Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

News Release

For Immediate Release **December 10, 2013**

ONTC DIVESTITURE IMPACT UNDERSTATED, ONTARIO AUDITOR GENERAL SAYS IN SPECIAL REPORT

(TORONTO) The government did not clearly or fairly communicate the full impact of selling off the Ontario Northland Transportation Commission (ONTC) when it announced in the 2012 Budget that the decision would save $265.9 million over three years, Auditor General Bonnie Lysyk said in her Special Report released today. The 2012 Budget also included the optimistic assumption that divestment would be completed within one year of the March 2012 announcement.

The provincially owned ONTC provides passenger and cargo rail and bus service, along with telecommunication services, in northeastern Ontario.

The Report, entitled *Divestment of the Ontario Northland Transportation Commission*, noted that the estimated savings did not take into account a number of significant costs that would be incurred. Elsewhere in the Budget, $325 million—part of a Transition Fund to help cover the costs of government-wide transformational initiatives—had been earmarked to cover some of the costs of the ONTC divestment, but this was not clearly identified as such in the Budget document.

"The government made the divestment announcement before doing a comprehensive business-case analysis," Lysyk said today after tabling the Report. "As a result, the government did not initially have an accurate picture of the possible costs and impacts of the ONTC divestment."

Currently it is estimated that known costs and liabilities could be as high as $820 million. This figure could go even higher with the as-yet-unknown costs of environmental clean-up of ONTC properties and the government meeting its duty to consult with Aboriginal peoples. The government had anticipated reducing and recouping these costs over 10 years or longer by transforming or selling off the ONTC, and by no longer providing funding of between $70 million and $100 million a year in capital and operating monies to the agency.

Government subsidies and revenues from operations were insufficient in the past two decades to plan for and complete improvements to properly maintain the infrastructure for which the ONTC is responsible. This may also need to be factored into potential financial arrangements with third parties.

Other observations included:

- The ONTC and the Ministry of Northern Development and Mines did not have a trusting or open relationship, so transparent communication did not consistently occur. Better communications could have provided the government with more complete information.
- Stakeholder involvement in major initiatives is important. The government announced the ONTC divestiture without consulting key stakeholders such as customers, unions, and the ONTC Board of Directors and senior management. This created uncertainty in the marketplace about the ONTC's operations. The government has since said that, going forward, it will consult northerners to seek possible alternatives to an outright sale of ONTC assets.

…./2

- With complicated initiatives such as divestment, for which there is no pre-established blueprint for government to follow, it is important that there be clarity around the roles and responsibilities of the many players involved in the ONTC divestment process. These included the Ministry of Northern Development and Mines, the Ministry of Finance, the ONTC Transition Board, ONTC management, Infrastructure Ontario, the Minister's Advisory Committee, and several private-sector advisors. Overall, there could have been more clarity.
- The nature of the ONTC divestment process continues to evolve and is subject to considerable uncertainty. In March 2013, the newly appointed Minister of Northern Development and Mines announced the creation of a Minister's Advisory Committee of northern representatives to provide input into a new transformation process, including advice on the timing of and approach to solutions for the ONTC.

-30-

For more information, please contact:
Bonnie Lysyk
Auditor General
(416) 327-1326

For more information and to view the full report, please visit www.auditor.on.ca