 discipline as around doing a business impact analysis and

22 identifying concepts like recovery point objectives. So

23 how -- how -- waiting to recover back to and recovery

24 time objective -- how quick -- quickly do -- do you need

25 to recover.

1   We understand that there's been some

2   structure work being done within -- within -- within MPI

3   around that.

4   MS. CANDACE GRAMMOND: MPI filed an

5   exhibit this morning that deals with an -- an outage that

6   we had -- had some evidence about here that occurred in

7   the spring of 2010. And I don't know if you're familiar

8   with what they filed. But I'll -- I'll just give you a

9   couple of the -- the highlights.

10   And I see Mr. Triggs giving you a copy of

11   the document. So, what MPI has put on the record is that

12   the costs incremental to normal operations as a result of

13   the outage was about thirty-five thousand dollars

14   ($35,000), and I'm reading that from (d). They've also

15   said in (f) that, about forty-five thousand (45,000)

16   customers were inconvenienced.

17   Where does that fall on the spectrum of

18   severity of outages, in your opinion? Is that very

19   severe or not very severe at all?

20   MR. MARTIN GEFFEN: I -- I would think

21   that, you know thirty-five thousand dollars ($35,000) is

22   probably not that material in the overall scheme of

23   things with -- with regards to an organization of the

24   size and -- and revenue base of -- of MPI.

25   In our experience, forty-five thousand

1 (45,000) of -- customers inconvenienced can be a

2 significant issue. And, it depends, I guess on the level

3 of -- of what the inconvenience would be and -- and what

4 the fallout might be in terms of negative press, in terms

5 of negative ongoing relationship with -- with -- with the

6 organization.

7   MS. CANDACE GRAMMOND: Okay. If we

8 continue at page 3, and the key findings slide. The --

9 the second item there that was identified as technology

10 is out of date and no longer current. And you -- you

11 commented in your direct evidence that, really, a large

12 part of this project is what you call the boxes and

13 wires, and then you spoke about the software as well.

14   What can you -- you tell us about the --

15 the life, if you will, of what's being proposed. And --

16 and what I mean by that is this. We talked about a

17 couple of analogies, or you spoke about a couple of

18 analogies this morning, a car and a house. You know, a -

19 - a car is something that has a certain life and then

20 ultimately has to be replaced. A house is something,

21 typically, that lasts a lot longer.

22   So where does this proposed new system

23 fall in -- in that range?

24   MR. MARTIN GEFFEN: So, I think that

25 they're -- they're -- different aspects would have

1 different lifespans. So I -- I don't think work --

2 workstations are not part of it but that's a real

3 example. So many organizations have a -- a three (3) --

4 will do an evergreen or a three (3) year lifespan. Some

5 will defer to a five (5) year lifespan, so that's kind of

6 on the -- on the workstation basis.

7   But if you think about some of the -- the

8 -- you know, the -- the servers and -- and discs they

9 will tend to -- I -- you know, it's -- it's hard to

10 generalize, but I would say that they're kind of on a

11 three (3) to five (5) year time frame. And that a part

12 of what you'll -- you'll see there is kind of an ongoing

13 cost component and that's about maintenance and upgrade.

14   And so it's -- for -- for many of these it

15 won't be a wholesale, like with your PC, switch out the

16 old version and bring in the new version, they will be

17 upgraded incrementally over time, so that you'll get new

18 circuits, more bandwidth.

19   So the -- the short answer is, you know,

20 most technology, I would say, is kind of a -- it's --

21 certainly kind of the infrastructure technology, as I

22 would say, kind of a three (3) to five (5) year lifespan.

23 Most of that kind of technology will be upgraded and

24 replaced over time through a -- a planned, scheduled

25 maintenance process.

 1   MS. CANDACE GRAMMOND: And when you talk

 2   about a workstation, you're talking about -- like, the PC

 3   or the laptop that -- or a specific person --

 4   MR. MARTIN GEFFEN: Yeah, sorry about

 5   that. Yeah.

 6   MS. CANDACE GRAMMOND: No, and I -- I

 7   mean, I thought that's what you meant, but I just thought

 8   that should be clarified for the -- the record.

 9   So -- and -- and I appreciate your answer.

10   And what I'm -- what I want to make sure that the -- the

11   Board has available to them is a sense of, if this

12   project is undertaken and, you know, with the -- the

13   budgets that have been provided, you know -- and it's

14   going to take place over a series of years. Once that

15   process is complete does -- is it then have to going to

16   be started all over again?

17   So if you could comment on that.

18   MR. MARTIN GEFFEN: Sure. So I think one

19   (1) of the things that -- that I -- ITO is about is a --

20   is about resetting an appropriate level of -- of

21   technology at current releases. And then continuing to

22   do a regular standard replacement and maintenance and

23   upgrade process. And so that's -- that's part of the

24   ITSM and -- and part of the overall process.

25   So the -- which is to say that you -- we

1   should not be here in three (3), or five (5), or ten (10)

2   years asking for another lump sum payment, but we should

3   be doing ongoing maintenance over -- over the years.

4   MS. CANDACE GRAMMOND: Thank you. So in

5   -- again, in your earlier evidence you gave the analogy

6   of the vehicle and the maintenance not being done and,

7   you know, factory recalls and -- and that kind of thing.

8   Has MPI been doing incremental

9   replacements and -- and upgrades over time? Or have --

10 is it that they've not been doing any, or they haven't

11 been doing enough?

12   MR. MARTIN GEFFEN: I think it's the

13 latter they have not been doing enough.

14

15   THE CHAIRPERSON: Can I just ask, this

16 workstation we understand it to be every three (3) or

17 five (5) years. And then you mentioned infrastructure

18 would be every five (5) -- three (3) to five (5) years.

19   I'm just wondering what else is there?

20 Like, what would last longer? Is there anything that

21 could last longer than the five (5) year time span?

22   MR. MARTIN GEFFEN: So that's a hard

23 question. Yeah -- you know, I think that there are parts

24 of your infrastructure that will continue for a longer

25 period. So, for example, your -- you know, you will --

1 you will create a network infrastructure, so you -- and

2 so what I -- what I mean by that is kind of the -- the

3 cabling that required. It might be the cabling, you

4 know, within your build -- buildings or some kind of a

5 connect -- connectively out to auto body repair shops, or

6 to brokers, and that might actually have a -- a longer

7 life span.

8   But -- so, you know, if you consider, you

9 know, the -- the environment where, you know, the -- the

10 cameras in the auto body repair shop -- in -- in the

11 brokers are being replaced on a very frequent basis that

12 connectivity to -- to them will get replaced -- replaced

13 on a much less frequent basis.

14   Although -- and I -- as I -- just to -- to

15 come back to what I said earlier, is that, you know, over

16 time there might be incremental enhancements or -- or --

17 to -- so your bandwidth might be -- might be -- you might

18 need to get -- look -- have greater bandwidth or greater

19 levels of connectivity, that kind of thing.

20   THE CHAIRPERSON: And I'm also

21 interested in that mention of the -- the security that

22 would be required to provide for, say, an incident like

23 SARS. You mentioned that people would maybe have to work

24 from home and that would require a certain amount of

25 connectivity to provide for people working in their

1 homes, especially under security.

2 How much of this do you envision happening

3 in the pas -- or in the future, say. Because, I mean, we

4 do see a world where big companies are trying to reduce

5 overhead and ultimately having employees work at home

6 might be desirable even without a SARS incident.

7 I don't know whether your company thinks

8 about those scenarios, but the world is moving slowly in

9 that direction it seems with things like Amazon. I don't

10 know where those people work from. They may even work

11 from the third world.

12 So what do you envision in -- I mean, this

13 is taking us more than five (5) years into the future,

14 but it's an interesting thing and it would require that

15 connectivity and cables that you're talking about.

16 Do you want to comment on that?

17 MR. MARTIN GEFFEN: Sure. So -- so I

18 think tho -- those are kind of two (2) different

19 perspectives, kind of the business continuity

20 perspective, and that really is kind of at -- at the

21 level of a -- of a business decision that says we need to

22 actually put this in place so that should something

23 happen we're ready to go. So that's -- that's one (1) --

24 one (1) way of thinking about it.

25 The other way of thinking about it would

1 be around making a business decision about we're changing

2 the way we're doing our workforce. We are, you know,

3 sending our people home to work at home or we're going to

4 outsource to other organizations out -- out -- and that's

5 happening more and more.

6   And I would -- you know, it's purely a

7 business directive, so it do -- that doesn't have to be

8 more than five (5) years. You know, that could be done,

9 you know, tomorrow. If there was a business decision --

10 decision with real value, then, you know, it's something

11 that could be done.

12   And I think -- so, you know, back to ITO.

13 I don't think ITO does not, I don't think -- I don't read

14 into it that it does not contemplate any of that, you

15 know, delivering that kind of functionality at -- at this

16 point, al -- you know, although it will -- you know, it -

17 - it's starting to put in place ability to -- to do

18 remote access and those kinds of things.

19   THE CHAIRPERSON: Thank you.

20   DR. LEN EVANS: I wonder -- just a

21 follow-up question. This is a fascinating topic about

22 the future and the progress that's being made. How would

23 you compare it with what we have today in online banking,

24 where the customer does all kinds of things at home,

25 doesn't go the branch? Pay bills to department stores,

1   can transfer money, pay off his or her Visa, et cetera,

2   et cetera.

3   So is there much comparability with online

4   banking in what you envisage for the future?

5   MR. MARTIN GEFFEN: Ye -- yes, I think

6   that -- I think that we're moving to a future where we

7   will -- we -- the consumers will demand to be able to do

8   more of their own self-service and that organizations

9   will want to do it because, frankly, it's you're

10 outsourcing the work to the consumer. So you don't have

11 to hire to process claims if someone is -- is entering

12 the claim for you online when they -- whey they do their

13 first notice of loss.

14   So I believe that -- that, you know, we're

15 -- we certainly are driving in that area. And I've done

16 work with private sector property and casualty insurers

17 mostly in the states, and they're already starting to put

18 those kinds of -- of capabilities in place today.

19   DR. LEN EVANS: Thank you.

20   THE CHAIRPERSON: Go ahead, Ms. Grammond.

21   MS. CANDACE GRAMMOND: Thank you, Madam

22 Chair.

23

24 CONTINUED BY MS. CANDACE GRAMMOND:

25   MS. CANDACE GRAMMOND: Mr. Geffen, one

1   (1) of the -- the last questions that I had asked you

2   before we had questions from the panel was with re --

3   with respect to the spending that MPI has been doing over

4   the years and -- for some upgrades and -- and whatnot.

5   I take it that your -- your source of

6   information for that would be the work that you've done

7   for MPI on the benchmarking side?

8   MR. MARTIN GEFFEN: It's partly from

9   that, but it's partly, you know, a conversation that we

10   had when we -- when we did this -- this review. So we

11   had conversations with -- with some of the MPI staff

12   about that.

13

14   (BRIEF PAUSE)

15

16   MS. CANDACE GRAMMOND: Okay. Thank you,

17   Mr. Geffen. The third item on the key findings list, to

18   go back to that for a moment, is -- is disaster recovery

19   and business continuity plans cannot be executed as they

20   are currently defined.

21   I take it that -- that Gartner has

22   reviewed those plans and to come to its agreement with

23   that conclusion?

24   MR. MARTIN GEFFEN: We have not. We've

25   reviewed the HP report. And based on the findings that

1 were, you know, in -- in the HP report and some

2 conversations that we've had with the CIO about kind of -

3 - what it would take to actually do those plans and how -

4 - how had the plans test -- been tested, what were the --

5 the outcomes of those tests. That's -- we would --

6 that's where we got the information from.

7   MS. CANDACE GRAMMOND: So Gartner didn't

8 do an independent review, per se, on that?

9   MR. MARTIN GEFFEN: No, we did not.

10   MS. CANDACE GRAMMOND: Do you know how

11 the current disaster recovery and business continuity

12 plans were created, or when?

13   MR. MARTIN GEFFEN: I do not, no.

14   MS. CANDACE GRAMMOND: So, I -- those

15 were not components that Gartner may have worked on in

16 the past? For example, in the Y2K project?

17   MR. MARTIN GEFFEN: So, I can't comment

18 on the -- on the Y2K project, but certainly not in any of

19 the work that we've done on BPR, or -- or the other work

20 that we've done with -- with MPI in the last four (4)

21 years or so.

22   MS. CANDACE GRAMMOND: Okay. So on the -

23 - the Y2K project, I know you had said you were not

24 personally involved because that pre-dated your time with

25 Gartner. But I suppose it's possible that others from

1   Gartner may have contributed to that?

2   MR. MARTIN GEFFEN: It's possible. I --

3   my experience in doing Y2K projects is that disaster

4   recovery was not often -- or certainly not a large

5   component of -- of Y2K projects, having done some Y2K

6   projects back then. But...

7   MS. CANDACE GRAMMOND: Okay. Thank you.

8   The -- the next key finding relates to

9   security and the finding was that the security at MPI is

10 of low maturity. The data cannot be kept secure and

11 malicious actions cannot be effectively audited.

12   I -- I think I heard you say in your

13 direct evidence and -- and tell me if I heard this

14 correctly, that there is virus protection in place, but

15 the authentication and the authorization areas are the

16 two (2) that -- that need improvement?

17   MR. MARTIN GEFFEN: That -- that is my

18 belief. I have not done a detailed review, but my

19 understanding is that -- that is correct.

20   MS. CANDACE GRAMMOND: Do you have a

21 sense of how MPI's current security infrastructure

22 compares with other organizations?

23   MR. MARTIN GEFFEN: It -- it's purely --

24 a kind of anec -- anecdotal assessment, but I would -- I

25 would say that, the -- the kinds of tools like authen --

1   authorization and authentication, identity and access

2   management, single sign-on, are starting to come --

3   starting to become relatively prevalent in industry, in

4   general. And they're not in place at -- at MPI.

5   MS. CANDACE GRAMMOND: So, what do you

6   see the implications being, or potential implications

7   being, if the security infrastructure at MPI isn't

8   changed in the foreseeable future?

9   MR. MARTIN GEFFEN: So I think there's a

10 potential for -- really I think -- I think threefold.

11 There's a potential for -- for data loss or intrusion,

12 and that's -- that is possible.

13   There is the potential for, you know, risk

14 -- you know risk of loss or increased costs as you

15 continue to have to provision for user IDs or - or

16 authorization as you -- as you're expanding the user

17 network beyond just the people in, you know, say in

18 Cityplace, or at the service centres.

19   And then the -- the third is -- is really

20 about being positioned for the future so that if you --

21 if you are -- or if you do want to ex -- expand that kind

22 of connectivity as we talked about with -- with online

23 banking, it will be become difficult and costly to do

24 that without changing your security infrastructure.

25   MS. CANDACE GRAMMOND: Do these potential

 1 implications that you've described apply to all of the

 2 aspects of the system, so the -- you know, the vehicle

 3 insurance records, driver licensing, and so on and so

 4 forth?

 5   MR. MARTIN GEFFEN: It's -- I think the

 6 way to think about is kind of a more -- it's a more

 7 general question, so that what you want to think about

 8 doing is, how do we assure security for the entire

 9 environment? How do we assure authentication to -- to

10 the appropriate systems and -- and authorization for the

11 appropriate capabilities to the entire environment?

12   So it's not just going on a -- on a AOL,

13 or CARS, or -- or PIPP perspective, but it's the fact

14 that, as I said, you want to create an environment that

15 we are aware -- know that the entire -- the entire

16 environment is robust.

17   MS. CANDACE GRAMMOND: And I appreciate

18 that that's the goal. What I was trying to ask was

19 whether the -- the current exposure, or the current risk,

20 is across the board and includes all of the -- the

21 various components? Or are some components safer than

22 others at -- at the moment?

23   MR. MARTIN GEFFEN: I can't answer that.

24 I'm -- I would imagine, just in -- in general -- from

25 general experience, that's -- some -- some environments

 1   would be safer than others.

 2   MS. CANDACE GRAMMOND: And are you

 3   satisfied that the solution proposed by HP is going to

 4   address all of these security and risk issues?

 5   MR. MARTIN GEFFEN: So the proposal is to

 6   address the security, and so there's a set of planning

 7   and design that needs to take place. So as long as the

 8   appropriate designing and plan -- design and planning

 9   tools and projects take place, then it -- it should

10   address that, yes.

11   MS. CANDACE GRAMMOND: Those details

12   would be one (1) of the components that Gartner would be

13   monitoring gong forward?

14   MR. MARTIN GEFFEN: Correct.

15   MS. CANDACE GRAMMOND: Okay. The next

16   item on the list relates to complex environment. And the

17   note that HP has made is that:

18   "The application environment is complex

19   with many interdependencies,

20   technologies, and no single sor --

21   source of truth for data values."

22   Can you give us some information about

23   your view in terms of the -- the disadvantages, I guess,

24   of inter -- interdependencies within the system?

25   MR. MARTIN GEFFEN: Sure. It -- I think

1 a good example is, you know, if you kind of talk about

2 this single source of truth. So you will have multiple

3 systems in -- in that environment, in that cloud picture,

4 and there -- there might be many systems that will talk

5 about potentially a risk factor, or even something as

6 simple as an address.

7   And if you have the kinds of -- of complex

8 systems and interactions you might actually have data

9 that falls out of step one (1) from the other, and so you

10 don't really know what the single source of truth is.

11 And so that's -- that's the -- that's the risk. And it -

12 - it might sound trivial but, you know, eventually these

13 things, you know, in scale end up be -- becoming real

14 issues in term -- in terms of doing appropriate analysis,

15 doing appropriate reporting, and -- and doing appropriate

16 outreach to your customers.

17   What's the implication is that every time

18 you make a change to a system or -- or try to put a new

19 system in you really need to think. You need to keep in

20 mind all of those complexities and all of the

21 interrelationships, and then build around each of those

22 in -- address each of those interrelationships. So it

23 can make changes more complex, opportunities for mistakes

24 during those changes more likely, and potentially the

25 cost of putting in changes higher.

1   MS. CANDACE GRAMMOND: So would it be

2   fair to say then that the role that -- part of the role

3   that Gartner would fulfill going forward would be to see

4   to the goal of reducing those issues and -- and making --

5   rather than the -- so many aspects of the system being

6   interdependent, making them more independent?

7   MR. MARTIN GEFFEN: So I go back to the

8   comment about the fact that we don't do any work. So

9   really the -- the role of the project team that's

10   focussing on this will be to identify where the

11   complexities exist and identify the plans for actually re

12   -- reducing those complexities.

13   Our role will really be to review their

14   assessment and pass an opinion of kind of is it deep

15   enough, has it gone far enough, are there -- is there a

16   potential for -- that they've missed something. And then

17   looking at the plans and -- and passing an opinion as to

18   kind of are the plans appropriate, do they address all of

19   the issues that have been raised.

20   And then, finally, once they're doing

21   implementation, to review the implementation and -- and

22   pass an opinion on, you know, are we -- are we actually

23   on plan, are we going to achieve what we're doing, and

24   are we doing it within the -- the schedule and budget

25   we've put out to -- to do that.

1   MS. CANDACE GRAMMOND: Right. And those

2   were the three (3) things that you had identified as sort

3   of the -- the key factors to be monitored: the budget,

4   the timing, and the end result?

5   MR. MARTIN GEFFEN: Correct.

6   MS. CANDACE GRAMMOND: You had described

7   Gartner's role in the context of the building analogy as

8   the building inspector. And when -- when I heard that

9   the word that came into my mind was the watchdog.

10   Is that -- is that sort of fair to say,

11   that -- that Gartner's role would be like the watchdog of

12   those three (3) factors of this whole thing going

13   forward?

14   MR. MARTIN GEFFEN: Yes, it is kind of,

15   yeah.

16

17   (BRIEF PAUSE)

18

19   MS. CANDACE GRAMMOND: So, Mr. Geffen,

20   just with respect to the evidence that you gave about,

21   you know, how some of these issues are actually going to

22   be addressed, and there's still some -- some planning and

23   -- and detailing to be done, I'm -- I'm looking at one

24   (1) of the coloured diagrams that was put into evidence

25   this morning as part of Exhibit 30. And I'm actually

1   looking at the third page of Exhibit 30, the one with all

2   the cloud diagrams, which I -- I understand is

3   representative of what's -- what's there now, that this

4   is a reflection of -- of the -- the system as it stands?

5   MR. MARTIN GEFFEN: I don't know -- I

6   don't know exactly when it was done. It -- it's a

7   representation of something re -- relatively recent, yes.

8   MS. CANDACE GRAMMOND: Okay. But it -- I

9   guess the point is it's not a reflection of what the plan

10   is, or what the -- the end goal is?

11   MR. MARTIN GEFFEN: Correct.

12   MS. CANDACE GRAMMOND: So, do you have

13   any information at this point, of how what we see in this

14   depiction is going to change going forward? Or is that

15   under the -- the heading of to be determined?

16   MR. MARTIN GEFFEN: So I think that there

17   -- there -- there is a -- a vision of -- of kind of what

18   the overall architecture might look like. It's kind of -

19   - it's -- it still needs to be determined, but there is a

20   -- at least a vision -- a kind of high level vision of -

21   - of how these things will hang together.

22   The other thing is -- another way to

23   answer your question is that in each of these areas you

24   can talk about the -- the technology that's -- that's

25   underlying it, and so there's -- there's a way of --

 1   there's a -- we're talking about addressing each of these

 2   areas.

 3   So, for example, under Unix services,

 4   there -- there's kind of a picture of, kind of what the

 5   Unix servers look like and what -- and what -- the

 6   depiction of what the application software is, and so

 7   part of the infrastructure optimization stream are --

 8   there are a number of AIX projects, and those are

 9   projects that will deal with upgrading the Unix servers

10   to be current levels -- current releases of hardware and

11   software.

12   MS. CANDACE GRAMMOND: So, Mr. Geffen,

13   when you say that there is a high level vision for the --

14   the goal or where -- what the changes are going to be, or

15   where we're going, is there something that -- to your

16   knowledge, that exists that -- that's like this type of a

17   diagram, or are you talking about the -- the filings that

18   have been made on the record in this proceeding in more

19   of a narrative form?

20   MR. MARTIN GEFFEN: So, some of it is in

21   the narrative form that I've seen here. I also have seen

22   a high level architecture picture and I'm not sure that

23   that was actually in any of these docu – but I've -- so I

24   don't know.

25   MS. CANDACE GRAMMOND: I'll ask Mr.

1 Triggs to consider an undertaking that that either we be

2 given the reference for that, if -- if I'm missing it in

3 what's been provided, or that it -- that it be provided.

4 And again, if you want to take it under advisement for

5 now.

6   MR. MICHAEL TRIGGS: I'll take it under

7 advisement. Thank you.

8

9 --- UNDERTAKING NO. 22:   MPI to provide the high level

10   architecture picture, or

11   provide the reference if it

12   has been included in the

13   filings (under advisement)

14

15 CONTINUED BY MS. CANDACE GRAMMOND:

16   MS. CANDACE GRAMMOND: Mr. Geffen, we'll

17 go down -- we'll skip the next entry on the key findings

18 list and go to the one (1) that's entitled "Processes

19 siloed." The note there reflects:

20   "Processes, tools, and roles are

21   defined vertically rather than

22   horizontally, which reduces the

23   efficiency of IT and leads to increased

24   complexity."

25   Can you explain -- because I -- I take it

1   Gartner agrees with this comment. Can you tell us a

2   little bit more about what -- what that entails or what -

3   - what that issue represents?

4   MR. MARTIN GEFFEN: Sure. The -- a lot

5   of that will be addressed by the -- the ITSM, the IT

6   service management components. And the -- the way to

7   think about it -- let me -- let me give you an example,

8   is that when we're looking to provision for a -- a new

9   system. So, we're putting in a new application for, say,

10 broker access.

11   And what needs to happen for that is you

12 need to put it in new Unix servers and new -- new network

13 access, say. And you might need to put in a -- a new PC

14 in place for an assistant to use and possibly a video

15 camera. I'm making all of this stuff up as I -- as an

16 example.

17   So when we talk about siloed requests,

18 what -- what that -- what that means is that often the

19 project team will then need to -- will need to go to the

20 Unix -- the -- the Unix server group and say, I need

21 these servers. Or will need to go to the network group

22 and say, I need these networks. And we'll -- and so on

23 and so forth. And we'll need to actually manage each of

24 these individually.

25   In a best practices environment, what I

1   should be able to do is I should as a project team say, I

2   need this environment. I need the servers, the networks,

3   the -- and -- and the service management process will

4   then take care of making sure that the right

5   communication happens.

6   And it doesn't happen automatically, of

7   course, but through the -- the disciplines, the

8   processes, the guidelines, that there will be a -- a

9   cohesive way of delivering all of those services so that

10 the infrastructure is currently in place.

11   MS. CANDACE GRAMMOND: Thank you. Okay.

12 I'm going to ask you to -- to go then back to, again, one

13 (1) of the coloured documents that was put in evidence

14 this morning, and that's Exhibit 30. It's the last page,

15 the one that has what I would call the spider web diagram

16 on the left-hand side of the page, and then the -- the

17 coloured chart on the right-hand side.

18   Now this, I believe, was a document that

19 formed part of the original presentation that Gartner

20 provided to the Corporation, is that right?

21   MR. MARTIN GEFFEN: Once again, it was a

22 part of the -- the presentation that we provided. We

23 provide -- we used this to -- to make the point about,

24 kind of, where you are. These are actually findings out

25 of the HP report.

1   MS. CANDACE GRAMMOND: So would it be

2   fair to say that Gartner adopted what was reflected in

3   the HP report with resepct to this -- these -- these

4   details?

5   MR. MARTIN GEFFEN: Sure. I mean, I

6   think that what -- what we're -- what we've -- what we've

7   said is, that these were -- these were findings based on

8   our review of -- of their report. We can support their

9   findings and then we took that as evidence to -- to make

10   the -- position going forward about the need for -- about

11   the need for oversights and risk -- risk review.

12   MS. CANDACE GRAMMOND: So who prepared

13   the -- the spider web diagram on the left-hand side? Was

14   that a Gartner creation?

15   MR. MARTIN GEFFEN: No, that was an HP

16   creation.

17

18   (BRIEF PAUSE)

19

20   MR. MARTIN GEFFEN: You know, let me take

21   that under advisement now that I look at it. I -- I took

22   this -- let me get -- can I -- can I get back to you on

23   that?

24   MS. CANDACE GRAMMOND: Yeah. Yeah,

25   definitely.

1   MR. MARTIN GEFFEN: I -- I'm -- yeah, let

2   me just -- let me con -- let me confirm that because I'm

3   not a hundred percent sure.

4   THE CHAIRPERSON: Yeah, I think that

5   would be good because we're seeing that your name is --

6   or your firm's name is at the bottom, or it looks like it

7   is.

8   MR. MARTIN GEFFEN: Yes.

9   THE CHAIRPERSON: Yes, so -- yes. And

10   maybe in addition to who did it, when was it done --

11   MR. MARTIN GEFFEN: Okay.

12   THE CHAIRPERSON: -- would be --

13   MR. MARTIN GEFFEN: Yeah.

14   THE CHAIRPERSON: -- useful. Although I

15   see 2011 on here.

16   MR. MARTIN GEFFEN: Yeah. No, I -- so I

17   -- I can tell you this that we were -- we were -- we were

18   asked to kind of do an assessment and make a -- make a

19   presentation about, kind of, the -- the need for risk

20   review, and we thought that these were important findings

21   to say -- identify why a risk review is important.

22   But I'll -- I'll need to get where the

23   sources came from whether -- my -- my three (3) sources

24   are Gartner material, HP material, or internal MPI work.

25   And I'll -- we'll get that for you.

1   THE CHAIRPERSON: Because I think you

2   asked, Ms. Grammond, when this all started. You -- I

3   think you asked a few questions, I don't remember when.

4   But the relationship between -- I know

5   you've done other projects, that's clear. For the last

6   three (3) years you've been working on various things,

7   but this particular idea and project we're very

8   interested in knowing when that relationship began, I

9   think. Thank you.

10   MS. CANDACE GRAMMOND: Sure. The

11 undertaking is for Mr. Geffen to advise whether the

12 document found at Page 4 of Exhibit 30 was a Gartner-

13 generated document or an HP-generated document, and when

14 it was prepared.

15   MR. MICHAEL TRIGGS: It should probably

16 be an MPI undertaking and I suppose Mr. Geffen will do

17 that.

18

19 --- UNDERTAKING NO. 23:   MPI to indicate who prepared

20   the document found at page 4

21   of Exhibit 30, and when it

22   was prepared

23

24 CONTINUED BY MS. CANDACE GRAMMOND:

25   MS. CANDACE GRAMMOND: That's fine.

1 Madam Chair, I note the time. It's about five (5) to

2 12:00. I'm going to obviously continue with questions of

3 Mr. Geffen, but I'm wondering if we -- if we want to take

4 the -- the lunch break at this time and set a time to

5 reconvene.

6   And just as we have that discussion, I

7 know I had had discussions with Ms. Kalinowsky prior to

8 Mr. Geffen being scheduled to testify today about the

9 time that his flight might be leaving. So can we just

10 get some detail on how long we have Mr. Geffen here?

11   MR. MICHAEL TRIGGS: Yeah, I believe Mr.

12 Geffen has a flight to Los Angeles at four o'clock today,

13 so he has to get to the airport and --

14   MS. CANDACE GRAMMOND: So what time does

15 he have to be out of this building?

16   MR. MICHAEL TRIGGS: At 2:30.

17   MS. CANDACE GRAMMOND: Madam Chair, I'm

18 sure Mr. Williams is going to have some cross-examination

19 -- well, or maybe yes, maybe no. I know Mr. Oakes does

20 not have cross-examination. But I'm wondering if we --

21   THE CHAIRPERSON: We might have to

22 shorten our lunch break --

23   MS. CANDACE GRAMMOND: Yeah, take an

24 hour.

25   THE CHAIRPERSON: -- because we

1   definitely want to have time with you. So an hour you

2   think will work?

3   MS. CANDACE GRAMMOND: I think so. I

4   think then if we come back at one o'clock that gives us--

5   THE CHAIRPERSON: Yeah.

6   MS. CANDACE GRAMMOND: -- ninety (90)

7   minutes.

8   THE CHAIRPERSON: Okay. All right,

9   that'll work. So we'll reconvene at one o'clock.

10

11   --- Upon recessing at 11:58 a.m.

12   --- Upon resuming at 1:00 p.m.

13

14   THE CHAIRPERSON: I think we're ready to

15   begin again, and Mr. Pelly has just said that he's going

16   to excuse himself, so I'd like to wish you a bon voyage

17   to -- back to Ontario. All right.

18   So, Ms. Grammond, we are pursuing those

19   questions that you still have?

20   MS. CANDACE GRAMMOND: Yes. Thank you,

21   Madam Chair.

22

23   CONTINUED BY MS. CANDACE GRAMMOND:

24   MS. CANDACE GRAMMOND: Okay, Mr. Geffen,

25   I have some more questions with respect to these matters.

1   Turning back to the HP report, which is

2   found at Tab 22 of the Board's book of documents, just a

3   few pages in we have the -- the HP set of slides. We had

4   looked at the -- the key findings earlier.

5   I'm now on pages 6 -- 6 to 7, of the

6   report. And then I'm -- I'm not going to go through

7   these slides in detail, but I want you, Mr. Geffen, and -

8   - and the Board to be aware of where -- where it is. So,

9   on page 6 of that document, at the -- the bottom -- the

10   bottom slide. We see the heading "Findings and

11   recommendations."

12   Are you with me there, Mr. Geffen?

13   MR. MARTIN GEFFEN: Yes.

14   MS. CANDACE GRAMMOND: Thank you. And

15   what we see on pages 7 and following are a series of

16   specific slides dealing with a variety of findings and

17   recommendations as found by HP. Is that right?

18   MR. MARTIN GEFFEN: Correct, yes.

19   MS. CANDACE GRAMMOND: Now, did -- did

20   Gartner review each of those findings and recommendations

21   in detail?

22   MR. MARTIN GEFFEN: We reviewed this

23   report and had conversations with -- internally with MPI

24   staff on this report. But that was the -- that was the

25   extent of our review, yeah.

1   MS. CANDACE GRAMMOND: So did the review

2   include a look at whether each of the findings and

3   recommendations of HP was reasonable?

4   MR. MARTIN GEFFEN: Yes, to the extent

5   that the -- the data was available in the report, yes.

6   MS. CANDACE GRAMMOND: So, Gartner didn't

7   have any discussions with HP directly about the findings

8   or recommendations?

9   MR. MARTIN GEFFEN: Correct.

10   MS. CANDACE GRAMMOND: And did Gartner

11   have any questions that were posed to the Corporation, or

12   questions in it -- in it's own mind that had to be

13   satisfied before it could go on the record as supporting

14   these findings and recommendations?

15   MR. MARTIN GEFFEN: Yes. We -- we looked

16   at, you know, various aspects in terms of timing and

17   costing and -- and conclusions drawn from -- from the --

18   the findings.

19   MS. CANDACE GRAMMOND: Okay. Now we know

20   that HP put forward a -- a budget for this project and

21   that's contained within its report as well. It's on page

22   15, so we were just at pages 6 and 7. And if we go to

23   page 15, we'll see the reflection of the budget. And the

24   Board has already seen this slide earlier in these

25   proceedings.

1   Did Gartner have any specific advice with

2   respect to the budget?

3   MR. MARTIN GEFFEN: So we -- we looked at

4   this -- this level, looked at a -- a level of -- of

5   detail lower than that in some spreadsheets and some had

6   some questions about where -- how -- how the numbers were

7   determined and magnitude of some -- of some of these

8   numbers. So we -- we did get some clarification on -- on

9   the -- on the numbers, yes.

10   MS. CANDACE GRAMMOND: And are those

11   spreadsheets, Mr. Triggs, on the record in this

12   proceeding? Do you know offhand? If not, can you let us

13   know?

14   MR. MICHAEL TRIGGS: I do not believe

15   that they are on the record.

16   MS. CANDACE GRAMMOND: Would -- would the

17   Corporation agree to provide those to the Board?

18   MR. MICHAEL TRIGGS: I'll take that under

19   advisement.

20   MS. CANDACE GRAMMOND: Yes, it's taken

21   under advisement.

22

23   --- UNDERTAKING NO. 24:   MPI to provide the

24   spreadsheets to the Board

25   regarding HP's budget for the

1   project (under advisement)

2

3   CONTINUED BY MS. CANDACE GRAMMOND:

4   MS. CANDACE GRAMMOND: Okay. And, Mr.

5   Geffen, we've seen if we turn a few more pages -- or act

6   -- well, a number of more pages in at Tab 22 there's a

7   document. And again, the Board has seen this already

8   over the course of the hearing. But we've seen a

9   comparison between the budget as proposed by HP, which

10   was 77 million, and the ultimate $71 million budget that

11   approved by MPI's Board.

12   So you should -- yeah, if you -- if you

13   keep going past those minutes you should get to it. It's

14   a one (1) page chart with a thick, black heading across

15   the top. Yeah, that's not it. It's -- it's part of Tab

16   22. It's PUB/MPI-2-26, Attachment B.

17

18   (BRIEF PAUSE)

19

20   MS. CANDACE GRAMMOND: 'B' as in bravo.

21

22   (BRIEF PAUSE)

23

24   MR. MARTIN GEFFEN: Perfect.

25   MS. CANDACE GRAMMOND: Yeah, I think

1 that's it.

2   MR. MARTIN GEFFEN: Yeah.

3   MS. CANDACE GRAMMOND: Okay. So this --

4 this is just a reflection of the -- the difference

5 between the $77 million budget that HP put forward and

6 the 71 million that was ultimately approved by MPI's

7 Board. And so we've already talked in this proceeding

8 about the -- the two (2) differences. There's the 14.1

9 million in applications that was removed from the budget,

10 and then there was 6.2 million for storage that was added

11 in.

12   Are you familiar with those changes?

13   MR. MARTIN GEFFEN: I am familiar with

14 those changes, yes.

15   MS. CANDACE GRAMMOND: And did either or

16 both of those arise from advice or input that Gartner had

17 to MPI?

18   MR. MARTIN GEFFEN: No, I think that they

19 were done before -- before we provided any feedback.

20   MS. CANDACE GRAMMOND: Does Gartner have

21 a view or any comments with respect to those changes?

22   MR. MARTIN GEFFEN: So, yes, specifically

23 with respect to the applications area. You know, we've

24 talked about could you defer. And we've also talked

25 about the fact that this is really about the -- the

1 underlying infrastructure.

2   So the -- the applications that have been

3 removed are things that we do think could reasonably be

4 deferred, largely because they're part of that -- that --

5 that application, the business functionality layer, not

6 the underlying infrastructure layer. So we're fully in

7 support of that.

8   MS. CANDACE GRAMMOND: Okay. Thank you.

9 And I was actually just going to come to that. In your

10 direct evidence this morning you spoke about whether any

11 pieces of the plan could be deferred. And you gave a

12 specific example that was fairly -- at least in terms of

13 cost, small relative to -- to the whole.

14   Can you give us any other examples of --

15 of parts that can be deferred and is -- is that something

16 that Gartner has taken a detailed look at?

17   MR. MARTIN GEFFEN: So we -- we've looked

18 at, you know, the -- the long list of -- of projects.

19 And you know -- and another place where we think that,

20 you know, based on best practices and what we've seen out

21 in the industry is the ITSM stream is, you know, laid out

22 to take place in the first three (3) years, I think.

23   And we've seen other organizations where

24 they've taken a longer time to -- to deploy the various

25 components of -- of the -- the ITSM stream. So -- so we

1   think that -- you know, that some of those elements of

2   the ITSM stream could be deferred over -- over time as

3   well.

4   MS. CANDACE GRAMMOND: And can you just

5   clarify for the record what ITSM stands for?

6   MR. MARTIN GEFFEN: Oh, sorry.   ITSM is

7   IT service management.   That's the set of dis -- skills

8   and disciplines and guidelines that are used to manage

9   ongoing IT operations.

10   MS. CANDACE GRAMMOND: And are you in a

11   position to attach even a rough dollar amount to the

12   piece that you think could be deferred?

13   MR. MARTIN GEFFEN: Yes, I -- I looked at

14   this earlier and there -- the -- there's the back end

15   pieces that I think are in the order of $2 million that

16   are -- that there's -- that -- that could be def -- that

17   could be reasonably deferred as part of the stream.

18   MS. CANDACE GRAMMOND: And are there any

19   other components that in -- in your view and Gartner's

20   view, could be deferred reasonably?

21   MR. MARTIN GEFFEN: Based on -- based on

22   the -- the findings and the, kind of, the risk and the --

23   the state of the technology, we think that no other items

24   should be deferred.

25   You know, I will say -- as I've said

1 before, it's -- it's all about a business decision,

2 right. It's -- it's -- it's a -- businesses always do

3 risk and reward tradeoff, but in -- in our -- in our

4 opinion, and based on best practices, we would say, you

5 know, if you can do it now -- if you can do it now, do

6 it. Do it now.

7   MS. CANDACE GRAMMOND: What you're saying

8 is that Gartner's role is to provide its views, but at

9 the end of the day MPI can take or -- some or all of that

10 advice?

11   MR. MARTIN GEFFEN: Correct.

12   MS. CANDACE GRAMMOND: Okay. What can

13 you tell us with respect to the -- the level of spending.

14 We -- we know from the document we're looking at there's

15 a 71 million that was approved by the Board, and the

16 earlier document that we had looked at, the HP budget,

17 had proposed a 77 million, as I -- we had spoken about,

18 together with another 29 million in recurring costs over

19 a five (5) year period.

20   Given your experience on these type of

21 projects, is that general spending level to be expected?

22 Is it within range for what's being done and to address

23 the specific shortfalls?

24   MR. MARTIN GEFFEN: So, I -- I would say

25 this is -- we -- we've looked at the -- we looked at the

1   items, we looked at the -- the various line items and --

2   and the -- the components and so at -- we looked at it as

3   a rough order of magni -- of magnitude costs, and

4   directionally that we believe that they are reasonable in

5   -- in the ballpark.

6   When you ask, you know, based on, you know

7   other experience or other organizations, you know -- I

8   think that this is a -- a one (1) off occurrence. It's

9   about bringing -- bringing the infrastructure to -- into

10 best practices to -- to a level of -- of solid, stable,

11 robust, ongoing operations.

12   We've -- I've seen this kind of situation

13 in -- in other organizations, but the costs will range

14 depending on what the current -- what the current

15 situation is, so it's...

16   MS. CANDACE GRAMMOND: And we've spoken

17 about Gartner's role going forward, in part being to

18 monitor budget and -- and actual expenditures. What has

19 your experience been in these kinds of -- of projects in

20 terms of budget overrun. In other words, how successful

21 are -- are we able to be with keeping it in line?

22   MR. MARTIN GEFFEN: So I think that it --

23 you know, budget overrun really comes down to oversight

24 monitoring and measurement and discipline. I think that

25 those are, as I've said before, live a high level of

1   confidence that those just -- those -- those are in

2   place. We will certainly be -- be keeping tracking of

3   that.

4   With regards to budget overrun, I would

5   say that, in this instance, the likelihood of that would

6   be lower than in some of the -- in -- in other instances

7   like a BPR kind of environment, where you're doing, you

8   know, technology-enabled business transformation, where

9   you're dealing with user requirements, where you're

10   actually working to change customer behaviour or -- or

11   staff behaviour.

12   Those are -- those are areas where it's

13   very, very hard to kind of project and -- and you -- you

14   run into change roadblocks.

15   With a technology implementation, you

16   know, so -- so long as the planning is done up front and

17   where you've done some reasonable level of estimating,

18   then I think that where it's the -- the -- the risk of

19   cost overrun is -- is lower I would think.

20   MS. CANDACE GRAMMOND: And given those

21   comments, as things unfold, are there particular checks

22   and balances that Gartner uses, or would be put in place

23   to monitor? Or is the -- the upfront set up that you've

24   described enough?

25   MR. MARTIN GEFFEN: What we would be

1   looking for is we would be looking for, as we -- as we

2   move down the path on each of these projects -- we'd be

3   looking for greater levels of specificity. We'd be

4   looking for the -- the kinds of planning and -- and

5   schedules to be in place. We would be looking at what

6   the staffing structures look like for -- and -- and so

7   that -- we would -- we would look to get greater levels

8   of specificity and accuracy of -- of these estimates

9   going forward and so that's -- that's one (1) of the

10 things we'll be looking forward to.

11   MS. CANDACE GRAMMOND: And is it fairly

12 common for organizations to implement these types of

13 projects over a period of years?

14   MR. MARTIN GEFFEN: Yes. I think that,

15 you know, some of these things just take that amount of

16 time to actually do. And just in terms of, kind of, it

17 just takes that long to -- to do this kind of

18 implementation.

19   Also, I think that there is a -- a level

20 of capa -- organizational capacity of -- of change that -

21 - that exists. And so there is certainly a finite level

22 of change that can take place in a -- in an organization.

23 And so I think that also drives to -- to doing projects

24 like this over time.

25   MS. CANDACE GRAMMOND: And do you have

1   knowledge of, with respect to how other organizations

2   have funded this type of project, whether it's been done

3   out of operational funds or from a capital fund?

4   MR. MARTIN GEFFEN: You know, we -- we've

5   seen both that, you know, it -- sometimes it's a one (1)

6   time capital infusion to -- to address an issue like this

7   and then other times it comes out of operating budget.

8   MS. CANDACE GRAMMOND: Thank you. I'd

9   like to -- to go back to the HP document. We had just

10   looked at Page 15 where we saw the -- the HP proposed

11   budget, the 77 million and then the -- the 29 million.

12   If we go back to Page 17, so go two (2)

13   pages farther in the document than we were, we have a

14   series of slides. And again, the -- the Board has

15   already looked at these in this proceeding. But I'm on

16   Page 17, PUB/MPI-1-62, Attachment A, if the Board wishes

17   to go there at this time.

18   These are slides prepared by HP and

19   there's a series of them that go over a couple of pages

20   reflecting the cost and benefit of the recommended

21   initiatives.

22   You're familiar with these slides?

23   MR. MARTIN GEFFEN: I am, yes.

24   MS. CANDACE GRAMMOND: And I assume that

25   Gartner reviewed these together with the rest of the

 1   piece and came to an agreement with them.

 2   MR. MARTIN GEFFEN: Correct.

 3   MS. CANDACE GRAMMOND: Is it -- is it

 4   your view that this representation of this type of

 5   analysis is a -- a best practice? Is this something

 6   that Gartner looks for to be done in these types of

 7   projects?

 8   MR. MARTIN GEFFEN: I think that it -- it

 9   meets the need. So -- and I -- in -- in the sense that

10   HP was asked to review the infrastructure environment,

11   identify risks, and then identify ways of addressing

12   those risks.

13   And so the way that -- the way that

14   they've built it both kind of the -- the findings and

15   recommendations and they provide a crosswalk to the

16   findings and recommendations. Then they break it down on

17   a project by project or investment by investment basis

18   that -- that makes sense to -- a way to show how the

19   recommendations address the need and then to actually be

20   able to structure these in a way that's measurable,

21   manageable, and invisible.

22   MS. CANDACE GRAMMOND: And would you

23   typically see dollar amounts associated with each of the

24   benefits, as well as dollar amounts associated with each

25   of the costs?

1   MR. MARTIN GEFFEN: So there's -- there's

2   often a desire to see, kind of, quantitative benefits and

3   especially in -- in dollar amounts. And for many of

4   these kinds of -- of investments it's very difficult or

5   impossible to kind of lay out, kind of, what the

6   quantitative benefit is. The quantitative benefit is,

7   you know, is -- I mean, it's -- I go back to the analogy,

8   What's the -- what's the quantitative benefit of

9   repairing your brakes when they -- the -- it's -- it's

10 really hard to say. It's kind of a -- it's a -- an

11 avoidance of -- it's an avoidance of a -- of a

12 downstream risk, really.

13   MS. CANDACE GRAMMOND: Is there any other

14 analysis that -- that Gartner has done in this -- with

15 respect to this project, or that could be done to

16 demonstrate this type of comparison or to -- to analyze

17 the cost and benefit of the project?

18   MR. MARTIN GEFFEN: To -- to identify the

19 -- the quantitative costs? Is that what you're asking?

20   MS. CANDACE GRAMMOND: The -- the costs

21 or the benefits.

22   MR. MARTIN GEFFEN: The benefits. So I -

23 - I think that the -- certainly you could do more

24 detailed analysis to get down to a cost that had a

25 greater level of specificity and a -- and a lower range

1   of variability and I think that that -- well, that will

2   happen over time as we drive closer and closer -- or as

3   MPI drives closer and closer to doing the

4   implementations.

5   In terms of the benefit, for some of these

6   areas one could construct a -- a quantitative benefits

7   analysis. For many of these areas it would be

8   speculative and it would be based on, kind of, cost

9   avoidance or a potential risk avoidance. Many

10   organizations don't do that because it's a large effort

11   with, frankly, a relatively low payback because it -- it

12   doesn't provide much confidence in terms of what the real

13   -- I would say it's almost impossible to do an ROI, or

14   you know, a return on investment kind of benefit

15   analysis.

16   MS. CANDACE GRAMMOND: Okay. Thank you.

17   I'm going to ask you then to turn back to the Gartner --

18   what we're calling the Gartner report, which is the --

19   the series of slides that -- that Gartner provided to

20   MPI, and that's at PUB/MPI-2-26, Attachment D, as in

21   delta. So it's still in Tab 22 of the book of documents,

22   but it's -- it's farther down the way than the HP report

23   that -- that we've been looking at.

24   MR. MARTIN GEFFEN: I have that, yeah.

25   MS. CANDACE GRAMMOND: And again, this is

1   -- we've -- we've spent some time looking at it already

2   in this proceeding, so if the Board wishes to go there,

3   that would be fine. And -- and I am going to make

4   reference to -- to several of the slides.

5   So I'm within Tab 22. I'm at PUB/MPI-2-

6   26, so I'm closer to the end of Tab 22 than the beginning

7   and I'm in Attachment D. Yeah, 'D' as in delta. And, in

8   particular, I'm on page 3. So page 3 consists of two (2)

9   slides, and I'm focussing on the -- the slide at the

10 bottom, which I gather is the -- the -- what's contained

11 within the arrow.

12

13   (BRIEF PAUSE)

14

15   MS. CANDACE GRAMMOND: I just want to

16 make sure that the Board -- yeah. So I'm on page 3. The

17 pages are in the bottom right-hand corner, PUB/MPI-2-26,

18 Attachment D.

19   And just as an aside, I just -- I said to

20 Ms. Hamilton while we were looking, I think, for

21 everyone's benefit, next year at this hearing we're going

22 to number the pages of this book continuously from 1 to

23 whatever, like for the lawyers. And then we'll do it

24 like where we do an appeal book because I think that

25 would make it easier for everybody to find where we're

1   at. So we'll -- we'll make that improvement for next

2   year.

3   But, Madam Chair, are you --

4   THE CHAIRPERSON: No, I'm not there yet.

5   MS. CANDACE GRAMMOND: Okay.

6   MR. REGIS GOSSELIN: Since we're on the

7   subject of improvements, you know what would -- would be

8   helpful would be a chronology. A chronology of events I

9   think would be something I would find quite useful.

10   MS. CANDACE GRAMMOND: Okay. Thank you.

11

12   CONTINUED BY MS. CANDACE GRAMMOND:

13   MS. CANDACE GRAMMOND: Perfect. Okay.

14   So, Mr. Geffen, the -- the slide on the bottom half of

15   page 3 is entitled, "There is a wide range of Board

16   oversight over IT." And then we have an arrow, like a

17   spectrum of potential levels of oversight.

18   And this is within Gartner's presentation,

19   so I assume this a Gartner creation?

20   MR. MARTIN GEFFEN: Correct, it is.

21   MS. CANDACE GRAMMOND: So we see the

22   arrow, "MPI today," which has, "Board review of IT

23   capital investments." And then we have the next arrow,

24   which is, "MPI recommended future."

25   That would be IT oversight by the audit

 1 committee?

 2   MR. MARTIN GEFFEN: Correct.

 3   MS. CANDACE GRAMMOND: And I take it that

 4 that's a recommended -- recommended change that Gartner

 5 put forward to MPI.

 6   Is that right?

 7   MR. MARTIN GEFFEN: So this was arranged

 8 in conversation with MPI. The MPI executive had -- had

 9 prior discussions and were -- were -- had -- we're moving

10 to that future, and we -- we reviewed that and -- and

11 agreed with that future.

12   MS. CANDACE GRAMMOND: Okay. So the

13 suggestion was made -- or came from MPI but Gartner

14 supported it?

15   MR. MARTIN GEFFEN: Correct, yes.

16   MS. CANDACE GRAMMOND: And so I -- I take

17 it that when the -- the business process review was

18 undertaken and ongoing the Board review of -- of the IT

19 piece of capital expenditures was with the Board, as

20 indicated under the MPI today arrow?

21   MR. MARTIN GEFFEN: Can you just repeat

22 the question, please?

23   MS. CANDACE GRAMMOND: Sure. Sure. The

24 -- the arrow that's labelled, "MPI today," which reflects

25 that the Board has oversight -- or a review of IT capital

1   investments, that would be the case when the business

2   process review was being done?

3   MR. MARTIN GEFFEN: Correct, yes.

4   MS. CANDACE GRAMMOND: Okay. And we see

5   on the last bullet of the chart, and I bel -- I assume

6   this is Gartner's statement, that:

7   "This is a higher degree of oversight

8   and more advanced than many

9   organizations that we have seen."

10   And I -- I take it that's with reference

11   to the idea that IT oversight be shifted to the audit

12   committee?

13   MR. MARTIN GEFFEN: Correct, yes.

14   MS. CANDACE GRAMMOND: So can you tell us

15   a little bit about that, and I -- I gather that in most

16   organizations your -- Gartner's experience has been that

17   the degree of oversight is -- is less?

18   MR. MARTIN GEFFEN: Yes. So, the genesis

19   of this was that we -- in -- in conversation with -- with

20   some of the MPI executives, asked about what our per --

21   what our perception was, what it -- what -- what we'd

22   seen with regards to oversight and governance of IT

23   expenditures in -- in the industry, in the context of

24   moving it to a -- a greater level of -- of oversight. In

25   effect, having it -- oversight at the -- at a

1   subcommittee of the board level.

2   And so -- so what -- what we had done is -

3   - I can re -- refer to our research -- spoke to a number

4   of our research analysts and some of my consulting peers

5   to just get some perspective of what we had seen out

6   there and what we were seeing out there. And there were

7   a couple of research analysts that actually focussed on

8   IT and -- and -- IT and the CIO board -- board relations.

9   So we got the input from there.

10   And -- and so this is really a summation

11   of -- of some of the conversations and the research that

12   we had done. That's -- we see -- it -- most IT

13   investments are overseen at, you know -- through the --

14   the capital allocation process, which is usually at a --

15   a -- a senior management level. And so, that's -- that's

16   where that statement comes from.

17   MS. CANDACE GRAMMOND: Okay. Thank you.

18   And I'm going to continue at the Gartner document and --

19   and we'll go to a -- a different slide in a moment. Just

20   before I do that, we've heard evidence with respect to

21   the idea of project charters being prepared, with respect

22   to this, and that that has not yet been done.

23   Is that something in which Gartner's going

24   to assist the Corporation?

25   MR. MARTIN GEFFEN: So, once again we

1   will -- I would say we will in -- insist on seeing a --

2   on a project charter. I think that's the -- that's the

3   best practice we will expect to see those -- those kinds

4   of things.

5   We might provide some feedback in terms of

6   the kinds of content or -- or areas that we think that

7   the charters are deficient in. But again, I come back to

8   the -- we don't work the -- the comment, is that we -- we

9   will not be writing the project charters.

10   MS. CANDACE GRAMMOND: Sorry, can you say

11 that last sentence, please?

12   MR. MARTIN GEFFEN: We -- I'm sorry. We

13 -- we will not be writing project charters.

14   MS. CANDACE GRAMMOND: But you will

15 review and have input?

16   MR. MARTIN GEFFEN: We will rev -- yes,

17 we will -- we will expect to see them and we will review

18 them and we will definitely be providing directed -- an

19 assessment of the -- the content and the structure of the

20 charters and requesting areas where -- or making

21 suggestions that deficient areas be addressed.

22   MS. CANDACE GRAMMOND: Okay. Thank you.

23

24   (BRIEF PAUSE)

25

1   DR. LEN EVANS: Excuse me, just, in the

2   interval here, just a general question. Did I hear you

3   say earlier today that you also work for the Saskatchewan

4   Public Insurance Corporation?

5   MR. MARTIN GEFFEN: I have never done any

6   work for -- are you talking about SGI?

7   DR. LEN EVANS: Yes.

8   MR. MARTIN GEFFEN: I -- I do not think

9   that Gartner has done project work for them, but I can

10   find that out. And I -- I have not done any work for

11   them.

12   DR. LEN EVANS: Okay. Well, maybe I

13   could ask the MPI representative whether Saskatchewan has

14   gone ahead with IT in terms of, you know, online bookings

15   of -- of policies, et cetera. In other words, how do we

16   compare with Saskatchewan in terms of this topic we're

17   discussing?

18   MS. CANDACE GRAMMOND: I'm just going to

19   interject. I think Mr. -- Mr. Triggs is at the mic, but

20   we don't want him to give evidence and answer that

21   question, so. What I'd ask, maybe, MPI to do is just

22   note the question and then when the witnesses are back

23   up, have an answer with -- with the Board's permission,

24   of course.

25   THE CHAIRPERSON: Yeah, I would interject

1   and say that sounds like him giving evidence, so, whoever

2   could give that.

3

4   CONTINUED BY MS. CANDACE GRAMMOND:

5   MS. CANDACE GRAMMOND: I -- I think,

6   Madam Chair, we'll -- we'll just ask them to hold the

7   question in their mind and -- and then provide an answer

8   when Ms. McLaren and Mr. Palmer are back at the mic,

9   because the witness has indicated he can't provide an

10   answer to that, so.

11   Well, actually, he didn't indicate that,

12   but based on what he said, I'm sure that he can't and

13   it's -- it's not his area, so.

14   Okay, Mr. Geffen, just one (1) more

15   question with respect to project charters in general. Is

16   there a -- a typical format or a, you know, a precedent

17   skeleton that -- that those documents would typically

18   follow, in Gartner's experience?

19   MR. MARTIN GEFFEN: Interestingly, there

20   are lots of typical formats. I think, you know, many

21   organizations will -- will build their own. There is an

22   organization called the Project Management Institute that

23   really provides guidelines and -- and so they will

24   provide a structure.

25   I think there is a -- so just beyond the

1 question that you're asking I think is there -- there is

2 a clear understanding about what -- what the sections

3 should -- should in -- include in a -- in a charter, but

4 I don't think that there's any one (1) specific format

5 that -- that is the -- the way of doing a project

6 charter.

7 MS. CANDACE GRAMMOND: So certainly when

8 Gartner reviews whatever's prepared here it will -- you

9 and Gartner will have regard to what those typical

10 contents would be?

11 MR. MARTIN GEFFEN: Correct, yeah. There

12 are -- there are things. We -- we look for specific

13 sections. We look for content within -- in those

14 sections.

15 MS. CANDACE GRAMMOND: Thank you. Okay,

16 so back to the Gartner document. We had looked on page 3

17 at the slide about oversight. I'm now going to ask you

18 to turn to page 7, so a little bit farther, the same

19 document, just turning from page 3 to page 7. We have a

20 slide at the top on page 7 that's entitled, "Enhanced

21 View of IT Risk." Okay.

22 MR. MARTIN GEFFEN: I've got that, yes.

23 MS. CANDACE GRAMMOND: Okay. And we see

24 just underneath that heading there's the statement:

25 "Gartner has supported MPI to improve

1   IT risk management."

2   And if we look at the subsequent slides we

3   see that phrase, "Gartner has supported MPI" with respect

4   to a variety of different things. We -- we see that

5   recurring.

6   And just so that we -- we understand the -

7   - the timing, when Gartner uses the phrase in these

8   slides, "has supported MPI" with respect to whatever, is

9   it speaking about things that it has done in the past or

10   things that it is going to be doing in this project?

11   MR. MARTIN GEFFEN: These four (4) areas

12   are things that we have done in the past with MPI.

13   MS. CANDACE GRAMMOND: And were -- were

14   these things then done as part of Gartner's work on the

15   business process review, or in -- in what context were

16   these things done?

17   MR. MARTIN GEFFEN: So they were done in

18   a range of -- of contexts. Some of it was done in --

19   with regards to business process review. Some of it was

20   done as part of the scorecard or the benchmarking that

21   I'd said that we had done previously. And I think some

22   of it actually come -- in fact, some of it comes from the

23   -- the research and analysis executive program that --

24   that the VP and CIO is -- is a member of.

25   MS. CANDACE GRAMMOND: Okay. Thank you.

1   So with respect to the first slide then on page 7, the

2   one (1) that's entitled "Enhanced view of IT risk," and

3   the statement that "Gartner has supported MPI to improve

4   IT risk management," can you tell us with respect to that

5   slide in which context the work was done and -- and give

6   us a description of what was done?

7   MR. MARTIN GEFFEN: Sure. So it was done

8   in combination of the executive program that the -- the

9   CIO is a member of and working with a member of -- of our

10 team who is direct liaison who worked through an

11 understanding of kind of what are the components of -- of

12 IT risk, how do you -- how do you assess IT risk and what

13 -- and what are their -- their impacts, and how do you

14 manage and mitigate that.

15   So that was -- it wa -- and based -- so

16 that started through that kind of -- the -- the executive

17 program, and I was asked to really provide some

18 additional in -- insight, input to help to assess --

19 assist the way that risk -- IT risk gets recorded and --

20 and reported in -- in the new -- in the coming

21 environment where there'll be more oversight at the -- at

22 the IT audit committee level.

23   MS. CANDACE GRAMMOND: And so at what

24 point in time then was that work done? Like we -- we've

25 talked about the -- the breakdown in MPI's system that

1 happened in May of 2010. And then we know the HP report

2 ensued and Gartner was retained just this past summer.

3 So can you give me a time frame of when

4 that piece of work was done?

5 MR. MARTIN GEFFEN: Sure. So I think Mr.

6 -- Mr. Guimond started working with Chris -- Chris

7 Larson, (phonetic) part of our executive program team,

8 early in this year, I think February, Mar -- maybe the

9 March, April, May time frame. I don't have the exact

10 time frames on that. And I was asked to provide some

11 input and insight in the summer, so in the June, July

12 time frame.

13 MS. CANDACE GRAMMOND: Okay. And looking

14 at the four (4) headings that appear on the slide:

15 agility, accuracy, access, and availability. And then we

16 see each of those leading to some subheadings.

17 Can you give us a description, sort of, in

18 practical terms of -- of what this reflects? Like, what

19 is it that we're looking at here?

20 MR. MARTIN GEFFEN: Sure. So when --

21 when we go in and do, kind of, a detailed risk assessment

22 this is one (1) of the models that we use. And so if we

23 -- we -- look at, kind of, you start from the bottom and

24 go up.

25 And so availability says systems need to

1   be available. So you're -- you know, you need uptime,

2   you need connectivity, you need disaster recovery, all of

3   those kinds of things.

4   Access says we actually need to have

5   access to those systems. So again, authorization,

6   authentication, network -- network access, those kinds of

7   things.

8   Accuracy says we need to actually have the

9   right kind of applications, the applications need to be

10 right, the -- we need -- we need, as best as possible, a

11 single source of truth or at least a clear understanding

12 of where the multiple sources of truth are.

13   And then finally agility is about being

14 able to respond to, or proactively act on business

15 opportunity or business demand. So making sure that, you

16 know, when -- when our marketplace is moving that we are,

17 at least, following it or hopefully leading it. Or if

18 there are regulatory demands we can -- we can respond in

19 time to have our systems changed to support those --

20 those requirements.

21   MS. CANDACE GRAMMOND: So then what are

22 the subheadings on the right-hand side that relate to

23 each of those?

24   MR. MARTIN GEFFEN: Oh, okay. Yes, so --

25 yes. So each of those really kind of talk about some --

1   what are the impacts if, you know, the -- what are the

2   impacts of either doing it appropriately or not doing it.

3   So for example, you know, availability, if

4   for -- the lack of availability could lead to high cost

5   in terms of remediation or repair. Certainly, we've

6   talked about reputation risk if your systems aren't

7   around. Revenue is, you know, if you -- if you can't

8   operate you can't be collecting money. Or -- and market

9   share again, in a -- in a private sector environment is,

10 you know, if you're -- if you're not -- if you're not up

11 and running you have reputation risk, you -- you reduce

12 your market share. And I could step through it for each

13 of those.

14   MS. CANDACE GRAMMOND: So I -- I see the

15 -- the reference to market share there that you mentioned

16 for availability. And then there's competition

17 referenced for accuracy and access.

18   Are those, in the case of MPI, relative to

19 their extension line of business, or are they perhaps not

20 so applicable in the MPI context?

21   MR. MARTIN GEFFEN: My guess is that

22 they're not as applicable and could be applicable in the

23 extension line of business. We hadn't -- I hadn't really

24 actually thought through those components. We're really

25 just providing the key areas that we tend to look at when

1   we -- when we look -- use this model.

2   MS. CANDACE GRAMMOND: Okay. The slide

3   that follows on the bottom of page 7 is entitled "Target

4   delivery -- Target IT delivery model." And it reflects

5   that Gartner has done work for MPI or supported MPI to

6   improve that IT delivery model. The print on the

7   document is pretty small even for me to read.

8   Can you describe for us what that piece of

9   work entailed and when it was done for MPI?

10   MR. MARTIN GEFFEN: Sure. So this is --

11   comes out of the work that we had done for that IT

12   scorecard, that benchmark that was done last November.

13   And we looked at the overall -- not only the comparison

14   of pure costs, where it was costing other organizations,

15   similar organizations, to deliver IT, but we also look

16   at, kind of, how -- how MPI compared on -- in -- with

17   regards to how it delivered service or how it was

18   structured around the IT organization.

19   And the top -- the top left picture really

20   kind of talks about the maturity model. We talked about

21   a maturity model with regards to ITSM earlier. This is

22   really kind of -- more of a maturity model that talks

23   about the maturity of your IT organization, how -- how

24   focussed are you on just keeping the lights on, keeping

25   the business running, all the way through to the far end.

1   Some organizations use IT as a differentiator or a

2   revenue generator. And so that's kind of what -- what

3   that talks about.

4   And the one on the bottom right is --

5   consultants always have a 2 x 2 matrix, it's a way -- way

6   of looking at -- at an environment. And so we -- we have

7   a -- we describe IT organizations based on -- I'm going

8   to use -- I'm going to look at this, and use my glasses

9   to see the details over here.

10   The -- you know, the -- the expected IT

11   role is the -- is the east-west or the left to right, and

12   the business -- the -- the business risk is the -- the

13   north-south or the up and down. And in each quadrant,

14   depending on what the organization expects out of IT and

15   the overall business strategy will -- will drive the kind

16   of IT organization that you're looking for.

17   So coming out of the benchmark we assessed

18   that for -- for MPI and then made a recommendation that -

19   - about the kind -- what that implied for the kind of --

20   of org -- IT organization it would need to be, what kind

21   of structure would it need -- require, what kind of

22   skills it would require. And, so, have made some

23   recommendations about moving forward to strengthen the IT

24   organization to achieve those goals.

25   MS. CANDACE GRAMMOND: Thank you. If we

1   go over the page, to page 8, we have two (2) more slides

2   that deal with services that Gartner has provided to MPI

3   in the past.

4   The top slide deals with IT governance

5   and, as we can see from the chart, it deals with

6   different areas of decision, and I guess who the decision

7   maker is, and then who would have input into the -- the

8   decision.

9   Is that a fair characterization?

10   MR. MARTIN GEFFEN: Correct, yes.

11   MS. CANDACE GRAMMOND: So was this a -- a

12   piece of work that Gartner did for the Corporation that

13   led to recommendations being made? Is -- is what we see

14   here a reflection of what MPI was doing before, or what

15   Gartner recommended that MPI do?

16   MR. MARTIN GEFFEN: So, in -- as part of

17   the executive program working with Mr. Guimond, I -- Mr.

18   Larson worked through kind of what the governance needed

19   to look like. As Mr. Guimond had taken over the -- the

20   role and was consolidating IT, he was looking at, kind

21   of, what should the governance structure look like?

22   And so, this was input and support. We

23   provided these kinds of models, these kinds of frameworks

24   for looking at this. And the MPI staff did the layout in

25   terms of, kind of, who were decision owners, who were

1   decision inputs, but -- using -- using the kind of tools

2   and frameworks that we provided.

3   MS. CANDACE GRAMMOND: Okay. So this --

4   this was a reflection of what was being done within the

5   Corporation?

6   MR. MARTIN GEFFEN: It's -- it's a

7   reflection of a change of what was -- I mean there --

8   there was -- the -- the organi -- the organization was --

9   I would say that the gove -- IT governance was more

10   diffuse prior to this work being done, but there was the

11   -- the decision, the design for the -- the IT governance

12   structure was done largely by MPI staff using Gartner

13   models and Gartner input. I -- I hope I'm getting to

14   your question.

15   MS. CANDACE GRAMMOND: I think so. I

16   think so. Okay. The -- the bottom table on, or -- slide

17   on page 8, is entitled "IT organization design," and we

18   see a -- a flowchart or an organizational chart with the

19   office of the CIO, Mr. Guimond at the top, and then three

20   (3) departments, I suppose, followed by subdepartments.

21   Is that a fair characterization?

22   MR. MARTIN GEFFEN: That's a fair

23   characterization, sure.

24   MS. CANDACE GRAMMOND: So I -- I guess

25   the -- the same question with respect to this

1   organizational structure. Is this a reflection of what -

2   - what pre-dated Gartner's work in this area, or is this

3   a reflection of the post-work situation?

4   MR. MARTIN GEFFEN: It's kind of both. I

5   think that the in -- when we first started working with

6   MPI, these -- these different branches or organizations

7   were -- kind of had diffuse reporting re -- relationships

8   within -- within the organization. They have been

9   brought together under the -- in the -- in the -- under

10 the office of the CIO.

11   We had made some recommendations during

12 the -- some of our reviews around BPR that we thought

13 that that kind of diffuse structure was suboptimal, and

14 made some recommendations that, you know, it might -- it

15 might make sense to actually do some consolidation.

16   And we provided -- once again provided

17 support to the IT organiza -- the -- the MPI staff that

18 are part of the IT organization to make some decisions

19 about how to consolidate and what the reporting structure

20 should look like.

21   MS. CANDACE GRAMMOND: So I take it that

22 -- that all of this work that we've been discussing over

23 these last number of slides was work that was done before

24 Gartner got into, in -- in detail, the HP report and

25 Gartner was retained with respect to the --

1   MR. MARTIN GEFFEN: Correct. It was all

2   done independent of -- of the -- the HP report, yes.

3   MS. CANDACE GRAMMOND: Okay, the next

4   slide, on page 9 -- we have one (1) -- this is the last

5   one that deals with what Gartner had done before. And as

6   I -- I would call it a -- a summary of the risks faced by

7   the Corporation. And I mean, if you -- if we look at the

8   content, these are -- appear to be concepts that we've

9   discussed that Gartner considers to be risks to MPI?

10   MR. MARTIN GEFFEN: Correct, yes.

11   MS. CANDACE GRAMMOND: Okay. Now if we

12   turn over the page again, to page 10, now we see the --

13   the verb tense of the heading change. So we've shifted

14   from Gartner has supposed to Gartner will support. So

15   we're now into the services that Gartner is to provide

16   under the -- the IT optimization project.

17   Is that right?

18   MR. MARTIN GEFFEN: Correct. Let me --

19   so it's -- I -- the review of the -- the oversight of the

20   IT optimization is a part -- a large part of this, but

21   it's not -- but this is over and above the -- the --

22   these are the ser -- services that Gartner will provide.

23   MS. CANDACE GRAMMOND: So you're saying

24   what's reflected here includes IT optimization but

25   includes other matters as well?

1   MR. MARTIN GEFFEN: Correct, yes.

2   MS. CANDACE GRAMMOND: And we -- we spoke

3   about when we looked at the pricing in the contract, the

4   -- the breakdown and the two (2) facets of the services?

5   MR. MARTIN GEFFEN: Correct.

6   MS. CANDACE GRAMMOND: Okay. So if we

7   look at the top slide on page 10 we see some detail with

8   respect to the oversight that Gartner is to provide. We

9   see in the first section continuous support to the office

10   of the CIO.

11   Is that right?

12   MR. MARTIN GEFFEN: Yes.

13   MS. CANDACE GRAMMOND: Can you tell us a

14   little bit about the -- the first bullet, the CIO

15   signature service and how that relates to the whole of

16   the support to be provided?

17   MR. MARTIN GEFFEN: Sure. And I

18   apologize for using multiple terminologies here. I've

19   referred here a few times to the Gartner executive

20   programs. And that -- we actually brand that as the CIO

21   signature service. And so that is a service where --

22   where Gartner provides one on one direct support to an IT

23   executive, like a CIO, provides access to a client

24   partner, so that's the Mr. Larson that I referred to.

25   It connects CIOs together so there's a

1   peer group that -- that can network together and -- and

2   address together, and then provides specific access to

3   advice and -- and research. That's what the signature

4   service is.

5   MS. CANDACE GRAMMOND: So the -- the

6   first bullet, "Signature service," as you've described is

7   -- is really inclusive of the bullets that follow?

8   MR. MARTIN GEFFEN: So it's inclusive of

9   the bullets that follow for that specific role, for the

10 CIO role, so it's inclusive plus additionals --

11 additional -- for example, the one on one support and one

12 (1) -- of a client partner, like Mr. Larson.

13   The bullets that follow are also part of

14 the subscription service that Gartner provides to MPI in

15 general so that there are other me -- members of the IT

16 staff who have access to research and advisory advice and

17 coaching and toolkits and methodologies.

18   MS. CANDACE GRAMMOND: Okay. Thank you.

19 And the -- the services listed in this slide, not just

20 for the CIO, but the ones that follow for the CEO and the

21 Board, that's all on a five (5) year tail end of the

22 contract?

23   MR. MARTIN GEFFEN: Correct, yes.

24   MS. CANDACE GRAMMOND: Okay. Just to

25 speak for a minute about the -- the second section here,

 1   the -- the quarterly CEO oversight. Can you give us a

 2   bit of a description of what that service is?

 3   MR. MARTIN GEFFEN: Sure. It's -- we've

 4   talked a little bit about this -- this already, so it

 5   will -- it entails a quarterly review of what we're ca --

 6   calling strategic initiatives. ITO is a strategic

 7   initiative. The DART, if you're familiar with that, is a

 8   strategic initiative. There is a -- some -- some other

 9   initiatives that are being considered.

10   And what we will do is on a quarterly

11   basis we will review the progress aga -- against each of

12   those initiatives. And so tho -- those are the instances

13   in which we will look at status reports, charters, pro --

14   progress against budget, progress against schedule, and

15   provide an assessment and recommendations for, of course,

16   correction or -- or rectification. So that's the --

17   that's that quarterly CE -- CEO oversight that we've

18   talked about.

19   MS. CANDACE GRAMMOND: Can you tell us

20   about the other initiatives that are being considered

21   that you mentioned?

22   MR. MARTIN GEFFEN: Oh, sorry. So DART

23   is -- is a -- the initiative that will effectively move -

24   - move the driver's licensing off -- off the -- off the

25   mainframe and provide additional driver's licensing

1   capability. The ITO is a strategic initiative. And

2   there is a initiative that's kind of -- that we

3   understand is at an early stage of -- is considering

4   enhanced cus - customer service, so it's at the early

5   planning stages.

6   MS. CANDACE GRAMMOND: Okay. And then

7   the third section within this slide is called, "Annual

8   board oversight." So we've -- we've talked about CIO.

9   We've talked about CEO.

10   Can you give us a little bit of detail

11 about what the Gartner role with the board of directors

12 will be?

13   MR. MARTIN GEFFEN: Sure. So, in fact, I

14 -- you'll see even in the second -- in -- in the middle

15 panel there's a -- it talks about the review of risk

16 responses. The -- MPI's risk management approach is to

17 do a risk -- risk responses to the -- to a subcommittee

18 of the Board. And part of our role will be to review the

19 staff, prepare a risk response to determine whether

20 they're complete and correct and adequate. So that's

21 what that -- that piece will be.

22   So that's -- we'll go -- we'll do those

23 reviews on a quarterly basis and report to the CI -- CEO.

24 We'll report on an annual basis, similar service -- and

25 report annually to the board with regards to completion

1   and correctness and adequacy of -- of the risk response

2   for IT.

3   And similar -- and similarly what we will

4   do is we will provide annually the scorecards that we've

5   talked about before, so those bench -- those pure

6   benchmarks and a -- an overall dashboard in terms of a

7   progress against risk, you know, a risk assessment ba --

8   benchmark.

9   MR. REGIS GOSSELIN: Can I ask for a

10 clarification? You said, Report to the board. Is it the

11 board or is it the audit committee?

12   MR. MARTIN GEFFEN: I'm sorry. It's the

13 -- yeah, I apologize. It's the -- it's the audit

14 committee.

15

16

17 CONTINUED BY MS. CANDACE GRAMMOND:

18   MS. CANDACE GRAMMOND: Thank you. And,

19 Mr. Geffen, when you talk about the overall dashboard, is

20 that a -- is there a sample of that at the bottom slide

21 on page 10, just underneath what we've been looking at?

22   MR. MARTIN GEFFEN: Correct. We -- the -

23 - that was a sample at -- at the bottom there, yes.

24   MS. CANDACE GRAMMOND: So I -- I take it

25 that it's a -- a physical document that will be provided

1   quarterly?

2   MR. MARTIN GEFFEN: Oh, yes, absolutely.

3   MR. REGIS GOSSELIN: Can I query about

4   the audit committee specifically? Do you sort of

5   envision this as being, you know, you come into the audit

6   committee meeting room and all the staff leave and you

7   have the opportunity to fee -- speak forthrightly about

8   the current lay of the land within MPI? Is that how you

9   envision that to happen?

10   MR. MARTIN GEFFEN: So, yes, I mean, at -

11   - at a level -- the -- you -- you said two (2) things.

12   All the staff leave. I -- I'm not sure what the practice

13   is at MPI, but I com -- absolutely expect to be able to

14   speak frankly and openly about the lay of the land at

15   MPI.

16   MS. CANDACE GRAMMOND: Thank you.

17   MR. REGIS GOSSELIN: Since -- since we're

18   on the topic, do you mind if I ask a few more questions?

19   In terms of the -- you know, I think you

20   might be getting there, but it talks about the scorecard

21   and it talks about a number of -- of variables that will

22   allow you to come up with an ultimate score.

23   So are those -- that scorecard, are you

24   looking at internal -- internal indicators or are you

25   looking externally? Can you -- or, in other words, can

1   you compare MPI -- given it's uniqueness, can you compare

2   against other similar entities?

3   MR. MARTIN GEFFEN: Yes. So the

4   scorecards are actually pure scorecards and so we do

5   compare MPI to other similar entities. And you -- part

6   of your question is kind of, can we -- can we do it?

7   And the way we do it is that we define

8   similarity not necessarily by are they in the same

9   business, but is their IT -- the -- the expectations of

10 IT, are they the same? And so we're not -- when we talk

11 about the expectations of IT they're defined in a very

12 structured way. So we have measures of complexity,

13 measures of workload, so we can compare MPI to other

14 organizations that have similar complexity in their IT

15 environment and similar levels of workload and similar

16 expectations. And so then we do a peer to peer

17 comparison.

18

19 CONTINUED BY MS. CANDACE GRAMMOND:

20   MS. CANDACE GRAMMOND: Mr. Geffen, just

21 on the topic of the scorecards if we turn the page and go

22 to page 11, is that where we see the details on the top

23 slide there on page 11 of the three (3) types of

24 scorecards: the CIO scorecard, the budget scorecard, and

25 the infrastructure and operations scorecard?

1   MR. MARTIN GEFFEN: Correct, yes.

2   MS. CANDACE GRAMMOND: Okay. So just to

3 -- we'll leave this. I just have a couple more questions

4 and then I'll conclude my -- my cross.

5   But what can you tell us, Mr. Geffen,

6 about what Gartner envisions for the end of the -- the

7 end or -- of the five (5) year project, or even along the

8 way as things are being implemented? Does -- does

9 Gartner envision an effect on, for example, the number of

10 employees at MPI? Does -- does Gartner see the -- there

11 being a decrease in the head count as a result of these

12 optimizations?

13   MR. MARTIN GEFFEN: I don't have that

14 information. I...

15   MS. CANDACE GRAMMOND: Do you have any

16 information about the effect that this project may have

17 on the processing of claims?

18   MR. MARTIN GEFFEN: Only to the extent

19 that, you know, you will have mitigated -- MPI will have

20 mitigated risks and -- and so the -- the potential for

21 not being able to process claims will have been lowered

22 or were reduced or removed.

23   And again, I can't speculate, but I would

24 say that, you know, if we think about online banking --

25 well, we'll -- five (5) years from now you will -- MPI

1   will be doing claims processing in a different way and

2   will have -- will -- will be able to build those -- those

3   systems based on -- on infrastructure that's put in place

4   through -- through ITO.

5   MS. CANDACE GRAMMOND: Yeah. Madam

6   Chair, I don't have further questions, but certainly if

7   the -- the Board does, they should ask them.

8   MR. REGIS GOSSELIN: I -- I just want to

9   -- a couple questions. I know that time is limited, so

10 I'll make it very quick. You know, as part of your

11 ongoing relationship with MPI you would have probably be

12 -- been attuned to the sort of evolution of the IT

13 systems, and you probably would have -- am I right in

14 assuming that your systems would have picked up the

15 growing vulnerability of the IT systems from a risk

16 perspective, you know?

17   MR. MARTIN GEFFEN: We focussed really on

18 -- on the BPR program, so we were very focussed on

19 delivery of new -- of new applications and -- and not so

20 much on kind of ongoing operations.

21   MR. REGIS GOSSELIN: So I guess what I'm

22 getting at is the -- you know, so within the spectrum of

23 issues to be addressed within the IT area, the risk --

24 the risk involved in outages and so on was probably one

25 (1) of the risks that was picked up at some point amongst

 1   all the risks that they face, right?

 2   Am I wrong in that? In other words, you

 3   would have -- your -- you would have probably had

 4   discussions and talked about risk as one (1) of the

 5   issues having to be addressed by IT and -- and MPI?

 6   MR. MARTIN GEFFEN: Yes. So we -- we

 7   would discussed -- certainly on BPR we discussed project

 8   risks, are -- you know, are your projects going to be in

 9   and they're going to achieve the outcomes that you're

10   expecting, and as part of the outcomes you're expecting,

11   will they be able to be up and running, and so will the

12   maintenance and support be there in place.

13   MR. REGIS GOSSELIN: What I'm trying to

14   focus on is this issue of the -- the major outage that

15   seemed to have been the trigger for a sudden priori --

16   prioritization of -- of business continuity and -- and so

17   on as one (1) of the issues that needed to be addressed

18   as a priority.

19   Am I right there, or...?

20   MR. MARTIN GEFFEN: I -- I don't know

21   that that outage was -- was the trigger for -- for -- I

22   think there was kind of a growing realization that we --

23   we are more and more reliant on -- on our solutions.

24   I think there was a growing realization of

25   kind of a raising of the knowledge within -- within MPI

1 that -- of, you know, where risks were, and that --

2 that's kind of what led to this.

3   MR. REGIS GOSSELIN: But -- but going

4 forward, I guess part of what this system that will be

5 set up will be a more robust identification of risks and

6 a more robust mis -- risk-mitigation strategy, as I

7 understand it?

8   MR. MARTIN GEFFEN: Yes.

9   MR. REGIS GOSSELIN: Okay. Now, the --

10 the sort of spectrum of -- of vulnerabilities that was

11 identified in your report on page 9, I kind of see those

12 mostly as being internal vulnerabilities. I'm talking

13 about unreliability of current computer applications. A

14 lot of that is mostly internal.

15   I guess what I want to probe with you is

16 what about external risks? Do you see that there are

17 significant external risks facing MPI's IT

18 infrastructure? By that, I'm -- I'm trying to get at,

19 you know, floods, fires, train wrecks.

20   MR. MARTIN GEFFEN: Okay. That -- that

21 explanation -- that explanation helps. I think -- I

22 think that there are two (2) kinds of risks that -- that

23 you -- one might reasonably co -- consider. One (1) is

24 the, you know, risk of -- of inappropriate access to

25 systems. So that's an external risk and -- and I think

1 that -- so the se -- security optimization needs to

2 address that.

3   With respect to those other external

4 risks, I think -- so I'm -- I'm not quite sure how to

5 answer those -- those questions. I -- we believe -- I

6 mean, those risks are outstan -- are -- are there. I

7 mean, certainly fire. Certainly we know -- we understand

8 flood is a risk, and it has been identified as such

9 within MPI, and so the disaster recovery and business

10 continuity planning are meant to address those risks.

11   I'm not sure I'm addressing your question

12 though. Am I -- am I...?

13   MR. REGIS GOSSELIN: I think the fact

14 that you have a more robust plan will allow MPI to do --

15 to address those kinds of external risks more adequately.

16   MR. MARTIN GEFFEN: Yes, yes. So -- so

17 the -- the discipline of doing disaster recovery planning

18 is to, as -- as I think I've mentioned earlier, kind of

19 do a business impact analysis, which talks about what

20 kinds of risks might be out there, what could be the

21 impacts of those risks. To do what we -- because we talk

22 about RTO and RPOs -- recovery time objectives, so how

23 quickly you need to recover. Recovery point objectives,

24 how -- to what degree do we need to recover. So all of

25 those -- those -- those kinds of discussions need to take

1   place and I -- I know are actually taking place.

2   And so that will -- those will then inform

3   the plan, and then putting in -- in place, addressing the

4   -- the -- the DR by acquiring appropriate equipment to --

5   facilities and disciplines will -- will address those --

6   those risks.

7   MR. REGIS GOSSELIN: Now, in the -- in

8   the -- as part of your mandate, I would expect that you

9   would -- you would -- you would be able to say to MPI

10 management, or to the Board, this is -- these are dollars

11 that you do not need to spend.

12   I mean, I -- I -- I guess what I -- what

13 we want to hear -- what I'd like to hear, for example, is

14 that you feel free to say, This is something that would

15 be nice to have, but this is not something you need to

16 have.

17   And I guess I -- do you feel free to -- to

18 --

19   MR. MARTIN GEFFEN: We -- we do and we

20 have. In -- in -- in the BPR, the business process

21 review, there were certainly instances where we said, you

22 know, we think that, you know, you could do with less of

23 that, or you could do this in a different way, for -- for

24 less money.

25   THE CHAIRPERSON: Now my fellow Board

1   memb -- member to the right, accuses me of being too much

2   on the clock. But I am aware that you have to leave in

3   half an hour. And so, I'm hoping, Mr. Williams, I hate

4   to limit you, but go ahead.

5

6   CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

7   MR. BYRON WILLIAMS: No -- no limit that

8   we're feeling, Madam Chair. I -- I have just five (5) or

9   six (6) questions. Our clients -- we don't want to

10 express a lack of interest, but we'll be more interested

11 when the project charters are available to -- to analyze.

12   Mr. Geffen, welcome, by the way. And,

13 just as I understand your conversation with My Learned

14 Friend, Ms. Grammond, in terms of the overall decision,

15 in terms of when to proceed with the IT optimization and

16 also how much to spend, ultimately my understanding is

17 you have characterized that as a -- a business decision

18 to -- to be left to MPI management?

19   Is that your view, sir?

20   MR. MARTIN GEFFEN: My view is -- is that

21 -- that -- there's a risk and cost tradeoff and I think

22 that you're going -- that -- that is a -- a management

23 decision that needs to make -- to be made, yes.

24   MR. BYRON WILLIAMS: And in terms of that

25 risk-cost tradeoff, sir, at this stage of the game, the

 1   Gartner Group has only been able to take it -- take a

 2   look at the cost sides in terms of it -- what you've

 3   described as a "rough order" of the magnitude of the

 4   cost.

 5   Would that be fair, sir?

 6   MR. MARTIN GEFFEN: I think that the cos

 7   -- the costs are in -- initial estimates given the

 8   information that's -- that's available, yes.

 9   MR. BYRON WILLIAMS: You used the word

10   "rough order of magnitude," correct?

11   MR. MARTIN GEFFEN: Yes. Yes.

12   MR. BYRON WILLIAMS: And that's to the --

13   to date, that's as far as the Gartner Group has been able

14   to go, is to get a loo -- a rough order of the magnitude

15   of costs, correct?

16   MR. MARTIN GEFFEN: We -- we have

17   reviewed the costs that -- that have been developed by

18   MPI staff with -- with HP support and -- and we believe

19   that we would characterize those as rough order of

20   magnitude costs and not detailed estimates, yes.

21   MR. BYRON WILLIAMS: And, quite properly,

22   you've said that, you look forward to a greater level of

23   specificit – specificity at a future date, correct?

24   MR. MARTIN GEFFEN: Correct, yes.

25   MR. BYRON WILLIAMS: Now you had a

1   discussion with my friend, Ms. Grammond, in terms of

2   project charters.

3   Do you recall that discussion, sir?

4   MR. MARTIN GEFFEN: I do.

5   MR. BYRON WILLIAMS: And to date, there

6   are no project charters for you to review with regard to

7   the IT optimization project, correct?

8   MR. MARTIN GEFFEN: Correct. I believe

9   these are works in progress.

10   MR. BYRON WILLIAMS: And in terms of

11 making a judgment -- in terms of the prudence and

12 reasonableness of specific subcomponents of the IT

13 optimization project, certainly it would be your

14 recommendation that one -- that it would be premature,

15 until one has had an opportunity to look at those project

16 charters, correct?

17   MR. MARTIN GEFFEN: I think that the --

18 based on the findings of -- that -- that -- coming out of

19 the HP report, which kind of took -- which identified

20 where areas of risk were areas that -- that needed to be

21 addressed by upgrades of technology, I think that -- that

22 the projects that have been identified at a high level

23 are -- it -- we've kind of -- how do I put this. There's

24 some -- some real clarity about what needs to get done.

25   So your operating system needs to be

1   upgraded. Your storage plant -- MPI's storage plant

2   needs to be upgraded. Security needs to be upgraded. So

3   you could -- we can reasonably draw those conclusions and

4   -- and understand that those are reasonable and prudent

5   plans, what kinds of techno -- of storage, how much of

6   the storage in a -- you know, at a terabyte or a petabyte

7   level, all of those, how you -- how you acquire that

8   storage, how you implement that storage.

9   All of those are areas that do need to be

10 determined, and we would expect to have very clear

11 projections about plans to address those questions in

12 charters.

13   MR. BYRON WILLIAMS: And you would be

14 looking for clear projections in terms of costs, in terms

15 of mechanisms, in terms of timing, and a clearer outline

16 in terms of benefits, whether quantitative or

17 qualitative, correct?

18   MR. MARTIN GEFFEN: So we would expect to

19 have -- yeah, so -- so clear plans for how you achieve --

20 how -- how each of these projects would be completed. We

21 would expect to get more and more granularity and

22 specificity around -- around the costs as we -- as we go

23 forward.

24   And, yes, a charter would -- would

25 normally specify benefits. And we've talked about level

1   of -- we know -- whether they're qualitative or

2   quantitative. I -- I think that in some instances it's

3   very difficult to achieve quantitative costs -- bene --

4   quantitative benefits.

5   MR. BYRON WILLIAMS: But as a prudent and

6   reasonable manager, one would want to have some

7   assessment of those benefits as well as the costs and --

8   and the details, correct?

9   MR. MARTIN GEFFEN: Yes, correct.

10   MR. BYRON WILLIAMS: And before one

11 signed off on -- on any specific subcomponent in terms of

12 its prudence and reasonableness in terms of the -- that

13 plan, one would want to review the charters, correct?

14   MR. MARTIN GEFFEN: So a charter is

15 really about -- as I said, it's kind of, in quotes, "the

16 -- the contract between the deliverer and the -- and the

17 sponsor." so you -- because what it does is it manages

18 the expectation, the -- it's -- it makes clear what the

19 expectation of what will be delivered and how it will be

20 delivered.

21   So I -- I think it's important to have a

22 charter as you move forward on -- on the overall program

23 and -- and specific projects, so, yes.

24   MR. BYRON WILLIAMS: It would be

25 imprudent to sign off on a plan until one had an

1   opportunity to review the charter, correct?

2   MR. MARTIN GEFFEN: I think that -- I

3   mean, I think that it would be difficult to proceed with

4   an overall program such as this without -- without having

5   a charter that would display what -- what the resources

6   are and what the -- what the timing and schedule would

7   look like.

8   MR. BYRON WILLIAMS: Mr. Geffen, I thank

9   you for your candour. And, Madam Chair, I have no

10   further questions.

11   THE CHAIRPERSON: Okay. Thank you. And

12   I'm turning now to CAA. Ms. Peters...?

13   MS. LIZ PETERS: No, we're fine.

14   THE CHAIRPERSON: Okay.

15   MS. LIZ PETERS: Thank you.

16   THE CHAIRPERSON: All right. I think we

17   probably can release you. Is that -- or are there some

18   more things?

19   MS. CANDACE GRAMMOND: We'll just see if

20   Mr. Triggs han -- has any redirect --

21   THE CHAIRPERSON: Oh, yes, follow-up.

22   MS. CANDACE GRAMMOND: -- re-examination.

23   THE CHAIRPERSON: Mr. Triggs...?

24

25   RE-DIRECT EXAMINATION BY MR. MICHAEL TRIGGS:

1   MR. MICHAEL TRIGGS: Yes, Mr. Geffen, can

2   you -- just for clarity on the last points that Mr.

3   Williams has raised, can you explain the relationship

4   between, you know, I guess in the lifecycle of a project,

5   from, you know, the conception through to implementation,

6   where the charter fits in and what other components are,

7   what the relationship of tho -- those are?

8   MR. MARTIN GEFFEN: Sure. So with --

9   with an IT project there's normally some kind of a

10   germitive -- a germ of an idea. There is -- based on the

11   governance process, you'll get some kind of permission or

12   -- or authority to proceed with it and you'll determine

13   kind of -- often do a feasibility analysis that the -- in

14   -- in some instances, to determine whether it's --

15   whether there's a real project going forward.

16   And so this is -- it could range from

17   acquiring disc drives all the way through to building a

18   new enhanced system to issue -- to issue enhanced ID

19   cards, for example, the two (2) -- two (2) realistic

20   examples.

21   And the acquisition of a -- of disc drives

22   would be, you know, you -- you'd want to issue an RFP and

23   you might actually -- some organizations would -- would

24   actually create a charter for the project to acquire disc

25   drives. Now I think that that might be taking -- going

1   in -- into too much granularity.

2   What you would really want to do is you'd

3   want to have a charter for the implementation process for

4   doing -- you know, once the -- once you've decided which

5   vendor you're going with, how you're going to actually do

6   the installation, do the data transfer, and do the

7   testing and get up and running. And so that's kind of

8   what the -- the charter would be like in that instance.

9   For a large-scale technology-enabled

10 business transformation project you'd want to be thinking

11 much earlier in terms, kind of, who -- what -- what the

12 business objectives are, what the benefits would be, both

13 quantitative and qualitative, what kind of resources and

14 timing you would need. And you would probably in there

15 also talk about governance structures in terms of how we

16 determine scope, how we determine scope changes.

17   MR. MICHAEL TRIGGS: When you're

18 developing the costing for the -- the budget for how much

19 a project's going to take, at what point is that usually

20 done at? What point in time?

21   MR. MARTIN GEFFEN: So it's almost a -- I

22 would say it's almost a continuous process. That when

23 you start at an early stage you will make some initial

24 estimates of -- of what those costs will be and those

25 will be based on -- perhaps on industry standards, on --

1   on rules of thumb on guidelines.

2   As you move further -- further down the

3   path in terms of writing a charter or doing the planning

4   you will get more and more granular around those costs so

5   that -- you know, again -- again if you think about

6   acquiring a, you know, a piece of furniture or -- or

7   acquiring a building you can say, Well, this building is

8   going to be ten (10) floors, a hundred thousand square

9   feet, that we know it's roughly fifty (50) -- fifty

10 dollars ($50) a square foot. And so you've kind of --

11 have your rough order of magnitude.

12   Once you have done your -- your

13 architecture and your drawings you can get a -- detail --

14 a more detailed set of -- of costs. And then when you

15 actually go out to tender, you start getting back

16 competitive costs and get much closer to what those costs

17 are.

18   And even then those costs will be changed

19 because you're going to do change orders for your

20 building because you're going to move your -- the wall

21 from here to there, or you're going to do -- lay down

22 different carpeting, or that kind of thing.

23   I -- have I answered your question?

24   MR. MICHAEL TRIGGS: Yes. And how

25 comfortable are you with the -- the cost that MPI is

1 projecting right now of the $71 million, and I think it's

2 the $47 million for the hardware?

3   MR. MARTIN GEFFEN: As -- as I've said

4 earlier, I think that we're -- you know, we -- we are at

5 that -- that initial stage. That those costs that have

6 been projected are -- we have a -- given where we are in

7 -- in the process we have a high level of confidence that

8 those are reasonable costs and are -- have been estimated

9 at a conservative level.

10   MR. MICHAEL TRIGGS: Thank you, Mr.

11 Geffen. I have no further questions.

12   THE CHAIRPERSON: Yes, Mr. Gosselin has

13 a question.

14   MR. REGIS GOSSELIN: Yes. You know,

15 while we've been talking about the investment required to

16 -- to improve the infrastructure at MPI, we have not been

17 talking about the recurring costs that will be triggered

18 by this cap -- huge capital investment.

19   And if you look at the pattern what --

20 what IT costs have been like at MPI you can see that, you

21 know, up until the mid -- mid 2000s we had a certain

22 level and then it was stepped up as there was a big

23 investment in some of the applications and so on. And

24 now we're talking about another step up to support the

25 infrastructure that's going to be developed as a result

1   of these recommendations. So going forward the recurring

2   costs will -- will far surpass the initial upfront

3   capitalization costs, it -- over time I'm talking about.

4   And I guess the question I have for you is

5   -- is: Given this -- this new level of re -- of

6   recurring costs, where is MPI situated relative to other

7   entities within your client base?

8   I mean, are we going -- are we talking

9   about expenses that are much higher than other entities

10 of -- of a similar nature, or are we talking about

11 something that's relatively the same?

12   MR. MARTIN GEFFEN: So my expectation is

13 that you will be about the same as other peer entities.

14 When we -- so when we do our annual benchmarking you

15 will fall within the -- the 50 percentile range. So you

16 will be -- MPI will be -- will be compare -- comparative

17 -- or comparable to -- to their peers.

18   I think that if we -- we look at some of

19 the work that we've done before, MPI has been

20 underspending, as it's been spending less than peer

21 organizations, and now will be coming closer to what peer

22 organizations are spending.

23   MR. REGIS GOSSELIN: So, what would you

24 think would be a -- a sort of an average percentage of

25 overall expenditures? What would IT represent as an

1 overall expenditure for most organizations? What

2 percentage are we talking about?

3   MR. MARTIN GEFFEN: I prefer not to

4 answer that question now, but I can get you the data. We

5 -- we actually do run surveys and we -- we -- we have

6 research on -- on a industry by industry level, and

7 organization size by organization size level. And we can

8 -- we can get you that data, but I -- I wouldn't want to

9 speculate as to what that exact number is right now.

10   THE CHAIRPERSON: Yes. I think we're

11 looking for an undertaking.

12   MR. MICHAEL TRIGGS: Can you repeat what

13 the undertaking is?

14   THE CHAIRPERSON: I think what -- well,

15 Mr. Gosselin can probably repeat it, but I'm hearing that

16 we want to know the average IT spending per year, is that

17 it? Or -- or no -- you better take that.

18   MR. REGIS GOSSELIN: I'm looking for what

19 would represent a reasonable percentage of -- how much IT

20 would represent as a reasonable percentage of total

21 expenditures by an entity of a similar -- similar nature.

22 I'm looking for a benchmark is what I'm looking for.

23   MR. MICHAEL TRIGGS: We'll provide that

24 undertaking.

25

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 1   --- UNDERTAKING NO. 25:     MPI to indicate how much IT

 2                               would represent as a

 3                               reasonable percentage of

 4                               total expenditures by an

 5                               entity of a similar nature

 6

 7                    THE CHAIRPERSON:   Do you have any other

 8   questions?  Okay.  Mr. Evans has a question.

 9                    DR. LEN EVANS:   This is -- this is sort

10   of a general question and -- and it may not be fair, but

11   I'm just curious.  We talk about cost-benefit analysis,

12   you know, you -- you undertake a -- an expenditure on

13   whatever to get certain benefits.

14                    Well, in terms of, let's say, the current

15   project that we're sort of talking about, how do you

16   compare the costs -- well we know what the costs are

17   pretty well.  But what about on the benefit side?  What -

18   - what benefits will MPI receive from these activities --

19   from these expenditures?  You know, benefits in terms of

20   reduced operating expenditures in the future, and that

21   sort of thing?

22                    Do you have some feeling for that?

23                    MR. MARTIN GEFFEN:   I think that the HP

24   report, you know, links kind of the -- the -- the

25   findings and recommendations and -- and some of -- and
```

1 some of the benefits. And so you can re -- refer to

2 that. I -- I believe that the -- the quantitative

3 benefits will be -- in terms of kind of, you know, cost

4 reduction or you know, revenue enhancement -- will come

5 from, really, reduced number of outages and the need to

6 rep -- repair those outages and -- and the lost revenue

7 from -- from those -- from those outages; will come from,

8 kind of, cost avoidance in terms of, if you -- you do

9 this work now and keep maintaining it it will be less

10 costly than having to do the maintenance and repair and

11 replacement at a -- at a later date.

12   And it's the -- the -- the other areas

13 that you kind of -- potential revenue enhancements, in

14 terms of being able to build new systems to drive -- to

15 put new systems in place which will -- I -- I said

16 revenue enhancements, but both revenue and cost reduction

17 in terms of being able to do business more effectively.

18   And so we talk about, you know, the -- the

19 -- auto -- auto glass is a -- is a good example. We can

20 drive costs out of our system -- out of -- out of MPI, by

21 having automated connections to auto glass providers and,

22 you know, you could think about having those kinds of --

23 of connections to bodily injury prov -- providers to

24 rehab clinics, in -- in terms of doing that kind of

25 reporting and -- and -- and analysis.

1   So -- so those are the sources of -- of --

2   of quantitative benefit. I -- I really -- quant --

3   defining what those are going to be tends to be very --

4   you know it tends to be an art rather than a science.

5   DR. LEN EVANS: Thank you very much.

6   THE CHAIRPERSON: Okay. I think now we

7   are prepared to release this witness, but I do want to

8   thank you very much, Mr. Geffen, for being here and

9   explaining that to us. All the ramifications and

10   expectations of the project.

11   MR. MARTIN GEFFEN: Thank you very much.

12

13   (PANEL STANDS DOWN)

14

15   THE CHAIRPERSON: And would this be a

16   good time for a break? It would, because I see a new

17   face -- well not new, but a return. And you'll be

18   working with us after the break? Okay. Thank you.

19

20   --- Upon recessing at 2:19 p.m.

21   --- Upon resuming at 2:42 p.m.

22

23   THE CHAIRPERSON: So, Ms. Grammond, we're

24   ready to begin again, but just give us an idea of what's

25   happening next, please.

 1   MS. CANDACE GRAMMOND: Sure. Absolutely,

 2   Madam Chair. Ms. Hamilton is here, so my inclination is

 3   to ask her to finish her cross-examination on capital

 4   expenditures that we pushed the pause button on last

 5   week. I know she has a couple of follow-up questions on

 6   operating expenses flowing from some of the undertakings

 7   that have been filed, so I'll turn the mic to her.

 8   Once she's done with those topics, and I

 9   know we're sitting -- okay. I -- sorry, I see Ms.

10   Kalinowsky has some more undertakings, so before we go to

11   Ms. Hamilton we'll get those filed. We've got about an

12   hour and fifteen (15) minutes, so we'll see how long Ms.

13   Hamilton goes with her questions. And then if there's

14   available time I can start in on some other areas.

15   I don't have a lot left, but I do have

16   some topics that haven't yet been canvassed, so we'll

17   deal with those. And then whenever I'm done, whether

18   it's today or tomorrow morning, Mr. Williams will pick up

19   and he'll proceed from there.

20   So I suspect the whole of tomorrow will be

21   shared between myself and Mr. Williams. And then we'll

22   see where we are at the end of tomorrow. And then we'll

23   be able to plan for Tuesday.

24   THE CHAIRPERSON: Great.

25   MS. KATHY KALINOWSKY: If I could just

1 proceed.

2   THE CHAIRPERSON: Go ahead, Ms.

3 Kalinowsky.

4   MS. KATHY KALINOWSKY: Thank you. If I

5 could just proceed. We've provided two (2) more

6 undertaking responses. Undertaking number 7 is for

7 providing a document that breaks down the amount of

8 project management costs per project. We would like to

9 have that filed as MPI Exhibit number 31.

10

11 --- EXHIBIT NO. MPI-31:   Response to Undertaking 7

12

13   MS. KATHY KALINOWSKY: Undertaking number

14 8 is to elaborate on what project management architecture

15 is. And we'd like to have that filed as MPI Exhibit

16 number 32.

17

18 --- EXHIBIT NO. MPI-32:   Response to Undertaking 8

19

20   MS. KATHY KALINOWSKY: Thank you.

21   THE CHAIRPERSON: Thank you.

22

23   (BRIEF PAUSE)

24

25 MPI PANEL 1:

1   MARILYN MCLAREN, Resumed

2   DONALD PALMER, Resumed

3

4   THE CHAIRPERSON: So go ahead, Ms.

5   Hamilton.

6

7   CONTINUED CROSS-EXAMINATION BY MS. NICOLE HAMILTON:

8   MS. NICOLE HAMILTON: Thank you. As Ms.

9   Grammond indicated, I just have a couple of follow-up

10   questions regarding operating expenses. And in that

11   regard, I'd like to revisit the trend analysis that we

12   talked about that is contained within answer to

13   Information Request 1 -- PUB/MPI-1-48, but, in

14   particular, I'd like to look at MPI Exhibit number 24 and

15   25. Oh, and I'm sorry, 1-48 is not in the book of

16   documents.

17

18   (BRIEF PAUSE)

19

20   MS. NICOLE HAMILTON: PUB/MPI, the

21   Information Requests, 1-48.

22   MR. DONALD PALMER: Yes, I have it.

23   MS. NICOLE HAMILTON: Does the Board have

24   it?

25   THE CHAIRPERSON: Yes, I think we do.

 1 CONTINUED BY MS. NICOLE HAMILTON:

 2   MS. NICOLE HAMILTON: Okay. Turning to

 3 the Schedule 3 that was filed by the Corporation in

 4 answer, you'll recall that the discussion that we had,

 5 Mr. Palmer, was about the fact that this was a schedule

 6 dealing with the compounded annual growth rate for

 7 operating and claims expenses, I believe, and we had, in

 8 particular, looked at lines 3, being the operating

 9 expense ratio, and line 5, the operating expense ratio

10 per policy?

11   MR. DONALD PALMER: Yes, I recall that.

12   MS. NICOLE HAMILTON: And as an

13 undertaking the Corporation had been asked to re-file

14 Schedule 3 but removing, firstly, the business

15 transformation office initiative expenses, and then those

16 expenses as well as the expenses for immobilizers and

17 BPR. And that is what was filed as MPI number twe --

18 Exhibit number 24 and 25.

19   So just looking at MPI Exhibit number 24,

20 I understand that this is the Schedule 3, re-filed,

21 removing the business transformation office initiative

22 expenses. And looking at it, the compound annual growth

23 rate from 2006 to 2013, I see for lines 3 and 5, they are

24 the same at 4.1 percent?

25   MR. DONALD PALMER: Yes, and most of the

1 business transformation expenses occ -- occurred I

2 believe, starting this year when the business

3 transformation office -- so there wouldn't be expected to

4 be much change in the compound annual growth rate from

5 2008 to 2013.

6 MS. NICOLE HAMILTON: And so that would

7 explain -- you mean 2006 to 2013?

8 MR. DONALD PALMER: Yes.

9 MS. NICOLE HAMILTON: And so then that

10 would explain why at MPI Exhibit number 25, there has

11 been a further decrease to 3.4 percent for line 3 and 3.5

12 percent for line 5, after removal of the imbo --

13 immobilizer expenses as well as the BPR expenses.

14 MR. DONALD PALMER: Yes.

15 MS. NICOLE HAMILTON: And we see that as

16 we remove the expenses for those special projects, the --

17 although the growth rate remains above the rate of

18 inflation, it is decreasing with removal of those

19 expenses.

20 MR. DONALD PALMER: Yes, that's correct.

21 And just -- the removal of the immobilizer

22 expenses, would not impact the operating expense line

23 because it is included as a claims expense.

24 MS. NICOLE HAMILTON: Thank you for that

25 clarification.

1   One (1) last question. What is the impact

2 on the trend analysis related to the reclassification of

3 merchant fees from service fees to operating expenses?

4

5   (BRIEF PAUSE)

6

7   MR. DONALD PALMER: We'll just take that

8 as an undertaking just to verify that they have been

9 remov -- that the effect has been removed. We'll double-

10 check that.

11   MS. NICOLE HAMILTON: Thank you.

12

13 --- UNDERTAKING NO. 26:   MPI to indicate the impact on

14   the trend analysis related to

15   the reclassification of

16   merchant fees from service

17   fees to operating expenses

18

19 CONTINUED BY MS. NICOLE HAMILTON:

20   MS. NICOLE HAMILTON: With that, I'd like

21 to move to capital expenditures once again. And I think,

22 just in anticipation of some of the questions that are to

23 come, it would be -- it would make sense to have Tab 5,

24 from the book of documents in front -- in front of you.

25 That is TI-10. As well as PUB/MPI-1-61.

1   (BRIEF PAUSE)

2

3   MS. NICOLE HAMILTON: Does the Board have

4   both of those documents in front of it?

5   THE CHAIRPERSON: We do. We do.

6

7   CONTINUED BY MS. NICOLE HAMILTON:

8   MS. NICOLE HAMILTON: Now, you'll recall

9   that before the brief adjournment of the cross-

10   examination on capital expenditures, we had been

11   discussing the capital expenditures with respect to

12   buildings. And we were doing somewhat of a -- we were

13   having somewhat of a discussion of the relationship or --

14   or the mention -- the answers to the questions in

15   PUB/MPI-1-61 and how the answers related to the capital

16   expenditures for buildings.

17   MR. DONALD PALMER: And -- and just --

18   and I'm not sure, I've got some -- some notes. With this

19   on TI-10, where the operational initiatives were six

20   million nine hundred and fifty thousand (6,950,000), and

21   there was no expenditures put in for the Cityplace

22   building. In fact, both of those had been combined in

23   the sixty-nine fifty (6,950). So those should be

24   actually re-stated as per the chart in PUB-1-61, that the

25   operational initiatives should have been $5 million and

1   the Cityplace building would have -- would have been one

2   million nine fifty (1,950,000) as indicated in the table

3   on page 2 of PUB-1-61.

4   MS. NICOLE HAMILTON: Thank you for that

5   clarification.

6   Staying with those expenses I note that in

7   2012 and '13 there's a new capital expenditure for

8   buildings being introduced, and that's the business

9   transformation office initiatives in the way of -- it's

10   indicated to be $5 million?

11   MR. DONALD PALMER: Yes, that's correct.

12   MS. NICOLE HAMILTON: And I know that

13   there has been some discussion about the BTO initiatives.

14   Now my general understanding is that it -- it entails

15   four (4) new initiatives being: HRMS, call centre

16   initiatives, IT optimization, and disaster recovery. I

17   think we've talked quite a bit about op -- IT

18   optimization.

19   Can you just provide a brief overview of

20   disaster recovery for the panel?

21   MS. MARILYN MCLAREN: Mr. Geffen talked

22   about that a little bit earlier today. It's really

23   related to putting the structures and processes in place

24   to get back to normal business after some sort of an out

25   -- unexpected unplanned outage.

1   MS. NICOLE HAMILTON: Thank you. And my

2   apologies, I wasn't here for all of Mr. Geffen's

3   testimony today.

4   What building is MPI contemplating

5   erecting for disaster recovery?

6   MS. MARILYN MCLAREN: Well, right now the

7   physical damage centre out in Springfield municipality

8   out on Plessis Road. We have one of the physical damage

9   buildings, a portion of that is a backup data site right

10 now. And the anticipation is that we would have to

11 significantly modify that facility. And at -- at this

12 point -- there's a lot of decisions have yet to be made,

13 but at this point that -- that's the thinking as to where

14 that would be and what it would be for.

15   MS. NICOLE HAMILTON: And has the

16 Corporation prepared a business case for that renovation

17 or redevelopment?

18   MS. MARILYN MCLAREN: That's one (1) of

19 the projects that would require a charter once we were

20 ready to get to that point.

21   MS. NICOLE HAMILTON: And how much of the

22 capital buildings -- the capital building expenses -- or

23 expenditures will be allocated to Basic?

24   MR. DONALD PALMER: Round numbers, about

25 80 percent when it's amortized, base -- based on our cost

1   allocation formulas.

2   MS. NICOLE HAMILTON: Moving down in --

3   further down in TI-10 at Tab 5, looking at office

4   equipment and system furniture expenditures I note that

5   in 2010/'11 the Corporation expended $1.2 million under

6   this heading.

7   MR. DONALD PALMER: Yes.

8   MS. NICOLE HAMILTON: And that was for

9   additional and replacement office equipment and

10 furniture?

11   MR. DONALD PALMER: Yes.

12   MS. NICOLE HAMILTON: And I take it just

13 in the context of the discussion that we had last week

14 about the new capitalization policy that the Corporation

15 has adopted that those pieces of equipment would have

16 been worth over five thousand dollars ($5,000) each?

17   MR. DONALD PALMER: Yes, that's correct,

18 to be capital expenditures.

19   MS. NICOLE HAMILTON: And what is the

20 Corporation's policy for adding or replacing office

21 equipment and system furniture?

22   MR. DONALD PALMER: We -- I'm not sure I

23 understand the question exactly. From a capital expense

24 perspective?

25   MS. NICOLE HAMILTON: Is there

1   replacement every so often, say every five (5) years, or

2   is it just as new buildings are being put up?

3   MS. MARILYN MCLAREN: As needed. And

4   whenever things can't be repaired economically, then

5   they're replaced.

6   MS. NICOLE HAMILTON: Moving down further

7   in TI.10, looking at data processing equipment, I take

8   it, looking at this, that the Corporation is budgeting

9    $5.2 million on data processing equipment in 2011/'12?

10

11   (BRIEF PAUSE)

12

13   MR. DONALD PALMER: Could you give me the

14   reference, please?

15   MS. NICOLE HAMILTON: Just looking at

16   TI.10 at Tab 5, 2011/'12.

17   MR. DONALD PALMER: Yes.

18   MS. NICOLE HAMILTON: And the Corporation

19   is budgeting 15.18 or $15.2 million on that category?

20   MR. DONALD PALMER: That's correct.

21   MS. NICOLE HAMILTON: Now 2.6 million of

22   this is for additional and replacement and I take it that

23   that again covers pieces of equipment over five thousand

24   dollars ($5,000) each?

25   MR. DONALD PALMER: Yes, that's correct.

1   MS. NICOLE HAMILTON: What types of

2   equipment would -- would that encompass?

3   MR. DONALD PALMER: The first one (1)

4   that comes to mind would be servers.

5   MS. NICOLE HAMILTON: And a major

6   component of the 2011/'12 budget for data processing

7   equipment is for the business transformation office

8   initiatives in the way of $11.8 million?

9   MR. DONALD PALMER: Yes. Most of that

10 would be as required under the IT optimization project.

11   MS. NICOLE HAMILTON: So moving then just

12 briefly to PUB/MPI-1-61(b) and looking at the table at

13 the top of page 3, the Board asked the Corporation to

14 provide a breakdown of the data processing equipment

15 forecast to be acquired in 2011/'12 through 2013/'14 on

16 BTO initiatives.

17   And looking at this, the --

18   THE CHAIRPERSON: I'm just trying to

19 figure out what page you're looking at because I don't

20 think we're looking at it.

21   MS. NICOLE HAMILTON: Page 3 --

22   THE CHAIRPERSON: Okay.

23   MS. NICOLE HAMILTON: -- of PUB/MPI-1-61.

24

25   THE CHAIRPERSON: Yes.

 1 CONTINUED BY MS. NICOLE HAMILTON:

 2   MS. NICOLE HAMILTON: Now looking at

 3 2011/'12, the forecast there, I see that if you take out

 4 the seven hundred and fifty thousand dollars ($750,000)

 5 for DART we're left with the amount that the Corporation

 6 has budgeted for BTO initiatives for data processing

 7 equipment.

 8   Isn't that right?

 9   MR. DONALD PALMER: Yes, that's correct,

10 distinguishing between BTO initiatives and BPR

11 initiatives. The only initiative left under BPR is DART.

12   MS. NICOLE HAMILTON: Thank you for that.

13 And looking at the breakdown then of the BTO initiatives,

14 $8 million of that is on IT optimization?

15   MR. DONALD PALMER: Yes.

16   MS. NICOLE HAMILTON: And 1.15 million is

17 on HRMS. What type of pro -- data processing equipment

18 is needed for that initiative?

19   MR. DONALD PALMER: Likely a server.

20   MS. NICOLE HAMILTON: And with respect to

21 the $2.5 million for the call centre re-engineering can

22 you elaborate on what that expense entails?

23   MR. DONALD PALMER: We'll take that as an

24 undertaking.

25   MS. NICOLE HAMILTON: Thank you.

```
 1   --- UNDERTAKING NO. 27:     MPI to indicate what the $2.5
 2                               million for the call centre
 3                               re-engineering expense
 4                               entails
 5
 6   CONTINUED BY MS. NICOLE HAMILTON:
 7                   MS. NICOLE HAMILTON:   Now, with respect
 8   to the seven hundred and fifty thousand dollars
 9   ($750,000) indicated in this chart at page 3 of 1-61, I
10   would take it then, because it is a DART expense, it has
11   to do with mainframe decommissioning?
12                   MR. DONALD PALMER:   Yes.
13                   MS. NICOLE HAMILTON:   And just for
14   clarity, is that the seven hundred and fifty thousand
15   dollars ($750,000), that's recorded in TI.10, now looking
16   at Tab 5 of the book of documents, under business process
17   review initiatives?
18                   MR. DONALD PALMER:   Yes, it is.
19                   MS. NICOLE HAMILTON:   Why would it be
20   labelled as a BPR expenditure?
21                   MR. DONALD PALMER:   Because DART was the
22   last remaining project under the business process review
23   umbrella, additionally identified as a BPR requirement
24   when BPR started several years ago, that that was one (1)
25   of the initiatives that would have to be redone to
```

1 complete the merger of DVL and MPI. It was identified

2 back then under the BPR umbrella. It still remains under

3 the BPR umbrella.

4   MS. NICOLE HAMILTON: And I know that

5 we've spoken a bit about the mainframe decommissioning

6 already. Does the Corporation have an end date that it

7 knows of when this is going to be officially complete?

8   MS. MARILYN MCLAREN: No, not really.

9 It's certainly underway right now. We're moving forward

10 on it, but a specific end date, I don't have that.

11   MS. NICOLE HAMILTON: Moving along to the

12 deferred development costs in TI.10, at Tab 5, we see

13 that, in 2010/'11, the Corporation incurred $11.1 million

14 for deferred development costs?

15   MR. DONALD PALMER: Yes.

16   MS. NICOLE HAMILTON: And just over 10

17 million of that was for BPR initiatives?

18   MR. DONALD PALMER: Yes.

19   MS. NICOLE HAMILTON: And we see that in

20 2011/'12 the Corporation is budgeting $28.2 million.

21   MR. DONALD PALMER: Yes, that's correct.

22   MS. NICOLE HAMILTON: And I take it that

23 the 3.2 million of that is for BPR initiatives and that

24 would be the completion of the BPR deferred development

25 costs?

 1   MR. DONALD PALMER: Yes, that's correct.

 2   MS. NICOLE HAMILTON: And 25 million in

 3   2011/'12 is for the business transformation office

 4   initiatives?

 5   MR. DONALD PALMER: Yes.

 6   MS. NICOLE HAMILTON: And that would be

 7   followed by 5.3 million in 2012/'13 and 7.5 million in

 8   2013/'14?

 9   MR. DONALD PALMER: The -- that's the

10   estimate for known business transformation office

11   initiatives. We do have an additional unallocated line

12   of $20 million per year for both 2012/'13 and '13/'14.

13   It's likely that those would probably be

14   initiatives that would fall under the business

15   transformation office, as well. We just haven't

16   identified the specif -- specific projects as yet.

17   MS. NICOLE HAMILTON: Thank you, Mr.

18   Palmer. You've taken to me -- taken me exactly to where

19   I was going.

20   We had talked previously about the $20

21   million allocated in both of the next two (2) years with

22   respect to the provision for future projects. And I take

23   it that the Corporation had at that -- at the point of

24   allocating the 20 million for each of those years, no

25   specific projects in mind?

1   MR. DONALD PALMER: That's correct.

2   MS. NICOLE HAMILTON: And that the funds

3   were allocated in -- in its projections and outlook

4   because it expects to have continued improvement

5   initiatives in the future?

6   MR. DONALD PALMER: And I wouldn't say

7   that we have no idea of what those projects will be.

8   They -- those would be projects that would be coming out

9   of the visioning exercises that we're currently embarking

10   on.

11   So Ms. McLaren talked about claim self-

12   service being one (1) that might very likely we'll be

13   seeing in there. So again, to say that we have no idea

14   would be inaccurate, but to have specifics, that would be

15   true.

16   MS. NICOLE HAMILTON: And I understand

17   that the -- the amount allocated, being $20 million in

18   each of those years, was based on trends from prior

19   years?

20   MR. DONALD PALMER: Roughly speaking,

21   yes.

22   MS. NICOLE HAMILTON: Now we spoke

23   previously about the budgeting process that the

24   Corporation goes through each year and -- and what goes

25   on essentially in the fall months and culminates in

1   January of each year with sort of a finalized budget for

2   the next year.

3   And my questions today is: Clearly up

4   until now that budgeting process hasn't aligned with the

5   -- the GRA as it -- as it is, each year. Is it possible

6   that the capital budgeting process could be changed to

7   align with the General Rate Application?

8   MS. MARILYN MCLAREN: No, the -- the

9   issue that we have is that we are so far out in front to

10   the actual start date already when we provide a forecast

11   or an outlook to -- to the PUB proceedings, to actually

12   lock it down is really untenable for us.

13   And I think the point that I made -- I

14   think the point that I made last -- last week is that we

15   are misaligned more right now than we have been in the

16   past and more than we will be in the future.

17   Quite a long time ago, probably around the

18   year 2000, potentially once some of the Y2K kinds of

19   projects had been done we did the same thing, we put

20   about a $20 million provision with no real sense as to

21   how it would be used because we had this timing issue.

22   But really, from 2005 until last year our operating

23   expense forecast and our capital budgets were really

24   close every year between what we told you and where they

25   actually came in because we had a long-term strategy

1   known as the BPR.

2   So we scoped that out. We -- we sought

3   funding for it from -- you know, from the Board and we

4   proceeded on it beginning in '05 and very little changed

5   over the five (5) years. With the initiatives that we

6   think it quite likely we will identify and structure in

7   very -- very similar a way with respect to physical

8   damage claim processing and some of the service

9   enhancements, you'll see the same thing. We'll come

10   forward with a much more solid three (3) to five (5) year

11   plan and we will be able to be much closer to those

12   forecasts each year because we will be on a long-term

13   path. We're in the middle right now. We're just in the

14   interim. So it has been much more reliable and it will

15   be again.

16   MS. NICOLE HAMILTON: I would like to

17   look at the data processing equipment and deferred

18   development costs in a bit more detail. And to do that I

19   would ask you to turn to PUB/MPI-1-68(a), the attachment,

20   and it is not in the book of documents.

21

22   (BRIEF PAUSE)

23

24   MS. MARILYN MCLAREN: We have it.

25   MS. NICOLE HAMILTON: Now this is a

1   schedule filed by the Corporation that details IT costs

2   by major -- major capital projects. The first part of it

3   deals with expenses and the second part with capital

4   expenditures.

5   And I see looking at the corporate

6   expenses in the -- in the first part that the Corporation

7   is budgeting $42.4 million for IT expenses in 2011/'12?

8   MR. DONALD PALMER: Yes.

9   MS. NICOLE HAMILTON: And turning to the

10 second part, 44.4 million for capital expenditures in

11 that -- in -- in IT?

12   MR. DONALD PALMER: Yes, that's correct.

13   MS. NICOLE HAMILTON: So it would be

14 correct to say that the total for 2011/'12 for IT is

15 $87.8 million?

16   MR. DONALD PALMER: That's correct.

17   MS. NICOLE HAMILTON: And you've

18 indicated before that approximately 80 percent of ex --

19 of the corporate -- corporate costs are allocated to

20 Basic.

21   Would it be fair to say that with respect

22 to that $87.8 million, as well, Mr. Palmer?

23

24   (BRIEF PAUSE)

25

 1   MR. DONALD PALMER: In round numbers,

 2   that's probably true, although I would -- the one (1)

 3   part of that that may not be as accurate would be with

 4   regard to the amortization of deferred development costs.

 5   A lot of those are the BPR projects, many of which were

 6   not Basic. The EDL, EIC, one (1) piece driver's licence,

 7   for instance, had zero component of that.

 8   Given that that $9 million out of -- is

 9   about 10 percent of that total number that you were

10   quoting, that deviation probably would mean instead of 80

11   percent, that you're looking at something a little --

12   marginally less than that but, again, order of magnitude,

13   80 percent is probably pretty accurate.

14   MS. NICOLE HAMILTON: Thank you. I see

15   that looking at the deferred development costs, and

16   that's for corporate capital expenditures, that it

17   indicates that in 2010/'11 those were $11.1 million, and

18   that is also reflected in TI.10 at Tab 5 of the book of

19   documents.

20   However, at page 67 of the annual report

21   the figure of $9.2 million is indicated. And I'm just

22   wondering if those two (2) numbers can be reconciled.

23

24   (BRIEF PAUSE)

25

1   MR. DONALD PALMER: So could I get the

2   reference on the annual report again, please?

3   MS. NICOLE HAMILTON: Page 67.

4

5   (BRIEF PAUSE)

6

7   MR. DONALD PALMER: The answer is, yes,

8   they can be reconciled, but I'll have to show you the

9   reconciliation as an undertaking.

10   MS. NICOLE HAMILTON: Thank you. Just

11   looking at the data processing equipment capital

12   expenditures in this second part of the attachment at 1-

13   68, I see that in 2011/'12 they're forecasted to be $16.1

14   million, and that -- or 16.1, 16.2 million. That's

15   approximately $1 million higher than they are in TI.10 at

16   Tab 5, where it's indicated $15.2 million.

17   Which of those would be the more accurate

18   number?

19   MR. DONALD PALMER: Again, we'll

20   undertake to do a reconciliation of those too.

21   MS. NICOLE HAMILTON: And in that same

22   vein, under data processing equipment the provision for

23   new and replacement equipment in this attachment, 1-68,

24   is indicated to be $3.6 million, and that appears to be 1

25   million more than -- than in TI.10.

1   So perhaps if you can include that within

2   your undertaking, to reconcile that, as well?

3   MR. DONALD PALMER: Yes, we'll do that.

4   THE CHAIRPERSON: Just to recap, we've

5   asked for what, three (3) kind of adjus – well, not

6   adjustments, but undertakings. That'll be one (1)

7   undertaking will they be? Is this an undertaking?

8   MS. NICOLE HAMILTON: Yeah, the

9   undertaking is to just reconcile the different -- one,

10 the difference between the $9.2 million figure --

11   THE CHAIRPERSON: Yes.

12   MS. NICOLE HAMILTON: -- in the annual

13 report to the $11.1 million figure in TI.10, as well as

14 1-68, the attachment. And the -- the second part of that

15 is to reconcile the differences in the numbers for data

16 processing equipment between TI.10 and 1-68.

17   THE CHAIRPERSON: Thank you.

18

19 --- UNDERTAKING NO. 28:   MPI to reconcile the

20   difference between the

21   figures for data processing

22   equipment and deferred

23   development costs shown in

24   TI.10 and 1-68

25

1 CONTINUED BY MS. NICOLE HAMILTON:

2   MS. NICOLE HAMILTON: When was the

3 attachment that was filed at 1-68(a) prepared?

4   MR. DONALD PALMER: That would have been

5 prepared in the July time frame.

6   MS. NICOLE HAMILTON: So in other words,

7 in response to the Information Request?

8   MR. DONALD PALMER: Yes, that's correct.

9   MS. NICOLE HAMILTON: Would it make sense

10 then to say that the numbers in the attachment at 1-68

11 are more current than those in TI.10?

12   MR. DONALD PALMER: It could, but again,

13 I would prefer to get the reconciliation to see the as at

14 dates and -- and whatnot.

15   We don't change year end numbers, per se,

16 so there wouldn't be a -- a restatement of actuals with

17 regard to the forecasts. We'll -- we'll double check

18 that.

19   MS. NICOLE HAMILTON: Looking at TI.10,

20 at Tab 5 of the book of documents, by my calculations the

21 Corporation is budgeting $37 million in capital

22 expenditures relating to the business transformation

23 office initiatives in 2011/'12?

24   MR. DONALD PALMER: Subject to check,

25 yes.

1   MS. NICOLE HAMILTON: And that would be

2   the number, whatever is in TI.10, that the application is

3   based on?

4   MR. DONALD PALMER: Yes.

5   Very close. Again the application would

6   be based on the amortization of those costs, so just

7   point of clarification there.

8   MS. NICOLE HAMILTON: Thank you. And how

9   does the additional expenditure in the way of the

10   business transformation office initiatives impact on the

11   rates for 2012/'13?

12   MR. DONALD PALMER: Depending on when the

13   projects are finished, they would go into the operating

14   statements of -- of those given years for '12/'13, or

15   '13/'14. So whatever amount was amortized in the

16   '12/'13, or the '13/'14 years would be included in the

17   calculation of the rate requirement for -- as at March

18   1st of 2012.

19   MS. NICOLE HAMILTON: I just want to look

20   briefly at PUB/MPI 1-62(b), which is filed as part of Tab

21   22 of the book of documents, and in particular, the table

22   that appears at page 2, which is what the Corporation has

23   produced as its budgets for IT optimization and disaster

24   recovery for 2011/'12 and on a go-forward basis.

25   MR. DONALD PALMER: Yes.

1   MS. NICOLE HAMILTON: And according to

2   this budget, the Corporation is budgeting to spend 15.9

3   million on IT optimization in 2011/'12, and two hundred

4   and seventy-two thousand dollars ($272,000) on disaster

5   recovery for a total of $16.1 million. Now if -- if the

6   Corporation is budgeting 16.1 million for those two (2)

7   categories, IT optimization and disaster recovery in this

8   table, and TI.10 indicates that a total of $37 million is

9   budgeted to be spent, what would the difference be made

10   up of?

11

12   (BRIEF PAUSE)

13

14   MR. DONALD PALMER: Again, it's likely

15   the difference between capital budget and operating, but

16   we'll take that as an undertaking.

17   MS. NICOLE HAMILTON: Thank you.

18

19   --- UNDERTAKING NO. 29:   MPI to indicate: If the

20   Corporation is budgeting 16.1

21   million for IT optimization

22   and disaster recovery in the

23   table in 1-62(b), and TI.10

24   indicates that a total of $37

25   million is budgeted to be

1   spent, what would the

2   difference be made up of

3

4   CONTINUED BY MS. NICOLE HAMILTON:

5   MS. NICOLE HAMILTON: Looking back at

6   PUB/MPI-1-61, at attachment ©) the Corporation had

7   indicated amounts budgeted and amounts spent on BTO

8   initiatives?

9   MR. DONALD PALMER: Yes. I would --

10   MS. NICOLE HAMILTON: And –

11   MR. DONALD PALMER: I would just correct

12   you and say, To be spent.

13   MS. NICOLE HAMILTON: Sorry, to be spent.

14   Well, then looking at this, according to this it

15   indicates that year to date actual as at May 31, 2011,

16   the Corporation had spent seven hundred and forty-two

17   thousand dollars ($742,000) on business transformation

18   office initiatives.

19   Is that correct?

20   MR. DONALD PALMER: Could I get that

21   reference, please.

22   MS. NICOLE HAMILTON: The attachment

23   filed 1-61©), the attachment. It's the very last page

24   of that answer.

25   MR. DONALD PALMER: Yes, that's correct.

1   MS. NICOLE HAMILTON: Does the

2   Corporation have a number of what has been spent since

3   May 31, 2011 to the end of September?

4   MR. DONALD PALMER: For sure we would

5   have to the end of August. And we'll -- we'll check and

6   give you the latest number that we have.

7   MS. NICOLE HAMILTON: Okay. So the

8   undertaking is to advise what the Corporation has spent

9   year to date, or as close to year to date as possible on

10 BTO initiatives.

11   MR. DONALD PALMER: Yes.

12

13 --- UNDERTAKING NO. 30:   MPI to indicate what the

14   Corporation has spent year to

15   date, or as close to year to

16   date as possible, on BTO

17   initiatives; and given the

18   budgeted amount of 37 million

19   for 2011/'12, advise if the

20   Corporation plans to spend

21   the balance of that amount by

22   year end

23

24 CONTINUED BY MS. NICOLE HAMILTON:

25   MS. NICOLE HAMILTON: Given the budgeted

1   amount of 37 million on BTO initiatives for 2011/'12,

2   does the Corporation plan to spend the balance of that

3   amount by year end?

4   MR. DONALD PALMER: That was the plan at

5   the time that this undertaking was -- or that this

6   Information Request was filed.

7   MS. NICOLE HAMILTON: And does that

8   remain a reasonable plan as of today?

9   MS. MARILYN MCLAREN: We'll make that

10   part of the undertaking when we get the year to date

11   costs. We don't have that off the top of our head right

12   now.

13   MS. NICOLE HAMILTON: Thank you. If that

14   number has changed, if you could advise what the revised

15   budget for 2011/'12 would be that would be appreciated.

16   MR. DONALD PALMER: There wouldn't be a

17   revised budget. There may be a revised estimate.

18   MS. NICOLE HAMILTON: That would be fine.

19

20   (BRIEF PAUSE)

21

22   MS. NICOLE HAMILTON: And my apologies

23   for the flipping back and forth, but we had been looking

24   previously at the IT Optimization and Disaster Recovery

25   Budget at page 2 of PUB/MPI-1-62, which is at Tab 22 of

1   the book of documents.

2

3   (BRIEF PAUSE)

4

5   MS. NICOLE HAMILTON: Page 2, the -- the

6   table of the budget that we were looking at, and it

7   indicates that in 2012/'13 the Corporation projects that

8   it will spend $42.6 million on IT optimization and

9   disaster recovery.

10   MR. DONALD PALMER: Yes. And again, I

11   would note the -- the bottom line of that table it says

12   costs are preliminary -- cost estimates are preliminary.

13   MS. NICOLE HAMILTON: Understood. But I

14   do take it that that number does not include costs on

15   HRMS or the call centre?

16   MR. DONALD PALMER: That's correct.

17   MS. NICOLE HAMILTON: Considering that

18   the total forecast for all BTO initiatives in TI.10 is

19   $20 million for 2012/'13, how can the budget in 1-62 or

20   Tab 22 of the book of documents be reconciled with --

21   with the twenty (20) -- $21 million figure?

22   MS. MARILYN MCLAREN: I've lost the

23   reference to the IR that you were asking about just a few

24   minutes ago. I think it might have been 161 or 162.

25   That's the -- we were just at 160, 168. Somewhere, the

1   one (1) that you were just looking at a few minutes ago

2   showed disaster recovery out in 2013/'14.

3   So if you move a $20 million estimate a

4   year out, that pretty much accounts for your difference.

5   MR. DONALD PALMER: I -- I --

6   MS. MARILYN MCLAREN: You know, the --

7   the total expenditures for the IT optimization are at

8   this point anticipated to be seventy-one dollars ($71).

9   We expect -- seventy-one (71) -- sorry? $71 million.

10 And the categories of expenditures are as depicted. And

11 we may, in fact, do some disaster recovery spending

12 earlier or later, but I'm pretty sure that we've given it

13 to you in two (2) different places, so that's just a

14 depiction that there is some uncertainty at this point.

15   MR. DONALD PALMER: May I also add that

16 the table on PUB-1-62 is all expenditures and TI.10 is

17 only capital expenditures. So there would be a large

18 difference in operating expenses there, as well.

19   MS. NICOLE HAMILTON: So the table at --

20 that we were looking at, at page 2 of 1-62, is all

21 expenditures?

22   MR. DONALD PALMER: Yes, capital and

23 operating at the time the costs are incurred, not

24 amortized.

25

1   (BRIEF PAUSE)

2

3   MS. NICOLE HAMILTON: Is it possible for

4 the Corporation to file a schedule of known IT costs

5 through 2014/'15, including all expenditures forecasted

6 to be made on IT optimization?

7

8   (BRIEF PAUSE)

9

10   MR. DONALD PALMER: It -- it would occur

11 to me that that has already been filed, or at least

12 compiled from various sources, so we can -- we can go and

13 -- and check to make sure and -- and at least point the -

14 - the panel to those sources.

15   MS. NICOLE HAMILTON: Thank you.

16   MR. DONALD PALMER: I can take it as an

17 undertaking. It'll -- it very likely will be discharged

18 verbally when we compile the sources.

19   MS. NICOLE HAMILTON: That's great.

20

21 --- UNDERTAKING NO. 31:   MPI to file a schedule of

22   known IT costs through

23   2014/'15, including all

24   expenditures forecasted to be

25   made on IT optimization

1   MS. NICOLE HAMILTON: Subject to any

2   questions that the panel may have, that concludes my

3   cross-examination on this particular section. And I will

4   turn the table over to my colleague, Ms. Grammond.

5   THE CHAIRPERSON: Questions? So we are

6   ready then to go back to Ms. Grammond.

7   MS. CANDACE GRAMMOND: Thank you, Madam

8   Chair.

9

10   CONTINUED CROSS-EXAMINATION BY MS. CANDACE GRAMMOND:

11   MS. CANDACE GRAMMOND: So I'm going to

12   get into a completely different area and one (1) that we

13   haven't spoken about yet really in these proceedings, and

14   that's the topic of road safety.

15   So in terms of references, I want to go

16   through some of the information that the Corporation has

17   provided in AI.10. If you want to go there, you can.

18   You don't necessarily need to. If the -- if the panel

19   does want to go there it's Volume III, Part 1, which is

20   the skinny part of Volume III.

21   So I want to begin just with respect -- or

22   to cover some general information that the Corporation

23   has put forward with respect to accident frequencies and

24   -- and whatnot.

25   We see in -- in AI.10, under the road

1   safety vision --

2   THE CHAIRPERSON: I think we need to find

3   it.

4   MS. CANDACE GRAMMOND: Okay. So --

5   THE CHAIRPERSON: Yeah. We haven't quite

6   found it.

7   MS. CANDACE GRAMMOND: Okay, so Volume

8   III, Part 1, so that's the -- the thin Volume III, yeah.

9   So Tab 10.

10   THE CHAIRPERSON: Tab 10.

11   MS. CANDACE GRAMMOND: When we open Tab

12   10, we see the very first thing is a letter on MPI

13   letterhead, addressed to Mr. Singh. So we just want to

14   turn past that, about four (4) or five (5) pages, and

15   we'll find a document that has a -- the header at the top

16   corner is, Road Safety Vision, AI.10. We go to page 2 of

17   that, that's where I'm starting.

18   THE CHAIRPERSON: Thank you.

19   MS. CANDACE GRAMMOND: So that's the

20   section called Introduction and this provides some --

21   some information, some general information with respect

22   to accident counts.

23   THE CHAIRPERSON: We have it.

24   MS. CANDACE GRAMMOND: Okay. Excellent.

25

1   CONTINUED BY MS. CANDACE GRAMMOND:

2   MS. CANDACE GRAMMOND: Mr. Palmer, are

3   you with me?

4   MR. DONALD PALMER: We're at AI.10, yes.

5   MS. CANDACE GRAMMOND: Okay. So on page

6   2, in the introduction, the Corporation has advised that

7   every about a hundred thousand drivers are involved in

8   collisions in Manitoba.

9   MS. MARILYN MCLAREN: Yeah, we have it.

10   MS. CANDACE GRAMMOND: And when I read

11   that, I wondered, does the Corporation mean drivers or

12   mean people? Like, is that a hundred thousand vehicles

13   are involved in collisions, one (1) driver per vehicle,

14   or is that intended as a count of how many bodies are in

15   at all, so including passengers?

16   MS. MARILYN MCLAREN: No. No, it

17   wouldn't. It would be -- I'm -- I'm hoping there's a

18   fair bit of alignment between the number of drivers and

19   the number of vehicles, but it doesn't include occupants.

20   MS. CANDACE GRAMMOND: Okay, and I just

21   wanted to clarify that. It's -- nothing really turns on

22   it, I just -- I wanted to make sure that we were clear

23   about what we're talking about.

24   Okay, and so, on average a hun -- about a

25   hundred and forty-six (146) people are killed a year and

1   about seventeen thousand (17,000) are injured?

2   MS. MARILYN MCLAREN: Yes.

3   MS. CANDACE GRAMMOND: And the seventeen

4   thousand (17,000) that's -- that are referenced here as

5   being injured could include drivers or passengers,

6   presumably?

7   MS. MARILYN MCLAREN: Yes, that's true.

8   MS. CANDACE GRAMMOND: Okay. So the

9   Corporation has gone on here to say -- I'm still in the

10 first paragraph -- that the direct cost of claims is in

11 excess of 650 million annually, with injury claims

12 accounting for about a hundred and forty-five (145) of

13 that.

14   MS. MARILYN MCLAREN: Yes.

15   MS. CANDACE GRAMMOND: Lower down, on the

16 same page, the third last paragraph, again to reflect or

17 highlight some of these statistics, the Corporation has

18 advised that claims resulting from impaired driving cost

19 about 33 million annually, speeding about 40 million

20 annually, non-use of seat belts an additional 23 million,

21 and collisions with wildlife about 31 million.

22   MS. MARILYN MCLAREN: Yes.

23   MS. CANDACE GRAMMOND: Now if we continue

24 on in this document and go to page -- pardon me, I

25 misspoke. Not in this document, but we can -- we can

1   keep it open because we will talk about AI.10 some more.

2   There's another document that the

3   Corporation

4   provided dealing with road safety and that's at SM.5 and

5   again, if the Board wants to go there, you -- you

6   certainly can, you don't necessarily need to. I'm going

7   to go to SM.5.13. It's in Volume I.

8   THE CHAIRPERSON: This is in one (1)?

9

10   CONTINUED BY MS. CANDACE GRAMMOND:

11   MS. CANDACE GRAMMOND: So Volume I, SM.5,

12   so it's very close to the end of the binder. And it's

13   actually the end of that section. So SM.5.13 is where

14   the -- the Corporation had responded to an undertaking

15   given to the Board at last year's hearing to provide some

16   information on the split between rural accident

17   statistics and urban accident statistics. Does the Board

18   have that? Okay.

19   So we see, if we go to page 18, so page 18

20   at the bottom, some statistics on that rural/urban split.

21   I'm looking at the chart on the top of page 18, and we

22   see this is a chart that relates to fatalities and

23   alcohol related collisions over a period of years, is

24   that right?

25   MS. MARILYN MCLAREN: Yes.

 1   MS. CANDACE GRAMMOND: And we see that,

 2   in terms of the numbers, the rural weighting is

 3   considerably more in each of the years than the -- the

 4   urban rating in terms of a percentage?

 5   MS. MARILYN MCLAREN: Yes, it definitely

 6   is.

 7   MS. NICOLE HAMILTON: And the Board had

 8   asked the Corporation a question about this part of the

 9   filing in the -- the first round of IRs and the -- the

10   Corporation had cited as its thoughts on the reasons

11   behind that the -- the speeds that people generally

12   travel on the highway being more than they travel in the

13   city and, as well, lack of occupant restraint used in the

14   rural areas.

15   Is that -- does that accord with your

16   recollection?

17   MS. MARILYN MCLAREN: Yes.

18   MS. NICOLE HAMILTON: For the purposes of

19   the record and I -- I'm not going to go there, but it's

20   PUB/MPI-1-92 where the Corporation had provided that

21   information.

22   Okay. So continuing on with the -- the

23   discussion about road safety, last year the Board had

24   asked MPI to provide the visioning document which is what

25   we've been looking at, at AI.10, is that right?

1   MS. MARILYN MCLAREN: This was the

2 discussion paper used during the consultations, I

3 believe.

4   MS. NICOLE HAMILTON: And the Board had,

5 as well, made a recommendation to the Corporation that it

6 work with certain other entities including the Winnipeg

7 Police, the RCMP, the Department of Justice, and other

8 entities to work towards moving forward or finding

9 improvements in the area of road safety.

10   Is that right?

11   MS. MARILYN MCLAREN: Yes.

12   MS. NICOLE HAMILTON: And the Board in --

13 as part and parcel of that recommendation from last

14 year's order had welcomed a technical conference at which

15 road safety matters could be discussed.

16   MS. MARILYN MCLAREN: Yes, I believe I

17 recall that.

18   MS. NICOLE HAMILTON: So in AI.10, which

19 the Corporation filed, it's indicated in Ms. Kalinowsky's

20 covering letter that the Corporation has now initiated a

21 formal project to consider and perhaps change the

22 Corporation's role in promoting road safety within the

23 province?

24   MS. MARILYN MCLAREN: Yes, that is the

25 road safety visioning initiative that we talked about

1   here last year, yes, and again here this year too.

2   MS. NICOLE HAMILTON: And Ms. Kalinowsky

3   provides -- and I'm -- so I'm at -- still in AI.10, but

4   I'm on the first page, this is Ms. Kalinowsky's letter to

5   Mr. Singh. She describes four (4) components that the

6   process is going to include. And I'll -- I'll paraphrase

7   them. There's the issuance of a news release; there's

8   the provision of a discussion paper; there's an online

9   survey and opportunities for Manitobans to have input;

10 and then there are public information displays.

11   Is that a fair summary of the component

12 parts?

13   MS. MARILYN MCLAREN: Yes.

14   MS. NICOLE HAMILTON: Ms. Kalinowsky also

15 states -- this is underneath the last bullet -- that:

16   "The Corporation is in the process of

17   soliciting input directly for many key

18   road safety groups and other interested

19   stakeholders."

20   MS. MARILYN MCLAREN: Yes, that's

21 correct.

22   MS. NICOLE HAMILTON: And the Board had

23 asked a question, again, of the Corporation about those -

24 - the status of those consultations and we were advised

25 that the consultations have begun or are being done and

1 that a report would be published late this year, so late

2 2011?

3   MS. MARILYN MCLAREN: Yes, that's right.

4   MS. NICOLE HAMILTON: And that -- just

5 again, I'm not going to go there, but the reference for

6 the record for that was PUB/MPI-1-85. And the

7 Corporation had said that the report flowing from this

8 consultation process would be available sometime between

9 December of 2011 or -- and February of 2012.

10   MS. MARILYN MCLAREN: That's our best

11 estimate at this point, yes.

12   MS. NICOLE HAMILTON: And I take it that

13 when that report is available it will be provided to the

14 Board?

15   MS. MARILYN MCLAREN: Yes. This entire

16 consultation process we've really modelled on a really

17 successful consultation that we did with the public in

18 the development of the Driver Safety Rating System. And

19 we did the same thing as we did this past summer with

20 road safety.

21   You know, many of our senior executives

22 and senior staff were in malls across the province

23 talking to Manitobans, soliciting their views. People

24 responded on the website.

25   And what we did, the culmination of that

1 public consultation was the production of a report. We

2 actually took out advertising in key newspapers to let

3 people know that the report was now available, that they

4 could obtain it on the website.

5   And that's the -- we would expect to do

6 the same thing with this, is that we would compile the

7 results, complete the report, and let everybody know that

8 we've pulled it together and that they have ready access

9 to the results. We can certainly provide that same link

10 or -- or paper copies, if you wish, to -- to the Board.

11   MS. CANDACE GRAMMOND: Thank you. We --

12   MS. MARILYN MCLAREN: That -- that won't

13 happen until well after the proceedings, but commitment,

14 undertaking, call it what you will.

15   THE CHAIRPERSON: We would appreciate

16 that report.

17   MS. CANDACE GRAMMOND: Thank you.

18

19 --- UNDERTAKING NO. 32:   MPI to provide the report on

20   the consultations regarding

21   road safety

22

23 CONTINUED BY MS. CANDACE GRAMMOND:

24   MS. CANDACE GRAMMOND: So then

25 concurrently with that process, Ms. Kalinowsky describes

1 in her letter that:

2   "The Corporation is continuing to work

3   with the Canadian Council of Motor

4   Transport Administration, or the CCMTA,

5   in developing Canada's newest road

6   safety strategy, 2015."

7   Can you tell us a little bit about the --

8 the Corporation's role in that process?

9   MS. MARILYN MCLAREN: For many years,

10 even before the merger of driver and vehicle licensing in

11 Manitoba Public Insurance, we've had an employee, a

12 manager on the Canadian Council of Motor Transport

13 Administers Road -- Administrators Road Safety Committee

14 because of our role in road safety.

15   And through that continuing process we

16 have participated in the evolution of what has or will

17 become the new vision. I think there was -- the road

18 safety 2010 meant Canada having a goal to have the safest

19 roads, some strategies and so on around that, but this is

20 expected to be quite different from that and focus more

21 on identifying what are the proven best strategies to

22 help improve road safety rather than specific numerical

23 measures in terms of things like that.

24   But we were part of the process, but it --

25 as were every other public auto insurer and every

1 registrar in the country, so it's a fairly large group

2 with -- with lots of involvement from the bureaucrats

3 that administer highway legislation and licensing and

4 registration legislation.

5   MS. CANDACE GRAMMOND: Thank you. So if

6 we continue --

7   MR. REGIS GOSSELIN: I -- I have a

8 question in relation to page 8 of the -- the vision

9 document on road safety. Specifically, the very first

10 paragraph there talks about the Corporation and its

11 customers see a return of five (5) to twelve (12) times

12 the investment.

13   Based on -- based on the -- the work that

14 you've done around this, is it the kind of yield you can

15 expect if -- with a dollar invested? Is it...

16   MS. MARILYN MCLAREN: Sorry, I'm just

17 trying to catch up to the --

18   MR. REGIS GOSSELIN: Okay.

19   MS. MARILYN MCLAREN: -- to the

20 reference.

21

22   (BRIEF PAUSE)

23

24   MS. MARILYN MCLAREN: The top of page 8,

25 talking about infrastructure and the Insurance

1   Corporation of British Columbia, is that your question?

2   MR. REGIS GOSSELIN: Yeah.

3   MS. MARILYN MCLAREN: Yeah, they -- they

4   produce some pretty credible reports that they see that

5   kind of return. Their activity in the infrastructure

6   space in British Columbia has -- has changed a fair bit.

7   There was a time when they were giving some fairly large

8   sums of money to some pretty significant roadway

9   projects.

10   They really moved away from that and they

11   now invest in very specific targeted improvement

12   initiatives where, if they identify a particular

13   intersection, often intersections or merging lanes,

14   things like that, where there's a lot of crashes, and

15   their engineers believe that there's a business case for

16   them to be involved, they'll work with the

17   municipalities.

18   And they never provide all -- they don't

19   even -- they never provide, I believe, even 50 percent of

20   the funding. It's really kind of incremental funding to

21   help get things off the ground that may not otherwise,

22   but it's a small part of the funding.

23   And based on that, they can make things

24   happen that wouldn't otherwise. And they believe that

25   they can prove that they will ha -- they will be paying

1   out five (5) to twelve (12) times less in claims costs by

2   investing in these very carefully selected infrastructure

3   improvements.

4   MR. REGIS GOSSELIN: As a follow-up

5   question to what you just said, I guess the budgets we've

6   seen for '13/'14 and '14/'15 are preliminary budgets.

7   They wouldn't encompass any dollars there. I don't

8   recall seeing anything regarding investments in road

9   safety at the current time.

10   Am I -- am I right?

11   MS. MARILYN MCLAREN: You -- you are

12   right. That's not something we have ever done. It's --

13   it's something that -- that may get some discussion

14   through this consultation process, but it -- it certainly

15   isn't something that -- that the Corporation would be in

16   a position to start fresh without significant confidence

17   that it would be really supported.

18

19   CONTINUED BY MS. CANDACE GRAMMOND:

20   MS. CANDACE GRAMMOND: Thank you. And,

21   Ms. McLaren, the -- the portion of the -- the visioning

22   document that you were just speaking about with Board

23   member Gosselin, is the section dealing with

24   infrastructure. That's one (1) of four (4) sections that

25   are the -- the options and that -- that's under the broad

1   heading of options to make roads safer.

2   The four (4) of them being road users, so,

3   you know, who the drivers are. The second one (1) being

4   -- being vehicle design and safety standards, so, you

5   know features within vehicles. The third being

6   infrastructure as you just discussed. And the fourth

7   being enforcement from law enforcement.

8   Is that -- is that a fair, broad summary

9   of those pages?

10   MS. MARILYN MCLAREN: Yes.

11   MS. CANDACE GRAMMOND: Okay. And on the

12   -- the topic of enforcement, if we turn the page over

13   from page 8 that -- that we were just looking at

14   regarding enforc – or infrastructure, and go to the -- we

15   actually go to another document which is AI-10, Part 2, a

16   supplementary piece that was filed by the Corporation.

17   And if we go to page 3 of that, we have some statistics

18   on highway traffic act convictions. Are you with me?

19   THE CHAIRPERSON: Can you repeat that

20   again so we can...

21   MS. MARILYN MCLAREN: We're still in AI-

22   10?

23

24   CONTINUED BY MS. CANDACE GRAMMOND:

25   MS. CANDACE GRAMMOND: AI-10, Part 2, so

1   all I did was, I turned over the page from page 8, and

2   then we -- we see there's a new heading AI-10, Part 2,

3   and then turn the page one (1) more time and we're on

4   page 3, where we have a -- a chart setting out highway

5   traffic act convictions.

6   Ms. McLaren, did you get that on your

7   screen?

8   MS. MARILYN MCLAREN: I didn't, but I'll

9   use Ms. Kalinowsky's book.

10   MS. CANDACE GRAMMOND: Okay. Yeah,

11   sometimes the paper is still my favourite.

12   Okay. So, we see reflected here,

13   statistics on convictions within the province from 2001

14   through to 2010 and we see certainly if we look at the --

15   the total numbers of convictions, so I'm in the far

16   right-hand column, there was somewhat of a dip in the

17   number of convictions starting in about 2004. But that

18   seems to have rebounded as of 2010.

19   Is that a fair comment?

20   MS. MARILYN MCLAREN: I -- I think really

21   2009 is -- you know -- we -- it has increased again. '10

22   has increased over 2009, but '09 was the big difference.

23   MS. CANDACE GRAMMOND: Sure and I'll --

24   I'll take 2009. And, in fact, under the -- the Winnipeg

25   column, which would represent Winnipeg Police, the 2010

1   number of forty-four thousand seven hundred and ninety

2   (44,790) convictions is actually an all-time high of the

3   -- the entire period of years that we see here.

4   MS. MARILYN MCLAREN: Yes, that's true.

5   MS. CANDACE GRAMMOND: And again, the

6   Board had asked the Corporation an IR with respect to

7   these statistics, into what the Corporation attributed

8   those, and -- and the Corporation's answer was that there

9   has been a specific concerted effort in traditional

10   traffic enforcement efforts.

11   Does that sound about right?

12   MS. MARILYN MCLAREN: Yes, that's what

13   we're told by our colleagues at the Winnipeg Police

14   Service.

15   MS. CANDACE GRAMMOND: And again, for the

16   record, that was PUB/MPI-1-86, but I'm -- I'm not going

17   to -- going to go there.

18   And with respect to the -- the idea of

19   traffic enforcement and -- and sort of in this vein, the

20   -- the Board -- this Board had made a recommendation to

21   the Corporation last year that it recommend to the

22   province that certain speed limits be reduced in -- in

23   specific areas and that the Corporation invest in

24   additional speed indicator signs.

25   Do you recall that recommendation?

1   MS. MARILYN MCLAREN: I think most of

2   that was around the issue of wildlife.

3   MS. CANDACE GRAMMOND: Yes.

4   MS. MARILYN MCLAREN: And the initiatives

5   to address the high number and value of wildlife claims.

6   MS. CANDACE GRAMMOND: Yes. And we can

7   review the -- the Corporation's answer to that

8   recommendation. And -- and if you wish to go there it's

9   SM-5.12.7, but it - it's very short. So, I can -- I can

10   read that in:

11   "The Corporation indicated that the

12   determination of speed limits is that

13   of -- is the responsibility of

14   government, that the Corporation has

15   identified some high risk wildlife

16   collision areas as an item to consider

17   in formulating options to make roads

18   safer."

19   And then there's a reference to the AI-10

20   road safety visioning documents.

21   Is that -- is that a fair representation

22   of the Corporation's answer to that recommendation?

23   MS. MARILYN MCLAREN: Yes. And -- and

24   since then, we've filed the information about the wild --

25   the wildlife pilot that ha -- is underway right now.

1   That is one (1) of the undertakings. We've shared the

2   information, and it's got a fair bit of media coverage in

3   the Winnipeg area lately as well.

4   MS. CANDACE GRAMMOND: Yes. Thank you.

5   With respect to the issue of -- of wildlife specifically,

6   the -- the Corporation has included a month in its safety

7   and awareness calendar, which is the month of November,

8   that relates to wildlife awareness.

9   Is that right?

10   MS. MARILYN MCLAREN: Yes.

11   THE CHAIRPERSON: Is that the time frame,

12 Ms. McLaren, of the pilot? I presume this is a pilot

13 project?

14   MS. MARILYN MCLAREN: The pilot project

15 is underway now. It started, I'm losing track of time,

16 last Friday, or maybe the Friday before that, two (2)

17 weeks ago I guess this -- two (2) weeks ago this coming

18 Friday. And wildlife become more active beco --

19 beginning in October, but it does go right through

20 November. So the pilot that we started in conjunction

21 with the Winnipeg Police Service is -- is underway now,

22 yeah.

23   THE CHAIRPERSON: To coincide with the

24 mating season?

25   MS. MARILYN MCLAREN: That's -- that's

1   when they tend to move around a lot, I understand.

2

3   CONTINUED BY MS. CANDACE GRAMMOND:

4   MS. CANDACE GRAMMOND: And, Ms. McLaren,

5   does the Corporation have a view with respect to the

6   merits of the -- the idea of speed limits being reduced?

7   MS. MARILYN MCLAREN: No more so than any

8   other topic that is well outside the Corporation's

9   jurisdiction, and it does not offer perspectives on the

10 public record about matters that are not within this

11 jurisdiction. So on that basis, it's a long way to say,

12 no, it doesn't have a view, I guess.

13   MS. CANDACE GRAMMOND: Or at least not

14 one (1) that it's going to put on the record at this

15 time?

16   MS. MARILYN MCLAREN: Does -- does not

17 have a public position. Does not take public positions.

18   MS. CANDACE GRAMMOND: Okay. Speaking of

19 the -- the recommendations made by this Board last year,

20 there was also a recommendation made by the -- the Public

21 Utilities Board that the Corporation establish a road

22 safety fund.

23   You'll recall that from the order flowing

24 from last year's GRA?

25   MS. MARILYN MCLAREN: Yes.

1   MS. CANDACE GRAMMOND: And the

2   Corporation has said on the record at this year's

3   proceeding that, in its view, such a fund would be

4   appropriate where there are identified initiatives that

5   have an expected measurable impact on claims costs, so,

6   you know, that funds used would be needed for funding

7   decreases.

8   And -- and the example that the

9   Corporation gave was the IIF, or the immobilizer

10   incentive fund?

11   MS. MARILYN MCLAREN: Right. The way the

12   Corporation tends to think about road safety and loss

13   prevention and issues like that is where there's really

14   truly a high expectation that costs will be reduced, that

15   would fall into the category of loss prevention. It's

16   tangible. It's measurable. You can really prove as you

17   go along how -- how you're doing.

18   That rarely is possible to -- to the same

19   extent when it comes to road safety. You know, it's --

20   it's very difficult to figure out if you've actually

21   saved some lives. It's very difficult with all the

22   different factors of weather and behaviour and so many

23   different things. It's hard to say whether a particular

24   road safety initiative truly did provide tangible

25   financial savings, so those are more like a road safety

 1 consideration. We believe it's worthwhile. We believe

 2 it's an important thing to do. You can't prove you're

 3 going to save a dollar for every dollar you spend.

 4   The infrastructure at ICBC would clearly

 5 be loss prevention, not -- not road safety, which has a

 6 higher percentage of goodwill kind of associated with it.

 7 So if there's something that you believe you should be

 8 doing and you fund it through a special fund, then when

 9 the money is gone you got to stop doing it even if you

10 still think it's a good thing to be doing.

11   Whereas if it's a loss prevention

12 initiative where you truly believe if you spend the money

13 up front you get tangible savings that carry forward,

14 when the money is gone you don't need anymore money.

15   So that -- the loss prevention approach is

16 really well-suited to having a special fund aside, road

17 safety, for things that we believe are important to do

18 and -- and we don't foresee when they would be become

19 unimportant, should be built into your annual budgets.

20 That tends to be the way we would look at it.

21   MR. REGIS GOSSELIN: Could I just clarify

22 that -- what I just -- what you said. So, loss

23 prevention, addressing intersection by intersection,

24 would be loss prevention. Sort of the -- changing the

25 mindset would be road safety.

1   Is that how you sort of...?

2   MS. MARILYN MCLAREN: Exactly. Yeah.

3

4   CONTINUED BY MS. CANDACE GRAMMOND:

5   MS. CANDACE GRAMMOND: And, at the end of

6   the day, the Corporation isn't, for the reasons that

7   you've articulated, of the view that a -- a specific fund

8   should be established at this point in time?

9   MS. MARILYN MCLAREN: Certainly not at

10   this point in time. Certainly would support something

11   like that, with the right purpose at the right time, but

12   -- but not -- not at this point, yes.

13   MS. CANDACE GRAMMOND: Okay. Madam

14   Chair, I have a -- I think what will be a pretty short

15   line that I think I can get through sort of in and around

16   -- by in and around 4:00, so I'll -- I'll just keep going

17   if that's okay.

18   One (1) of the -- the topics or -- or

19   issues that we've had discussion about in these

20   proceedings in past years is the intersection safety

21   cameras, or red light cameras, what we commonly refer to

22   as -- as that?

23   MS. MARILYN MCLAREN: yes.

24   MS. CANDACE GRAMMOND: And, last year,

25   the Board made a recommendation to the Corporation with

1   respect to those intersection safety cameras, which was

2   twofold. Firstly, the Board asked that the Corporation

3   provide an analysis of options with respect to those

4   camera infractions giving rise to DSR demerits and,

5   secondly, that the Corporation research the relationship

6   between those camera infractions and at-fault accidents.

7   And that was the recommendation reflected at five (5) --

8   SM-5.12.5.

9   And I know we -- that the Corporation

10 provided a -- a reply to that. Specifically, the

11 Corporation said it, did not have records of which

12 vehicles got those kinds of tickets, nor did it have the

13 statutory authority to get the data. The Corporation

14 said it was not in a position to conduct an analysis of

15 the relationship between the infractions and at-fault

16 accidents, and that the government decides, you know,

17 what demerits are handed out for.

18   Is that a -- a fair paraphrasing of the

19 Corporation's answer?

20   MS. MARILYN MCLAREN: That -- that's a

21 fair paraphrasing and maybe I can just add a little bit

22 more to that.

23   My understanding of the government

24 statements at the time it brought in photo radar cameras

25 and red light cameras, is that it -- their -- their

1 intention was that it not have any impact on the driving

2 record of the owners of those vehicles, because there's

3 no way to know for sure who exactly was driving the

4 vehicles when the infractions were taken.

5   On that basis, they drafted legislation in

6 the -- the Highway Traffic Act -- Drivers and Vehicles

7 Act, whereas, we as administrators of the vehicle

8 registration data have a responsibility to give

9 information to the agency that the Winnipeg Police

10 Service has hired to manage that whole process.

11   We don't keep records of it. We don't

12 have it, and it's specifically by legislative design.

13 And there -- there has been a fair bit of discussion and

14 lots written in different Board orders about this. But

15 the Corporation's position is clear -- is by statute and

16 by government intention, we have no role to play in this

17 and it's not something that we can do, or should be doing

18 for that matter.

19   MS. CANDACE GRAMMOND: We, I think, are

20 agreed though that the -- this is a road safety issue. I

21 think we had asked that question and -- and I can give

22 you the reference for the IR, and the Corporation agreed

23 that it is a road safety question.

24   MS. MARILYN MCLAREN: I -- I think the

25 context of that question and -- and the Corporation's

1   answer is that I -- I believe, you know representatives

2   of the government and the police have -- have clearly

3   said that they believe, you know, speeding and red light

4   running are -- are certainly road safety issues. We

5   don't take issue with that.

6   But the Corporation's responsibility to

7   act within that sphere is really dependent on the

8   framework.

9   MS. CANDACE GRAMMOND: When we talk about

10   the -- the Corporation not having the -- the information,

11   and I -- I appreciate the Corporation has said in answer

12   to the recommendation, it doesn't have statutory

13   authority to get the information.

14   Does that -- is that necessarily the same

15   as the Corporation not being able to get the information,

16   period?

17   MS. MARILYN MCLAREN: I would say so.

18   MS. CANDACE GRAMMOND: And does the

19   Corporation have a view to express to the Board about the

20   issue of demerits being assigned with respect to these

21   infractions or flowing from these infractions?

22   MS. MARILYN MCLAREN: No, but -- but

23   maybe for the benefit of the new Board members, I can

24   tell you that the issue of drivers -- rating drivers even

25   when it comes to the Basic Autopac merit discount program

1   and things like that, is a good piece of that the

2   government has always retained full jurisdiction over.

3   When the driver safety rating system came

4   in, it basically replaced a system that had been in place

5   right -- since 1971 where drivers with demerits had to

6   pay extra insurance on their licence, and drivers with

7   at-fault accidents had to pay extra insurance on their

8   licence. But right from the beginning, the government

9   maintained sole jurisdiction over what kind of

10 infractions gave you demerits, what kind didn't, was it a

11 -- did it give you two (2) demerits, did it give you ten

12 (10) demerits. All of those things are things that the

13 government has always retained jurisdiction over under

14 the regulations of the MPIC Act.

15   So, no, in terms of do -- does the

16 Corporation think demerits for something or other would

17 be a good idea? If -- if it had a view of that it would

18 provide that advice confidentiality -- in -- in

19 confidence to the government; it wouldn't be something we

20 would talk about publicly.

21   MS. NICOLE HAMILTON: I think -- just one

22 (1) more question, Madam Chair.

23   I -- I think though, based on your

24 evidence we -- we can agree that certainly the issuance

25 of these types of tickets is an indicator of poor driving

1   behaviour on the part of whoever is driving?

2   MS. MARILYN MCLAREN: That's probably

3   fair.

4   MS. NICOLE HAMILTON: Okay. So, those

5   are my questions on that, Madam Chair. I do have one (1)

6   other little area that's related to road safety, but I

7   can deal with that in the morning. And I should be in

8   and done my cross inside of an hour for sure. That's for

9   Mr. Williams' benefit. I mean, it could be half an hour,

10   or an hour or something like that.

11   THE CHAIRPERSON: Thank you. So we're

12   going to adjourn and we'll meet again at 9:30 tomorrow

13   morning.

14

15   (PANEL RETIRES)

16

17   --- Upon adjourning at 4:03 p.m.

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19   Certified Correct,

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21   _____

22   Cheryl Lavigne, Ms.

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