

Chapter 3

Section 3.05

Metrolinx—Regional Transportation Planning

Standing Committee on Public Accounts Follow-Up on Section 4.08, 2014 Annual Report

In November 2015, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2014 follow-up to our 2012 audit of Metrolinx—Regional Transportation Planning. The Committee tabled a report in the Legislature resulting from this hearing in June 2016. A link to the full report can be found at www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html.

The Committee made six recommendations and asked the Ministry of Transportation (Ministry) and Metrolinx to report back by the beginning of October 2016. The Committee directed the recommendations to Metrolinx rather than the Ministry

because the Regional Transportation Plan is under the responsibility of Metrolinx. The Ministry and Metrolinx formally responded to the Committee on October 5, 2016. A number of issues raised by the Committee were similar to the observations in our 2012 audit, which we followed up on in 2014. The status of each of the Committee’s recommended actions is shown in **Figure 1**.

We conducted assurance work between April 1, 2017 and July 21, 2017, and obtained written representation from Metrolinx that on September 1, 2017 it has provided us with a complete update of the status of the recommendations made by the Committee.

Figure 1: Summary Status of Actions Recommended in June 2016 Committee Report

Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	2		1		1
Recommendation 2	6	3	2		1
Recommendation 3	3		3		
Recommendation 4	4	1	1	1	1
Recommendation 5	5	1	4		
Recommendation 6	1	1			
Total	21	6	11	1	3
%	100	29	52	5	14

Overall Conclusion

According to the information Metrolinx provided to us, as of July 21, 2017, 29% of the Committee's recommended actions had been fully implemented, and a further 52% of the recommended actions were in the process of being implemented. There has been little or no progress on one recommended action. Metrolinx has not provided information illustrating that comparators, such as the actual performance of GO Transit or the TTC, have been

used when comparing the risks of traditional public procurement to the risks of Alternative Financing and Procurement projects.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from Metrolinx, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
<p>Recommendation 1 Metrolinx should:</p> <ul style="list-style-type: none"> • update the Committee on the results of the review of the Regional Transportation Plan and any associated changes to the Plan. Status: In the process of being implemented by March 2019. • publish a ten-year capital spending plan including information about what projects are planned, when construction will take place, estimated costs, and sources of funding. Status: Will not be implemented. 	<p>Beginning in fall 2015, Metrolinx began a legislated review of the Regional Transportation Plan. Phase one of the review concluded in August 2016, with the release of a discussion paper. Metrolinx expects an updated draft of the Plan to be released for public consultation in 2017 and finalized in March 2019.</p> <p>Metrolinx has not published its own ten-year capital spending plan in consolidated form. However, it has included information on the Regional Transportation Plan's projects—when construction will take place, estimated costs and sources of funding—across various documents, including: Ontario's 2017 Infrastructure Update, the Plan's Discussion Paper, Metrolinx's quarterly reporting to the Board, annual business plans, and five-year strategies. Also, in its 2016/17 Business Plan, Metrolinx introduced (for the first time) a five-year capital plan that provided a high level breakdown of capital investments until 2020/21. Metrolinx has informed our Office this will also be included in subsequent five-year business plans. Metrolinx has no plans to publish a ten-year capital spending plan.</p>

Committee Recommendation	Status Details
<p>Recommendation 2 Metrolinx should:</p> <ul style="list-style-type: none"> provide the Committee with information on the financial results of the UP Express after its first full year of operation and make information publicly available; Status: In the process of being implemented by March 2018. provide the Committee with the new ridership study (when completed) and information about the level of ridership needed at the new fare levels for the UP Express to operate on a break-even basis; Status: In the process of being implemented by October 2017. explore ways to integrate the UP Express with the TTC rather than operate it as a separate rail service; Status: Will not be implemented. provide better signage to help TTC users and users at the airport to find the UP Express, and ensure lower fares and the discount for PRESTO card holders are effectively publicized; Status: Fully implemented. provide the Committee with information on the extent of PRESTO fare card usage on the UP Express as well as ridership data (contrasting ridership at peak demand with non-peak demand) since June 2015; and Status: Fully implemented. provide the Committee with its plan for the electrification of the UP Express and other rail lines. Status: Fully implemented. 	<p>UP Express' first full year of operation ended in June 2016. The first 10 months of the year are reported in Metrolinx's 2015/16 Annual Report. The Annual Report shows that UP Express fare revenue was \$41.8 million lower than expected in 2015/16 due to low ridership. The remaining two months of the UP Express' first year will be reported in Metrolinx's 2016/17 Annual Report scheduled to be tabled in the Legislature by the end of March 2018.</p> <p>In December 2015, Metrolinx commissioned a ridership study for UP Express to be completed in April 2016. However, the work was stopped following fare changes announced in February 2016 as it was no longer relevant. A new study was commissioned in October 2016 to be completed by November 2016. At the time of our follow-up, Metrolinx was still reviewing the results of the study and anticipated the report to be completed by October 2017. To date, Metrolinx has not provided the Committee with information on the level of ridership required to break even. However, Metrolinx anticipates that at a minimum the first two years of UP Express will be subsidized.</p> <p>Metrolinx did not explore ways to integrate the UP Express with TTC, as it has decided to integrate operational responsibility of UP Express with GO Transit under the responsibility of Metrolinx's Chief Operating Officer.</p> <p>Metrolinx undertook a variety of marketing and advertising activities to promote the new lower fare of \$9 (with a PRESTO card) for the UP Express. Additional signage has been installed in Terminal 1 and Terminal 3 at Toronto Pearson Airport, as well as throughout the Skywalk (near Union Station) and integrated with PATH network signage.</p> <p>An update on ridership and fare card usage was provided to the Committee in October 2016 and to our office in May 2017. For the period of June 2016 to May 2017, PRESTO usage accounted for 33% of total UP Express ridership, up from 28% in the previous year. Prior to the fare decrease on March 9, 2016, average daily ridership was 2,168 passengers. After the fare decrease, average daily ridership was 7,592 passengers (4,844 at non-peak and 2,749 at peak) for the period of March 2016 to May 2017.</p> <p>Metrolinx provided an update to the Committee in October 2016. Metrolinx has included the electrification of UP Express and GO services as part of the GO Regional Express Rail program. The UP Express is included in the electrification scope along the Kitchener Corridor. Prior to the start of electrification, a technical analysis is required under the Transit Project Assessment Process, which began in June 2017.</p>

Committee Recommendation	Status Details
<p>Recommendation 3 Metrolinx should:</p> <ul style="list-style-type: none"> provide the Committee with the final cost of the restoration of the Union Station train shed once the project is complete; Status: In the process of being implemented by December 2017. continue to improve its project management systems to ensure effective monitoring of individual projects and regularly report publicly on the progress of projects, including status and costs compared to budget; and Status: In the process of being implemented by November 2017. ensure that contracts for future projects have firm ceiling prices where appropriate, and that these contracts are monitored for adherence to the ceiling prices; Status: In the process of being implemented by March 2019. 	<p>Metrolinx has indicated that the completion of the Union Station train shed is anticipated in December 2017. Metrolinx has committed to communicating the final costs of the Union Station train shed in a letter to the Standing Committee on Public Accounts.</p> <p>Metrolinx is in the process of implementing new budget management and reporting software to assist in the monitoring of projects. Specifically, the software will allow for the consolidation of actual and budgeted costs, enabling better monitoring of project costs. The software has been partially implemented for the Rapid Transit program and is currently being configured to accommodate the Regional Express Rail program. Metrolinx anticipates the implementation to be completed by November 2017. These changes followed our 2012 audit's recommendation to improve project management information systems.</p> <p>In addition to project budgets, Metrolinx may establish contingencies (dollar amounts above the budget) at the time of awarding the contract. These are not disclosed to the contractor and are intended to address risks that could not have been foreseen when the contract was awarded.</p> <p>Starting on July 10, 2017, Metrolinx's new procurement IT system now requires a contract value to be entered or the procurement cannot proceed. The contract value sets the limit that vendor receipts, purchase orders, and invoices cannot exceed. If these do exceed the total contract value, the system will not allow payment to occur without an approval override.</p> <p>Metrolinx's policies outline the various authorization levels required for the approval of contracts and changes to contingencies. However, these policies do not explicitly require all contracts to have a firm ceiling price. Metrolinx has informed our office that it will revise the Metrolinx Procurement Policy before March 31, 2019 to require ceiling prices for project contracts.</p>

Committee Recommendation	Status Details
<p>Recommendation 4 Metrolinx should:</p> <ul style="list-style-type: none"> provide the Committee with detailed risk assessments, the assignment of risks between Metrolinx and the AFP contractor, and the methodology used to justify the use of the AFP procurement model for the Eglinton Crosstown; Status: In the process of being implemented by October 2017. where appropriate, use comparators such as the actual performance of GO Transit or the TTC rather than relying on industry standards compiled by external advisors when comparing risks of traditional public procurement versus the risks of AFP; Status: Little or no progress. publish the detailed risk assessments used to justify AFP procurement, as well as the methodology for assessing these risks, so that independent experts can verify the results; Status: Will not be implemented. whenever appropriate, publish contracts, including the schedules outlining the scope of contracts. Status: Fully implemented. 	<p>In February 2016, Metrolinx provided the Committee with a value-for-money assessment report for the Eglinton Crosstown Alternative Financing and Procurement (AFP) completed by Infrastructure Ontario. This assessment identified estimated cost savings but, as noted in the Committee’s report, it “did not provide details on the valuation of the risks associated with the two delivery methods.” At the time of our follow-up, Metrolinx had not provided any additional materials about the AFP to the Committee. However, Metrolinx had obtained additional details from Infrastructure Ontario on the valuation of risks for the Eglinton Crosstown and was awaiting confirmation from Infrastructure Ontario for the release of this information to the Committee.</p> <p>Metrolinx uses Infrastructure Ontario’s standard methodologies and relies upon their expertise relating to value-for-money assessment of procurement options. During our follow up work, Metrolinx could not provide us with information illustrating that comparators, such as the actual performance of GO Transit or the TTC, have been used when comparing risks of traditional public procurement to the risks of AFP. However, Metrolinx advised us that it will co-ordinate with Infrastructure Ontario to identify relevant comparators to support the assessment of the risks associated with traditional public procurements versus the risks of AFP.</p> <p>Metrolinx provided the Committee with the public value-for-money assessment report to justify the AFP procurement for the Eglinton Crosstown. According to Metrolinx, detailed information relating to the assessment contains commercially sensitive information relating to the successful proponent that cannot be published.</p> <p>Starting on March 31, 2017, Metrolinx now makes bid results publicly available for all procurement processes closed and awarded after January 1, 2017. This includes basic information on the bids such as the submitting vendors, awarded vendor, award date and award amount. Also included is a copy of the tender document which includes the scope of work. The information can be found on Metrolinx’s website here: www.metrolinx.com/tenders/en/tenders.aspx.</p>

Committee Recommendation

Status Details

Recommendation 5

Metrolinx should:

- report to the Committee with an outline of next steps to achieve fare integration within GTHA transit systems and to resolve outstanding issues related to the deployment of PRESTO on these systems;

Status: In the process of being implemented by December 2018

- consider offering operating subsidies in order to address inter-agency conflicts with respect to fare-sharing;

Status: In the process of being implemented by December 2018.

- provide the Committee with a detailed update on how Metrolinx is addressing the risks identified in the technology audit;

Status: Fully implemented.

- provide the Committee with any amendments to the 2006 Master Supply and Services Agreement between the Province and the contractor; and

Status: In the process of being implemented by October 2017.

As of March 2017, PRESTO's overall usage within participating Greater Toronto and Hamilton Area (GTHA) transit systems (excluding TTC and UP Express) was 56%, compared to 17% at the time of our 2012 audit and 52% at the time of our 2014 follow-up. As of March 2017, PRESTO's usage was 12% on the TTC and 19% on UP Express. According to their 2017-2022 five-year business plan, Metrolinx's goal is to have 80% of transit trips on participating systems paid for with PRESTO by 2022.

As reported to the Committee, work is currently under way to assess potential fare structures, and to review customer and traveler impacts, and approaches to implementation. A business case of various options is expected to be done by September 2017. At the time of our audit, Metrolinx anticipated the Fare Integration Strategy to be completed by December 2018.

Metrolinx has an existing fare integration arrangement with several municipal service providers that allows travelers combining travel on GO Transit and local transit services to receive discounted fares (at Metrolinx's cost). In 2015/16, this "co-fare" program supported integrated use of local and regional transit and provided \$12.8 million in subsidies to 11 municipal service providers. In 2016/17, \$13.6 million was provided to 13 municipal service providers.

Metrolinx has informed us that the Fare Integration Strategy, expected to be completed in December 2018, will explore different fare-sharing options for transit trips that cross multiple municipalities.

In 2014, Metrolinx hired a third party to conduct a technology audit of the PRESTO system. Metrolinx provided the Committee with two updates, in September 2016 and February 2017, outlining the status of actions taken to address risks identified in the audit. One of the main actions taken was a PRESTO software and hardware update in October 2016. This upgrade included testing to ensure capacity for PRESTO adoption on the TTC.

In October 2016, Metrolinx provided the Committee with previous amendments to the 2006 Master Supply and Services Agreement between the Province and the contractor. In June 2016, Metrolinx signed a six-year extension of the agreement. It included the renewal of all services with the contractor and renegotiated rates. Metrolinx provided our office with a copy of the revised agreement with the contractor and plans to share a copy with the Committee by the end of October 2017.

Committee Recommendation	Status Details
<ul style="list-style-type: none"> include the cost of fully implementing PRESTO across GTHA transit systems in PRESTO's projected capital cost and monitor and report the actual cost in relation to the projection in annual reports. <p>Status: In the process of being implemented by March 2018.</p>	<p>According to its most recent Annual Report, Metrolinx spent \$133.6 million in capital expenditures on the implementation of PRESTO in 2015/16. The report does not compare this to forecasts in previous business plans and does not include total costs-to-date for implementing PRESTO.</p> <p>As reported to the Committee in October 2016, total capital costs for the implementation of PRESTO in the GTHA and Ottawa was \$749 million as of March 2016.</p> <p>Forecasted capital expenditures for the next five fiscal years are provided in Metrolinx's annual business plans. The 2016/17 Business Plan forecasts \$235 million in capital investments for PRESTO in 2016/17, \$78 million in 2017/18, and \$35 million each year in 2018/19, 2019/20, and 2020/21.</p> <p>Based on the above estimates, by March 31, 2021, Metrolinx will have spent a total of \$1.167 billion on capital investments related to the implementation of PRESTO. Metrolinx has committed to reporting actual capital expenditures against previous forecasts in all annual reports starting with the 2016/17 Annual Report, expected to be tabled in the Legislature by March 2018.</p>
<p>Recommendation 6</p> <p>Metrolinx should report to the Committee on what steps the agency has taken to relieve traffic and transit congestion in downtown Toronto.</p> <p>Status: Fully implemented.</p>	<p>In October 2016, Metrolinx provided the Committee with an update that summarized completed and ongoing initiatives with particular benefits for downtown Toronto. The initiatives outlined included the expansion of GO rail and municipal bus networks, the implementation of UP Express, expansion of PRESTO, the Eglinton Crosstown LRT, York Region and Mississauga's bus rapid transit, and the downtown relief line.</p>