

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2019/2020 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Robert Gabor, Q.C. - Board Chairperson

Irene Hamilton - Board Member

Carol Hainsworth - Board Member

Robert Vandewater - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 23, 2018

Pages 1101 to 1161



“When You Talk - We Listen!”



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APPEARANCES

Kathleen McCandless) Board Counsel
Robert Watchman) Board Counsel
Steven Scarfone) Manitoba Public
Anthony Guerra) Insurance
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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. Ms. McCandless...?

5 MS. KATHLEEN MCCANDLESS: Good
6 morning, Mr. Chair and members of the panel. Today we
7 will continue the cross-examination of the IT value
8 management and physical damage re-engineering panel,
9 and that should be complete today.

10 MR. STEVE SCARFONE: Just before we
11 begin, Mr. Chair, MPIC has some exhibits it would like
12 to read into the record that have been previously
13 filed.

14 MPIC has on Friday filed to Exhibit
15 Number 26 which was PreAsk Number 1, circulated in
16 draft form. The final version of PreAsk 1 we
17 understand will be circulated and filed by the end of
18 today which will include the pro formas and the DCAT
19 modelling.

20

21 --- EXHIBIT NO. MPI-26: Final version of PreAsk 1.

22

23 MR. STEVE SCARFONE: MPI Exhibit
24 Number 27 was the information technology and physical
25 damage re-engineering presentation that was made to

1 the Board yesterday.

2

3 --- EXHIBIT NO. MPI-27: Information technology and
4 physical damage re-
5 engineering presentation

6

7 MR. STEVE SCARFONE: Exhibit Number
8 28, was Mr. Chuck Henry's presentation on physical
9 damage re-engineering from the Gartner Group.

10

11 --- EXHIBIT NO. MPI-28: Mr. Chuck Henry's
12 presentation on physical
13 damage re-engineering from
14 the Gartner Group

15

16 MR. STEVE SCARFONE: Exhibit Number
17 29, yesterday filed Undertaking Number 3 was responded
18 to.

19

20 --- EXHIBIT NO. MPI-29: Undertaking Number 3
21 response.

22

23 MR. STEVE SCARFONE: And Exhibit
24 Number 30, Undertaking Number 4 was responded to by
25 MPIC.

1 --- EXHIBIT NO. MPI-30: Undertaking Number 4
2 response.

3

4 THE CHAIRPERSON: Thank you. Mr.
5 Williams...?

6

7 RESUMED:

8 MPI WITNESS PANEL 4 - IT/PHYSICAL DAMAGE RE-
9 ENGINEERING PROJECT VALUE MANAGEMENT PANEL

10 BEN GRAHAM, Previously Sworn

11 CURTIS WENBERG, Previously Sworn

12 BRAD BUNKO, Previously Sworn

13 LAWRENCE LAZARKO, Previously Sworn

14 JOHN REMILLARD, Previously Sworn

15 CHARLES HENRY, Previously Sworn

16

17 CONTINUED CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

18 DR. BYRON WILLIAMS: Good morning,
19 members of the panel. Just by way of outline, there
20 are a couple of questions for Mr. Graham that might
21 properly have been asked last week, but by agreement
22 with Manitoba Public Insurance we -- we moved them to
23 -- to this part of the hearing.

24 So, I'll start off with those and then
25 I'll move into areas of IT. We have a number of

1 exhibits, first, is a media release dated June 15th,
2 2016 regarding framework letters for Crown agencies
3 which we are proposing be mark as CAC Exhibit 18.

4

5 --- EXHIBIT NO. CAC-18: Media release dated June
6 15th, 2016 regarding
7 framework letters for
8 Crown agencies.

9

10 DR. BYRON WILLIAMS: Next is the
11 actual mandate letter to Manitoba Public Insurance to
12 Mr. -- to the chair of their board which we're
13 suggested be marked as CAC Exhibit 19.

14

15 --- EXHIBIT NO. CAC-19: Actual mandate letter to
16 Manitoba Public Insurance
17 to the chair of their
18 board

19

20 DR. BYRON WILLIAMS: Next should be a
21 document dated May 20th, 2014 titled PD Re-engineering
22 Program Charter which we're suggesting be CAC-20.

23

24 --- EXHIBIT NO. CAC-20: Document dated May 20th,
25 2014 titled PD Re-

1 engineering Program

2 Charter

3

4 DR. BYRON WILLIAMS: PUB-MPI

5 Information Response 1-75 revised September 5, 2014,

6 we're asking be marked as CAC-21.

7

8 --- EXHIBIT NO. CAC-21: PUB-MPI Information

9 Response 1-75 revised

10 September 5, 2014

11

12 DR. BYRON WILLIAMS: The Board should

13 then have before it a one-page excerpt from the

14 minutes of the January 26th, 2017 Audit Finance and

15 Risk Committee minutes which have -- we would

16 recommend be marked as CAC-22.

17

18 --- EXHIBIT NO. CAC-22: One-page excerpt from the

19 minutes of the January

20 26th, 2017 Audit Finance

21 and Risk Committee minutes

22

23 DR. BYRON WILLIAMS: Then should be an

24 excerpt from the MPI board meeting dated February 2nd,

25 2017, CAC-23.

1 --- EXHIBIT NO. CAC-23: Excerpt from the MPI board
2 meeting dated February
3 2nd, 2017
4

5 DR. BYRON WILLIAMS: And finally, as
6 CAC-24, excerpts from Board Orders from Order 151/'13
7 up to Order 130/'17.
8

9 --- EXHIBIT NO. CAC-24: Excerpts from Board Orders
10 from Order 151/'13 up to
11 Order 130/'17.
12

13 DR. BYRON WILLIAMS: And, Kristen, if
14 you can pull up just from the transcript page 120
15 towards the bottom line 24.

16 And, Mr. Graham, a few questions for
17 you. As a provincial Crown Corporation, you'll agree
18 that it's important for Manitoba Public Insurance to
19 be aware of government expectations for it; agreed?

20 MR. BEN GRAHAM: Yes.

21 DR. BYRON WILLIAMS: And as part of
22 that role, it is incumbent upon Manitoba Public
23 Insurance to be aware -- aware of government
24 statements as they relate to Manitoba Public
25 Insurance; correct?

1 MR. BEN GRAHAM: Correct.

2 DR. BYRON WILLIAMS: And without
3 asking you to elaborate, I'll ask you to confirm that
4 on page 120 and 121 of the transcript, you have set
5 out one (1) of the expectations of government to -- in
6 terms of a reduction in volatility; agreed?

7 MR. BEN GRAHAM: Correct. If I can
8 clarify that just a little bit. It would be remiss to
9 think that I had not spoken about the volatility and
10 the earnings of MPI over the last few years.

11 I can guarantee you that there has
12 never been a discussion in relation to rights, what
13 those rights should be and we are very much in
14 compliance with the Crown Corporation Governance and
15 Accountability Act.

16 DR. BYRON WILLIAMS: And I thank you
17 for that clarification, sir. And on that theme, if we
18 can go to MPI Exhibit 18, and specifically, paragraph
19 2. We'll just wait for that to come up, sir. I had
20 misspoke, I meant CAC Exhibit 18. Paragraph 2.

21 And, sir, in the last sentence of that
22 second paragraph you see the express intention of the
23 government to work with the corporations without
24 political interference.

25 Do you see that reference, sir?

1 MR. BEN GRAHAM: Yes.

2 DR. BYRON WILLIAMS: And that's
3 consistent with what you've just indicated to me that
4 you've received no direction from government in terms
5 of rates?

6 MR. BEN GRAHAM: No, nothing in
7 relation to rates. Remembering that it is the
8 Minister responsible for, so, we obviously are going
9 to discuss the financial outcomes of the Corporation.

10 DR. BYRON WILLIAMS: And referring you
11 to CAC Exhibit 19, the framework letter sent by
12 Minister Schuler to Mr. VanKoughnet.

13 MR. BEN GRAHAM: Yep.

14 DR. BYRON WILLIAMS: And specifically,
15 paragraph 4, you see again in the last sentence the
16 express need for government to find the right balance
17 between performance and respecting the operational
18 independence for Crown corporations.

19 You see that reference, sir?

20 MR. BEN GRAHAM: Yes, correct.

21 DR. BYRON WILLIAMS: And, sir, by your
22 references to government expectations on the
23 transcript, you were in no way suggest -- let me back
24 up.

25 Speaking of independence, sir, you

1 recognize the importance of the Public Utilities Board
2 as an independent evidence base forum to test whether
3 rates are just and reasonable?

4 MR. BEN GRAHAM: Absolutely.

5 DR. BYRON WILLIAMS: And, sir, by your
6 references to government expectations, you were in no
7 way suggesting that the PUB surrender its independent
8 point of view to -- or subordinate its independent
9 functions?

10 MR. BEN GRAHAM: No.

11 DR. BYRON WILLIAMS: Okay. Thank you.
12 Mr. Bunko, was I right in -- well, it doesn't matter
13 whether I was right, did you testify yesterday that in
14 -- you've been in your current role for about four and
15 a half (4 1/2 years), sir?

16 MR. BRAD BUNKO: Correct.

17 DR. BYRON WILLIAMS: And so that takes
18 you back to 2015/2014, in that period, sir?

19 MR. BRAD BUNKO: Yes.

20 DR. BYRON WILLIAMS: And you've been
21 with Manitoba Public Insurance for about nine (9)
22 years, sir?

23 MR. BRAD BUNKO: Yes.

24 DR. BYRON WILLIAMS: And, sir, prior
25 to joining Manitoba Public Insurance as an employee,

1 did you have any relationship with it as an external
2 consultant?

3 MR. BRAD BUNKO: No, I did not.

4 DR. BYRON WILLIAMS: I wonder if we
5 can go to CAC Exhibit 22. And I'm not sure who's best
6 entitled to speak to this or best suited.

7 Kristen, I wonder -- pull of that quote
8 but then I wonder if you can go to, for a second, to
9 the PUB exhibit from last year -- or it's PUB
10 Information Response 1-2, Appendix 1, Slide 16.

11 To the MPI panel -- Kristen, yeah, go
12 up just to the top of the page. You see that this is
13 a -- minutes from the Audit, Finance and Risk
14 Committee minutes that were filed as part of last
15 year's hearing?

16 MR. BRAD BUNKO: Sure, yes.

17 DR. BYRON WILLIAMS: And in terms of
18 attendance at the audit, finance and risk committee,
19 would it be fair to suggest that it includes committee
20 members as well as members of the Public Utilities
21 Board?

22 THE CHAIRPERSON: Sorry, Mr. Williams,
23 did you mean the MPI board rather Public Utilities --

24 DR. BYRON WILLIAMS: I totally
25 misspoke.

1 THE CHAIRPERSON: I don't remember us
2 ever being there.

3 DR. BYRON WILLIAMS: It's early, Mr.
4 Chair.

5

6 CONTINUED BY DR. BYRON WILLIAMS:

7 DR. BYRON WILLIAMS: In terms of who
8 attends these minutes, you'll see at this particular
9 one that there were board members present, Mr. Bunko?

10 MR. BRAD BUNKO: Yes, yes.

11 DR. BYRON WILLIAMS: As well as
12 representatives from management? Scroll down a little
13 bit, Ms. Schubert.

14 MR. BRAD BUNKO: Yes.

15 DR. BYRON WILLIAMS: And now if we can
16 go back to CAC Exhibit 22. Mr. Bunko, you'll see a
17 reference to Mr. Martin Geffen presenting a Gartner
18 strategic assessment, which included advice on
19 security and risk management of IT, along with the
20 risk assessment of strategic initiatives.

21 Do you see that reference, sir?

22 MR. BRAD BUNKO: M-hm, yes.

23 DR. BYRON WILLIAMS: And Mr. Geffen
24 was one (1) of the authors of the Gartner reports on
25 the Physical Damage Re-engineering Project, sir?

1 MR. BRAD BUNKO: Correct.

2 DR. BYRON WILLIAMS: And, sir, when we
3 think of the Physical Damage Re-engineering Project,
4 it's clear that it was an important strategic
5 objective and initiative of Manitoba Public Insurance?

6 MR. BRAD BUNKO: Yes.

7 DR. BYRON WILLIAMS: And so would it
8 be fair to presume, sir, that Mr. Geffen and as part
9 of his briefing to the audit, finance and risk
10 committee, would have provided a brief -- a briefing
11 in terms of the PDR in January of 2017, sir?

12 MR. BRAD BUNKO: That would've been
13 one (1) of the components of his presentation. On an
14 annual basis, Martin Geffen as -- as far as a risk
15 service that he provides to the Corporation gives us
16 an overview of the risk position of the majority of
17 our initiative portfolio.

18 DR. BYRON WILLIAMS: And if we could
19 pull up CAC Exhibit 23, being the excerpt from the
20 Board minutes dated February 2nd, 2017.

21 And, sir, what you see here is a motion
22 by members of the board to ratify the recommendation
23 of the planning technology committee and directing
24 your attention specifically to the second bullet, to
25 finalize negotiations for coal development agreement

1 to create a customer claims reporting system; is that
2 fair, sir?

3 MR. BRAD BUNKO: Correct.

4 DR. BYRON WILLIAMS: And, sir, are you
5 part of the planning and technology committee?

6 MR. BRAD BUNKO: I'm not a member, but
7 I do attend the meetings.

8 DR. BYRON WILLIAMS: And would you
9 have attended meetings of the planning and technology
10 committee in 2017 as a -- or 2016 as it related to the
11 customer claims reporting system?

12 MR. BRAD BUNKO: I believe I did.

13 DR. BYRON WILLIAMS: I'm going to turn
14 to CAC Exhibit 20 which is the PD re-engineering
15 program charter filed as part of the 2015 rate
16 application as AI.10.

17 I'm not sure which MPI witness to -- to
18 refer this to but I want to direct your attention to
19 page 7 at the bottom and towards the top of page 8.
20 So that's perfect, if you can leave optimized
21 adjusting project at the top of the page, Kristen,
22 that's -- that's great. Thank you.

23 Mr. Bunko, I see your mic's still on so
24 I'm going to ask you -- oh, no, that was okay, I was
25 going to ask you the question. Who should -- or is it

1 you, Mr. Remillard?

2 MR. JOHN REMILLARD: Ask the question.

3 DR. BYRON WILLIAMS: Okay. In the
4 2014 program charter, I'll suggest that an important
5 element of the charter is -- and the conception of PDR
6 is it then stood was an optimized adjusting project;
7 agreed?

8 MR. JOHN REMILLARD: Correct.

9 DR. BYRON WILLIAMS: And when we look
10 at this dialogue relating to the optimized adjusting
11 project, an important thing to understand, I'll
12 suggest to you, is that on the bodily injury claim
13 side of the business Manitoba Public Insurance as part
14 of the BI3 initiative was using a product from FINEOS,
15 F-I-N-E-O-S for the record.

16 MR. JOHN REMILLARD: That is correct.

17 DR. BYRON WILLIAMS: And what this --
18 MPI had also undertook a -- a fit assessment with
19 FINEOS to determine it's fit both for a first notice
20 of loss application, as well as replacement of the C-
21 A-R-S, CARS, legacy system replacement; agreed?

22 MR. JOHN REMILLARD: At that time,
23 that's correct.

24 DR. BYRON WILLIAMS: And directing
25 your attention to the bottom of that paragraph, the --

1 the hope of the Corporation, at that point in time,
2 with that FINEOS would provide the Corporation with a
3 common platform both for bodily injury and physical
4 damage claims; agreed?

5 MR. JOHN REMILLARD: Correct.

6 DR. BYRON WILLIAMS: And at that point
7 in time, FINEOS was also hoped to be a -- a good fit
8 as a replacement for the CARS legacy system; agreed?

9 MR. JOHN REMILLARD: At that time,
10 correct.

11 DR. BYRON WILLIAMS: And if we can
12 pull up CAC Exhibit 21 being the ex -- the response to
13 PUB-MPI-175 from the 2015 General Rate Application.
14 And the second in page towards the bottom.

15 Mr. Remillard, you'll see that the
16 intent at this early date was to provide a -- a
17 breakdown of the project budget and forecast for the
18 Physical Damage Re-engineering Project; agreed?

19 MR. JOHN REMILLARD: Agreed.

20 DR. BYRON WILLIAMS: And if we look to
21 the bottom under "total project costs" we'll see a
22 seven (7) year estimate in the range of \$65 million,
23 sir?

24 MR. JOHN REMILLARD: Correct.

25 DR. BYRON WILLIAMS: And if we look to

1 the fourth (4th) line down from the top under
2 Initiative, sir, you'll see reference to optimized
3 adjusting, agreed?

4 MR. JOHN REMILLARD: Yes, I see it.

5 DR. BYRON WILLIAMS: And that's what
6 we were just speaking of in terms of the intent to use
7 it for first notification of loss, as well as the CARS
8 legacy replacement, sir?

9 MR. JOHN REMILLARD: Yes.

10 DR. BYRON WILLIAMS: And if we go out
11 to the extreme right we'll see that the estimate for
12 -- for optimized adjusting at that point in time was
13 around \$32.6 million, sir?

14 MR. JOHN REMILLARD: Correct.

15 DR. BYRON WILLIAMS: Almost half of
16 the total project cost?

17 MR. JOHN REMILLARD: Agreed.

18 DR. BYRON WILLIAMS: Mr. Remillard, if
19 I could ask you to turn to MPI or the Public Utility
20 -- sorry, let me back up. CAC Exhibit 24, tab 2, page
21 23.

22 And towards the bottom of the page that
23 last paragraph and about five (5) or six (6) lines
24 down, Mr. Remillard, you see the -- you'll agree that
25 the Public Utilities Board was reporting back in 2014

1 that Manitoba Public Insurance was expecting to
2 realize 13 million in annual savings as a result of
3 the PDR project to be offset by about 5 million in
4 additional software licensing and other costs,
5 correct?

6 MR. JOHN REMILLARD: Correct.

7 DR. BYRON WILLIAMS: And if we flip to
8 page 33 of that decision, sir, towards the last two
9 (2) paragraphs.

10 You'll see a reference, sir, in the
11 second last paragraph to the Public Utilities Board in
12 Order 151/'13 directing MPI a year previously to
13 provide a five (5) year strategic plan and cost-
14 benefit analysis for all IT -- IT projects having cost
15 implications for Basic. Do you see that, sir?

16 MR. JOHN REMILLARD: I do.

17 DR. BYRON WILLIAMS: And just above
18 that you'll see that the Public Utilities Board
19 observing that MPI did not do so?

20 MR. JOHN REMILLARD: Agreed.

21 DR. BYRON WILLIAMS: And is that
22 consistent with your recollection of the time, sir,
23 subject to check?

24 MR. JOHN REMILLARD: Yes, subject to
25 check.

1 DR. BYRON WILLIAMS: And directing
2 your attention, sir, to the second bullet on the last
3 paragraph you see the Board ordering in 2014 MPI to
4 file with regard to the PUB physical damage re-
5 engineering or PDR project an updated estimate of
6 projected costs and benefits associated with the
7 project, sir?

8 MR. JOHN REMILLARD: Confirmed.

9 DR. BYRON WILLIAMS: I'd like to take
10 you, Mr. Remillard, to tab 3 of this same Exhibit
11 being Exhibit 24, slide -- or page 36 -- actually just
12 page 37 at the top.

13 And again, sir, at -- at -- at -- on
14 this page being an excerpt from 2015, you see the
15 Board expressing concerns with the delay in
16 implementing PDR, as well as the risks associated with
17 the project, sir?

18 MR. JOHN REMILLARD: Yes.

19 DR. BYRON WILLIAMS: And it ordering
20 MPI to file an independent assessment on the
21 development and rollout of the PDR project, sir?

22 MR. JOHN REMILLARD: Yes.

23 DR. BYRON WILLIAMS: And that
24 assessment was it to include the cost of the project
25 and anticipated savings, as well, sir? Agreed.

1 MR. JOHN REMILLARD: Agreed.

2 DR. BYRON WILLIAMS: Kristen, Ms.
3 Schubert, if I could ask you to pull up PUB-MPI-2-25,
4 figure 1, which is on page 2 of that Information
5 Response.

6 Mr. Remillard, you'll agree that this
7 figure sets out details of expenditures for certain
8 impaired initiatives of Manitoba Public Insurance?

9 MR. JOHN REMILLARD: Confirmed.

10 DR. BYRON WILLIAMS: And if we can go
11 down a bit farther on the page, Kristen, to the --
12 line 27 through 31 relating to the customer claims
13 reporting system.

14 So, Mr. Remillard would it be fair to
15 say that the expenditures set out in -- with regard to
16 the '16/'17 year on customer claims reporting system
17 or CCRS were in the range of \$3.4 million, sir?
18 3. -- 3.385?

19 MR. JOHN REMILLARD: Oh yes. Thank
20 you. Yes.

21 DR. BYRON WILLIAMS: And the
22 expenditures in '17/'18 were in the range of \$5
23 million, sir?

24 MR. JOHN REMILLARD: Yes.

25

1 (BRIEF PAUSE)

2

3 DR. BYRON WILLIAMS: Mr. Bunko, would
4 you have read the commentary of the Public Utilities
5 Board relating to information technology as set out in
6 Order 128/'15 back in 2015, sir?

7 MR. BRAD BUNKO: I could say I
8 would've, yes. I read each of the Orders as they come
9 out.

10 DR. BYRON WILLIAMS: And, sir, would
11 it be fair to say that before Gartner did its first
12 report, i.e., the 2016 Report, concerns were being
13 expressed about the PDR business case by the Public
14 Utilities Board? Would that how you -- would that be
15 how you interpret the decision, sir?

16 MR. BRAD BUNKO: I do see you
17 requesting definitely more analysis on the project.

18 DR. BYRON WILLIAMS: And, sir, did you
19 share those concerns in 2015?

20 MR. STEVE SCARFONE: Just -- can you -
21 - help them with that question a little bit, Mr.
22 Williams, share those concerns with --

23

24 CONTINUED BY DR. BYRON WILLIAMS:

25 DR. BYRON WILLIAMS: All right, let me

1 -- let me -- thank you. I appreciate that.

2 Mr. Bunko, in terms of the feasibility
3 of the business case as it related to PDR globally, as
4 well as indiveg -- individual aspects, did you have
5 concerns with the business case as it stood in 2015?

6 MR. BRAD BUNKO: In 2015 we didn't
7 have the wholesome business case that we have today.
8 In fact, we did not have that thorough business case
9 that contained all of the ongoing costs until very
10 recently.

11 DR. BYRON WILLIAMS: So does that
12 mean, sir, you were not concerned with the status of
13 PDR in terms of the feasibility of its business case?

14 MR. BRAD BUNKO: That's correct.

15 DR. BYRON WILLIAMS: Mr. Remillard, in
16 terms of --

17 MR. JOHN REMILLARD: What I would --
18 same question?

19 DR. BYRON WILLIAMS: Yes.

20 MR. JOHN REMILLARD: Ultimately, as
21 Mr. Bunko, stated our business case at that time was
22 focused on the benefit stream and the project costs.
23 Ultimately, those were the areas of concern and -- and
24 identified through the PUB.

25 At that time we had confidence that we

1 would be able to deliver the project within said
2 budget and that we were on track to deliver said
3 benefits of the 13 million annually.

4 DR. BYRON WILLIAMS: Mr. Henry, I'd
5 like to draw your attention to PUB Exhibit 19 which is
6 the Gartner Report from 2016.

7 And, sir, I'm aware you had some
8 conversation with My Learned Friend yesterday, so I'll
9 try not to duplicate it --

10 MR. CHARLES HENRY: Thank you --

11 DR. BYRON WILLIAMS: -- too much, but
12 I'm making no promises.

13 But, sir, when Gartner's commissioned
14 to do such a report who is it preparing the report
15 for; is it for MPI management, the MPI Board, the
16 Public Utilities Board? Who does it -- Gartner see it
17 -- it preparing the report for, sir?

18 MR. CHARLES HENRY: We see MPI
19 management as our customer.

20 DR. BYRON WILLIAMS: And so, sir, you
21 would not see, in this case, the Public Utilities
22 Board as being the -- the body to whom you were
23 presenting this report?

24 MR. CHARLES HENRY: We're working with
25 MPI to help them satisfy their business requirements,

1 so to the extent that this information is useful for
2 the Public Utility Boards, then, yes, but MPI's the
3 one who contracts with us, who pays our bills, who
4 gives us our statement of work. So MPI's our
5 customer.

6 MR. BRAD BUNKO: I -- I would like to
7 add, the engagements that we have with Gartner and
8 included in the statement of work is the specific
9 Board Order that is produced by the PUB.

10 MR. CHARLES HENRY: Yeah, that --
11 that's correct.

12 DR. BYRON WILLIAMS: Okay.

13 MR. CHARLES HENRY: And you'll see
14 that in the cover of my report.

15 DR. BYRON WILLIAMS: Now I want to
16 direct your attention to -- in the -- page 2.
17 Kristen, this is the PDF page 4 under Projected
18 Program Schedule.

19 And, sir, in 2016 Gartner is
20 characterizing progress on the progra -- program being
21 the PDR program is steady but slow due to a number of
22 changes in direction regarding the definition of the
23 program and due to a number of shifts in the overall
24 delivery structures, sir?

25 MR. CHARLES HENRY: That's correct.

1 DR. BYRON WILLIAMS: And turning to
2 page 21 which is probably PDF page 23, Kristen.

3 On the third bullet at the top of the
4 page, Mr. Henry, you see Gartner expressing, I'll
5 suggest to you, some -- articulating that there are
6 some issues or there may be some issues regarding
7 Mitchell's ability to develop and deploy the FNOL or
8 first notification of loss product meeting MPI's
9 requirements, sir?

10 MR. CHARLES HENRY: That's correct.

11 DR. BYRON WILLIAMS: And in the first
12 full paragraph under those bullets you were advising
13 Manitoba Public Insurance that one (1) of the key
14 risks with the pro -- project was the ability of
15 Mitchell's to deliver the expected outcomes of the
16 FNOL project, sir?

17 MR. CHARLES HENRY: Yes, so Mitchell
18 needs to build a product that would both meet MPI's
19 requirements, but also be hopefully generally
20 available to the marketplace so they had pressure on
21 them to develop a product that would be extensible to
22 the marketplace.

23 DR. BYRON WILLIAMS: And just to
24 direct your attention to page 22, PDF page 24, at the
25 top under Costs.

1 Mr. Henry, you heard my earlier
2 discussion with Mr. Bunko about the original desire to
3 use pl -- FINEOS, F-I-N-E-O-S, to re-platform the CARS
4 application, sir?

5 MR. CHARLES HENRY: I heard that, yes.

6 DR. BYRON WILLIAMS: And you -- you
7 see that here in -- by 2016 Gartner's reporting that
8 the re-platforming of the CARS application has been
9 rejected, agreed?

10 MR. CHARLES HENRY: Sorry, I didn't
11 write this report, my colleague did, so -- so, in
12 fact, --

13 DR. BYRON WILLIAMS: That's not in
14 your personal knowledge, sir?

15 MR. CHARLES HENRY: Correct.

16 DR. BYRON WILLIAMS: I want to direct
17 your attention, again under Cost, to the bullets in
18 the middle of the page under Key Risk.

19 The second bullet you see a description
20 of the FNOL project as being innovative and fairly
21 complex and new to the industry, sir?

22 MR. CHARLES HENRY: Yes.

23 DR. BYRON WILLIAMS: And, sir, you can
24 take or reject this analogy, but when in law we use
25 the word "innovative" or "novel argument," that's

1 often a warning that -- that it's fairly risky.

2 When -- in your profession, when one
3 uses the word of "innovative" and "new to the
4 industry," what do those words mean?

5 MR. CHARLES HENRY: Risk is one,
6 opportunity is another, right? So if -- if it's new
7 to the industry then there is an opportunity to make
8 more money, improve customer satisfaction, improve
9 quality of service.

10 So, "innovative" carries lots of
11 connotations around the ability to better serve
12 clients, as well as a potential connotation of risk.

13 DR. BYRON WILLIAMS: Sir, on this
14 page, just going down, still staying on the bullets,
15 the fourth bullet you -- you flag a key risk area that
16 there's no budget for ongoing support.

17 Do you see that, sir?

18 MR. CHARLES HENRY: Yes.

19 MR. STEVE SCARFONE: Mr. Williams, I
20 just want to be careful when you're indicating "you."
21 Just to make it clear, you're meaning Gartner,
22 obviously, that Mr. Henry didn't author the report.

23 DR. BYRON WILLIAMS: And I -- I accept
24 that, Mr. Scarfone. Thank you.

25

1 (BRIEF PAUSE)

2

3 CONTINUED BY DR. BYRON WILLIAMS:

4 DR. BYRON WILLIAMS: And ultimately,
5 at page 24, PDF page 26 at the bottom, as you
6 discussed with My Learned Friend yesterday, Gartner
7 projected a positive net -- positive present value of
8 -- in the range of \$18 million for this program, sir.
9 Agreed?

10 MR. CHARLES HENRY: Agreed.

11 DR. BYRON WILLIAMS: Now, directing
12 your attention to page 27 -- sorry, PDF page 27, page
13 25, in actuality. And Kristen, down to the fourth
14 bullet.

15 Sir, you again see a -- a reference to
16 the fact that while there is a budget for one-time
17 expense, there is not an estimate for ongoing support
18 and maintenance costs.

19 Do you see that reference, sir?

20 MR. CHARLES HENRY: Yep.

21 DR. BYRON WILLIAMS: Now, Mr. Henry,
22 you've described Gartner as a research firm?

23 MR. CHARLES HENRY: Correct.

24 DR. BYRON WILLIAMS: In your roles
25 with Gartner, would you or -- does Gartner profess

1 expertise in information technology, business
2 analysis, or the conducting of net present value
3 analysis, sir?

4 MR. CHARLES HENRY: Yes.

5 DR. BYRON WILLIAMS: Sir, in -- in
6 your professional view, do you believe a credible net
7 present value analysis can be conducted without ins --
8 insight into annual operating costs?

9 MR. CHARLES HENRY: Net present value
10 is a tool to look at a project. There's many tools to
11 look at a project.

12 So, the NPV of a project could focus on
13 various elements of the project, but yes, to be a
14 fulsome NPV analysis it -- it should include the
15 ongoing operating costs.

16 DR. BYRON WILLIAMS: And sir, so as we
17 look at the Gartner report in its totality, we have
18 both observations about it, a net present value
19 analysis, as well as warnings that -- that there is
20 not an estimate for ongoing support and maintenance
21 cost underlying that analysis, would that be fair?

22 MR. CHARLES HENRY: Correct.

23 DR. BYRON WILLIAMS: Sir -- and if you
24 cannot speak to this I'll -- I understand, but when
25 presenting to the MPI risk and audit committee, what,

1 if any, duty would Gartner have to flag the absence of
2 operating and maintenance costs from the business
3 analysis, sir?

4 MR. CHARLES HENRY: Yeah, I wasn't
5 there. I don't know the contents of the report. So I
6 -- I can't comment.

7 DR. BYRON WILLIAMS: And sir, I'm not
8 speaking about what was actually done, but in that
9 type of role, providing advice to MPI management.

10 MR. CHARLES HENRY: So I can say, yes,
11 in other circumstances where I have been engaged we
12 would say that there's elements missing of the
13 analysis.

14 DR. BYRON WILLIAMS: Thank you for
15 that.

16 MR. CHARLES HENRY: Which, if I might
17 add, MPI is working on rectifying through their value
18 of management process.

19 DR. BYRON WILLIAMS: Mr. Bunko,
20 you read the Gartner 2016 report, sir?

21 MR. BRAD BUNKO: Yes, I did.

22 DR. BYRON WILLIAMS: And sir, after
23 reviewing the Gartner group report from 2016, what, if
24 any, concerns did you have with the viability of the
25 business case for PDR, generally or FNOL specifically?

1 MR. BRAD BUNKO: The benefit stream
2 continued to look encouraging. The development that
3 we had done on the CCRS project was still progressing.
4 The project, in general, was -- still seemed very
5 viable.

6 DR. BYRON WILLIAMS: I want to turn to
7 CAC Exhibit 24, tab 4, being an excerpt from PUB Order
8 162/'16 and specifically to page 35. Towards the top
9 of the page.

10 Now, Mr. Bunko, you indicated that you
11 read the Public Utility Board Orders when they come
12 in, sir?

13 MR. BRAD BUNKO: Correct.

14 DR. BYRON WILLIAMS: I take it -- I
15 suspect that you read the Board's findings a little
16 more closely than mo -- than the arguments of our
17 clients, sir? I'm just teasing you, sir.

18 But you see here at the top of this
19 page, our client arguing that the Board can have
20 confidence in the cost benefit analysis conducted in
21 support of the PDR because it didn't take into account
22 the cost for maintaining the system.

23 You see that reference, sir?

24 MR. BRAD BUNKO: Yes, I see that.

25 DR. BYRON WILLIAMS: Turning to page

1 37 of that same decision, Mr. Bunko, in the second
2 paragraph there, you would -- you see the Board
3 expressing concerns with the lack of business cases in
4 the IT area, sir?

5 MR. BRAD BUNKO: Yes.

6 DR. BYRON WILLIAMS: And at the top of
7 that page you also saying -- see the Board expressing
8 its understanding that the scope of the PDR has
9 changed, yet there's no -- no change in the overall
10 budget, sir? Do you see that reference?

11 MR. BRAD BUNKO: Yes.

12 DR. BYRON WILLIAMS: And Mr. Bunko,
13 from your perspective the findings of the -- sorry,
14 not the findings but the observations of the Board did
15 not cause you to question the viability of the PDR
16 business plan case, generally?

17 MR. BRAD BUNKO: Again, the -- the
18 benefit stream still looked very positive, which was
19 the -- culturally the focus at MPI.

20 The -- the need for improved business
21 cases I believe had started to be evaluated and it was
22 probably the early stages and us maturing business
23 case methodology.

24 And pertaining to projects that were
25 not continuing on, that had happened a couple times

1 with the long duration of a project. It needs to be
2 re-evaluated every so often to see what is still
3 feasible, what -- what is still contributing to the
4 overall project and -- and what is not.

5 DR. BYRON WILLIAMS: Mr. Henry, I
6 wonder if I can take you to PUB Exhibit 20, which is
7 the Gartner report from 2017, and specifically to page
8 2, which is PDF page 4, under PDR Program Costs.

9 Sorry, we've got the wrong document
10 here. This is -- I may have misspoke. I'm referring
11 to PUB Exhibit 20, from the 20 -- from the current
12 GRA. Page 2. PDF page 4.

13 Mr. Chair, if I might step down for a
14 minute, we just need to make sure we're on the correct
15 page.

16 THE CHAIRPERSON: Certainly.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: Mr. Chair and to
21 MPI legal counsel, I may need some clarification. I'm
22 -- I'm seeking to refer to the Gartner report from 20
23 -- the 26 of May, 2017.

24 My understanding was that that was
25 referred to in the cross-examination yesterday and ---

1 MS. KATHLEEN MCCANDLESS: It was Mr.
2 Geffen's presentation.

3 DR. BYRON WILLIAMS: It was the
4 presentation.

5 MS. KATHLEEN MCCANDLESS: Yes.

6 DR. BYRON WILLIAMS: So I -- so I
7 would like to -- to bring forward the actual Gartner
8 report from May 26 of 2017. I guess we'll have to
9 make it an exhibit, sir.

10 THE CHAIRPERSON: Yes, we will.

11 DR. BYRON WILLIAMS: And my apologies
12 for the -- the confusion.

13 THE CHAIRPERSON: Kristen, can you
14 bring it up?

15 MS. KATHLEEN MCCANDLESS: I believe
16 it's PDR A from the 2018 GRA.

17

18 (BRIEF PAUSE)

19

20 CONTINUED BY DR. BYRON WILLIAMS:

21 DR. BYRON WILLIAMS: Attachment A?
22 Thank you. And -- and just before we get there, Mr.
23 Bunko, just in terms of clarifying some terminology,
24 then we'll come back to you, Mr. Henry.

25 When I was speaking to you about FNOL,

1 you sometimes responded CCRS. And am I correct in
2 suggesting that, in essence, that the program was re-
3 branded to -- to -- to -- from FNOL to customer claims
4 reporting service?

5 MR. JOHN REMILLARD: That is correct.
6 If you want to go all the way back to the original
7 charter, Mr. Williams, you could refer to it as
8 optimized adjusting, because ultimately everything
9 under that falls under that umbrella.

10 DR. BYRON WILLIAMS: Okay. And I
11 thank you very much for that clarification.

12 So if we use the words "optimized
13 adjusting," "FNOL," the acronym or the acronym "CCRS,"
14 we are, in essence, referring to the same concept?

15 MR. BRAD BUNKO: Maybe a little more
16 refinement on CCRS specifically as to what its purpose
17 was. A little more refined than the overall optimized
18 adjusting term.

19 DR. BYRON WILLIAMS: Thank you.
20 Mr. Henry, and I apologize to the Panel for the
21 confusion, and this would be CAC Exhibit 25.

22

23 --- EXHIBIT NO. CAC-25: Gartner report from May 26
24 of 2017

25

1 CONTINUED BY DR. BYRON WILLIAMS:

2 DR. BYRON WILLIAMS: In terms of PD --
3 PDR program costs, the third paragraph, second line,
4 at this point in time, being 2017, Gartner is
5 expressing a high level of confidence in the projected
6 spending of the program, sir?

7 MR. CHARLES HENRY: In the spending,
8 correct.

9 DR. BYRON WILLIAMS: It's also
10 suggesting prior concerns about deferred benefits
11 realization or much reduced, sir?

12 MR. CHARLES HENRY: Correct.

13 DR. BYRON WILLIAMS: Going to PD -- to
14 page 14, PDF page 16, under Overall Progress.

15 You'll see, Mr. -- Mr. Henry, that
16 Gartner is still suggesting that MPI will need to
17 monitor closely the CCRS product, and in particular
18 the ability of Mitchell to develop and deploy this
19 complex and innovative requirement. Agreed?

20 MR. CHARLES HENRY: Agreed.

21

22 (BRIEF PAUSE)

23

24 DR. BYRON WILLIAMS: If we can go back
25 to, Mr. Bunko, CAC Exhibit 24, tab 5, page 55 and 56.

1 Mr. Bunko, I'm just going to give you a
2 couple of seconds to look through that page. And when
3 you're done let me know and then we'll flip -- flip to
4 page 56.

5

6 (BRIEF PAUSE)

7

8 DR. BYRON WILLIAMS: Do you have that,
9 sir? And then to page 20 -- 56. Just the first
10 paragraph, sir.

11

12 (BRIEF PAUSE)

13

14 DR. BYRON WILLIAMS: Sir, you'll agree
15 with me that by this time the Public Utilities Board
16 is expressing a fair bit of concern with the PDR
17 program?

18 MR. BRAD BUNKO: Yes, I would agree.

19 DR. BYRON WILLIAMS: And by this time,
20 sir, did you share these concerns?

21 MR. BRAD BUNKO: I believe the -- part
22 of what the Board's concerns were included the Gartner
23 independent assessment.

24 DR. BYRON WILLIAMS: So you did not
25 share these concerns, sir?

1 MR. BRAD BUNKO: With whom?

2 DR. BYRON WILLIAMS: With the -- the
3 business case for the PDR program? You did -- what
4 I'm asking, sir, my question was imprecisely worded,
5 so I apologize for that.

6 What was the level of your concern with
7 the feasibility of the PDR business case at this point
8 in time, sir?

9 MR. BRAD BUNKO: So the business case,
10 as I'd previously mentioned, did not contain all of
11 the operating costs. The business case was more on a
12 value benefits case and that value benefits case
13 continued to be positive, showing a return of \$13
14 million per year.

15 The other indications as to why
16 projects were being stomped was part of the re-
17 evaluating of what would be beneficial to the project
18 and what would not be beneficial to the project.

19 So, internally, it was determined that
20 the project needs to continue on to realize the
21 benefits stream that was identified.

22 DR. BYRON WILLIAMS: Mr. Wennberg,
23 just a couple of questions for you, sir.

24 In terms of the eighty-one dollar (\$81)
25 premium related to the 2017 light vehicle

1 accreditation agreement, you recall the discussion you
2 had with My Learned Friend yesterday, sir?

3 MR. CURTIS WENNBERG: Yes.

4 DR. BYRON WILLIAMS: And without
5 intending to repeat that conversation, sir, it would
6 be fair to say that this type of premium payment is
7 not undertaken by other Crown or private
8 jurisdictions; would that be fair, sir?

9 MR. CURTIS WENNBERG: That's fair.

10 DR. BYRON WILLIAMS: And would it also
11 be fair to say, sir, that prior to the March 2017
12 agreement, MPI did not pay estimating fees to repair
13 shops when the repair shops were, indeed, conducting
14 the repairs?

15 MR. CURTIS WENNBERG: No, and you
16 could argue that that was also a part of them doing
17 the pilot at that stage.

18 So we had a -- a number, seventeen (17)
19 shops that were helping us by establishing this
20 program and they were in pilot mode, so we weren't
21 going to pay for them while they were in pilot mode.

22 And just to clarify that there was a
23 two-year agreement for the eighty-one dollars (\$81),
24 the first year nobody got paid the eighty-one dollars
25 (\$81) at all, it would only be the second year that

1 they get paid. And in that way we allow others to
2 establish themselves to get into the program.

3 DR. BYRON WILLIAMS: Now, going to the
4 value management Appendix 6, slide 15, Mr. Henry,
5 which is a -- I'll suggest to you is a Gartner
6 document.

7 You're familiar with that document,
8 sir, I'm sure?

9 MR. CHARLES HENRY: Yes.

10 DR. BYRON WILLIAMS: And in terms of
11 the reference to the eighty-one dollar (\$81) premium,
12 Gartner indicates that the cost was not reported to
13 Gartner until after the 2017 reports, sir?

14 MR. CHARLES HENRY: That's correct.

15 DR. BYRON WILLIAMS: Do you know when
16 it was reported, sir?

17 MR. CHARLES HENRY: I do not.

18 DR. BYRON WILLIAMS: Mr. Remillard,
19 PUB MPI 1-69(c), on the second page, if we go there,
20 Manitoba Public Insurance indicates that it did not
21 share the repair shop agreement, but that it did share
22 relevant aspects of the agreement, including the
23 direct repair eighty-one dollar (\$81) premium, agreed?

24 MR. JOHN REMILLARD: Agreed.

25 DR. BYRON WILLIAMS: Sir, do you know

1 when Manitoba Public Insurance shared the eighty-one
2 dollar (\$81 premium information with Gartner Group?

3 MR. JOHN REMILLARD: My recollection
4 it was part of this year's assessment.

5 DR. BYRON WILLIAMS: And if you're not
6 able to answer this, Mr. Remillard, I understand, but
7 is there some reason why this information would not
8 have been shared with Gartner earlier?

9 MR. STEVE SCARFONE: I think the --
10 the answer is provided in (c), in the document that's
11 on the screen, Mr. Williams.

12 DR. BYRON WILLIAMS: Well, I'm not
13 sure it is, so Mr. Scarfone let me try this a
14 different way.

15 MR. STEVE SCARFONE: Okay.

16

17 CONTINUED BY DR. BYRON WILLIAMS:

18 DR. BYRON WILLIAMS: Mr. Remillard, in
19 terms of the assessment of the business case that
20 Gartner Group was undertaking, was it the view of
21 Manitoba Public Insurance that the direct repair
22 eighty-one dollar (\$81) premium was not relevant?

23 MR. CURTIS WENBERG: I can take that.
24 In some management discussions at that time, the
25 culture and the review of the eighty-one dollar (\$81)

1 premium was that it was a tooling expense, it would be
2 more of an operational expense for repair shops that -
3 - that would be in the direct repair program.

4 And therefore, it wasn't necessarily
5 related to direct repair. It was going to be just a
6 source of funds that would be used to help those shops
7 that are just going to have to increase their expense
8 on tooling to get prepared for the new cars to come.

9 Obviously, you see by this point in
10 time, our internal view of this is that it's far too
11 directly tied to direct repair and, therefore, if we
12 are going to be holistic and do these business cases
13 in a way that any multinational would do it, we must
14 assign this to PDR and -- and it must take place.

15 DR. BYRON WILLIAMS: Thank you for
16 that answer. At benchmark attachment A, slide 17, and
17 Mr. Lazarko, I have sadly neglected you today, sir.

18 Sir, this slide provides some insight
19 into the -- the new Gartner benchmarking analysis that
20 is going to be under -- undertaken for Manitoba Public
21 Insurance, agreed?

22 MR. LAWRENCE LAZARKO: Correct.

23 DR. BYRON WILLIAMS: And one (1) of
24 the elements of this analysis will be an executive
25 view; agreed, sir?

1 MR. LAWRENCE LAZARKO: That's correct.

2 DR. BYRON WILLIAMS: And, sir, would
3 it be correct to suggest that the executive view does
4 not provide benchmarks?

5 And let me -- if that question is
6 imprecise let me try that a little more elegantly.

7 Would it be correct to suggest that the
8 executive view does not -- not provide a peer
9 comparison or benchmark similar to what we might see
10 for other elements of the new Gartner analysis?

11 MR. LAWRENCE LAZARKO: That's my
12 understanding, yes.

13 DR. BYRON WILLIAMS: And, Mr. Lazarko,
14 you recall a conversation with My Learned Friend, PUB
15 counsel, yesterday in terms of the business process
16 management assessment under the previous Gartner
17 assessment tool?

18 MR. LAWRENCE LAZARKO: Yes, that's
19 correct.

20 DR. BYRON WILLIAMS: And sir, under
21 the new Gartner tool would it be accurate to say that
22 the business process management will, essentially, be
23 rolled up into the executive view?

24 It won't be reported separately
25 anywhere, sir?

1 MR. LAWRENCE LAZARKO: Can you advance
2 to slide 18?

3 DR. BYRON WILLIAMS: Yes, slide 18.

4

5 (BRIEF PAUSE)

6

7 MR. LAWRENCE LAZARKO: Based on the
8 statements from Gartner in the first paragraph, I
9 would say it's rolled up into multiple criteria and
10 not specifically the executive view.

11 DR. BYRON WILLIAMS: Okay, thank you
12 for that, sir, that helps with my understanding.

13 Mr. Chair, I want to assure you that
14 yesterday at about this time I had about four and a
15 half (4 1/2) hours of cross. We spent a lot of time
16 trying to eliminate duplication with My Learned
17 Friend, and that concludes our questions of this
18 panel, sir.

19 THE CHAIRPERSON: Thank you.

20 Does the Board have any questions? No?
21 Okay. I have some questions.

22 Mr. Graham, when you came on board to
23 MPI and you took a look at the IT system in place,
24 what were your initial thoughts?

25 MR. BEN GRAHAM: As mentioned on the

1 first day, I felt that a number of things were a
2 little initiative, a little bit too in-house, hence,
3 my point around the fact that if we were to replace
4 our legacy systems that it should be more off-the-
5 shelf and tested in other jurisdictions before we
6 decide to spend money on it.

7 THE CHAIRPERSON: We just heard that
8 the business case didn't include operating costs.
9 From your experience was that something you saw as
10 normal, or did you find that surprising?

11 MR. BEN GRAHAM: I would find that
12 surprising.

13 THE CHAIRPERSON: Were you surprised
14 that in many instances there were no business cases
15 done on these major projects?

16 MR. BEN GRAHAM: I -- yes.

17 THE CHAIRPERSON: Mr. Bunko, I believe
18 in your testimony you talked about how the starting
19 point for IT now is the business objective from the
20 business plan, is that correct?

21 MR. BRAD BUNKO: That's correct.

22 THE CHAIRPERSON: What was it before?
23 If the starting point is now, what was your starting
24 point before?

25 MR. BRAD BUNKO: We lacked a starting

1 point. That's where the difference came in, I would
2 say, as to where the new technology ideas were being
3 initiated from.

4 THE CHAIRPERSON: Well, I'm having
5 problems with that.

6 I can understand where the starting
7 point may not be a document, but there has to be a
8 starting point. Is the starting point a -- a meeting
9 of people, a directive from above? I mean, what's the
10 starting point?

11 MR. BRAD BUNKO: Okay, the starting
12 point previously then would have been the strategy
13 department.

14 THE CHAIRPERSON: And at that point
15 who was running the strategy department?

16 MR. BRAD BUNKO: I'm not sure, I don't
17 recall the individual's name. But he reported to the
18 CIO and eventually became the CEO.

19 THE CHAIRPERSON: And did you have any
20 input into the IT strategy?

21 MR. BRAD BUNKO: It was a broader
22 business strategy that they dealt with. When it
23 translated into the IT strategy, I did have input.

24 THE CHAIRPERSON: You mentioned as
25 well that the IT strategy is updated annually now.

1 When did it start being updated
2 annually?

3 MR. BRAD BUNKO: This will be the
4 first -- first year we'll be updating it annually.

5 THE CHAIRPERSON: Thank you. And I
6 can't remember if this was Mr. Bunko or Mr. Remillard,
7 on the discussion of value management the testimony is
8 there is rigorous review now.

9 Mr. Remillard, was that you?

10 MR. JOHN REMILLARD: That's correct,
11 sir.

12 THE CHAIRPERSON: Since when is there
13 rigorous review? When did this start?

14 MR. JOHN REMILLARD: This -- this
15 year, sir.

16 THE CHAIRPERSON: So there were -- you
17 would not view any previous review as a rigorous
18 review prior to this year?

19 MR. JOHN REMILLARD: Not as thorough
20 or involved, no.

21 THE CHAIRPERSON: Can we -- Kristen, I
22 don't have the number, but it's the presentation, the
23 MPI presentation from yesterday. Yes. Could you go
24 to page 13?

25 There was some discussion on this. I'm

1 interested -- I guess it was Mr. Remillard, corporate
2 culture and tone from top is essential for the
3 integrity of project budgets and post implementation
4 reviews.

5 I don't know, was it Mr. Bunko or Mr.
6 Remill -- oh.

7 MR. CURTIS WENBERG: These are my
8 slides.

9 THE CHAIRPERSON: Oh. Okay. What did
10 you mean by that, "corporate culture and tone"?

11 MR. CURTIS WENBERG: Well, I think
12 what you've heard through some of the testimony here
13 is that the culture was not one where we were looking
14 either internally or externally at transparency in
15 terms of what was happening with these larger
16 projects.

17 And -- and sometimes we might've
18 changed what was in scope, did things that you would
19 say per Mr. Graham's testimony and mine, you wouldn't
20 see in other multinationals. And the culture is
21 critical to do this.

22 THE CHAIRPERSON: In your testimony as
23 well you -- you stated that the new structure and
24 governance is better now.

25 Is that the reason, because you're

1 starting to look at these items now?

2 MR. CURTIS WENNBERG: Yes, I think --
3 I think there would've been an omission if we didn't
4 realize that, at my level, or at Brad's level, back
5 in, let's say, December of 2016, January 2017 one (1)
6 of the late -- biggest issues we had to spend money on
7 was CCRS. And we did take a look. We tried to
8 understand what would be the business case of CCRS
9 before we signed a Mitchell contract.

10 In -- in doing that, though, as an
11 example, there was no appetite to review that and
12 proceed further in an NPV, and I -- the culture at the
13 time was, we have approval to proceed with PDR as it
14 is and what's an unwritten assumption on top of PDR is
15 that there's roughly a \$30 million per year labour
16 rate differential with what MPI pays our repair centre
17 -- or shops here, versus to Saskatchewan.

18 It was not something that was expected
19 to be on the public record, because we wouldn't want
20 to highlight that difference so that we would be
21 exposed to that in any negotiations.

22 But I can tell you that -- in this
23 forum is that when we review our pay rates for repair
24 shops across all of Canada, we are near the top, we're
25 third or second in all of Canada, and therefore,

1 that's probably not a valid assumption that I would
2 put into a business case, and therefore, it's not
3 protection for the overall PD as a project on a whole.

4 However, from a cultural standpoint
5 that was something that would push down or -- or make
6 people avoid doing any more NPV or specific NPV
7 analysis on things, and that's just the way it was.

8 THE CHAIRPERSON: I believe that at
9 the outset during your direct testimony there was a
10 comment made that the mistakes were made in the past.
11 I'm not sure if it was Mr. Graham or someone else's.

12 Is that one of the mistakes?

13 MR. CURTIS WENNBERG: We both said it.
14 And was that -- was what a mistake?

15 THE CHAIRPERSON: The -- on the NPV.

16 MR. CURTIS WENNBERG: Oh, absolutely.

17 THE CHAIRPERSON: Mr. Henry, Gartner,
18 in your testimony, Gartner said -- Gartner -- sorry.

19 In your testimony, you indicated
20 Gartner didn't receive requested details.

21 MR. CHARLES HENRY: Correct.

22 THE CHAIRPERSON: You also said that
23 Gartner was not aware of some of the ongoing costs, is
24 that correct?

25 MR. CHARLES HENRY: That's correct.

1 THE CHAIRPERSON: Further, you weren't
2 aware of the eighty-one dollar (\$81) premium.

3 MR. CHARLES HENRY: In 2017, that's
4 correct.

5 THE CHAIRPERSON: And you weren't
6 aware of the pending CCRS decision?

7 MR. CHARLES HENRY: Not in 2017, no.

8 THE CHAIRPERSON: If Gartner had been
9 aware of those matters, would it have changed your
10 report?

11 MR. CHARLES HENRY: The report would
12 have been firmer that more analysis needed to be done
13 on the data to make sure that the project continued to
14 make sense.

15 As I said in my presentation, IT
16 projects are hard. The vast majority of IT projects
17 don't deliver their expected benefits. So managing to
18 benefits is one of our key best practices. So it's
19 great to see value management in place and continued
20 investments made in it because, you know, the
21 fundamental success of IT projects means managing to
22 benefits, which MPI is beginning to do.

23 THE CHAIRPERSON: If I could ask MPI,
24 and I don't know -- I don't know if it's Mr. Bunko or
25 Mr. Remillard, why was Gartner not provided that

1 information? The requested details, ongoing costs,
2 included eighty-one dollar (\$81) premium impending
3 CCRS decision. Those are pretty big items.

4 MR. JOHN REMILLARD: Mr. Chair, as Mr.
5 Bunko and Mr. Wennberg have elaborated, but I'll go
6 into greater detail and -- and reaffirm all -- all
7 aspects of this.

8 Ultimately, when we looked at our --
9 our business case for PDR at that time, we were very
10 benefit stream oriented. Right or wrong, that was how
11 we were measuring success.

12 We did have some of the costs in the
13 background available to us. Ultimately, there was
14 some contractual aspects of the licensing agreements
15 that at that time didn't allow us to -- to share it.
16 We were trying to -- to work on that. Could that have
17 been expedited? Potentially, sir.

18 But, ultimately, we were working
19 through that. Nonetheless, to provide it from an
20 aspect of performing a financial analysis versus
21 public record are two (2) different things.

22 With respect to some of the ongoing
23 costs, when I -- when we look at things from a value
24 management perspective, we were not properly
25 forecasting the said expenses or impact to operations.

1 We were very focused on delivering the project, the
2 benefits that we were trying to deliver, and we were
3 working out the operating expenses as we work -- work
4 through the project versus in advance.

5 In looking at it from an NPV analysis
6 perspective and what a mature organization would do,
7 that is not properly evaluating an opportunity, and I
8 think that that was, as we've stated, one (1) of the
9 mistakes in assessing the viability of PDR as a whole.

10 THE CHAIRPERSON: Thank you, Mr.
11 Remillard.

12 Mr. Bunko, in a different area, you
13 have -- MPI has a few major suppliers, is that
14 correct? IBM and I guess the successor of Hewlett
15 Packard and that, is that correct?

16 MR. BRAD BUNKO: That's correct.

17 THE CHAIRPERSON: How do you avoid
18 being hostage to your major suppliers?

19 MR. BRAD BUNKO: Good prod -- prod --
20 vendor management, primarily.

21 THE CHAIRPERSON: In terms of the
22 project management, you've got the split between
23 employees and independent contractors.

24 Are most of the -- your project
25 managers MPI employees or are most of them independent

1 -- members of your suppliers?

2 MR. BRAD BUNKO: Most of our project
3 managers are consultants.

4 THE CHAIRPERSON: And are you
5 attempting to shift that?

6 MR. BRAD BUNKO: Yes, we are.

7 THE CHAIRPERSON: Okay. Do your
8 contracts contain non-solicitation clauses? Can you
9 try and retain people from your contractors?

10 MR. BRAD BUNKO: Then they do contain
11 non-solicitation clauses.

12 THE CHAIRPERSON: And that's one (1)
13 of your problems, I take it, in bringing people over
14 to the Company?

15 MR. BRAD BUNKO: Correct.

16 THE CHAIRPERSON: The people who
17 actually know the information and know your system,
18 you can't hire?

19 MR. BRAD BUNKO: Correct. We cannot
20 approach them.

21 THE CHAIRPERSON: Right. Right, okay.
22 Thank you. Those are my questions. I appreciate --
23 sorry, is there any redirect?

24 MR. STEVE SCARFONE: I was just
25 considering that. I don't believe we have any

1 redirect for the panel members or Mr. Henry, Mr.
2 Chair.

3 THE CHAIRPERSON: Mr. Henry, thank you
4 very much for coming to Winnipeg.

5 We're going to adjourn until I believe
6 Friday morning at 9:00 a.m.?

7 MS. KATHLEEN MCCANDLESS: Yes, Mr.
8 Chair, I was just doing an inventory of outstanding
9 undertakings, so there are a number, it's roughly a
10 dozen or so.

11 I'm just wondering if MPI has a status
12 update on answering undertakings?

13 MR. STEVE SCARFONE: I can confirm
14 that the undertakings are in progress. So the -- the
15 undertakings go to a particular business unit and then
16 they are what the Corporation called workflow, so they
17 get -- they go through an approval process by some
18 members of the Corporation.

19 If I had to commit to a time by the end
20 of tomorrow, Ms. McCandless, I think we can expect to
21 have the majority, if not all of the undertakings
22 circulated and provided to -- to both yourself and Mr.
23 Williams.

24 THE CHAIRPERSON: So we're not going
25 to be able to close MPI's case until you get the

1 undertakings. And we're still waiting for the
2 completion of the PreAsk.

3 MS. KATHLEEN MCCANDLESS: Yes.

4 THE CHAIRPERSON: Are we doing that on
5 Friday?

6 MS. KATHLEEN MCCANDLESS: Yes, we had
7 discussions, myself, Mr. Williams and Mr. Scarfone
8 yesterday, and the suggestion is that we do the
9 cleanup cross, cross arising from answers to
10 undertakings, on Friday prior to Dr. Simpson and Ms.
11 Sherry testifying.

12 THE CHAIRPERSON: Mr. Williams, do you
13 have any idea how long Dr. Simpson and Ms. Sherry will
14 take on Friday in direct?

15 DR. BYRON WILLIAMS: Their direct will
16 be short. I would anticipate definitely less than an
17 hour, or in the range of an hour at the most.

18 THE CHAIRPERSON: Okay, well, that's
19 fine then.

20 Thank you, everyone, we'll adjourn
21 until 9:00 a.m. Friday. Thank you.

22 MS. KATHLEEN MCCANDLESS: Thank you.

23

24 --- Upon adjourning at 10:22 a.m.

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2 Certified Correct,

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7 Cheryl Lavigne, Ms.

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