

Chapter 4

Section 4.07

GO Transit

Follow-up on VFM Section 3.07, 2007 Annual Report

Background

Established in 1967, GO Transit's commuter network is a vital part of the GTA transportation system, linking Toronto with the surrounding regions and serving a population of more than 5 million. On a typical weekday, GO Transit trains carry about 172,000 passengers (165,000 in 2007) and its buses carry an additional 28,500 passengers (30,000 in 2007). As of March 31, 2009, GO Transit had over 1,700 full-time-equivalent employees (1,200 as of March 31, 2007). Its annual operating expenditures, including amortization on capital assets, were approximately \$507 million in 2008/09 (\$375 million in 2007), of which about \$284 million (\$250 million in 2007) is recovered from passenger fares, with the province subsidizing the rest.

In our *2007 Annual Report*, we noted that the demand for GO Transit services was growing rapidly, with more than a 65% increase in rail passengers over the previous 10 years. Until recent years, GO Transit's on-time performance was in the mid-90% range, but delays and overcrowding had become increasingly common. During our audit, between October 2006 and February 2007, GO Transit's on-time performance was only about 85%. While GO Transit had taken some action to address this, more needed to be done to meet service demand and provide reliable rail services.

Specifically, GO Transit's capital expenditure plan was based not on projected ridership growth

but mainly on expected government funding levels. Without a more comprehensive analysis of future demand, there might not be sufficient infrastructure to accommodate future growth in passenger volumes. Some areas of the GTA could continue to experience serious capacity issues and persistent problems with customer service.

At the time of our audit, 70% of the track that GO Transit operates on was privately owned. GO Transit had limited means to deal with what it considered to be high rates, restrictive covenant provisions, and controls over service levels that were imposed by the private railways. As well, over the next ten years, approximately \$475 million was to be spent by GO Transit on improvements in rail service on the privately owned rail corridors. Although the railways were to maintain ownership of and control over the improved infrastructure, there was little guarantee that GO Transit would receive improved service in return. Because the regulation of railways falls under federal legislation, GO Transit needed to work more closely with the provincial Ministry of Transportation to ensure that representations made to the federal government better safeguard taxpayer-funded railway projects and to ensure adequate access to commuter railway service for the public.

With respect to GO Transit's proof-of-payment fare system, 99% of all riders inspected paid the appropriate fare. However, approximately 60% of all fare inspections were done on non-rush-hour trains with significantly fewer passengers.

With respect to the acquisition of goods and services, we found:

- Although the scope of work for two significant program-management consultant contracts clearly extended over several years, in selecting the successful consultant, GO Transit requested proposals for work spanning only 12 and 17 months. In the first case, a contract was awarded to a consortium for \$247,000, repeatedly extended for another seven years, and totalled more than \$25 million as of the time of our audit. Similarly, in the other case, a contract initially awarded for \$2.3 million was subsequently extended for three years at an additional cost, as of the time of our audit, of \$15.2 million.
- Including the extensions to the contract referred to above, more than 60 major amendments were made to contracts, totalling almost \$70 million, or an increase of about 75% of the original contracts' values, in the three years from 2004 through 2006.
- There were numerous instances of suppliers being selected without a competitive process, including over \$8.6 million for 170 single-sourced consultant contracts over two years.

We made a number of recommendations for improvement and received commitments from GO Transit that it would take action to address our concerns.

Status of Recommendations

In March 2009, the Ontario government introduced the *Greater Toronto and Hamilton Area Transit Implementation Act, 2009*, to merge GO Transit and Metrolinx into a single regional transit agency. Formerly known as the Greater Toronto Transportation Authority, Metrolinx is a Crown-controlled agency created by the Ontario government in 2006 to develop and implement an integrated transportation plan for the Greater Toronto and Hamilton

area. Under the legislation, the government is responsible for appointing a board of directors for the merged entity, known as Metrolinx, which is to plan, build, and operate transit across the Greater Toronto and Hamilton area. The merger became official in May 2009. For the purpose of this follow-up, we are referring to the actions taken by GO Transit prior to the merger. We recognize that direction for future implementation of our recommendations will need to come from Metrolinx's new Board and management.

According to information received from GO Transit in spring 2009, significant progress has been made in addressing many of our recommendations. But the implementation of others, such as those involving infrastructure improvements and outstanding fines collection, will require more time. The status of action taken on each of our recommendations is described in the following sections.

SERVICE DEMAND AND ON-TIME PERFORMANCE

Reasons for Train Delays

Recommendation 1

In order that appropriate and timely action is taken to ensure the on-time performance of trains, GO Transit should:

- *formalize the practice of periodically conducting individual trip reviews;*
- *follow through with its commitment to carry out a review of systemic issues leading to train delays and develop and implement an action plan with timelines to address each significant systemic issue; and*
- *conduct an updated customer satisfaction survey to obtain input from customers on ways to improve service.*

Status

GO Transit informed us that the on-time performance of all train trips had been formally reviewed on an individual basis. Its Board of Directors received regular reports on on-time performance,

and it was posting on its public website its monthly on-time performance for the previous twelve months for individual train trips. This would allow customers to compare the past reliability of particular trips when making their travel plans.

In addition, GO Transit had identified systemic delay issues and acted upon a number of major factors contributing to them. This had resulted in changes to operations and procedures. However, GO Transit also indicated that many of the mitigation measures for systemic problems involve infrastructure improvements that would take a number of years to make. These measures were incorporated into GO Transit's multi-year capital plans and the Board was being updated quarterly on the status of many of these major infrastructure programs.

With respect to obtaining input from customers on ways to improve service, GO Transit informed us that it has been continuously monitoring and evaluating customer satisfaction. For example, it had established a Customer Service Advisory Committee composed of GO Transit customers. Monthly reports on customer complaints and feedback were presented to the Board.

GO Transit had conducted a number of surveys to track customer characteristics, trends, and satisfaction. One of the surveys conducted in 2008 was to ensure that GO Transit management was aware of the most significant factors affecting riders' decisions whether to take GO Transit for their commute. The results indicated that passenger growth and loyalty would continue but keeping trains and buses running on time is of paramount importance.

GO Transit informed us that customer satisfaction surveys, which used to be done every two to four years, will now be undertaken annually.

Capital Planning to Address Growth

Recommendation 2

To ensure that an effective strategy is in place to address growing passenger demand, GO Transit should establish a more comprehensive capital plan-

ning process that takes into consideration such factors as passenger growth by individual corridor and the impact of different funding levels on meeting service demand.

Status

According to GO Transit, this recommendation would be addressed through the Regional Transportation Plan (RTP) prepared by Metrolinx, which was released in late September 2008. The Metrolinx RTP establishes what infrastructure is required to meet transportation demand in the GTA and Hamilton area, and thereby provides the foundation for a comprehensive capital planning and funding process. GO2020—GO Transit's strategic plan in place at the time of our follow-up—was consistent with Metrolinx's RTP and was being used as the basis for GO Transit's current capital plan in the interim.

In addition, GO Transit had already embarked on a billion-dollar infrastructure-expansion program to improve its rail system to help alleviate the congestion affecting many GO Transit train stations.

Track Congestion and Right of Access

Recommendation 3

To ensure that the interest of the public is adequately protected, GO Transit should work proactively with the province to ensure the public's right of access to economical and efficient railway service.

Status

GO Transit informed us that this work was in progress at the time of our follow-up. Working with the province, GO Transit had met with CN to start negotiations to secure GO Transit ownership of various rail corridors. GO Transit acquired two corridors in the 2008/09 fiscal year. The province has established a capital fund to accommodate further acquisitions and this strategy was reinforced in the GO2020 plan.

Agreements with Host Railways and Suppliers

Recommendation 4

To ensure reliable train service, GO Transit should:

- work more effectively with service providers to address persistent delays attributed to them, monitor progress toward reducing the delays, and take appropriate action; and
- review the terms of the agreements with service providers and, where possible, negotiate appropriate changes to future agreements to enhance performance and accountability.

Status

GO Transit informed us that it had held regular meetings with the host railways and major suppliers to identify on-time performance issues, contributing factors, and potential solutions. This process had yielded a number of procedural improvements and operational adjustments, as well as the initiation of capital projects to help improve on-time performance. In addition, new contracts were being structured to focus on the functional requirements needed to improve performance and customer service.

GO Transit indicated that it had awarded competitively bid contracts for train operation and train maintenance that are performance-based and include provisions for damages. The major contracts with host railways are multi-year agreements. As they come due for renegotiation, GO Transit intends to seek terms that enhance performance and accountability. GO Transit's strategy of acquiring corridors was also a response to the limited leverage it had in negotiating with the host railways.

ACQUISITION OF GOODS AND SERVICES

Recommendation 5

To ensure that value for money is received and GO Transit's acquisition processes are regarded as fair, open, and transparent, GO Transit should:

- follow its internal policies, which require a competitive selection process in acquiring goods and services;
- monitor contracts for adherence to the original price and consider obtaining a separate tender for any significant change in the scope of work in the original contract;
- ensure that contracts have firm ceiling prices, whenever possible;
- conduct a long-term needs analysis on the costs and benefits of hiring consultants and consider alternatives, such as hiring and training staff instead of using consultants; and
- strengthen the terms of contracts with suppliers to ensure satisfactory and timely performance and take appropriate action to ensure that suppliers adhere to contract terms.

Status

GO Transit informed us it has strengthened its internal policies. It has modified its procurement policies to enforce the competitive bid process and highlight that contract amendments and sole-sourced negotiated contracts are the two "least favourable" methods of contracting for new work. Each contract change that is brought forward for approval is challenged and subject to lengthy discussion by senior staff. In addition, GO Transit had instituted on all contracts a firm "ceiling" or "stipulated" price for the work specified in the contract.

According to GO Transit, it had established an ongoing process to review its consulting needs. The existing large assignments contracted out to program management consultants were scheduled to end on March 31, 2010. Reorganization within GO Transit was in progress, which would allow for a smooth transition of responsibilities from the program management consultants to GO Transit staff. GO Transit told us that bringing this work in-house was made possible by the Metrolinx RTP and the province's Move-Ontario 2020 Program. Because the program committed more stable funding, GO Transit indicated that it could hire staff for work that was often previously contracted out due

to uncertainty as to whether the necessary funding would be available.

With respect to strengthening the terms of contracts with suppliers to ensure satisfactory and timely performance, GO Transit's legal department had reviewed the terms and conditions of all contract documents, including construction-related and consulting agreements. It was in the process of enhancing existing standardized forms and implementing additional standardized agreements.

ENSURING PAYMENT OF FARES

Recommendation 6

To ensure that inspection and collection efforts are effective and consistent in enforcing payment of fares, GO Transit should:

- *review and make appropriate revisions to its inspection guidelines relating to when a fine should be levied on passengers who evade paying their fares;*
- *make sure inspection coverage and enforcement actions comply with internal inspection standards;*
- *monitor the results of inspections and take corrective action, where necessary;*
- *develop a policy with respect to repeat offenders; and*
- *work with the Ministry of the Attorney General and municipalities to establish a more effective and accountable system for collecting fines.*

Status

GO Transit informed us that it developed guidelines for staff outlining when fines should be levied on fare-evading passengers. These guidelines were included in a refresher training program delivered to all enforcement staff in May 2008. The supervisory group responsible for monitoring compliance also received additional training.

Internal inspection standards for 2009/10 were being finalized at the time of our follow-up. In mid-2008, GO Transit hired a staff dedicated to scheduling and tracking inspection resources to ensure

that internal inspection standards are maintained. Performance results were being tracked on a monthly basis to determine what corrective actions, if any, should be taken. The policy guidelines for fare enforcement had been updated to include a procedure to deal with repeat offenders.

In addition, GO Transit informed us that it had begun developing a model of administrative fees to deal with fare evaders and persons in contravention of parking regulations. This model requires legislative amendment but has been identified as a key component in improving the fine-payment process. It would see the process moved out of the court system and become a matter preferably resolved directly by GO Transit and the customer. This process is expected to improve the effectiveness of fare collection and reduce the number of outstanding fines.

With respect to the collection of fines, GO Transit's legal services met with all relevant court managers in February 2008. They determined that legislative amendment is needed to increase the effectiveness of collecting outstanding fines. GO Transit staff has approached the Ministry of Transportation to address this matter.

SAFETY AND SECURITY

Recommendation 7

To further enhance the safety and security of passengers, GO Transit should:

- *perform periodic systemic analysis of past safety and security incidents to determine whether measures can be taken on certain types of commonly recurring risks;*
- *formally analyze and report on the effectiveness of its simulated security exercises; and*
- *implement safety and security measures identified through audits on a timely basis.*

Status

GO Transit informed us that, at the time of our follow-up, it had started gathering statistics on security-based activities and was moving forward

on the acquisition of an Incident Management System.

In addition, GO Transit had completed a preliminary review of existing procedures related to parking lot security and had implemented various changes, including increasing the visibility and frequency of random station patrols, sharing vehicle crime statistics with local police services, and reviewing the use of closed-circuit TV recording.

GO Transit also completed a simulated tabletop security exercise in March 2008 and subsequently analyzed and reported on the effectiveness of the exercise. Staff presented a report, which included recommendations, to senior management.

According to GO Transit, any follow-up actions recommended in audits and/or reports are tracked to completion.

BOARD GOVERNANCE

Recommendation 8

To provide more effective governance, GO Transit's Board of Directors should:

- *approve a formal strategic plan setting GO Transit's strategic direction and share it with the Ministry of Transportation and the Greater Toronto Transportation Authority (GTTA);*
- *establish a committee structure that supports the Board with more detailed review of and advice on significant matters relating to overall governance and oversight;*
- *ensure more effective oversight of GO Transit's overall performance, as well as of specific operational issues, such as procurement and contract management; and*
- *consider adopting certain governance best practices such as enhanced performance-evaluation processes and a more formal orientation for new Board members, as well as periodic governance-training workshops.*

Status

According to GO Transit, governance practices, including the establishment of various committees

to ensure effectiveness and efficiency, have been put in place and continued at the new Metrolinx Board.

The now-dissolved GO Transit Board informed us that it had undertaken a more formal approach in developing a strategic plan (G02020). A number of comprehensive meetings took place with the Board directing and guiding staff to create the corporation's next plan.

The former GO Transit Board had established a Risk Management Committee and a Governance and Compensation Committee. These committees provided regular in-depth analysis of inherent risks to the organization, ensured that all new directors receive comprehensive orientation and training, assessed the effectiveness of the Board of Directors and its committees, and made recommendations with respect to compensation issues.

AGENCY ACCOUNTABILITY

Recommendation 9

To fulfill its accountability requirements to the Ministry of Transportation, GO Transit and the Ministry of Transportation should work together to finalize a Memorandum of Understanding and produce an annual business plan and annual report in compliance with provincial policies and guidelines.

Status

GO Transit informed us that a Memorandum of Understanding had been approved by the former GO Transit Board and the Ministry of Transportation. Effective for the 2010/11 fiscal year, a business plan and annual report are to be produced in compliance with provincial policies and guidelines. At the time of our follow-up, a new Memorandum of Understanding between Metrolinx and the Ministry of Transportation was being drafted as a result of the merger.