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**Official Report
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Tuesday 24 November 2009

**Journal
des débats
(Hansard)**

Mardi 24 novembre 2009

**Standing Committee on
Government Agencies**

Intended appointments

**Comité permanent des
organismes gouvernementaux**

Nominations prévues

Chair: Ernie Hardeman
Clerk: Douglas Arnott

Président : Ernie Hardeman
Greffier : Douglas Arnott

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
GOVERNMENT AGENCIES

Tuesday 24 November 2009

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES
ORGANISMES GOUVERNEMENTAUX

Mardi 24 novembre 2009

The committee met at 0837 in committee room 1.

INTENDED APPOINTMENTS

The Chair (Mr. Ernie Hardeman): Good morning, everyone. We'll call the meeting to order. The first order of business this morning is to apologize for being late. I was reading and not watching the clock. This will happen.

But obviously, with that, we will call the meeting to order and we do have to consider the concurrences from the hearings we had last meeting.

ROBERT PRICHARD

Review of intended appointment, selected by third party: Robert Prichard, intended appointee as member and chair, Metrolinx.

The Chair (Mr. Ernie Hardeman): The first of the concurrences will be Robert S. Prichard. Can we have someone to move the concurrence? Mr. Brown?

Mr. Michael A. Brown: I would move the concurrence of J. Robert S. Prichard as member and chair of Metrolinx.

The Chair (Mr. Ernie Hardeman): Thank you very much. Any discussion? If not, all those in favour? Opposed? The motion is carried.

RAHUL BHARDWAJ

Review of intended appointment, selected by official opposition and third party: Rahul Bhardwaj, intended appointee as member, Metrolinx.

The Chair (Mr. Ernie Hardeman): The second concurrence is Rahul Bhardwaj.

Mr. Michael A. Brown: Mr. Chair, I would move the appointment of Rahul Bhardwaj as member of Metrolinx.

The Chair (Mr. Ernie Hardeman): You've heard the motion. Any discussion?

Mr. Michael A. Brown: Could we have a recorded vote?

The Chair (Mr. Ernie Hardeman): A recorded vote has been requested.

Ayes

Brown, Johnson, Klees, Naqvi, Pendergast, Sandals, Wilson.

The Chair (Mr. Ernie Hardeman): The motion is carried.

ROBERT MACISAAC

Review of intended appointment, selected by third party: Robert MacIsaac, intended appointee as member, Metrolinx.

The Chair (Mr. Ernie Hardeman): The third consideration is Robert MacIsaac, intended appointee as a member of Metrolinx.

Mr. Michael A. Brown: Chair, I move concurrence in the appointment of Rob MacIsaac as member, Metrolinx. Recorded vote.

The Chair (Mr. Ernie Hardeman): Any discussion?

Ayes

Brown, Johnson, Klees, Naqvi, Pendergast, Sandals, Wilson.

The Chair (Mr. Ernie Hardeman): The motion is carried.

That concludes the consideration of the appointees interviewed last meeting.

PETER SMITH

Review of intended appointment, selected by third party: Peter Smith, intended appointee as member and vice-chair, Metrolinx.

The Chair (Mr. Ernie Hardeman): The first interview this morning is Peter Reginald Smith, intended appointee as a member and vice-chair of Metrolinx. Mr. Smith is coming forward. Mr. Smith, thank you very much, first of all, for coming this morning, and secondly, if you choose to do so we'll give you an opportunity to make a presentation. We will then have questions from the caucuses around the table. We will start the questioning this morning with the government caucus. Each party will have 10 minutes for questioning and hopefully the conclusion will be half an hour allotted for the total interview.

With that, we'll turn it over to you to make your statement.

0840

Mr. Peter Smith: Thank you very much, Mr. Chairman. I'm delighted to be here this morning. I would like to make a statement.

In preparing these introductory remarks, I reviewed the remarks I made to the standing committee of appointments back in 2004, when I was first nominated to the board of GO Transit. At that time, I indicated that GO Transit carried 44 million passengers a year, and it would take about 48 additional lanes of highway to carry as many people in the rush hour as GO Transit carries. I stated that growth pressure continued at that time in the GTA, but we were told we could not afford to build new transit. The truth is—and I said it at the time—we cannot afford not to build more transit.

I further stated at the time that GO Transit is an agency with both the public policy role of addressing traffic congestion and a commercial mandate to operate an efficient business while providing affordable transit in the greater Toronto area. I proposed at that time that these were challenges I believed I could address because of my breadth of experience and my commitment, over a lifetime, to good corporate governance and to improving the quality of life in our communities and our province.

Today I'm here before you as a nominee to continue my service on the board of Metrolinx. Today the new Metrolinx/GO Transit carries more than 55 million passengers a year, a 25% increase since 2004. We now have 59 stations in our system and in excess of 50,000 parking spots.

Expansion and modernization of the GO system has carried on over the last number of years and continues today. We've introduced the new MP40 locomotives, which give us the ability to pull 12 cars instead of 10, which is 300 more people per train each trip. We're just completing the new third line on the Lakeshore West line. We're expanding the Georgetown South line. We've expanded service to Barrie. We have a greater commitment now to restoring the vibrancy of Union Station, the revitalization of that facility. We've expanded our bus/rapid transit system. We've moved to third party crewing on our trains. We've built new bus storage and maintenance facilities. We introduced, last year, the new double-decker buses. I can indicate to you, in a very strong sense, that we have improved our customer service responses.

I participated in the discussions that led up to the merger of GO Transit and Metrolinx, and I can report to you that I am delighted that the new organization is functioning well with its new board, on which I serve as vice-chair. Now the operational expertise of GO Transit is part of an organization with a much larger mandate: to provide leadership in the planning, financing, development and implementation of an integrated transportation network. Metrolinx serves a broad regional transportation area. In addition to operating GO Transit, it's responsible for planning for the future and delivering projects and services which will make our communities more livable.

We are energized as a board. We're energized by the new organization under the leadership of Mr. Prichard

and Mr. MacIsaac. We're energized by the big five projects that Mr. Prichard spoke to this committee about last week; by the renewed commitment to customer service and the introduction of a passenger charter; by the imminent implementation of the PRESTO fare cards, the smart card system; by the ongoing expansion of GO Transit; by the development of vibrant mobility hubs such as the Kipling station; by our involvement in the revitalization of Union Station; by our involvement in the development of an investment strategy going forward; and by investigation into the cost, the timing and the options for electrification.

These are exciting times for public transit, but they're challenging times. I would like to continue to be part of that challenge in addressing these issues, and I believe I'm well-suited to serve on the board of Metrolinx.

Very briefly, I own my own company, Andrin Homes. It's a real estate development company that operates throughout the greater Toronto area, as far east as Whitby and as far west as Kitchener. Prior to that, I was the housing commissioner for the region of Peel, and prior to that I was the senior planner for the region of Peel. I'm a graduate of McMaster University and have a master's in public policy from the State University of New York.

For eight years I was chairman of the Canada Mortgage and Housing Corp. For 12 years I served on the board of the Credit Valley Hospital, three of those as treasurer. I currently sit on the boards of Brampton Brick and GeoGlobal Resources, which are publicly listed companies; and I serve on the boards of Tarion Warranty Corp. and First Canadian Title insurance.

I live in Mississauga and I'm a frequent rider of GO Transit. I'm delighted to be here and I look forward to answering questions.

The Chair (Mr. Ernie Hardeman): Thank you very much for your presentation. With that, we will turn to the government caucus for questions.

Mr. Michael A. Brown: Thank you for coming this morning, Mr. Smith. We really appreciate your experience and your knowledge of this very important commission or board. I just want to indicate to you that we appreciate you putting your name forward and the government will be supporting your concurrence.

Mr. Peter Smith: Thank you very much.

The Chair (Mr. Ernie Hardeman): Thank you very much. The opposition? Mr. Klees.

Mr. Frank Klees: Mr. Smith, thank you for making yourself available to serve in this capacity. You've certainly got impressive experience. I'd like to ask you a couple of questions about how you see the role of Metrolinx. You were on the GO board.

Mr. Peter Smith: Yes.

Mr. Frank Klees: The mandate of Metrolinx is really quite different in some ways. Could you just describe for us the fundamental difference between the mandate of Metrolinx as compared to GO?

Mr. Peter Smith: Sure, I'd be delighted to. Mr. Klees, GO Transit has been an operating agency since 1967, as I have described. It developed the transit system that runs

throughout the GTA, runs the trains, runs the buses, and, in my view, is a very efficient system that has helped to develop the whole greater Toronto area. Not one new laneway of roads has been built over the 40-odd years that GO Transit has been in existence, and yet if you look at the skylines of downtown Toronto 40 years ago and today, you see massive buildings that were not there 40 years ago. I see GO as essentially an operating agency that has functioned well.

I see Metrolinx as serving a broader area. I see Metrolinx as a planning body. I see Metrolinx as an organization that has been challenged to come up with a financial strategy for funding the development of the projects that it intends to develop over the years.

It's a broader agency that encompasses GO Transit. I think the agency itself, when it was first set up in May of this year—it was very clear in the statement from the government that the intent was to continue the current expansion of the GO system within the broader planning and implementation mandate of Metrolinx.

Mr. Frank Klees: There are now no politicians on the board, which I believe is a step forward. I objected very strongly during debate when, originally, the mix included elected officials. I think the role that you have is an important one and should be beyond politics, if I can put it that way.

You are very entrenched in the Peel community. You're on a number of boards. In fact, I see one of your references is Hazel McCallion. How well do you know Hazel?

Mr. Peter Smith: Very well. Mr. Klees, she asked me to serve on her family charitable foundation board to create a legacy, and I'm delighted to do that. I've known her a long time.

Mr. Frank Klees: Hazel gave me a very difficult time when I was Minister of Transportation.

Mr. Peter Smith: Over the years, she's given me a hard time too.

Laughter.

0850

Mr. Frank Klees: She is a very effective lobbyist.

I think one of the dysfunctions of the previous constitution of boards attempting to deal with transit in the greater Toronto area is that priority projects were not necessarily always given the nod because they were the right project based on planning principles and based on what was right from a transit planning model, but because of the muscle that was being applied by certain politicians who had the strength at the table. How do you deal with that? As a member of the board, you have responsibility now for overseeing planning and prioritizing. How do you deal with ensuring that those decisions are based on good, solid transportation planning principles as opposed to the tug-of-war that goes on because someone doesn't want it in their backyard or someone is approaching an election and they've made a commitment to their constituents that they're not going to have this in their backyard? How do you, as a board member with very strong ties to one area of the GTA, deal with that?

Mr. Peter Smith: I think all of us on the board, approach our responsibilities seriously and without any prior commitment to any particular area or any particular project. The development of the Big Move was done under the previous board, which did include politicians. There was unanimous agreement on the original plan for Metrolinx. It is now left in the hands of a 15-person board. As you point out, none of us hold elected positions anywhere.

I think the challenge for us is to work collaboratively with our partners—our federal partners, the provincial government, all of the municipalities—to ensure that we have policies and procedures in place that enable us and guide us in running a very good organization and in making sure we have the best professional staff possible, which I believe we have retained over the past four or five months. The organization and the skills and talents of the individual board members on Metrolinx, I think, are amongst the best I've ever seen on a board that I've operated on.

We have debates. We have differences of opinions. At the end of the day, we do come to, I think, good conclusions. We will review the priorities over time, and if it is proposed to us by our staff and amongst ourselves in our deliberations as board members that there need to be some changes, we'll address them at that time.

Mr. Frank Klees: Thank you. I know Mr. Wilson has a question.

The Chair (Mr. Ernie Hardeman): Very quickly. You have about a minute and a half.

Mr. Jim Wilson: Thank you very much, Mr. Smith, for appearing before the committee and for taking on this task of continuing to be on the board of Metrolinx.

It has been a big hit—the GO train to Barrie. My riding abuts the city of Barrie, and I go down as far south as Tottenham. Now the question I get is, "Will you ever run GO trains to Tottenham?"

Mr. Peter Smith: I'll have to get back to you on that, but I don't believe that that's in any of our plans at this current point in time.

Mr. Jim Wilson: I'll vote for you if you change your plan.

Mr. Peter Smith: As I just said to Mr. Klees, it's not one person who determines the priorities of Metrolinx.

The Chair (Mr. Ernie Hardeman): Mr. Bisson.

Mr. Gilles Bisson: To that point, a general comment from myself: Having elected officials on a board like yours, I think, is not a bad thing. At the end, we're all politicians. We all represent, in one way or another, our own particular views. Whether you're elected or non-elected, you have views, as I do. The only difference now is, rather than lobbying the elected politician, they'll lobby the appointed board.

At the end of the day, I would argue that with elected politicians, there is better scrutiny. It's called a general election every four years, so the public is able to get at us.

I'm sure you'll do a great job, but you're no different than I am as a human being who believes in what you

believe in and does what you do. The fact that politicians aren't on Metrolinx I don't think is an argument that strengthens it.

Just a couple of things: In discussions I've had with GO Transit over the years in regard to increasing capacity, one of the problems is the bottlenecks on the rail lines.

Mr. Peter Smith: Yes.

Mr. Gilles Bisson: Any particular ideas on how to overcome that? It is one source preventing us from expanding the system to the point that we need to. Any thoughts?

Mr. Peter Smith: You're absolutely correct. In my introductory comments, I referred to the expansion on the Lakeshore line as an example. The introduction of the third rail clearly allows us to expand our service on the Lakeshore line. The work that we're currently doing on Georgetown South, the separation of the CP and CN rail lines so that they're not at grade but one goes under the other, will enable us to expand our service to Brampton-Bramalea, which is currently underserved, and to move that line out to Georgetown, Guelph and Kitchener-Waterloo.

The other area that I should remind everyone of is: Union Station was built in the 1920s. It has a certain capacity. Until we can deal with the capacity at Union Station, we cannot continue to expand. There's no way of getting more trains in. The current revitalization of Union Station is absolutely essential because it's the core of our system. So I couldn't agree with you more.

Mr. Gilles Bisson: In that expansion, are you in favour of private-public partnerships in doing that?

Mr. Peter Smith: Let me speak as a business person as well. I'm prepared to look at any reasonable way in which to finance projects. That is one of a number of options. Most of the expansion of GO Transit has been through capital dollars provided by the provincial government, the federal government and the municipalities. The alternate financing and procurement technique is being looked at now. The board is looking at it, and obviously the government is in terms of Infrastructure Ontario. It is an option.

Mr. Gilles Bisson: Are you aware at all of the issues in regard to trackage for Ontario Northland coming into Union Station? Is that something you're aware of?

Mr. Peter Smith: Not specifically with Ontario Northland, but I'm certainly aware of all of the issues of coming into Union Station. It's the core of our system; it's the hub; it's the gateway. I would assert that it's the gateway to Canada. It serves more people in a day than Pearson airport does.

The capacity issue at Union Station is at the top of our concerns. It is also near the very top of the projects that we're working on, and we currently are doing the expansion of the tracks. We're changing the switching system in and around Union Station. In fact, Metrolinx will move its headquarters into Union Station, I think, in January 2013.

Mr. Gilles Bisson: That's a fairly expensive item, the moving of those head offices. What's the ticket on that?

Mr. Peter Smith: Off the top, I couldn't tell you, but I know we looked at the business case and it was cheaper than continuing to rent in the current building we're in.

Mr. Gilles Bisson: I just can't remember: When are they looking at starting renovations there?

Mr. Peter Smith: We're in the final negotiations now on the design. I think we're starting probably next year. We're introducing a new pathway, the York path, the west path. We're working on a new atrium roof. That contract has already been signed.

Mr. Gilles Bisson: How much time do I have?

The Chair (Mr. Ernie Hardeman): You have about four minutes.

Mr. Gilles Bisson: Just on the ONR thing, to bring you up to date, because you may never get lobbied on this one: Ontario Northland, as you know, services Moosonee down to Toronto.

Mr. Peter Smith: I've taken it several times to Moosonee.

Mr. Gilles Bisson: The issue is that it never gets into Toronto on time. A big part of the problem is trying to get a time to get the train into Union Station. One of the things that is extremely frustrating is that whole issue of how that person gets on the train, expects to be in Toronto at a certain time and can't get in because of the connection into Union Station. That's certainly something that has people just hopping mad, to say the least. I just thought I'd put that out there.

Mr. Peter Smith: If I could just briefly comment on that: Anyone who knows me knows that in my years on GO Transit and now on Metrolinx, I am a champion for the redevelopment of Union Station so that it functions as it should, which is as a transportation hub for the greater Toronto area, the province and, as I said, as a gateway to the country.

Mr. Gilles Bisson: That's it. Thanks.

The Chair (Mr. Ernie Hardeman): Thank you for your presentation this morning. We managed to get through in record time. Obviously your explanations must be very effective. Thank you very much for coming in, and we wish you well.

NICHOLAS MUTTON

Review of intended appointment, selected by third party: Nicholas Mutton, intended appointee as member, Metrolinx.

The Chair (Mr. Ernie Hardeman): Our second interview this morning is Nicholas Mutton. He's an appointee as a member of Metrolinx.

As with the previous member interviewed, we will ask if you wish to make an opening statement, and at that point, we will start the questioning this time with the opposition. We will rotate, and each has 10 minutes. Hopefully, at the end of half an hour, we will have our interview completed. So with that, the floor is yours.

0900

Mr. Nicholas Mutton: I would like to make some opening remarks, if I may. Thank you, Mr. Chairman and members of the committee. Many thanks for the opportunity to speak to you today in pursuit of an appointment to the board of Metrolinx, and to continue as the chair of the customer service committee, a position I consider a privilege and a personal commitment.

I am currently the executive vice-president of Four Seasons Hotels and Resorts, for whom I have worked for nearly 30 years, first as a manager of individual properties and later managing multiple properties across the Americas.

My entire career has been spent in the pursuit of customer service in ever more complex business situations and scope. I spent my first 24 years with Four Seasons Hotels and Resorts, running hotels from the operations side of the business, creating an ever-improving customer experience, and for many years operated our two largest hotels in Chicago, employing over 1,200 employees.

For the last six years, I have joined the management committee of Four Seasons, looking after the people and culture side of the business, worldwide—now 36,000 employees in 35 countries.

I am proud to say that our company has received recognition as one of Canada's 10 Most Admired Corporate Cultures, has been in the top tier of Fortune's Best Companies to Work For for 11 straight years, and has been recognized as the employer of choice in many countries around the world, as well as being recognized as the best luxury hotel company by J.D. Power and Associates, among others.

These accolades stem from our firm belief in the golden rule, and in operating to the highest levels of ethical, transparent, fair and accountable behaviour in all of our dealings, whether with business partners, employees, suppliers or customers.

Hotels, especially luxury hotels, might appear glamorous and elitist to the outside world, but the delivery of a precise, reliable, timely product is actually dependent on the co-ordinated activities of many line employees working largely unsupervised over a 24-hour, 365-day time frame.

Hotels create customer experiences mainly through "heart of house" activities; in fact, two thirds of our staff will never deliver direct guest service. Those activities include a sophisticated engineering and security function, housekeeping and cleaning, and kitchen production and stewarding, among many other support services.

It's the morale, commitment, training and care demonstrated by all employees, whether front of house or heart of house which grants us our reputation and therefore ensures our business model. We operate in a highly competitive environment, and our defining customer value is anticipatory, caring and professional service.

A highly engaged workforce also enhances productivity and timely service, reduces absenteeism, sick time, petty theft and careless damage—many strong business

reasons to focus on the employee experience so that they can focus on the customer experience.

Customer response is also tied to their individual minute-by-minute experiences, which need to be constantly monitored and refined. We at Metrolinx need to better understand the motivation of our riders and therefore how to expand our appeal to broaden our user base. We need to hear the voice of the customer loud and clear to inform all the decisions that are made, whether operational or in capital allocation. Excellent performance will result in a stronger reputation and therefore a greater share of the travelling public.

I hope to assist Metrolinx, and particularly GO transit, to evolve an already high-functioning organization into a truly customer-focused, efficient organization looking to enhance its appeal and to grow ridership over the next many years.

Thank you for allowing me to make these introductory remarks. I am delighted to be considered for this public service.

The Chair (Mr. Ernie Hardeman): Thank you very much for your presentation. Mr. Wilson.

Mr. Jim Wilson: Thank you, Mr. Mutton, for appearing this morning and for continuing to serve on the Metrolinx board. I don't have too many questions. I guess I just have a general question in terms of what you think are the most important challenges that Metrolinx now faces in achieving its goals.

Mr. Nicholas Mutton: I'm a neophyte. I am learning rapidly about the issues surrounding this newly formed board. I see it as extremely complex—very large amounts of money being allocated. My particular interest is that there's transparency, that we are clear and open about how we make decisions and that there's a vibrant discussion around all of the considerations that we have in front of us.

And I find that to be the case. The board has been very well informed, or has been allowed to have these conversations in open discussion, and we are learning very quickly what the issues are and how to resolve them.

Mr. Jim Wilson: How long have you been on the board? Since it was formed in—

Mr. Nicholas Mutton: In May. And there's a transition board.

Mr. Jim Wilson: Do you have any political affiliations? Are you a member of any political party?

Mr. Nicholas Mutton: I'm not, no.

Mr. Jim Wilson: Good man.

The Chair (Mr. Ernie Hardeman): I'm not sure that that's the appropriate determination.

Mr. Jim Wilson: Just kidding. Thank you for serving. No further questions.

The Chair (Mr. Ernie Hardeman): Thank you very much. Mr. Tabuns.

Mr. Peter Tabuns: Mr. Mutton, thank you for coming in this morning and for being willing to stand for this board. A few questions: Do you support or oppose the alternative financing system, or public-private partnerships?

Mr. Nicholas Mutton: I liked Mr. Smith's response. I think there's an appropriate time for such things, but they need to be very carefully studied and considered.

As you can tell from my accent, I'm from the UK, and we've seen good response and bad results from that exact public-private partnership issue. So I do think it needs to be very, very carefully approached from the legal, organizational and financial sides. I think it's possible, but I do think we need to be very cautious as we go forward.

Mr. Peter Tabuns: So being from the UK, you had the experience of dealing with privatized rail in the UK. What was your analysis of what went wrong then?

Mr. Nicholas Mutton: It didn't all go wrong. I've taken the rail there many, many times, and in fact it can be very good. I haven't studied it; it has not been an area of my consideration previously, but that's a good question. I think perhaps we should study it and make sure we don't repeat those mistakes.

Mr. Peter Tabuns: In what circumstances do you see public-private partnerships as useful in terms of financing, rail expansion and transit expansion?

Mr. Nicholas Mutton: I think it has to be a very focused and localized decision in certain areas, where there's predictability and a clear potential for a shared responsibility, but those are rare. I'm not sure, as I said before, that we can do it without a great deal of concern and consideration.

Mr. Peter Tabuns: And what do you see as the pitfalls? If you're talking about having to look out for things, what are the obstacles and difficulties that present themselves when one takes that route?

Mr. Nicholas Mutton: It can't be that financial gain takes precedence over customer service or reliability and frequency. Those things have to be absolutes, and financial gain can only follow. So how the deals are structured and how that's achieved is paramount.

Mr. Peter Tabuns: As you're probably aware, there's some controversy in the west end of Toronto about the expansion of the transit rail system, and in particular the method of powering those trains, whether they'd be electrically powered or diesel-powered. Do you have an opinion on this?

Mr. Nicholas Mutton: You know, there's a finite amount of financial capacity or ability to pay for electrification, and I think the study that's under way will sort of identify what those concerns are. It would be a great bonus if we could have electrification throughout the system or on some lines.

One would think that the main issue here is to get cars off the road and to make our transportation system work for the future of the whole region as opposed to picking one over another, if it's going to limit our ability to grow that transportation.

I do think the study is timely; it's well-staffed. We've been allowed to understand what has been demanded of that group and seen the list of the people and, in fact, know some of the people who are on it. I'm very confident that we'll get some very good advice from that group toward the end of the year next year.

0910

Mr. Peter Tabuns: Do you support having GO Transit actually provide the Pearson-Union link? From my understanding, it's about two kilometres worth of track that has to be built off of existing GO lines as a spur into Pearson airport.

Mr. Nicholas Mutton: Honestly, I'm not aware of that issue.

Mr. Peter Tabuns: Transportation and transit plans in the GTA are driven by development, and certainly, the lower the density, the tougher it is to make transit systems work. Is it your intention as a member of the board to have the board keep an eye on what goes on with development in the GTA and speak out about developments that may be problematic, financially and otherwise, for Metrolinx to service the residents of those developments?

Mr. Nicholas Mutton: We have some very good advice for the board from professionals in Metrolinx and from members of the board about development and the future of the region. It's a fascinating area. It is a bit of a "chicken and egg" situation, as we were talking about earlier. Where do you put your money in order to advance development versus satisfy an existing demand?

It's my judgment that our knowledge about planning and future planning needs for the region is really well advanced, and we're in touch with and listening to planners from around the region. It's an absolutely fascinating area; it's something of interest to me, and I think we're well represented there.

Mr. Peter Tabuns: You've been on the board now for how long?

Mr. Nicholas Mutton: I was on the transition board in May and then the full board since July.

Mr. Peter Tabuns: That's not a long time.

Mr. Nicholas Mutton: No.

Mr. Peter Tabuns: What's the most difficult issue you've been dealing with since you've gotten on that board?

Mr. Nicholas Mutton: My interest is customer service and I chair the customer service committee. I'm very pleased with GO's approach to customer service and the professional staff that they have, but they need to have a stronger voice for the customer. I know their intent is to create a passenger charter for all of our riders, to set up a public demonstration of key performance indicators around quality, reliability and frequency, and to get much closer to the response of riders to issues through quarterly surveys that previously were done only every several years. So I think we've already started down a road of a much greater understanding of customer response and need that we can now form policy around and change procedures so that we're responsive to it. Customer service isn't just about the employees or even the service; it's also about decisions around capital investment, reliability, tracks and switches, snow removal and all kinds of other issues that are well beyond just the employee.

Mr. Peter Tabuns: And could you tell me again what drew you into this board? I note the other boards you sit on—some of my favourite boards. What is it about Metrolinx and regional transportation that interested you?

Mr. Nicholas Mutton: Well, I worked with Rob Prichard; he was chair of the board of the Four Seasons hotels. So I knew him both professionally and personally over the years. I've wanted to take on a public service opportunity for some time but have not been approached. This opportunity came out of the blue. Customer service is certainly an area for my interest and expertise, and I was prevailed upon to join. I'm delighted I did. It's a fascinating board. I'm working with some really interesting, informed and professional people. So, yes, it was through Rob Prichard.

Mr. Peter Tabuns: I don't have further questions, Chair.

The Chair (Mr. Ernie Hardeman): Thank you very much for your presentation and being here this morning. That does conclude the—

Mr. Michael A. Brown: What about us?

The Chair (Mr. Ernie Hardeman): Oh, sorry. We have one more. My mind is still on the last one that we started with the government side. The government caucus has yet to question.

Mr. Michael A. Brown: Thank you, Mr. Chair. I'm not going to be too long, Mr. Mutton.

I am, and I think we on the government side are, particularly impressed with the inspiration to have you recruited to the board by Mr. Prichard, with your strong customer service focus. We note, and I guess everyone in the room notes, your strong work in the hospitality sector, which I think is perfect in many ways for a company like Metrolinx.

I just want to indicate to you that we think not only your skill set but the inspiration of recruiting you are great, and that we will be supporting your appointment today.

If you have anything else you might want to say about customer service, it's your time.

Mr. Nicholas Mutton: I could go on all day, if you'd like.

Mr. Michael A. Brown: You've got eight minutes.

The Chair (Mr. Ernie Hardeman): We appreciate that offer, but we have to keep it within the time allotted to Mr. Brown.

Mr. Nicholas Mutton: I have also had several years' experience in customer service and quality with Mount Sinai Hospital. People are happy to check into, and generally check out of, our hotels. A hospital isn't always the same, so a rather different approach to customer service and satisfaction, and quality control, which in some ways has led me to better understand what GO Transit and Metrolinx are about. This isn't just creating for people an experience that is on the positive side; it's also dealing with issues that are of absolute necessity and not always with a happy outcome. So it has been instructional for me as well. I hope to bring not just the fun side of the business experience but also to understand that this

is a serious business of safety and of truly caring for the public. I just thought I would mention that as well.

Mr. Michael A. Brown: Thank you.

The Chair (Mr. Ernie Hardeman): That now concludes the interview. Thank you very much for being here this morning, and good luck in your future endeavours.

JOSEPH HALSTEAD

Review of intended appointment, selected by official opposition and third party: Joseph Halstead, intended appointee as member, Metrolinx.

The Chair (Mr. Ernie Hardeman): Our third interview this morning is with Joseph Halstead, intended appointee as a member to Metrolinx.

As with the previous ones, we will provide you with the opportunity to make an opening statement if you wish. At that time, we will have some questions from around the table. This time, we'll start with the third party. Hopefully, I will get around the whole circle before I conclude the interview. With that, we ask you to make your presentation.

Mr. Joseph Halstead: Thank you, Mr. Chair and members of the committee, for your invitation to be here this morning. I deem it a privilege to be considered for a position on the board of Metrolinx.

Mr. Chairman and members of the committee, I am passionate about public service. I estimate that about 90% of the work I have done in my working life is in the realm of public service, and the remaining 10% in terms of community involvement. I cannot think of a single day in over 35 years of working at the province or at the city that I did not want to go to work. I can assure you that I will bring the same passion and dedication to the Metrolinx board, should I be appointed, as I now do to the other boards on which I sit.

By way of background, you're aware that I served for 24 years in the government of Ontario, working in six different ministries at senior levels, including Management Board of Cabinet, health and government services. I held the ranks of assistant deputy minister and acting deputy minister before assuming the role of Commissioner of Economic Development, Culture and Tourism for the city of Toronto.

I am pleased to say that during my time at the province, I had the privilege of working under all political parties when they were in charge of the government. All three Premiers have appointed me to agencies or task forces when they were in charge of the government. During my time as commissioner responsible for economic development, culture and tourism for Toronto, I was one of the executives charged with the responsibility to merge and integrate seven municipalities into a single entity, the new amalgamated city of Toronto. I see many parallels between that work and the current process of merging GO Transit with the new Metrolinx. I believe that I can bring some very valuable insights to that process.

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My prime focus at the city was to develop ideas and tools to attract businesses and investment to Toronto. As we talked to businesses, both nationally and internationally, it became apparent that in addition to a skilled and educated workforce, the most important requirement is a good transit system to move people efficiently through the region of the GTA in a seamless manner; a transit system that is reliable and cost-effective. In short, I'm saying that if we get it right, the work of Metrolinx is crucial to the economy of the greater Golden Horseshoe.

Just a few additional points: I have served on many boards, including Ontario Place Corp., the Toronto Community Foundation, the Interprovincial Lottery Corp. and the Toronto Economic Development Corp.. All these experiences, along with my work with the Olympic bids, the Pope's visit, the Pan American Games bid and the annual Caribana festival, of which I am chair, makes me an asset to the broad planning and implementation challenges facing the board of Metrolinx. It requires experience and thoughtful consideration to move large volumes of people logistically around the region.

Mr. Chair and members of this committee, I believe that I would bring credibility and value to the board of Metrolinx, should I be considered. Thank you.

The Chair (Mr. Ernie Hardeman): Thank you very much. We'll begin with the third party.

Mr. Peter Tabuns: Joe, good morning. Thank you for being here.

Mr. Joseph Halstead: Good morning, sir. Good to see you again.

Mr. Peter Tabuns: Likewise.

Joe, I'd like to ask you the question I asked Mr. Mutton. AFP and public-private partnerships: Do you support those methods of financing transit, do you oppose them and can you give me your reasons?

Mr. Joseph Halstead: I, like Mr. Mutton, am not opposed to them. I think they're valuable options available to any organization that seeks to finance its business, especially one like Metrolinx, which will have to find considerable financing down the road. It is an option, but it must be carefully considered.

I agree: I think it cannot be done at the expense, in this case, of the public good. At the end of the day, I would like to see the various analyses: all financed by the private sector, all financed on a PPP basis or financed through government investment. Those are options, and we must consider them very carefully.

Mr. Peter Tabuns: I had an opportunity to sit on the board of Toronto District Heating Corp. in the past, so I had an education in interesting financing. The reality is that in a public-private partnership, when the financing is provided, it's generally at a higher rate of interest than is available to governments that borrow directly, unless it puts upward pressure on the cost structure. Given that reality, why do you see public-private partnerships as an option?

Mr. Joseph Halstead: Well, all financing comes with some cost.

Mr. Peter Tabuns: I agree.

Mr. Joseph Halstead: In government financing, there's a liability on the government, a contingent liability that hangs out for a long time and affects your ratings. So there are challenges either way. I just think that there's a role and a place for it. I'm not advocating it in any way, shape or form, on this one in particular, but I'm just saying, do not discount your options before you look at the analysis and determine which is in your best interest. That's all I would say at this point.

Mr. Peter Tabuns: I'll go into another, but related, area. Do you believe in the private operation of all or part of the regional transit system?

Mr. Joseph Halstead: Well, it is firstly a public system, and it is there to serve the public. Anything that takes away from that cannot be good. My first order of business would suggest we look at how it serves and fits with the mandate of the public system, and if it works, great. If it doesn't, no, I wouldn't.

Mr. Peter Tabuns: The question of the commuter trains in the west end of Toronto, the controversy over electrification versus diesel trains—I know that there's only so much capital in the world, but I also know that there are long-term trends in the cost of energy. I don't know if you've had a chance to read Mr. Rubin's book, *Why Your World Is About To Get a Whole Lot Smaller*, and his predictions about the direction for oil prices over the next few decades. In your analysis of that particular proposal, will you be bringing to this board the idea that they have to look at the long-term trends in the cost of energy?

Mr. Joseph Halstead: This is still a work in progress. As you know, we have a committee at work looking at that very question, all aspects of electrification, and my sense is that I wouldn't want to prejudge what they're likely to tell us. It's a very credible committee and I would simply hold my options until I hear what they have to say. You can bet it's going to be a very crucial decision for the board.

Mr. Peter Tabuns: I have no doubt of that. Are you willing to pursue with that committee that question of long-term trends in energy costs, and its implications for whatever investment option they put on the table?

Mr. Joseph Halstead: That's a question that must be asked. I would imagine our staff and the committee would give us some insights into that, but at the end of the day to have concluded the debate and not asked that question would be incomplete. So I would suggest to you that it's a question that must be asked.

Mr. Peter Tabuns: I'd asked as well about sprawl. When the growth plan for the greater Golden Horseshoe was presented in the Legislature, there were a variety of critics. Professor Mark Winfield of the Pembina Institute had some fairly strong comments that he didn't see that the plan would make a difference, as opposed to business as usual. The Neptis Foundation that does a lot of urban form analysis in Ontario had similar conclusions.

You don't plan urban shape and density, but you have to deal with the consequences of those decisions. Do you

see it as the responsibility of your board to make government aware that particular planning decisions may be problematic in terms of mass transit?

Mr. Joseph Halstead: Yes, it is reasonable for us, as a mover of people, to provide information to government and the public as to how best these decisions can be taken. I would have no difficulty in saying that part of our role would be to analyze growth patterns, see what services we're providing and make recommendations as to how best to address them.

Mr. Peter Tabuns: What do you see as the biggest, the most difficult issue that your board's going to have to wrestle with in the next year to two years?

Mr. Joseph Halstead: We're still very much in the planning phase, but there are a number of issues on the table for us, and we're dealing with them; delivering on the big five projects is clearly one. I agree with the previous speaker, Mr. Mutton, about the need to integrate customer service and hear the voice of the customer in what we do. And financing down the line—making a decision on that in two or three years is critical. So there are a number of priorities out there for us.

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Mr. Peter Tabuns: Joe, thank you very much. I appreciate the testimony.

Mr. Joseph Halstead: Thank you very much, Mr. Tabuns.

The Chair (Mr. Ernie Hardeman): The government?

Mr. Michael A. Brown: Thank you, Mr. Halstead. We appreciate you putting your name forward. I was just quickly looking over your resumé: the executive lead for the World Youth Day conference and papal visit; executive lead for the 2008 Olympic bid by the city of Toronto; negotiating committee to bring the Raptors basketball team to Toronto; the 2015 Pan American Games bid committee. I want to stop there and let you tell us a little bit about your involvement with that one.

Mr. Joseph Halstead: You've talking about the Pan Am Games bid?

Mr. Michael A. Brown: The bid.

Mr. Joseph Halstead: That was finally redemption for us as a province and as a city, having the experience of going through the previous bids. It was a very exciting process. We had a very good team, led by the former Premier, David Peterson, and it was one of trying to simply convince the Pan American countries that Canada, and Toronto in particular, was the right place for them to be with their athletes, where they can best achieve their best performances. It was, candidly, sir, a very exciting process we went through and the result was the right one.

Mr. Michael A. Brown: I don't have further questions, but I just want to indicate to you, as I have to other people who have put their names forward to be members of this board, our appreciation for you doing that, and recognize a skill set and a devotion to public service that is a credit to you and to the province.

Mr. Joseph Halstead: Thank you very much, sir.

The Chair (Mr. Ernie Hardeman): The opposition: Mr. Klees.

Mr. Frank Klees: Mr. Halstead, thank you for being willing, in addition to all these other things that you're doing, to serve on this board.

I do have a question for you regarding how you see the role of Metrolinx vis-à-vis the provincial government. I think Mr. Tabuns touched on this somewhat in terms of the overall planning, the planning policy of the provincial government, that obviously implicates gridlock, our ability to move around. You have been handed now a plan for implementation, and what triggers this is the Pan Am Games. One of the first articles that I read was that now, as a result of having been awarded these games, there are certain projects related to transit that should now be prioritized, leapfrogged over others because this new announcement now changes the landscape.

I'd be interested in your views of how you balance off long-term planning based on good, sound planning principles and then the reaction to announcements that come along. What is your role as a director of Metrolinx to ensure that sound planning principles are followed and that you're not falling back into the crisis management role that government and agencies typically succumb to?

Mr. Joseph Halstead: Mr. Klees, I'm relatively new to the Metrolinx GO Transit operations, but the question of the Pan American Games did come up. We did have a preliminary discussion at our last board meeting about how this could dovetail or how it would affect what we have already planned. Again, these are early days; there's lots of work to be done, and staff needs to come back and give us their advice. But from what we were able to ascertain, the work already being planned is adequate, by and large, to deal with the requirements of the Pan American Games.

The minor changes that might be required, either in time frame or new connections, will not be that significant to disrupt the already planned activities. Whether it's Scarborough or Finch, getting out to the U of T site or the HOV highway to Hamilton, none of those are going to be major disruptions to the plans we have already got in place.

I appreciate the point that we have to think about it; we have to make sure that we hold our plan together and not be getting into crisis management because of this particular announcement.

Mr. Frank Klees: What's encouraging to me about the composition of this board is the fact that there are very competent, very experienced people sitting around the table having assumed this enormous responsibility. There's no question in my mind that your challenge is one of the top priorities in this province in terms of ensuring that we get this right in terms of the long-term planning of our transportation infrastructure.

I'm hoping that we can, in fact, presume and count on the independence that you have. I made reference to this in my questioning of Mr. Smith earlier, the fact that we really do need you to ensure that you can withstand whatever pressure may come. Whether it's because of an event that we're welcoming to this province, we can't

have that distort the focus because the implications of that are long-term. You divert half a billion dollars from one project, and the implications, then, for the next two decades can be significant, and we need to count on you not to compromise them.

Mr. Joseph Halstead: First of all, let me share your view that this is an extremely strong, independent board. I'm absolutely impressed with every member on this board. I've never sat on a board—being candid with you—with this depth and breadth of knowledge and experience. That's absolutely the case.

It is our obligation to be independent. We owe it to everyone—the people, the government—to be strong and to do what is right. I can speak for myself, and I submit that, from what I've seen of the other directors, they'll be of the same mind. They will do what is right, and they will think through carefully, as I have seen at the table, people just simply saying what they think and holding their positions. We are a board. We come together, but in the end people are going to be heard, and they're not shy about doing that.

Mr. Frank Klees: Has Metrolinx had any involvement in the procurement process of the smart card?

Mr. Joseph Halstead: I am not aware of what involvement they may or may not have had. Sorry, Mr. Klees, I've not been there that long.

Mr. Frank Klees: Ultimately, you'll have responsibility for overseeing its implementation long-term and integration to the process. From my recollection, it's a project that is—first of all, I think we need to accelerate the implementation of that project, but there were a number of options, as I recall, in terms of private sector involvement, in terms of where it's sourced, and it's a very competitive field. Given the challenges that the current government seems to have in terms of discerning how contracts should be tendered and how they should be awarded, can I suggest to you that it may be something that your board would want to look into sooner than later? Because at the end of the day, you'll have to answer the questions about it in terms of whether it was sourced properly and whether the people who are responsible for delivering and implementing the technology were in fact the best candidates.

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So I leave that with you. I think it's projects like that that need oversight, and I would ask you this—how much time do I have left?

The Chair (Mr. Ernie Hardeman): You have one more minute left.

Mr. Frank Klees: One more minute; I don't have time. So let me ask you this question: Has Metrolinx done any studies to determine the implications of HST on its organization, its services and its customers over the next number of years?

Mr. Joseph Halstead: I'm sorry. I don't have the answer to that.

Mr. Frank Klees: The implementation of HST will have, obviously, implications to your undertakings, in terms of projects and so on.

Mr. Joseph Halstead: Yes, I understand. I simply cannot answer that right now because I just don't know. I would be surprised if they have not, certainly at the staff level, been looking at this, but that is not a matter that has come before the board at this point.

Mr. Frank Klees: I would be interested in receiving some information on that if you have the opportunity to perhaps look into that for me.

Mr. Joseph Halstead: I'll certainly pass it on.

Mr. Frank Klees: Thank you so much.

The Chair (Mr. Ernie Hardeman): Thank you very much for coming in this morning and for being part of the process. Thank you for coming forward to assist with this big challenge.

Mr. Joseph Halstead: Thank you very much.

The Chair (Mr. Ernie Hardeman): As the committee is aware, the bells have been ringing for some time. I think we can hear the presentation, if you wish, prior to the voting, but we have seven minutes to get into the House.

Mr. Michael A. Brown: Mr. Chair, if I might make a suggestion, if it's suitable to all the members of the committee, that we might informally pair so we can make sure that the presenter in front of us has the opportunity to do so uninterrupted, and we can do this government business, and opposition business, for that matter, in a way that makes sense to both us and the person making the application. So we could informally pair, which wouldn't change the rules upstairs or in terms of the vote, and we could just continue on.

Mr. Frank Klees: We haven't won in two and a half years in this place, so that's fine with me.

The Chair (Mr. Ernie Hardeman): I'm not sure it's fine for the process, because I think we have an obligation to recess for the vote upstairs.

Mr. Frank Klees: Exercise your power, Chair.

Mr. Michael A. Brown: I'm not aware of that. I think if the committee decided to informally do it, we could do it.

The Chair (Mr. Ernie Hardeman): If it's with the unanimous consent of the committee, we will ask the last person to make his presentation and we will continue on.

Mr. Frank Klees: It's unanimous.

The Chair (Mr. Ernie Hardeman): Okay.

Mrs. Liz Sandals: Just to be clear, if there are four people there and four people here, I should probably get up and leave—

Mr. Frank Klees: Yes.

Mrs. Liz Sandals: —because I have no one to pair with. So I'm not being rude; I'm just unpaired.

Mr. Frank Klees: Actually, there are two people here, so we should actually have three of you leave.

Mrs. Liz Sandals: That's true. If Jim isn't here, she needs to come. If Jim isn't here, I'm taking her with me.

Mr. Frank Klees: Or you can all stay here.

The Chair (Mr. Ernie Hardeman): If I could call the meeting back to order, and I would suggest that the only important person here is the gentleman sitting at the end of the table who is going to make a presentation.

Mr. Michael A. Brown: Hear, hear.

STEPHEN SMITH

Review of intended appointment, selected by third party: Stephen John Smith, intended appointee as member, Metrolinx.

The Chair (Mr. Ernie Hardeman): With that, we do have Stephen John Smith, who is an intended appointee for Metrolinx. We welcome you, Mr. Smith, to the meeting this morning.

As with the previous presenters, we will provide you with an opportunity for opening remarks if you wish to do so. At the end of that, we will have a rotation of questions that the committee may wish to ask you. Those questions will start with the government caucus, just so the caucus will be ready. With that, we ask you to proceed.

Mr. Stephen Smith: Thank you very much, Mr. Chair. Let me say how honoured I am to be nominated to be a member of the board of directors of Metrolinx and how delighted I am to be here before you this morning. I'm currently chair of the audit and finance committee at Metrolinx. Prior to my appointment to the Metrolinx board, I was on the board of GO Transit for over three years, where I was most recently vice-chairman and chair of the audit committee. I'm currently chairman, president and co-founder of First National Financial LP, which is Canada's largest non-bank mortgage lender with over \$45 billion of mortgages under administration. With over 500 employees across the country, First National lends in excess of \$12 billion of mortgages to Canadians annually. In addition, I'm a member of the board of directors of the Dominion of Canada General Insurance Company and the Empire Life Insurance Company; I serve on the human resources and investment committees of both these organizations. In the not-for-profit sector, I'm a member of the advisory council of the Royal Conservatory of Music and a member of the board of directors of the Historica-Dominion Institute.

I was born in Ottawa but have lived in Toronto for the past 30 years. I hold a B.Sc. in electrical engineering from Queen's University and an M.Sc. in economics from the London School of Economics. I'm also a graduate of the institute of corporate directors program from the Rotman School of Business at the University of Toronto. I believe my background and experience makes me well qualified for this position. I have a deep understanding of finance; as well, an appreciation of the requisite corporate governing structures appropriate for an organization of the size and scale of Metrolinx.

In addition, I have had a long-standing interest in public transit. At the beginning of my career I worked for Canadian Pacific undertaking various transportation studies, including electrification, and then at Hawker Siddeley Canada, which at the time owned the Bombardier plant in Thunder Bay and was the original manufacturer of the TTC streetcars and the GO Transit bi-level cars.

I've been extremely fortunate to be born and raised in Ontario. Being given this opportunity to serve on the board of directors of Metrolinx, I hope to be able to give

back to the society that has given me so many advantages. I'd be delighted to take some questions.

The Chair (Mr. Ernie Hardeman): Thank you very much. With that, we'll go to the government caucus.

Mr. Michael A. Brown: You are no relation to the first Mr. Smith—

Mr. Stephen Smith: No relation whatsoever.

Mr. Michael A. Brown: With a name like Brown, you get to ask that question.

I just want to say that the government is extraordinarily pleased that you've put your name forward for this board. Your skill set complements those of other folks who have been before us and are to come before us, and we really appreciate you taking your time for public service in the province of Ontario.

Mr. Stephen Smith: Thank you very much. I'd like to echo the comments of my previous nominees in that this is one of the most exceptional boards that I've ever served on. Most of the people here are exceptionally strong. They have a diverse skill set and they can bring various talents to bear in their roles.

The Chair (Mr. Ernie Hardeman): With that, the official opposition.

Mr. Frank Klees: Mr. Smith, again, thank you for being willing to serve.

I'd like to talk a bit about funding. Obviously this is where your expertise lies. The province has a \$25-billion deficit, and probably more—challenging times. We have an infrastructure deficit on top of that. The discussion about how we fund whatever the plans are that ultimately are settled on is the real challenge. None of this is going to happen if we don't find a creative solution to how we fund getting this infrastructure in place. I'd be interested in your views as to what it's going to take to make this happen.

I'd also be interested in your assessment of the time frame. One of the things that was frustrating to me when we got this great announcement about what has to be done by way of putting in place various transit programs, but the funding question was going to be answered down the road somewhere, which means that we've got all of this time where nothing is happening or very little is happening, and we're losing ground all the time.

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My background is business as well. I'm ever-frustrated with the glacial speed with which government makes decisions. In my mind, this was a private sector company saying, "We are going to take on these projects." We've identified them. It's not going to take them three years to figure out how they're going to fund this. I'm encouraged by the fact that you bring your private sector experience to the table here, and I'm hoping that you're going to be able to help us and convince—and I'd put it this way—the provincial government, which will make the final decision that your recommendations should be implemented.

So, the bottom line is: I'd be interested in your view as to what it's going to take to fund this multi-billion-dollar capital infrastructure project. In terms of the time frame,

is there any way, in your view, that that can be accelerated?

Mr. Stephen Smith: I think those are excellent questions and something certainly I've given a lot of thought to. These announcements are very ambitious. They involve not only capital costs but they also involve operating costs. In many ways, the operating costs are much more significant than the capital costs.

There has been the initial announcement and the initial promise. Part of the Metrolinx mandate—and something that we spent a lot of time on at the board—is that we are to deliver by the end of 2013 an investment strategy. Part of that investment strategy—our CEO, Rob Prichard, recently had spoken about this, and I think we have to start to look at other alternatives.

I think this is an ongoing conversation. We have until 2013, and there are a lot of diverse groups within the province that have an interest or not an interest. We have not spent as much on public transit as we should.

I look at my role and the role of the Metrolinx board as: I'm not thinking four or five years out; I'm trying to think in terms of 50 or 100 years out. Where are we going to be as a province and as a regional municipality in 50 years or 100 years? We are the third- or fourth-largest city in the country, and in a way our infrastructure has lagged behind that.

It's a challenging issue, Mr. Klees. I, as much as anyone, am aware of a \$25-billion deficit. That's a tremendous burden on us. It's going to be a burden on our children and it's going to be a burden on our grandchildren. How do we deal with that? A role of the board, and we're going to be engaged in that—and we have four years to do that—is to look at other ways to finance it.

Do I have a solution for you right now—what I'm going to do or what we can do at the board? No, we don't, because I think it's a tough problem. I think the solutions we will come up with will be solutions we'll get by engaging in debate with society as a whole. I think it's a bit of a role of the Metrolinx board to start to talk about alternatives, to start looking at different ways of financing things.

It doesn't take too much imagination. You get some fairly radical proposals, going as far as congestion taxes, as they've done in London. I'm not too sure whether that's something that would be acceptable in the province of Ontario and the city of Toronto in our environment, but certainly I think it's important to keep an open mind with respect to all alternative forms of revenue generation.

Mr. Frank Klees: Do I have some more time?

The Chair (Mr. Ernie Hardeman): Yes. You have about three more minutes.

Mr. Frank Klees: Your financial institution: Have you done any business with the province of Ontario?

Mr. Stephen Smith: I think I have, yes.

Mr. Frank Klees: What was the nature of those?

Mr. Stephen Smith: About 10 years ago, I think we purchased some land leases. If you remember, there was a program up in Brampton about 40 years ago, and there

were some land leases left over. I think there was a competitive tender, and we purchased about \$10 million of land leases from the province.

Mr. Frank Klees: Do you feel that there might be some opportunity down the road for your financial institution to play a role in some of the public-private—

Mr. Stephen Smith: Right. No, I don't think there would be a role for us. We're primarily a mortgage lender with residential-commercial. This wouldn't be in our area of expertise. I don't think we'd have any particular business interest here.

Mr. Frank Klees: You would not exclude a strong private sector participation?

Mr. Stephen Smith: No, I would not.

Mr. Frank Klees: Can you perhaps, for the benefit of some of my colleagues—and myself, of course—tell us why you feel the private sector may well play a major role in providing funding for this project?

Mr. Stephen Smith: Well, I don't think I have a preconceived notion that the private sector either should or should not play a major role. I think, when we look at financing for the programs we have, we have to look at all alternatives, and we have to keep an open mind. I don't think I have a preconception one way or the other as to a private sector or a public sector solution.

Mr. Frank Klees: Do you accept the argument that some will make that the reason you shouldn't have the private sector involved is that the private sector has to make a profit and governments can always borrow at cheaper rates than the private sector can? Do you buy in to that argument?

Mr. Stephen Smith: Certainly, when you look at the costs, when private sector puts a proposal together, their financing costs, on a theoretical basis, would be more expensive. But there are also hidden costs. If the government starts to borrow, it starts to increase the debt. That can have a marginal effect on your rating and potentially can increase costs.

I think I would get back, and it might be the flip side—I don't have a predisposition one way or the other. I think private sector solutions can be good in certain circumstances. I think there's a huge role. I think in public transit, in some way, and in a lot of public goods, there's a role for the public service too. So I would keep a very open mind, look at whatever solution came and pick the right solution that gave the best value to the taxpayers of Ontario.

Mr. Frank Klees: Thank you, and thank you again for being willing to serve in this capacity. Certainly you have our support.

Mr. Stephen Smith: Thank you very much, Mr. Klees.

The Chair (Mr. Ernie Hardeman): Mr. Tabuns?

Mr. Peter Tabuns: Mr. Smith, thank you for being here this morning.

From a very different angle—a number of my questions have already been asked—have you ever had to declare a conflict of interest in your role on the GO board?

Mr. Stephen Smith: I have not.

Mr. Peter Tabuns: And do you foresee having to declare one on the Metrolinx board?

Mr. Stephen Smith: No, I do not. As I mentioned, my business interests relate to mortgages, not public sector finance.

Mr. Peter Tabuns: Fair enough.

The question of private operation of all or part of a regional transit authority: Would you support the private operation of all or part of a regional transit system?

Mr. Stephen Smith: I'm agnostic on that issue. I would think it's what is in the best interests of the taxpayer. I would say I'm not ideologically opposed to a private sector operation, although I would argue that you have to look at it very, very carefully. But I'm neither opposed nor supportive.

Mr. Peter Tabuns: If you have to look at it very carefully, what are the obstacles or problems that you would be looking out for?

Mr. Stephen Smith: Well, I think it's often difficult to negotiate in the context of what is the contract that one enters into and what is the length of time. It's often very difficult to develop a contract that meets the needs. When you look at public-private sector partnerships where it may make sense, it has to be very, very focused.

But again, I think I would go to the same answer I gave to Mr. Klees, which was, let's see what is on the table and see what's available. Is it in the best interests of the stakeholders? If it is, I think one has to be open to it. I would think the Metrolinx board should be open to anything that could give benefits to the stakeholders and the taxpayers.

Mr. Peter Tabuns: Okay.

You mentioned, and I think it indicates your experience in working in this sector, that operating costs are a very significant matter—capital costs, obviously, but operating costs are of great consequence. What subsidy is now required to operate the system on a per ride, per passenger basis?

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Mr. Stephen Smith: You know, I don't know—well, let's see if I can figure that out. Just off the top of my head, I think our annual budget is about \$350 million. I think our subsidy this year ran to about \$55 million. So there's \$55 million, and there are 55 million passengers, so I guess that's about a dollar a ride.

Mr. Peter Tabuns: Okay. That's interesting.

Mr. Stephen Smith: I think there is an issue when you look at—I think there's been a lot written in the paper about it. When you look at the subsidies, we have one of the highest cost recovery ratios, I guess in the industrialized world, probably anywhere in the world, and it's very, very high.

We run a very efficient system. GO Transit is a good system; it's got good operators. It's something we should be very proud of, and we deliver great transportation to everyone in the province. The subsidy, though, is hugely high.

Mr. Peter Tabuns: And do you see—

Mr. Stephen Smith: Not the subsidy, I'm sorry. The cost recovery. The subsidy is quite low; the cost recovery is quite high.

Mr. Peter Tabuns: Do you see the current trajectory of urban form in the GTA as driving up that subsidy? Is that something that's been discussed at your board?

Mr. Stephen Smith: I think there would be a feeling that, given the initiatives that the province has introduced, we're probably going to see, over time, a lower cost recovery ratio.

It gets back to a little bit of a chicken-and-egg situation. We've introduced new programs to, for example, Guelph, Kitchener-Waterloo and down to the Niagara region to bring more people into the GO Transit route. Those are not as efficient as the other ones. So to the extent that we introduce more new services to engage more of the population in the greater Toronto and Hamilton area, I think we're going to have to subsidize the operations more.

Mr. Peter Tabuns: I don't have further questions. Thank you very much.

Mr. Stephen Smith: Thanks, Mr. Tabuns.

The Chair (Mr. Ernie Hardeman): Thank you very much for your presentation—I didn't skip anyone this time, did I? But we thank you very much for your presentation—

Mr. Stephen Smith: Thanks very much, Mr. Chair.

The Chair (Mr. Ernie Hardeman): —and I congratulate you on putting your name forward.

That concludes the hearings this morning, so we now can proceed to the concurrences of the ones we heard this morning.

The first consideration will be Peter Reginald Smith, intended appointee as member and vice-chair of Metrolinx.

Mr. Michael A. Brown: Chair, I would move concurrence with the appointment of Peter Reginald Smith as member and vice-chair of Metrolinx.

The Chair (Mr. Ernie Hardeman): Thank you very much.

Mr. Michael A. Brown: Recorded vote.

The Chair (Mr. Ernie Hardeman): You've heard the motion. Discussion? Any comments or questions?

Mr. Peter Tabuns: I'm just going to say that I wasn't here for the interview, so I don't believe that I can make an informed vote on that.

The Chair (Mr. Ernie Hardeman): Thank you. Any further discussion? If not, all those in favour of the motion?

Ayes

Brown, Johnson, Klees, Naqvi, Pendergast, Sandals.

The Chair (Mr. Ernie Hardeman): The motion is carried.

The second one is Nicholas Mutton, intended appointee as member of Metrolinx.

Mr. Michael A. Brown: Chair, I would move the appointment of Nicholas Mutton as a member of Metrolinx.

The Chair (Mr. Ernie Hardeman): You've heard the motion. Any discussion, questions or comments? Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Mr. Chair. With no disrespect to any of those who have come forward—because I thought they answered the questions well—I disagree with the idea of public-private partnerships on a fundamental basis, and I don't believe that our board should countenance such approaches. On that basis, I couldn't support the applicants. It isn't a question of my judgment on their ability or their general moral fibre; it's a question of the direction of the transit system as a whole.

The Chair (Mr. Ernie Hardeman): Thank you. Any further comments?

Mr. Michael A. Brown: Mr. Chair, I'd just like to help my friend from Toronto and remind him that during the early 1990s, the rolling stock of GO Transit was sold to a company in the Bahamas and leased back, so that's creative financing at its best.

We'd be happy to move concurrence, having said that.

The Chair (Mr. Ernie Hardeman): We appreciate the history. Any questions or further comments on this concurrence?

Mr. Peter Tabuns: I'd just like to reply to Mr. Brown that there's a reason that a certain politician was discredited within our party and has moved on.

The Chair (Mr. Ernie Hardeman): Mr. Klees?

Mr. Frank Klees: I would just like to say that it's precisely because of the responses that we heard this morning from these applicants, that their minds are open to public-private partnerships. What's encouraging to me is that there seems not to be a predisposition that—I've heard is that the decisions they'll make will be in the public interest and that if a public-private partnership is in the public interest, they're willing to make that decision.

I think that one of the reasons we have real challenges in this province at many levels of government is that often decisions are made based on predisposition and that good, solid solutions are excluded from consideration because of a philosophical predisposition. So I'm encouraged by the independence that I've heard expressed and by the expertise, and I believe that our province will be well served.

The Chair (Mr. Ernie Hardeman): Thank you very much. Any further debate?

Mr. Michael A. Brown: Recorded vote.

Ayes

Brown, Johnson, Klees, Naqvi, Pendergast, Sandals.

Nays

Tabuns.

The Chair (Mr. Ernie Hardeman): The motion is carried.

The third concurrence is Joseph Halstead, intended appointee as a member of Metrolinx.

Mr. Michael A. Brown: Chair, I would move concurrence in the appointment of Joseph Halstead as a member of the Metrolinx board.

The Chair (Mr. Ernie Hardeman): The committee has heard the motion. Further debate?

Mr. Michael A. Brown: Recorded vote.

Ayes

Brown, Johnson, Klees, Naqvi, Pendergast, Sandals.

Nays

Tabuns.

The Chair (Mr. Ernie Hardeman): The motion is carried.

The last concurrence is Stephen John Smith, intended appointee as a member of Metrolinx.

Mr. Michael A. Brown: Mr. Chair, I would move concurrence in the appointment of Stephen John Smith as a member to the board of Metrolinx.

The Chair (Mr. Ernie Hardeman): The committee has heard the motion. Any questions or comments?

Mr. Michael A. Brown: Recorded vote.

Ayes

Brown, Johnson, Klees, Naqvi, Pendergast, Sandals.

Nays

Tabuns.

The Chair (Mr. Ernie Hardeman): The motion is carried.

That concludes the business of the interviews this morning and dealing with the intended appointees. Any other business for the committee from the members?

If not, before we adjourn, the next meeting will be at 8 a.m. next Tuesday. I would point out how early I have to start out, because this morning I arrived here at a quarter to 7, and then I was late getting down to the committee room. Maybe I should just sleep in the office all night so I can be here on time for an 8 o'clock appointment.

Mr. Peter Tabuns: So moved.

The Chair (Mr. Ernie Hardeman): We will try to be here. Again, I apologize for not being here right on the moment this morning, but with the indulgence of the committee, we've managed to get through the required appointments, and we appreciate that.

Thank you very much, and we will see you next week.

The committee adjourned at 1009.

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