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**Official Report  
of Debates  
(Hansard)**

**Wednesday 24 April 2013**

**Journal  
des débats  
(Hansard)**

**Mercredi 24 avril 2013**

**Standing Committee on  
Public Accounts**

Special report, Auditor General:  
Ornge Air Ambulance and  
Related Services

**Comité permanent des  
comptes publics**

Rapport spécial, vérificateur  
général : Services d'ambulance  
aérienne et services connexes  
d'Ornge

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON  
PUBLIC ACCOUNTS**

**COMITÉ PERMANENT DES  
COMPTES PUBLICS**

Wednesday 24 April 2013

Mercredi 24 avril 2013

*The committee met at 0827 in room 151.*

**SPECIAL REPORT, AUDITOR GENERAL:  
ORNGE AIR AMBULANCE AND RELATED  
SERVICES**

**MR. BARRY PICKFORD**

**The Chair (Mr. Norm Miller):** I'd like to call the committee to order and welcome Mr. Barry Pickford as the first witness this morning, and to confirm that you've received the letter for a witness coming before the committee?

**Mr. Barry Pickford:** I have.

**The Chair (Mr. Norm Miller):** Very well. I understand you're going to swear an affirmation, so our Clerk will do that.

**The Clerk of the Committee (Mr. William Short):** Mr. Pickford, if you could just raise your right hand, please. Do you solemnly affirm that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth?

**Mr. Barry Pickford:** I do.

**The Clerk of the Committee (Mr. William Short):** Thank you.

**The Chair (Mr. Norm Miller):** Thank you. You have some time for an opening statement, if you'd like to make it, and then we'll go to questions.

**Mr. Barry Pickford:** Thank you. Good morning. I'm here today to answer as many of your questions as I can with respect to my time as a director of Ornge and its related entities. I'd first like to take just a few minutes, if you don't mind, to reflect on my time at Ornge from a personal point of view.

After a nearly 40-year career in public accounting and in the telecommunications industry, I became a member of the board of Ornge in late 2007. I did so with pride, recognizing the very valuable service that Ornge provided to the people of Ontario. By the end of 2007 Ornge was a relatively new private, not-for-profit company that had already made significant positive changes since taking over the province's air ambulance system. However, I understood that there was still much to be done to improve the service capabilities of Ornge's air medical transportation system.

The strategic plans for Ornge that the board dealt with in 2008 and in the years beyond were consistent with

those that had been developed since the inception of Ornge and which the government, I was assured, was being kept apprised of.

The plans consisted primarily of replacing the aging fleet of aircraft made available to Ornge with new aircraft owned and operated by Ornge. This was to be done in order to improve reliability, efficiency and cost. Secondly, we wanted to narrow the significant funding gap that existed between the current service levels and the demand for Ornge's services. This was to be accomplished through fundraising and, most importantly, the creation of for-profit initiatives which were intended to augment the funding that Ornge received under its performance agreement with the province.

There is no doubt that the steps Ornge took in furtherance of their strategic plans were approved by the board of Ornge. Such approvals were provided based on discussions with management and with various legal, tax and financial advisers. It was only after a thorough consideration of the expert advice received and of the objectives and effects of each step that the board approved actions such as the purchase of the new aircraft and the restructuring of Ornge to create additional revenue sources for it. I believe that all the actions taken by our board were intended to build a stronger Ornge, one that could better serve the needs of the people of Ontario for many years to come.

To experience what happened at Ornge over a year ago was, from my personal point of view, disheartening to say the least. Finding out in December 2011 and January 2012 that there may have been abuses to the system was devastating, as we know, to Ornge and to so many people who work there, including our board. I recognize that there are many great people who are still at Ornge, and I'd just like to close by saying to all of those people that I worked with at Ornge during my time as a director there—I want to take this opportunity to wish them all much success in the future. Thank you.

**The Chair (Mr. Norm Miller):** Thank you. We'll move to the opposition. Mr. Klees, you probably have about 18 minutes.

**Mr. Frank Klees:** Mr. Pickford, thank you for being here with us this morning. Given your extensive experience as a chartered accountant, a senior executive, as I understood, with Bell, or BCE—

**Mr. Barry Pickford:** BCE.

**Mr. Frank Klees:** —can we assume that you're well versed with the duties and liabilities of directors, both on public boards as well as not-for-profits?

**Mr. Barry Pickford:** I am, yes.

**Mr. Frank Klees:** Are you currently serving as director of any other board?

**Mr. Barry Pickford:** Only a charitable organization, now: Epilepsy Toronto. I've been on board there for at least 10 years. I've been the president of the organization for three years and just gave up the presidency about a year ago.

**Mr. Frank Klees:** So you're no longer on the board of directors of Radius Financial?

**Mr. Barry Pickford:** I'm not, no.

**Mr. Frank Klees:** Or Pacific Mortgage?

**Mr. Barry Pickford:** No.

**Mr. Frank Klees:** But you were?

**Mr. Barry Pickford:** I was, yes.

**Mr. Frank Klees:** And who was the director and chair of Radius?

**Mr. Barry Pickford:** Alfred Apps was.

**Mr. Frank Klees:** And the director and chair of Pacific Mortgage?

**Mr. Barry Pickford:** It was Alfred Apps, as well.

**Mr. Frank Klees:** You have a long-standing relationship with Mr. Apps?

**Mr. Barry Pickford:** I did work for Mr. Apps when he was with a company called Lehndorff, when I was a tax partner with KPMG. After that, we really had no relationship until we met again many years later, when I had become director of Ornge. We met through advice he was providing to Ornge at that time.

**Mr. Frank Klees:** How did your directorship at Ornge come to an end?

**Mr. Barry Pickford:** How did it come to an end?

**Mr. Frank Klees:** Yes.

**Mr. Barry Pickford:** Effectively, I think the board was asked to resign in January 2012, and I offered my resignation.

**Mr. Frank Klees:** From whom did that request come?

**Mr. Barry Pickford:** I think it came from the Ministry of Health.

**Mr. Frank Klees:** Was it the minister herself?

**Mr. Barry Pickford:** I don't know that we received a direct request from the minister; it may have been from one of the deputy ministers. But certainly word got through that we should step down, and a new board should be put in place.

**Mr. Frank Klees:** Were you a director of any of the other entities at Ornge, the for-profit entities?

**Mr. Barry Pickford:** During my time with Ornge, I was a director of Ornge itself, a director of Ornge Peel, Ornge Air and the Ornge Foundation. When we moved to the for-profit structure, which meant splitting the structure, I remained a director of Ornge and the Ornge Foundation, and became a director in what was known as Ornge corporate services, the former Ornge Peel and Ornge Air. I was not a director of Ornge Global GP.

**Mr. Frank Klees:** Okay. What was your remuneration as a director of Ornge?

**Mr. Barry Pickford:** I keep my director's fees kind of on an annual basis. I must admit, I did look back at that, because I expected this question to come up. From a tax point of view, my fees in 2010 totalled \$94,000, which was a combination of director's fees, meeting fees and fees as the chairman of the finance and audit committee. If I remember correctly, about \$12,000 out of that total amount was for services provided as chair of the independent committee that looked at the whole restructuring of Ornge.

**Mr. Frank Klees:** Were you ever issued shares in any of the for-profit entities?

**Mr. Barry Pickford:** I think we were issued shares—a very small number of shares—in what was called Ornge Global Management Inc. in probably January 2011.

**Mr. Frank Klees:** How many shares was that?

**Mr. Barry Pickford:** I don't know. It was a very small amount in percentage terms, less than half a per cent. Quite honestly, I did look back at one time to see if I had the cheque. It was less than a dollar. I'm not sure I could even find the cheque, so I don't know if it was ever cashed.

**Mr. Frank Klees:** I don't imagine you'll be cashing in on those.

**Mr. Barry Pickford:** Pardon?

**Mr. Frank Klees:** I don't imagine you'll be cashing in on those cheques.

**Mr. Barry Pickford:** I don't think so. I don't think I had any great plans that I would cash in on them in any event.

**Mr. Frank Klees:** Over the course of your tenure as director at Ornge, there were a number of very significant financial transactions. First, there was the \$275-million public offering that was dated June 8, 2008. Second, there was a \$30-million debenture that was dated January 31, 2011. Third was the marketing services agreement between Agusta Aerospace Corp. and Ornge Global Solutions Inc., and the second structure was with Ornge Peel. Finally, there were the millions of dollars in personal loans to Mr. Mazza, and his expenses.

I'd like to deal with the offering memorandum first. Would this offering memorandum have been reviewed by the finance and audit committee of which you were the chair?

**Mr. Barry Pickford:** The offering memorandum with respect to the \$275 million—

**Mr. Frank Klees:** Yes.

**Mr. Barry Pickford:** Yes, it was.

**Mr. Frank Klees:** And as the chair of the finance and audit committee, I'm assuming that you made it your business to vet that offering memorandum?

**Mr. Barry Pickford:** Certainly the financial aspects of it, yes.

**Mr. Frank Klees:** Okay. Knowing how important that document is, I would have thought, and I would think,

that you would have been very thorough in vetting that document.

**Mr. Barry Pickford:** I would like to think that I was, yes.

**Mr. Frank Klees:** Okay. I would ask, who did the legals on that document?

**Mr. Barry Pickford:** Fasken's did the legal work on it.

**Mr. Frank Klees:** Any recollection of what the legal fees were for that placement?

**Mr. Barry Pickford:** I don't recall, no. I assume it was substantial. It was a big offering, and they were very helpful in getting it processed and put into shape relatively quickly.

**Mr. Frank Klees:** Was any other law firm asked to provide a competitive bid on that work?

**Mr. Barry Pickford:** I don't think so. No.

**Mr. Frank Klees:** So \$275 million plus \$30 million adds up to \$305 million in debt that Ornge took on during the time that you were director as well as chair of the finance and audit committee. At what point did Ornge disclose to the Ministry of Health or to the Ministry of Finance that the government was the ultimate guarantor of that \$305-million debt that Ornge was incurring?

**Mr. Barry Pickford:** I'm not sure that I know when that would have been disclosed to them, other than through financial statements. I'm not sure it was the guarantor other than—as I recall, the debentures that were issued by Ornge Issuer Trust, and they were issued by that trust for a very specific reason—what was guaranteed, effectively, was those revenues that Ornge would receive under the performance agreement would be applied to repayment of the debt to the extent that it was necessary.

**Mr. Frank Klees:** Mr. Pickford, on page 16 of the offering memorandum, there's a very clear outline of the structure of the placement. At the very top, showing the flow of funds, is the province of Ontario. Throughout the entire offering, there is no other reference of a source of funding to pay or repay these debentures other than the province of Ontario.

**Mr. Barry Pickford:** But I think that's a bit misleading, with all due respect. What that is effectively saying is that Ornge, using those dollars, would buy assets—assets that would be made available to Ornge, principally the helicopters and the airplanes, that Ornge had been paying substantial amounts to third parties to use those same assets.

It was fully expected that if Ornge was using that equipment, it would find, through the fees that were paid to it or the amounts that were paid under the performance agreement to Ornge, that those monies would then go to help retire that debt and to pay the interest on it, in the same way that it was paying similar amounts to third parties.

**Mr. Frank Klees:** Mr. Peckford, I don't think it's misleading at all—

**Mr. Barry Pickford:** Pickford is my name.

**Mr. Frank Klees:** In fact, I think not to admit that the province of Ontario was the ultimate guarantor of this placement is misleading.

On page 19 of the offering memorandum, the memorandum speaks very clearly to what would happen in the circumstance that Ornge were to be offside and the government would have to step in. It makes very clear reference to the case, and I'll quote: "In which case, all liabilities, including amounts owing under the series A debentures, would first have to be repaid in full"—repaid in full—"by the province of Ontario." I'm going to ask you this question—

**Mr. Barry Pickford:** That's not quite my understanding.

**0840**

**Mr. Frank Klees:** Well, it's in the offering memorandum.

**Mr. Barry Pickford:** I appreciate what you're saying. My understanding was that the province would have had two choices. If, for some reason, Ornge had failed or the province had decided to cancel the performance agreement, my understanding was that the province could take over the beneficiary interest in the trust, and in that way would continue to service the debt in the same way that it had been serviced when payments were being made to Ornge—or alternatively, could pay off the debt and take over the assets.

**Mr. Frank Klees:** Mr. Peckford, at the end of the day, the province—

**Mr. Barry Pickford:** Excuse me, my name is not Peckford; my name is Pickford.

**Mr. Frank Klees:** Pickford; I'm sorry. I apologize.

**Mr. Barry Pickford:** Thank you.

**Mr. Frank Klees:** Mr. Pickford, at the end of the day, the province has no choice but to continue to provide an emergency service and the \$305 million of debt—in this case, \$275 million of this public offering; the province has no choice but to take it over and assume responsibility for that debt, otherwise, the emergency service does not get delivered.

**Mr. Barry Pickford:** I agree with that.

**Mr. Frank Klees:** And given the fact that there is no other source of revenue, I'm going to ask you this question: Would you agree that any investor considering taking up on this offering would draw the conclusion that it is the government of Ontario that is standing behind this offering? Otherwise, no one would have invested in this offering because Ornge itself has no other source of income. And at the time the offering was placed, as much as we talked about the possibility of funding coming in through the for-profit companies, there was none.

And so, would you agree that the investors seized on this investment because of the province of Ontario's position?

**Mr. Barry Pickford:** I would agree that people invested in the debentures because they saw the flow of revenues coming from the province into Ornge under the terms of the performance agreement.

**Mr. Frank Klees:** And that that was ultimately their surety. Would you agree with that?

**Mr. Barry Pickford:** As I say, I think they looked at this as fees continuing to come in to Ornge under the terms of the performance agreement and those fees would be sufficient to repay their debt.

**Mr. Frank Klees:** Thank you. Are you aware of the reports about Mr. Mazza's expenses and personal loans?

**Mr. Barry Pickford:** I'm aware of those, yes.

**Mr. Frank Klees:** What was the process that you followed to review and approve Chris Mazza's expenses?

**Mr. Barry Pickford:** The process that I followed was the corporate secretary or Dr. Mazza's assistant would bring me on generally a quarterly basis copies of his expense reports. My responsibility, as I felt it, was to look at those to ensure that they had been signed off properly by Dr. Mazza, if those were his expense reports, that they had been approved by a senior individual generally within the finance group.

**Mr. Frank Klees:** And so you did approve the CEO's expenses.

**Mr. Barry Pickford:** I approved the process by which they were being dealt with, yes.

**Mr. Frank Klees:** Whose money was Ornge dealing with in making those approvals of the multimillion-dollar loans to him—his exorbitant expenses—as a director of this organization?

**Mr. Barry Pickford:** I'm not sure what multimillion dollar loans to him you're speaking of. Ornge made a \$500,000—a \$450,000 loan to Dr. Mazza in 2010.

**Mr. Frank Klees:** There were more than that, sir. We have the documents here. So are you suggesting that you were not aware or you didn't sign off on all of those loans?

**Mr. Barry Pickford:** Could you tell me what the other loans were, please?

**Mr. Frank Klees:** Sure. We have July of 2011, and that was \$450,000. We have another loan that was in the amount of, I believe it was \$250,000. There were a number of other expenses that were approved. In the end, it turned out that there were some \$2 million—including a housing loan—that, at the end of the day, all came from government money.

Was it the board's—

**Mr. Barry Pickford:** No, I don't—can I?

**Mr. Frank Klees:** Yes.

**Mr. Barry Pickford:** If we could just go back, I did ask specifically about the loans, because the only loan that was made to Dr. Mazza from Ornge was the \$500,000 housing loan that was made in July 2010. The other two loans were made by, if you like, the for-profit side, by Ornge Global, for which Ornge was not responsible. Its money was not used for that purpose.

**Mr. Frank Klees:** Where did that money come from?

**Mr. Barry Pickford:** I assume the money came from funds that Ornge Global was earning, if you like, through the contract it had with Agusta, for one thing, and from other monies that may have been invested.

**Mr. Frank Klees:** You were the director; you were a director on those companies.

**Mr. Barry Pickford:** No, I wasn't a director on those companies.

**Mr. Frank Klees:** You were a director of Global Air.

**Mr. Barry Pickford:** Yes. The monies didn't come out of Ornge Global Air.

**Mr. Frank Klees:** Where did they come from?

**Mr. Barry Pickford:** They probably came from Ornge Global Holdings limited partnership and its other asset, which was Ornge Global Solutions.

**Mr. Frank Klees:** And you had no knowledge of those companies or the sources of their revenue.

**Mr. Barry Pickford:** I had knowledge of their sources of revenue, and as I say, Ornge Global Solutions's source of revenue was principally from the Agusta contract.

**Mr. Frank Klees:** That Agusta contract: You were familiar with the details of that contract?

**Mr. Barry Pickford:** I know it was a marketing services agreement in which marketing services were to be provided to Agusta for a payment initially of what I understood was \$4.8 million.

**Mr. Frank Klees:** You thought that was a legitimate agreement?

**Mr. Barry Pickford:** I thought it was a legitimate agreement, yes. We understood that it was not uncommon in the industry to have market servicing agreements.

**The Chair (Mr. Norm Miller):** You have two and a half minutes, Mr. Klees.

**Mr. Frank Klees:** Thank you.

Mr. Pickford, one of the standards of behaviour of a director is fiduciary duty. Given that you took on responsibilities as a director of Ornge, I would like to know from you who you thought you had a responsibility to, ultimately. Was it Mr. Mazza? Was it your fellow directors? Who were you acting on behalf of as a director?

**Mr. Barry Pickford:** I was acting on behalf of the company, Ornge, and its subsidiaries that I was also on the board of.

**Mr. Frank Klees:** You never made the connection between the company, the Ministry of Health and the public funds that were flowing to Ornge? You never recognized that your fiduciary responsibility—

**Mr. Barry Pickford:** Our fiduciary responsibility was to the company and to its stakeholders, and its stakeholders certainly included the government and the people of Ontario.

**Mr. Frank Klees:** In retrospect, knowing the waste of millions of dollars, knowing the compromise of patient care, knowing that as a result of some of the actions taken by Ornge, patients died, do you as a director of Ornge have any regrets?

**Mr. Barry Pickford:** I was very proud to be a member of the board of Ornge. Patients dying—that was an issue that was brought to our operations committee on a regular basis. We had a medical advisory committee that would report every quarter on incidents. To say that Ornge was responsible for people's deaths—I have difficulty agreeing with that.

**Mr. Frank Klees:** In retrospect, would you have done anything differently?

**Mr. Barry Pickford:** I don't think so. No. I'm still puzzled by what has happened to Ornge. I think it's a great company and it provided terrific service, and I think the opportunities that were there to effectively trade on its experiences and bring new revenues into the province, to bring new revenues in to Ornge itself to allow it to serve Ontarians better, were the right thing to do.

**The Chair (Mr. Norm Miller):** Thank you. We'll move to the third party. Ms. Gélinas.

**M<sup>me</sup> France Gélinas:** It's a pleasure to meet you, Mr. Pickford.

**Mr. Barry Pickford:** Thank you.

**M<sup>me</sup> France Gélinas:** I will pick up where my colleague left off. You've had a very honourable and distinguished career throughout your life. I'm sure not too many ministers have asked you to quit a board before. Could you explain a bit to me as to why you agreed? What information did you have to make you go from being proud to be part of something that was, frankly, till we found out, something that every Ontarian was proud of—I come from northern Ontario; we depend on Ornge for many, many services. Up until a fatal day actually a few months before this, everybody was proud and so were you. Then, in a span of a couple of weeks, it hits the front of the paper. You are asked to resign.

Could you talk to me about that period of time? Why would you resign if you are proud of what you've done?

0850

**Mr. Barry Pickford:** You're quite right. I mean, I will tell you that I was very proud of what we had done. I lived in the central part of Toronto, and I know that whenever an Ornge helicopter would fly over and I happened to be outside with neighbours, we would all take great pride in pointing to them and saying what a great service this was. The fact that through Ornge and its activities—it left Ontarians the freedom to live virtually wherever they wanted to live because they knew they could have health care available to them quickly and expediently, no matter what had happened. So you're absolutely right. It was with a great deal of pride.

What happened in the December-January period—I think when we first learned of Dr. Mazza's health, the issues regarding the income and, I must tell you, the Auditor General's report, it was all disturbing, to say the least. We had talked amongst the board members about various contingency plans of how we would go forward and ultimately realized, I think, that the only conclusion was that we should recommend to the minister that we continue for a while and get another board put in place, because we recognized there had undoubtedly been a loss of confidence in the senior management group and in, I expect, the board at Ornge.

I will tell you that some of the things we found out in December 2011 and in January 2012 were, as I said in my opening statements, most disturbing. To find that Dr. Mazza had been taking \$300,000 to \$400,000 a year in medical director fees—for which I don't think anybody

could show us any invoices for services that had been provided—was, in my view, disastrous. This was a breach of anything, quite honestly. Perhaps even worse, as we were told by senior management, was to know that this had gone on for some time, that every month he would be there asking for his cheque, and yet no one had mentioned anything of this to any board member. I was dismayed by it.

To find that, as Mr. Klees referred to, the Agusta-Westland contract—we had approved at the board level back in probably September or October of 2010 the payment of certain amounts to Agusta. If I remember correctly, it was a payment of \$2.7 million for amendments to the aircraft, including weight upgrades, which we were told were necessary to be done. Those weight upgrades and other changes, net of some credits, resulted in a \$2.7-million cash payment to Agusta, and we were paying something like \$2.3 million for an inventory of spare parts. Later in that same meeting, I was told also about the marketing services agreement as a separate, distinct item. Again, I think all of us understood that these were not unusual contracts to enter into between an aircraft supplier and its customer.

With those particular events, to then have somebody, the VP of finance and the chief legal officer for the company, come to Mr. Beltzner and I in early January to explain that there's a memo around that goes back to December 2009 where Rick Potter, who was the chief operating officer for Ornge Air—that says that we really did not have to pay any amounts for the weight upgrades—that information was not made available to the board until January 2012. It was a combination of all those events, particularly when we had been told specifically that we were making payments because weight upgrades were necessary. I think all of those things combined led us to the conclusion that we needed to make some changes, and it was probably appropriate that changes were made at the board level.

**M<sup>me</sup> France Gélinas:** It has been over a year. Looking back—I realize it's a bit of a judgment call—would you say that you were lied to, you were deceived or that you should have known and didn't do your job?

**Mr. Barry Pickford:** I think any time people at a corporation decide to collude with each other to falsify things, it's not discoverable by a board or even by external auditors, which we had. If people want to not tell you the truth and conspire to do so, then I'm not sure how a board could ever determine that.

**M<sup>me</sup> France Gélinas:** You were there when they came to the board and convinced the board that the \$2.7-million upgrade needed to be done and the \$2.3-million inventory needed to be paid. Who made those arguments? I'm guessing Dr. Mazza was one of them for sure, but he couldn't have done it alone.

**Mr. Barry Pickford:** I think, actually, the information came first to our finance and audit committee. It was presented to us by Maria Renzella that these amounts were required to be paid. The weight upgrades had also been discussed at the operations committee. I was not a

member of the committee, but I sat in on those meetings because it made sense to know what's happening from an operational point of view if you're going to do an effective job on the finance side. It was talked about there as being something that was necessary to be done.

**M<sup>me</sup> France Gélinas:** And who was part of those discussions?

**Mr. Barry Pickford:** I don't recall if Dr. Mazza was involved in those discussions. I think the chief operating officer of the company, Mr. Lepine, would have been there.

**M<sup>me</sup> France Gélinas:** Later on in that board meeting, they talked to you about a marketing agreement with Agusta. The amount is quite something. You're not a marketing firm; you are an air ambulance. My first thing is: What do you know about marketing, and why would anybody give you \$5 million to do marketing when you're an air ambulance?

**Mr. Barry Pickford:** Well, we were an air ambulance company; I agree. We were also the owners of aircraft. I think we were putting people in place who could do marketing work and marketing analysis. I assumed that it was meant to have long-term benefits to Agusta in that this could assist them in selling one, two, 10 or 20 helicopters to other countries and other organizations who would use air medical transportation systems as well. As I say, it was understood that a marketing services agreement is not unusual in these types of circumstances.

**M<sup>me</sup> France Gélinas:** Who put those arguments together? Who convinced you that what you were doing was legal, was legitimate, was good business?

**Mr. Barry Pickford:** I think we thought it was good business from the point of view that someone was prepared to pay for those services and that there would be staff who would be put together to provide the services and the research work that was necessary to be done. I don't recall exactly who said that; I'm not sure.

**M<sup>me</sup> France Gélinas:** So you just don't recall. Did information come in writing to the board members to prepare for that discussion?

**Mr. Barry Pickford:** No, I think the information was probably a two- or three-liner from the executive vice-president, who was Maria Renzella, about the fact that Ornge Peel had entered into a marketing services agreement with AgustaWestland and that they were prepared to pay \$4.7 million for this marketing services agreement for the services they would receive and pay for over a two-year period, and obviously, those services would then be provided over that same two-year period. Here's one agreement, which for marketing services is going to pay us a certain amount, and at the same time, in that same meeting, you say, "But we're going to pay them \$2.7 million" for what we understood would be hard assets. This is something we're paying for because we need it. We're paying \$2.3 million for spare parts inventory. Those, again, were hard assets, so it was hard to see that AgustaWestland was just—I know people now say, "Well it was just a transfer of funds over to them and

paid back to us." I could never see it that way at the time because we were acquiring hard assets with those funds. At least, that's what we were being told.

**0900**

**M<sup>me</sup> France Gélinas:** If you were a board member of Ornge when that information was discussed, how come information dealing with Ornge Peel would come? The marketing agreement was with Ornge Peel; it was not with Ornge the not-for-profit corporation. Yet they would share that information with the not-for-profit board?

**Mr. Barry Pickford:** I think it was being shared only on the basis that, "This is information that's happening with one of your 100%-owned subsidiaries," which Ornge Peel was at that time.

**M<sup>me</sup> France Gélinas:** Okay. I take it you were familiar with the corporate structure?

**Mr. Barry Pickford:** Yes.

**M<sup>me</sup> France Gélinas:** It's still a mystery to me as to why the corporate structure was so complicated. Can you explain that to me?

**Mr. Barry Pickford:** Well, I guess first of all, I'm not sure that I would have thought of it as being complicated. It may be part of my background. I've been a tax partner and was the senior vice-president, taxation for BCE for 12 years as well as being the vice-chairman, tax for KPMG. That type of complexity is not unusual at all and in fact is done for a variety of tax, legal and other reasons.

Briefly, the structure that existed before moving to the for-profit structure that we had in 2011 was in order that we could have Ornge Peel look for new service opportunities, for new for-profit service opportunities as effectively a wholly-owned subsidiary of Ornge the charity, which could not carry on profit-making operations. You needed a separation of the two companies, one from the other.

Ornge Air was formed for the purpose of, here is a company that's going to be providing air services, one that would have considerable risk to it, potentially, if there was ever a failure of an aircraft. It was decided that should be insulated from Ornge, which was the recipient of funds under the performance agreement. It made sense to have that legally separated and protect the assets of Ornge itself.

In the same way, the Ornge Issuer Trust was there because we were advised that what the market understands for a debenture issue of this type is having it done by a trust. A trust is simply a vehicle through which—you need two things to have a trust: You need a beneficiary, and Ornge was the sole beneficiary, so it was the beneficiary of all of the assets subject to the liabilities that were in the trust itself; and you need a trustee. But otherwise, I think that tended to make the transaction more financeable because it was something that was understood by people who would put their money into these debentures.

**M<sup>me</sup> France Gélinas:** I need to go on to one last topic, and I was advised that I only have a few minutes. I wanted to bring you to oversight. You knew that there

was a performance agreement between the Ministry of Health and Ornge.

**Mr. Barry Pickford:** Yes.

**M<sup>me</sup> France Gélinas:** You've made reference to it. How much oversight do you figure the Ministry of Health held over Ornge?

**Mr. Barry Pickford:** I guess it held the ability to ensure that we were performing under the contract because I think we looked at it as a contract for services by Ornge to the ministry. There were terms stipulated in it.

I know at this committee, you've talked about the MNP report, and I think when that report was finally completed, there were a number of areas in which the ministry and Ornge agreed that they would work more closely together to rectify some of the suggestions that had been made under the MNP report. In fact, we asked that management have a checklist that they would bring to the board on a quarterly basis to ensure that we were complying with the terms of the performance agreement, or if there were changes that were going to be made to it, that those were brought to our attention as well.

**Mr. Jagmeet Singh:** What role did the ministry have directly with your board in terms of your responsibility to provide updates to the ministry?

**Mr. Barry Pickford:** I think our role as a board was to ensure that management was having the appropriate discussions with the ministry. I don't think that there was any—I know that the chairman had occasional contact with the deputy minister at health, but from a board point of view, I don't think we really had any direct relationship.

**M<sup>me</sup> France Gélinas:** If the ministry had asked you to not pursue the for-profit venture, would you have complied?

**Mr. Barry Pickford:** I think so. I think, as you've probably heard before, when the board did approve the for-profit structure, it approved it on the condition that the province was made aware of all of the steps in the restructuring and that it was onside with it. Hearing no complaints about it at all, the board assumed that they were onside.

**M<sup>me</sup> France Gélinas:** So you did due diligence. Before you went into the for-profit, you made sure that the ministry would know all of it and had plenty of opportunities to say no or change. You heard nothing back from the ministry; you took it for granted that what you had proposed, they had agreed to?

**Mr. Barry Pickford:** Yes.

**Mr. Jagmeet Singh:** What steps did you take to make sure that the ministry knew?

**Mr. Barry Pickford:** Well, the steps were primarily—I think it probably started back in November 2010 when there were attempts made to speak to senior people at the Ministry of Health, and I think at the Ministry of Transportation and perhaps even at the Ministry of Natural Resources. It took some time to arrange those meetings. Those meetings did not happen until January 2011. I know that there was a very

significant letter addressed to the Minister of Health, a letter sent by Mr. Beltzner, the chairman of our board. That was followed up with in meetings with various people at health, finance and perhaps transportation as well.

**The Chair (Mr. Norm Miller):** And we'll move to the government. Ms. Jaczek.

**Ms. Helena Jaczek:** Mr. Pickford, how did you come to be a member of the Ornge board?

**Mr. Barry Pickford:** When I retired from BCE, I decided that I would like to see if I had the skills and abilities to become a director of companies, so I took the Institute of Corporate Directors course, which started in April or May 2007.

While at the course, I met Mr. Beltzner, who I had not seen for some time. Mr. Beltzner and I had been partners together at KPMG a number of years earlier before I had left KPMG to go to BCE. He told me about some of the work he was doing at Ornge. Maybe he was waiting carefully to see if I would actually graduate from this course, but when that happened, he asked if I would be interested in joining the board of Ornge.

He talked to me about Ornge and what it was doing. I met then with Dr. Mazza. I can tell you I was most impressed with Dr. Mazza's ability to be able to look at the future and see what he wanted for Ornge, the vision that was there, and to tell me about the things that had already happened at Ornge and how they had taken this disparate group of assets, if you like, and had been able to put those together. I will tell you, I was delighted to join Ornge as a director.

**Ms. Helena Jaczek:** Were you at that point offered any particular remuneration, retainer, to be a director of Ornge?

**Mr. Barry Pickford:** I don't think we really discussed fees at the time. I was interested in doing it, but I knew that yes, there were director fees that were being paid.

**Ms. Helena Jaczek:** You understood that the major funder—obviously, the funder—was the Ontario Ministry of Health?

**Mr. Barry Pickford:** I knew that there was a performance agreement between the Ministry of Health and Ornge, yes.

**Ms. Helena Jaczek:** Were you aware, or perhaps was it talked about during your directors course, that agencies of the government usually pay a retainer, very small expenses? Were you aware of the type of remuneration you might come to expect being a director of Ornge, which, as you have told us, by 2010 amounted to some \$94,000?

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**Mr. Barry Pickford:** My fees as a director were paid by Ornge Peel, not by Ornge. The company had changed dramatically, too, over the years. It had gone from providing air medical transportation services to the province to now being the owner of almost 20 aircraft. It had become indebted to the tune of \$275 million. It owned substantial assets and was looking for a number of new

methods to bring revenues into Ornge. That whole combination of things—it wasn't just simply working for an organization that was providing services only to the province.

**Ms. Helena Jaczek:** Do you recall how much your retainer was when you first started with Ornge?

**Mr. Barry Pickford:** It was probably \$5,000 or \$6,000.

**Ms. Helena Jaczek:** Okay. So you saw the increase over those few years as related to what—I have to disagree with you—most of us feel is an incredibly convoluted structure. Perhaps we're not so familiar with the business world as you, but for an air ambulance service for the people of Ontario, most people, I would argue, would say that this is the most incredibly convoluted—and, quite seriously, unnecessarily so—type of structure—

**Mr. Barry Pickford:** Well, can I just add, because you're looking, I think, from what I can see—the back of it is the chart that is proposed going forward from 2011 on.

**Ms. Helena Jaczek:** This is the existing structure when you were a member of the board through until January 2012.

**Mr. Barry Pickford:** Yes, from the 1st of January, 2011, through to January 2012. Yes, it was.

**Ms. Helena Jaczek:** So as we—

**Mr. Barry Pickford:** The only point I wanted to make—I know it does look complex; I'm not trying to belittle that point, but some of the aspects of the structure were there to ensure financeability of the right-hand side, that is, the ability to raise funds from third-party equity investors, and to do it in a way that it would be something that they understood would protect their investment, they understood would allow—to the extent that there were start-up losses in the organization—to flow out losses to them, and when it became profitable, that profits would flow out directly to them as well.

As complex as it looks, it was done very much for a reason, because it would have a certain degree of appeal to third-party investors. The structure was very much based on “How do we raise equity to be able to take these for-profit services that we want to build and bring revenues back into Ornge?” It necessitated having third-party investment in it.

**Ms. Helena Jaczek:** And as Mr. Klees has pointed out, of course, the prospectus did show that the government of Ontario was essentially the guarantor.

In your experiences as a chartered accountant, did you have any experience in terms of aviation or ambulance when you joined the board?

**Mr. Barry Pickford:** No.

**Ms. Helena Jaczek:** There's a reference in the Auditor General's report of March 2012 that, when I first read it, puzzled me. This is a reference to the founders' equity plan. Could you explain your understanding of that plan?

**Mr. Barry Pickford:** The founders' equity plan was simply the creation of a company called Ornge Global

Management Inc., which was the initial limited partner in the limited partnership. Senior management of Ornge would have shares in that company.

**Ms. Helena Jaczek:** Did you have any role in the creation of that plan?

**Mr. Barry Pickford:** Only in looking at some of the terms of it, initially. Those were supplementary agreements that were not part of the Ornge independent committee's work.

**Ms. Helena Jaczek:** The Auditor General, in his report, indicated that this was an area where he had sought documents from Ornge but had not received the requested information. Were you involved in any of the discussions related to the production of the document?

**Mr. Barry Pickford:** I don't know that I was involved in any of the discussions relating to the production of those particular documents. I wasn't, unfortunately, very involved in many of the stages of the Auditor General's work at Ornge.

**Ms. Helena Jaczek:** Under this founders' equity plan, would there have been some possibility of you receiving some benefit from that plan?

**Mr. Barry Pickford:** As it turned out, yes, there was. After the Ornge board had approved the transaction to go forward with the not-for-profit structure, Dr. Mazza called all of us individually to tell us that we'd been awarded some shares in Ornge Global Management Inc. That was not part of the founders' equity plan, but we did, yes, become shareholders in that company.

**Ms. Helena Jaczek:** You were chair of the finance and audit committee. Obviously, I think we all recognize that's a particularly important committee of any board. In terms of the type of material that you would review, to what extent were you aware of concerns by the Ministry of Health? There was a Meyers Norris Penny audit. Did you review all these documents?

**Mr. Barry Pickford:** Yes, we read them. It was left up to a specific group at Ornge to deal with that. I think we may have even had one meeting with Ruth Hawkins and some of her people about the Meyers Norris Penny work that was being done.

Ultimately, I think the report made a number of suggestions which Ornge agreed it would comply with, and the ministry also made its comments on it. As I stated earlier, there was an agreement at Ornge that at each board meeting, there would be an update on, if you like, a performance agreement checklist. Much of that came out of the MNP report.

**Ms. Helena Jaczek:** Some sort of red flags were raised, would you say?

**Mr. Barry Pickford:** I don't know that they were red flags. Quite honestly, many of the suggestions were timing issues: “We're not getting this soon enough.” “We don't think your budget for your coming year”—which would start in April—“we're not receiving it by July 1 of the preceding year.” “We're getting quarterly statements, but we're not getting a quarterly statement for the fourth quarter; we're only getting annual reports.” There were a number of things like that, which all seemed soluble and

not disastrous to any extent to the way in which Ornge was being run.

**Ms. Helena Jaczek:** Were you ever, as a board member, made aware of some concerns raised by paramedics, in relation to this very valuable and important service to the people of Ontario, that there was a lack of service availability, a lack of aircraft, a lack of qualified paramedics at various stations?

**Mr. Barry Pickford:** As I said, I attended some of the operations committee meetings—I attended all of them—not as a member of the committee, but as a matter of interest. I think there were always issues that came up like that, issues that we were assured were being dealt with.

**Ms. Helena Jaczek:** So did you ask for some updates as to how—

**Mr. Barry Pickford:** Yes.

**Ms. Helena Jaczek:** Who would you have received those from?

**Mr. Barry Pickford:** I think most of the updates in that situation would have come from Mr. Lepine, Tom Lepine, who was the chief operating officer for Ornge itself.

**Ms. Helena Jaczek:** Did Dr. Mazza attend meetings of the finance and audit committee?

**Mr. Barry Pickford:** He did, yes.

**Ms. Helena Jaczek:** Did he attend meetings of the operations committee?

**Mr. Barry Pickford:** Yes, I think he did. Yes.

**Ms. Helena Jaczek:** Did he contribute to those discussions?

**Mr. Barry Pickford:** Absolutely, yes.

**Ms. Helena Jaczek:** And did you find him persuasive?

**Mr. Barry Pickford:** I always found Dr. Mazza persuasive, but I found him persuasive because most of the arguments he made in favour of one action or another seemed quite valid, seemed most appropriate. He was a very, very bright man.

**Ms. Helena Jaczek:** In terms of his salary, which as we know escalated over the years, were you involved in approving that increase year over year?

**Mr. Barry Pickford:** I think the increase in which all of the board would have participated would likely have happened in June 2010. Earlier that year, our compensation and governance—our governance and comp committee had suggested that we should have an independent compensation consultant look at incomes of the very senior management group at Ornge, including the CEO. That went out to a company called CLISTE Executive Services. In June 2010, that's when they first reported to the governance and comp committee and then later to the board.

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They gave a very detailed verbal presentation with slides and overheads indicating what they thought had changed at Ornge, what they thought the company was becoming, and that its comparator group should really be measured on the basis of a company that was more in the

for-profit business, because that's what Ornge Peel in particular was trying to do at that time: find new profits that would come back into the hands of Ornge; it was also now in the airline business as well as providing the air medical transportation system for the province. That comparative group, which was made up of a number of different companies in health transportation insurance industries, concluded and advised the board that Dr. Mazza's salary should be increased to \$500,000 a year; that he should have a short-term incentive bonus that was performance-related that could max out at around the same \$500,000; and that he have a benefits package that was equal to about 30% of his salary that would be made up of probably pension payments, health plans etc.

**Ms. Helena Jaczek:** Were you aware at that time that he was also pulling in a stipend, I believe—

**Mr. Barry Pickford:** Absolutely not.

**Ms. Helena Jaczek:** You were not aware of that?

**Mr. Barry Pickford:** Absolutely not. I think I can say unequivocally that if the board had known at the time it was making that decision regarding his salary that he was also pulling out \$400,000 or whatever—I'm not even sure exactly what that figure is—we may well have thought very much differently about it.

**Ms. Helena Jaczek:** I'm just puzzled about how you, as chair of finance and audit, could not have known where that money came from.

**Mr. Barry Pickford:** I'm not sure it's a question of where the money came from; I think it's where it went—into Dr. Mazza's hands. If—

**Ms. Helena Jaczek:** Seriously, I would like to know where you think it came from. I mean, he was the medical director of Ornge. That has nothing to do with any of these for-profit companies.

**Mr. Barry Pickford:** I agree. As I said before, if people want to not tell you the truth, if they want to say things to you and not tell you about a situation, then I don't know how we would even know where the money came from, let alone where it went.

Up until late December 2011, I had no idea that Dr. Mazza was being paid an amount to provide medical services as a medical director, because there was a medical director who was already there who was being paid to do those very same things. There were clearly a lot of people in management who did know. The board did not know that he was being paid those amounts.

**Ms. Helena Jaczek:** But surely, as chair of finance and audit, you would have a budget yearly that you would look at.

**Mr. Barry Pickford:** Yes.

**Ms. Helena Jaczek:** It would be line by line. There would be a line saying "Medical director stipend."

**Mr. Barry Pickford:** There was a line that said "Medical contractors." It had a budgeted amount of probably \$3 million to three and a half million dollars, if I remember correctly; \$300,000 could get lost in there.

We had a number of other people who were medical doctors who were providing services to Ornge, not necessarily as medical directors but as docs-in-a-box. But

those were all under contract. This amount, I assume, would have gone into that same line.

**Ms. Helena Jaczek:** Were you part of the decision to move from contracting the aviation services from various companies across Ontario to the purchase of aircraft helicopters?

**Mr. Barry Pickford:** It was presented to the board. I think by the time I became a member of the board, much of the decision had already been made. When I was a member of the board, very specific parts of looking for suppliers had started.

I'll tell you, I think it was absolutely the right decision. I think the proof is very much when you look at what was being provided by our helicopter supplier: Sikorsky 76s—rotor-wing aircraft and helicopters that were 20 and 30 years old. CHL had come back to us and wanted an increase in what we were going to pay them for their service of providing the helicopters and their management of that whole fleet—providing pilots, fuel, maintenance etc. In the last years, even though we had told them that we were going to buy our own aircraft, the fee from CHL was \$33 million to provide those services. Here we are with aging aircraft; to go back to them and say, “We want you to now start buying new aircraft”—we looked at what their cost of capital would be, and we looked at the profit margin they would want on supplying those helicopters on an annual basis, and decided it made good sense for us to buy our own at what we believed would be a reduced cost of capital with no profit margin built into it.

When you look at what has happened to those Sikorskys today, Sikorsky won't take them as trade-ins. They have no spare parts available for them—you can only get them on secondary markets—and they now have a history of maintenance failures.

**The Chair (Mr. Norm Miller):** And we are out of time, I'm afraid, so thank you very much for coming before the committee this morning, Mr. Pickford.

**Mr. Barry Pickford:** Thank you.

#### DR. ROBERT LESTER

**The Chair (Mr. Norm Miller):** I'd now like to call Mr. Robert Lester to come forward, please.

**Mr. Frank Klees:** Chair?

**The Chair (Mr. Norm Miller):** Yes?

**Mr. Frank Klees:** While Mr. Lester is coming forward, I just want to apologize to Mr. Pickford for referring to him as Mr. Peckford. That was not intentional.

**Mr. Barry Pickford:** I realize. You gave me a certain notoriety; some famous politicians have that name.

**Mr. Frank Klees:** I thought there might be a relation, but I didn't want to pursue that line of questioning.

**Mr. Barry Pickford:** Thank you.

**The Chair (Mr. Norm Miller):** Mr. Lester, just to confirm that you received the letter for a person coming before the committee?

**Dr. Robert Lester:** I did.

**The Chair (Mr. Norm Miller):** Very well, and I'll have the Clerk do an oath of witness or affirmation.

**Dr. Robert Lester:** Affirmation.

**The Clerk of the Committee (Mr. William Short):** Okay. Mr. Lester, raise your right hand. Thank you.

Do you solemnly affirm that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth?

**Dr. Robert Lester:** I do.

**The Clerk of the Committee (Mr. William Short):** Thank you.

**The Chair (Mr. Norm Miller):** Thank you. You have time for an opening statement, if you'd like, and then we'll go to questions.

**Dr. Robert Lester:** Just as an aside, given what you said, it's Dr. Lester, so we'll get the titles straight.

**The Chair (Mr. Norm Miller):** Thank you.

**Dr. Robert Lester:** I'd like to make a brief opening statement, and thank you for giving me the opportunity to do so.

I've spent my entire adult life, almost 50 years, in health care, initially as a practising physician, and then as a physician administrator at Sunnybrook. Throughout my career, I have dedicated myself to try to improve health care in this province, specifically the integration of the various components of our health care system.

In late 2004, the Ontario Air Ambulance Program, which had been a program at Sunnybrook, was divested as an independent entity. I, as the executive vice-president, medical and academic affairs, and chief medical executive at Sunnybrook, together with the Sunnybrook board chair and CEO, was invited to sit on the inaugural board.

When I retired from Sunnybrook in 2007, I was invited to stay on the Ornge board. With the creation of the most recent for-profit structure, as you know, the board was split at the end of 2010 into a not-for-profit board and a number of for-profit boards. Since that time, until my resignation in January 2012, I was only active on the board of the not-for-profit Ornge, and did not participate in the boards of Ornge Global companies.

From my perspective, based both on the information that was provided to us and the environment at the time, there was a cogent rationale for each step the board took. The underlying objective of those steps was always to enhance the quality of Ornge's services to the people of Ontario. There were consistently comprehensive discussions of the relevant issues at board meetings, and where major decisions or concerns were being contemplated, the board solicited leading independent legal, financial and compensation advisors to ensure that the decisions being made were in the best interests of Ornge and the stakeholders it served.

On a personal note, in the past—much like Mr. Pickford, because I live in a similar area, right near Sunnybrook—whenever I saw an Ornge helicopter flying overhead, I viewed it with a great sense of pride. Presently, any reference to Ornge makes me feel sick.

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My father was not a very educated man. However, I have always remembered something he told me when I was a young man growing up: “Bob, when your days on this earth come to an end, it is not how much money you leave behind that is important. The most important thing for you to leave behind is a good name.”

Having strived my whole life to live up to my father’s advice, I hope you can appreciate how distressed, saddened and disappointed I am that I am now involved in an unfortunate situation such as this in the twilight of my career.

That concludes my introductory remarks, and I’m ready to answer any questions you may have.

**The Chair (Mr. Norm Miller):** Thank you very much. We’ll go to the NDP first. Ms. Gélinas?

**M<sup>me</sup> France Gélinas:** Thank you so much for coming, Mr. Lester. I would say—

**Mr. Frank Klees:** Dr. Lester.

**M<sup>me</sup> France Gélinas:** Dr. Lester. Your dad was a very wise man.

**Dr. Robert Lester:** I think he was.

**M<sup>me</sup> France Gélinas:** I will start my questioning similarly—I think you sat in the room for the first interview.

**Dr. Robert Lester:** Yes, I did.

**M<sup>me</sup> France Gélinas:** Take me through this period of time from the beginning of December 2011 to the beginning of 2012, when you went from being a proud physician of a proud organization to having to resign under pressure from the Minister of Health.

**Dr. Robert Lester:** I’m not sure, because I’m not totally with it, whether I actually skipped one sentence in my introductory remarks, and maybe I did or did not. I don’t know if I said that no one could have been more surprised than I was about allegations such as kickbacks and being paid for work that wasn’t done.

I was so disappointed in what had happened. I was so upset by the press, by the allegations of illegal actions that I did not feel that I could stay on as a member of the board. It just seemed to be the appropriate next step. There was a cloud over the organization. That cloud was spread over to the board, and I felt that it was appropriate for the board to step aside and to allow a new board to try to do what they needed to do, as determined by the province, to correct whatever deficiencies they saw that the old board had perhaps done.

**M<sup>me</sup> France Gélinas:** Aside from what you read in the papers—no offence to all of my media friends out there, but they don’t always get it right. What was shared with you that convinced you that what was going on was real and not an over-zealous front page?

**Dr. Robert Lester:** I think the two major pieces that we learned at the very end of 2011 and in January 2012 were related to the medical director fee that Dr. Mazza received, and also, apparently, the fact that we paid for the weight upgrades, even though there were numerous people within the organization who apparently knew that that payment was not necessary and that no one had

stepped forward to the board—to any member of the board, as far as I know—to indicate that those payments were not necessary. Those, I think, were the two major factors.

**M<sup>me</sup> France Gélinas:** If we take them one at a time, the medical director fee: When and how did you become aware of this?

**Dr. Robert Lester:** The medical director fee: I believe we became—I can’t totally recall whether it was December 2011 or January 2012, and I’m not quite sure how it actually surfaced. But at the discussions that were going on as we were dealing with the tumult that was occurring at that time, it became evident to the board that that payment had been made and was in the range of \$400,000. It was a continuation of something that had started many years before. I think the board thought it had been terminated, but apparently it had continued on, unknown to the board.

**M<sup>me</sup> France Gélinas:** So the way you see it evolving is that when Ornge was first created, when air ambulance left Sunnybrook and became an independent corporation, Dr. Mazza would have had a medical role to play and therefore would have received medical director fees?

**Dr. Robert Lester:** I believe that is correct. He did play the role of medical director and performed those services. As his responsibilities as the CEO increased, he divested himself of those medical director tasks but continued to collect the stipend for them.

**M<sup>me</sup> France Gélinas:** If we come back to the other parts—you called them “kickbacks”—where you paid for a weight upgrade that some staff—when and how did you become aware of this and knew that it was a fact, not just a front-page headline?

**Dr. Robert Lester:** Again, I think it was in the same time frame. I believe it was communicated to us by Rick Potter that in fact he had been aware that those payments were not necessary and had been aware of it in advance of the payments, and yet the payments had gone through.

**M<sup>me</sup> France Gélinas:** And why would Rick Potter have been at the board meeting?

**Dr. Robert Lester:** I don’t think he was at the board meeting. I think this was at the end as we were trying to tie down all the various components of what was going on, so there were people coming in and out as we were trying to wind things down.

**M<sup>me</sup> France Gélinas:** Have you had any contact with Ornge since January 2012?

**Dr. Robert Lester:** No, I have not.

**M<sup>me</sup> France Gélinas:** And your—

**Dr. Robert Lester:** Excuse me. I did go in to see Dr. McLellan to congratulate him on his appointment to the Ornge board, which would be the only indirect contact I would have had with Ornge, of any type.

**M<sup>me</sup> France Gélinas:** If you look back on your years on the board, can you see any red flags along the way? Now that you know what you know, were there any signs that basically we can learn from so that it doesn’t happen again?

**Dr. Robert Lester:** I’ve got to admit that I’ve spent a lot of hours thinking about that very question. I think it’s

a germane question to what you need to deal with. I believed quite firmly that what we were doing was the right thing. Given the information that we had at the time that we were doing it and in the environment that we were operating within, I felt that we were doing the right thing.

I feel very strongly, because as a hospital administrator I've spent a lot of time dealing with the Ministry of Health, that if the Ministry of Health had come in and said, "This is not the direction we want you to go in," I think the board would be hard-pressed to pursue that direction. Given the fact that, from my perspective, there were no red flags raised at the ministry and given the fact that, from my understanding, other organizations were entering into similar structures to try to raise money to close the gap, and given my knowledge that virtually every hospital in the province is looking at for-profit investments in order to close the gap between the funding of their hospital and the services they need to provide, from my perspective, it seemed to be the right direction because the government did not have the money to support everything that we were trying to do, as it doesn't to support everything the hospitals are trying to do. So it made sense for us to try to move to a for-profit entity which could supplement the money that we were getting to try to improve the services of the citizens of the province.

**M<sup>me</sup> France Gélinas:** You felt basically, looking back, the fact that the Ministry of Health encouraged you and supported you in that direction gave you comfort that you were going in the right direction?

**Dr. Robert Lester:** I'm not sure that I would use the term "they encouraged us." What I believe I said was that they did not raise any major concerns that I was aware of that we were heading in the wrong direction. My recollection is that the broad brush strokes of where Ornge was going were in the MNP report, and that they were further advised as to the direction in the letter and briefings that occurred in early 2011. So from my perspective, I felt that there was ample information that the ministry had. They had ample opportunities to say that this was entirely the wrong direction, partially the wrong direction or "Did you think about this or think about that?" Although I've now heard that there were a number of red flags going up, I didn't see any of the red flags. They didn't come to my attention.

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**Mr. Jagmeet Singh:** What gave you confidence that the ministry was aware or had been given an opportunity to give input in terms of the direction? What confidence did you have that that actually had occurred?

**Dr. Robert Lester:** As I said, I think there were two or three issues that I would say: The broad brush strokes were in the MNP report; the letter that was sent to not only the Ministry of Health but other ministries around the directions that Ornge was taking; and then subsequent meetings from representatives of Ornge with representatives of the various ministries.

**Mr. Jagmeet Singh:** Did you have any concerns personally, just as a physician, when you were presented

with not the overall idea of having a for-profit side, but the way the for-profit side was structured?

**Dr. Robert Lester:** I shared the same concerns that you did. I mean, it was very complicated for me as a physician to try to understand this. I spent many hours trying to understand exactly how it was set up.

Ultimately, I think I had to rely on the fact that people with more expert business experience than I, together with the independent experts which the board went to for advice, was the appropriate—that this was a structure that was appropriate.

Not only did we deal with the advice that we got in terms of setting up the structure, but we went to the extent of creating this independent committee, which then sought independent legal advice from another large firm that saw no problems with it. They got tax advice and other advice from two large accounting firms. So from my perspective as a member of the board, I thought that the due diligence had been done.

**Mr. Jagmeet Singh:** Who were the independent experts?

**Dr. Robert Lester:** I'm sorry?

**Mr. Jagmeet Singh:** Who were the independent experts?

**Dr. Robert Lester:** Davies was the legal expert, and I think KPMG and Pricewaterhouse were the accounting firms, and I think also Standard and Poor's, I believe, indicated that it would have no effect on our credit ratings.

**Mr. Jagmeet Singh:** Thank you. My colleague has a question.

**M<sup>me</sup> France Gélinas:** So you've identified three key points that basically reaffirmed for you that the ministry knew the direction you were going and had ample opportunity to pipe in if that was not the direction you should take. So there was the Meyers Norris Penny report. There was the letter that was sent to the Minister of Health as well as 16 other ministries—there was a large list of cc's on that. Then there were the subsequent meetings between representatives of Ornge and the government.

Were the reports of those meetings ever reported back to the board of Ornge? Did they ever debrief as to, "We went, we saw, we talked, it went well"? Were you aware of how this had gone?

**Dr. Robert Lester:** I can't recall if it actually came back to a board meeting, but I think that there was a general sense from the representatives that there were no huge obstacles that the government was putting up to us, and that things had gone quite well.

**M<sup>me</sup> France Gélinas:** And who would have told you that?

**Dr. Robert Lester:** It would have come from Mr. Beltzner, who was the chair and who had gone there representing Ornge, together with whatever staff went to support him.

**M<sup>me</sup> France Gélinas:** So, your chair.

**The Chair (Mr. Norm Miller):** You have about three minutes.

**M<sup>me</sup> France Gélinas:** Had you seen the letter outlining your future direction that was addressed to the minister?

**Dr. Robert Lester:** Yes.

**M<sup>me</sup> France Gélinas:** You had seen it. Had you seen it before it was shared with the minister?

**Dr. Robert Lester:** I think I saw it after it was shared with the minister.

**M<sup>me</sup> France Gélinas:** Do you feel that it accurately described the path that you intended to go on?

**Dr. Robert Lester:** It was my impression that it did.

**M<sup>me</sup> France Gélinas:** So basically the activities that took place were very similar to the path that had been explained to the minister in that letter?

**Dr. Robert Lester:** From my perspective, that was my understanding. Yes.

**M<sup>me</sup> France Gélinas:** And the minister and many other ministers had received the letter, had an opportunity to be briefed on it and raised no opposition; that was a good path.

**Dr. Robert Lester:** As far as I know, there was no significant opposition to any of the plans that were presented.

**M<sup>me</sup> France Gélinas:** If the ministry had said, “We’re worried about that path. We’re worried that this corporate structure is too convoluted,” what would have been your reaction?

**Dr. Robert Lester:** Personally, my reaction would be that that was a huge red flag. Having dealt with the ministry for many years, I would have had, I think, a great deal of difficulty in supporting moving in a direction that the Ministry of Health did not approve.

**M<sup>me</sup> France Gélinas:** We’re about to pass an extra bill. In your sense, you wouldn’t have needed a law; you wouldn’t have needed a new bill. Had the ministry said, “We have concerns,” automatically, it’s a red flag. It doesn’t have to come via a special air ambulance act that says X, Y, Z?

**Dr. Robert Lester:** My understanding was that the ministry could not forbid us to move in that direction. However, I think that it would be extremely foolhardy for Ornge to pursue a structure that the ministry did not approve. Perhaps it makes it a little bit more concrete in terms of creating this special bill, but I cannot believe that I, personally, or the board would have pursued an organizational structure that the ministry said was flawed or that was not in the best interests of the province or whatever else they might say.

**The Chair (Mr. Norm Miller):** Thank you for that. We’ll move to the government now. Ms. Jaczek?

**Ms. Helena Jaczek:** Welcome, Dr. Lester. I think probably Ms. Gélinas and I both remember your testimony in front of the Select Committee on Mental Health and Addictions and your well-known advocacy on behalf of those suffering from Alzheimer’s. Welcome back.

**Dr. Robert Lester:** Thank you so much. I enjoyed the last one a lot more.

**Ms. Helena Jaczek:** Just to get back, you were part of the inaugural board of Ornge. How did that happen?

**Dr. Robert Lester:** Well, as I said, because it was a program of Sunnybrook, when it was divested, I think it was sort of a natural transition. At the time, I was the chief medical executive and EVP at Sunnybrook. I, together with the board chair and the CEO, was appointed to the inaugural board to sort of help with the transition from a program to an independent entity.

**Ms. Helena Jaczek:** At the time, you knew Dr. Mazza, I presume.

**Dr. Robert Lester:** I had met Dr. Mazza on a number of occasions because he worked in the emergency department at Sunnybrook.

**Ms. Helena Jaczek:** When you first started on the board of Ornge, was there some sort of retainer or expense arrangement?

**Dr. Robert Lester:** No.

**Ms. Helena Jaczek:** It was a voluntary position.

**Dr. Robert Lester:** It was a volunteer position.

**Ms. Helena Jaczek:** How did that evolve through the years for you, personally?

**Dr. Robert Lester:** For me personally? At some point in time, there was a payment of meeting fees, which was a few thousand dollars. Then as time went on, as you’ve heard the testimony, as we moved to a different type of structure with increased risk, there was an additional stipend paid, I guess, in recognition of the work that we were doing to try to move into a different structure—the increased risk, the increased complexity and so forth.

**Ms. Helena Jaczek:** So what did that rise to just before your resignation?

**Dr. Robert Lester:** My total compensation for the seven-plus years I was on the air ambulance Ornge board was in the range of about \$180,000—over seven years.

**Ms. Helena Jaczek:** Over seven years.

**Dr. Robert Lester:** In addition, I submitted approximately \$1,000 in expenses—over seven years.

**0950**

**Ms. Helena Jaczek:** Thank you. You heard the previous testimony, and perhaps you recall from the Auditor General’s report, this reference to the founders’ equity plan.

**Dr. Robert Lester:** Yes.

**Ms. Helena Jaczek:** Had you a particular understanding of what that plan was all about?

**Dr. Robert Lester:** What the plan would look like?

**Ms. Helena Jaczek:** Yes.

**Dr. Robert Lester:** I understood, in retrospect, what the plan was supposed to do. My understanding of it—and it’s a limited understanding of it—was that it was, in a way, to reward the founders for the creation of the entity. But, as you’ve heard, none of us were aware that that was, in fact, going to occur.

I can remember, actually, when I got the call from Dr. Mazza telling me—and I believe it was a 0.75 share that I was being awarded. I sort of laughed. I said, “I don’t understand what that even means.” I didn’t assign any particular value to it.

As time went on, it seemed fairly evident to me that I was in the process of sort of—because of my wife, as you

know—re-examining my life. I was in the position where I was about to think about retiring from Ornge and from other boards that I had been on. So I never really expected that there would ever be any monetization.

I'm not even sure if it actually even got completed. I remember seeing a draft, but I don't ever remember seeing any final documentation of that founders' equity plan.

**Ms. Helena Jaczek:** So when the Auditor General tells us that he had difficulty getting information about this particular plan, would you have seen any reason why he shouldn't get whatever plan was in place, even if it was a draft?

**Dr. Robert Lester:** I don't see any reason why. I wasn't particularly alarmed about anything. No, I think the Auditor General should have had access to whatever he had the right to have access to.

**Ms. Helena Jaczek:** When you were talking about the complex structure and that you found it somewhat complicated as well—when this was being explained to you, who tried to describe the new corporate structure to the board?

**Dr. Robert Lester:** I think it was largely Alfred Apps who provided us with the description of what the plan would look like.

**Ms. Helena Jaczek:** And did you, at that time, sort of have questions related to it, or was there anything that you felt uncomfortable about with this?

**Dr. Robert Lester:** I was always uncomfortable with what risks we were taking on as a result of moving in that direction. So there was a lot of discussion around that and reassurance from a legal standpoint, from a tax standpoint, from a financial standpoint.

The information that we were receiving was that we were, in fact—and this is my understanding—insulating Ornge from risk by creating this structure, and at the same creating a structure that would attract equity partners to invest in it. So from my perspective, it sort of made sense. We had a need. We needed to get private investors to invest in it. We had to create a structure that they were comfortable with at the same time as trying to create a structure that protected Ornge. So from my understanding, we actually accomplished that. Whether or not in effect that did or did not occur in the way that I understood it, I think it's for other people to judge.

**Ms. Helena Jaczek:** In your earlier answers to my colleague, you sort of referenced—you got the sense that other health care institutions were moving in a similar direction. Could you kind of clarify that?

**Dr. Robert Lester:** Sure. I think there are two references that I would make to that. I knew for a fact that OTN was moving in that direction and was adopting a very similar structure. I knew it because I was on the OTN board, and I played a role in that. I did not particularly champion the structure—I wouldn't be a champion of it—because, as I said, it was not something that I was totally familiar with. I also know that when this all broke, in terms of Ornge, they totally backed away from the structure.

The other thing, of course, is—and I don't know what the structure is, but major hospitals like Sunnybrook, UHN, Sick Kids and Baycrest are all looking at creating private sector—I want to say “adventures,” but “adventures” is not the word. What word am I looking for?

**Interjection:** Ventures.

**Dr. Robert Lester:** Ventures—private sector ventures, to try to raise money.

I have to say, in the latter part of my career, the last 10 years of my career, when I was much more involved in administration—although I had been about 20 years in administration—the vast majority of every meeting that we had at the hospital was, “How do we meet our budget? What services are we going to cut? And how, when we cut those services, are we going to try to maintain quality for the patients that we no longer can serve?” So I was quite familiar with the fact that there has always been a gap in terms of what people want and what people can be provided. That is both the good and bad of being in a socialized medicine scheme.

**Ms. Helena Jaczek:** And this, of course, has extended for many, many years.

**Dr. Robert Lester:** For many years; this is not new.

**Ms. Helena Jaczek:** So we're talking decades.

**Dr. Robert Lester:** We're talking decades.

**Ms. Helena Jaczek:** And just for the clarification of my colleagues: OTN, meaning Ontario Telehealth Network?

**Dr. Robert Lester:** Telemedicine.

**Ms. Helena Jaczek:** Telemedicine.

**Dr. Robert Lester:** Yes.

**Ms. Helena Jaczek:** Okay. Dr. Lester, I think my colleague has detailed the fact that the medical director stipend presumably just kind of was established originally and then nobody ever questioned back whether Dr. Mazza was still receiving it. Was that how you—

**Dr. Robert Lester:** My understanding was, it was assumed that he was no longer receiving it because he was no longer providing the duties.

**Ms. Helena Jaczek:** What about his expenses? Were you ever made aware of the ski trips and expensive hotel and food bills?

**Dr. Robert Lester:** I would say that I found out almost all of that after the fact, in the last month or two as it broke into the press.

**Ms. Helena Jaczek:** So that was not something that the board—

**Dr. Robert Lester:** It was not something that I was aware of. I knew he was going to Europe to meet with representatives of Agusta and so forth, as part of the normal course of business. I didn't know that he was staying in expensive hotels and eating exorbitant meals and doing other things that apparently have come out since then.

**Ms. Helena Jaczek:** I'll hand over to my colleague.

**Dr. Robert Lester:** Hello.

**Ms. Dipika Damerla:** Thank you, Dr. Lester, for coming in. I know it's not easy, being in your position and then all of us questioning you.

Just very quickly, you did say that you were not aware of his expense account, but what about the salary that the board approved? You were aware of it.

**Dr. Robert Lester:** I was, yes.

**Ms. Dipika Damerla:** What did you think of that decision?

**Dr. Robert Lester:** What I said in my introductory remarks was that the decisions that were made have to be taken into the context of when the decisions were being made—and I thought about this a lot.

What the board was faced with was the following sort of decisions: Was Dr. Mazza the right person to be the CEO of Ornge? Was there a risk in losing him to another company because of his expertise? If there was a risk to losing him, what options did the board have if they wanted to retain him? I think those were the questions we were faced with.

I think that Dr. Mazza was a charismatic leader and had an incredible vision of where Ornge was going to go. He was an emergency room physician. He had a business degree. He understood the aeronautical industry. So he had a whole host of very strong attributes which would make the board want to keep him.

The second thing was, was there risk? It was our understanding that he was being wooed by companies in the United States to move to the United States, and probably at a salary that was significantly more than what he was being paid at Ornge.

The third thing was, what would the impact be on Ornge if Dr. Mazza left? Well, it was the board's decision that there would be a significant impact on Ornge and that he was the architect of the vision, he had the skill set to lead it forward, and that it would be difficult to replace him.

**1000**

Based on that information, the board elected to proceed with finding out what would be necessary to keep Dr. Mazza on board. So, as you've heard, we engaged an independent compensation expert who provided an extensive 70-to-80-page report with numerous comparators. Granted, it was now being compared to private sector companies, because that was the direction we were going in. From my understanding, the compensation package which was being offered to Dr. Mazza, based on those comparators, was in and around the median.

Based on that sort of sequence, it seemed appropriate, given the advice that we received and given the direction that we thought we were going in, we wanted to retain Dr. Mazza. The board then approved the compensation based on that sequence of events.

**Ms. Dipika Damerla:** What I'm hearing from you, Dr. Lester, is that the board thought Dr. Mazza's compensation was fair in the private sector world, given the competition of the private sector. The only challenge here is that it was public sector dollars, taxpayer dollars, being paid to pay a private sector salary, the end goal being the for-profit companies, which hadn't turned a profit yet. How did the board make that leap of faith, that "We're going to pay Dr. Mazza to run these for-profit companies

in addition to Ornge and we're going to use taxpayer dollars to pay him a compensation for those private sector companies," while in reality, in the private sector, it is those private sector companies that ought to have funded Dr. Mazza's salary? As a board member, since your job was to safeguard the public interest, I'm just trying to understand that jump.

**Dr. Robert Lester:** I think the jump occurred because there was a very strong belief that the vision that was being projected had every sense that it would succeed. Could one say there was a timing issue in terms of how we did it? Yes, I guess there could be that, but there was a real sense that there would be a significant input of new money that would likely only occur if Dr. Mazza was in that role. Yes, I guess it was a bit of a leap of faith.

**The Chair (Mr. Norm Miller):** You have about a minute left.

**Ms. Helena Jaczek:** Just one last question, Dr. Lester: As a board member, what did you hear at your meetings about potential operational deficiencies in the air ambulance system—in other words, lack of staffing at stations, lack of aircraft and so on? Pursuant to that, did it ever occur to you—if you did hear about those—that Dr. Mazza, with all these convoluted private sector schemes, was being pulled away from the core business of air ambulance?

**Dr. Robert Lester:** I did hear that there were problems. The board constantly heard there were problems, shortages of paramedics and so forth—not particularly unique in health care. There are shortages of staff in many areas of hospitals and so forth. That was one of the reasons why Ornge went ahead to create the academy, was to try to train paramedics so that we would overcome the shortage of staff.

His being involved—we tried to do that by—the daily operations of Ornge were then, in a sense, seconded to Tom Lepine as the chief operating officer, who was then responsible for the day-to-day operations of Ornge.

**Ms. Helena Jaczek:** Thank you, Dr. Lester.

**The Chair (Mr. Norm Miller):** Thank you very much. We'll move to the opposition. Mr. Klees?

**Mr. Frank Klees:** Thank you, Chair. Dr. Lester, thank you for being here.

I'd like to make it very clear why we're here and why we have called the directors. That's because this committee—in the end, what we really want to achieve is to identify very clearly what went wrong and what needs to be done on a go-forward basis to make sure that we don't have similar circumstances, whether it's at Ornge or at other agencies or organizations within government.

I think we are drawing the conclusion—and I would expect that anyone who's observing these hearings would draw the same conclusion—that there was a very pure intention, the best of intentions, but that there was, however, a lack of oversight. That lack of oversight, as it's coming together for this committee, begins with the Ministry of Health, who had the ultimate responsibility because they were the funder and it's an essential health care service.

The second level of oversight responsibility was the board of directors. So what we want to establish here is, from the board of directors' perspective: Who was on the board? What qualifications did they have? What were their responsibilities on that board? In the final analysis, did they—as board members, as directors—carry out their fiduciary, their duty-of-care, responsibilities?

I have to tell you that I'm disappointed at what I've heard so far from Mr. Barry Pickford because, while on the one hand he confirmed that he signed off on those expenses that even you admit were exorbitant—he, as the chair of the finance and audit committee, confirmed to the committee today that he signed off on those. I don't understand that. I was hoping that what we might hear from directors—and maybe we will because you're only the first two—was at least an admission that there were some oversights, that there were some failures, and that, given some of the red flags that I think were evident to a lot of people—and someone sitting at the board level surely should have seen them as well—perhaps some steps could have been taken to pre-empt what happened.

You, no doubt, were on the board because of your medical background. I note that you were not on any of the other committees of the board. Is that correct?

**Dr. Robert Lester:** I was on the operations committee.

**Mr. Frank Klees:** The operations committee.

I would think that the reason that you were invited is because of your extensive medical experience and that you could bring a perspective and some oversight to the medical aspects of the operation. Is that a fair conclusion?

**Dr. Robert Lester:** Fair conclusion.

**Mr. Frank Klees:** Okay. Being as familiar as you are with health care funding in this province, and you would've seen it from a hospital perspective, the fact that Ontario's air ambulance service was being delivered by the province through the emergency health services branch of the ministry—in the last year that it was delivered by the province, which would have been 2005-06, the total budget for the air ambulance operation was some \$93 million. The very next year, it increased by \$15 million after the transition. In four short years, that budget was \$150 million, at a time when you say—you observed that, if anything, there were cuts or there was an attempt to hold budgets in line to 2% and 3% and 4%. To see the budget of the air ambulance service go from \$93 million to \$150 million at a time, according to the Auditor General, the actual number of patients who were transferred by air decreased over that time by 7%, did that give you any cause for concern, as a member of the board of directors?

**Dr. Robert Lester:** I don't know. I have to assume that the budgetary increases given by the ministry to Ornge were based on the facts that Ornge presented in terms of need. I know that the entire structure of Ornge was in disrepair when it was inherited from the ministry. I know that costs were accelerating, as they do in every other industry. There was the issue of the cost of aircraft and salaries and so forth. To me, it seemed that there

were reasonable reasons why the air ambulance was given the increases. The ministry had oversight of that. If they felt that those increases were inappropriately being asked for, they wouldn't have given them to us.

**Mr. Frank Klees:** We recently, as a committee, visited the head office of Ornge in Mississauga. I have to tell you, Dr. Lester, I spent 25 years in business before I was elected here; I've been in many corporate offices. I have yet to be in a corporate office that has the kinds of facilities that Ornge has. We saw a gymnasium there that is outfitted better than the most luxurious gymnasiums. When you made the transition into that new headquarters and you saw the marble and you saw the ensuite bath and the showers to Dr. Mazza and you saw the furniture, did that give you any concern that perhaps money was being spent irresponsibly?

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**Dr. Robert Lester:** First of all, I never saw any of those things. The most I went into was the front entrance—I think I once saw Dr. Mazza's office—the boardroom and the washroom off the hallway opposite the boardroom. I never saw a gymnasium or any of the other stuff that was there.

My understanding of the acquisition of the building, from the marketplace, was that we actually got an extremely good buy for it, and my understanding was that the vast majority of the furniture was already in place, and all of the things that you were indicating were already there and were included in the purchase price. I don't think there was a huge amount of money spent in terms of any upgrades.

**Mr. Frank Klees:** So as a board member you would have been aware that the building was purchased, along with that furniture and whatever else was there, for \$15 million. It was subsequently refinanced for some \$24 million, and the difference went into the for-profit company. You were aware of that as a director.

**Dr. Robert Lester:** I was, sir.

**Mr. Frank Klees:** Did that give you any concern?

**Dr. Robert Lester:** At the time that it was explained to me, it did not give me concern because as I understood, it was an independent evaluation of the worth of the building made by a reputable firm. I think it was Pricewaterhouse, but I'm not entirely sure.

We were looking, as we've said all along, to try to start up the right side. As I remember, I think it was a loan to the right side. I believe there was interest being charged, and eventually it would be repaid.

**Mr. Frank Klees:** What we know today, of course, is that bonuses, loans—I think Mr. Pickford testified here that that was actually the source of one of the loans to Chris Mazza. I guess, again, I ask you as a director, were you aware that part of that money that went into that for-profit company was actually used then to extend benefits to Chris Mazza himself, not to extend the for-profit business development? Were you aware of that as a director?

**Dr. Robert Lester:** The secondary loan—

**Mr. Frank Klees:** Yes.

**Dr. Robert Lester:** I was not aware of that

**Mr. Frank Klees:** Okay. You confirmed that the board was repeatedly made aware of problems in the operations.

**Dr. Robert Lester:** What I would say is that at every meeting of the operations committee, there was a report that looked at risks that the organization was facing, examined mitigating strategies and looked at how we would then re-evaluate the risk based on the mitigating strategies, yes.

**Mr. Frank Klees:** We know now—and I don't know what factual information was made available to you, although you did say that you were aware of understaffing. Were you aware that there were numerous calls that Ornge could not respond to because of understaffing of either paramedics or pilots?

**Dr. Robert Lester:** I knew that there were calls that Ornge could not respond to for a variety of reasons, two of which were understaffing of paramedics and pilots.

**Mr. Frank Klees:** And were you aware of the specific policy within Ornge to understaff?

**Dr. Robert Lester:** No, I was not.

**Mr. Frank Klees:** You're aware now, are you? Because that, of course, was confirmed through testimony at this committee.

**Dr. Robert Lester:** A purposeful policy to understaff Ornge?

**Mr. Frank Klees:** Yes, for the purpose of budgetary constraint.

**Dr. Robert Lester:** I am not aware that there was a purposeful policy to understaff Ornge. I'm aware that there were decisions made because of budgets that—there were decisions made because of budgetary restraints, but I'm not aware of a policy to purposefully understaff.

**Mr. Frank Klees:** Decisions were made regarding staffing, regarding base availability because of budgetary restraints. But at the same time those decisions were made, money was being transferred into these shell companies for the purpose of developing the so-called for-profit entities. We have examples of companies in Brazil or Miami. Dr. Mazza was travelling all over the world. At the same time that we were cutting back and rationing care here, under the watch of the board, funds were actually used to develop this so-called vision of Dr. Mazza's. Did that give you any cause for concern, as a medical doctor, someone who's on the board, obviously I would think, to provide some watch over the issue of care?

**Dr. Robert Lester:** I would again say what I've said before. I thought the provision of care provided by Ornge as an air ambulance transport service was quite good. I think from every aspect that I was aware of, we were providing good service. As I've said, there was an opportunity that the board saw in developing something that would be of benefit, eventually, to the province.

**Mr. Frank Klees:** So we sacrificed patient care in the short term for the benefit of some vision that someone had in the long term is basically what you're saying.

**Dr. Robert Lester:** Well, you can paraphrase it any way you want. That's not what I'm saying. I don't think there was a direct sacrifice of patient care to deal with the vision.

**Mr. Frank Klees:** Well, Dr. Lester, we have as evidence before this committee documents that show clearly that patient care was sacrificed. Patients were turned down because of a lack of proper staffing. Paramedics told us that they couldn't perform CPR in the new helicopters because of a faulty interior that was designed through the oversight of one of the senior executives of Ornge, who, by the way, is still there. If that isn't compromising patient care, we have at least 20 cases that were referred to the coroner's office where a patient died en route for a number of reasons, one because they were turned down—they couldn't be transported by air, and so the paramedics had to say no. They were transferred by land; the patient died. We may never know whether or not that patient would have lived if, in fact, Ornge could have done its job.

Here's my point: My point is that I was hoping that perhaps we would hear from you and we would hear from other directors that with the benefit of the knowledge we have today and with the benefit of hindsight, certain decisions could and should have been taken that, beyond the cost, would have at least improved and benefitted patient care in this province, perhaps saved some lives in this province, and yes, in the end, saved some money as well. But we're not hearing that. What we're hearing is simply an abdication of that responsibility, and that concerns me. It concerns me a great deal.

This should be a signal. This should be a signal to this government at all levels that if we're going to put in place arm's-length delivery of any service, we have to have in place a strong set of guidelines, requirements and standards for those who would come forward and offer their services up as directors so that they know there is a fiduciary responsibility, a duty of care responsibility, and that it's not about someone else's vision; it's about what is in the best interest of the people whose care is in their trust, and the taxpayer. We're hoping to build on the experience of Ornge so that we can arrive there, but as long as we have people who were involved making excuses for what went on, we'll not get there.

I know that you took on that responsibility with good intentions. My final question to you: In retrospect, is there anything that you would have done or could have done differently that would have prevented what happened at Ornge?

**Dr. Robert Lester:** I would suggest to you that the retrospectroscope is an extremely powerful instrument. I think any of us can look back on our lives and say, "Given the information that I have now, would I have done something differently then?" I cannot change the decisions that the board made. We made those decisions on the best advice, with the knowledge that we had at the time. Going back and trying to now exercise hindsight as to whether or not I would or would not have done something differently based on information that I now

have learned in the last year that I didn't know at the time I was making those decisions, I think, is a very unfair question. You cannot go back and change the past.

I would agree with you—

**Mr. Frank Klees:** But we can learn from the past.

**Dr. Robert Lester:** Let me just finish. I would agree with you that the only thing we can change is the future. I think your statement, in terms of the future and what the government or what you, as a politician, should be doing in the ministries, is quite appropriate. But I cannot go back and examine, based on things that I have learned in the last few months—some of which I don't even know are true or not true—to say that I would have behaved in a different way if I had known. I don't know. I can't answer that question. I think it's an unfair question. But it's your question and you're entitled to ask it.

**Mr. Frank Klees:** Whether it's business or whether it's politics, if we can't learn from the past, then we're destined to repeat the same mistakes. What I'm hearing from you is that you're not even willing to tell us what you might have done differently or could have done differently, and that's disappointing. I'm simply saying yes—and I agree with you: Hindsight is of great benefit. But if we cannot learn from hindsight, then we're wasting our time.

I'm hoping that we can learn from our hindsight, and yes, we've had a number of witnesses here who have said, "There were some red flags. It should have triggered something; it didn't. If I had to do it over again, here's what we could and should have done." That helps us. To say that it's an unfair question is not helpful, but I thank you, sir.

**The Chair (Mr. Norm Miller):** Thank you. Any response at all?

**Dr. Robert Lester:** No, I think Mr. Klees has made his point. I've heard him make that point on several occasions and I appreciate the comments he has made.

I would just conclude by saying I felt that I had acted, as a member of the board, in the best fashion that I could, and that I and the board made decisions, as I said, based on what we thought was right for the citizens of the province. I certainly hope that the new board and the government institute whatever policies people think are appropriate to make sure that whatever everybody thought went wrong doesn't occur again. But at the time that we were doing what we were doing, I feel very confident that we were acting in the best interests of Ornge and the province.

Thank you very much for giving me the opportunity to speak here. Hopefully I've been of some help, and if I haven't, I apologize.

**The Chair (Mr. Norm Miller):** Thank you for coming before the committee this morning, Dr. Lester.

We are adjourned until this afternoon at 12:30.

*The committee recessed from 1024 to 1230.*

**The Chair (Mr. Norm Miller):** Okay, I'll call the meeting to order. We're going to change the order of the afternoon's business, just to accommodate the Auditor General, who's not 100% today. This is his last day

servicing the public accounts committee and serving the province of Ontario, and we just wanted to thank him for his 10 years of service to the province of Ontario.

*Applause.*

**The Chair (Mr. Norm Miller):** Not a great way to wrap up, not feeling great, but we did want to take a bit of time to thank you, so we're going to have five minutes for each of the parties to say a few words, and we'll start with the PC Party: Mr. Klees.

**Mr. Frank Klees:** At the risk of challenging the Chair, I will say that the auditor is indeed 100% today, as he has been, in our books, during your tenure here, Auditor.

On behalf of the PC caucus, I want to express our appreciation to you for your public service. The job of Auditor General is not an easy one. You have to balance your responsibility, clearly, to this Legislature for the job that is expected of you with, many times, the political winds that blow. I know that you're often asked to make comment by the members of this committee—indirectly, mostly—that would perhaps put some wind into a political sail, and to your credit, you have always refused to do that. I think, certainly, the public respects very highly the balance that you have brought to your responsibility.

The fact is that I think your job really should not be necessary—I say this not in a partisan way—if government were doing its job. We have a tremendous bureaucracy, and within each ministry there are those who have oversight responsibilities. In a perfect world, we wouldn't need an Auditor General. But the truth is that people fail; they come short of their responsibilities, and that is where you come in and provide your oversight and provide guidance for us.

I know that there have been many changes that have been incorporated into the procedures and administration of various ministries that are directly as a result of your intervention, of your reports that give guidance, and we appreciate that very much.

On behalf of not only my colleagues in this Legislature but on behalf of the people in this province, we thank you. We wish you well in your retirement. I threatened to put a motion forward to compel you to stay on.

**Mr. Jim McCarter:** Frank, I know it has to be unanimous.

**Mr. Frank Klees:** I did check with my colleagues. I checked with my colleagues to see if I could get unanimous consent, but I think you have some IOUs out there, so I wasn't able to do that.

But in all seriousness, thank you so very much.

I think my colleague Mr. Barrett would like to comment.

**The Chair (Mr. Norm Miller):** Go ahead, Mr. Barrett.

**Mr. Toby Barrett:** Well done, Frank. Very briefly, I mentioned at your reception yesterday that you would fit right in, in my riding: farmers, quiet, they pay their taxes, go about their business, and they don't necessarily have a

problem with governments spending money, but they hate wasteful spending.

Whether they realize it or not—and not many people in my riding would know you or necessarily know of your work, but they would have to appreciate the work that you do and the way you do it, which has been, in my experience, one of the pleasures of this committee—not that there are many pleasures of this committee, with some of the horrendous things that we have to deal with. But you do it well. I think I mentioned last night that you walk softly and you carry a big stick. Well done, sir.

**Mr. Jim McCarter:** I appreciate that, Toby.

**The Chair (Mr. Norm Miller):** Thank you. We'll move to the NDP. Ms. Gélinas?

**M<sup>me</sup> France Gélinas:** Not to be argumentative, but you don't look well.

**Mr. Jim McCarter:** No. Just so people know—I don't know if it's food poisoning or stomach flu, but I had it Monday, and then yesterday, thank God—I had my reception yesterday. I wasn't too bad yesterday, but I woke up at about 5:30 this morning, and—ooh.

**M<sup>me</sup> France Gélinas:** Yes, I've seen you looking better. But I'm sure, with your retirement, you will have plenty of time to look relaxed and enjoy.

Looking back, I've been on public accounts—I think I'm going to be the corporate memory of public accounts—which scares the hell out of me—because I could always trust that you were there. I have nothing but admiration and respect for the work that you have done with us at public accounts.

Because of this respect that you have for all the work that you do, I can see the changes. Some of the audits that you've done—you will remember the assistive devices program, where you did an audit. Now I look at the improvements that are being done in this program, and you can link it directly to you.

I had a very biased and not-so-positive view of what an auditor did. I came from the not-for-profit. The auditors would come in once a year and do their little—not little, but they would do their audit and then submit the thing, and it was not really always helpful. It was a statement of fact but not something that I could act upon or anything.

Then, when I started to see the type of audit that you did, it was completely different. It was really looking at what was really happening—were we getting value?—and making recommendations to move things forward that made sense, to make things better.

The same thing with hospital-acquired infections: I mean, how far away from bean-counting—no offence—could hospital-acquired infections be? In my mind, an auditor was—well, anyway, they didn't do that kind of work. Now I look at—here's an auditor who went into health care, when there are all sorts of really knowledgeable health care people that had looked at this problem, but you were able to shine a light on it that came from a different direction. Here, again, there are thousands of people that are now protected in our hospitals because you went in, because you shone your

light, and you made a statement of fact as to, "Here's what it is, and here's how you can make it better."

That always, always impressed me. The books that you put out are quite impressive. I read the French one, which is even more impressive. I must say that, for some of them, I've read great parts of it, which doesn't go for every other document that I get. With yours, it always impresses me: How can an office be that knowledgeable about that many things? And then, looking back, it's really in the way that you do your work, in the way that you set up what you set out to do and what you carry out and the way you do your investigative work. It is phenomenal.

So I was impressed. Then I started to attend some of the meetings where the other auditors get together, and then I realized that we were really fortunate to have you, that even within your peers, you carry the same level of respect. You were very, very good at your job. We were fortunate to have you, and I'm forever grateful that I had an opportunity to work with you over those years.

My predecessor, Shelley Martel, came to your retirement party yesterday. She never comes to Queen's Park anymore. I just about fell off my chair when she said she was going to come. It was really because of you, because of the way you had conducted yourself and the value that you had brought to this Legislature.

**1240**

I thank you. I wish you all the best for years to come. Can I have your cellphone number, just in case?

**Mr. Jim McCarter:** Thanks so much.

**Mr. Jagmeet Singh:** I just want to add very briefly. I'm a new member, so I haven't had the pleasure of knowing you, Jim, for as long as everyone else has, so I want to do something that I think is one of the best types of compliments you can get. It's called a third-person compliment. It's what I've heard about you and the great work that you've done. I can tell you that your reputation precedes you, but it's not just that you're good at what you do. It's that people talk about the entire office having a new direction. Even though you've left, you've left an impact on the office that will continue and your legacy will continue, even with your departure.

People are talking about the fact that you changed what the role of an Auditor General was from someone who was inaccessible, hard to understand, language that was not easy to consume for the layperson, and made your reports accessible, open, transparent so that the common person would be able to open up your reports and understand what's going on in the province. I think that goes a long way in creating more transparency. But more importantly, there's a lot of distrust in politics and in political institutions, and I think with work like your work, and hopefully the legacy that you've left behind, it will restore some of the confidence in political institutions, because they're more transparent because of the work you've done.

I want to say, I didn't realize this, but I'm going to make a comment here for maybe folks who are listening: From seeing the reports and the work you've done and

the audits you've done, I can say with confidence that people now should know, if you want to make a mark on this province and make this province a better place, consider becoming an Auditor General in the mold of Jim McCarter.

**Mr. Jim McCarter:** Thanks so much.

**The Chair (Mr. Norm Miller):** Ms. Jaczek.

**Ms. Helena Jaczek:** On behalf of the government and my colleagues here today, we also of course want to thank you so much for your dedicated service, and really, on behalf of the people of Ontario, because what you've done with your dedicated work ethic and your very fair and unbiased approach has served us all in very good stead. My colleague France alluded to some specifics. I've only been a permanent member of this committee for the last several weeks, but I know when I subbed on this committee, probably in 2007-08, early on, you came over and you introduced yourself. I was so impressed by that because it's not something that necessarily happens around here very much. There are all sorts of mysterious people you don't know. You came over and welcomed me in the brief time that I subbed on to that particular committee. I've taken notice of your work, obviously, through the years.

I appreciate your simple language. I appreciate the way that you make numbers and figures and all the financial aspects of your reports very easily understandable. I think not only we, as MPPs, but the media—everyone appreciates that type of approach. You want to make things easily understandable.

I have been informed that you did guide your office through a digital revitalization, the revamping of the office's online platform, increasing the accessibility of the reports; that you've really, as has been said, changed and moved your office into the 21st century. I think you've earned the respect, as we've heard from members from both sides of the House, of all parties. We wish you very, very well in the future. I don't ask for your cellphone, but I hope we hear in the future of your future contributions.

**Mr. Jim McCarter:** Thanks so much, Helena.

**The Chair (Mr. Norm Miller):** If I may, just briefly: I did contact the past Chair of the committee, Norm Sterling, who was Chair for, I believe, eight of the ten years. This was read out at the reception last night, but I did want to get it on the official record. I contacted Norm and he said thanks for reminding him about the reception:

"Thanks for the reminder, but I'm still in Florida. I won't be there on the 23rd.

"Jim was an outstanding Auditor General for our province. He was noted for being very balanced in his reports, presenting critical remarks and positive commendation when deserved. His reports were in language that could be understood by accountants and the lay public. Rightly, he concentrated on value-for-money budgets, which are more meaningful than long, complicated accounting reports.

"During his period as AG, he assumed additional responsibilities for hospitals, school boards, colleges and

universities. He also was asked by the government to vet government advertising to ensure that it was not being used for political purposes.

"Not only did his friendly approach help him to get to the root of problems, but helped in gaining excellent staff morale and co-operation from MPPs of all stripes. All members of PAC felt comfortable with Jim, as he was always fair and open with his advice and writing. Members of PAC felt they were part of a team with Jim to constructively improve the government of Ontario in a non-partisan manner.

"Jim will not only be missed for the tremendous improvements which have resulted from the Auditor General's office under his leadership, but for the friendship and fun that we all had with him in doing this difficult task."

I certainly agree with all those comments and would just simply like to add that, in my last year or so, it has been a challenging year. Just about the only thing we've dealt with has been Ornge. I learned about the way this committee normally works. It has been very reassuring to have you sitting beside me. I think you absolutely have the respect of all the parties here.

It has been a real pleasure to get to know you as well, and I hope you enjoy your retirement and whatever you decide to do, and take me up on my suggestion that you should get your pilot's licence. Hopefully, a year from now, you'll be flying.

Just to let you know that you will be missed absolutely by all of us. It's going to be hard to replace you, that's for sure. I just don't see how you could have done a better job, so thank you very much.

From myself and—Will, would you like to add something as the Clerk of the Committee?

*Interjection.*

**The Chair (Mr. Norm Miller):** We do have a little presentation for you, just to remind you of this place.

**Mr. Jim McCarter:** Oh, my goodness. Oh, wow.

**The Chair (Mr. Norm Miller):** It's a picture of—

**Mr. Jim McCarter:** That's great. Have a look at this. Isn't this great?

**The Chair (Mr. Norm Miller):** It's signed by all members.

**Mr. Jim McCarter:** That's great.

**M<sup>me</sup> France Gélinas:** You have to stand beside the Chair so we can—

**Mr. Jim McCarter:** Okay.

**The Chair (Mr. Norm Miller):** Would you like to add something?

**Mr. Jim McCarter:** Maybe I'll just add a couple of words. I guess, as I said last night, the auditor is not used to getting so many pats on the back, and it's very nice.

I know some of you were there last night, but one of the things I mentioned is, I talked about my sort of—people ask you, "Auditor, after 10 years, what are your highlights? If you look back, what would you say are kind of the highlights?" And I talked about three of them. But the second one that I talked about is—definitely a highlight is just the benefit and I have to say the delight

I've had with working with the members on the public accounts committee. As Helena said, as well as the permanent members of the committee, there are a number of members who come on and they sub in from time to time. It really has been great working with everybody.

I'd have to say, too, that the office has been very fortunate. We do try to be non-partisan, but I think we've really been respected by the members of the Legislature.

The other thing I'd like to say, too, is that there are a lot of compliments—"Oh, McCarter, you've done a pretty good job"—but I'm sure all of you know that you are only as good as the staff that you have, and I've been extremely fortunate in having a very strong staff at the office. Two of them are here today: the deputy auditor, Gary Peall, and Susan Klein, who has been handling the health portfolio for about nine years. But I've been extremely fortunate having such a motivated staff, because as you might imagine, when somebody sees "Office of the Auditor General" on the call display when you pick up the phone to phone them, we're not always welcome when we go in. But I'd have to say that the staff perseveres, and any credit that the office gets for a job well done really goes to them, so I would like just to have that on record. But I really do appreciate this.

Having said that, I think I might hand the ball off to my deputy and head off into the sunset. Thanks very much.

**Mr. Phil McNeely:** Chair, I just wanted to say—I wasn't included in that list that you had going around.

**The Chair (Mr. Norm Miller):** Go ahead.

**Mr. Phil McNeely:** I'm complaining again.

I very much enjoyed working with you, Jim, and I think that the approaches that you took really made a difference, as France said. That was important because these aren't on the shelf. I think that you hear the government say, every time, that we've taken those recommendations of the auditor and certainly included them in the policy as we go forward.

1250

I'll give you the ultimate compliment: Because of the concise way that you went about everything and the good reports, you would have made a good engineer as well.

**Mr. Jim McCarter:** It is a compliment, Phil.

**The Chair (Mr. Norm Miller):** Thank you for that, and I hope you recover soon.

**Mr. Jim McCarter:** Thanks so much.

MS. BETHANN COLLE

**The Chair (Mr. Norm Miller):** If I could now call our first witness of the afternoon, Bethann Colle, to come forward, please. Welcome.

**Ms. Bethann Colle:** Thank you. Could I also just correct my last name?

**The Chair (Mr. Norm Miller):** Yes. Please.

**Ms. Bethann Colle:** It's Colle.

**The Chair (Mr. Norm Miller):** Thank you. Sorry about that.

**Ms. Bethann Colle:** That's quite all right.

**The Chair (Mr. Norm Miller):** Just to confirm that you've received the letter for someone coming before the committee?

**Ms. Bethann Colle:** Yes, I have.

**The Chair (Mr. Norm Miller):** Very well. Our Clerk will do—

**The Clerk of the Committee (Mr. William Short):** Did you want to swear an oath or be affirmed?

**Ms. Bethann Colle:** I'll be affirmed.

**The Clerk of the Committee (Mr. William Short):** If you'll just raise your right hand, please. Ms. Colle, do you solemnly affirm that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth?

**Ms. Bethann Colle:** Yes, I do.

**The Clerk of the Committee (Mr. William Short):** Thank you.

**The Chair (Mr. Norm Miller):** You can take some time for an opening statement if you'd like.

**Ms. Bethann Colle:** Okay. Thank you, Mr. Miller.

I joined the board of Ornge in the fall of 2007. I had recently completed the director's education program with the Institute of Corporate Directors, which is where I met Rainer Beltzner. During breaks, he talked about Ornge with great passion and great enthusiasm, so I was very honoured when I was asked to join the board.

I came to the board with extensive experience in marketing and consulting. I'd worked in an agency that provided outsourced integrating marketing services and had as many of my clients—I had an airline and had done work with government. Since 2000, for the past 13 years, I've been providing consulting services in the areas of marketing, recruitment and strategic planning. My consulting services also had included work with various medical associations. This expertise enabled me, along with other things, to assist Ornge and the foundation in terms of awareness-building and fundraising strategies.

What mainly drew me to Ornge, though, was the vision that was articulated by the Ornge leaders and how it coincided with some of the volunteer work I'd been privileged to undertake in developing countries in the last few years. I won't get into a lot of detail; we don't have the time. But most of that work had been for not-for-profits in the health care industry, including, coincidentally, one organization that was founded in Kenya in the 1950s to provide air-base service to expand health care to remote communities.

After I joined the board, I did a ride-out in a helicopter out of Toronto. That was my first ride-out. I remember very clearly, as if it were yesterday, landing on a highway at the site of a head-on collision. I was so impressed by the efficiency of the pilots and the work that the medics did prior to transporting this young woman to Sunnybrook. I just thought if it was a family member or if I was in that type of situation, I would just hope to have that type of excellent care.

I say this because I think it's important to remember that, despite all of the negative statements that are sur-

rounding Ornge these days, there are exceptional people who are working in this organization, both on the ground and in the air. We really should be very, very grateful to have them as part of our health care system in Ontario.

Now, in terms of what's transpired since 2011, there should be a clear distinction drawn between the allegations of improper payments to certain Ornge executives and the supposed impropriety in the creation of the for-profit side of the organization.

If the allegations being made against management prove to be true, it will be apparent to me and I believe the Ornge board generally that we were very much deceived by all those concerned. I will be angry and unusually disappointed.

Regarding the creation of the for-profit entities, although I was not actively involved in the boards of the Ornge Global companies, I approved the development of the for-profit structure because I did view it to be in the best interests of our patients. The for-profit structure was designed to bring additional revenues to Ornge, which would enable more service to patients. Yes, it was complex, but the Ornge board took steps to ensure that Ornge was insulated from risk and that service to our patients would never be compromised.

I just think it's truly, truly unfortunate that these separate matters became embroiled and that the issues with management resulted in the downfall of the initiative to expand Ornge's revenue sources and to improve service to Ontarians.

That's my opening statement. Thank you. I'm here to answer any questions as best I can.

**The Chair (Mr. Norm Miller):** Very well. Thank you. We'll start with the government and Ms. Jaczek.

**Ms. Helena Jaczek:** Thank you, Ms. Colle. You explained to us that you took a course related to becoming a member of a board of directors, and through that, you met Mr. Beltzner.

**Ms. Bethann Colle:** Yes.

**Ms. Helena Jaczek:** Did he invite you to join the board of Ornge?

**Ms. Bethann Colle:** Yes, he did. He invited me to join the board—well, he invited me to meet with Dr. Mazza and to discuss it further with him. It was after those meetings that I was invited to join the board.

**Ms. Helena Jaczek:** Did the board have any sort of nominating committee?

**Ms. Bethann Colle:** Yes, the board did have a nominating compensation committee. I was not on it.

**Ms. Helena Jaczek:** I see. But you weren't interviewed by a subcommittee or anything like that?

**Ms. Bethann Colle:** No, I wasn't interviewed.

**Ms. Helena Jaczek:** But in some way, they felt your skills in marketing and strategic planning were something that you could bring to the board?

**Ms. Bethann Colle:** Yes.

Can I just jump ahead and maybe answer a little bit more of your question? I understand that I don't come from aviation and I don't come from health care. I also understand and I know that, obviously, good governance

with any board requires a certain amount of diversity—I don't just mean because I'm a woman, but diversity in terms of thought, background and where everyone comes from. I believe that I was asked to join because of my general business background. I had already been sitting on a board, took the course—which I think was invaluable—and also had a lot of passion for what they were doing based on what I had seen with my work overseas.

**Ms. Helena Jaczek:** Were you offered compensation to join the board?

**Ms. Bethann Colle:** Initially, the first-year compensation came out to about \$4,000 to \$5,000 for the first year.

**Ms. Helena Jaczek:** Did you think that was unusual at all, given that this was a public service air ambulance for Ontarians?

**Ms. Bethann Colle:** No. The reason I say “no” is because it was explained to me at the beginning that Ornge was operated—I don't know if I should use the words “private company,” but it was operated as a separate entity; that it was not an arm of the government, that it was operated at arm's length. So I was not surprised to hear that the board was compensated.

**Ms. Helena Jaczek:** But you were aware that the funding came from the Ontario government to run the air ambulance system.

**Ms. Bethann Colle:** Oh, yes, very much so.

**Ms. Helena Jaczek:** In terms of your experience with strategic planning, were you then involved with developing a strategic plan for the organization?

**Ms. Bethann Colle:** Yes. I would say the entire board was. When I joined in fall 2007, we were informed that the plan would involve developing for-profit services, if you will, or for-profit entities to benefit Ornge. Then it was going to be a matter of how we were going to go about it. Although I did not sit on the board of Ornge Global, I do want to make it clear—because I don't want to pull myself away from that—that I did sit on the board of Ornge that was involved in the strategic planning of how Ornge Global was going to be developed, what it was going to look like and the entities that were going to make it up.

**Ms. Helena Jaczek:** Did you have any concerns about this corporate structure that was being developed to further the private, for-profit side of the business?

**Ms. Bethann Colle:** I would say my concerns were always to safeguard Ornge, as in the not-for-profit. Whenever we discussed what was going to be happening on the Global side, on the for-profit side, the concerns were just, “Let's make sure that it's not taking away from the service that Ornge is going to provide,” that Ornge financially would not be hurt, but rather would be helped.” So, as long as those safeguards were met, I was comfortable with what we were doing.

1300

**Ms. Helena Jaczek:** Who brought the new structure to the board? Who introduced what we know now was developed—

**Ms. Bethann Colle:** Yes, that chart.

**Ms. Helena Jaczek:** This chart.

**Ms. Bethann Colle:** I would say that Alfred Apps was very instrumental as the architect behind that structure.

**Ms. Helena Jaczek:** And he was convincing that this was appropriate? Is that the way—

**Ms. Bethann Colle:** Well, he was convincing but, as was alluded to before, we had a number of outside companies, if you will. I mean, there was Deloitte and there was PwC and Davies and so on. So, yes, Alfred Apps was convincing. But at the same time, we also had fairness opinions that were rendered, we had independent committees set up, so I was very comfortable with what was being presented.

**Ms. Helena Jaczek:** You know that the Auditor General references a founders' equity plan.

**Ms. Bethann Colle:** Yes.

**Ms. Helena Jaczek:** Were you aware of that?

**Ms. Bethann Colle:** I was aware of that, I would say, in January 2011, so this is after the Global structure had been put in place. I recall getting a call at home from Dr. Mazza—as I know several of the other people who have been interviewed have said—and he explained to me that there was going to be this founders' equity plan that was sort of a thank you, I guess, for lack of a better word, for having structured the board.

Now, we never really took it much further than that. From what I recall, I was either going to get 10 shares or 20 shares—because I remember writing out a cheque for 10 cents or 20 cents that never got cashed—and that it was going to be worth some percentage of 1%. It was maybe going to be worth something in many, many years, and you still had to be sitting on the board. There was never a final document; nothing was ever drafted. So it's not that I don't want to say I didn't put much stock in it, but, you know, this wasn't—

**Ms. Helena Jaczek:** But it was presented as a way that you might receive some future compensation.

**Ms. Bethann Colle:** Yes, I would say that's how it was presented by Dr. Mazza on the phone.

**Ms. Helena Jaczek:** In terms of the marketing agreement with Agusta, what was your involvement with that?

**Ms. Bethann Colle:** Well, the marketing agreement was developed by Ornge Global, and I wasn't sitting on the Ornge Global side, so I wasn't involved in the marketing agreement.

**Ms. Helena Jaczek:** So they didn't—

**Ms. Bethann Colle:** But I was certainly aware of it; please, I don't want to make it sound like I wasn't. But I never actually saw what the agreement entailed. I mean, I think I knew it was 18 or 24 months, and there was a certain amount of money that was going to be paid for it, and it was going to be staffed and so on. But I was not privy to the actual agreement other than hearing about it.

**Ms. Helena Jaczek:** So it wasn't sort of an item of active discussion on the main Ornge board?

**Ms. Bethann Colle:** No. I mean, again, we were aware, but it wasn't actively discussed.

**Ms. Helena Jaczek:** And from what you heard, the little that you did hear, you didn't see anything that you would object to?

**Ms. Bethann Colle:** In principle, no, because in my mind—again, coming from a marketing background, if you will—when you've got two companies like this and they've entered into an agreement, to me it makes perfect sense to say, “All right, how can we leverage what each other is doing in order to help each other continue to build our respective businesses?” So, to me, it made perfect sense. I mean, I can't say that I ever had any objection.

I did know that there was going to be some sort of agreement that was going to be talked about, because in the original contract with Agusta—with all its many articles and pages and so on—there was a one-liner that did say something about Ornge and Agusta are going to be talking about a joint agreement, a joint marketing or a joint business arrangement, at some time. But it was literally a sentence or two, and then, I guess, they followed up on it after that.

**Ms. Helena Jaczek:** To what extent were you involved in the discussions around Dr. Mazza's salary and remuneration in general?

**Ms. Bethann Colle:** As a board, we approved—well, as you know, there was the CLISTE report, the 120-page report. We did not see it, but we got a presentation summarizing what it was all about, including recommendations. As a board, we all voted on, or we agreed to, his compensation.

**Ms. Helena Jaczek:** Did you find it unusual in any way? Did you question the amounts that were being proposed?

**Ms. Bethann Colle:** Because it was based on—in other words, the report, as I'm sure you know, was based on private industry. The comparables were private industry, and they were based on companies that were in—I'm not trying to avoid the question; I just want to explain a little bit—they were based on transportation, insurance, medical companies, etc., that were all in the, I think it was, \$100-million to \$250-million field or something like that. Those were the comparables. They also presented it as, “We're going to keep him”—and I can't remember the percentile, but it was something like within the 50th percentile.

When all of that was presented, and given where we were going with Ornge, to me it made sense, so I can't say that I had any objection to it.

**Ms. Helena Jaczek:** So you didn't think of asking for some public sector comparables, knowing that the funder of Ornge was the Ontario government?

**Ms. Bethann Colle:** It was presented to me. I did not brief CLISTE, if you will; I'm assuming that our compensation committee did, but when it came to us, it was just private sector.

**Ms. Helena Jaczek:** Were you aware of the amount of time Dr. Mazza spent on the private side as compared to the public side, percentage-wise?

**Ms. Bethann Colle:** No, I was not aware percentage-wise.

**Ms. Helena Jaczek:** And you didn't ask that question, "How much is public"?

**Ms. Bethann Colle:** No. I did not. I suppose I always viewed—because he was spending more and more time or doing more and more work on the for-profit side, again, the way I viewed it was that what we're doing on the for-profit side is to benefit Ornge in the long run. I also understood that when the for-profit side was established, which was January 1, 2011—officially, if you will—that if he was spending a lot of time there, then that's where his compensation was going to be paid out of.

**Ms. Helena Jaczek:** It didn't concern you that perhaps his attention had deviated from the core business of the organization?

**Ms. Bethann Colle:** I guess I didn't feel that it had deviated that much because he had such a strong management team in place. With Tom Lepine as CEO, I felt very comfortable. We had regular meetings, the operations meetings and so on. So no, I didn't feel that it was detracting from it. I do understand what you're asking, because one can only be split in so many pieces, but I just felt that he had a really good management team in place.

**Ms. Helena Jaczek:** What sort of figures were you given on the potential rate of return from these for-profit entities?

**Ms. Bethann Colle:** We were told that 3% of gross revenue, or roughly 15% of net revenue, was going to be flowing back to Ornge. I asked the question—I'm sure it's in the minutes somewhere, because I specifically asked, "Why 3%? Should it be 2%? Should it be 5%?" I was assured by a number of people in the room who had more financial experience than I did that this was a strong rate of return for Ornge, so I relied on that expertise.

**Ms. Helena Jaczek:** So what was going to happen to the other 97%?

**Ms. Bethann Colle:** In order to create the for-profit entities, you had to have private investors. These people were investing and they were looking to make a profit.

**Ms. Helena Jaczek:** I see. So you did question the percentage that would come back into the not-for-profit air ambulance piece. You heard it was 3%, and you were told that was reasonable.

**Ms. Bethann Colle:** Yes.

**Ms. Helena Jaczek:** It was 3% of what? What was the expected revenue?

**Ms. Bethann Colle:** I don't recall the expected revenue, but the number that I definitely do recall is that the target was to build it up to \$200 million by a certain year—it might have been within 10 years. Therefore, out of that \$200 million invested at—excuse me, my memory is not that great on this, but let's say roughly 4%—that then that would come back, and that would help close the service gap so that we'd be able to service another 2,600 patients a year. That was basically where this was coming from.

**Ms. Helena Jaczek:** In terms of the actual operations as a board member, you presumably received reports as to the staffing at the various bases, the availability of paramedics and so on. You've alluded to these 2,600 extra patients. Were you also aware that, in fact, the number of patients served was pretty much a flat line?

**Ms. Bethann Colle:** Absolutely not. The report that the board received, and this I am very clear on in my memory, is that at one point—I can remember hearing that, say, since 2006, roughly, the number of patients that we had served had increased, roughly, by about 15% and that we were serving 21,000 patients, and that the number of calls that were not serviced had decreased, in a good way, by 19%. So when I heard/read in the AG's report and so on that we were servicing the same or fewer patients, that was a big surprise.

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**Ms. Helena Jaczek:** Okay. To what extent were you involved or heard about the shift to purchasing the fleet as opposed to contracting out—the decision to purchase aircraft?

**Ms. Bethann Colle:** We were quite involved, because if I recall, those discussions came around 2008. Would you like me to tell you what I heard about it?

**Ms. Helena Jaczek:** Yes, I'd like to hear what you knew about it.

**Ms. Bethann Colle:** All right. About 80%—no, I shouldn't say that; excuse me. All of the helicopters, planes, etc. we were using were from third-party contractors. I think that helicopters were probably the bigger issue. In terms of the helicopters, we were seeing some very strong, high increases in fees and rates from our service providers. I mean, I saw 30% or 40% numbers in any given year, so one issue was the increase. The other was the fact that the helicopters were old; we were dealing with, you know, 30-year-old equipment.

Sorry, I don't want to get away from the question, but I think what it came down to was: The discussions centred around the fact that it was going to be far more—from a safety and costing point of view, we should definitely internalize the rotor and the fixed-wing aircraft, and we should own it and not be leasing it out. I even recall a number that said that—I believe it was maybe by the end of 2011—by internalizing it there had been savings of over \$3 million. This just has to do with rotor wing.

**Ms. Helena Jaczek:** Were you aware that two of the helicopters were not dedicated for patient transportation?

**Ms. Bethann Colle:** No, I don't think so.

**Ms. Helena Jaczek:** Apparently, that's the case.

**Mr. Lincoln Caylor:** She's asking about the option to purchase the two—

**Ms. Bethann Colle:** Oh, I'm sorry. I was back on the Sikorskys. Thank you for the clarification.

Yes, we purchased 10 Agustas, with the option to purchase two more, and we did end up purchasing 12. I think that at the time we made the decision—obviously, the time between purchase and delivery can be whatever it was; a year-and-a-half or two years—we were not

exactly sure if we would have a need for 12 at that point. But we felt very confident that if we did not, then we would just sell the two extra Agustas, which is why they were not equipped with medical interiors.

**Ms. Helena Jaczek:** I see. Were you aware of Dr. Mazza's expenses—the ski trips, the food and beverage bills?

**Ms. Bethann Colle:** No, not at all.

**Ms. Helena Jaczek:** You never saw that in front of the board as a whole?

**Ms. Bethann Colle:** No, not at all. The first that I heard was probably through the media.

**Ms. Helena Jaczek:** Do any of my colleagues have any questions? How much time do we have left?

**The Chair (Mr. Norm Miller):** Hang on a second—three minutes.

**Mr. Phil McNeely:** I have one. How did these board meetings happen? I ran a business for 35 years, and I guess we changed over those 35 years. How often were these board meetings? How good a record did you get? Were you, as board members, getting the full picture of what was happening?

**Ms. Bethann Colle:** The board meetings were scheduled quarterly, unless needed, so they were every three months. We had a board meeting schedule a year out in advance, so we knew. The materials received were—whatever that is—about four inches thick. So, yes, there was an awful lot of preparation done by management to inform the board of what was going on, and there were very detailed minutes kept of the board meetings and the in-camera. So, I know that the process that was followed was very diligent.

**Mr. Phil McNeely:** Did you feel confident that you knew what was happening within the organization?

**Ms. Bethann Colle:** I felt confident. I've never been one to be afraid to ask questions, so if I had a question, I asked and it was answered. I felt very confident at the time.

**Mr. Phil McNeely:** You didn't get the expenses as you moved—that was your answer; you didn't see the expenses of some of the people who were spending a lot of money on promotion and whatever. That would normally be shown to the board members as you moved forward—the expenses. That's a huge part of a director of the type of firm I ran. You didn't see the expenses at all?

**Ms. Bethann Colle:** I'm sure that we saw expenses in the financial statements; I know that we did. I guess, to get back to both questions, I definitely did not see a breakout of what Dr. Mazza's expenses were. But, yes, in any financial statement there would be expenses, and they would be broken out by legal and whatever else it's going to be. But, no, I had no idea what kind of money was being spent by Dr. Mazza.

**Mr. Phil McNeely:** Was there protocol of what had to be shown in the quarterly meetings?

**Ms. Bethann Colle:** I would say, as far as finance, it would be—I mean, every quarterly meeting we saw financial statements. It just was not broken down to that

level. I'm sorry; I realize I'm probably not answering your question but, no, I didn't see anything broken down to that level.

**Mr. Phil McNeely:** I have no other questions.

**The Chair (Mr. Norm Miller):** Thank you very much. We'll move to the opposition: Mr. Klees.

**Mr. Frank Klees:** Thank you, Chair. Just for clarification, I see you have counsel with you, I believe, who has not been identified to the committee at this point. I wonder if we could have your name and the firm that you're with.

**Mr. Lincoln Caylor:** Lincoln Caylor, Bennett Jones—the same counsel that was here for all of the former directors that have appeared.

**Mr. Frank Klees:** So you're counsel to all of the directors?

**Mr. Lincoln Caylor:** All of the former directors that are appearing before this committee, yes.

**Mr. Frank Klees:** Okay. Can I ask who's paying your fee?

**Mr. Lincoln Caylor:** The directors are responsible for my fees, and Ornge will be indemnifying them for the fees.

**Mr. Frank Klees:** Okay. I'm assuming that there has been a briefing with counsel of all of the directors prior to this hearing.

**Ms. Bethann Colle:** Yes, we met with counsel. Yes.

**Mr. Frank Klees:** And what would the purpose of that briefing be?

**Mr. Lincoln Caylor:** I'll answer it this way: to prepare for these hearings would be the extent of it. To the extent you want to get further into the briefings, I'd ask the Chair to consider the privilege with respect to that. My clients would assert that.

**Mr. Frank Klees:** Okay. We've had extensive discussion about privilege at this committee. We really are interested in ensuring that we're getting to the facts of the case. The reason I say that is that we're now to the third director, and it's very obvious that presentations are very well organized.

**Mr. Lincoln Caylor:** I'll take that as a compliment.

**Mr. Frank Klees:** Yes. To your credit, I hope; obviously they're getting their money's worth.

It seems that the nomination committee for Ornge, for directors, is Mr. Beltzner, and that's rare in itself. I mean, typically, as directors, especially independent directors, are appointed, there would be, if it's done properly, a process of interview to ensure that the appropriate skills are there and that a chair doesn't have control over the rest of the directors, which is why they're referred to as "independent." Would you agree that that is the typical way of having directors appointed to a board?

**Ms. Bethann Colle:** Yes, I would agree that that would be a way it would be done.

**Mr. Frank Klees:** Did you ever question as to why you would not have been interviewed for your role as a director?

**Ms. Bethann Colle:** Well, I believe I was—when you say "interviewed"—I was interviewed by Mr. Beltzner

and I was interviewed by Dr. Mazza. Those were the two interviews. That's the way it happened.

**Mr. Frank Klees:** You're experienced; you took a director's course. I would think that part of that would have been some education about how directors are appointed and the importance of the perception, at least, that there isn't a collusion of sorts between the chair and the CEO. After all, the role of the director is to hold the CEO accountable, not to be blessed by the CEO. Would you agree?

**Ms. Bethann Colle:** I just didn't view there being any impropriety with the way that I was asked to join. I mean, I had separate interviews with Dr. Mazza and with Mr. Beltzner, and I don't just mean coffee breaks at the director's course. We talked about it after. It never even occurred to me that there was any impropriety in the way that this was being done. That would be my answer.

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**Mr. Frank Klees:** There were a number of very key financial transactions that were undertaken by Ornge while you were a director. One of those was the \$275-million debenture offering. In the offering memorandum it was made very clear that there is only one source of funding for Ornge, and that is the province of Ontario. As someone who is experienced in business—you have your own business. You also, I believe, are on two other boards?

**Ms. Bethann Colle:** Yes. I'm currently on two other boards.

**Mr. Frank Klees:** Could you tell us about those companies?

**Ms. Bethann Colle:** Yes, of course. One is called Urbana, which is an investment fund, which is part of Caldwell Securities, and it's based in Toronto. The other one is called Polar Ray-O-Max Windows, and it is a window-and-door manufacturer based out of Winnipeg. It is owned by a private equity firm called Riverside out of the US. Those are the two boards I'm currently on.

**Mr. Frank Klees:** So you're not a stranger to financials and—

**Ms. Bethann Colle:** I'm not a financial person—I will be very upfront about that. I've done lots of budgets and I understand balance sheets, yes, but I would not be heading up an audit committee; let's put it that way.

**Mr. Frank Klees:** So from your perspective, any potential investor in this debenture offering—how would they view the role of the provincial government when it comes to funding of Ornge and when it comes to backstopping any potential default, if you will?

**Ms. Bethann Colle:** Sorry, can you repeat the question?

**Mr. Frank Klees:** Sure. The offering memorandum, which I am assuming you have also read—

**Ms. Bethann Colle:** Oh, absolutely—\$275 million, yes.

**Mr. Frank Klees:** —makes it very clear that the province of Ontario is the 100% funder of Ornge. It also makes it clear in numerous places that, should Ornge default, then it's the province of Ontario that would assume responsibility for paying the liabilities or assum-

ing the capital assets, and coming good for what is outstanding. Would you agree with that?

**Ms. Bethann Colle:** Yes.

**Mr. Frank Klees:** That is why, obviously, this was a successful offering.

**Ms. Bethann Colle:** Yes.

**Mr. Frank Klees:** Okay. You see, I believe that, too. We've had a number of witnesses come forward who dispute that.

Based on that, I'd like to move forward to this very complex corporate structure that you say—and you've admitted in your testimony to Ms. Jaczek that the board was fully briefed all through the piece in terms of what the plan was and how this corporate structure would work. So I'm assuming—correct me if I'm wrong—that you also understood that one of the reasons for the restructuring was to hide the salaries of Mr. Mazza and other senior executives. Is that correct?

**Ms. Bethann Colle:** No.

**Mr. Frank Klees:** Do you know—

*Laughter.*

**Ms. Bethann Colle:** I don't mean to laugh, but I'm just saying, do you want me to elaborate or do you want to finish—

**Mr. Frank Klees:** No, I would like to ask a question.

**Ms. Bethann Colle:** Okay.

**Mr. Frank Klees:** Are you aware that the salaries of the senior executives, including Mr. Mazza, were shifted out of Ornge, the not-for-profit, and into one of the for-profits?

**Ms. Bethann Colle:** Yes, because it was part of Ornge Peel, which was on the not-for-profit side, and it was moved to the for-profit. Yes.

**Mr. Frank Klees:** You were aware, as a director, that the result or one of the results of that is that once that shift had taken place, those salaries would no longer need to be reported on the sunshine list. Is that true?

**Ms. Bethann Colle:** I need to back up. The salaries, which were under Ornge Peel—we call it the left-hand side of the not-for-profit side—had been there for a long time prior to the shift. The reason, as I understood it when I joined the board, is that Ornge is a not-for-profit—charitable status. We have a foundation and so on. Even when I joined the board in 2007, Ornge was already doing some for-profit work to bring revenue into Ornge. For example, it was doing some work with a company that does airline simulation and so on, and it was doing some work for the government of Saskatchewan. Because of that—so this is way before any of this—all of those salaries, the management salaries, were put in Ornge Peel.

If you're asking me personally did I think about the sunshine list, yes or no?—no. To me, it was just an extenuation of this is what had to be done legally, financially etc. for Ornge to do what it had to do in terms of raising more money on the right-hand side. I'm don't know if I'm answering your question, Mr. Klees. I'm just—

**Mr. Frank Klees:** Well, not exactly but—

**Ms. Bethann Colle:** I'm doing my best.

**Mr. Frank Klees:** I'm just surprised that you wouldn't have been aware because there is documentation that was presented to this committee about legal opinions, about disclosing the salaries and so on and so forth. So obviously, that was an issue, and for a director not to be aware of that exchange of information—

**Ms. Bethann Colle:** No, I didn't say I wasn't aware; I said I understood the reasoning and the rationale behind why it was done and why it was started back in 2006, I think.

**Mr. Frank Klees:** So you didn't think that there was anything wrong with these salaries not being disclosed, notwithstanding the fact that 99.999% of all of the funding that flowed into Ornge and then out—that those salaries would not be disclosed to the public?

**Ms. Bethann Colle:** I did not have a concern with it because I viewed those salaries as being on the for-profit side—and it still comes back to the reason behind this—I still always had Ornge not-for-profit in our best interests, I thought, but the reason behind it was that to do this complex structure, those are where the salaries had to reside. So I didn't have a concern with it.

**Mr. Frank Klees:** All right. I'd like to move to another issue. You were obviously aware of the fact that part of the money from that \$275-million offering was used to purchase the head office of Ornge.

**Ms. Bethann Colle:** Yes.

**Mr. Frank Klees:** And you would also have been aware that that office was purchased for \$15 million, correct?

**Ms. Bethann Colle:** Absolutely.

**Mr. Frank Klees:** And you would also be aware that the valuation then, subsequent, was how many millions more?

**Ms. Bethann Colle:** It was \$26 million or \$28 million—

**Mr. Frank Klees:** Right. And then you would have been aware that—it was \$9 million actually, over and above—

**Ms. Bethann Colle:** I read that. I believe that was in the AG's report.

**Mr. Frank Klees:** That's right.

**Ms. Bethann Colle:** Yes.

**Mr. Frank Klees:** And that money then was used—it was siphoned, essentially, into the for-profit entity. What was going to happen with that money?

**Ms. Bethann Colle:** The money that was moved over to the for-profit entity, I believe at first it started as a loan. Then it went from being a loan to actually making it—what's the expression I'm looking for?—basically a shareholder, if you will. In other words, it would benefit from whatever happened with the right-hand side, with those entities.

**Mr. Frank Klees:** Right, so essentially—I want to get back to this whole concept of creating these for-profits and the shareholdings, then, that would be assigned to the directors. Because here's what has happened—correct me if I've missed something. We've got \$150 million of funding flowing from the Ministry of Health into Ornge.

Ornge is going to use a good part of that money to seed the for-profit companies. That's a fact, because money has flowed from Ornge not-for-profit into some of these companies. Then, those for-profit companies will be built up over time. The expertise and the historical asset of the air ambulance service are owned by the government, the taxpayers of the province of Ontario. That expertise would then be used to build up the for-profit companies, and the shareholders of those for-profit companies would ultimately benefit from that and they would essentially be enriched as a result of the historical equity that existed in Ornge. Did you not see that?

**Ms. Bethann Colle:** I saw it differently. I'm not trying to be sarcastic; I really did see it differently. Let me get back to seed money, because we talked about the fact that—sorry, we haven't talked about that fact yet. Augusta basically invested or provided seed money for Ornge Global. That would be just the first part. The other part is that, yes, those people who invested, whoever the 20 or 30-whatever equity partners were going to be—I don't really know who they are; as I said, I wasn't on the Global side, but they probably started talking with some of them—were going to hopefully do well. But the way I saw the benefit to Ornge was that we were licensing all of our skills and our expertise—there was a master licence agreement—to get money flowing back into Ornge to help service 2,600 patients or more.

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**Mr. Frank Klees:** But essentially you were licensing the historic air ambulance service that was the property of the people of Ontario. The offering memorandum, on the strength of which you raised \$275 million, refers to the historic expertise of the air ambulance service. Ornge wasn't even part of that history. The history that you're trading on is the history of the Ontario air ambulance service, which had nothing to do with Mazza, had nothing to do with the board of directors that was imposed on Ornge—it had nothing to do at all with that.

Essentially, what has happened is that this wonderful scheme has taken a 20-year track record of the Ontario air ambulance service, is marketing it out there as something that was supposedly conceived by Mazza and company and is leveraging that into a \$275-million funding mechanism. Then from that, it goes into Ornge Global, it goes into buying helicopters, buying fixed-wing aircraft. Essentially, what we've got is a house of cards here, because in the end, when the playthings of Mr. Mazza fall apart, guess who's holding the account? It's the people of Ontario.

This year, I understand that Ornge is obligated to pay more than \$3 million back to the debenture holders, and yet we're told there's no increase in funding from the Ministry of Health. We were also told in testimony that heretofore, Ornge was paying \$2 million out of its budget to do the organ transport. That has been offloaded to Trillium, so now Trillium is paying the \$2 million. Now we're \$5 million in the hole. Where's the money coming from? If there's no more funding—patient care; you're going to cut back on hospital transfers.

I'm simply saying that what I believe has happened here is a gross failure of oversight. I understand that Mazza was very effective at casting his vision, but I also see that there was a gross failure on the part of the people who were in a position of oversight to ensure that what this was all about, which was delivering an essential air ambulance service, was the priority. In fact, it became a secondary issue.

We heard testimony here that a paramedic base was shut down because there wasn't enough money. But in the same breath, there were all kinds of activities going on around the globe of Mazza peddling his vision, and the board of directors didn't see that. I find that incredibly bizarre. It's not just you, as a board; I think the Ministry of Health assumes its responsibility. There were failures on both levels.

I'd like to ask you—Chair, how much time?

**The Chair (Mr. Norm Miller):** Two minutes.

**Mr. Frank Klees:** I just want to ask you this: The loans that were made to Mazza, \$500,000, \$450,000, \$250,000—at one point, \$2 million in loans—I know you signed off on them and I know Mr. Pickford testified this morning that he signed off on them. Did you not have any concern that the CEO of a corporation, who has the responsibility to put the financial structure together to deliver an essential service, was essentially bankrupt?

**Ms. Bethann Colle:** Mr. Klees, I'd like to respond to that. Again, I don't want to distance myself from the Ornge Global side, but I need to make it very clear that the only loan that I was aware of was the first loan of \$450,000, which was made to Dr. Mazza. It was at Canada Revenue interest rates. It had a five-year term. It had some form of security; I'm sorry I don't remember exactly what the security was. But I was not aware of the other two loans until probably January 2012, and it's only because I was not on the global board. So, I'm not trying to distance myself; I'm just saying that I wasn't aware of them, and therefore I wasn't aware of what the background or the rationale was for them, I'm sorry.

**Mr. Frank Klees:** My last question, if I might.

**The Chair (Mr. Norm Miller):** Okay, a very quick last question, please.

**Mr. Frank Klees:** In hindsight, knowing that apart from the financial implications there was a serious undermining of patient care—we have the evidence in the Auditor General's report and reports made to cabinet—do you have any regrets as a director, as you look back and see some of the red flags that were there? Do you have any remorse over the fact that patients actually died?

**Ms. Bethann Colle:** You know what, Mr. Klees? I have a difficult time with that question, and it's not because I'm a cold-hearted individual; not by any means. You know this: Patients who are being transported by air are in very, very critical condition. To say that patients died—I mean, I don't think there's been a coroner's report; correct me if I'm wrong. But to start saying that patients died because of any form of neglect by Ornge, I just can't even answer that question.

If you were to ask me in terms of regret—I know I'm running out of time here—it would be that of course I wish I knew what management was doing or not doing, because if that had been the case, I would've been the first one to say we should be firing the CEO.

**The Chair (Mr. Norm Miller):** Thank you very much. We move to the NDP. Ms. Gélinas.

**M<sup>me</sup> France Gélinas:** Thank you for being here. My first question is—you've seen some of your colleagues on the board; they are here today in this room—just share a bit with us, for those quarterly meetings when you met, how long were they, what kind of exchanges existed between you, how did it work?

**Ms. Bethann Colle:** Well, they were generally full-day meetings. As I indicated, even the binders we got in preparation for the meetings were quite lengthy. The way they worked is that very often different areas of management would come in. For example, under operations, Tom Lepine would come in, and under operations, you'd have the medical advisory committee—the MAC—and there were a number of sort of committees that fell within the areas of patient care, patient safety, etc. So we would have presentations, and we'd have discussions with those management people in the room. We would have meetings where the foundation would come in quarterly and report on what they were doing—and, of course, financial.

So the way it worked was that every meeting was well defined. It had an agenda that pretty much ran the whole day, and the appropriate people from management—including, of course, Dr. Mazza, who usually sat through the whole meeting—were there presenting to us, and we had discussions.

**M<sup>me</sup> France Gélinas:** Taking you then to one of your last meetings—the others all did, but I don't think you said in your opening statement why you left or when you left or how you left the board.

**Ms. Bethann Colle:** Okay. I left the board the same as the other board members who have presented today, and Mr. Lowe, who is going to after me. It was January 2012. I guess the board had to resign legally; I suppose the board couldn't be fired, if you will. We just decided that—just let me just go back. I think that when all these allegations started coming out, there really was a sense of, “We're going to do our absolute best and work with the government and work with key stakeholders, and we're going to manage our way through it.” But as things just became more entangled and worse, we realized in January—I think it was in January—that the board basically had to resign and that a new board was going to be put in place.

**M<sup>me</sup> France Gélinas:** What were some of the arguments that convinced you that that was the right path to go through; that people with the breadth of knowledge, experience and corporate memory would all be gone at once, and that would be good for an agency?

**Ms. Bethann Colle:** Originally, we talked about a transition period, and I clearly remember this. We talked about, should the board stay on for another—I don't

know what it might be—three to six months as we transitioned a new board in? But I think we all knew that there was such a—what’s the expression I’m looking for? Everything surrounding Ornge had just become so negative that, as much as we want—and I know each one of us probably really did want to stay on the board—that it was time to do what was best for Ornge, not necessarily what was going to be best for ourselves individually or whatever, and the best thing was to start new and start afresh, which would also include a new CEO.

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**M<sup>me</sup> France Gélinas:** Did the ministry ever ask you to consider resigning?

**Ms. Bethann Colle:** I didn’t have a discussion directly with the ministry. I assume that Mr. Beltzner probably did more than I did. I don’t know if the request was made directly or if we were asked, or asked to consider it. I just wasn’t part of that discussion.

**M<sup>me</sup> France Gélinas:** And the president never shared that with you, that the ministry had asked the board to resign?

**Ms. Bethann Colle:** As in Dr. Mazza? No.

**M<sup>me</sup> France Gélinas:** No, I meant Mr. Beltzner.

**Ms. Bethann Colle:** Oh, I’m sorry. I would say that the board—I don’t want to put words in his mouth. My recollection is that the board was encouraged to resign. I think that would be the best way to put it.

**M<sup>me</sup> France Gélinas:** By whom?

**Ms. Bethann Colle:** By the ministry.

**M<sup>me</sup> France Gélinas:** Okay.

**Ms. Bethann Colle:** That’s my recollection.

**M<sup>me</sup> France Gélinas:** Okay. So you were on the board for a number of years. You knew that it was a not-for-profit agency and that it was getting its money to offer air ambulance through the Ministry of Health. How much oversight do you figure the Ministry of Health had over your agency?

**Ms. Bethann Colle:** Well, from a board perspective, I don’t know how much interaction there was. I personally never met anybody from the ministry. I do know, though, that there was a—so, first of all, there was a performance agreement in place, and I recall from the performance agreement that certain things had to be reported every 30 days, some every 60, some every 120. I was also under the impression that various senior management people were in conversations with the ministry, depending on what was involved, but I myself was not.

**M<sup>me</sup> France Gélinas:** Okay. It’s a question I’ve asked your colleagues, but I’ll ask you also: Had the ministry come and—we’ll back up a bit. You’re aware that Ornge was planning a significant change to its corporate structure, and that an 11-page letter was written to explain the new direction with the new corporate structure and the new venture, addressed to the Ministry of Health and cc’d to 16 other people?

**Ms. Bethann Colle:** Yes.

**M<sup>me</sup> France Gélinas:** You’re aware of this letter?

**Ms. Bethann Colle:** Yes.

**M<sup>me</sup> France Gélinas:** You’re also aware that Mr. Beltzner and the legal counsel, Mr. Apps, came to the ministry—to the government—and basically explained what was in that briefing letter?

**Ms. Bethann Colle:** Uh-huh.

**M<sup>me</sup> France Gélinas:** What is your recollection of those visits, of those efforts on the part of Ornge to bring the ministry up to date as to your new direction?

**Ms. Bethann Colle:** Well, my recollection, as you stated, was that there was the letter from January 2011 where everybody was copied. I know that then they went to the ministry, and I believe that they met with the Deputy Minister of Health, if I’m not mistaken, as well as a number of other people, because there were three different ministries, I think, that were involved or at least copied on the letter. Then, I was told that it was presented, things went very well, and no one had any objections.

Yes, that’s what came back to the board. It was—I don’t want to say blessed, because I don’t want to use their words, but that everything was fine to go.

**M<sup>me</sup> France Gélinas:** Everything was fine to go? So, if they had come back and said, “The ministry has serious worries about our corporate structure and doesn’t support the vision that we’re putting forward,” what would have happened then?

**Ms. Bethann Colle:** I know that the board would have said, “Okay, let’s stop and let’s talk about what your concerns are,” because in the end, our key stakeholder is still the ministry. Yes, I fully believe that we would have had further discussions, that it wouldn’t have been, “Well, too bad, we’re going ahead anyway.” I don’t think that would have happened at all.

**Mr. Jagmeet Singh:** Just to clarify, when you received those—you knew the letter went out and the ministry was apprised of what was going on—

**Ms. Bethann Colle:** Yes.

**Mr. Jagmeet Singh:** You didn’t want to use the word “blessings,” but did you receive any letters or any other correspondence—a phone call or an email from the ministry—saying that they had any concerns about the plans?

**Ms. Bethann Colle:** Mr. Singh, I’m not aware of any, and I am not aware of the board receiving any. That would be my fair answer. I don’t know if there were any follow-up phone calls from the ministry even just to ask a question. I just don’t know.

**M<sup>me</sup> France Gélinas:** Can you foresee a scenario where the ministry actually had serious concerns that would not have been brought to your board?

**Ms. Bethann Colle:** No. I mean, with all the people that it was presented to and who were involved, I’m sure that if somebody had a concern, it would have come to the board. You’ve all seen the letter. It was very detailed, with all the charts and so on that were attached, so it wasn’t like it was a two-page memorandum. There was a lot there to read and absorb and understand, and anybody who read it—I think if they had had any concerns, it would have surfaced. That would be my impression.

**M<sup>me</sup> France G elinas:** I would say it was a significant transformation of the agency in taking on a new path. I agree; I had the pleasure of reading the letter many times.

I'll go back a bit, as to here you are on the board of directors of a not-for-profit corporation providing air ambulance services to the people of Ontario. You know that the Ministry of Health funds those services so that people like me, who live in northern Ontario, are not left on our own and can rely on air transportation when we need to.

The part that really doesn't sit well with me is that this is money that comes from the government. Not-for-profit agencies are allowed to make money. You've been in a not-for-profit long enough. Lots of not-for-profit agencies sell things, rent things, do anything they can to bring in more money. How come this scenario was never brought forward? Why couldn't Ornge do the subcontract to Saskatchewan with the existing not-for-profit? Why couldn't you do the training and just bring the profits right back into the not-for-profit Ornge?

**Ms. Bethann Colle:** It's an excellent question, if I may say that. The scalability wasn't there. If I use the example of the foundation, which was great, it brought in, I believe, around \$4 million, maybe \$5 million over the few years that it was running, and that's terrific. And then there was some of the work—Saskatchewan and so on—that was done. But in order to really bring in—we're not a hospital. We're not Sick Kids, which does a fabulous job and probably brings in hundreds of millions of dollars a year. I don't think we were going to get to that point, or it was going to take a very long time. So aside from the foundation, how do you create the scale to bring in enough money to hopefully save, if you will, or be able to work with 2,600 patients?

That's really where this came from, from my perspective. We've got to build something big in order to get in the kind of money that we need. Otherwise, if not, we could have just kept with the foundation, which did a great job. That was, like, purchasing medical equipment and so on, but that again may have been a few million dollars a year, and we were looking to do more.

**M<sup>me</sup> France G elinas:** What kind of scale are you talking about? A few million dollars a year is—

**Ms. Bethann Colle:** Oh, no, it's quite a bit; I'm not saying it's not. But at least with what was created on the for-profit, we were trying to scale it so that we'd be able to service at least an additional 2,600 patients a year, because we knew there was this—

**M<sup>me</sup> France G elinas:** So how much money are we talking about?

**Ms. Bethann Colle:** We were trying to reach, over the period of many years, this fund of \$200 million, but not eat into the fund, then use that and basically invest and, let's say, make 4% or 5%. That's what got us to the 2,600 patients.

**M<sup>me</sup> France G elinas:** Okay.

**Mr. Jagmeet Singh:** I just wanted to ask you if you could respond to this or if you have any comments with respect to this. Some folks have testified or given their

deputations here and have said that one of the concerns they saw when they looked back, in hindsight, about Ornge is that the decision to go down a different model meant that there was a shift away from patient care and towards expansion. Are you able to respond to that, or were there any precautions put in place to prevent that from happening? That's been a concern, in hindsight, that an unintended consequence of the new model was that the shift went away from patient care to trying to expand too quickly, and patient care may have suffered because of that.

**1350**

**Ms. Bethann Colle:** You know, Mr. Singh, I can certainly see why that would be a concern. It would be a natural one. The way that I looked at it and I think our board looked at it is that we had a very strong management team in place. I'm going to speak specifically to Tom Lepine, who was COO and who I think was doing an excellent job at the time; I really do. So, you know, when I look at it from a view of, "How do you protect Ornge, the not-for-profit?", I view it as we had a management team in place. They knew what they were doing; they were very strong. Dr. Mazza's role was evolving, moving—whatever term we want to use—to the for-profit side to help create this. So did I have a concern? No.

Also, you've got to realize—you don't have to realize, but the metrics were and the numbers we were given were that the numbers of patients were increasing in terms of patients we were serving. We had all this wonderful new equipment versus the old equipment. So, you know, we had reports from a medical advisory committee. I mean, we really viewed it and saw that every year patient safety and all of our standards were improving. So when some of this came out that it wasn't—when I used the word "disappointment" in my opening statement, that's, you know—

**Mr. Jagmeet Singh:** My colleague has another question.

**M<sup>me</sup> France G elinas:** So, just to clarify something you just said to Jagmeet, you had confidence in Tom Lepine and so you felt at ease to see that Dr. Mazza was going to be working on the new vision on the for-profit side. How come nobody ever said, "Hey, guys, let's stop this. We are using public money to do for-profit work. This is a no-no. This is not allowed. You cannot use public money to go on to do for-profit ventures."

**Ms. Bethann Colle:** I don't know if this is where your question is going, Madame G elinas, but I know that when the Ornge for-profit was formed—I think the official date was January 1, 2011—any work, and I'll use Dr. Mazza as an example, that was being done by Dr. Mazza—let's say it was, and I'm going to pick a number, 30% here and 70% there. Whatever the percentage was that he was working on the for-profit side was not coming out of government money; it was coming out of the seed money, the investment that Agusta had made in Ornge. So I just think it's really important that—and the same thing if Maria was spending time on the for-profit side, or

Rhoda Beecher was. I mean, those people were being paid out of money that had been invested by an outside party; they were not being paid by government money. I just want to—

**M<sup>me</sup> France Gélinas:** Okay. This is what you believe to be true?

**Ms. Bethann Colle:** Yes, this is what I believed to be true. This was my understanding.

**M<sup>me</sup> France Gélinas:** It is not true.

**Ms. Bethann Colle:** Okay, I'm just—

**M<sup>me</sup> France Gélinas:** Dr. Mazza, Maria Renzella—they were all paid with taxpayers' money. There was never for-profit money generated to do anything. But this is the bill of goods that they were selling you and you were comfortable with that?

**Ms. Bethann Colle:** I was.

**M<sup>me</sup> France Gélinas:** Okay. I know that you have an expertise in marketing.

**Ms. Bethann Colle:** Yes.

**M<sup>me</sup> France Gélinas:** Did it surprise you at all that an agency that knows zip-all about marketing gets for its very first contract in marketing a \$4.7-million contract? You must have done a few dances around the office on that day.

**Ms. Bethann Colle:** To answer that question properly, I would have had to have seen the marketing agreement. Being a marketer and having an understanding, if you're going to fulfil a \$4.7-million contract, you probably have a staff of—I'm going to pick a number—a dozen people that are working over an extensive period of time that are being billed at so much an hour. I mean, I don't have to explain that, I guess. So, yes, it sounded great, but Agusta is a large company and they have big budgets, and I've worked with clients with big budgets. As long as you can justify the work that you're doing in terms of the deliverables, which, as I said, I don't know what they were—yes, it's definitely a good-sized contract.

**M<sup>me</sup> France Gélinas:** But you knew that Ornge had no expertise in marketing. I mean, you come from the field of marketing; you know how long it takes to build the trust with a client before they will invest \$4.7 million in you, and no bells went off to say, "Wow, this is a lot of money. Ornge knows nothing about marketing"—

**Ms. Bethann Colle:** No, because I assumed that the Ornge Global side, who was doing this, was going to hire the right people. It was as simple as that. I mean, Ornge has the expertise and the intellectual property and sort of the good name—if I can put it that way—internationally, because I did understand that Ornge was well recognized within its category of air ambulance internationally. So it had that, which is good.

Then, as somebody who's a recruiter now, I mean, you basically hire the right people who are going to do the marketing or whatever we want to call it—business development—for you. So, no, I knew we didn't have it in house. But I assumed that coming out of that money, it was also going to go to salaries, to people you were going to bring it.

**The Chair (Mr. Norm Miller):** You have a minute left.

**M<sup>me</sup> France Gélinas:** Did you ever follow up on this to make sure that this was actually what was happening? Did you ever ask, "How big is our marketing department now? Are they bigger than your girlfriend and her"—

**Ms. Bethann Colle:** No, I did not. Again, I'm not trying to distance myself from Ornge Global, but, because I had not even seen the marketing agreement, I was not aware of how it was being staffed.

**M<sup>me</sup> France Gélinas:** Any regrets?

**Ms. Bethann Colle:** I guess my one regret is that we did not know what was going on from the management side. I mean, that's just the killer, right there. Personally, and I think to the board as a whole, I just feel really, really deceived—incredibly so. I just can't believe it's come to this. Yes—it's kind of sickening. That's it—but thank you.

**M<sup>me</sup> France Gélinas:** Thank you.

**The Chair (Mr. Norm Miller):** Thank you very much, and thank you for coming before the committee today.

MR. DON LOWE

**The Chair (Mr. Norm Miller):** I'd next like to call Mr. Don Lowe. Good afternoon, Mr. Lowe. I just want to confirm that you received the letter for a witness coming before the committee.

**Mr. Don Lowe:** Yes, I did.

**The Chair (Mr. Norm Miller):** Thank you. Our Clerk will do either an oath of witness or an affirmation.

**The Clerk of the Committee (Mr. William Short):** Mr. Lowe, do you solemnly affirm that the evidence you shall give this committee touching the subject to the present inquiry shall be the truth, the whole truth and nothing but the truth?

**Mr. Don Lowe:** I do.

**The Clerk of the Committee (Mr. William Short):** Thank you.

**The Chair (Mr. Norm Miller):** Thank you. If you want to make an opening statement, please feel free.

**Mr. Don Lowe:** Yes. Thank you, Mr. Chairman. My introductory remarks to you will be fairly limited and are designed to give you background on my motivation for joining the Ornge board and my general view on certain issues pertaining to the former board.

I joined the board in the spring of 2008 and remained a director until my resignation in early December 2011. Like other board members, I was initially approached by Rainer, and subsequently Dr. Mazza, for a general introduction to Ornge, which led to a discussion of its mission, its business culture, and frankly, I was very impressed during these discussions, particularly with their enthusiastic dedication to make Ornge a world-class medical air transport provider to serve the best interests of Ontario. Also impressive was their operational freedom, which I think is very important as an independent organization, which enabled them to move quickly on very needed operational changes.

As part of these discussions, they outlined their recent strategic decision to purchase aircraft and helicopters in order to operate their own air transportation system. Given my extensive background and experience in the aerospace industry, I believed that I could contribute to this new strategy, and for that reason, and that reason alone, I agreed to join the board.

I'm the most senior member of the former board members of Ornge by age, and probably the most experienced, as age has provided me with time to spend on many boards and many various business sectors. The former Ornge board, in my view, was a very competent and dedicated group of individuals with experience in diverse fields, who always had the interests of the Ontario patient foremost in their minds during board deliberations.

Our studies, supported by outside consultants, had indicated that, due to population growth and demographic changes, demand for Ornge services will grow significantly in the years to come. Ornge will require additional funds to satisfy this demand, but the government had indicated that additional funds would not be available going forward.

Our answer to this problem, supported by the entire board, was to develop a strategy for revenue-producing businesses based on Ornge expertise, which would help cover this increasing demand. There was never any personal gain or benefit behind the strategy for the directors. We were focused entirely on dealing with this future problem, which will have to be addressed, probably by this government, sooner rather than later.

1400

Thank you, Mr. Chairman. I'll welcome questions.

**The Chair (Mr. Norm Miller):** Thank you for that statement. We'll move to the opposition. Mr. Klees?

**Mr. Frank Klees:** Thank you for being here today. We, as a committee, are struggling with what went wrong at Ornge, with all of the good intentions. Obviously, we continue to hear the term "deceit" and we continue to hear from witnesses. The three former directors—you've been here and you've heard their testimony—it seems they weren't being given information that they thought they were being given, whether it was the number of patients that were being served—that was misrepresented; or whether it was the quality of service—clearly, that was being misrepresented.

The overriding question that I have is this: You've been on a number of boards. There is a responsibility on the part of a director to challenge information, to ensure that there's supportive documentation for information that is being provided. My question to you would be this—you were on the finance and audit committee?

**Mr. Don Lowe:** No, I was not.

**Mr. Frank Klees:** Oh, you were not. Which committee were you on?

**Mr. Don Lowe:** I was on the compensation committee.

**Mr. Frank Klees:** Okay. So, on the compensation committee, did you, at any time, call into question the fact that some \$1.2 million was being extended to Mr. Mazza over and above his salary? Did that not trigger a

question in your mind about what was happening in his life, that someone would have to come to an employer and asked for that kind of financial support, a \$250,000 advance against bonuses? I'd just be interested in your thoughts as a director, as a business person, as someone who has had the responsibility to manage organizations: What does that tell you about that individual?

**Mr. Don Lowe:** I really don't want to comment on the personal life of Dr. Mazza, but let me just talk about what I call loans to employees. The first thing is, I'm not very much enamoured with them. I find that when you extend a loan to an employee, it usually ends up leading to a problem of some sort. Fundamentally, I'm not an enthusiastic supporter of loans. I have expressed that view on the compensation committee.

The other side of that is that, in my experience, particularly with young CEOs who have demands on them by their families, and they're involved in schools and school fees and houses and taking kids to camp and doing all sorts of things, a loan to help them with their housing often is one of the things they really want, whereas when you're looking at a CEO who is in his fifties or sixties, with his compensation, he's not very interested in that because he's at a different stage of his life. He is looking at retirement benefits, insurance for retirement and deferred compensation—those are the kinds of things that he focuses on.

In the case of Dr. Mazza, he had a young family. He had, I gather, a couple of marriages that didn't go well, and I could understand the demand or the need for a loan of some sort, a housing loan. When it was discussed at the compensation committee, even though I was not a supporter, the loan was eventually recommended to the board, and the board chewed it over and they, in turn, supported it. I was not involved in the other two loans. I'm not sure why, but for some reason I was not included in those. I'm not sure how they were handled, so I really can't comment on those. But as I said, I really don't want to comment on his life and his lifestyle. I think there was a genuine problem.

The other side of that is, I share the view that we, as a board, believed that he was the proper person at that time to run the business and that we could run some risk of having him attracted to other companies who maybe would provide a much better compensation package than we would. That is why we hired a professional compensation person to come in and take a look, to be sure that we were competitive in the marketplace.

You must remember that Dr. Mazza could very easily leave and go and work for any number of companies. He had some very, very unusual qualifications. It's not very often you find a medical practitioner who has an MBA and who is really an entrepreneur at heart, and I think he was the right man for the business at that time. I changed my opinion later on.

**Mr. Frank Klees:** With all due respect, I think it would probably have been in everyone's best interest had you let him take a job with someone else—

**Mr. Don Lowe:** I'm not sure I share that opinion.

**Mr. Frank Klees:** Millions of dollars and a great deal of patient care would have been improved.

We had testimony from a former employee, Mr. Tom Rothfels.

**Mr. Don Lowe:** Yes.

**Mr. Frank Klees:** You recall Mr. Rothfels. What role did Mr. Rothfels play in the company? Do you recall what his—

**Mr. Don Lowe:** Yes, I think—and one of the reasons I was invited to join the board is my background in the aerospace industry. Tom and I believe one or two other consultants were hired really to support the management group with their expertise in the aerospace area. Tom, I think, was a consultant. I don't think he was an employee. I think he probably was there for a year or a year and a half during the acquisition period for both the fixed-wing airplanes and also the helicopters.

**Mr. Frank Klees:** So his testimony at the committee—have you read his testimony?

**Mr. Don Lowe:** Yes, I have.

**Mr. Frank Klees:** So you'll be aware that he testified that he was intimately familiar with the weight upgrade that has been under discussion here today and that relates to the marketing service agreement, that he had serious concerns about it because, as he relayed to us, he was aware that in fact Agusta had waived that weight upgrade charge, that it was not owing to Agusta, that he had expressed it to Mazza and that that was dismissed. Mr. Rothfels told this committee that he had serious concerns about that, that it didn't smell right to him. So I put the question to him when he was at this committee: Did you tell anybody on that? Did you disclose that to anyone on the board?

I'd like to just quote from his testimony, and I'll start with my question to him: "Did you ever express your concern to any member of the board?" Mr. Rothfels' reply was, "Yes." "And who was that?" His response was, "Don Lowe."

My question was, "And what was the response from this member of the board?" Mr. Rothfels replied, "He expressed some concern"—I'm quoting—"and surprise and indicated that he would look into it. But I think his feeling was that the lawyers had covered this or papered it or something to that effect."

My question, "Knowing what the fiduciary responsibilities of a director are, did it concern you that that would be the response of a member of the board, that the legals had papered it?" His response was, "The timing was such that, once I had expressed these concerns about this transaction internally and was quite vocal about it, I became persona non grata internally at Ornge. Within a few months, I had left Ornge, and the meeting that I had with Don Lowe took place a week or so after I left Ornge. I felt I had a responsibility to make sure at least someone on the board was aware of my thoughts, and so I had that meeting."

1410

Mr. Lowe, as a director of the board, Mr. Rothfels took his concerns directly to you. Could you tell us what you did with that information?

**Mr. Don Lowe:** Let me put this into context. I had known him for some time. He phoned me. He, at that time, expressed over the telephone that he was planning on—and I had heard that he had left Ornge—that he was thinking of taking a new job in Brazil. Because I have a number of business contacts in Brazil, he said, "I really would like to discuss this with you." I said, "Fine, Tom. Let's get together and I'll be glad to discuss it with you. If I can be of any help"—which I do a lot of—"I'll be glad to help out."

When he came to me and we had this meeting, the first thing that became very evident was that he was a very, very bitter person. He was very, very unhappy because, later I found out, he was not selected to become the president of Ornge Air. He spent three quarters of the time with me pouring bad water on Ornge and everything about Ornge. I realized that his entry of saying, "I was going to talk to you about a job in Brazil," really was not the point. He needed to unload on somebody.

During that conversation, he talked to me about the factors, one of which was the problem of weight for the helicopters. The impression I got from Tom is that he was really unhappy with the fact that he wasn't promoted, but this was just another—pardon the expression—bitch.

Anyway, I don't ever remember saying what you have just quoted as being said that I ever said. I don't think I would ever say that. But anyway, I took that and I went and I had a meeting with the chairman of our finance committee, because my impression from what Tom had said was that it wasn't properly handled from a financial point of view. I went and talked to Barry and said, "Barry, tell me about this particular weight problem." And he said, "Well, it's been handled properly. The finance department has discussed it. We've also had the auditor take a look at it." He said that there are no problems surrounding it. I said, "Fine," and I backed away from the issue.

But let me just make a comment. Every acquisition of an airplane of any sort always has a weight discussion. It's a problem, and the problem with airplanes is weight determines the range of the airplane. If you put a lot of equipment on an airplane, the first thing you know, you're dealing with a different problem: The airplane won't fly as far as it should fly. So every contract that I've been associated with in my years in the business always ends up with a weight problem.

It's a problem that is usually solved internally by the management of the company. It's not a board issue. That solution may be a technical solution—you would take equipment off the airplane; it may be that you've changed something on the airplane. But every contract has that problem simply because it affects the performance of the machine.

There's nothing unusual about this. Normally, it would be settled by the management group, and I'm assuming the technical part of that problem would be solved by the management group. It would not be a board issue per se.

**Mr. Frank Klees:** Mr. Lowe, are you suggesting that it's a normal course of events to have a weight issue on the table as a charge of some \$2.8 million, to have that negotiated out of the deal so that there's nothing owing, and the CEO insists they're going to pay the \$2.8 million anyway, notwithstanding the fact that the supplier had agreed not to charge for it? Are you saying that that is normal?

**Mr. Don Lowe:** What I'm saying is normal is, a negotiation takes place within the management group to solve the problem. How it is—

**Mr. Frank Klees:** But we're not talking—the problem was solved—

**Mr. Don Lowe:** Wait a minute, now. Let me finish. How it is solved, I have no idea. I was not there. I was not part of the negotiations. It may be, for example, if Ornge put additional equipment on the airplane, like extra instrumentation, they should pay for it. On the other hand, if it was a problem that the manufacturer had created, there probably would be a payment the other way. I was not part of those negotiations, but what I'm saying is that happens all the time. The resolution would be for that particular problem on that particular product.

**Mr. Frank Klees:** The fact is that the negotiations that took place between management resolved the problem in such a way that the supplier agreed not to charge for it. The CEO of the company insisted that Ornge pay that money to the supplier notwithstanding, and, in the ensuing weeks and months, that money flowed back to one of the for-profit companies of Ornge. Surely to goodness that is not normal business.

Now, are you aware—

**Mr. Don Lowe:** Why do you say the same money flowed back?

**Mr. Frank Klees:** Well, I don't think it takes a whole lot of brilliance to figure out the flow of the money. And, sir, I have to tell you, there are not many people in this province—and I've talked to many who are far more astute than I am at business, and they see that as a huge red flag. I think, as a director, it would have behooved you to follow that through.

I want to ask you this: Are you familiar with Finmeccanica?

**Mr. Don Lowe:** Yes.

**Mr. Frank Klees:** And what is that company? What is that company's relationship to Agusta?

**Mr. Don Lowe:** I believe they're the holding company that owns it.

**Mr. Frank Klees:** Are you aware of the number of fraud and bribery charges against the senior executives of Finmeccanica involving the sale of helicopters?

**Mr. Don Lowe:** Only what I read in the newspaper.

**Mr. Frank Klees:** Sir, can you tell us—

**Mr. Don Lowe:** I have no idea what the circumstances are surrounding those problems. I'm sorry.

**Mr. Frank Klees:** Ironically, those circumstances are very similar to the circumstances we have at Ornge: kickbacks of monies in the very range that we're talking about that relate to a bogus marketing agreement.

No one buys the fact that Mr. Mazza's girlfriend was capable of heading a group of employees that was going to deliver a marketing agreement to an international aerospace company and have anyone accept that that is a credible contract. Anybody should have seen through this.

What's disappointing for us is that the board that had the oversight responsibilities of Ornge who, notwithstanding all of the corporate machinations, had only one source of income, and that was \$150 million of scarce health care dollars that clearly were being siphoned off into somebody's vision. It's so disappointing that Mr. Rothfels would have taken his concern, as an executive, bitter or not—maybe one of the reasons that he was bitter was because of what he saw going on in this organization. I would expect, and as he shared with us, he was extremely disappointed that no one took him seriously.

I'm going to ask you just this question: In hindsight, knowing now that even Mr. Beltzner admits that there was a problem with that deal because of a memo that both he and Mr. Pickford found out about that confirmed the fact that there was no charge, that confirmed that fact that the supplier had agreed not to charge for that weight upgrade—in retrospect, do you regret that you didn't take Mr. Rothfels more seriously and pursue that?

**Mr. Don Lowe:** Not at all. I think that my follow-up on that particular issue, as mentioned to me, that he thought that it wasn't properly handled from a financial point of view—he didn't say to me, as I recall the conversation, that there was any other opposition to making the payment. He didn't describe all the detail of the discussions that took place. I was not part of those; I was not privy to the information that came out of them. I didn't even know that there was this problem of payment and non-payment. It didn't reach me or the board. His comments to me were very mild and, as I said, in an atmosphere of bitterness. I think I followed it up appropriately.

1420

**The Chair (Mr. Norm Miller):** Thank you. We'll move on to the NDP: Ms. Gélinas?

**M<sup>me</sup> France Gélinas:** Thank you for coming. I will start my question the same way I did to your three colleagues that are here today, and taking you back to your time on the board. Basically, how was it? Did you find it was a productive, professional board? Did you have any worries about the information or the work that you were doing?

**Mr. Don Lowe:** I did not. Looking back now—of course, in retrospect you always think of things you didn't know and suddenly you know. Of course, that always concerns me. As a long-time-serving director on many companies, you're always concerned when something like this happens. But I think that the discussions that took place, both at the committee level and also at the board level, were very vigorous. I think the information we got, at least from our point of view at that time, was adequate. We certainly had a view on everything that we had to have a view on, like the financials. We had an operational report on a regular basis.

Some of the issues that are coming up here, for example, in terms of the performance of the company relative to patients, we had a very thorough report that came to us from the operational people in terms of the number of patients that were carried and what sort of problems they had.

We also had a committee—in the event of a death, we had an outside committee that looked at that death in terms of what created the problem and had we responded properly to it? You must remember—I think our former director mentioned it—that when you're carrying people that are very sick, you're going to have some that are going to die in-flight. That's just the game you're in. But the few that we had—there usually were only one, two or three a year that would fall into that category—were thoroughly investigated by an outside group of professional and very prominent medical people, and they reported back to the board. They reported back because we were interested in knowing what had happened. As I said, I felt that we were being properly informed.

I have since learned that we were not being properly informed. That, to me, was very, very discouraging because in the end, a board has to trust the management group. You can't investigate every little thing; you have to have that trust. I think we enjoyed that trust to begin with. It was only later in the history of the board that we got into problems. What came out in terms of the salary and in terms of other items I think was very, very disappointing—very disappointing.

**M<sup>me</sup> France Gélinas:** Speaking specifically about the salary, you were on the compensation.

**Mr. Don Lowe:** Correct.

**M<sup>me</sup> France Gélinas:** You would have had intimate knowledge of the negotiations to come to a compensation package for Dr. Mazza.

**Mr. Don Lowe:** Correct.

**M<sup>me</sup> France Gélinas:** Can you walk me through a scenario that leads us to where we are, where he gets a \$400,000-a-year stipend for a medical overview that he doesn't do?

**Mr. Don Lowe:** I think our chairman went through the process, with this committee, of how we operated in terms of the committee and how we employed outside services of compensation experts in order to get proper perspective on where he was in the market. That, in turn, went to the board, and the board chewed it over. I think also he went through the pay-for-performance arrangement that we have, which I think is a very effective system.

**M<sup>me</sup> France Gélinas:** That's not my question. My question is—

**Mr. Don Lowe:** No, but I just wanted to come back to it. The approval and the recommendations that we produced in the committee and passed on to the board, based on the expertise material we'd receive from our outside consultant, never ever envisioned an extra \$400,000 being paid as a medical director. We were unaware of that. Had we been aware of that, certainly the compensation package would never have been what it was. We

looked after the \$500,000, I think it was, which was his salary.

His bonus consideration was another 100%, and he could earn up to a million dollars. When the announcement came out in the paper that he was earning \$1.4 million, I couldn't believe it. I didn't know where it came from, frankly. It was only in January 2012 that, talking to our chairman, I found out about this extra \$400,000 as a medical director, and I was very, very upset.

**M<sup>me</sup> France Gélinas:** Can you think of one reasonable explanation why, after having done all of that work and all of that due diligence to come out with an appropriate compensation package that you could defend, that you could explain—is there one reasonable explanation why you didn't know about the \$400,000?

**Mr. Don Lowe:** Frankly, I can't. But let me say, Dr. Mazza, who interacted with the committee—compensation packages are put together with the desire of the CEO and what you can afford and what value there is to the corporation. He had every opportunity to tell us about it. In the interface through the years, it was never mentioned, yet it was part of his compensation. Frankly, he lied.

**Mr. Jagmeet Singh:** So he was allowed to make up to a million dollars.

**Mr. Don Lowe:** Yes.

**Mr. Jagmeet Singh:** Just in terms of the way of achieving that number, other hospital CEOs who manage a much larger budget and manage a much larger number of employees—for example, any of the major hospitals in downtown Toronto have considerably larger budgets and a considerably larger support staff—don't make a million dollars or max out at that much. Compared to Ornge, where the budget is \$150 million and the staffing is much less than the major hospitals in downtown Toronto, did that factor into your discussions at all?

**Mr. Don Lowe:** Not really. The comparison that we were making was with the private sector. Our external consultant came in with the comparators. You must remember that he was vulnerable, really, to be hired away to the private sector. Certainly that was a consideration in our discussion.

Also, as Ornge progressed, the responsibilities of Dr. Mazza changed considerably. He was shifting away from the day-to-day operations, which were being run by Lepine, and he was going into this entrepreneurial phase of developing for-profit operations to supplement and flow back into Ornge. So his responsibilities changed completely. We felt and the consultant felt that it was appropriate that this would be the kind of package that would be out there that we would face if somebody came in tomorrow and decided to hire him.

Bear in mind, the salary was \$500,000. The other \$500,000 may or may not have been paid, depending upon his performance. He had to really produce and achieve all the objectives and he had to be very much on the top of the scale in order to get the million dollars, or the extra \$500,000.

**M<sup>me</sup> France Gélinas:** You heard the comments that I made to the witness before you. That was public money

paying for his salary. How can you ever agree to use public money to fund the for-profit entrepreneurial new venture that he was going to do?

**Mr. Don Lowe:** Well, I didn't quite look at it that way. The money that went into the other side was money that was generated in the refinancing of the building and it was loaned to that group. Also, the other money, I think, that went into it was the marketing money. The arrangement he had on the marketing agreement went into that operation, and that was the money that was being used as seed money to go out and build the businesses. We couldn't build the businesses unless we had some money to spend and go out and talk to customers and make presentations etc. There had to be some way to fund it, and that was the way we funded it.

**M<sup>me</sup> France G linas:** I'm going to come back to oversight. I take it that you knew that it was the Ministry of Health that was funding Ornge, funding the air ambulance. What do you figure the role of the ministry is when it funds an ambulance service?

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**Mr. Don Lowe:** Well, that's an interesting question in terms that they are the major stakeholder. I would look at them as kind of my view and my experience would be as a major shareholder, and I would say that that's the kind of role they should have as a major shareholder.

I think that the interface between Ornge and the ministry, in my view as a director, was pretty good. Let's be honest. They got quarterly numbers. They got year-end numbers. They got an audit report. They got a strategy report. Each year, we made a business presentation to them. They interfaced at the management level where, if they had a day-to-day problem, I'm sure the telephone was picked up and people were called and there was an interface at that area. From our view, or at least my view, I think the interface was pretty good.

**M<sup>me</sup> France G linas:** So you really saw it that they had many levels of oversight—at the operations level, at the reporting level, at your business presentation, at your yearly audit—so if there was anything that displeased them or that worried them, you felt that the communication systems were in place that you would have known?

**Mr. Don Lowe:** I would have thought so—probably through the chairman who would interface more than, say, an individual board member like me.

**M<sup>me</sup> France G linas:** And you've heard the testimony of everybody before you, the 11-page letter that was presented, Mr. Beltzner or Mr. Apps coming to Queen's Park talking to a number of deputies, explaining your new vision. Is it also your feeling that they came back from this with a clear mandate from the ministry that all is good, this is a good plan, we're being supported, we're moving on?

**Mr. Don Lowe:** That was my impression, and certainly we had a report from the chairman who was at the meetings that there was no objection. In fact, I think there was some enthusiasm expressed by some of the people for the plan. But certainly we did not receive any negative attitude towards—

**Mr. Jagmeet Singh:** The report that was provided, was that tabled at the board meetings?

**Mr. Don Lowe:** Well, I'm not sure it was tabled, but all of us had a copy of it and we all read it.

**Mr. Jagmeet Singh:** And the report was from Mr. Beltzner?

**Mr. Don Lowe:** I'm not sure who wrote the report. Whether it was Mr. Beltzner or whether it was Mr. Apps, I don't know.

**Mr. Jagmeet Singh:** Okay. And the report basically outlined that the ministry was aware of what the proposed plan was—

**Mr. Don Lowe:** No, no. He gave a verbal report. I'm sorry.

**Mr. Jagmeet Singh:** Okay.

**Mr. Don Lowe:** I'm referring to the report that they took and they presented.

**Mr. Jagmeet Singh:** Yes, yes.

**Mr. Don Lowe:** The chairman gave a verbal report, as I recall it.

**Mr. Jagmeet Singh:** Okay. So you recall that the chairman did give you feedback—

**Mr. Don Lowe:** That's right.

**Mr. Jagmeet Singh:** —that the ministry was aware of what was going on and supported it or had no problems, and in fact gave you one anecdotal piece that they were enthusiastic?

**Mr. Don Lowe:** That's right. There was someone. I don't know who it was, but that was what I recall from the report.

**M<sup>me</sup> France G linas:** Okay. And from that winter on till, we'll say, the end of November—we'll avoid December 2011. So in January 2011, the chair of the board and the legal counsel go, come back, do their report, "We've outlined our new corporation structure or new strategic direction. This is where we're going." From that time on, has the ministry ever contacted Ornge in one way or another that you know of to say, "Oh, no, we've changed our minds. We were enthusiastic back in January, but now we really don't care about it" or anything else.

**Mr. Don Lowe:** Never heard a thing.

**M<sup>me</sup> France G linas:** It stayed clear sailing the whole time—

**Mr. Don Lowe:** Now whether or not something happened at the management level or not, I don't know, but certainly the board was not aware of any negative—

**M<sup>me</sup> France G linas:** And you had board meetings since then?

**Mr. Don Lowe:** Oh, yes, on a regular basis.

**Mr. Jagmeet Singh:** The interface you talked about, that you felt in your opinion as a board member that there was sufficient interface between Ornge and the Ministry of Health, what were the objective elements of that interface? What can you point to—the pieces of it? If you could just list a number of them.

**Mr. Don Lowe:** Well, no. I look at the normal interface, and you know the regulatory interface with a company is financial. We had a financial interface which

took place on a regular basis, and we had an independent outside audit on a regular basis. As I recall, any significant change in strategy was always—we felt the obligation to go back to the stakeholder. Each year, the stakeholder received a business plan review of what was going to happen next year, and that was an iteration, again, where you went in and presented the plan, and that was tied back into the compensation system.

There was that interface. Then there was the information interface that takes place. For example, if the Auditor General comes in, we work with him well—I hope we do—and if there are items that can be cleaned up quickly, they're cleaned up quickly. If they're not, the board eventually ends up looking at them and monitoring them to make sure they are cleaned up. But there is that interface going on at all times. I think it continued at that level, and it probably was through the financial department. It certainly would be through the operational department, which looked after the day-to-day operations. If there were complaints in the field, they would come up through the operational side into Tom Lepine's area and he would address them. That was his job.

I did not feel that there were any problems in these particular areas. At least, we had no signals, no red flags.

**M<sup>me</sup> France Gélinas:** No signals, no red flags.

You look like a wise man.

**Mr. Don Lowe:** I'm not sure about that.

**Mr. Lincoln Caylor:** Take it while you can get it.

**M<sup>me</sup> France Gélinas:** You know how things have turned out.

**Mr. Don Lowe:** Yes.

**M<sup>me</sup> France Gélinas:** You were asked to resign from the board. How many times in your life have you been asked to resign from a board? Yes. Things did not turn out as planned, did they?

**Mr. Don Lowe:** No, and I'm disappointed. I'm disappointed not for myself, because I'm at the age and stage that it's not that important. But I'm disappointed because I think there were so many good people involved and they've had to pay the price. I feel very, very sorry for them. Some of these people cannot work in the health industry anymore, and I think that's a tragedy, a real tragedy. That concerns me more than anything else: that innocent people have got caught up in this turmoil and they're paying the real price—not you and I. They're paying the real price.

**M<sup>me</sup> France Gélinas:** We know of some whistleblowers who had come to us who are now out of work. I don't know when they will ever find other work, so, yes, there was some real human suffering—

**Mr. Don Lowe:** That's right.

**M<sup>me</sup> France Gélinas:** —and real hardship that came out of all this.

That brings out a bit of frustration that all four of you, all four previous board members, are so—how can I say it?—reluctant to show that things went wrong. There's nothing wrong with saying that there are good people at Ornge; I agree with that. They are good workers who put in their 100% every day, but to stand there in front of us

and keep telling us that all was great, the vision was great, everything was great—it's really hard for me sitting here to listen to this. Was it really that great?

**Mr. Don Lowe:** I just don't know how to respond to you. I appreciate your sentiments and I'm very sympathetic. Looking back, of course, we would like to have things turned out differently, but unfortunately the information and decisions we made were based on the information we had at that time. I think that we all believed—I speak for myself only, of course—that we made the best decisions we could at that time with the information we had. Would I do it differently? I certainly would if I had different information, and I think the salary issue a good example. If I had known that he was being paid \$400,000, there's no way that I would ever have made the recommendation of the comp committee to the board, and I'm sure the board wouldn't make that decision either.

When you ask, “How did that happen?”, frankly, I think you have to look in the mirror and say, “Could I have done any differently?” If I'd known, I would have, but—

**M<sup>me</sup> France Gélinas:** You talked about the issue of trust; that in order for the board of directors to do their work they have to trust their CEO, because this is who filters the information that comes to them. Is this really where you pin it: that you trusted somebody with giving you the full information, you made your decisions based on that, and this is where it fell apart?

**Mr. Don Lowe:** I would say, that's part of the package. I think that all of us trusted him, and our trust was misplaced.

**The Chair (Mr. Norm Miller):** Thank you, and we'll move to the government now. Ms. Jaczek?

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**Ms. Helena Jaczek:** Thank you, Chair. Mr. Lowe, we've been given your biography. Clearly, through the years you've served on many, many boards. They're mostly, as I can see here, in the private sector; they're for-profit corporations.

**Mr. Don Lowe:** Correct.

**Ms. Helena Jaczek:** Do you have experience on not-for-profit charitable boards?

**Mr. Don Lowe:** I've only had one and I must express my position: I have found being on charitable boards a very frustrating experience. I'm a very impatient doer of things, and I find that I don't enjoy them and so I have shied away from participation on charitable boards and hospital boards which I've been invited to. I guess the only offset to that is I am a fairly significant financial contributor to a number of charities.

**Ms. Helena Jaczek:** What would you see is the difference in terms of the duties of the board of directors—on a for-profit board, you're maximizing shareholder value, presumably. That's a sort of fundamental fiduciary responsibility. When it comes to not-for-profit charitable organizations, such as Ornge, where in fact the stakeholder is the public of Ontario—essentially, it is those of us who may one day need a service, a core ser-

vice, like air ambulance—can you see some differences? Or perhaps this is what's caused your frustration on your charitable boards? What's the difference?

**Mr. Don Lowe:** I can't see an awful lot of difference. I look at the stakeholder as the major shareholder.

**Ms. Helena Jaczek:** So, in essence, you felt your role on the board of Ornge was to maximize the benefit to the people of Ontario.

**Mr. Don Lowe:** Absolutely.

**Ms. Helena Jaczek:** In that context, and to pick up a little bit on what my colleague Mr. Singh said, when you were looking at compensation for Dr. Mazza, were you looking—you know, you've made the allusion that you looked at the private sector comparability. I'm again very intrigued why you wouldn't zero in on the core business of this corporation, which was public sector.

**Mr. Don Lowe:** I'd have to go back and look at the report. I think there were some other comparators in that report other than what I call the business sector. But you must remember, it's very difficult to get information, particularly in the other sector, and there aren't many other businesses around that you could compare an air transport system to.

But my concern was that part of the compensation that we looked at—the concern we had was that we had a chief executive officer who was very capable, and he was very capable to be hired by the private sector. I mean, he had unique qualities. I don't know how many people that I've ever run into have the qualities that he has. We knew that he was being courted by other people, and so when we looked at his salary, and we looked at the bonus arrangement we put in place, we had in the back of our minds that we better be competitive, because we're going to lose him if we're not.

Secondly, his role was changing significantly. He was getting away from the operation of Ornge transport into developing other businesses. That's when we had this expert come in and say, "Now, look, here's his new responsibility. What do you think? Go out and do some comparisons and come back and give us an expert's opinion on where we should go." So it was really based on that assumption. It wasn't that he was only in the charitable section; he was moving over to the private sector. Whether you and I like it or not, that was where he was heading.

**Ms. Helena Jaczek:** I'm a physician and I also have an MBA, and I would never dream of earning the kind of salary when I have been a part of the public sector for my career.

Considering that there was this shift to the private sector in his duties, did you then recommend, perhaps to the chair of finance or as you were developing your part of the budget, as I'm sure you did, that his salary be divided in some way, so that the Ontario government would pay the part related to air ambulance and that the other part—whatever percentage of his time was spent on developing these other entities—would in fact come from some other source?

**Mr. Don Lowe:** Yes. You may recall, or maybe you didn't pick this up, that the way it was supposed to work

is that, as he shifted more and more of his time away from the original business of Ornge and into Ornge Global, the salary and the time would determine what portion each one paid for. And that was part of it.

**Ms. Helena Jaczek:** So that was a part of the planning?

**Mr. Don Lowe:** Yes, that was—

**Ms. Helena Jaczek:** You put numbers on a piece of paper?

**Mr. Don Lowe:** Well, I'm not sure we put numbers, but we certainly—that was the intent of the arrangement.

**Ms. Helena Jaczek:** But during the time—say, the last year, 2010 to whenever you had this discussion around compensation, to when you resigned in 2012—100% of the salary came from the public sector side.

**Mr. Don Lowe:** It was not supposed to. But—and I don't know how it was done—the intent that was set up was that, as he moved across into the private sector, that percentage of time would be paid for by that segment and the other would be paid by Ornge. That was the intent. I'm not sure whether it was executed or not.

**Ms. Helena Jaczek:** In terms of this performance bonus—I think some \$500,000 that you were aware of—you mentioned that there would be particular objectives and that he would be measured, his performance would be measured. Could you describe those performance measures that you looked at?

**Mr. Don Lowe:** Just let me put it this way, and, again, I don't want to go back and repeat what has been said: The bonus section of his compensation was made up by a discussion on objectives, job performance objectives. There usually were about eight, maybe nine. The way these were determined—we had an iteration at the compensation committee level with Chris, describing what was important in that coming year as part of the business plan. He would outline what he thought were the important factors for success for that particular year. They'd be chewed over, and those would be measured in terms of how important they were, because some objectives are much more important, for example, than other objectives. That process would move on to the board. The board would look at these objectives and, again, chew them over and select—they may say, "Well, look, I think this is much more important than that," so they would be moved in terms of importance.

**Ms. Helena Jaczek:** Would you remember some of those specific measures? Was he—

**Mr. Don Lowe:** I'm just trying to—they were very much tailored to the organization and what was happening at that time. You know, I think I would give you a false impression. They were not financial. These were things that had to be done, like improving the use or the efficiency of the aircraft, medical objectives in terms of—we had a very extensive measuring system, and I'm sure you know much more about this than I do.

One of the problems we had in Ornge was measuring how good we were. It's easy in a private corporation: You can measure it in terms of money and expense control and revenue improvement etc. But when you get

into measuring how good you are as a doctor, it becomes very, very dicey.

**Ms. Helena Jaczek:** Were there things like patient satisfaction surveys? Was there—

**Mr. Don Lowe:** We didn't do that, but we included that that would be included in one of the objectives.

**Ms. Helena Jaczek:** Did he receive his performance bonus from the time that it was instituted?

**Mr. Don Lowe:** Yes, he did. I think—I'm just trying to think in terms of each year. There were one or two years he didn't achieve the maximum, and I think it was less than what he could have received. There were various levels of achievement which generated the bonus. If you got 13%, or whatever the metric was, you got a bonus, but it wasn't very much. If you got 50%—again, these were all metrics that we measured the individual objective on. But to receive the 100%, which was available, he had to be very, very good and he had to exceed nearly all his objectives.

**Ms. Helena Jaczek:** Who provided the stats that you relied upon to show that he'd met these objectives?

**Mr. Don Lowe:** Most of it was statistics that we were getting on a regular basis.

**Ms. Helena Jaczek:** Were you aware that the number of transports was pretty much flatlined for a number of years?

**Mr. Don Lowe:** I was not aware of that. That was—

**Ms. Helena Jaczek:** So that wouldn't have been included in the—

**Mr. Don Lowe:** I have no idea.

**Ms. Helena Jaczek:** You don't remember conversations about the need, the number of missed calls—

**Mr. Don Lowe:** No. I'd be misleading you if I said I did. No, I don't remember. I'm sure it's available if you'd like to look, go back into the file. I mean, all this information is available, and you would see the evaluation that took place.

**Ms. Helena Jaczek:** Well, the testimony that was heard in front of this committee showed that many calls were missed because of unavailability of paramedics or aircraft. I mean, was that not something that was a sort of measureable objective for him to achieve his performance bonus?

**Mr. Don Lowe:** I'm not familiar with those statistics that you're talking about. I have a problem with them, by the way, because most of the metrics that we received at the board level showed very good performance.

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**Ms. Helena Jaczek:** You will have no doubt created a budget for the CEO's expenses on an annual basis, in other words, what he was budgeted to expend?

**Mr. Don Lowe:** I may have, but I would not be privy to that information.

**Ms. Helena Jaczek:** That strikes me as somewhat strange being chair of the compensation committee.

**Mr. Don Lowe:** We did not look at it as expenses. The expenses were handled through the finance committee.

**Ms. Helena Jaczek:** And who looked at the decision to compensate board members?

**Mr. Don Lowe:** It would be included in our survey from our professional outside compensation people.

**Ms. Helena Jaczek:** So you were involved in that. When you started in the spring of 2008, what was the remuneration you received?

**Mr. Don Lowe:** I think the remuneration I received was about \$3,000. Just to give you a background, I looked at some figures at home and my average compensation for the four and a half years that I was on the board was \$48,000.

**Ms. Helena Jaczek:** Did it vary from director to director? Because, actually, we've heard a number—

**Mr. Don Lowe:** Yes, it would, depending on the number of committees you were on and your activity with the board.

**Ms. Helena Jaczek:** So this was all documented?

**Mr. Don Lowe:** It's all documented.

**Ms. Helena Jaczek:** And it was on the advice of who? An external—

**Mr. Don Lowe:** An external compensation—

**Ms. Helena Jaczek:** Would they have had experience in the public sector?

**Mr. Don Lowe:** I think they probably would have had experience in all kinds of sectors. I mean, that was their business.

**Ms. Helena Jaczek:** I mean, you are aware that in the vast majority of agencies of the government, compensation to directors—it's either voluntary or expenses—

**Mr. Don Lowe:** By the way, my expenses for the four and a half years were \$372.

**Ms. Helena Jaczek:** But are you aware that the vast majority of agencies, boards and commissions of the Ontario government have minimal remuneration for members of the board of directors?

**Mr. Don Lowe:** I'm not familiar with what goes on in the other businesses that are part of the government.

**Ms. Helena Jaczek:** Do any of my colleagues have any further questions? Mr. McNeely.

**Mr. Phil McNeely:** My first impression of how a government organization like Ornge—all of a sudden, a decision was made that the same people are going to run the airline. That has always bothered me through all of this. Which hat are you wearing? How can you have such conflict? I'm not suggesting the board members had that same conflict, but for some of the people who were in the operations, how they had the two hats on: that we're going to provide a great service for the people of Ontario through this air ambulance; and the second hat says that we're going to use that system and the money there, including the money that they got out of the sale of the building and the money for that study—that we're going to use that money, that that's our stake in private enterprise. Yes, the government gets back 3% of gross or 15% of net, but that whole idea, were you aware of that when you were a board member, that people had really two—looking after the taxpayer and looking out for themselves? How did that come out at the board meetings?

**Mr. Don Lowe:** I'm a little bit confused here. Ornge air, which I sat on the board of, was made up of very experienced airline people. They were hired by Ornge as we got into the fixed-wing airplane business. We went out and hired people who were in the business. We hired pilots, we trained them etc. So we had built up and we continued to build up when we got into the helicopter business, where we went out and hired people who knew that business, who had flown in helicopters, who had run organizations and who could interface with the government to get the necessary certificates etc. So we had built up the expertise in Ornge air. Ornge air was quite capable of moving up and expanding. They had a lot of capability—a lot of capability. We also had a call centre, which was, I believe, state of the art, and which could be utilized depending upon the business we were in. So there was expertise there.

You must remember that the businesses we were looking at were diverse. For example, Ornge was very much in the training of paramedics business. They were very much in the consulting business. They were very much in the airline business. They really had a very talented organization that they had built up over time, and there was an opportunity there, we believed, to develop businesses.

Take consulting, for example. We had many people coming to us wanting us to help them set up an air transport system in their country. If we were going to get into that business, we really had to go out and hire people. We would use what we had, but we suddenly realized there was a business there, and that was kind of the basis of us looking and saying, "Now, how can we generate revenue to supplement Ornge?" Because the government had said, "Look"—and they'd said it nicely in terms of, "We have enough problems in the health industry, and going forward we haven't got any more money for you."

On top of that, we had done some studies that indicated that the growth of the business is going to continue. In fact, the number I have in the back of my mind is that between now and the next five years, the demand is going to grow something like 25%. Right now, Ornge can't handle that. They haven't got the paramedics to do it. They probably have enough equipment to do it, but they're going to have to get money from some other source if they're going to satisfy the demand of the people of Ontario. It's there. We can see it, and these are outside consultants who have said, "Look, what's happening in Ontario is that we have this shift of population. We have the aging of population. We have people moving farther into the north. The demand for your

service is going to continue to grow." We were trying to address that particular issue.

**Mr. Phil McNeely:** So there were good intentions at the board, but it seems that we got evidence that there wasn't a saleable product there. That's one of the things that will have to be a judgment call.

But if you put people in there without their own money—I started a business, and the main thing you did was keep your expenses low. Well, greed came into it, and you started getting loans, which—you know, the loan oft loses both itself and friend, I think is what you mentioned earlier. Then these exorbitant salaries—I mean, this was unfortunate, but it's from the wearing of two hats. Either it's your own money and you're running your own business, or you're a government employee doing your best or you're a corporate employee doing your best. But that trying to wear two hats—who's going to be charged where? I mean, that came out through the evidence right through: Who was charging that? Did that not come up at the board, what kind of fairness is in here? How do we make decisions when the top people are wearing the two hats?

**Mr. Don Lowe:** I didn't visualize it as a problem. I see it distinctly as an opportunity. When I look at the business itself and the way we structured it—and this was, as you know, the advice of very expensive lawyers and accountants who told us how we should structure this business. I didn't see the conflict.

My view of the world—and you must understand that my world is maybe a little bit different than the world of the government—is that you only pay for what you get. If you don't pay properly, you don't get what you really want, and I'm a great believer in pay for performance. I think in the case of the organization, if you wanted good, qualified people, you had to pay for them. Volunteers never run a very successful business, I'm sorry.

**Mr. Phil McNeely:** I would just to respond to that, that Mazza was getting well paid for Ornge.

**Mr. Don Lowe:** Yes, he was.

**Mr. Phil McNeely:** Yeah. And if this took off, it took off. He was the big shareholder, I would think. So that was the future, but he went in for the payments a little bit early.

I think that's sufficient. I've no other questions.

**The Chair (Mr. Norm Miller):** I think we're pretty much out of time. Thank you very much for coming before the committee this afternoon.

**Mr. Don Lowe:** Thank you. A pleasure being with you. Good luck.

**The Chair (Mr. Norm Miller):** We are adjourned.  
*The committee adjourned at 1500.*



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