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**Standing Committee on
Public Accounts**

2017 Annual Report,
Auditor General:

Ministry of Infrastructure

**Comité permanent des
comptes publics**

Rapport annuel 2017,
vérificatrice générale :

Ministère de l'Infrastructure

1st Session
42nd Parliament

Wednesday 17 October 2018

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Mercredi 17 octobre 2018

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Wednesday 17 October 2018

Mercredi 17 octobre 2018

The committee met at 0901 in room 151.

COMMITTEE BUSINESS

The Chair (Ms. Catherine Fife): Good morning, everyone. I'd like to call this meeting to order. I'd like to welcome you to the Standing Committee on Public Accounts.

The first item on our agenda this morning is a motion filed at our last meeting by Mr. Miller, Parry Sound–Muskoka. Members, you should all have copies of this motion in front of you.

Mr. Miller, I'd like to invite you to move your motion at this time.

Mr. Norman Miller: I move that the Standing Committee on Public Accounts request that the Auditor General conduct an audit of the costs associated with illegal border crossers as it relates to all services provided through the government of Ontario and its municipalities for three years ending July 31, 2018.

The Chair (Ms. Catherine Fife): Thank you. I'd like to open the floor up for debate. Would you like to begin, Mr. Miller?

Mr. Norman Miller: Certainly. Thank you, Madam Chair.

Illegal border crossings, or non-port-of-entry border crossers, are individuals who cross the border into Canada without reporting through federally recognized ports of entry. On the topic of inadequate funding to handle illegal refugee claimants, the Ontario government has been clear and consistent about asking the federal government for \$200 million to support costs associated with non-port-of-entry border crossers.

Nearly 12,000 refugee claimants crossed illegally into Quebec between January and July 2018, and it is reported that up to 40% of them came to Ontario. The federal government has sole jurisdiction over border management and Canada's refugee and asylum programs, including who is eligible to make a refugee claim.

On July 26, Ontario formally asked the federal government to fully compensate Ontario and municipalities for the costs associated with irregular border crossers, which is estimated at about \$200 million and counting. We have also asked the federal government to ensure that the refugee determination system has the capacity to conduct refugee hearings within the statutory 60 days instead of the current two years. This will ensure that those accepted as

refugees are able to move ahead to integrate into the province more quickly.

The growing number of refugee claimants coming to Ontario is creating pressures for provincial and municipal services, particularly in Toronto, where approximately 40% of shelter occupants are refugees. Other communities, such as Ottawa, are also affected.

At the latest meeting of Canada's Premiers, all 13 leaders called on the federal government to fully compensate affected provinces for the costs incurred and to make the necessary investments to ensure the timely adjudication of refugee claimant hearings and expedited processing of all immigration applications into Canada.

I think the purpose of this audit is—the government has been talking about this \$200-million figure a lot in the news. This would be an attest audit to verify those numbers to bolster the case of the province of Ontario in trying to request compensation from the federal government.

The Chair (Ms. Catherine Fife): Okay, thank you. I recognize Ms. Lindo.

Ms. Laura Mae Lindo: Thank you, Chair. I understand the importance of being able to get a sense of the cost associated with people who seek asylum in Ontario. My concern is around the language that's being used in the motion because it actually, in my opinion, based on the agreement that we have with the federal government, goes against some of those bigger agreements that we have that we will not discriminate. So language around "illegal border crossers" actually can interfere with the way that we think through what services are given, to whom they're given and who deserves them.

Being new, I'm not entirely certain how to do this, but what I was hoping to do was to suggest an amendment to this particular motion so that we can stay focused on the crux of the actual issue, which is to find out how much money is being used for the services that we provide, and then also to be able to check that those services are providing what is needed for somebody who's coming, seeking asylum in Ontario. I think it's—oh, sorry.

The Chair (Ms. Catherine Fife): So right now, you're speaking to the amendment. Can you please read the amendment into the record? Thank you.

Ms. Laura Mae Lindo: Yes. Thank you.

I move that the motion be amended as follows:

—Strike everything after "associated with" and replace with the following: "asylum seekers entering Ontario as it relates to the services provided through the government of

Ontario, its municipalities, and programs funded jointly by the federal and provincial governments, including:

“—adult English- and French-language training;

“—newcomer settlement services, including orientation sessions and referrals to community and government services; and

“—education and training through its bridge training programs to help internationally trained immigrants obtain certification and employment in regulated and highly skilled professions.”

The Chair (Ms. Catherine Fife): Okay. This motion needs to be distributed. The Clerk will do so, and we’ll give the members a chance to read the amendment to the main motion.

Everyone has had a chance to read the amendment. Ms. Lindo, would you like to speak to the amendment?

Ms. Laura Mae Lindo: Yes, please.

The Chair (Ms. Catherine Fife): Can you speak up, please?

Ms. Laura Mae Lindo: I can try my hardest.

Interjection.

Ms. Laura Mae Lindo: Move this closer? Here we go. Sorry.

Essentially, what I’m hoping we can do is come to an agreement around the language so that we are not inadvertently making claims as to who—let me backtrack. What I’m hoping for is that we can come to an agreement about adjusting the language so that we aren’t actually suggesting that the way that somebody comes to Ontario is indicative of whether or not they deserve support. I think that part of the challenge for me is that somebody who chooses a non-traditional point of entry is likely doing it for a really good reason.

0910

Part of this agreement is to ensure that we provide them with the support and the care that they need. When we start embedding in motions like this language that is discriminatory, it’s not something that I think we should be standing for. That said, I do think it’s very good that as we were beginning to discuss this, there was a little bit of a shift. It wasn’t just that we were saying “illegal border crossers,” but we were saying “people coming in at non-points of entry.” Given that we understand that’s all we’re trying to do—figure out if you’re not coming through the regular channels, what is happening, how we are costing that etc.—I don’t see why we have to put in language that’s divisive or discriminatory.

I also think that because we know special-needs persons, for instance, would come seeking asylum based on trauma resulting from violence or torture, medical conditions or the effects of systemic discrimination—that’s part of the agreement that we have—we have to be very careful with the language that we use so that we actually are not, in effect, being the people who are discriminatory, given that they are fleeing places where this is their lived reality. So really, it’s not a matter of concern for trying to cost; it’s a matter of making sure that we don’t include in that request inflammatory language that can, in fact, shape the ways that we move forward with deciding

who deserves to be served when they come seeking asylum here.

The Chair (Ms. Catherine Fife): Ms. French.

Ms. Jennifer K. French: I had the opportunity to serve as the citizenship and immigration critic when there was a ministry—and recognizing that there are still our responsibilities, but without the continuation of the actual ministry, of course I support this amendment. Part of the reason is that it outlines what Ontario’s role has been and should continue to be. Under section 95 of Canada’s Constitution, it does give concurrent jurisdiction on immigration to the provinces and to the federal government, recognizing that anything federal is, of course, outside the jurisdiction of the Auditor General, but also recognizing that Ontario, historically and under section 95 of Canada’s Constitution, has responsibilities when it comes to immigration.

The original motion, as introduced—I get a bit twitchy when it says “as it relates to all services,” when what we have seen in the Legislature to this point, with some of the rhetoric and some of the discussion around, as we’ve heard, the inflammatory language, “illegal border crossers” and whatnot—we’re painting a pretty divisive picture. And when we’ve heard the minister speak about the costs—and we don’t know where those costs come from, which I understand is why we are having this conversation with the Auditor General. But I worry that the government’s goal is to connect any and all costs to this group of people and thereby attribute blame.

We wanted to stay focused with what historically has been Ontario’s immigration role: supporting integration, newcomers through settlement, language training and employment supports. That’s why the language is specific there. My colleague has spoken about the language of “asylum seekers using non-ports of entry” versus this inflammatory concept of “illegal border crossers.” Individuals can make an asylum claim in Canada at a port of entry, and then it’s up to the Canada Border Services Agency or an immigration officer to determine whether or not they’re eligible to make an asylum claim. It actually isn’t this government or anyone sitting in this room or this building who determines whether or not it’s a valid asylum claim. However people get here, it is determined whether or not they can stay—and then if it is, Ontario has historically had responsibilities. Whether anyone in this room thinks we should have them or not, we do. There is a divide. So I think that makes the point. But it isn’t up to us to determine who is legal or who is illegal. Name-calling doesn’t advance the conversation. We can’t just wash our hands and say, “Forget it. We don’t care about section 95 of Canada’s Constitution. We don’t wanna, therefore we don’t hafta.” We do have obligations and responsibilities to get to the heart of the costs. I think that the costs should stay focused on what our responsibilities are—and not attribute costs to this group of refugees and asylum-seekers just because we don’t want to look after them.

The Chair (Ms. Catherine Fife): Mr. Miller.

Mr. Norman Miller: I believe the amendment is changing what was intended. By using “asylum-seekers,”

you're also talking about people who are crossing the border at ports of entry. As I said in my comments, the purpose of this is to verify the costs that Ontario has been talking about. We've been talking a lot about the \$200-million cost in our discussions with the federal government. As I said in my comments, "illegal border crossers or non-port-of-entry border crossers," meaning the same thing—people who did not cross at a port of entry. The purpose of this motion is to bolster Ontario's negotiations in getting reimbursed for that \$200-million-or-more figure.

I think the amendment completely changes it, so we will not be supporting the amendment and we will be supporting the original motion.

The Chair (Ms. Catherine Fife): The auditor, for clarity, actually has some language suggestions. I'm going to call on the auditor.

Ms. Bonnie Lysyk: Would it be appropriate to say—because I think I appreciate the difference of use and interpretation—"persons not registering themselves when they cross the border"?

The Chair (Ms. Catherine Fife): Mr. Miller, would that capture your comments, your introductory comments, as well?

Mr. Norman Miller: Auditor, you're saying that instead of "illegal border crossers"—

Ms. Bonnie Lysyk: "Persons not registering themselves when they cross the border."

Mr. Norman Miller: Persons not registering themselves when they cross the border. Would that capture all people who cross at a non-port?

Ms. Bonnie Lysyk: Yes, for the purposes of this.

Mr. Norman Miller: Then I'm fine with that.

The Chair (Ms. Catherine Fife): Okay, so we have an amendment on the floor. Any further debate on the NDP amendment to the main motion? Ms. Sattler.

Ms. Peggy Sattler: Yes, I wanted to speak in favour of the amendment. I think that it is critical to remove the language about illegal border crossers. In fact in law, there is no such thing as an illegal border crosser—

Interjection.

The Chair (Ms. Catherine Fife): No, actually. The auditor has made a suggestion—we're going to discuss that—but there still is the amendment on the floor.

Please continue.

Ms. Peggy Sattler: Article 31 of the UN Refugee Convention, which Canada is a signatory to, says that receiving countries may not penalize refugees for how they enter a country, as long as they present themselves without delay to authorities and show good cause for their presence. The determination of whether a refugee claim is valid or not can't be made at the point of entry. It's not only pejorative and inflammatory but it's legally incorrect to refer to border crossers as "illegal," because you can't determine legality at the point of entry; it's only after a refugee claim has been made.

It's really important that that language be removed from the motion.

The Chair (Ms. Catherine Fife): The amendment needs to be voted on, and then we can address some of the language. Seeing no further debate on the amendment to the main motion, all those in favour of the amendment?

Ms. Jennifer K. French: Sorry, I'm not clear. Has it been amended with the language?

The Chair (Ms. Catherine Fife): No, it hasn't.

All those in favour of the amendment? All those opposed? That motion is lost.

We're back to the main motion. If someone around this table could amend this motion with the language—

Mr. Norman Miller: I'm happy to amend it with the language the auditor suggested.

The Chair (Ms. Catherine Fife): You were the original mover, so you can't amend it. Another person on your—yes. Thanks, though. Thanks for trying.

Mr. Parsa?

Interjection.

The Chair (Ms. Catherine Fife): You've got to say it into—

Mr. Michael Parsa: Again?

The Chair (Ms. Catherine Fife): We're going to put this on the floor.

Mr. Parsa?

Mr. Michael Parsa: I move that we remove the term "illegal border crossers" and replace it with "persons not registering themselves when they cross the border."

The Chair (Ms. Catherine Fife): Speaking to the motion as amended, any comment on the language that has been proposed?

Seeing no comment, I'd like to call for all those in favour of the amendment—

Ms. Peggy Sattler: Can we have a recess before we vote?

The Chair (Ms. Catherine Fife): Members are entitled to a five-minute recess. This committee is recessed for five minutes.

The committee recessed from 0921 to 0928.

The Chair (Ms. Catherine Fife): Thank you very much. The question has been called on the amendment to the main motion. All those in favour of the amendment?

Interjection.

The Chair (Ms. Catherine Fife): The vote is already happening. I already called the vote before the recess, so you have to vote on the amendment to the motion, with the language that the Auditor General has suggested. I will read it out for clarity purposes. Is there—

Mr. Norman Miller: Any room for questions?

The Chair (Ms. Catherine Fife): No, the question has already been put, and then the NDP called for a recess. The vote actually has to happen on the motion, as amended, so that's what I'm going to do.

All those in favour of the amended motion? All those opposed? The motion is lost.

Okay, so we are back to the original motion. Any debate? Seeing no further debate, I will call—

Interjection.

The Chair (Ms. Catherine Fife): Ms. Sattler?

Ms. Peggy Sattler: We're on the main motion, and I want to raise concerns again about the language of "illegal border crossers" being included in this motion. In law, there is no such thing as an illegal border crosser. There are people who cross at non-points of entry and their legality cannot be determined until a refugee claim has been presented and heard. It's very misleading. It's inflammatory to include language like that in this motion. I don't think that it can be supported.

The Chair (Ms. Catherine Fife): Thank you, Ms. Sattler.

I want to remind committee members: We're moving into closed session in two minutes. So, Ms. French, can you please be brief before I call the question?

Ms. Jennifer K. French: I would be happy to.

I find this very interesting—that what we had was an amended motion, as suggested by the Auditor General, taking out the "illegal border crosser" language and substituting something that would be appropriate to cover the individuals that you're wanting to cover. The fact that you voted against that and now we're back to the original motion, and the difference is that the inflammatory language is back, I think, speaks to the actual goal of why we are here. We are talking about vulnerable people, not some mythical "illegal." This government, in debate and now in committee, is wanting to have this language, which is terrible.

These are people fleeing tragic circumstances. They don't often have the capacity to enter the government's preferred port of entry. You don't get to determine who is legal or whatever. The United Nations says that that is not something that we can do in law. We are talking about actual people who come from, as I said, tragic circumstances, and across the Legislature, on both sides we've been hearing about immigrant families and histories. To suggest that any of our families—our personal stories—that anyone was illegal is appalling, as we have said in the Legislature, as I'm saying here now.

The Chair (Ms. Catherine Fife): Thank you, Ms. French. It is 9:30. This issue will be dealt with next week at the next public accounts meeting.

We are now moving into closed session. Will members of the public please leave this room?

The committee continued in closed session at 0931 and resumed at 1231.

2017 ANNUAL REPORT,
AUDITOR GENERAL

MINISTRY OF INFRASTRUCTURE

Consideration of section 3.11, real estate services.

The Chair (Ms. Catherine Fife): Welcome back, everyone. My name is Catherine Fife. I am the Chair of the public accounts committee. I want to welcome you all to this afternoon's session. We are here obviously to consider section 3.11, real estate services, from the 2017 Annual Report of the Office of the Auditor General.

We have a number of people here from Infrastructure Ontario and the Ministry of Government and Consumer Services to answer the committee's questions. I want to thank you all for being here and taking the time to answer the legislators' questions that you'll receive this afternoon.

I would like you to take a moment just to introduce yourselves for Hansard before you begin speaking. You will have 20 minutes collectively for an opening presentation to the committee. We will then move into the question-and-answer portion of the meeting, where we will rotate back and forth between the government and opposition caucuses in 20-minute intervals, and depending on the time, we'll divide the last few minutes as we see fit equally between the two parties.

Please begin when you're ready and let the questioning begin.

Mr. Kevin French: I'm Kevin French. I'm Deputy Minister of Government Services for the Ministry of Government and Consumer Services.

The Chair (Ms. Catherine Fife): Thank you.

Mr. Bruce Singbush: And I'm Bruce Singbush. I'm the assistant deputy minister of realty in the Ministry of Government and Consumer Services.

Mr. Ehren Cory: My name is Ehren Cory. I'm the president and CEO of Infrastructure Ontario.

The Chair (Ms. Catherine Fife): Thank you, Ehren.

Ms. Toni Rossi: Good afternoon. I'm Toni Rossi, and I'm president of the real estate division at Infrastructure Ontario.

The Chair (Ms. Catherine Fife): Thank you. And how will you be dividing your 20 minutes? Are you going to take the 20 minutes, just so that we know?

Mr. Kevin French: We'll take the 20 minutes. We'll each speak briefly—Ehren and Toni.

The Chair (Ms. Catherine Fife): Thank you.

Mr. Kevin French: If the Chair is comfortable, I'll start. First of all, I'd like to thank the committee for the opportunity. It's a privilege to come and address the public accounts committee, so thank you for that.

We've introduced ourselves. I'll just say that Bruce is with the ministry as the ADM for the realty division, and Ehren, as he introduced himself, is the chief executive officer. Ehren is going to speak in more detail about Infrastructure Ontario's management of the realty program and address recommendations from the Auditor General's report.

Toni Rossi, who's beside Ehren, is in charge of real estate operations. Toni will speak to some of the finer points of Infrastructure Ontario's management of the realty program and address some of the management challenges and actions that have been taken to respond to the Auditor General's report.

I would like to take a moment just on behalf of the ministry and Infrastructure Ontario to thank the Auditor General. Thank you for your report. It's very thorough and will prove very helpful as we move forward, so thank you.

We also see the role of the Auditor General in enhancing transparency and accountability in every aspect of

government operations. We've taken the Auditor General's recommendations from 2017 very seriously and have committed to ongoing improvement within the general real estate portfolio.

If I can take a moment just to talk about—in June, the new government formed and the Ministry of Government and Consumer Services became responsible for one aspect of government realty, what we call the general realty portfolio, or we may slip into an acronym called GREP at some point in the afternoon. This is an important portfolio and it consists of offices, jails, courthouses and similar facilities. Other ministries, like the Ministry of Transportation or the Ministry of Natural Resources and Forestry, also hold separate real estate portfolios based on land use.

Given the government's oversight of important government services, I think the new role in overseeing real estate management is a good fit. It dovetails with our core competencies and expertise that the ministry has developed in oversight of a wide range of government assets and services.

The Ministry of Government Services has under its umbrella everything from citizen-facing services—ServiceOntario is probably the one you know of—to what I'll call back-office services: human resources, information and information technology, realty services now and then the HR service delivery, so a broad spectrum of the back-office portfolio.

We have a clear mandate to serve ministries and enable them, in turn, to serve the people of Ontario. Assuming responsibility for the general realty portfolio is a sensible role for the ministry in view of our mandate of enabling ministries and providing good services.

Speaking personally, I'm honoured to address the committee on such a vital aspect of government operations.

Operational management of the general real estate portfolio has been carried out by Infrastructure Ontario and its predecessor the Ontario Realty Corp. since 1998. The portfolio, as you've seen in the report, is extensive and diverse. It includes office space currently in active use by the Ontario public service as well as vacant and decommissioned special-purpose properties, such as old detention centres and similar large-scale institutional facilities.

Infrastructure Ontario has been tasked with the effective and efficient management of this wide-ranging portfolio. Efficient management includes optimizing the portfolio to avoid operating costs that are burdensome and unnecessary. This initiative aligns with recent recommendations raised by the government's review—you may have heard of it as the Ernst and Young line-by-line review. It speaks about efficient management and includes identifying and preparing assets for sale in order to generate revenue.

Infrastructure Ontario will continue to ensure the province receives a fair market value for the sale of publicly owned properties. Efficient management includes reducing the overall government footprint along with the expense of owning or leasing government office space. Quite simply, efficient management saves the taxpayers

money and puts government properties into more productive use—productive use that will allow the government to support some of the province's more vulnerable by identifying properties that could be used for affordable housing and long-term-care projects.

Infrastructure Ontario continues to seek opportunities to optimize the portfolio and make good-sense decisions to benefit Ontarians.

In the Auditor General's 2017 report there are 13 recommendations that we'll talk about today aimed at increasing the government's value for money within its portfolio. I'm pleased to confirm that all 13 recommendations are being acted upon at this time and already demonstrating a positive impact on the management of the government's realty portfolio. Ten are directed to Infrastructure Ontario, and my colleagues here at the table will address them today; two are directed at the Ministry of Government and Consumer Services; and one with the Ministry of Health and Long-Term Care.

I'd like to speak briefly to two of the recommendations directed to my ministry. I'm pleased to report that the capital repair program is funded to ensure government buildings are safe and fully compliant with all regulatory requirements. This is important because employees' well-being and safety is at the forefront of what my ministry strives for. This entails working closely with Infrastructure Ontario and ministry tenants to assess required maintenance and pay for services in a more transparent way. The ministry is committed to developing a plan to decrease deferred maintenance in government-owned buildings.

1240

I can also report that the ministry is currently undertaking a review of the realty operating model and associated funding model. This will include a careful determination of different options for effective service delivery in the management of government properties.

I'd like to thank you very much, and I'll now hand the floor over to Infrastructure Ontario's chief executive officer, Ehren Cory.

Mr. Ehren Cory: Thank you, Deputy. Echoing the deputy's comments, thank you for having us here today. I'm looking forward to the discussion.

Infrastructure Ontario, as an agency, as the deputy described, manages the real estate portfolio on behalf of the province. I'm going to speak about the work we do—what we do and how we do that—and then Toni is going to speak in the tail end of our 20 minutes about the recommendations from the Auditor General and some of the steps we're taking to implement them.

Just to recap on Infrastructure Ontario, our agency was created with the purpose of creating value out of or modernizing the public assets of the province of Ontario. All of our work is grounded in this idea that if we work with partners in the public sector and in the private sector, we can create value for taxpayers in unique ways. We do that throughout all of our lines of business. Realty, which we're here to talk about today, is one of those, but similarly through our lending portfolio and through our capital projects—so the delivery of large capital projects

for the province—there is the same general mandate, that is, to find effective partnerships to deliver value for taxpayers.

There are three main ways we do that that are applicable in today's conversation—first, through the development of good commercial solutions to public problems. What I mean by that is the development of good business cases or financial analyses and making recommendations about ways we can optimize the portfolio. That's the first thing we do. Working with other government ministries and agencies and looking always at practices in other jurisdictions so we can best understand what others are doing to develop effective commercial solutions—that's the first step.

Second is the execution of projects. That means both building new and, importantly, on the renovation of the existing capital stock. We have buildings that are brand new in the province. We also have some that are over 50 years old. Our job in all of those is to execute and deliver projects big and small in that portfolio.

The third thing we do is to manage those assets—so once the projects are done, the ongoing management. In the report, you'll have read lots about our ongoing property and land management process. That's the ongoing maintenance of a building, the provision of services in the building—everything from the cleaning and upkeep of those buildings. So that's the ongoing asset management. Our job in that case is to keep the assets in good condition so that hopefully over time we need to do less and less of the projects.

So that's the "what we do" in a nutshell. The recommendations on the realty audit from the Auditor General and her team address those things. I want to also just talk about how we do them, because it's equally important to put forward for discussion our approach.

There are a few basic principles in how we do these things. The first is that we must protect the public interest at all times. That's what, as an agency, we were set up to do. We do that through running fair, transparent, competitive procurements with great safeguards that protect the use of public money.

A second is that in almost all of our work, we are—I mentioned the word "partnering" already. It's really at the heart of what we do. A second core principle of ours is that there are things that the public sector is really excellent at doing and that we should do. We do that in partnership with other ministries and agencies. And then there are some things that the private sector is best set up to do, and so in those cases, our job is to figure out how to contract with the private sector to get the outcomes we want with their skills and expertise.

The third is that we're constantly innovating and trying to get better, improve, test new models, learn from others, learn from our own history, our own mistakes. We're really proud of the work we do, but we're also very committed to doing better, and in general, try and have an ethos of being proud but never satisfied, which is why something like a review from the Auditor General is, to our team, of great value.

We've worked together on a number of audits—three, I guess, in the last four years, I believe—and those have been extremely useful exercises. They always have lots of good back and forth. We learn a lot from each other. We, as an organization, leave those with important areas to improve in, just like we did in this audit. Echoing the deputy, I do thank you for that work, because it truly does help make us a better agency and we take it to heart.

The recommendations which Toni will speak about are aimed in a few different areas, and I thought I would just summarize them.

First, there are some for improving the way that we select our private partners. Some of the recommendations the team came up with are about how we choose those partners and how we manage them or ensure that their performance meets our expectations and that they've got enough skin in the game—to use a common cliché of the industry—that they care to meet our outcomes. There's a series of recommendations that fall into that bucket.

There are others that talk about how to avoid or reduce the cost of maintaining, especially on vacant buildings, for instance, and surplus properties.

Third, the auditor gave us some really interesting insights and recommendations regarding the maintenance contracts we enter into on our large capital projects through the P3 model, or what we've called historically in Ontario, the AFPs, and how we can do a better job through the 30-year life—in particular, hospitals was where the main focus was—of managing those contracts. There's a set of the recommendations that fall into that area.

I'm happy to take questions on any of those. I'm pleased to report that of the 10 recommendations directed toward our agency we have clear plans in place against all 10. We've made tangible progress on many and have definitive plans and goals and timelines in place for all 10. On behalf of our agency, I just wanted to again say thank you.

Toni, if I could ask you now to speak in detail about the work we have under way to continue to improve and continue to deliver value to taxpayers.

Ms. Toni Rossi: Perfect. Thank you, Ehren.

I too am very pleased to be here today to address this committee. I think I would like to start to just ground us in the portfolio that we're talking about. Both the deputy and Ehren specifically spoke about the general real estate portfolio, but maybe let me identify and let you know what that really means.

There are many ways to describe this portfolio, and we'll describe it as a very large portfolio. There are approximately 43 million square feet that we manage, there are approximately 4,700 buildings and structures that we manage, and there are approximately 121,000 acres of land that we manage.

It is old, and that is an important distinction for this portfolio. At this stage, as of March 2018, it is about 52 years old with those 4,700 buildings that we have.

It is expensive. It takes approximately \$1.2 billion to run on an annual basis, both with respect to operating and maintenance costs and then including some capital repair budgets within there.

As both the deputy and Ehren have talked about, it's diverse. We go from office buildings and courthouses, to storage sheds, to fisheries and huts, to labs, to some residential buildings.

We at IO—specifically, in our division on the real estate side—take the stewardship of this portfolio incredibly seriously and we take pride in it. We are a group of experts and professionals in the real estate area, so we are here to serve the public interest and we care about public sector real estate.

The way that we do it, from a prudent diligence perspective, is we actually prudently manage those operations through various models that we've talked a little bit about and the report spoke of. We reinvest and we take pride in looking at a capital program and reinvesting in our buildings with those capital dollars. We will sell assets to generate some revenue and to reduce liability. Then we rationalize and optimize the portfolio's footprint at every opportunity that we get. We also will repurpose some of the real estate for other public sector uses whenever it's possible.

The province of Ontario and IO are considered leaders in the public sector management of real estate, and we are considered that because we continue to work across jurisdictions, across Canada with our provinces, we've worked with the feds and we worked with the city of Toronto recently. What we do is we've provided them all of our template documents, all of our strategic plans and the models that we use, so that from a public sector real estate perspective, taxpayers aren't reinventing some of those wheels.

The auditor's report examined how we select various service providers and how we manage that long-term contract that we sign with them, and her report provides recommendations on how we can ensure those processes are as effective and as inclusive as possible. It also suggests some opportunities for best performance from our contractors and how we ensure that those contractors are delivering value for taxpayers' money.

In response to that particular bucket of observations, IO continues to monitor the various performance indicators and lessons and best practices for their ultimate operational and taxpayer goal and impact.

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When the contracts come to expire, IO—they haven't expired yet; we have a few more years left on both our property and land management service provider contracts and our project management service provider contracts. We'll take all those lessons that we've learned and the ideas that we've generated in the past and some of the recommendations, and embed them into sound business cases for when we go out to procure. The resulting RFPs of our business cases will ensure that those enhancements are incorporated, will ensure that they're always put out in a fair, open, competitive and transparent manner, and we will achieve best value for the province.

The AG also recommended that we obtain additional data from our service providers to enhance our review of their procurements and confirm that we received best

competitions from all the bidders. In response, IO has already implemented enhanced auditing of our project management service providers' procurements, and we've improved our controls on the vendors of record that we have, and we have reconfirmed that all the contractors, architects and engineers on our vendors of record are duly qualified bidders.

As many of the members are aware, a key part of IO's mandate is the disposition of properties that are no longer needed for government use. During the past decade, IO has executed a divestment plan that has generated over \$460 million from the sale of more than 300 surplus GREP—general real estate properties—

The Chair (Ms. Catherine Fife): Ms. Rossi, you have two minutes left.

Ms. Toni Rossi: Thank you—and over a billion dollars in revenue that we included in what we call our non-GREP.

The Auditor General had particular focus on vacant buildings in the report and the cost to hold them. I would like to assure the members that we understand two different concepts: There are vacant buildings and then there are surplus properties, and those two are not necessarily the same. We have vacant buildings that are in fact on surplus properties that we are ready to divest, but we also have vacant buildings on properties that are in active use and we are keeping. Our approach to dealing with these vacant buildings will depend on their location and status.

I think it's important to talk a little bit about what occurs once the land is declared surplus. We circulate the property. We ensure that all the diligence, the legislative requirements, are done, and we go to full-market appraisals. As the representative government that's dealing with this, we take the transparency and the market appraisals very seriously and we take that legislative requirement seriously. We continue to work with our ministry clients to find ways to make that more efficient, because on average it has taken us two years to do that.

I would like to talk a little bit about IO's strategic priority of reducing the government footprint. Since 2012, office space utilization has been reduced from 411 rentable square feet to 280 rentable square feet per person, resulting in cumulative savings of about \$120 million for the province. We continue to find business case opportunities to meet that accommodation standard of 180. The Macdonald Block in Toronto is an excellent example of our ability to meet that need. We're going to be retrofitting and modernizing it, ensuring that it's ready for use for the next 50 years. The AG recognized the importance of meeting that target, and her report recommended that IO consistently prepare office accommodation spaces.

I'd like to—

The Chair (Ms. Catherine Fife): Thank you very much, Ms. Rossi. I'm sure some of the information will come out through the questioning.

This question cycle begins with the official opposition. Ms. French.

Ms. Jennifer K. French: I'm certainly glad to have the opportunity to get some questions on the record. I serve as

the newly minted critic for infrastructure, transportation and highways, and I look forward to this conversation and others.

Following up on the last thought, Ms. Rossi, when you were addressing the specific recommendation to reduce the government footprint, can you give me some examples? You said Macdonald Block—but I'm not clear on what you mean by government footprint.

Ms. Toni Rossi: Thank you for the question. I think it's important.

There are two ways of addressing government footprint: one is in rationalizing the actual surplus properties that we have, and that reduces the overall square footage of buildings and government; the other is in fact utilizing the buildings that we currently have, most specifically in office.

There's a general industry metric in the office area that we are adhering to or trying to get to. The government gave us a target back in 2012 to start, through their realty policy directive, to look toward reducing that office utilization rate to up to 180 rentable square feet per person. The first thing that IO did at that time was baseline all of our current office, understand what our office portfolio was. We currently have about 15 million square feet of office across the portfolio and understand where the most important and easier business cases would be, to reduce that utilization effectively and then start to, in fact, track against every ministry where we were at.

What we found in our first baseline grouping was that all ministries, combined, averaged out to approximately 411 rentable square feet per person back in 2012. Over the years, what I've always done is that any time a ministry is needing to do a new renovation, to change their space, create a new program, or a lease expiry comes up, we will work with them to create what we call a "real estate options analysis," in essence a business case. The business case speaks to what the program needs, how many people are in fact needed in that program and what location it needs to be in: Do you need to be in Toronto, do you need to be in the suburbs or do you need to be in Thunder Bay? Where is the location? We'll look to the market to find that. We always look to owned first. The business case will look at what it costs to renovate any particular space against the long-term savings for what that space would do for us.

If you take a look year over year—and we provide to the government an annual report on GREP—we have taken those 411 baseline rentable square feet per person to a baseline, as we stand today, of about 280 rentable square feet per person. We're still not there yet. We still have a fair bit of time to go. But one of the key components of that baseline reduction is the Macdonald Block. It's a 1.2-million-square-foot asset. It is 50 years in life. It has space that can actually be reduced in a much more efficient way, when we take a look and retrofit it so that it's modernized and allows knowledge workers and government workers the ability to do their work. On top of that, working with the ministry, we would be adding in some HR policies and some technology opportunities to be able to utilize that space more effectively.

That, to us, is an opportunity, then, to really reduce that average of 280 rentable square feet, because it is, in fact, the biggest target.

Ms. Jennifer K. French: Thank you. In terms of the utilization of buildings or facilities or office space, we want to ensure, obviously, that, if it's sitting empty and the land on it is something we want to keep, that we're doing all of the math. That's the point of this? Okay. There are a lot of recommendations, and they're all pretty great. I'd like to move through a few of them. It might be a bit disjointed, but bear with me.

One of the things that comes up across communities is that the average community member sees a piece of government sitting there empty and wonders why it can't be used for something else. I know that in the last session there was a hubs initiative, and what we had heard, at least in our office, is that, if there was a police station or there was a school or there was something that might be repurposed, or differently purposed or considered for something else, that there were a number of inter-ministerial roadblocks: that it had never been done before, they didn't know how to sell it to them or rent it to them or whatever it was. Is that something that you are aware of and can speak to? Is that part of the challenge to best utilizing these spaces?

Mr. Ehren Cory: Maybe I'll start, and Toni may well need to help me in the answer. It is very on point to one of the recommendations, so thank you. The way that it works, essentially, is that if a property is identified as surplus by a ministry that has been using it—actually, let me start my answer by saying that we have view over GREP, so some of your question—you said, for instance, schools boards. I can't speak to those, because those would be controlled by individual school boards.

I think part of the problem for the hubs initiative, which is not a core focus of ours today, is that we don't actually have one holistic, government-wide view of all the real estate assets of government: agencies of government, school boards, other levels of government. What we have oversight over, the general real estate portfolio of government, is a subset. Sometimes for those community members who say, "I see a piece of government property that's vacant," we wouldn't have jurisdiction or oversight over it.

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That said, we do have over 43 million square feet of buildings in the GREP. For those properties, when they're declared surplus by the user—a ministry program—the first thing that we would do is circulate that property to other public sector agencies, ministries and other levels of government for them to identify whether they have need for this land in other programmatic use. So if it was in use as an OPP station but someone else has use of it for some other ministry program or service—the deputy wanted to have a ServiceOntario site there—then that ministry is allowed to flag that they would have use of that surplus property. We can then do a direct sale and transfer of the property to them immediately. If it's within the OPS, it's extremely easy. Even to other layers of government or

other public sector entities, we do that with an appraised value. We do what's called a direct sale, and the land transfers.

If no other public sector agency declares a need for the property, then we would go to stage 2, which would be to go towards the private sector and actually try to sell the property. Our default would be to sell it for the highest and best use—the highest value of the land. So we would go to market and get an appraisal.

The other thing that happens in that step is that there is a whole bunch of due diligence that has to happen on the site: environmental condition, geotechnical conditions and heritage elements. That takes quite a bit of the time as well.

Ms. Jennifer K. French: Okay, thank you. In terms of the recommendation made about tracking vacancies, or your divesting plan, and all of those pieces, how is that going?

Mr. Ehren Cory: It's going well. I'll ask Toni to speak to this; she has the details. I will only say this: Toni started, in her comments, discussing the difference between vacant buildings and surplus properties. I really think we have to start there, because, of the 800-plus vacant buildings identified in the report—which is now a smaller number as we've continued to work through the process—many of them were a storage building or were one building on a property that had 10 buildings, and others were in use. Our ability to divest those is constrained by the fact that the rest of the property—unless you subdivide it and sell the one building, and there are a lot of good reasons why you might not do that.

There are many times when you have a vacant building and we're waiting for the rest of the property to be vacant before we can sell. I'll just start there and let Toni talk about our progress, if that's okay.

Ms. Jennifer K. French: That's fine. But before you do, can I just ask for the process? We have 20 minutes of questions and then it's back and forth, so I'll have more chances—

The Chair (Ms. Catherine Fife): You will have more time.

Ms. Jennifer K. French: Yes.

The Chair (Ms. Catherine Fife): Right now, you're nine minutes in of a 20-minute cycle.

Ms. Jennifer K. French: Good ahead. Thank you.

Ms. Toni Rossi: Maybe what I'll do is, I'll anchor us back to the Auditor General's report. What they found, as of March 2017, was 812 of these vacant buildings.

Since that time, a number of items have occurred to address the recommendation of understanding why they're vacant, where they are, and tracking them. I'd like to report back to the committee that we did a very thorough review on many levels, both on a data-integrity review of our inventory and also going out into ministries to see whether or not there was still any program use for them.

I'll use some numbers just so we can anchor them back. If we started with that 812 that was in play, since then, over the last year, here is what has occurred with that number: 38 of those vacant buildings, of the 812, have been demolished; 52 of those 812 buildings have been

divested—they've been sold; 85 of those 812 buildings have been found to actually be supporting some ancillary uses for properties that were in program use; and then 213 of those buildings were in fact verified to be in use by the ministry. In our data scrub, what we found was that our database would consider them vacant with one of the elements if it did not have rent associated with it. There are many buildings in the portfolio that actually had a zero charge. Because it had that zero charge, we cleaned up that particular data glitch and reframed it.

The remainder is—

Ms. Jennifer K. French: Could you give me an example?

Ms. Toni Rossi: Oh, sorry. I will give you an example. An example would be a Ministry of Transportation patrol yard, or a storage shed or a hut that is there—a Ministry of Natural Resources fishery hut. They had jurisdiction over those buildings, and it had a zero charge on it. That was, in our inventory asset categorization database, considered vacant—one of the glitches. So we cleaned that up.

The resulting data at this stage, as of March 2018: We now have 424 vacant buildings. Ehren talked a little bit about the vacant buildings that were on properties. Of that 424—and forgive me for going down into the detail, but I think it's important to note, because there has been lots of progress made in this area. Of that 424, we have, truly, 231 vacant buildings that are actually on surplus properties that are part of our divestment plan. The ability to get rid of those 231 properties is what we are focusing on first.

The remainder of those properties—the 193; that's the final math—are still vacant buildings, but they are on lands that are not yet declared surplus. I'll give you an example. We have many large regional centres—the Huronia Regional Centre is a good example—where there are some buildings that are still in program use and some vacant buildings on that property. Until it goes fully up for surplus and goes out into the divestment, it's considered programs. Does that answer your question on our progress?

Ms. Jennifer K. French: Thank you, yes.

How are we for time, Chair?

The Chair (Ms. Catherine Fife): Eight and a half minutes left.

Ms. Jennifer K. French: Let's do it. Okay. That was a later recommendation. If I take us back chronologically in my notes, you had spoken that, when it comes to procuring project management, you had made strides on this. But some of the recommendations were about penalties or factoring in negative histories or challenges when you're looking at who gets to be involved and which bidders get taxpayer confidence. Could you talk about that and how I, as a taxpayer, can rest assured that all of that will be taken into consideration?

Mr. Ehren Cory: Of course. It's an important recommendation. Interestingly—I mentioned that the Auditor General has done a few audits over the last few years—it's one we've had other discussions on in other parts of our portfolio. The AG will remember that on our AFPs we had a similar discussion.

We, as a procurement agency for the province, actually take this recommendation really seriously. We think the idea that past performance should have an impact on future contracts is fundamental. We fully buy into that, so the recommendation is welcome.

All of us know that if we were doing a reno project at our home and you had someone do your kitchen and do a really poor job and be unreliable and disappointed you at every turn, the next week when you went to do your bathroom, you wouldn't say, "Well, I have to give her a chance because I have to be fair." No. We would factor in the previous performance. That said, we also wouldn't blacklist someone; there have to be shades of grey.

What we believe about vendor performance is that there has to be a consequence or an impact. If you do an amazing job for me, that should be reflected the next time you bid and you should have a head start. If you do a not-great job for me, that should be reflected, and that should be a penalty on your score. It doesn't necessarily mean you should be not allowed to bid—I just want to clarify. What we're trying to do is create proportional consequences for underperformance.

In the case of the two project winners who bid, there was one who definitely had a higher track record than the other, but they were both very good, very acceptable and way above what we would call our minimum score, and therefore we were happy to work with them both.

Ms. Jennifer K. French: Okay. My question, though, was about including standard penalties or moving forward on the recommendations, not the rationale behind them, because I think we're all clear about your contract example and different things like that. Are there now standard penalties so that I, as a taxpayer, can rest assured that if someone doesn't measure up—the recommendations don't call it a blacklist; they call for standard penalties or incorporating past performance into the evaluation. What does that evaluation look like and what do the penalties look like, or do they not exist yet?

Ms. Toni Rossi: They do. Let me start with: There are penalties that exist already.

Maybe I'll just backtrack: We are in our second generation of the project-management service provider contract models. In the first generation, we looked at and we prescribed a "skin in the game" or standard penalty fee of about 15%. We had three service providers that came in, we created what we call KPIs, key performance indicators, and they were measured against those. So you would either get paid or not paid on how you did on those key performance indicators.

The second generation, which was what went out in 2014—in fact, we continuously improved on that. You will notice that the standard penalty is not 15%. It was improved in both cases and with both of the project management companies. They felt comfortable enough to put more risk. They believed that the KPIs that were in play—they actually had been able to measure up to most of them. They knew we continuously improved those KPIs to find ways to make them better over time, and they put in their fee bid at 45%. So 45% of their fee is at risk. That's

a penalty, if they do not meet and perform to the standards that are set out.

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Ms. Jennifer K. French: Is that new, based on the recommendations, or does that predate the recommendations?

Mr. Ehren Cory: No.

Ms. Toni Rossi: That is not new, but I wanted to set the context for how the generation of service provider contracts have gone out. Going forward, when we go into our next procurement in the next couple of years, we will indeed ensure three things:

(1) We've already started with better analysis on the data of the procurements that our service providers are doing—on their vendors, so the contractors, the architects and the engineers.

(2) We have put more stringent audits in place on those particular service providers to make sure that the bids that are coming in are in play.

(3) We are looking at not only the vendor performance but the actual KPIs and how they score.

The benchmarks that we're starting to see will ensure in the business case, in the RFP that goes out, that those standards and those penalties reflect all three of those areas.

Mr. Ehren Cory: Can I just end by answering your question very directly because—

Ms. Jennifer K. French: I would love it.

Mr. Ehren Cory: Okay. Nothing has changed since the time of the AG report, because it was a five-year contract. What the Auditor General's recommendation says is, "Next time you go out for that contract, which is coming, you should consider having a standard fee." What we did last time was we let the bidder say, "How much of your fee are you willing to put at risk?" I believe we gave them a minimum floor for that, but after that we allowed them to set a number.

The Chair (Ms. Catherine Fife): Sorry to interrupt. Two minutes left in this segment.

Mr. Ehren Cory: We actually made it a part of the competitive—and we evaluated them. The more they put at risk, the better. So that's what we did, and we got two different bids that bid two levels. The AG report's recommendation is, "Next time you go out, I would recommend standardizing it," which is fair. We like that we got higher than the first time—we got 25% and 45% at risk—but we are very open when we do our next iteration to look at setting a standard and continuing to raise the bar of how much of their fee is at risk.

Ms. Jennifer K. French: I think a standard would not advantage the larger groups that can afford more risk at the gate. If you score that better, then that advantages them, and again we're back in the conversation about the same folks getting the same contracts.

I only have a minute and a half so I—

The Chair (Ms. Catherine Fife): A minute.

Ms. Jennifer K. French: A minute? I may just save it for next time.

The Chair (Ms. Catherine Fife): Okay. Thank you very much. Government side: Mr. Miller.

Mr. Norman Miller: Thank you, Madam Chair. I know we have a number of keen members all wanting to ask questions, so I'll start out with some questions and then there will be questions from other members as well.

I wanted to follow up on MPP French, where she was talking about the vacant properties and the challenge communities have when they're trying to see something happen with the vacant properties. It sounds like schools are not something you deal with, but I just wanted to get on the record that in Parry Sound, I know there is now, from the former William Beatty school, a community hub that is affordable housing and it's being used by One Kids Place and a number of other different agencies. It's been very successful.

But I know in talking to the town and the people involved with that—they were really frustrated at how difficult it was to acquire the school, despite the government of the day talking about making community hubs something they were trying to establish. If anything, it was just really challenging. The process of acquiring the school took a long time, but they still managed to make it happen. So I understand the frustration that MPP French is talking about.

I want to also focus on something from my riding that I'm sure you are aware of and—again, with the 812 vacant or surplus properties. We've got Muskoka Regional Centre that is a beautiful part of Lake Muskoka, in the town of Gravenhurst, with beautiful water frontage. It was, historically, a sanatorium. It sat empty for 25 years so I was actively trying to assist the town of Gravenhurst who had a proponent trying to acquire that property to create a new Chinese high school there, something very much supported by the town and by the members of the community because this has been going on a long time.

Fifteen years ago, when they were looking at the property, they went through a community process, getting input from community members, and they didn't want to see more pressure on Lake Muskoka because it's on a bay of Lake Muskoka. They wanted something that was going to create jobs in the area. The proposal that was coming forward from, I believe, Maple Leaf schools was something that very much fit that bill. It would create many year-round jobs. It would see some value come from a property that sat idle for 25 years. So it was pretty frustrating when, over the last couple of years, nothing happened with that, despite the town and a proponent and something that everyone seemed to be supporting.

Why is it so difficult, especially if you have 812 vacant or surplus—or you had. You've dealt with some of them, but it seems to me—

Mr. Ehren Cory: It's 231.

Mr. Norman Miller: For the economy of the province of Ontario, Gravenhurst and my area, we'd love to see a new school built there and jobs and taxes etc., instead of, I'm sure, the cost of maintaining that property. So can you talk a bit about why it's so difficult?

Mr. Ehren Cory: Sure. Toni?

Ms. Toni Rossi: Yes. I would like to start with just—Ehren alluded to just a bit of a process, and I'm not going to take a long time to walk through that circulation process, but your point is absolutely the right one.

If our goal ultimately is to put property that's surplus to government needs into productive use, then we need to also be able to do that in a transparent way, in a fair market way. I'm quite familiar with this particular property because we've actually worked very, very closely with the municipality over the last couple of years, and I believe you would know that it even went to a point of a council resolution.

We wanted to do a direct sale. This is one of those opportunities where, when we have a property and it goes through the circulation process, we go to other levels of government first. So we did work with the Muskoka-Gravenhurst region and wanted to do that direct deal. We spent a lot of time with them, with their proponent, and wanted to ensure that got done.

I will say that one of the other areas, though, from a transparency and prudent perspective is that we always need to ensure that we're getting fair market value. So appraisals were done. We worked with the town to ensure that those appraisals were there.

Another important clause in all of our purchase and sale agreements is one that the Auditor General will be very happy about, based on previous audits. We have what we call, in layman's terms, an anti-flip clause. At the end of the day, when we sell a particular or direct sale either to a municipality or the private sector, we want to ensure that it then doesn't get flipped and somebody else gets the value and not the taxpayer.

All of that process was in place. We in fact had worked with the community and the council. There was a resolution to do a direct sale to the municipality. The individuals who were working with the municipality—in fact, we were all excited to help jobs get created and to get that productive use in play. Once they realized that there was a clause in there that spoke to not being able to flip, there was a big pullback from the municipality.

In that process, what occurs is, as we've just talked about, our circulation process then goes one step further. We always want to go out and circulate to other levels of government, but we also circulate to the broader public sector and others that are in need. Once the deal did not get accomplished because of the negotiations breaking down at that point, it went back into circulation and the due diligence that was important there—we ended up working with another proponent, which we are working with right now, to finish that duty to consult process and that due diligence process. If and when that process gets completed—to your point—we will be happy to put that either back out on the open market or work with the —

Mr. Norman Miller: On that point, would it not make sense—I mean if you're selling your house, you aren't going to limit it to one purchaser. Would you not entertain more than one purchaser at the same time and take the best offer?

Ms. Toni Rossi: Yes. Thank you for that. Yes, we would, and I would just like to say, it didn't get to that

process yet. It actually did not get to the open market. We were working with other public sector entities, the region being one, to do the direct sale.

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Mr. Norman Miller: Okay. And I don't want to—

Ms. Toni Rossi: So as soon as it gets to—

Mr. Norman Miller: It's a fairly riding-specific thing, but it's of keen interest to me. I'm looking at a letter from the mayor of Gravenhurst, dated August 23—the retiring mayor—stating the proponent is still very much interested. Despite what else is going on, they're keen to see something happen. I know the community supports that.

Can you give an update on the cost of whatever the number of vacant and surplus properties—the annual operating cost of those buildings now, at the current time?

Ms. Toni Rossi: Yes, I believe when the Auditor General did her report, it was just under \$19 million, if I recall the numbers correctly. If not, correct me. But as of March 2018, it was just under \$15 million. So there is still a cost to having these vacant properties. Nobody is disputing that. Our goal is to get them out and into productive uses as quickly as possible.

For the members who aren't aware of what those costs might be, in some cases, we need to secure those buildings. In other cases, they're heritage buildings, so we need to heat them and make sure that they remain in play. In some cases, we have perimeter fences, landscaping. We want to make sure that they stay safe and secured until they're out the door.

Mr. Norman Miller: Does Infrastructure Ontario do the capital building of new schools as well?

Mr. Ehren Cory: No, individual school boards oversee their own construction.

Mr. Norman Miller: They do that?

Mr. Ehren Cory: Yes, they do that.

Mr. Norman Miller: Okay. I just wondered because I saw the auditor's recommendation number four, where it talked about your estimates being considerably under what the projects actually ended up being, and I had a similar thing with school boards—again, in the Parry Sound area—with a high school that has approved funding but it's way less than the actual cost to build it, so I just thought I'd check on that one.

The auditor's recommendation number three to do with external project managers manually adding vendors—I mean, that whole thing just seems fishy to me when you're manually adding vendors and then those vendors, in some cases, get nine out of 10 future contracts. Can you describe any controls that are in place concerning the project managers manually adding vendors, and what you've done to change that?

Mr. Ehren Cory: Certainly. Thank you for the question.

First, if I may, let me just talk about the most common scenarios of why vendors get added, because there are some non-fishy ones that are worth us just thinking about. First, when we go to tender, depending on the size of the tender, our system automatically generates the bid list—three bidders or five or 10, depending on how big the

project is. That's great. We like that because we have a vendor-of-record list that's much longer, and we want to randomly pull people off that list for two reasons. It keeps more competition, because, over time, different people will bid. And it reduces any risk of collusion because you can't have just made a deal, because you're getting new people off the list for each project. But what it doesn't do is it doesn't allow for some common sense things.

If you're a contractor who has been in a building of ours, renovating the seventh floor, and you've been there for the last three months and you've finished and now we're going to do a new contract for the sixth floor, we might want that person bidding. They know the job extremely well. They have workers on the site and in the area. The system randomly generates five, and they're not one of the five. So our project manager company would manually add them as a sixth.

They're now bidding, still against the five other randomly generated, and they're going to need low bid. These are sealed-bid envelopes, and low price is going to win as long as you can meet the technical requirements of being a licensed trade and having a quality record and safety record. So there are a bunch of thresholds, but I'm saying after those, low price is going to win. There's no rigging happening, but there is an opportunity—if that sixth bidder has the right trades or the right knowledge, you want to add them.

Let me give another example, and it's particularly true in northern Ontario. Our regions where we have vendors of record qualified for are quite big. So I might have a vendor of record qualified to do roofing work from Sudbury to Thunder Bay. If I have a project in Fort Frances and the list generates three guys in Sudbury, it's not necessarily a great competitive list. In fact, the three of them will ignore bidding. So manually adding a few, actually—there are some common sense times. As I say, those are the two most common: regional challenges or people who have pre-knowledge of a building.

The second part of your question, though—the recommendation still had some really good points for us, so I just want to come back to those. The way that it's supposed to work in our process is that when one of our project managers wants to add someone manually, they need our approval. We were not doing a good enough job of documenting those approvals, of making sure there was good paperwork and especially that there was a rationale. I just gave some good rationales, but I actually want those documented and written down. So the Auditor General team's recommendations spoke to that process, and I'm happy to say we have tightened that process and now require those before we would approve a manual add.

Mr. Norman Miller: Thank you for that. I don't want to hog all the time, so I'm going to pass it over to MPP Ghamari for a couple of questions.

The Chair (Ms. Catherine Fife): Ms. Ghamari.

Ms. Goldie Ghamari: Thank you all for being here. I have many questions, so my apologies if I interrupt in the middle of your answer; I'm just trying to get straight to the point and then move on. I'm going to start with two questions in this round and then save the rest for later.

My first question is with respect to the RFP process in 2014 and the two zones. My understanding is that prior to that, Infrastructure Ontario had spent \$108,000 on a consultant to review and revise its RFP process. Yet despite the consultant's report noting that other options could create more bids and give more companies an opportunity to bid, Infrastructure Ontario instead decided to just divide the province into two. So my question is, why did IO decide to use this approach in the first place, when they had already spent \$108,000 on consultants who were advising them otherwise?

Mr. Ehren Cory: A couple of points—and Toni has history in this as well, but I'll go fast.

The consultant recommended that we go with two zones and run the process as is. What you read is absolutely correct. They did say if you divide the province into more zones, you'd get more potential bidders, because it will be smaller. But they also noted you might get higher prices. There's a trade-off between the number of bidders and how you break it up. On a bigger scale, you might get better bidders. In fact, the consultants' report said other options might create more bidders, but their ultimate recommendation was to do the two zones. So we followed their core recommendation. There's a trade-off in there between pricing and the number of smaller bidders you open that up to.

Ms. Goldie Ghamari: In this case, you essentially may have gotten lower prices, but of those three bidders, one of them has had serious problems in the past in terms of its performance. Why would Infrastructure Ontario limit itself to just receiving three bids when one of those companies has had problems—and yet it still got awarded a bid?

Mr. Ehren Cory: As I say, you can get more bidders, but there's also a scale benefit. What we're trying to do in our project management circles—

Ms. Goldie Ghamari: Sorry. Are you then saying that in this scenario, when you looked at the scale, it was more beneficial to go with a project manager who has historically had problems, as opposed to something that would be a little bit higher? How would that impact the costs? With a smaller project management company, it might be a little bit more expensive, but then in the long run it's actually cheaper because they don't have a history of issues. Is that something that IO considered?

Mr. Ehren Cory: For sure. I wouldn't characterize the bidder as having a history of problems. They had a lower technical score than bidder A, but they were absolutely qualified to do the work. They haven't met all of the key performance indicators. They therefore don't get all of their fee at risk. That's a good thing. We don't pay them if they don't fully deliver. But that's not the same as having problems. We actually have had good work from them.

Ms. Goldie Ghamari: Thank you for your answer.

Just one more question, and then I'm going to save the rest of my questions for the next round.

In your response to the Auditor General's recommendations—it would be recommendation number 4, and it would be paragraph A, the first one—you've indicated that

their view determined that overall IO's process is trending well and yielding solid on-budget performance from pre-tender to post-tender. However, when I look at the Auditor General's report, it's indicated that when they did an analysis of the cost estimates of 70 projects completed between April 2011 and March 2016, the weighted average cost estimates increased by 168%. One of them, actually, was a 119% increase, which occurred between the initial budget estimate and the business plan estimate. If you could explain this to me, because I don't seem to understand how IO could be trending well and being on budget, and yet an audit reveals that there is a weighted average increase of 168%.

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Mr. Ehren Cory: Thank you for the question. I'm only smiling because this is—I'm trying not to make it technical, but if I'm not doing a good job please do interrupt me.

The important thing to picture in the life cycle of a project, there are four or five milestones that matter: there is an initial identification of a project and an initial estimate that gets done, and that's the number you're looking at.

Ms. Goldie Ghamari: Yes. I'm actually an international trade lawyer, so I'm very familiar with all of that.

Mr. Ehren Cory: Excellent. Okay, great. So after the initial—

The Chair (Ms. Catherine Fife): And actually, sorry, but there are two minutes left in this question set.

Mr. Ehren Cory: Okay, I will do it fast. Thank you, Chair.

After the initial estimate, we do a bunch of due diligence around the project and the scope of the project. That leads us to refining and developing the second major milestone, which is the business case. And then, most importantly, before tendering, we do a pre-tender estimate where we actually estimate the job.

So just a real example: If we were doing a renovation of, say, a bathroom, in the initial estimate—

Ms. Goldie Ghamari: Right. Sorry to interrupt. Given that we don't have a lot of time, could you just get straight to the point? What's the answer?

Mr. Ehren Cory: The point is that the Auditor General's finding talks about from the initial estimate, which is when we first scope out a job and say, "Hey, I think we need to do a reno project. It looks like we need to do a bit of work."

Ms. Goldie Ghamari: Okay. So is that increase, then, before a project is bid on?

Mr. Ehren Cory: Totally before it's bid on and before, in fact, even it's been finalized or approved or budgeted.

Ms. Goldie Ghamari: Okay. So having said that, I also note that on a project-by-project basis, the actual costs were much higher than what's in the RFP. My understanding is that those RFPs say that it has to differ by plus or minus 20%, and yet you're looking at something that's much higher.

Ms. Toni Rossi: So to answer to your question more directly, when we start at the initial cost estimate, it is a

component part. But if you actually take a look—and the Auditor General did do this in her report—we did two things: She had an extra consultant come in and look at the process, and then we also looked at the pre-tender estimates. They were a little bit higher, you are correct, but they were not that significantly different than industry; 20% between pre-tender estimate and final budget is usually within industry standards. Ours were at 22%. So there is continuous improvement in all of the area milestones that are there. I would say to you most of the projects—and we deliver over 4,000 projects a year. So when we're taking a look from a—

The Chair (Ms. Catherine Fife): Okay. I think you'll get a chance to finish that. I just would say if people do want to ask questions, then maybe ask shorter questions, because the 20 minutes goes really fast. But also, to Ms. Ghamari's point: If you could answer the question in a very succinct manner, we could get more content covered at this session.

Ms. Toni Rossi: Thank you, Chair.

The Chair (Ms. Catherine Fife): Ms. Sattler.

Ms. Peggy Sattler: Thank you very much, Chair. I am just going to start out with a couple of questions and then pass it back to my colleague Ms. French.

I wanted to focus on the final three recommendations of the auditor's report dealing with the costs to the government associated with the AFP project agreements, particularly around hospital maintenance. We know from the auditor's report three years ago that the AFP model is expensive for the province and that there are costs associated with that. In this report, it focuses on the cost to hospitals when the AFP contractor is not doing the work that was contracted, when hospitals have to incur legal fees to try to settle some of these disputes with the contractors and also when they have to spend their resources to get the work done that was supposed to be covered by the contract.

My question is: Given the auditor's report three years ago highlighting some of these issues and concerns with the AFP model, how did we get to a place that these problems were still there, that the AFP agreements weren't actually covering the maintenance costs that hospitals were having to incur?

Mr. Ehren Cory: Thank you for the question. First, we think that it is really fundamentally important that when we build new assets, the person who designs it and builds it also has responsibility for maintaining it. I think if you look at the history of asset management in our province and in many jurisdictions around the world, that is not the case. What it leads to is people winning on low bids by building cheap stuff that is not lasting for the long term. The AFP model we use is designed to have people bid for an integrated design, construction and maintenance for 30 years. That's actually why we do it.

There's a cost to that, as you say, and we acknowledge that. We think that cost is more than justified by the benefits it creates, the risk that it transfers and the long-term or life-cycle thinking that it gets. That's why we do it.

The recommendations which you reference talk about a few important things around working with the hospital once they have a new hospital built through AFP. The two examples that you cite—I'll just talk about each of them in turn.

One is when a hospital has new scope that it wants to add—there are some examples the AG gives—and that happens because hospitals are living, breathing things and, over 30 years, you might need to add new parking or a new structure—expand the property. In those cases, obviously they weren't part of the original AFP contract so we will have to go back out and re-contract for them. There are two choices. You could go to the person who did the original AFP and say, "We have something else we need to build on this site. Would you also like to bid on that?", or you can go back to the private sector, go back to the market more generally, and say, "We're adding a new parking structure. Would you like to bid?"

Our model allows for both. We try to work with our hospital partners to do what's right for them in the circumstances. It depends how integrated the parking structure is going to be to the rest of the facility, but actually both are possible in our model, so they have a choice.

Ms. Peggy Sattler: Have you been able to minimize the cost to hospitals that are limited in the maintenance that they can get covered because of the AFP model? Since the auditor's report, what changes have you made?

Mr. Ehren Cory: We are working with each of the individual hospitals that are now in the maintenance period of AFP contracts to help them set themselves up to manage these contracts and get full value—to your point, to make sure that everything that we scoped out and bought up front is covered. So, yes, we are working with hospitals on that.

Ms. Peggy Sattler: And how are you ensuring that that will be the case, that everything that is contracted for will be covered?

Mr. Ehren Cory: I'm sorry, can you explain the question?

Ms. Peggy Sattler: You said you're working with the hospitals to make sure that these contracts cover everything that was agreed to. How are you doing that? What controls or mechanisms will you have in place to make sure that that is the case?

Mr. Ehren Cory: We now have a team of people at Infrastructure Ontario, which we did not have prior, who are dedicated to this work—to working with the individual hospitals in the maintenance period. Our focus primarily in the early years of Infrastructure Ontario was more in the construction phase. As we've moved down the chain and have more gone into maintenance, we've now got a team whose job is to work with the individual hospitals so that they fully understand the contract, they fully understand all of the protections they have and they can therefore get full value from their contract. Does that answer your question?

Ms. Peggy Sattler: Yes. Without going to court? Would that be the—

Mr. Ehren Cory: Yes, that's always the better way to do it.

Ms. Peggy Sattler: Okay. A related question to the maintenance issue is around the collapse of Carillion. Is this going to have an impact on costs to hospitals in terms of snow removal and—any hospitals that may have had contracts with Carillion?

Mr. Ehren Cory: Good question. No, it is not. There were four hospitals under our contracts where Carillion was a maintainer. They had partners, though. Their partners have taken over whatever work Carillion had. The contract did not change at all; the work has continued. Carillion is no longer in those facilities.

Ms. Peggy Sattler: I'm going to pass it to my colleague now.

Ms. Jennifer K. French: I'm going to pick up from there. It's so frustrating. As you have said, you want to ensure that the hospitals and the different partners understand the contracts, but has there been enough learning happen that future contracts are going to be clearer?

I'm actually going to come back to the hospital thing in a moment, but having served as the critic for community safety and correctional services, I've had the opportunity to tour 17 of our jails and detention centres across the province. Some of the stories of the P3 fallout continue to plague us in terms of cost and in terms of safety.

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When I sit here and we're talking about hospitals and I see the same thing about interpreting a contract, what maintenance has been agreed upon and what that actually looks like—for example, we know that when the Toronto South Detention Centre was designed and built and the glass was put in, there was a certain type of glass in an inmate area that was breakable, which everyone sitting here would think, "Well, that doesn't seem safe." But then my understanding is, when it goes back to looking at what was originally contracted, we didn't specify what type of glass. That gives them the out, saying, "We did it to condo specifications. You didn't tell us you wanted a certain type of glass." You were contracted to build a jail. To me, that's common sense. Those who are on the hook for those costs are the taxpayers, to replace that. That's one small example.

In the South West Detention Centre, they wanted door sweeps underneath the doors to keep things from sliding under the doors. But the cost of installing door sweeps for safety and whatnot—and I don't have the numbers in front of me—was ridiculously prohibitive because the cost isn't just to go to Canadian Tire and buy door sweeps; it's projected over 30 years of: If you make a change, you have to maintain that so that the building is handed back over in top condition. Then we have a challenge to safety over something that is \$30,000 door sweeps or whatever, when that is a projection and, I would say, not fair about the cost. When we're looking at the P3 models and we're looking at the AFPs and we're looking at this, are we learning so that this doesn't continue to happen?

Back to hospitals: My question is a little tongue in cheek, but how many beds can be paid for with the \$2.3

million in legal, consulting and other professional fees since January 2014 that have resulted from people's interpretation of the maintenance contracts and expectations? It's tongue in cheek, but I'm going to ask it: How many beds would that pay for?

Mr. Ehren Cory: Let me answer your question as best I can. I'm not going to try to kill time—I'll try to be direct—

Ms. Jennifer K. French: I may not let you.

Mr. Ehren Cory: —let's just step back. Let me just step back for a second. Toni mentioned this: Infrastructure Ontario delivers projects big and small across the province, thousands of them—more than 4,000 projects. Our job is to try to pick the right hammer for every nail. We're not ideological about it. We have no particular bias toward one project model over another.

Right now, we have projects in the billions of dollars: LRT projects in our province; we have hospitals that are worth \$500 million; and we have \$5,000 reno projects going on in our province. Our job that we try to do is to make sure we're picking the right model for each of those.

The biggest question for us, when you get into the large, complex assets—like the \$500-million hospital or the multi-billion-dollar transit line—is: How do we protect taxpayers and make sure they're getting good value over their life, from start to finish? That's why everything starts from a 30-year contract.

You talked about your detention centre example. I would just say that the mistake that we have made, as public sector agencies all over the world, is to pay for the upfront thing, enjoy the buying of it and then not maintain it at all—putting in the door sweeps and then letting them get mildewy and rotten and break and get in the way of the door operations and not having the money to fund them.

Actually, we think it's prudent to contract for 30 years, to contract for someone not just to build us a hospital, a jail or a transit program, but have to run it and maintain it for the long term. If they think that every 10 years they're going to have to replace those door sweeps, to use your example, and in fact they have to replace them every three years, that will be their problem, because we'll have contracted with them to provide 30 years of door sweeps. If, on the other hand, through really good maintenance practices, they can make those last for 15 or 20 years and not have to replace them, then good on them. Actually, we want life-cycle contracting that transfers that risk to them.

Ms. Jennifer K. French: I can appreciate that as a factor-it-in because we don't need to get to the end and realize that there isn't the money to sustain. However, if we're always going to talk about upfront costs and then that says, "Well, then, we can't have that"—again, we're dealing with safety.

Not to focus so much on the jail-specific example, but we spend a lot of time in this province talking about addictions, deaths in our jails and safety. So when it's only cost and there isn't an avenue for the Ministry of Community Safety and Correctional Services to make an argument for, "Let's do this despite the fact of a 30-year

price tag up front,” I hope that all of the ministries are communicating so that our value for money factors in life, safety, patient care—all of the above. As the government is sitting here, I see them nodding and I’m glad. It’s a conversation for going forward.

What is Infrastructure Ontario’s role, then, in ensuring that the maintenance contracts reflect the understanding of both parties and the specifics, so that it can’t be a—not to say a “he said, she said,” but these disputes that are seemingly intractable: “This is how I interpret it.” “Well, this is what we need.” If they’re hitting a wall where there’s nowhere to go to have that need met and the contract protects them, what are you doing and what is your responsibility to ensure that there is language that can’t just be interpreted, that it’s clear?

Mr. Ehren Cory: I didn’t answer earlier, but absolutely—you asked about learning, so let me be very clear: That’s why we exist and work across with multiple different hospitals and courts and jails. In your example, if our output specification, which is the document we write saying, “Yes, we want a jail, but here are the parameters of it; here’s the security level we expect it to be at etc.”—

Ms. Jennifer K. French: Non-breakable glass.

Mr. Ehren Cory: If we find gaps in that, it is our job for sure, when we put out the next one, that we have written the output spec that much clearer and better, and to be constantly closing those; so, yes.

We have across all of our sectors now just over 100 projects that we have put to market through the P3 model. Every one of those learns from the one previous about how to write a clearer output specification—sets clearer expectations, leaves less ambiguity. That has to always be the case because these are big and complex contracts and so reducing that ambiguity is certainly step one, to answer your question.

Step two, though, is our role after that. It does depend a little bit on the type of asset. If it’s a courthouse or a jail, which is in the GREP portfolio that we’re here talking about, then we have a very direct role working with the Ministry of Correctional Services or the Ministry of the Attorney General in overseeing those maintenance contracts and managing the contractor and making sure that they adhere to everything they’ve contracted for. If it’s a hospital, it’s a little different because the hospitals sign the contract and so there our role is to provide advice and service to the hospitals to make sure they’re getting full value.

Ms. Jennifer K. French: Thank you. To that point, because our hospitals are, I think it’s fair to say, unique, but the fact that they’re on the hook for the problematic interpretations, the disputes, all of that, means that Ontarians, maybe not considering themselves taxpayers in this equation, but as patients and family members—if we’re finding that this money is going out of our hospital system and into this—one of the recommendations, recommendation 12, was:

“Institute a formal evaluation program of private sector companies’ performance during the alternative financing and procurement maintenance phase...; and

“Incorporate their performance when evaluating future bids.”

So if you’ve got hospital CEOs who are saying that IO is not acting in a punitive enough capacity, that they’re not shutting down these private sector antics and all of this sort of thing—this is the feeling that is out there that I think informed the Auditor General’s recommendations. It’s one thing to tighten up the language, it’s one thing, as I said, to learn and incorporate that going forward, but if you’re seeing that some of these private sector folks are duking it out with the hospitals and not working with them, why on earth would they be getting more and more contracts? Why are we continuing to do business with folks who are not prioritizing—I mean, it’s not their job, necessarily, to put patients first, but for crying out loud, this is Ontario and we want what’s best for our—everyone has a role, so what is IO doing in terms of recommendation 12?

Mr. Ehren Cory: Understood; thank you. I talked earlier about this. We share the principle that the Auditor General’s team speaks to here, which is that past performance should have a consequence. We want to do work with people who do good work with us. A few years ago, we introduced exactly what recommendation 12 speaks to, what we call a vendor performance program for constructors. If you’re building a project for us, you get scored based on an objective set of criteria and that influences your ability to qualify for the next one.

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What this recommendation 12 speaks to, essentially, is that you should do the same thing in the maintenance period. So that’s exactly the part of the process we’re at now, as I said earlier to the question. Our program is about 15 years old. The first hospitals through the DBFM model are now five or so years into maintenance, six years into maintenance. So we’re just starting to gather data on performance.

Of course, we have to figure out the mechanics of how to do this. As you’ll see in our undertaking, we are now working on what the mechanics would be: How would you score it? How would you get input from the hospitals about the performance of vendors? How would we incorporate that? So, yes, I can confirm that’s one we’re working on.

Ms. Jennifer K. French: How are we for time in this set?

The Chair (Ms. Catherine Fife): You have three minutes left.

Ms. Jennifer K. French: Okay. Continuing with the hospitals and looking at recommendation 13—I appreciate your answering, but I don’t know if this is one for the deputy minister; answer it as you will—questions about the administration cost and the challenges to the hospitals: When I sit across from the folks at Lakeridge Health—and I understand all of the complex challenges that they face, funding shortfalls and all of that and rising costs—this is insult to injury that they are dealing with administration of these AFPs and this situation. If the deputy minister could please speak to recommendation 13, which specifically was assessing whether hospitals are experiencing funding

shortfalls and devising strategies for mitigating their impacts under the AFP model. If you could speak to that, I would appreciate it.

Mr. Kevin French: Thanks to the member for the question. Just to assure the member, we are aware of the situation and are working with our colleagues at the Ministry of Health. As Ehren has indicated, there are lessons learned as we continue forward. To your point about what it means as a CEO for a hospital, it has been challenging. I think we should acknowledge that and work towards a solution at a budgeting level. That is part of what we're doing with the Ministry of Health to look at the pressures that they have and holes. I can assure the member that this is on our radar within government.

I don't know if there are any details you would like further from Ehren about the particulars related to recommendation 13, but I'll leave it there.

Ms. Jennifer K. French: I'm interested, in terms of specifics, with the spread-over-30-years piece. How many maintenance needs or requests are being ixnayed because of that 30-year-projection cost? I understand we need to factor it in, but I would be interested—if there is a breakdown and it's not just, "We want to put in a \$30,000 air quality unit." That's a one-time thing, but it's a small piece, and when you extrapolate that cost over 30 years, I feel that it's sort of falsely inflated unless you put an asterisk beside it and say, "This is to be borne over the life of the project." How many projects are refused, or how much maintenance has been put in to be done and isn't, as a result of the AFP model? I'm curious about that.

The Chair (Ms. Catherine Fife): You're going to have some time to think about that, because we are now going to go to the government side. Mr. Parsa will start.

Mr. Michael Parsa: Thank you all for being here. I really appreciate it.

On the very first recommendation, the number one recommendation—I'm not going to read it; you all have it. When it comes to the bidding process, why did we not have more companies, do you think, bidding on these projects? You said that based on the recommendations, you were looking at implementing some processes that would encourage more to get involve, if you don't mind telling us a little bit about that.

You referenced the contractors. In most cases, for example for myself, if I've had a bad experience with a contractor and there are contractors out there, I simply won't look at them again. No hard feelings. I'd give another shot to another company. I won't look at them and say, "Well, they haven't been perfect." Especially when we're dealing with taxpayers' dollars, to me there have got to be better standards, where we don't have to say, "Well, they haven't been perfect; they've met the lowest standard criteria"—or whatever the amount is; I'm not sure—"so that qualifies them to be in the process to bid again," and, in many cases, to win some of the proposals. What steps and what standards will you be putting in place so that perhaps, when a contractor is not doing such a great job, they can be excluded in at least the next one or two future projects so that it's a learning lesson for them for the next time?

Mr. Ehren Cory: I'll take the second part of your question, and I'll ask Toni to speak to the first part about the number of bidders. I'll come back and speak about the consequences.

Ms. Toni Rossi: Okay. Thank you, Ehren. In what we'll call the second-generation outsource service provider, I think it's really important to also note—and we said it earlier—that this is the second-largest real estate portfolio in Canada that we are managing just on the GREP piece. There are not a lot of pure project management companies. Ehren alluded to: What we want to always do is take the public interest, work with partners here and work with the best private sector companies that are out there.

When we did the market sounding in 2014 for that second generation, we actually had a number of project management companies coming to listen to the market sounding—about 10. As we worked through all of the addendums and the changes and the questions, what became clear is that with the complexity of our portfolio and the volume of projects, the ability for any particular one, two or three companies to do was limited.

We actually had three bidders. Three bidders is quite good. We had competitive forces in play. It was transparent. Two of them were incumbents, as you saw. I think that in our next generation of issuing this, we'll do a fulsome business case. One of the arguments is: Should we even have two? Maybe it's only one.

But I will just clarify a couple of things—Ehren will talk about the second, but I'll clarify just so the members understand. We use a fulsome project management company. We then also go out and get a vendor of record pre-qualified, roster for contractors, for architects and for engineers and it's those pre-qualified vendor record roster that we have in fact started to do that vendor performance program.

There is lots of work that has occurred already in creating a vendor performance program on those pre-qualified contractors, architects and engineers, because our project management service providers' role, after we work on our capital planning program, is to take that program of work, take those 1,000 or 4,000 projects that need to go out, help us scope them out and get them out into the market and get the tenders back in.

To answer your question directly—I hope I have. Two things: The large scope of the volume of work that we do, they're really the marketplace, and in fact we have helped, over time, the marketplace—I think we've de-risked the marketplace to want to continue to bid on our projects by being very transparent with what we do and by having RFPs that are very specific and particular, but it's still large. The marketplace does not have those kinds of best-in-class project management companies in the hundreds, in the twenties, in the tens. We've probably got a handful—six to 10—and we are confident that, the next time we go out, after doing our market sounding and business cases, more will want to come and play, because we've had lots of interest.

Mr. Michael Parsa: Before you go, may I just add one thing? If these projects could be large for a lot of these

companies, could it be that perhaps you can break them down? Could the process be exhausting for some of the smaller companies or medium-sized companies to take these on? Could it be that the RFP process itself is difficult for them? Can you not make it easier?

Ms. Toni Rossi: Actually, I think over the years that we've had this outsource model, we've in fact done that. Again, I want to distinguish between project management companies that are doing a full program of work—those 1,000 projects that we put into the market—and contractors, architects and engineers. We have hundreds of vendors across the province to make sure that we get the best quality and local jobs and that they're in the areas that they are needed. They do the scoping-out work with our project management companies, but from a program perspective, from the ability to manage the entire process, we feel that it's important to be consistent across the province in that delivery model and to then have those project managers working with us, have those project managers keeping the accountability for the contractors for the actual project itself. So it's a program versus individual projects; that's the model.

Mr. Ehren Cory: I just emphasize: There's real value in that. For the projects we have going on—and this is the million-dollar projects, not the \$500-million projects. For the million-dollar projects we have going on around the province, they're using consistent estimating, consistent software to track projects and consistent invoicing because we're using the same standard. If you break that part up and you do six regions around the province or something like that, you've got to get six different companies all using some of those same core processes. That's the benefit of scale of the program.

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We still think, to your question—dead on. When it comes to the work itself, there are thousands of projects all over the province, and they need local labour, they need local trades and they need local contractors who can deliver that. Our program allows for that. It's just that at that program layer, we chose the two.

I want to come back to your other question, if I may. I just want to agree with you. Our whole motivation is to make sure that we aren't boxed into using contractors who do poor work, full stop. The way we do that—and I don't want to get into the math, but we have a demerit system. We have very clear criteria. If you had a Ministry of Labour work order from an unsafe work practice on your site, that could get you a demerit. Well, on a project of a scale with thousands of workers over five years, like on the Eglinton Crosstown, there will probably be one of those. In and of itself, we can't have one of those things trigger an overreaction.

The way our scoring works is that you earn demerits and they last for two years, so it's a rolling calendar. If you earn multiple of them in two years, it starts to hurt your ability to qualify on our next work. If you earn a series of them, it'll hurt your score by so much that you won't even get over the minimum threshold and you won't even be eligible to qualify. You said, "Maybe for the next project

or two," but the way we do it is through time. Over 24 months, those clear off your record and you could try and bid again.

That's how we do it, in essence. We think it's working really effectively to keep consistent underperformers who have a track record of underperformance out of our work for a period of time until they can clean up their act.

Mr. Michael Parsa: Okay. But you won't have a process in place where you would completely stop them, even for a short period—a year or two or three—from—

Mr. Ehren Cory: There are a few reasons that would automatically—safety being the biggest one. If they failed to meet basic safety certification or standards and they can't be COR certified, that would immediately disqualify them. The other is if they were ever found guilty of any form of unethical bidding practices or didn't have controls in place in their organizations—those kinds of things; forget demerits—those would automatically bar them.

Mr. Michael Parsa: For example, if a bridge beam were to be installed upside down, would that stop that company from receiving future contracts?

Mr. Ehren Cory: Not our project. I won't comment on it. I'll just say that fundamental underperformance and safety underperformance would be—

Mr. Michael Parsa: That would be safety. Got it. Thank you.

The Chair (Ms. Catherine Fife): Thank you, Mr. Parsa. You may get to ask that question to Metrolinx when they come before the committee.

Mr. McDonell.

Mr. Jim McDonell: Just a couple of questions concerning my riding. When the seaway went through, there was about 40 kilometres of waterfront that tied in with the control of, at the time, Ontario Hydro. That would be under your control, I guess, especially since—

Ms. Toni Rossi: Part of—not all of—the hydro lands are there, but there are certain transmission corridor lines—

Mr. Jim McDonell: This is just open land—basically reserve land. It's anywhere from a few hundred feet to a couple of kilometres in width, but 40 kilometres long—basically from Cornwall to Iroquois.

Mr. Ehren Cory: I'm not familiar. We'll have to follow up.

Ms. Toni Rossi: Neither of us are familiar with that project.

Mr. Jim McDonell: Okay. And the same thing: As you go east, there are a number of parkland that was there but not—is that under your control as well?

Ms. Toni Rossi: We have certain parklands within the parkway belt and we do have certain hydro-transmission corridors under Bill 168, but on the parkland I'm not familiar with—provincial parks, no.

Mr. Jim McDonell: Yes, this is just surplus land that has been there for years and years—since the seaway went through, actually.

There is a previous tourist bureau along Highway 401 that sits there vacant. It has been almost 10 years now. Are there plans to eventually get rid of these, or must it be

maintained? It's very limited use because it ties into the 401. Is that something you would actively work with the ministry to get rid of? There are very few uses that the government could ever think of using those for—or does that just sit there forever? What's your role in something like that?

Ms. Toni Rossi: Our goal is not to have anything sit useless forever. Having said that, depending on whether or not it's within our portfolio—in this case, if it's a tourism location, it may be part of the agency, the tourist agency. I'm not familiar with the property that you're speaking of, but let me comment on the ones that we do have. Our goal is to understand what the need is, any program need that's there. If any ministry does not need that for program use, then we will actively go out and circulate it to other levels of government, to the broader public sector, if we can't find any other uses in play. Our goal is never to hold surplus properties.

Mr. Jim McDonell: Is there a program to evaluate these and how—

Ms. Toni Rossi: Yes. We have an entire divestment plan and so we take a look at all properties that are in what we would call surplus properties or what are in our inventory and look at their ability to either be reused, recirculated or to get on the open market as quickly as possible.

Mr. Ehren Cory: But I think where your question is going, member—the line-by-line review that was recently conducted actually talks to this issue. We agree that it's an opportunity. We had a chance to meet with that committee and talk about it.

For the properties that are already in the GREP portfolio, what Toni said is true: We would be scanning constantly for surplus saying, "Let's get this out." But for the ones that aren't in GREP, the only way we would get involved right now is if someone came to us and said, "Hey, we have this property. Could you help us sell it?" What's missing is the trigger. There's not an upfront trigger for the stuff that's not in GREP right now.

Mr. Jim McDonell: I think in this case here, there's no use for the private sector because you don't want access to the 401. So really, it's "demolition and get rid of it" instead of keeping it.

Mr. Ehren Cory: Get rid of it.

Ms. Toni Rossi: Yes, get rid of it.

Mr. Jim McDonell: It's a hazard to the 401 because you've got exits into it.

Ms. Toni Rossi: Yes.

Mr. Jim McDonell: Okay.

Mr. Kevin French: If I can, I can add to that, just to pick up on Ehren's point. I mentioned in my opening remarks the line-by-line review that has been done. The government has asked for us to do exactly what you're asking here today. We have the government real estate portfolio, but can we look more broadly than that and can we look at the triggers around getting properties back to more productive use sooner? That is something the government has asked us to look at and we're actively under way in doing that review.

Mr. Jim McDonell: The hydro corridor is huge, and for years municipalities have been trying to get that back, but it sits in the bush and has very little use in reserve. It just seems for those two municipalities it's a huge asset that is wasted, basically, with no plan in place. It's not part of any long-term plan.

The Chair (Ms. Catherine Fife): I'm going to go to Ms. Wai first, but I also want to give Ms. Surma—would you like to be added to the list? I know you're on the left-hand side now, but I still see you. Even in the United Kingdom, actually, in public accounts committees, government and official opposition all sit together; they don't sit on one side. Would you like to be added to the list?

Miss Kinga Surma: Yes, please.

The Chair (Ms. Catherine Fife): Okay.

Miss Kinga Surma: If we have time.

The Chair (Ms. Catherine Fife): Maybe the next cycle. Okay, Ms. Wai.

Mrs. Daisy Wai: Thank you to the team for coming. I appreciate Toni mentioning protecting public money at all times, as well as your goal of best value for our province. I'm just reading before recommendation number five. There are contracts that have been expired since 2015, and we are approving invoices without the details. May I ask, how does that happen? And how would that help to protect the value for money, protect that money as properly spent?

Ms. Toni Rossi: Thank you for that question. What I might say is that in the undertaking that we have had, all of our invoices come through either to IO or in some cases they go to the ministries themselves, to the CAOs.

One of the things that we have been working very diligently on with our CAOs, with the chief administrative officers, and our ministries is how we in fact get more transparent in what the building services are by building. As people change—some people have history in the ministries; some don't, so their understanding of those invoices may or may not be complete because they do not actually have the full picture of what the building services are.

We've spent over the last couple of years—I won't be technical but we have a program called a geoportal and we use that, and we have customer portals. We've actually spent a fair bit of time going building by building, where every ministry is occupied; we've taken a look, in our own portfolio, at all of the services that are being delivered, and every ministry has now the transparent opportunity to go in and at least see what those services are so that they can adjust their invoice knowledge on whether or not those services are actually contracted for.

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Many buildings have certain services that are contracted for, and then there are things that are—we call them service-level changes. So a particular ministry may be in one building today, individuals who are working, and they may go to another building and still have thoughts that they are going to be receiving certain services; in fact, they don't, because they don't have that service level agreement.

Our goal has been to be as transparent as possible. I'm pleased to say we've done all of our own buildings now. They're all online; they're all available for any of those customers to take a look at. We've worked through a good portion of all of our leased buildings, because that's the other area we have owned, but we also have some of our leased locations and what those services are that are there. Then the next phase is to work on—again, nomenclature, but what we call ministry-direct services. In some buildings—the MNR buildings, some of the MTO buildings, other buildings that we don't have direct management on—

The Chair (Ms. Catherine Fife): Sorry to interrupt. There are two minutes left in this questioning.

Mrs. Daisy Wai: Maybe I'll quickly ask, then. I understand that you say—so in other words, the agreement is now in place?

Ms. Toni Rossi: Correct.

Mrs. Daisy Wai: Can I just quickly understand—why wasn't it done in the first place in 2015?

Ms. Toni Rossi: All agreements were, again, in place and there. It depended on the transparency of the actual ministries to know what those services were. It's always been there, but I think it was the ease of transparency for them to understand their services. We heard them loud and clear, both through this audit but also in our own conversations with ministries, and it was one that we continuously improved and allowed them to see, transparently, what all the building services were.

Mrs. Daisy Wai: In other words, going forward, we should not have this problem?

Ms. Toni Rossi: No.

Mrs. Daisy Wai: Okay. Thank you.

The Chair (Ms. Catherine Fife): The auditor just has a comment on that last one.

Ms. Bonnie Lysyk: I do believe that they had expired when we were looking at them, so I think the recommendation was to renew them going forward. So they had been there, they expired, and then when we were auditing in 2016-17, we just said, "Please renew them."

Mrs. Daisy Wai: Thank you.

The Chair (Ms. Catherine Fife): We will move on to the next cycle. The official opposition: Ms. Sattler.

Ms. Peggy Sattler: I want to focus for a moment on recommendation 9 concerning the accessibility of government properties. The auditor found that there had been no assessment of the accessibility of current government properties by IO, despite the fact that the AODA requires accessibility for Ontarians with disabilities with respect to facilities, buildings, structures etc. on or before January 1, 2025. I also understand that IO informed the ministry that it did not have the funds to support the 2025 accessibility goal.

I would like to know from you what is currently happening at your level at IO to ensure that we will be an accessible province by 2025, as required by the AODA.

The Chair (Ms. Catherine Fife): Before you answer, I should notify the committee members that this is a 13-

minute cycle on this side and then 13 minutes, and then we'll move into report writing.

Mr. Ehren Cory: Just for the committee's benefit, we are in compliance with the AODA. That means two things: (1) It means in everything new that we build, it is fully in compliance with all standards of accessibility; and (2) whenever we go into a building to do a project or renovation or a retrofit or major repair work, we ask the question, "Is there opportunity here to upgrade the building?" In any major renovation project we're doing, we also meet the standards.

Your question, which was on the AG's recommendation around doing assessments of the full property base, which goes beyond when we're building new or when we're doing renos to just doing the baseline—we have now started doing those assessments and we'll complete them for the full property. We'll continue to look for every opportunity, when we build new or when we do renos, to upgrade the building to be fully compliant.

Ms. Peggy Sattler: And as you assess the accessibility criteria of current properties, are you building in a plan to make inaccessible buildings accessible by 2025? Or are you simply sort of going to highlight how many buildings we have that aren't accessible? What is the purpose of the accessibility assessments?

Mr. Kevin French: It is to do exactly as you're saying: to look at having the baseline, as Ehren has mentioned, to ensure that we are in full compliance by 2025. That is a commitment that we are working towards. The point that I would highlight is that the new builds and the major renovations are part of what we ask IO to do as we go forward.

If I can, just stepping back, in my opening remarks I talked a bit about the fact that we are looking at a funding model. We have some outside third-party recommendations. We will be coming to the government with recommendations on that funding model. We think there's a better way of using some of the dollars that are currently in the system. The efficiency review that I have mentioned, the Ernst and Young review, highlights some opportunities for doing that.

Toni also mentioned, when we were talking about our per-square-footage being at 240—we think there's an opportunity to do better. If you create an opportunity to do better, you're creating money that you can reinvest into other things like a broader look at accessibility. Those are all levers that we're looking at and that the government has asked us to look at as we look at that overall investment in accommodation itself.

I hope that gives you some sense that yes, we're doing an assessment, we have a plan, but in addition to that we're also looking at the current investment of taxpayers' money into a very large portfolio. We talked earlier about the disposition of properties; that's a revenue stream. How can we actually use the space better, with a benchmark of up to 180 square feet? And then, how can we use our current assets—so the buildings that we currently own, use those better and, to your point, make them fully accessible by 2025?

Ms. Peggy Sattler: So you do anticipate that all government-owned assets will be fully accessible by 2025?

Mr. Kevin French: That's what we're working towards. Part of it is doing the baseline to ensure how far we are from reaching that requirement that we have.

Ms. Peggy Sattler: Okay. I'm going to turn it to my colleague.

The Chair (Ms. Catherine Fife): Ms. French?

Ms. Jennifer K. French: I'm going to go in a very specific direction that might border on uncomfortable, but I have some specific questions that take us back in time. In 2016, the Globe and Mail reported that the former vice-president of capital development and corporate services at Markham Stouffville Hospital, Suman Bahl, had been fired for allegedly breaking ethics and conflict-of-interest rules by awarding hospital contracts to friends and family. What role did this person have over the awarding of hospital AFP and P3 contracts?

Interruption.

Mr. Ehren Cory: None. Sorry, I'll make sure of our answer. None.

Ms. Jennifer K. French: Okay. The Globe and Mail piece also talked about the hospital networks of health care officials who frequently work alongside each other. One of those members was Vas Georgiou, who was the subject of several other Globe and Mail investigative articles in 2015 and 2016. In addition to working for various hospitals, Mr. Georgiou was a senior executive at Infrastructure Ontario, and in 2011 admitted procurement fraud at York University. Somehow he was able to continue working at Infrastructure Ontario until 2012.

Even though this individual had admitted to unethical conduct, he was terminated without cause, received severance and was able to take a job at St. Mike's at a higher salary, thanks to a letter of recommendation by the chair of Infrastructure Ontario. How is it possible for someone like this, with records of questionable ethical conduct, to establish himself and operate at the highest executive levels within Ontario's hospital system and Infrastructure Ontario?

Mr. Ehren Cory: Thank you for the question. It's a really important issue. We take the ethics of our bidding practice and the sanctity and the security of our bidding practice—it is the highest order. We keep saying, "Protect the public interest," but that's what we mean when we say that. As an agency doing public procurements from \$5,000 to \$5 billion, that has to be at the root of what we do, and it is.

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We had, at the time of the St. Michael's project, an independent review from a third party around the ethical bidding practices at IO and the controls we have in place, the way we do our evaluations, which is multiple people independently doing reviews and coming together for consensus scoring. That review, which was by an independent law firm, found that we have truly world-class standards around ethical walls and procedures.

There was one recommendation that came out of it that we've implemented—immediately—which was around requiring an officer certificate from all the companies that bid on our work with them certifying and having an accounting firm certify that they have ethical bidding practices and no collusion or conflict of interest. We take that really seriously and we have well-established benchmark controls in place.

Ms. Jennifer K. French: Specific to that—because I understand the investigation said that the contract was fine and mistakes were made despite the conflict of interest. But in the 2014 Auditor General's report, I would say it—I'm paraphrasing—found that Infrastructure Ontario was a bit sloppy with its conflict-of-interest disclosures. I think we could all understand why the public would have concerns and perhaps feel that Infrastructure Ontario should not have been in charge of investigating itself in relationship to this contract. Can you appreciate that?

Mr. Ehren Cory: We weren't in charge of investigating ourselves. Our board, which is an independent body of private sector individuals, engaged a third party to do the review. So we didn't investigate ourselves.

Ms. Jennifer K. French: Okay.

Mr. Ehren Cory: On conflict of interest and the finding from 2014, their specific finding was around documenting, saving and storing all—making sure we have all conflict of interests on file. We have put in place an IT system to do that, so we track all of those and we have all of them in place since the recommendation.

Ms. Jennifer K. French: Okay. The report failed to determine who else at Infrastructure Ontario might have known about Georgiou's fraud admission. David Livingston said he told the chair of the Infrastructure Ontario board at the time—or Anthony Ross, the same individual who had given him a letter of recommendation according to the report, denied he knew about the fraud. The new chair of Infrastructure Ontario told the government agencies committee last year that Mr. Ross possibly might have known about the fraud admission.

Doesn't it seem like kind of a big deal whether or not the chair of Infrastructure Ontario knew about and maybe turned a blind eye to procurement fraud? Why didn't the report actually investigate that or get to the bottom of that?

Mr. Ehren Cory: I'm sorry. This predates my time, and I have no comment on what the former chair did or did not know. Sorry.

Ms. Jennifer K. French: Okay.

The Chair (Ms. Catherine Fife): You have two minutes left in this line of questions.

Ms. Jennifer K. French: Perfect. So back to St. Mike's: Last month, the Globe and Mail reported that the St. Mike's project is now 10 months behind schedule. Cambridge Memorial Hospital is now 22 months behind schedule. Hawkesbury and District General Hospital is now 13 months behind schedule. There are also reports that subcontractors working on the St. Mike's project are having trouble getting paid, suggesting that the contractor is experiencing serious financial difficulties.

What is Infrastructure Ontario's plan, if any, if the construction contractors go bankrupt, like Carillion did?

Mr. Ehren Cory: Thank you. You're absolutely correct. Those projects are late, and that is extremely frustrating for the local hospitals, communities and us at Infrastructure Ontario. If you look at our track record across all of our projects, over the 15 years or so, what you would find is that our projects are on-budget, almost unfailingly—about 95% of our projects have been on-budget. About two thirds, 70%, are on time. And that's a reality of the construction industry, so not all projects will be on time.

What's really important for us and why our model—one of our important focuses is when a project is late that the taxpayer doesn't bear the costs of that. In a traditional construction project, if there are delays, that also means cost overruns. In our world, because we've transferred the risk of schedule and we've put on the contractor the performance risk—we don't contract for them to build for 12 months; we contract them to finish the hospital—that's on their account, so taxpayers are protected.

Users of the hospital and local communities are obviously frustrated, because they're still using older facilities. In all three of the examples you gave, the projects are actually a new tower or a new wing attached to an existing hospital, and then renovation of the existing. So there is service in those communities, but it's not at the standard it wants to be. My point is just that taxpayers are protected from that delay.

Ms. Jennifer K. French: But these delays, are these recurrent or are these repeated procurement problems within Ontario's hospital sector? Are they going to inform and affect how you assess risk and value for money of your hospital P3s and AFP contracts?

Mr. Ehren Cory: Going back to the earlier question, the contractor's performance will certainly factor into their ability to win future work.

The Chair (Ms. Catherine Fife): Thank you very much, Mr. Cory, and thanks to the opposition.

Moving to the government side, I have Miss Surma on the list and then—

Miss Kinga Surma: Was someone before me?

The Chair (Ms. Catherine Fife): Miss Surma, do you wish to ask a question?

Miss Kinga Surma: Sure. I just want to know in terms of these maintenance contracts that extend for a long period of time, are there any provisions in these contracts that would then make them null and void? If so, can you explain what those circumstances would be?

Mr. Ehren Cory: Thank you, yes. Very good question. First, something I didn't do a good enough job describing is, what goes with these maintenance contracts is a performance regime, or a payment regime. If the contractor is failing to maintain the asset—a hospital or a court or a jail, whatever—to the standard that's required in the contract, they face deductions. There is a monetary penalty. That's actually the first thing that kicks in. Their job is to provide the asset and ensure that it's available for use for the intended purpose. If, as a hospital, an OR room wasn't

available because of an equipment breakdown, that's not available and so that has a deduction. It takes money away from them. We make monthly payments to them based on them meeting those service requirements. That's step one.

If they had a repeated pattern of those failures or had accumulated enough failure points, they actually, yes, could be in default of the contract, in which case they would lose the work.

Miss Kinga Surma: Okay. And then what would happen?

Mr. Ehren Cory: Then, technically the project company that we had signed the 30-year deal with—the people who did the design and the construction and the maintenance, it would be their job to go out and find another maintainer at the same price, because we're not paying anything different. They would need to replace the maintenance provider, and we would keep paying the same amount and get their services.

Miss Kinga Surma: Okay. So there would be, generally speaking, no loss or limited loss to the taxpayers. Is what you're saying?

Mr. Ehren Cory: Correct. There's probably a service transition that would be bumpy for a few months, if I'm honest, but the cost would not be borne by taxpayers. That would be the project company's job to resolve.

Miss Kinga Surma: Okay. If we could just scale back and go to the very beginning of the process in terms of—you've spoken a lot about vendors. Obviously, there is a different range of projects in terms of costs—

The Chair (Ms. Catherine Fife): Miss Surma, can you just speak closer to the mike, please? They were both on at—

Miss Kinga Surma: Oh, sorry. This light was flashing earlier, so I didn't know where to lean into.

Can we just scale back to the beginning of the process? You've spoken a lot about vendors having a certain process. They get added to the list, then there's a certain type of selection and then you can manually add. How does a company or a supplier be considered as a vendor?

Mr. Ehren Cory: Toni, do you want to speak to that?

Ms. Toni Rossi: Thank you. That's a great question. Just to baseline it, on our current vendor of record today, we have over 100 contractors and we've got 60-plus architects and engineers. The way that they get on, on an annual basis, we do what we call an evergreen or a fresh out. We go out into the marketplace and actually look for or ask the marketplace for those particular types of vendors.

Miss Kinga Surma: How do you do that?

Ms. Toni Rossi: Just recently we completed the architect RFP. We go out as an RFP to the marketplace asking the market for particular services, whether it's a general contractor service or whether it's an architectural service or an engineering service, we do specific RFPs out. We will then get vendors that apply or respond to those procurements and through an evaluation process, they become part of our vendor of record. I think that—

Miss Kinga Surma: Sorry. What does the evaluation process include?

Ms. Toni Rossi: There are set criteria that go out into the RFP in advance. It would include their ability to do the work; it would include their ability to have projects that have been similar to the projects that we are asking for and their ability to sign and be a part of our master services agreement or a vendor of record.

All of the vendors, then, would come in. We go through a full evaluation process of those. The vendor of record, then, is there for our project management companies to utilize to be able to do all of the RFPs out to those particular vendors.

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I'll step back for a second. Our project management service providers do work between \$100,000 and \$10 million. There are about 1,000 or so that go in that volume. Our property and land management service providers do work between \$0 and \$100,000. There are probably about 3,000 projects in there. They're like adds, moves, changes, new carpet.

We also have work that is done over \$10 million, of which we go out to the market through MERX and actually procure in a large RFP.

Miss Kinga Surma: That's only for projects over \$10 million?

Ms. Toni Rossi: For projects over \$10 million, we will, in fact, go out to the marketplace. That opens up that package of work.

Mr. Ehren Cory: And under \$10 million, the project management companies go out for us. They go to market and take bids.

Ms. Toni Rossi: But they don't use MERX.

Miss Kinga Surma: Yes. So then it's safe to say that it's not truly an open bid process unless the project is \$10 million or over?

Ms. Toni Rossi: It is an open bid process. We pre-qualify some of those vendors to do the work, then what occurs is, through our system—I think Ehren described a little bit earlier the process of how vendors actually get chosen.

Our project management service provider—we have a project to do a new HVAC system in a building. The scope gets completed. It goes out with a pre-tender estimate, with the project management, out to the marketplace to these vendors.

What Ehren described earlier was the process that the auditor saw. We have enhanced that to her recommendations. We now have 10 vendors in a regional area that that project would go to through that Biddingo process. They would then bid in an open and transparent manner. But it is to the vendors that are on our pre-qualified list.

Mr. Ehren Cory: But your understanding is correct. It's a fair question you ask. For the smaller stuff, you have to be on the VOR in the first place. We go out, then, to five or 10, depending on the size of the project, for bids.

Miss Kinga Surma: If a company, let's say, is growing and is interested in a project less than the standard \$10 million, does Infrastructure Ontario get approached by companies that are interested?

Ms. Toni Rossi: Yes.

Miss Kinga Surma: Does every single company that approaches Infrastructure Ontario that is willing to provide a service receive a similar response in terms of, "This is how you become"—

Mr. Ehren Cory: Apply to the VOR and that's where—

Ms. Toni Rossi: The process is laid out for them. Then when the RFP goes out, annually or biannually—or as needed. We may actually want to augment our vendor of record and we will go out when we need that as well.

The Chair (Ms. Catherine Fife): Okay. We have Ms. Ghamari to return to.

Ms. Goldie Ghamari: Thank you. How much time—

The Chair (Ms. Catherine Fife): You have six minutes left.

Ms. Goldie Ghamari: Okay. Thank you.

I'll just try to be very specific and concise. Hopefully, I won't have to call you back for a second hearing.

With respect to external project managers receiving performance pay, why are we financially penalizing them if they are underspending by less than 5% of the total amount that is in the budget? To me, that just doesn't make sense.

Ms. Toni Rossi: Actually, that's a very good question. Within our KPIs, our key performance indicators, it's as important to be within a range. That range to us is plus or—

Ms. Goldie Ghamari: Why?

Ms. Toni Rossi: To ensure that the dollars that have been set aside and budgeted appropriately for those projects get spent to the impact that is required for the government.

Ms. Goldie Ghamari: But if they're able to complete the project with less of an amount of money than what has been allocated, why would they be penalized in that sense, with a smaller performance pay?

Mr. Ehren Cory: If they can do a project for less, then they are not penalized. This is at the program level. Remember, we have hundreds of millions of dollars of projects in backlog. What we're trying to incentivize them to do is to keep moving projects through the process and have them ready to go. If they finish 10 projects and they're under budget, we want them to do the 11th, and we want them to do it fast because of the backlog.

Ms. Goldie Ghamari: It says here that "external project managers receive a smaller amount of performance pay ... if they underspend by more than 5% of the total amount Infrastructure Ontario allocates for projects."

Mr. Ehren Cory: Yes. That's what we call the PMSPs, who are delivering the 1,000 projects across the province. What we're saying is, we want them to keep projects out the door and spend the money. If they can get 15 projects done instead of 14—

Ms. Goldie Ghamari: Right, but that's per project, so—

Mr. Ehren Cory: No, it's not.

Ms. Toni Rossi: No. That indicator is—that's why we wanted to make the distinction from a project management company. They are responsible for the program of work

and delivering that program of work. So on an annual basis you would have whatever it is, in and around \$130 million, for capital repair. We've categorized and assessed that, and they deliver that program of work. So we want them to deliver the full program.

Ms. Goldie Ghamari: All right. I might have some follow-up there after because I'm not quite understanding how that really ties into everything.

Mr. Ehren Cory: Sure.

Ms. Goldie Ghamari: With respect to the past performance and the thresholds, you've mentioned that there are thresholds. You've spoken about this demerit system. However, my understanding from reading the Auditor General's report—correct me if I'm wrong, but before this is published, a draft report is sent and it's reviewed and it's signed off on. So we can all agree that this is accurate, then, what's in this report?

Mr. Ehren Cory: Yes.

Ms. Goldie Ghamari: Okay. So my understanding is that there has never been a past performance category when considering people or companies for projects. For example, one private sector company has been in dispute with a hospital since 2013 over what work is included in the AFP agreement, and they were still awarded two contracts, one in 2016 for \$1.3 billion and one in 2017 for \$685 million. First of all, if there's already this dispute that's been going on now for well over five years, how could they possibly be awarded other contracts for the exact same thing?

The Chair (Ms. Catherine Fife): And you have two minutes to answer that very big question.

Mr. Ehren Cory: I'll try. That's an AFP example. That's from the hospitals. I would just say two things. There is a vendor performance program in place.

Ms. Goldie Ghamari: When was that put in place?

Mr. Ehren Cory: In 2016.

Interjection: In 2017.

Mr. Ehren Cory: The start of 2017, excuse me. Two years.

Ms. Goldie Ghamari: So it would have been after the Auditor General's report, then?

Mr. Ehren Cory: No. This is for the AFP program. It would have been after her 2014 report, but it would have been prior to this one.

The Chair (Ms. Catherine Fife): A clarification from the auditor.

Ms. Bonnie Lysyk: It would have been during our audit process.

Mr. Ehren Cory: Okay. Well, it started in January 2017.

Ms. Bonnie Lysyk: And our audit engagement started in the fall, late 2016.

Ms. Goldie Ghamari: Okay. So having said that, let's say this began in 2016 or 2017. Then how could that same company still be awarded a third contract in 2017 for \$685 million, and how did the thresholds play into that? A follow-up question is, what has been the overall legal cost right now with respect to this ongoing dispute?

Mr. Ehren Cory: I can answer the first part. I'm sorry, I don't have the answer, I'll have to follow up if you want to know the costs.

On the dispute, we should just start by saying disputing something in and of itself is not a demerit. In fact, contractors have the right to dispute and they could. That's part of our process. I'm not trained as a lawyer, but certainly in our process that's a fundamental right of the contractor. They might even be right sometimes, so they have the right to dispute things. It's different how that dispute lands, if you know what I mean.

Ms. Goldie Ghamari: Well, it seems like that dispute has essentially forced hospitals to pay higher than reasonable rates to private sector companies for carrying out maintenance work. So that dispute is related directly to hospitals paying more because of that dispute because it's not something that they were aware of.

Mr. Ehren Cory: Just going back, I would just re-clarify that the vendor performance program we have in place applies right now, and they earn demerits all the way through construction. It doesn't apply even now—and this goes to the Auditor General's clarification—in the maintenance period. That's what her recommendation 12 speaks to. To answer your question, the vendor performance program does not currently score for maintenance period disputes. It still doesn't. That's one of the recommendations is how we incorporate that.

The Chair (Ms. Catherine Fife): Okay. That's a good place to end, although it does seem like there are still some outstanding questions.

This committee has the right to proceed with report-writing, write a letter seeking additional information formally to IO and to the ministry, and then perhaps also we may discuss calling IO. There were a lot of questions in the session.

But I do want to thank all of you, Mr. Cory, Ms. Rossi and Mr. French, and Mr. Singbush, although you were very quiet in the session. We will follow up through the committee officially. So thank you very much, and thank you to your staff. I know that you have many staff people here as well. We will look forward to a future communication.

Mr. Ehren Cory: Thank you for having us.

The Chair (Ms. Catherine Fife): At this time, I will ask the room to clear—sorry?

Interjection.

The Chair (Ms. Catherine Fife): This committee does actually have some outstanding business from this morning. The committee members will have a report from the subcommittee, which did meet on Tuesday, October 16. Is there a committee member who would like to read the subcommittee report into the record? Mr. Miller.

Mr. Norman Miller: Your subcommittee on committee business met on Tuesday, October 16, 2018, and recommends the following:

(1) That the committee adopt the attached budget with expenditures of \$122,850 and recoveries of \$84,623 for the 2019 Canadian Council of Public Accounts Committees/Canadian Council of Legislative Auditors Conference.

(2) That the budget be submitted to the Speaker and the Board of Internal Economy for approval.

(3) That the Clerk of the Committee, in consultation with the Chair, be authorized to continue making arrangements for the conference.

The Chair (Ms. Catherine Fife): Thank you. Can you please move adoption?

Mr. Norman Miller: And I move its adoption.

The Chair (Ms. Catherine Fife): Thank you. Any discussion or debate on the subcommittee report?

Mr. Jim McDonell: Just to highlight, it is the same week as AMO.

The Chair (Ms. Catherine Fife): It is the same week as AMO. This date was set prior to this committee setting that date. It's something that we should note going forward to the Canadian Council of Public Accounts Committee, which I am the accidental president of at this point in time.

Any further discussion or debate on this? Seeing none, all those in favour of the motion before you? All opposed? That motion is carried.

Now we will move into closed session to discuss the report-writing that we heard today. I will ask the room to please clear, unless you're staff.

The committee continued in closed session at 1442.

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Miss Kinga Surma (Etobicoke Centre / Etobicoke-Centre PC)

Ms. Bonnie Lysyk, Auditor General

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