

Legislative
Assembly
of Ontario



Assemblée
législative
de l'Ontario

STANDING COMMITTEE ON PUBLIC ACCOUNTS

METROLINX – GO STATION SELECTION

(SECTION 3.06, 2018 ANNUAL REPORT OF THE OFFICE OF THE AUDITOR
GENERAL OF ONTARIO)

1st Session, 42nd Parliament
70 Elizabeth II

ISBN 978-1-4868-5117-1 (Print)
ISBN 978-1-4868-5119-5 [English] (PDF)
ISBN 978-1-4868-5121-8 [French] (PDF)
ISBN 978-1-4868-5118-8 [English] (HTML)
ISBN 978-1-4868-5120-1 [French] (HTML)

Legislative
Assembly
of Ontario



Assemblée
législative
de l'Ontario

The Honourable Ted Arnott, MPP
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House.

A handwritten signature in blue ink, appearing to read "Taras Natyshak".

Taras Natyshak, MPP
Chair of the Committee

Queen's Park
March 2021

STANDING COMMITTEE ON PUBLIC ACCOUNTS
MEMBERSHIP LIST

1st Session, 42nd Parliament
(as of February 17, 2021)

*TARAS NATYSHAK
Chair

FRANCE GÉLINAS
Vice-Chair

DEEPAK ANAND

*RUDY CUZZETTO

TOBY BARRETT

CHRISTINE HOGARTH

*JESSICA BELL

DARYL KRAMP

STEPHEN BLAIS

MICHAEL PARSA

STEPHEN CRAWFORD

*JILL ANDREW was replaced by JESSICA BELL on February 16, 2021.

*STAN CHO (Willowdale) was replaced by RUDY CUZZETTO on February 16, 2021.

*CATHERINE FIFE was replaced by TARAS NATYSHAK on February 16, 2021.

CHRISTOPHER TYRELL
Clerk of the Committee

DMITRY GRANOVSKY
Research Officer

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEMBERSHIP LIST

1st Session, 42nd Parliament
(October 28, 2019 – February 16, 2021)

CATHERINE FIFE
Chair

FRANCE GÉLINAS
Vice-Chair

DEEPAK ANAND

STEPHEN CRAWFORD

JILL ANDREW

CHRISTINE HOGARTH

TOBY BARRETT

*DARYL KRAMP

*STEPHEN BLAIS

MICHAEL PARSA

STAN CHO
Willowdale

*NORMAN MILLER (Parry Sound—Muskoka) was replaced by DARYL KRAMP on September 22, 2020.

*JOHN FRASER was replaced by STEPHEN BLAIS on October 1, 2020.

JESSICA BELL regularly served as a substitute member of the Committee.

CHRISTOPHER TYRELL
Clerk of the Committee

DMITRY GRANOVSKY
Research Officer

CONTENTS

INTRODUCTION	1
ACKNOWLEDGEMENTS	1
BACKGROUND	1
Metrolinx	1
GO Rail Network Plans	2
AUDIT OBJECTIVE AND SCOPE	2
MAIN POINTS OF AUDIT	2
ISSUES RAISED IN THE AUDIT AND BEFORE THE COMMITTEE	3
Governance and Accountability	3
External Influence on Station Selection Decisions	4
Station Selection Methodology and Transparency	5
CONSOLIDATED LIST OF COMMITTEE RECOMMENDATIONS	8
APPENDIX A: DISSENTING OPINION OF THE NEW DEMOCRATIC PARTY MEMBERS OF THE COMMITTEE	

INTRODUCTION

On February 26, 2020, the Standing Committee on Public Accounts held public hearings on the audit of Metrolinx – GO Station Selection (Sec. 3.06 of the Auditor General's *2018 Annual Report*).

The Committee endorses the Auditor's findings and recommendations, and presents its own findings, views, and recommendations in this report. The Committee requests that the Ministry of Transportation provide the Clerk of the Committee with written responses to the recommendations within 120 calendar days of the tabling of this report with the Speaker of the Legislative Assembly, unless otherwise specified.

ACKNOWLEDGEMENTS

The Committee extends its appreciation to officials from Metrolinx and the Ministry of Transportation. The Committee also acknowledges the assistance provided during the hearings and report-writing deliberations by the Office of the Auditor General, the Clerk of the Committee, and Legislative Research.

BACKGROUND

Metrolinx

Metrolinx is an agency of the Ministry of Transportation, created under the *Metrolinx Act, 2006* (Act). According to the Act (cited verbatim below), within the Greater Toronto and Hamilton Area (GTHA), Metrolinx's main objectives are

- to provide leadership in the co-ordination, planning, financing, development and implementation of an integrated transit network;
- to act as the central procurement agency for the procurement of local transit system vehicles, equipment, technologies and facilities and related supplies and services on behalf of Ontario municipalities; and
- to be responsible for the operation of the regional transit system and the provision of other transit services.

The GTHA includes the municipalities of Toronto and Hamilton; the regional municipalities of Durham, Halton, Peel, and York; and 24 local municipalities. Within this region, Metrolinx works with nine local transit agencies, of which the largest is the Toronto Transit Commission (TTC). In 2009, Metrolinx was merged with GO Transit, which has operated the regional transit system in the GTHA since 1967. Metrolinx continues to operate the GO train and bus systems, as well as the Union-Pearson (UP) Express trains. Metrolinx is also responsible for the PRESTO fare card system in the GTHA and Ottawa.

The Metrolinx board of directors includes up to 15 members, who are appointed through an Order in Council. The chair of the board is accountable to the Minister of Transportation, through a memorandum of understanding.

Metrolinx's operating costs were \$1.16 billion in 2018-19, and it served over 76.2 million passengers. Approximately one-third of Metrolinx's operating revenue comes from a provincial subsidy; the remainder comes from fare revenue (GO Transit and the UP Express), non-fare revenue (such as rental and advertising income), and service fees from operating PRESTO, the regional fare payment system. For capital funding, Metrolinx relies almost entirely on the Province, receiving \$3.8 billion in capital subsidy in 2018/19.

GO Rail Network Plans

Both the Province and the City of Toronto had devised rail transit plans in the GTHA. In 2014, Ontario announced a plan to invest \$13.5 billion in the Regional Express Rail Initiative (now GO Rail Expansion), with the goal of transforming the GO rail network from a rush-hour service to an all-day regional transit service. Concurrently, the City of Toronto announced SmartTrack, proposing to construct new GO stations along existing GO rail corridors running through Toronto.

Through 2015 and 2016, Metrolinx worked with the City of Toronto to integrate both plans. The process included an evaluation and selection of new stations to be built on existing GO rail corridors. Metrolinx eventually shortlisted 17 stations to be assessed through business case analysis, and hired three consulting firms in January 2016. Kirby was one of seven GO stations short-listed for the Barrie Line, while Lawrence East was one of five GO stations short-listed for the Stouffville Line. A summary report, prepared by one of the consulting firms, was submitted to Metrolinx in June 2016. The report recommended that 10 of the 17 stations be built – the Kirby and Lawrence East GO stations were not included among the 10.

AUDIT OBJECTIVE AND SCOPE

According to the Auditor, the objective of the audit was to “assess whether Metrolinx's selection of the proposed GO stations at Kirby and Lawrence East was based on thorough analysis of reliable and relevant information to support the regional transit network.” The audit focused on the activities of Metrolinx in the three-year period ending March 2018, and included reviews of legislation, transportation plans, business cases, and other documents, alongside interviews with front-line staff and senior management.

MAIN POINTS OF AUDIT

The Auditor concluded that “[t]he ultimate selection by Metrolinx of the proposed GO stations at Kirby and Lawrence East was clearly influenced by the Minister of Transportation (Steven Del Duca) and the City of Toronto.” In addition, the Auditor noted that “Metrolinx's lack of a rigorous transit-planning process that weighs all costs and benefits against established criteria facilitated Metrolinx making the Kirby and Lawrence East stations' evaluation results look better.”

Significant issues found in the audit include:

- The Minister of Transportation at the time of the audit, Steven Del Duca, secretly influenced Metrolinx to approve the Kirby GO Station, while Metrolinx's business case analysis concluded that Kirby should not be recommended as a station to be built.
- The City of Toronto secretly influenced Metrolinx to approve the Lawrence East GO Station, while Metrolinx's business case analysis concluded that Lawrence East should not be recommended as a station to be built.
- In 2018 Metrolinx planning staff tried to justify recommending construction of the Kirby and Lawrence East GO stations by changing the methodology of the cost-benefit analysis.
- Metrolinx's 2018 cost-benefit reanalysis of the 12 stations increased the benefits of Kirby and Lawrence East stations, but was conducted under a different methodology and lacked a sensitivity analysis (a "what if" scenario analysis) to test modelling assumptions.

ISSUES RAISED IN THE AUDIT AND BEFORE THE COMMITTEE

A number of significant issues were raised in the audit and during the Committee's hearings. The Committee considers the following issues to be of particular importance.

Governance and Accountability

The Committee was interested in the oversight relationship between Metrolinx and the Ministry of Transportation. The Ministry explained that it is responsible for the agency, as outlined in the *Metrolinx Act, 2006*. The chair of Metrolinx's board of directors reports to the Minister of Transportation; Metrolinx's chief executive officer (CEO) reports to the board of directors. The *Metrolinx Act* also provides for the Lieutenant Governor in Council, on recommendation of the Minister of Transportation, to appoint a non-voting representative to Metrolinx's board of directors. Asked what legislative channels are available to the Minister to direct Metrolinx's work, a former deputy minister mentioned that letters of direction from the Minister are used to clarify expectations.

The Ministry was asked to elaborate on the steps taken to implement the Auditor General's two recommendations to the Ministry from the Auditor's *2018 Annual Report*. The Ministry said that the outcome of the first recommendation (a reassessment by Metrolinx of the Lawrence East and Kirby GO stations under a new framework) is currently in progress, pending Metrolinx's work on a more robust business case and an assessment of Transit-Oriented Communities opportunities. Transit-Oriented Communities refers to an arrangement where a private developer provides capital funding for the refurbishment or construction of a station, while Metrolinx, in return, integrates the station facilities with private development once the work is completed.

The Auditor's second recommendation to the Ministry involved a review of the *Metrolinx Act*. The Ministry said that a few clear recommendations came out of the review, especially around the roles of Metrolinx and the Ministry. Metrolinx is now responsible only for transit planning, while the Ministry is responsible for transportation planning. The Minister is now required to approve Metrolinx's Regional Transportation Plans. Other notable recommendations included strengthening the accountability mechanism through the provision of letters of direction by the Ministry, as well as the aforementioned presence of a non-voting representative on Metrolinx's board of directors. Metrolinx also mentioned that some of the issues subsequently raised by the Auditor were already being addressed as the audit was underway.

Committee Recommendations

The Standing Committee on Public Accounts recommends that:

- 1. Should Transit-Oriented Communities opportunities be identified, the Ministry of Transportation should conduct its own assessment of whether or not the Kirby and Lawrence East GO stations should be built, and whether these stations would benefit the regional transportation network.**
- 2. Metrolinx should continue to assess the Transit-Oriented Communities opportunities available, and recommend which stations should be considered for potential contracts with private developers.**
- 3. The Ministry of Transportation should provide information about how the Transit-Oriented Communities program works, including how exactly stations are chosen and prioritized.**
- 4. Working with development partners, Metrolinx and Infrastructure Ontario should ensure that the public is consulted in the station assessment and the Transit-Oriented Communities process.**
- 5. Metrolinx should ensure it is always operating in a transparent and accountable way, adhering to its obligations under the *Freedom of Information and Protection of Privacy Act (FIPPA)*.**
- 6. Metrolinx should appear annually before the Standing Committee on Government Agencies to report on its annual report.**

External Influence on Station Selection Decisions

The Auditor found that both the Kirby GO and Lawrence East GO stations were approved following influence on the decision-making process by Minister Del Duca and the City of Toronto, respectively. Metrolinx staff changed the methodology of the analysis by splitting the group of the seven "not recommended" stations into "low ranking" stations that would be recommended, and "very low ranking" stations that would not be recommended. The Kirby GO and Lawrence East Go stations were the only two stations in the newly-created "low ranking" group.

Committee members expressed concerns about the external influence in Metrolinx's station selection process. The Committee asked what led to the re-evaluation of the Lawrence East and Kirby GO stations, which resulted in the stations being categorized as "low ranking" rather than "not recommended." The former head of Metrolinx, who was in charge during the station selection process, explained that Metrolinx used a wide array of inputs to determine the feasibility of building the stations. While the business case was one aspect of the decision-making process, Metrolinx also said that it considered public input, technical analysis, and input from municipalities.

The Committee heard that Minister Del Duca believed that the results of the business case did not reflect the aspirations of the local communities. Metrolinx received more growth-related information from the City of Toronto and the City of Vaughan, and recalibrated the analytical model. The Ministry mentioned that sometimes the Minister may have more municipality-specific information than Metrolinx does. Metrolinx was asked to elaborate on the decision to change the language in the station assessment categories from "not recommended" to "low ranking." The former head of Metrolinx said that there was a two-to-four week process where the decision was made by Metrolinx staff to adjust the language in the report, coincidental to the approval of the Lawrence East and Kirby GO stations.

Metrolinx told the Committee that the Auditor's report was very meaningful in driving change in the organization. Responding to a question on potential future ministerial influence on the decision-making process, Metrolinx's CEO assured the Committee that a Minister cannot influence advice given by Metrolinx. Metrolinx's CEO also said that the increased use of letters of direction has provided more clarity on its mandate.

Committee Recommendations

The Standing Committee on Public Accounts recommends that:

7. Metrolinx should:

- a) implement a policy of requiring official Ministerial direction when the Province's objectives are not in alignment with Metrolinx's business cases, plans and decisions; and**
- b) consistently request official Ministerial direction when required by this policy.**

8. The Minister of Transportation should consistently provide Metrolinx with letters of direction outlining the Minister's decisions.

Station Selection Methodology and Transparency

The Committee also inquired about the concept of network planning, and how it relates to Metrolinx's station selection methodology and business case process. Metrolinx said that network planning involves recognizing the needs of the network by looking at market segments and the reasons why people travel, or journey purposes. Once the needs of the network are better understood (in terms

of commute travel and off-peak travel, for example), planning of station placement can begin. The most important component in the transit business case for a train station is a trade-off in journey time – as the number of stations on a given line grows, more people get access to the service, but the commute on the line becomes longer. A transit business case for a station works when the time-saving benefits enjoyed by the new riders on the line outweigh the economic value of time lost by people being delayed as a result of the new stop.

In response to Committee questions about how municipal stakeholder objectives are taken into account, Metrolinx said that three working groups across two levels of government were formed. The working groups reviewed technical facts and assumptions, as well as local, geography-specific information. Further, Metrolinx set up a regional roundtable that meets three times a year and discusses regional impact and priorities.

Metrolinx elaborated on its business case process, explaining that there are four different subsets of business cases: strategic, economic, financial, and operational. The strategic component deals with growth projections and ridership patterns, among other considerations, while the economic component looks at the economic cost-benefit ratio. The financial component focuses on project funding, and the financial impact on the province, while the operational component outlines the practicalities of project implementation, sometimes involving details on actual construction.

The Committee had questions regarding Metrolinx's use of inputs and assumptions in its models. Metrolinx explained that, while the models use actual data, extrapolation is sometime necessary when making projections. An external expert advisory panel meets annually to review the variables and assumptions used in Metrolinx's models. Metrolinx also works closely with the Ministry to ensure that inputs are up to date.

Metrolinx was asked whether its capital plan was impacted by the potential addition of the Lawrence East and Kirby GO stations to the network. The Committee heard that Metrolinx is exploring a Transit-Oriented Communities approach for these stations, and is not planning on funding their construction.

The Committee also inquired about the steps taken by Metrolinx to increase the transparency of its decision-making process and communication with the public. Metrolinx said that all of its business cases are now publicly available, alongside the business case methodology document. Following the Auditor's recommendation, Metrolinx now also includes a sensitivity analysis ("what if" scenario) in all business cases.

Committee Recommendations

The Standing Committee on Public Accounts recommends that:

- 9. Metrolinx should continue to engage municipal stakeholders through working groups and regional roundtables in order to support co-ordinated, accountable and transparent decision making for transit investments in the Province.**

10. Metrolinx should

- a) consistently review the inputs and assumptions used in business cases for their relevance and reliability; and**
- b) continue to use the most up-to-date inputs and assumptions in its business case analyses.**

11. Metrolinx make public the names, titles, and organizational affiliations of the expert advisory panel it set up to review the criteria used to develop business cases for transit projects, as well as the criteria used to select panel members, any payment panel members receive, and the scope of the panel's work.

12. Metrolinx must explain to the Committee how the City of Toronto's SmartTrack vision, including the proposal to reduce fares for GO trips within Toronto, has factored, or will factor, into station decisions.

13. Metrolinx should ensure that station selection and other planning decisions do not directly or indirectly threaten protected natural heritage areas such as the Greenbelt, and shall be consistent with relevant plans and policies, including the Greenbelt Plan and the province's growth plan.

14. Metrolinx or the provincial government must update the Committee on potential direct or indirect impacts to the Greenbelt, including development pressures, resulting from the recent approval or opening of stations within or near the Greenbelt, including the Kirby GO station.

15. Metrolinx should ensure that the "business-as-usual" option in its business cases reflects actual business-as-usual policy as it exists at the time of publication, including fare policy.

CONSOLIDATED LIST OF COMMITTEE RECOMMENDATIONS

The Standing Committee on Public Accounts recommends that:

- 1. Should Transit-Oriented Communities opportunities be identified, the Ministry of Transportation should conduct its own assessment of whether or not the Kirby and Lawrence East GO stations should be built, and whether these stations would benefit the regional transportation network.**
- 2. Metrolinx should continue to assess the Transit-Oriented Communities opportunities available, and recommend which stations should be considered for potential contracts with private developers.**
- 3. The Ministry of Transportation should provide information about how the Transit-Oriented Communities program works, including how exactly stations are chosen and prioritized.**
- 4. Working with development partners, Metrolinx and Infrastructure Ontario should ensure that the public is consulted in the station assessment and the Transit-Oriented Communities process.**
- 5. Metrolinx should ensure it is always operating in a transparent and accountable way, adhering to its obligations under the *Freedom of Information and Protection of Privacy Act (FIPPA)*.**
- 6. Metrolinx should appear annually before the Standing Committee on Government Agencies to report on its annual report.**
- 7. Metrolinx should:**
 - a) implement a policy of requiring official Ministerial direction when the Province's objectives are not in alignment with Metrolinx's business cases, plans and decisions; and**
 - b) consistently request official Ministerial direction when required by this policy.**
- 8. The Minister of Transportation should consistently provide Metrolinx with letters of direction outlining the Minister's decisions.**
- 9. Metrolinx should continue to engage municipal stakeholders through working groups and regional roundtables in order to support co-ordinated, accountable and transparent decision making for transit investments in the Province.**

10. Metrolinx should

- a) consistently review the inputs and assumptions used in business cases for their relevance and reliability; and**
- b) continue to use the most up-to-date inputs and assumptions in its business case analyses.**

11. Metrolinx make public the names, titles, and organizational affiliations of the expert advisory panel it set up to review the criteria used to develop business cases for transit projects, as well as the criteria used to select panel members, any payment panel members receive, and the scope of the panel's work.

12. Metrolinx must explain to the Committee how the City of Toronto's SmartTrack vision, including the proposal to reduce fares for GO trips within Toronto, has factored, or will factor, into station decisions.

13. Metrolinx should ensure that station selection and other planning decisions do not directly or indirectly threaten protected natural heritage areas such as the Greenbelt, and shall be consistent with relevant plans and policies, including the Greenbelt Plan and the province's growth plan.

14. Metrolinx or the provincial government must update the Committee on potential direct or indirect impacts to the Greenbelt, including development pressures, resulting from the recent approval or opening of stations within or near the Greenbelt, including the Kirby GO station.

15. Metrolinx should ensure that the "business-as-usual" option in its business cases reflects actual business-as-usual policy as it exists at the time of publication, including fare policy.

**APPENDIX A:
DISSENTING OPINION OF THE NEW DEMOCRATIC PARTY MEMBERS
OF THE COMMITTEE**

This is a dissenting report to the Standing Committee on Public Account's response to the Auditor General's report titled "Metrolinx – GO Station Selection (Sec. 3.06, 2018 ANNUAL REPORT OF THE AUDITOR GENERAL OF ONTARIO)"

This dissenting report is necessary because the Standing Committee on Public Accounts' recommendations do not adequately address the issues the Auditor General found in its assessment of whether Metrolinx's selection of the proposed GO stations at Kirby and Lawrence East was based on thorough analysis of reliable and relevant information to support the regional transit network.

This committee's job is to ensure that government agencies do good work for the public interest. That means our committee should ensure agencies do not repeat mistakes by providing recommendations that truly address the issues raised by the Auditor General.

The recommendations in the final report do not address the underlying lack of accountability, secrecy, and governance concerns surrounding transit planning, which led to then-Minister of Transportation, Steven Del Duca, and the City of Toronto improperly influencing the transit selection process.

The following is a list of additional recommendations for Metrolinx, the Minister of Transportation, and the Auditor General to review and implement. These recommendations strive to provide greater accountability and transparency to the work conducted by the Minister of Transportation and Metrolinx to ensure the Ontario Government plans and builds transit in the GTHA for the true betterment of the public.

Recommendations:

1. The Minister of Transportation should conduct its own assessment of whether or not the Kirby and Lawrence East GO station should be built, and whether these stations would benefit the regional transportation network, and make the information public.
2. Metrolinx should publicly provide information about how the Transit Oriented Communities program works, including how stations are chosen and prioritized, and which stations will be proceeding through this program.
3. Metrolinx and Infrastructure Ontario should ensure the public is adequately informed and consulted before approving a partnership agreement under its Transit Oriented Communities program.
4. Metrolinx should publish all partnership agreements for new stations under its Transit-Oriented Communities program.
5. Metrolinx and the Ministry of Transportation should ensure that lobbyists are advocating that are advocating for a particular selection or route alignment have clearly indicated such goals in the lobbyist registry.
6. Metrolinx should adopt a policy of disclosure-by-default, in which all reports, studies, analyses, assessments or other such documents that can be disclosed under the Freedom of Information and Protection of

Privacy Act, shall be freely accessible to the public, as practicable, without requiring a request under that Act.

7. The Ministry of Transportation should consistently provide Metrolinx with letters of direction outlining the Ministry's/Minister's decisions.
8. All directives to Metrolinx from the Ministry/Minister should be promptly published on a dedicated page on Metrolinx's website.
9. Metrolinx and the Ministry of Transportation must release all documentation regarding the Minister of Transportation and the City of Toronto's influence on the decision to proceed with Kirby and Lawrence East GO Stations. This documentation should be in a searchable electronic form and include all formal and informal directives, including letters, emails, text messages sent to Metrolinx from the Ministry, the former Minister or his staff, or the former Premier or her staff, concerning the Kirby or Lawrence East GO Stations.