

Chapter 1

Section 1.06

Metrolinx—GO Station Selection

Follow-Up on VFM Section 3.06, 2018 Annual Report

RECOMMENDATION STATUS OVERVIEW						
	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	5	5				
Recommendation 2	1	1				
Recommendation 3	2	2				
Recommendation 4	2	2				
Recommendation 5	1	1				
Total	11	11	0	0	0	0
%	100	100	0	0	0	0

Overall Conclusion

As of September 30, 2020, Metrolinx and the Ministry of Transportation (Ministry) had fully implemented all of the recommended actions in our 2018 Annual Report. For example, Metrolinx developed a clear framework for how criteria used in its business cases are established and changed; defined how inputs outside of business cases (such as public engagement, policies and other investments, emergent trends and conditions, and capacity to deliver) are distinct from the considerations included in business cases, and established a regular interval at which inputs and assumptions used in business cases are reviewed for their relevance and reli-

ability. Also, Metrolinx started to use language that is clear and understandable in its reports to the Board and those it posts on its website for the public. Furthermore, the government made amendments to the *Metrolinx Act, 2006* through Bill 57, the *Restoring Trust, Transparency and Accountability Act, 2018*, to clarify the roles and responsibilities of the Ministry and Metrolinx with respect to transit planning and decision-making.

As well, in November 2018 the Ministry directed Metrolinx to stop procurement of all new GO stations, including Kirby and Lawrence East, the two stations we noted in **Recommendation 2**. The Ministry announced that it would then independently assess whether stations should proceed only if Metrolinx had identified third-party commercial partnership opportunities for their locations.

The status of actions taken on each of our recommendations is described in this report.

Background

On September 27, 2017, the Standing Committee on Public Accounts (Committee) passed a motion requesting that “the Auditor General conduct a value-for-money audit on the proposed Metrolinx GO stations at Kirby and Lawrence East.”

We found that the Minister of Transportation (Minister) and the City of Toronto (City) had influenced Metrolinx’s decision-making process leading up to the selection of the two stations. As a result, Metrolinx inappropriately changed its recommendations on Kirby and Lawrence East. It had originally concluded that the stations’ costs and disadvantages significantly outweighed their benefits, but overrode that conclusion because the Minister and the City made it clear they wanted the stations. Metrolinx then recommended that its Board approve them. While the Board was aware that the Minister and City wanted the stations, it approved the stations based on the information Metrolinx staff had provided—that is, the latest analysis that supported the construction of the two stations.

The stations were two of 12 new GO stations that Metrolinx had recommended for construction in June 2016. The new stations became part of a provincial regional rail expansion initiative in the Greater Toronto and Hamilton area (GTHA).

The Committee’s motion followed controversy around Kirby and Lawrence East highlighted by media reports between March and August 2017.

Our audit focused on the process that led to Metrolinx’s decision to recommend construction of the stations.

The following were some of our specific findings:

- The Minister had not used the legislative channels available to him under the *Metrolinx Act, 2006* (Act) to direct the agency’s regional transportation planning work; instead, he and

the City influenced Metrolinx to override its own planning process. Under the Act, the Minister could give written directives to Metrolinx regarding any matter under the Act. A written directive from the Minister to add Kirby and Lawrence East would have provided greater transparency and accountability by signalling clear ownership of the decision.

- Metrolinx’s 2016 original business-case analyses of the Kirby and Lawrence East stations had noted that construction of both stations was expected to result in a net loss of GO ridership, a net increase in vehicle use (driving) in the GTHA and an overall decrease in fare revenue.
- Metrolinx’s lack of a rigorous transit-planning process, weighing all costs and benefits against established criteria, had enabled Metrolinx to deviate from the recommendations of the original business-case analysis. Metrolinx removed Kirby and Lawrence East stations from the original list of “not recommended” stations and put them into a new category it created of “low” performing stations. It put the remaining “not recommended” stations into another new category it created of “very low” performing stations. These new categories were used in Metrolinx’s June 28, 2016, report to the Board, which recommended building all but the “very low” performing stations.
- In Metrolinx’s updated February 2018 analysis, the expected benefits of the stations to the GTHA had increased. However, in its analysis, Metrolinx had used outdated information and had made best-case scenario assumptions about future changes to the GO rail system (for example, fare integration with transit agencies, express service and level boarding) that, to varying degrees, were not certain to be fully implemented as planned.

We made five recommendations, consisting of 11 action items, to address our audit findings.

We received commitments from the Ministry and Metrolinx that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between March 2020 and June 2020. We obtained written representation from Metrolinx and the Ministry of Transportation that effective September 30, 2020, they had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Metrolinx Overrode Planning Evidence to Accommodate External Influence on Station Selection Decision

Recommendation 1

To support co-ordinated, accountable and transparent decision-making for transit investments in the Greater Toronto and Hamilton Area, we recommend that Metrolinx establish a clear framework for how:

- *criteria used in business cases are established and changed;*

Status: Fully implemented.

Details

In our 2018 audit, we found that in response to attempts by the then Minister of Transportation (Minister) and the City of Toronto to influence the station selection, Metrolinx planning staff tried to justify including the Kirby and Lawrence East stations by changing the criteria used in the business-case analysis to recommend which stations should be built.

In our follow-up, we found that in 2019, Metrolinx established a clearer framework for how criteria used in business cases are established,

changed and approved. All changes to the criteria now require a formal approval from Metrolinx's senior management team. In November 2019, Metrolinx also established an external advisory panel of 11 experts that is scheduled to meet regularly to review and provide input on any changes and updates to the criteria used in business cases.

Metrolinx also established a formal refresher cycle to review and if necessary update the criteria used in its business cases in collaboration with the advisory panel.

A formal process has also been established to consider ad hoc changes to the criteria. According to this process, Metrolinx staff must first identify and document the need for a change based on ongoing jurisdictional scans, advice from the advisory panel, lessons learned from business-case production, direction from the senior management team or the province, and stakeholder feedback. The next step requires Metrolinx staff to conduct the research necessary to determine if the change is warranted and how to incorporate the change. The final step requires Metrolinx staff to consult with the Ministry of Transportation to obtain feedback on the proposed change. Before they are put into effect, all changes must be reviewed and approved by Metrolinx's senior management team.

- *inputs outside of business cases (such as public engagement, policies and other investments, emergent trends and conditions, and capacity to deliver) are distinct from the considerations included in business cases;*

Status: Fully implemented.

Details

In our 2018 audit, we found that there were four components to Metrolinx's business-case analysis: strategic, economic, financial, and deliverability/operations. The business-case analyses of the Kirby and Lawrence East stations took the strategic considerations into account. But in those analyses, the strategic benefits—aligning with Vaughan's and Toronto's growth objectives and transit

plans—were not large enough to outweigh the high net economic costs. Metrolinx staff overrode these business-case analysis results in their report to the Board. The report stated that “Metrolinx should ... include strategic considerations in addition to the results of the Initial Business Cases and the network fit analysis to also support strategic considerations to include factors like overall priorities of the various levels of government.” In March 2018, Metrolinx published its *Draft Business Case Guidance*, which stated that business cases are only one of five inputs Metrolinx considers in decision-making. The other four inputs, which are considered outside of business cases, are public engagement, policies and other investments, emergent trends and conditions, and capacity to deliver. We noted in our audit that repeatedly adding further “strategic considerations” to the decision-making process makes it possible to justify any decision.

In our follow-up, we found that on September 23, 2019, Metrolinx issued an internal memo to its staff that defined and distinguished strategic considerations included in business cases from inputs outside of business cases, such as public engagement, policies and other investments, emergent trends and conditions, and capacity to deliver.

- *both inputs outside of business cases and the criteria used in business cases are weighted in the decision-making;*

Status: Fully implemented.

Details

In our follow-up, we found that in response to **Recommendation 4** in our 2018 report, Metrolinx had started to include a cover note at the front of all business cases presented to its Board. In late 2019, Metrolinx began to describe in the cover note how each of the inputs outside of business cases and the criteria used in business cases are weighted in its decisions to recommend transit projects. As some of the factors such as “market capacity” and “Provincial prioritization” used by Metrolinx in its business case analyses are qualitative and cannot be

converted into a precise number, in the cover note Metrolinx discloses these factors and describes how professional judgment was applied to make trade-offs among these factors in the process of making its decision to recommend the transit project.

- *Metrolinx should request official Ministerial direction when the Province’s objectives are not in alignment with Metrolinx’s business cases, plans, and decisions;*

Status: Fully implemented.

Details

In our 2018 audit, we found that other jurisdictions have adopted practices that ensure greater accountability when a decision is made to proceed for political reasons with transit investments that have a significant net economic cost. For example, when such situations are encountered in the United Kingdom, the most senior civil servant in each department has a duty to seek ministerial direction if they think a spending proposal does not promise good value for money.

In our follow-up, we found that Metrolinx had started to request official direction when ministerial decisions differed from the results of its business cases. For instance, in late 2019 Metrolinx asked for ministerial direction on its plan to lower GO local short-distance fares. Further, in 2019 Metrolinx implemented a policy that requires its staff to obtain written direction from the Ministry of Transportation when the province’s objectives are not in alignment with Metrolinx’s business cases, plans and decisions. Between November 26, 2018, and June 30, 2020, Metrolinx received 11 ministerial directions on various matters.

- *Metrolinx should request formal City or municipal recommendations when municipal stakeholders’ objectives are not in alignment with Metrolinx’s business cases, plans, and decisions.*

Status: Fully implemented.

Details

In our follow-up, Metrolinx informed us that if the need arises it will request formal City or municipal recommendation when municipal stakeholders' objectives are not in alignment with Metrolinx's business cases, plans and decisions. Currently, Metrolinx communicates with and requests formal feedback from affected municipalities by sending them draft business cases before they are published. In addition, in September 2018 the Metrolinx Board endorsed the establishment of the Regional Roundtable as a forum for municipal stakeholders to provide Metrolinx with recommendations and for Metrolinx to collaborate and work with municipalities on implementing the 2041 Regional Transportation Plan. Municipal stakeholders can also provide Metrolinx with their recommendations during the three yearly meetings of the Regional Roundtable of Chief Administrative Officers and Chief Executive Officers of municipalities and transit agencies, and the quarterly Municipal Planning Leaders Forum of planning and transportation senior executives, and during a monthly technical advisory group meeting known as the Municipal Technical Advisory Committee.

Recommendation 2

To confirm whether the Kirby and Lawrence East GO stations should be built, we recommend that the Ministry of Transportation independently assess whether they should proceed at this time and whether these stations will benefit the regional transportation network.

Status: Fully implemented.

Details

In our 2018 audit, we found that Metrolinx appropriately gathered comprehensive information for selecting new GO stations; however, it did not have a rigorous process for weighing all costs and benefits against established criteria. The information Metrolinx gathered on the Kirby and Lawrence East stations from January to June 2016 showed that the costs from an economic perspective significantly outweighed the benefits. Despite this, Metrolinx

recommended the Kirby and Lawrence East GO stations in June 2016, on the basis of undefined "strategic considerations."

In our follow-up, we found that in November 2018 the Ministry had directed Metrolinx to stop procurement of new GO stations, including Kirby and Lawrence, and asked Metrolinx to adopt a new market-driven strategy by which Metrolinx was to seek partnerships with private builders to deliver new GO stations. Metrolinx is now in the process of reviewing each potential site for a new GO station, including Kirby and Lawrence, to be delivered through a commercial partnership with a third party such as a developer or landowner. Once this work is completed, before seeking Treasury Board approval to permit Metrolinx to sign commercial agreements with development partners, the Ministry intends to independently assess the partnership opportunities that Metrolinx identifies, including Kirby and Lawrence, if Metrolinx identifies partnership opportunities for these locations.

Recommendation 3

To improve the accuracy of the analyses on which Metrolinx bases its future transit-planning decisions, we recommend that Metrolinx:

- *establish a regular interval at which inputs and assumptions used in business cases are reviewed for their relevance and reliability;*

Status: Fully implemented.

Details

We found in our 2018 audit that in February 2018, Metrolinx had released an updated analysis of the 17 shortlisted stations, concluding that the 12 stations that had been recommended in June 2016 (including Kirby and Lawrence East) were justified. The reanalysis introduced three new assumptions to three newly planned initiatives not included in the 2016 analysis: fare integration, express service and station platforms that are level with train doors (known as "level boarding"). These initiatives were said to increase the economic

benefits of the 12 stations by a total of \$5.3 billion over the first 60 years after the stations were built. However, the economic benefits of the 12 stations were overstated by about \$2.9 billion because of two out-of-date assumptions used in Metrolinx’s calculations.

In our follow-up, we found that in March 2019, Metrolinx had reviewed the existing inputs and assumptions used in business cases, and using information such as census data and academic research, it had created guidelines for the frequency of review for each input and assumption used in its business cases. For example, there is now a requirement to refresh the “value of time” variable every 12 months.

- *use the most up-to-date inputs and assumptions in its future business-case analyses.*

Status: Fully implemented.

Details

In our follow-up, we found that in early 2019, Metrolinx had established a formal refresher cycle. As one part of this refresher cycle, in collaboration with its advisory panel it will review and if necessary update inputs and assumptions used in its future business-case analyses, so that these use the most up-to-date inputs and assumptions.

Recommendation 4

To help decision-makers and stakeholders understand the expected benefits of proposed investments, we recommend that Metrolinx:

- *use language that is clear and understandable in its reports to the Board and those it posts on its website for the public;*

Status: Fully implemented.

Details

Our 2018 audit found that throughout the station evaluation process, Metrolinx revised both the published analyses and supporting documentation. This obscured the net economic costs estimated in

the original business cases, making the results of the business-case analyses—both on Metrolinx’s website and in the published report to the Board—much less clear and transparent. Metrolinx did not post the Summary Report on its website until September 2017. When it did, it posted an edited version of the Summary Report originally provided by its consultants. These edits included changing the names of the groups into which the consultants had classified the proposed stations: “recommended” stations were changed to “best performing,” and “not recommended” to “low performing.” Metrolinx’s renaming of the groups and removal of the word “recommended” made the results of the consultants’ analyses less clear to the reader and obscured the negative evaluations of the Kirby and Lawrence East stations arrived at by the consultants. The report to the Metrolinx Board used the same revised group names and, having been revised twice from its original June 10, 2016 version, went even further in obscuring the consultants’ negative analyses of the Kirby and Lawrence stations.

In our follow-up, we found that in late 2018, Metrolinx began to include a cover note at the front of all of its business cases presented to the Board. The cover note is written in language that is clear and understandable and provides a summary of the business case and Metrolinx’s recommendation. The cover note also includes details on how other considerations outside the business case will factor into the final decision on whether the project will be pursued.

- *include and clearly disclose sensitivity analyses in its published business-case results.*

Status: Fully implemented.

Details

In our 2018 audit, we found that Metrolinx had released an updated analysis of the 17 shortlisted new stations in February 2018. This public 2018 re-analysis report is available on Metrolinx’s website as Technical Report: GO Expansion RER New Stations Business Case Analysis. However, we noted

that the re-analysis report presented only a best-case scenario and lacked sensitivity analyses, which would have presented a range of estimates of the economic benefits of the stations.

In our follow-up, we found that in November 2019, Metrolinx implemented a new policy that requires its staff to conduct and include a sensitivity analysis in all published business cases. Since that time, we have found that all business cases published by Metrolinx have contained a sensitivity analysis.

Recommendation 5

To help Metrolinx effectively carry out its duties as a regional transportation planner, we recommend that the government of the day review the Metrolinx Act, 2006, and determine whether greater clarity regarding Metrolinx's roles and responsibilities in the planning of the regional transportation system would benefit Ontarians.

Status: Fully implemented.

Details

In our 2018 audit, we noted that Metrolinx has the power to plan and propose projects, but it must depend on collaboration with municipalities to put them into effect. That is, Metrolinx relies on municipalities for permits, approvals and transit-supportive land use in order to deliver projects. Without the support of the local municipality, implementing regional transit projects in the GTHA is extremely difficult.

In its leadership role in regional transportation planning, Metrolinx is mandated to plan and achieve what is best for the region. What is best for the region may not always align with the desires of certain stakeholders and interested parties. That is why in our 2018 report we recommend that the government review the *Metrolinx Act, 2006*, and determine whether greater clarity regarding Metrolinx's roles and responsibilities in the planning of the regional transportation system would benefit Ontarians.

In our follow-up, we found that in December 2018, the government made amendments to the *Metrolinx Act, 2006* through Bill 57, the *Restoring Trust, Transparency and Accountability Act, 2018*, to clarify the roles and responsibilities of the Ministry of Transportation (Ministry) and Metrolinx with respect to transit planning and decision-making. The amendments clarified that the Ministry will continue to be the provincial lead for multimodal transportation planning and delivery, while Metrolinx will play a leadership role in transit delivery and the integration of transit with other modes, including multimodal station access planning. The amendments also extended Metrolinx's planning area to the Greater Golden Horseshoe to align it with the geography of provincial plans for the region and made the Regional Transportation Plan subject to approval of the Minister of Transportation.