Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Metrolinx—LRT Construction and Infrastructure Planning

2018 Value-for-Money Audit

Why We Did This Audit

- Ontario's 2008 Regional Transportation Plan identified Light Rail Transit (LRT) lines as priority projects to provide commuters with fast, frequent and reliable transit.
- Proper planning and delivery is critical to ensure value is obtained for the large amount of money spent on these projects.
- The provincial government committed significant funds to build these projects ($8.15 billion in 2009).

Why It Matters

- The Greater Toronto and Hamilton Area (GTHA) is one of the fastest-growing regions in North America, and future demand for efficient transportation will be high and poses challenges.
- Road congestion in the GTHA costs commuters $3.3 billion a year. These costs arise from travel delays, environmental impacts, increased vehicle costs and greater likelihood of collisions.

What We Found

- Metrolinx incurred about $436 million in sunk and additional costs between 2009 and 2018—$125 million for cancelling and delaying two projects, $286 million for costs over and above contract values, and $25 million to manage issues with the vehicle supplier.
- The consortium building the Eglinton Crosstown LRT fell significantly behind schedule throughout 2017. Under the alternative financing and procurement (AFP) contract for this project, Metrolinx had limited remedies to hold the consortium responsible for delays so long as the consortium certified it would still finish the project on time. In February 2018, the consortium filed a claim against Metrolinx for compensation and a deadline extension. Metrolinx negotiated and settled with the consortium, holding it to the contracted completion date of September 2021 by paying the consortium $237 million.
- Metrolinx contracted with one consulting firm, under three separate consulting contracts totalling $272 million, to provide project management services between 2010 and 2022 for all LRT projects and certain other projects. Before issuing the requests for proposal prior to the selection of the consulting firm, Metrolinx did not formally assess the extent of work it would require or what would constitute reasonable costs for this work.
- For two of the consulting contracts, totalling $145 million, over 50% (about $97 million) has already been spent, only two years into their five-year contract periods. At the time of our audit, Metrolinx staff overseeing these contracts did not adequately check that the consulting firm performed the work to support the hours charged on their invoices and may not have addressed concerns with the consulting firms' poor performance in a timely manner.
- Metrolinx assigned approximately $1.5 million of work to the consulting firm that did not relate to the projects specified in the consulting contracts noted above. For example, Metrolinx spent $1.2 million on unrelated program management services for the Union Pearson Express and about $367,000 for advice on reorganizing Metrolinx's capital project group.
- The consulting firm often used subconsultants to perform work under its contract with Metrolinx. Metrolinx may be able to obtain better value for money if it used competitive bidding for consulting services that are currently being provided by subconsultants.
- Metrolinx committed to purchasing LRT vehicles for the Eglinton Crosstown, Sheppard East, Finch West and Scarborough Rapid Transit projects with specific delivery dates without construction contracts in place to build the LRT projects. The LRT vehicle purchase contract did not contain provisions to address the risk that construction plans could change. The number of vehicles and when those vehicles are needed did change, costing Metrolinx $49 million for these changes (included in the $436 million noted in the first bullet).

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Conclusions

- Metrolinx's ability to cost-effectively plan and deliver an integrated transportation system has been impacted by changes to plans requested by both municipal and provincial governments, resulting in project delays and unnecessary costs being incurred.
- The Eglinton Crosstown LRT is being built using the AFP model, where risks are substantially transferred to the private sector. Under the contract with the AFP consortium, Metrolinx retained some risk that the project will not be delivered on time and on budget. Halfway through this project, Metrolinx negotiated and settled a claim with the consortium to continue to ensure that the project will be delivered on time.
- Metrolinx has been contracting program management consulting services without documenting what work is expected to be completed and the estimated cost of that work. Improvements can be made by Metrolinx to its oversight, contracting for, and review of consulting work performed on its behalf.

Read the Metrolinx—LRT Construction and Infrastructure Planning audit report at www.auditor.on.ca