

PHOENIX



The Full Story of Canada's Pay System Catastrophe

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Book cover art (“an exploding Phoenix and stacks of money in flame”) by David x DALL-E (Human & AI).

Dedication

I dedicate this book to all Canadian taxpayers.

Acknowledgements

I am grateful to my wife, my daughters, my parents, and my siblings and their incredible children — it is an honour to be your husband, father, son, brother, and uncle.

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Contents

Dedication	1
Acknowledgements	1
Contents	3
Disclaimer	5
Invitation.....	7
Foreword	7
Prologue	11
Present Day	15
The Beginning	17
The Very Beginning.....	19
The Mulroney Era	23
The Chrétien Era	29
The Martin Era.....	33
The Harper Era, 1 st Term.....	35
The Harper Era, 2 nd Term	59
The Harper Era, 3 rd Term.....	73
Interlude.....	84

The Trudeau Era, 1 st Term.....	131
The Trudeau Era, 2 nd Term	185
The Trudeau Era, 3 rd Term	187
How Much Has It Cost?.....	193
Who Is To Blame?.....	199
Possible Pasts	221
Next Gen HR & Pay System.....	227
Possible Futures	247
Open Letter to Parliamentarians and Bureaucrats ...	263
About the Author	265

Prologue

What would happen to you, to your family, if your employer stopped paying you?

They didn't terminate you. You can't collect Employment Insurance. They send paycheques, but for \$0.00.

Imagine this carries on for a few months — then a few more. They tell you to call a specific phone number; you're told the people who answer that phone can fix things. But the phone is always busy and you've been waiting months for a callback.

Then, through news reports and conversations around the water cooler, you learn there are tens-of-thousands, just like you, calling the same number with similar problems. Similar, but not the same. You find out, while *your* paycheques amount to \$0.00, *some* people have been *overpaid!*

First, you spend the maximum limit on all your credit cards. Then you cash in your savings to pay the balance on the cards. You've stopped buying fresh fruit and avoid driving more than required.

You max out the cards a 2nd time. Then sell the car to pay the balance. You visit the nearby foodbank to collect as much as possible, as often as possible.

Then you max out the cards a 3rd time and your mortgage hasn't been paid in months.

Your bankruptcy lawyer (the only person guaranteed to answer your call!) arranges to have your debts consolidated into an interest-only loan. A close relative agrees to pay the interest each month until you "get back on your feet".

Then a full year passes. Your employer is frequently in the news — you read a story about an employee who committed suicide and others whose marriages have collapsed.

Your house is being repossessed by the bank — your bankruptcy lawyer is doing everything possible to slow the process.

Now it's time to file your income tax forms.

Canada Revenue Agency (Canada's "tax man") instructs you to report the income you were *supposed* to get (not the amount you actually got). So, you do the math, file the forms, and they inform you tens-of-thousands of

dollars are owing — taxes on the income your employer did not pay.

Not paying the tax bill will destroy what's left of your credit rating and invoke a legal battle you can't afford. But paying the tax bill will destroy what's left of your family's money: you will lose the house and the registered retirement savings.

Imagine that.

The extent to which each employee was and is affected by the Phoenix payroll tragedy varies. Through the personal accounts of those affected, we know:

- some sought new employment.
- some were overpaid and have had to repay overage amounts.
- some were underpaid and suffered severe financial hardship.
- some were underpaid but were sent demand letters claiming the opposite — they are having to “repay” money they never received.

- some were terminated due to displays of stress or anger in the workplace (i.e., “with cause” and therefore without access to Employment Insurance payments).
- some quit their job just to cash out pension funds to pay their debts¹.
- some have children who opted out of college because, as parents, they could not shoulder the cost of tuition or qualify for loans.

Throughout this book, I will chronicle the historical facts about the Phoenix payroll project; I will highlight key turning points where (I think) the catastrophe may have been averted; and I will share my insights as an experienced director and consultant of digital product organizations. As I do this, I hope the details, no matter how mundane, never distract us from the hardships and suffering of all those affected.

¹ Blacklocks Reporter. (2021, February 25). Phoenix Victim Loses House. Retrieved March 2, 2023, from <https://www.blacklocks.ca/phoenix-victim-loses-house/>, <https://archive.is/HCsDD>.

Present Day

It is winter as I write this. The year is 2023.

The Canadian Government has spent an estimated \$4.2 billion (so far) on the implementation of a payroll system called “Phoenix”.

With billions more to go and many years of litigation, the system has failed to successfully calculate paycheques for more than half of Canada’s federal employees.

Some of those employees have lost their life savings, their home, their marriage, their dignity.

It’s a catastrophe with no end in sight.

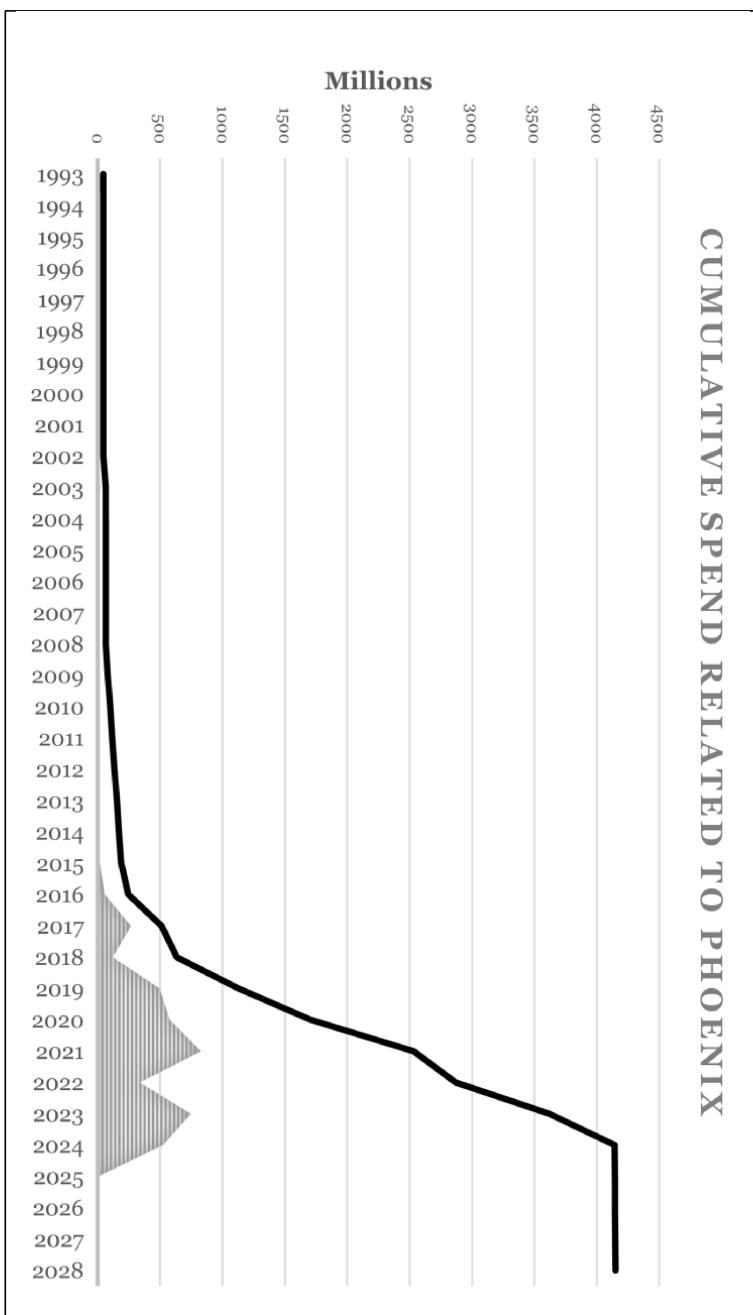
How Much Has It Cost?

I assert that the knowable costs exceed \$4.2 billion already (see next page). But I estimate the total burden on taxpayers will reach tens-of-billions and the total cost of the Phoenix catastrophe is unknowable.

First, because it is difficult to draw a boundary around the expenditures specifically related to Phoenix.

Second, because only some expenses are reported publicly. For example, legal settlements are not always disclosed; budgets are often shuffled and renamed, and direct payments to contractors may be redacted to protect “Cabinet Confidences”.

CUMULATIVE SPEND RELATED TO PHOENIX



Who Is To Blame?

There is a long list of people whose salaries the Canadian taxpayer should no longer support.

Whether they are guilty of world-class incompetence or they knowingly pushed the unfinished system into use, there is plenty of blame to go around.

It is important we approach blame with care and empathy. When I say “blame” I do not mean to provoke witch hunts and lynchings. Rather, there is utility in learning which actions and decisions caused damage. It is reasonable to expect people to take responsibility for their mistakes — and if they lack self-awareness or courage to do so, then blame can be a tool for promoting responsibility, accountability, and improvement.

I would rather avoid blame — I take no pleasure in it. But our subject is the Phoenix payroll tragedy; it is among the most visible and devastating failures of Canada’s government. “Who to blame” is a question many have asked. I would fail in my duty as an historian if I were to neglect the topic.

Open Letter to Parliamentarians and Bureaucrats

To all Canadians whose T4 income is paid by taxes: You owe it to your fellow citizens to use their money responsibly.

Whether or not you were involved with Phoenix, I hope you will pursue better ways. Please be open about the challenges you face and have the courage to tackle difficult problems. Please earn the respect of all Canadians who provide you their hard-earned money so you may conduct the business of government on their behalf.

To all those in leadership positions guiding large IT projects financed by taxpayers, I hope you have learned lessons from the Phoenix catastrophe. And I hope you are successful in your future endeavors. And when you are not successful, I hope you muster the courage to ask for help or to step aside so others may succeed where you struggle. That is what taxpayers deserve, after all: responsible individuals working in coordination to

ensure the government's activities run smoothly and effectively.

And, to the people who crafted the Phoenix business case and project plan, I want you to know that I empathize. I understand. Many Canadians understand. Many are angry and would appreciate seeing a little contrition or perhaps your resignation, but they/we understand. Perhaps you found yourself in over your head? Perhaps you wanted to reign it in as the train began to derail? Perhaps you feel some remorse for the hardships your colleagues suffered as Phoenix exploded? Perhaps you are a victim of your own ambitions? You sought to conduct a giant project with a giant budget and you hoped for impressive results. Well, the results certainly are impressive but not in the way you intended.

Change is required. The *status quo* is, simply, not good enough. I hope this book is valuable and effective. I hope it invokes ideas that will help mitigate risk. I hope it adds to the ongoing discourse so catastrophes like Phoenix can be prevented in future.

Sincerely,
David Sabine

About the Author

David Sabine consults, trains, and leads teams that produce high-quality, large-scale software. He helps managers understand agility at all levels: delivery, leadership, and organizational design.

He works to improve the profession of software delivery whether consulting in the c-suite, embedded with product development managers, or teaching developers new agile engineering practices.

David has worked with startups who produce medical robotic devices, cloud platforms, and AI, as well as enterprises in the areas of retail, energy management, IoT, and finance.

He grew up in the Canadian prairies and has lived and worked in Saskatchewan, Ontario, Arizona, Florida, Bahamas, and Alberta.

David is a management consultant, product & program manager, author, technical coach, and software engineer. He teaches Scrum, Kanban, and is a frequent presenter at conferences. He is Executive Director of Ontario Scrum Community®, a TEDx alumnus, former professional musician, husband, and dad.

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