Chapter 4
Section
4.08

Metrolinx—Regional Transportation Planning

Follow-up to VFM Section 3.09, *2012 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of	Status of Actions Recommended			
	Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	1		1		
Recommendation 2	1		1		
Recommendation 3	1		1		
Recommendation 4	2		2		
Recommendation 5	1		1		
Recommendation 6	2	2			
Recommendation 7	1	1			
Recommendation 8	2		2		
Recommendation 9	1			1	
Recommendation 10	2	2			
Recommendation 11	1		1		
Total	**15**	**5**	**9**	**1**	**–**
%	**100**	**33**	**60**	**7**	**–**

Background

Metrolinx, an agency of the government of Ontario, was created by the *Greater Toronto Transportation Authority Act, 2006*, now the *Metrolinx Act, 2006* (Act). According to the Act, one of Metrolinx's key objectives is to provide leadership in the coordination, planning, financing and development of an integrated, multi-modal transportation network in the Greater Toronto and Hamilton Area (GTHA).

In November 2008, Metrolinx formally adopted a Regional Transportation Plan (Plan)—also known as "The Big Move"—that set out the priorities, policies and programs for implementing a transportation system within the GTHA. The Plan, which was the result of two years of public consultation, was adopted by Metrolinx's Board of Directors, which at

that time included representatives from the GTHA municipalities.

Among the Plan's more significant proposals was to build more than 1,200 km of rapid transit with the aim of getting 80% of GTHA residents within 2 km of rapid transit. The timeline for implementing the Plan was 25 years. Its estimated cost of $50 billion related only to upgrading and expanding the regional transportation network in the GTHA, but did not include the maintenance that was expected to be required to keep the additional transportation infrastructure in a state of good repair over its useful life.

In the first 15 years of the Plan, Metrolinx planned to implement a number of priority transit projects, including various light rail and bus rapid transit projects in the GTHA, the Air Rail Link from Toronto Pearson International Airport to Union Station in downtown Toronto (now called the Union Pearson Express), revitalization of Union Station, and the continued development of the Presto electronic fare card system. Its estimate of the cost of these projects was approximately $33 billion, of which approximately $3 billion had been spent at the time of our 2012 audit. Funding for some of these projects was to come primarily from a 2007 provincial commitment of $11.5 billion, along with previously announced project funding. Other projects—such as the Union Pearson Express (UPE) between Union Station and Toronto Pearson International Airport and projects to revitalize Union Station—were being funded from the province's capital budget for GO Transit (the commuter rail and bus system serving the GTHA, a division of Metrolinx). At the time it made the 2007 commitment, the province asked the federal government to contribute $6 billion toward the Plan's implementation. At the time of our 2012 audit, the federal government had committed $1.93 billion on a project-by-project basis. This combined funding was expected to sustain the Plan's implementation until about 2018. By 2013, Metrolinx was to provide the province with recommendations for funding the implementation of the remaining unfunded projects contemplated under the Plan's first 15 years as well as other projects contemplated in years 16 through 25.

In 2012, our review of the more significant projects in the early stages of the Regional Transportation Plan identified a number of issues that Metrolinx had to address. Specifically:

- We believed that Metrolinx's initial assumptions about projected annual ridership on the Union Pearson Express (UPE) may well have been overly optimistic given the high cost of the fare. While a final decision had not been made on whether the UPE was to recover its annual operating costs and any of its capital construction costs, if operating the UPE on a break-even basis was indeed the objective, achieving that objective may not be feasible.
- A region-wide integrated transit fare system was one of the Regional Transportation Plan's key strategies. The Presto fare card was regarded as a key component in implementing this strategy. Metrolinx's view was that the Presto fare-card system created the underlying technology platform needed for fare integration. But, at the time of our 2012 audit, the card had not facilitated fare integration within GTHA transit systems because the fare structures across these systems were themselves not integrated. We noted the following additional issues with respect to the Presto fare-card system:
  - When the Presto system was initially developed, the Toronto Transit Commission (TTC), which had over 80% of the transit ridership in the GTHA, had not agreed to implement Presto on its system. However, at the time of our 2012 audit, the TTC, along with the city of Ottawa, had conditionally approved Presto's adoption subject to the satisfactory resolution of some key issues. To meet the requirements of Toronto and Ottawa, Presto Next Generation (PNG), was being developed at an anticipated cost of $498 million. In total, more than $700 million could be paid to

the contractor for developing the original Presto system and PNG, which would place Presto among the more expensive fare-card systems in the world.

- Rather than competitively tendering the procurement of the development of the Presto Next Generation system, Metrolinx decided to develop it by way of open-ended change orders under the existing vendor's contract. We believed tendering would have, at the very least, informed Metrolinx of potential new developers and whether other vendors might have had more cost-effective technology solutions.
- Since going into service approximately two years earlier, Presto's overall usage within participating GTHA transit systems was only about 18% at the time of our 2012 audit. Although seven of the eight municipal transit agencies in the 905 area code had implemented Presto, overall Presto usage on those systems was even lower, at only 6%. These transit agencies could not completely eliminate their old fare systems in favour of Presto because of some of the fare card's limitations.
- The contract for the Presto base system contained 22 measures designed to gauge the contractor's performance in such areas as system availability and customer management. In 2011, the contractor failed to meet the set standard in nearly a third of the measures, but Metrolinx did not seek any of the related penalties stipulated in the contract. The contract also contained reliability measures for the devices used by the Presto base system, but neither the contractor nor Metrolinx tracked this information.
- The two major projects related to the revitalization of Union Station had experienced significant cost increases over their initial cost estimates. For instance, the cost of restoring the train shed could reach $270 million—25% over Metrolinx's initial estimate. Similarly, the cost of replacing the switches in the Union Station Rail Corridor could be more than twice the amount of the original purchase order, which totaled about $38 million.

Although those GTHA municipalities and transit agencies we talked to questioned the priority given to some of the projects within the Regional Transportation Plan, they generally supported the Plan. However, some GTHA municipalities indicated that Metrolinx needed to provide more regular updates on the major projects in the Regional Transportation Plan and on the Plan's overall status, including the strategies being considered to fund the as-yet unfunded projects in the Plan.

Status of Actions Taken on Recommendations

Metrolinx provided us with information in the spring and summer of 2014 on the current status of our recommendations. According to this information, a third of the recommendations in our *2012 Annual Report* have been implemented. For example, Metrolinx, after consulting with stakeholders, had provided the Ministry of Transportation with an investment strategy to fund projects within the Regional Transportation Plan. The agency had also put measures in place to regularly report on project costs and their progress towards completion.

Our other recommendations are requiring more time to be fully addressed, such as defining the business model under which the Union Pearson Express will operate to ensure that it will be a viable and sustainable operation. In conjunction with the provincial government and transit providers, Metrolinx still needs to develop a strategy for implementing better fare integration among GTHA transit systems.

The status of the actions taken on each recommendation is described in the following sections.

Union Pearson Express (Formerly called the Air Rail Link)

Cost Recovery

Recommendation 1

Metrolinx should work with the Ministry of Transportation to clearly define the business model under which the Air Rail Link (ARL) should operate to ensure that the ARL will be a viable and sustainable operation. Given the importance of having a reliable estimate of projected ridership at the various possible fare levels, Metrolinx should periodically update its ridership forecast.

Status: In the process of being implemented.

Details

In our *2012 Annual Report*, we noted that if the aim was for what is now called the Union Pearson Express to break even in its first year, Metrolinx would have to charge a fare of about $28 for the full distance based on its ridership projections and estimated annual operating costs, including capital amortization. However, the results of a market assessment of GTHA residents conducted in November 2011 by Metrolinx revealed the following:

- More than 90% of GTHA residents leave from and return to their home when travelling through Toronto Pearson International Airport, so the added cost and inconvenience of getting to and from one of the three Union Pearson Express stations with their luggage would probably discourage some residents from using the Union Pearson Express.
- The Union Pearson Express's likely price point may also be a concern. Although nearly 70% of potential riders currently using Union Station as an airport access or egress point indicated that they would probably use the Union Pearson Express, nearly 75% of those respondents who were GTHA residents also indicated that they would not be willing to take the Union Pearson Express at a cost of $22.50 or more. As well, 60% of visitors and 90% of airport employees would not use it at a cost of $22.50 or more. As would be expected, the percentages that would not use the Union Pearson Express increased as the proposed price increased.

This prompted us to recommend that Metrolinx should work with the Ministry of Transportation to clearly define the business model under which the Union Pearson Express should operate and periodically update its projected ridership at various possible fare levels.

In May 2013, Metrolinx contracted a private firm to update what is now known as the Union Pearson Express's ridership projections based on a single adult fare of $30 for a one-way trip between Union Station and Toronto Pearson International Airport. The firm projected that by 2018, 2.3 million riders would use the rail service. According to the firm's projections, this ridership would mainly comprise business and leisure travelers who normally would use taxis or other modes of car travel to and from the airport and the downtown core and not necessarily those who would use public transit.

In January 2014, Metrolinx provided an analysis on possible fare options to the Ministry of Transportation. The analysis identified that a single adult fare of $29.95 for a one-way trip between Union Station and Toronto Pearson International Airport, based on projected ridership of 1.07 million people in the first year of operation, rising to 2.35 million when the system reaches maturity, would enable the Union Pearson Express to recover 100% of its operating costs by 2018. Metrolinx advised us that a formal recommendation on the fare structure for the Union Pearson Express will be made to its Board in December 2014.

The "Spur" Line

Recommendation 2

When assigning values to transferable risks in the evaluation of value for money between procuring assets by way of the traditional method or by way of the Alternative Financing and Procurement (AFP) model, actual experience from recent traditional

infrastructure procurements and AFPs should be thoroughly assessed.

Status: In the process of being implemented.

Details

The Union Pearson Express requires the construction of a 3.3 km branch line, commonly referred to as the "spur," off of GO Transit's Kitchener rail corridor connecting to a new passenger station in Toronto Pearson International Airport's Terminal 1. When Metrolinx became responsible for the development of the Union Pearson Express, the government directed it to evaluate options for the delivery of the "spur" line and any related station work, including possibly using the Public–Private Partnership (P3) model—which in Ontario is called the Alternative Financing and Procurement (AFP) model. Generally, AFPs are contractual agreements between the government and the private sector under which the private-sector businesses construct and finance assets and deliver services, and the various partners share the responsibilities and business risks.

Infrastructure Ontario, a Crown Agency, oversees the delivery of all AFP projects in the province. Before deciding on the delivery model for a particular project, Infrastructure Ontario assesses which delivery model will provide the most value for money (VFM). This VFM assessment compares the total project costs of two different delivery models (that is, AFP versus a traditional delivery method). In evaluating the VFM of procuring assets either in the traditional manner or by way of the AFP model, it is often the monetary value of the risks retained under each delivery model that tends to tip the scale in favour of the AFP model. The VFM assessment concluded that using the AFP model for delivery of the "spur" would result in a net savings of about $20 million. While the total construction costs and ancillary costs (for example, legal, engineering and project management fees) under the AFP approach were estimated to be about $22 million higher, this was offset by an estimated $42 million in hypothetical savings related to the transfer of risks under the AFP model. In 2012, we noted that the monetary values assigned to the risks seen as retained under both delivery models were derived based on the judgment of Infrastructure Ontario staff, Metrolinx staff and a consulting firm that devised the probabilities and impacts associated with the various risks. We saw no evidence that the estimates of the risks of delivering the "spur" under traditional procurement were based on actual experience of similar, traditionally procured transportation projects.

In 2014, we reviewed Infrastructure Ontario's overall processes for procuring large infrastructure projects using the AFP delivery model, including its processes for assessing VFM between AFP and traditional delivery methods. We noted that Infrastructure Ontario continues to rely on external advisers to assign and value risks when comparing the AFP model and the public-sector model for delivering projects. There is no empirical data supporting the key assumptions used by Infrastructure Ontario to assign costs to specific risks. The agency relies on the professional judgment and experience of the advisers to make these cost assignments, making them difficult to verify. However, the agency was proposing to refresh its methodology for assessing VFM between AFP and traditional delivery methods. The changes proposed included consolidating the number of risks considered and assigning new risk probabilities and impact to reflect Infrastructure Ontario's experience gained to date on the delivery of AFPs.

Presto Fare System

Project Cost

Recommendation 3

Metrolinx should ensure that it formally considers the risks of continuing with the development of Presto Next Generation (PNG), given that the specific business requirements of the Toronto Transit Commission (TTC) for using PNG on its transit system and the costs for which the TTC would be responsible have not yet been formally agreed to.

Status: In the process of being implemented.

Details

A key reason for the development of Presto Next Generation is to meet the needs of the Toronto Transit Commission (TTC). However, at the time of our 2012 audit, the TTC had not yet formally signed on to using the fare card since Metrolinx and the TTC had not yet finalized the TTC's service-level requirements and how the service levels will be achieved through Presto Next Generation. In November 2012, just prior to the release of our *2012 Annual Report*, Metrolinx had signed a master agreement with the TTC to provide an electronic fare collection system that would meet the TTC's business needs.

According to the agreement, the TTC will have Presto fully implemented throughout its entire subway, streetcar and bus system by March 2017. Metrolinx would be responsible for supplying and maintaining all Presto devices and core and back-office systems, providing call centre services, and collecting all fare revenue through the Presto card. As consideration, Metrolinx will retain 5.25% of the gross fare receipts it collects.

At the time of our 2012 audit, the anticipated cost of developing and operating the original Presto system and the Presto Next Generation system was $955 million. According to a March 2014 update provided to the Board of Metrolinx, this cost is expected to increase. The main reason for the increase is higher-than-expected deployment costs of Presto Next Generation in Ottawa and higher projected costs for the TTC. Given the expected increase, among other things, the Board requested staff to retain specialized expertise to conduct a value-for-money analysis on the Presto program and to complete a technology audit to validate the appropriateness and sufficiency of the existing system and future plans. At the time of our follow-up, these were not yet complete.

Fare Integration and Presto Usage

Recommendation 4

To ensure that the Presto base system and the Presto Next Generation system meet the objective of facilitating a seamless, integrated fare for all transit systems across the GTHA, Metrolinx should:

- *work with the provincial government and GTHA municipalities to resolve the issue of subsidizing fare integration so that progress can be made on implementing an integrated fare system; and*
  Status: In the process of being implemented.

- *work with GTHA municipalities and regions to resolve outstanding issues related to the operation of Presto that inhibit riders' use of the fare card within their respective transit systems.*
  Status: In the process of being implemented.

Details

In 2012, we noted that Presto had not in itself facilitated the integration of fares (i.e., a fare system that would allow riders to cross regional and municipal boundaries using different transit systems by paying just one fare rather than having to pay different fares for each system travelled on) across GTHA transit systems. It was only being used as an "e-purse" so that users can tap a card to a reader and automatically pay for individual fares at participating GTHA transit systems. GTHA municipalities and transit systems indicated to us that as long as transit funding remained a municipal responsibility, fare integration would be difficult to achieve because GTHA municipalities were not willing to absorb the cost of the subsidies that an integrated fare system may entail.

At the time of our follow-up, Metrolinx had committed to continue developing full fare integration in its most recent strategic plan. Also, in December 2013, it presented to its Board a two-year work plan that proposed to conduct a series of consultations with transit providers and the general public with the aim of eventually developing a strategy, by fall 2015, for implementing better fare and service integration amongst GTHA transit systems.

At the time of our 2012 audit, Presto's overall usage within participating GTHA transit systems was only about 18%. GTHA transit agencies cited a number of issues with Presto that prevented them from eliminating their existing fare systems and migrating their full ridership to Presto. As of March 2014, Presto's overall usage within participating GTHA transit systems had increased to about 57%, much higher than the 18% we reported in our *2012 Annual Report*. While GO Transit and Brampton Transit have seen the highest uptake of Presto since our 2012 audit (these systems eliminated their old fare systems, which forced their ridership to use Presto), resulting in much of the increase in the overall usage of Presto, usage of Presto has also gone up in the remaining GTHA transit systems. Metrolinx is aiming to increase overall usage of Presto to 70% in the GTHA by 2018.

Project Procurement

Recommendation 5

To ensure that Metrolinx complies with the intent of the government's policy of open, competitive procurement, all value-for-money considerations and an appropriate business-case justification should be completed and approved by Metrolinx's Board and the Ministry of Transportation before any decision on the procurement of significant transportation projects is finalized, especially if retendering the projects is not considered to be a viable option.

Status: In the process of being implemented.

Details

In October 2006, the Ministry of Transportation signed a 10-year, $250 million contract with a vendor to design, develop and operate the Presto base system. This contract was procured through a competitive process and subjected to a fairness review that concluded that the process was conducted in a procedurally fair, open and transparent manner. However, in 2012, Metrolinx was unable to provide evidence supporting its 2009 decision to develop the Presto Next Generation (PNG) system solely through change orders to the existing Presto contract rather than through a competitive tender. We questioned whether tendering the new system's development would have, at the very least, informed Metrolinx of the range of options and what a reasonable cost would be for developing PNG.

Metrolinx, in its response to our 2012 recommendation, agreed that value-for-money considerations and an appropriate business-case justification should be completed and approved before making any decision on a project's procurement strategy. With respect to PNG, Metrolinx also noted in its response that as it moves forward, it was reducing the role of the vendor and increasing the amount of work to be procured in separate competitive processes. At the time of our follow-up, we noted that the actual development of PNG was still being carried out via change orders. Metrolinx had initiated discussions with the vendor to take over certain operational functions—such as back-office financial reporting, managing the procurement of PNG equipment, operating the call centre, and providing web services for PNG—in order to reduce its reliance on the vendor. But the vendor was only willing to give up some of these services stipulated in the original 2006 contract if the "lost" revenue was replaced through other new services. As a result, Metrolinx was negotiating with the vendor to set up an application development centre, comprising 40-50 of the vendor's staff, which would be dedicated to providing maintenance support, enhancements and small project work related to PNG. Metrolinx expected that the application development centre would result in savings of 15% to 20% by diverting this type of work from the more costly change order process. Metrolinx advised us that it plans to return to the market to competitively procure the ongoing management of the Presto system once the TTC deployment is completed. In the meantime, large PNG system changes will continue to be carried out using the existing change order process.

For future transportation projects, Metrolinx, in December 2013, instituted a capital project approval policy designed to, among other things,

provide additional assurance to the Board with respect to the projects. Details of this policy are discussed under the status of recommendation 8.

Change-order Management

Recommendation 6

In order to effectively manage the cost of change orders related to the Presto base and Presto Next Generation systems, Metrolinx should:

- *implement a process that distinguishes between change orders that amend the systems from their original specifications in the contract and those that correct identified defects in the systems' original development, and allow the contractor to charge for only those change orders that pertain to requested changes or enhancements to the original design specifications; and*
  Status: Fully implemented.

- *prepare internal cost estimates for each change order to enable the reasonableness of the amount charged by the contractor to be knowledgeably assessed.*
  Status: Fully implemented.

Details

In our *2012 Annual Report*, we noted that since the execution of the contract for the Presto base system in 2006, 330 change requests totaling $146 million had been made under the contract. Of these, 281 change orders totaling $45 million related to fixes or enhancements to the Presto base system that were requested by either Metrolinx or the participating transit agencies, with the balance relating to PNG. GTHA transit systems in the 905 area code that we met with indicated that changes to the Presto base system often seemed too costly and that change requests were not always completed on what they felt was a reasonably timely basis.

Since our 2012 audit, Metrolinx has implemented the following with respect to its change order process to ensure that the contractor does not charge for defects identified in the Presto base system's original development:

- Change requests are now only made by Metrolinx and the participating transit agencies. The vendor can no longer initiate requests.
- Only change requests for new requirements, or changes to existing requirements, are presented to the Presto Review Board (a body made up of senior staff of the Presto group at Metrolinx that reviews, assesses the impact of, prioritizes, and approves all change orders). The vendor is now no longer represented on this review board.
- All change order requests must detail the nature of the change orders and now must be approved by the Executive Vice President of the Presto Division of Metrolinx before they can be implemented. Metrolinx advised us that if the change order pertains to the fixing of a defect, then the order would not be approved.

The following has also been implemented by Metrolinx to ensure that it can assess the reasonableness of the amount charged by the contractor for each change order:

- a review of previous similar work done by the vendor and/or a sampling of similar services/products available in the market;
- a reasonability check for all capital change orders greater than $1 million that entails reviewing the number and complexity of the deliverables and using industry standard rates to calculate an estimated cost, which can then be compared to the contractor's quote; and
- a review of the quote by a subject matter expert and, if a transit agency is responsible for the cost of the change order, all details are submitted to that agency for review and approval.

Other Presto Issues

Recommendation 7

To ensure that the Presto base and Presto Next Generation systems remain available for use after the end of the existing contract, Metrolinx needs to finalize its current negotiations with the contractor to ensure that it secures ownership of these two systems.

If the contractor fails to meet the performance standards stipulated in the contract, Metrolinx should have a valid justification for not applying the available remedies and penalties set out in the contract.
Status: Fully implemented.

Details

In November 2012, Metrolinx finalized an agreement with the vendor that clarified the ownership of the key components of the Presto base and Presto Next Generation systems, including confirming its right to use the systems in perpetuity. As per the agreement, Metrolinx can market Presto to government entities in Canada, while the vendor can market the rights globally and to non-government entities in Canada. In consideration for this, the vendor agreed to pay $25 million to Metrolinx.

Even though Metrolinx can market Presto to government entities in Canada, we noted that it chose not to respond to a tender for an electronic fare management system put out by the Region of Waterloo Grand River Transit in 2013. According to a Region of Waterloo council report, while Metrolinx was willing to negotiate with the Region to develop a fare system to meet their needs, it decided that it was not appropriate for a provincial agency to compete with the private sector.

Also, since our 2012 audit, Metrolinx in collaboration with the vendor has developed a reporting process whereby the contractor communicates to the agency their compliance with service levels in monthly operations reports. In our review of a sample of these reports, we noted that the vendor had not incurred any failures in meeting performance standards that warranted remedies in accordance with the agreement.

Union Station Revitalization

Recommendation 8

To ensure that projects under the Regional Transportation Plan are delivered cost-effectively and on time, Metrolinx should ensure that contracts have firm ceiling prices, whenever possible. Contracts should then be monitored for adherence to the original ceiling price.
Status: In the process of being implemented.

For work in the Union Station Rail Corridor, Metrolinx should also consider seeking other qualified suppliers or obtaining in-house expertise.
Status: In the process of being implemented.

Details

In our *2012 Annual Report*, we noted that the costs of two major projects related to the revitalization of Union Station (the restoration of the train shed and the replacement of switches in the Union Station Rail Corridor) increased significantly over their initial estimates. Significant price changes in contracts can occur because of poor planning, inadequate processes for estimating the initial cost projections, weak monitoring of the project, or a combination of these problems.

In December 2013, Metrolinx introduced a new capital project approval policy that set different approval requirements depending on the estimated cost of the project. For example, projects greater than $50 million require Board approval. According to the policy, project approval documents must contain details on the scope of the project, schedule, estimated costs, any interdependencies, and risks. The policy also contains more rigorous reporting requirements on individual projects. For example, for projects greater than $50 million, the Board must be apprised of their status on a quarterly basis. Metrolinx advised us that it was also considering the following:

- implementing measures to evaluate bids, particularly for unique or old historical buildings, based on the quality, accuracy, and timeliness of the work proposed rather than just the lowest price;
- having internal cost estimates independently reviewed by a third party to ensure reasonableness and to avoid having the estimates managed toward a pre-determined budget number; and

- ensuring that adequate site investigations are conducted during design to reduce the number of unanticipated site conditions found during construction.

In our *2012 Annual Report*, we expressed concern over the fact that Metrolinx had not actively sought other qualified suppliers or considered the feasibility of developing in-house expertise to conduct work in the Union Station Rail Corridor. As a result, we believed Metrolinx could become overly dependent on its current sole contractor, the corridor's previous owner.

In its response to our recommendation, Metrolinx indicated that it continues to take additional steps to reduce its future reliance on existing suppliers, including obtaining in-house expertise to carry out work along the Union Station Rail Corridor in the future. Metrolinx will apply a different model in 2016, when the existing contract with the current vendor tasked with carrying out work in the Union Station Rail Corridor is scheduled to expire.

Regional Transportation Plan

Role of Metrolinx

Recommendation 9

Metrolinx should ensure that all projects contemplated under the Regional Transportation Plan are subjected to a rigorous cost/benefit analysis that considers financial, economic, environmental and social needs and impacts and that transit infrastructure investment decisions are made on the basis of that analysis.

Status: Little or no progress.

Details

In our *2012 Annual Report*, we noted that in the debates over the City of Toronto's transit projects within the Regional Transportation Plan, Metrolinx was not being a strong enough advocate for what its own cost/benefit analysis concluded was the right course of action for these projects. GTHA municipalities and transit agencies that we talked to used the debates as an example to question Metrolinx's ability to objectively act as the GTHA's central transit planning authority to ensure that the most cost-effective and value-added transit infrastructure decisions are made.

At the time of our follow-up, we noted that Metrolinx's assessments of the right course of action for transit projects continued to be overridden by local government. While Metrolinx's cost/benefit analysis supported the use of light rail technology for the upgrade and extension of the Scarborough Rapid Transit (SRT) line from Kennedy Station to Sheppard Avenue, a project contemplated under the Regional Transportation Plan, Toronto City Council voted, in July 2013, in favour of replacing the SRT with an extension of the Bloor–Danforth subway. This effectively cancelled Metrolinx's light rail proposal, which it believed to be the right solution for the transportation challenges in the area and one that could have been delivered within the $1.48 billion provincial contributions provided for it. Metrolinx accepts that governments are the ultimate decision makers in these matters and that it must defer to their judgments. Therefore, investment decisions may not always be made on the basis of a cost/benefit analysis. However, in the 2014 Budget, the Province committed to working with Metrolinx and municipalities to prioritize transit investments through the use of business case analyses.

Since Metrolinx had already begun planning for the upgrade and extension of the SRT, the decision to replace it with a subway resulted in sunk costs of $80 million, for which the City of Toronto will reimburse Metrolinx. Metrolinx no longer has responsibility for this project, and while the subway option is more costly, the provincial contribution will remain at $1.48 billion. The City of Toronto will have to raise any additional funds that would be required for the more costly subway option.

Plan Funding and Plan Progress Reporting

Recommendation 10

To ensure that provincial, regional and municipal stakeholders are kept up to date on the funding requirements and progress of the Regional Transportation Plan (RTP), Metrolinx should:

- *regularly consult with GTHA municipalities and other key stakeholders as the funding strategies are being formulated, especially on options that affect local residents; and*
  Status: Fully implemented.
- *have clearly defined targets for the RTP's more significant projects and regularly report on costs and progress toward completion.*
  Status: Fully implemented.

Details

At the time of our 2012 audit, funding had been committed for more than half of the priority transit projects within the Regional Transportation Plan's first 15 years. By June 1, 2013, Metrolinx had to report back to the province on an investment strategy to fund the remaining projects within the Regional Transportation Plan's first 15 years, as well as the projects contemplated in years 16 through 25. In our discussions with GTHA municipalities, some indicated that Metrolinx should more regularly update their respective councils on the Plan's overall status, including the status of initiatives contemplated under the Regional Transportation Plan that are not yet funded. These updates would help municipalities to better prioritize local projects.

Subsequent to our 2012 audit, Metrolinx did consult with GTHA municipalities and local residents in developing the funding strategy. The strategy was completed and submitted to the Ministry of Transportation in May 2013. It contained 24 recommendations, including recommending that the following four specific investment tools be used to raise funds for the delivery of the transit projects within the Regional Transportation Plan:

- a 1% increase in the HST;
- a 5 cent per litre transportation fuel and gasoline tax applied in the GTHA;
- a parking levy on all off-street and non-residential spaces; and
- a 15% increase in development charges.

Upon receiving the strategy, the Ministry convened a 13-member Transit Investment Strategy Advisory Panel to advise it on how to best proceed with the proposed strategy. After three months of public consultations with key stakeholders and residents in the GTHA, the panel released its final report on December 12, 2013. The report put forward 20 recommendations to support transportation planning, including revenue strategies to fund transit projects within the GTHA. In the May 2014 Budget, the government proposed creating two dedicated funds to support public transit and transportation infrastructure projects. Proposed revenue sources for these funds included restricting large corporations from claiming the small business deduction and phasing in an increase to the tax rate on aviation fuel. The Province also proposed dedicating the proceeds from 7.5 cents per litre of the existing provincial gasoline tax to these funds, without increasing the current rate, and repurposing revenues from the existing HST charged on the current provincial taxes on gasoline and road diesel.

In an effort to better monitor and regularly report on the implementation of the Regional Transportation Plan, Metrolinx publicly released, in September 2013, the Big Move Baseline Monitoring Report. The report provides a snapshot of the work under way in implementing the 25-year Plan and a framework for its long-term assessment. Specifically, the report:

- provides the status of the priority actions and policies contained in the Regional Transportation Plan; and
- establishes a 2008 (when the Plan was initially released) baseline of key performance indicators for monitoring the objectives of the Regional Transportation Plan.

In addition, information collected for the report will be used to support the legislative review of the

Regional Transportation Plan in 2016, required by the *Metrolinx Act, 2006*.

Metrolinx now also reports publicly on a quarterly basis the progress of the Toronto and York Region light rail and bus rapid transit projects in the Regional Transportation Plan, including the Eglinton Crosstown light rail project in Toronto and the vivaNext bus rapid transit project in York Region.

Other Matter

Project Management Information System

Recommendation 11

Metrolinx should ensure that its project management information system provides the functionality needed to facilitate the effective monitoring of individual projects.

Status: In the process of being implemented.

Details

In 2012, we noted that in order to effectively monitor projects, project managers often supplemented the information provided by Metrolinx's project management system with manual spreadsheets maintained outside the system. This approach was necessary because the system did not have adequate functionality in areas such as scheduling and forecasting.

Subsequent to our 2012 audit, Metrolinx completed a system upgrade of its project management system and added a dashboard function that provides, among other things, an overview of the status of individual projects (showing, for example, whether a project is in the design or construction stage) and whether the projects are on-time and on-budget. At the time of our follow-up, Metrolinx had also planned a number of other upgrades to its project management information system, including automated project scheduling templates, better monthly cash flow forecasting, and automatic alerts for cost and schedule variances.