

Chapter 3

Section 3.04

Metrolinx—LRT Construction and Infrastructure Planning

Standing Committee on Public Accounts Follow-Up on Section 3.07, 2018 Annual Report

On May 1, 2019, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2018 audit of LRT Construction and Infrastructure Planning administered by Metrolinx. The Committee tabled a report on this hearing in the Legislature in February 2020. The full report can be found at www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html.

The Committee made 12 recommendations and asked Metrolinx, Infrastructure Ontario and the Ministry of Transportation to report back by February 2020. Metrolinx formally responded to the Committee in June 2020. Several issues raised by the Committee were similar to the audit observations of our 2018 audit, which we followed up on in 2020. The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between April 5, 2021, and September 3, 2021, and obtained written representation from Metrolinx, Infrastructure Ontario and the Ministry of Transportation that effective November 25, 2021, they have provided us with a complete update of the status of the recommendations made by the Committee.

Overall Conclusion

As of September 30, 2021, 60% of the Committee's recommended actions had been fully implemented, and 14% of the recommended actions were in the process of being implemented. There has been little or no progress on 3% of the recommended actions and 23% of the recommended actions will not be implemented.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from Metrolinx, Infrastructure Ontario and the Ministry of Transportation, and our review of the information provided.

Figure 1: Summary Status of Actions Recommended in May 2021 Committee Report

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3	3				
Recommendation 2	6	2			4	
Recommendation 3	6	3	2		1	
Recommendation 4	1			1		
Recommendation 5	3	2			1	
Recommendation 6	3	1	2			
Recommendation 7	1	1				
Recommendation 8	2	1			1	
Recommendation 9	1	1				
Recommendation 10	1	1				
Recommendation 11	2	2				
Recommendation 12	1	1				
Total	30	18	4	1	7	0
%	100	60	14	3	23	0

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Standing Committee on Public Accounts recommends that Metrolinx should: provide the Committee with a list of projects from the amended 2041 Regional Transportation Plan, in order of priority, as well as information on sources of funding, where available; Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts with a list of projects from the amended 2041 Regional Transportation Plan, in order of priority, as well as information on sources of funding, where available. As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Metrolinx began working with municipal stakeholders and the Ministry of Transportation in the fall of 2018 to develop and implement a prioritization framework for building the evidence around almost 70 unfunded rapid transit projects from the 2041 Regional Transportation Plan's Frequent Rapid Transit Network (FRTN). In April 2019, the Ontario Budget formally announced a commitment to five high-priority projects previously unfunded, including the Yonge Subway Extension to Richmond Hill.

Committee Recommendation	Status Details
- periodically report to the Ministry of Transportation and the general public on the progress of the plan; and Status: Fully implemented. - publicly release the prioritization framework guiding Metrolinx's infrastructure project selection process. Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts confirming annual public reporting on the prioritization framework and project status, as well as making the document publicly available on the Metrolinx website.
Recommendation 2 The Standing Committee on Public Accounts recommends that Metrolinx should: - answer the 61 questions presented by the City of Toronto in response to the 2041 Regional Transportation Plan and share the answers with the Committee; Status: Will not be implemented. - develop an action plan to identify and address the growing connectivity needs of the Greater Toronto and Hamilton Area (GTHA) regional transportation network as a whole, given that previously envisioned connections have been lost with changes in transit project plans; Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that although Metrolinx has been working with the City of Toronto and the Toronto Transit Commission on the subway program, it will not address the 61 questions presented by the City of Toronto in response to the 2041 Regional Transportation Plan. Metrolinx explained that the questions which relate to the Ontario Line are answered through the work to be completed in the Ontario Line Business Case, expected by the end of 2022. Metrolinx did note that the Initial Business Cases (IBC) for each project demonstrates how the operating concept performs on the optimized alignment, providing information which addresses most of the Transit Planning and Design, Project Delivery and Project Specific Questions posed in the 61 questions. In addition, the Preliminary Design Business Cases (PDBC) explore how the benefits and costs of each project can be further optimized with a refined operating concept which further addresses the Transit Planning and Design, Project Delivery and Project Specific Questions posed in the 61 questions. As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Metrolinx began working with municipal stakeholders and the Ministry of Transportation in the fall of 2018, to develop and implement a prioritization framework for building the evidence for unfunded rapid transit projects in the 2041 Regional Transportation Plan. In February 2020, the Metrolinx Board of Directors endorsed the Advancing Transit Priorities Prioritization Framework and its results as a consistent annual approach to build an early evidence base to inform business case sequencing for unfunded projects. The lost connections referenced by the audit are the Eglinton Crosstown LRT's westward extension from Weston to Pearson Airport, an east-west rapid transit connection between the Finch West LRT and the Sheppard subway, and the Hurontario LRT's northward extension from Steeles to downtown Brampton. One of the three projects with a "lost connection" referenced was the Eglinton Crosstown LRT's westward extension. Funding for this project was announced as part of the province of Ontario's April 2019 Budget. In March 2020, Infrastructure Ontario and Metrolinx issued a Requests for Qualifications (RFQs) to advance tunnelling work on the Eglinton Crosstown West Extension – the first phase of work for the project. Metrolinx published the Initial Business Case for the project on February 28, 2020. Planning for the project continues, including due diligence work, further refining the design and engineering work and seeking environmental approvals.

Committee Recommendation	Status Details
• update its prioritization framework to guide the delivery of the projects identified in the 2041 Regional Transportation Plan; Status: Fully implemented. • prepare and propose a funding strategy for approval by the Province and municipal governments; Status: Will not be implemented. • prepare an action plan with execution timelines correlated with the funding strategy; and Status: Will not be implemented. • publicly report on its status in meeting this action plan. Status: Will not be implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that in the fall of 2018, Metrolinx began working with municipal stakeholders and the Ministry of Transportation to develop and implement a prioritization framework for building the evidence for unfunded rapid transit projects in the 2041 RTP. In February 2020, the Metrolinx Board of Directors endorsed the Advancing Transit Priorities Prioritization Framework and its results as a consistent annual approach to build an early evidence base to inform business case sequencing for unfunded projects. The Prioritization Framework is also publicly available on the Metrolinx website. In June 2020, Metrolinx reported to the Standing Committee on Public Accounts, and matching the response to our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), that as a Crown corporation, Metrolinx continues to be governed by the provincial budget process under which the Ministry of Transportation submits Metrolinx's budget request to the Treasury Board Secretariat on Metrolinx's behalf. As such, the process to secure long-term funding is not in Metrolinx's control. Metrolinx will continue to use business cases to build evidence and to make the case for seeking capital funding in co-ordination with the Province through the Ministry of Transportation.
Recommendation 3 The Standing Committee on Public accounts recommends that Metrolinx should: • evaluate whether its current use of consultants is justified and adjust where appropriate to reduce the dependency on a single consulting firm; Status: In the process of being implemented by March 31, 2022.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that it undertook a re-examination of its use of integrated contractor staff in 2019 before the incumbent program management services provider's contract was extended. As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Metrolinx conducted an examination of overall spending on consulting in its capital program as compared with international comparators and assessed the consultant's hourly rates in hindsight against similar recently procured contracts. Management reached the conclusion that Metrolinx would get the best value by continuing with its present consultant, and should extend its contract to December 31, 2022, at a cost of \$293 million. This analysis, including other alternatives, was presented to the Metrolinx Investment Panel on January 22, 2019, and to the Metrolinx Board of Directors, which endorsed management's recommendation in February 2019. As part of the assessment, Metrolinx also planned to reduce its reliance on consultants over the contract period, ending on December 31, 2022. The strategy also determined that there should be a planned gradual transition as certain duties are transferred to Metrolinx, Infrastructure Ontario or other suppliers. Although Metrolinx still has a dependency on one project management consulting firm, which has been the case since 2010, Metrolinx noted that it is incorporating a gradual 18% planned reduction in spending on its main consultant over two years from March 31, 2020, to March 31, 2022. In addition, rather than continue to fully rely on its sole consultant, Metrolinx elected to conduct separate procurements for various program management consulting contracts, including hiring a consultant to perform project tasks on the Subway Program. Metrolinx awarded the new contract in March 2020. The program includes the Ontario Line, Yonge North Subway Extension, Eglinton Crosstown West Extension and Scarborough Subway Extension. Through the use of newly procured consultants, Metrolinx indicated that it plans to reduce reliance on its main consultant as a proportion of overall program management costs from 77% to 60% over two years from March 31, 2020, to March 31, 2022.

Committee Recommendation	Status Details
establish the scope of work and budget before hiring consultants and use this to assess proposals from bidders; Status: Fully implemented.	Metrolinx confirmed that its process in assessing proposals from bidders includes establishing scope of work and budget prior to hiring. Metrolinx's new subway consultant procurement was assessed based on this framework. Metrolinx's senior management evaluated the bidders based on the skills and experiences the supplied staff would need to fulfill the contract. This information was scored during the technical evaluation process, and the consultant's proposed hourly rates were scored in the financial evaluation process. The hourly rates proposed by the winning proponent were multiplied by the forecasts of the level of effort that would be needed over the life of the contract in order to establish the budget limit that was proposed to the Board for approval.
conduct a request-for-proposal process to procure defined program management services; Status: Will not be implemented.	As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), although Metrolinx conducted an examination of overall spending on consulting in its capital program as compared with international comparators, no request for proposal process to procure defined program management services was conducted. The Office of the Auditor General continues to believe that this would be a reasonable process to undertake given that the same primary consultant has benefited from Metrolinx's business since 2010 without Metrolinx conducting an open Request for Proposal. As noted above, in March 2020, Metrolinx did award program management contracts for various projects including the Subway Program rather than extend all responsibilities for program management services for these projects to the incumbent. However, the additional program management contract represents only 23% of the total spending for program management services in fiscal 2020/21. This is not expected to change significantly until March 31, 2022, as Metrolinx anticipates a gradual planned reduction in reliance on its primary consultant as a proportion of overall program management costs by another 17%.
before extending contracts, evaluate and document whether it would be more appropriate to re-tender and/or use in-house staff; Status: In the process of being implemented by March 31, 2022.	As noted above and in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Metrolinx only justified the continued use of its current contractors versus conducting an open-market RFP given the large value of the contract. Metrolinx did note that no contract extensions took place since March 2020 and that there are no plans in place to incur any additional extensions on the current consultant's contracts. Metrolinx does plan, however, to reduce spending on its primary consultant by 17% and gradually reduce overall dependency on its primary consultant as a proportion of overall program management costs from 77% to 60% by the end of March 31, 2022.
periodically review contractor records and assess contractor performance; and Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that it has enhanced the contract terms with the incumbent firm holding the program management contract as well as implemented an agency-wide Vendor Performance Management Program. As noted in our Office's 2020 Follow-Up to the 2018 audit, the new mechanism for imposing penalties, with which the primary consultant agreed, took effect on April 1, 2020. The primary consultant agreed to a set of key performance indicators to monitor performance, including the timely drafting of invoices, submission of task plans and completion of deliverables. Metrolinx will be able to hold back payment of the primary consultant's invoices if its performance is not satisfactory. Metrolinx has conducted two reviews since March 2020 with no issues identified in the contractor's performance.

Committee Recommendation	Status Details
use the competitive bidding process instead of sub-consultants, where possible. Status: Fully implemented.	As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), in April 2019, Metrolinx amended the contract with the program management consultant, removing the 2.5% mark-up and implementing a new process called “Subconsultants Approval Process for Project Management Services Contracts.” The new process contains three key controls: a requirement that there be a detailed review to determine whether in-house expertise is already available among current consultant staff for the proposed subconsultant work; senior management approval; and a validation of charge rates and time. At the time of our PAC follow-up, Metrolinx confirmed that no new subconsultants were added as part of its primary consultant contract since our original 2018 audit. Although Metrolinx continues to use existing subconsultants through the primary program management consultant and did not assess whether a separate procurement was warranted, it is undertaking a reduction in the use of subconsultants. Metrolinx separately procured six new contracts through competitive bids, indicating a reduction in reliance on its primary program management subconsultants from 42% in fiscal 2019/20 to 25% by March 31, 2022.
Recommendation 4 The Standing Committee on Public Accounts recommends that the: Ministry of Transportation should direct Metrolinx to stop renewing contracts with companies that perform poorly on the vendor performance review. Status: Little or no progress.	During our Office’s PAC follow-up, the Ministry of Transportation (Ministry) explained that although it is able to provide direction to Metrolinx through a number of formats, including through the annual agency Mandate Letter, as well as Letters of Direction, it has not developed options with respect to implementing the recommendation. However, the Ministry estimates that it will complete developing options with respect to implementing the recommendation and obtain direction from senior management, which is estimated to occur by February 2022.
Recommendation 5 The Standing Committee on Public Accounts recommends that Metrolinx should work with the AFP consortium to: - promptly resolve issues identified by Metrolinx’s technical advisors and the Toronto Transit Commission (TTC) regarding designs that do not meet project requirements and specifications; Status: Fully implemented. - minimize the number of partial design reviews and approvals by Metrolinx’s technical advisors and the Toronto Transit Commission (TTC); and Status: Will not be implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that as of March 2021, the Eglinton Crosstown LRT project has advanced significantly through the project lifecycle. Metrolinx has worked with its technical advisors, the TTC and the AFP consortium to largely conclude the design phase of the project. As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Metrolinx had 380 rejected design submissions outstanding. As of July 2021, with design activity almost entirely completed, only seven design submissions with some issues remain. Metrolinx anticipates these remaining designs will be completed by December 2021. As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Metrolinx’s project agreement with the AFP consortium was not renegotiated to include provisions that would allow Metrolinx to restrict partial submissions. Metrolinx can encourage the AFP consortium to submit its designs in a size and sequence that optimizes the design process and conserves the resources of all parties. Under the project agreement, the consortium can and did choose to proceed “at risk,” that is, proceeding knowing that it was assuming responsibility should it later be assessed that it has built the infrastructure in a manner not in compliance with the design or with the requirements of the project agreement. This has not changed since our 2018 audit.

Committee Recommendation	Status Details
design future contracts with provisions to avoid substantial penalties. Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts, as noted by our Office's 2020 follow-up to the 2018 Audit, that Metrolinx has amended contracts or introduced provisions in contracts intended to protect it from additional costs because of delays. For example, Metrolinx introduced a new provision for the Hurontario LRT project that is supposed to transfer the risk and responsibility for design, manufacturing, delivery, testing and commissioning of vehicles to the selected contractor. Metrolinx negotiated the terms of this agreement with the vehicle provider, Alstom, between August 2017 and April 2019, finalizing the agreement in October 2019. This agreement intends to protect Metrolinx from the risk of additional costs that might arise from possible communications problems between systems on the LRT line (the responsibility of Mobilinx, the winning AFP consortium) and systems on the trains (the responsibility of Alstom, the vehicle supplier) since the risk is transferred in the procurement process. In the case of vehicle supply arrangements for the Finch West LRT, Metrolinx contracted directly with the vehicle supplier (also Alstom), but the contract included more aggressive penalties for delays than had been considered in the past.
Recommendation 6 The Standing Committee on Public Accounts recommends that Metrolinx should: - consult regularly with relevant stakeholders on cost estimates as part of the budget-setting and cost-monitoring process; Status: In the process of being implemented by September 2022. - provide a valid reason for the \$237 million settlement with the consortium; and Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that an enhanced process and oversight mechanism was implemented in 2019 to ensure collaboration with relevant stakeholders. The Governance framework, which was developed in collaboration with the City of Toronto, TTC and Ministry of Transportation, reflects the number of regional transit programs in delivery, such as GO Expansion, LRT and the Subways Program. As noted in our Office's 2020 follow-up to the 2018 Audit, the enhanced oversight process intends to provide budget certainty to parties; timely resolution of a critical scope question prior to a point when resolution might have entailed significant impact on the project's cost or schedule; and alignment between the TTC, as future operating partner, and Metrolinx, the asset owner and electronic fare system provider. However, on the question of cost reimbursement related to bus services, Metrolinx noted that arbitration was initiated by the TTC in November 2019 regarding the issue and is due to start in late 2020 or early 2021. Metrolinx also noted that cost negotiations related to the arbitration started in March 2020 and are ongoing. In June 2020, Metrolinx provided the Standing Committee on Public Accounts with an explanation for the reasons it used to assess the settlement amount. This explanation identified that the claim settlement reached with CTS in 2018 was to settle claims raised by CTS for costs incurred by it up to the settlement date resulting from matters that it asserted were either the sole responsibility of Metrolinx or the shared responsibility of CTS and Metrolinx. Metrolinx used a portion of the project contingency fund (which is included in the Treasury Board approval for the project) to pay for the settlement. However, our 2020 follow-up and 2018 audit noted that Metrolinx agreed to pay the consortium a settlement amount of \$237 million that it determined to be a portion of the estimated total risk exposure but did not obtain documentation from the AFP consortium to support the claim amount. In addition, we also noted that, where Metrolinx had assessed that delays might have been of its own making, it did not have sufficient documentation to justify the amount of the settlement paid by Metrolinx.

Committee Recommendation	Status Details
explain what steps have been taken to ensure that cost overruns and delays are not repeated, and make the information public. Status: In the process of being implemented.	As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Metrolinx has relied on measures introduced as a result of the claim settlement agreement with the consortium. The settlement included new requirements for the consortium to submit a detailed schedule each month, measure deterioration of or improvement in the schedule, provide a critical path assessment, and hold monthly executive staff meetings with Metrolinx. At the time of our PAC follow-up, the consortium had not submitted either a compliant work schedule or a recovery plan, with the project continuing to experience delays. Furthermore, given the unprecedented pandemic, Metrolinx did not have control of the circumstances to implement this recommendation.
Recommendation 7 The Standing Committee on Public Accounts recommends that the Ministry of Transportation and the Treasury Board Secretariat should obtain all supporting documentation relating to a financial settlement, and sign off on any financial settlements before they occur. Status: Fully implemented.	In June 2020, the Ministry reported to the Standing Committee on Public Accounts that it has worked with Metrolinx to establish a formalized process, issued through a Letter of Direction to Metrolinx in November 2019 for resolving material settlements. Metrolinx is required to approach future claims that cannot be managed without significantly impacting the project budget using the following process: Metrolinx will inform the Minister of Transportation and the Deputy Minister of Transportation through weekly touchpoints on material claims, if any, on Metrolinx transit projects that are anticipated to enter into settlement negotiations within a six-month period. At a minimum of two weeks prior to formal settlement negotiation of the claim, Metrolinx will provide written notice to the Minister of Transportation and the Deputy Minister of Transportation outlining the negotiation strategy and the value and basis of the claim. This update will contain Metrolinx's assessment on the likelihood of the claim to cause financial pressure beyond the provincially approved Project Budget and appropriation envelope. If Metrolinx is not able to dismiss the claim but is able to manage the settlement amount of any claim from within the project budget, and settling does not create future project pressures, Metrolinx may proceed to settle the claim while keeping MTO informed. If Metrolinx is not able to dismiss the claim and is not able to manage the settlement amount of any claim without causing a financial pressure on the project, MTO and Metrolinx will seek Treasury Board Secretariat and Management Board of Cabinet approval on a settlement agreement prior to its execution.

Committee Recommendation	Status Details
Recommendation 8 The Standing Committee on Public Accounts recommends that Metrolinx should: - clarify its commitment to the electrification of the GO rail network; and Status: Fully implemented. - set a clear timeline for the electrification of the GO rail network, specifying when each GO line will be electrified. Status: Will not be implemented.	In June 2020, Metrolinx reported to the Standing Committee of Public Accounts that Metrolinx is committed to bringing electrified trains to the GO rail network as part of a broader investment to bring faster and more convenient service options to the region's travellers. In 2017 Metrolinx published the GO Rail Network Electrification Environmental Project. The assessment identified various infrastructure requirements including tracks and switches, layovers, and electrification to achieve established service level targets across the network. In February 2020, Metrolinx also began public consultations on a significant addendum to the 2017 Project Report (EPR), which further refined environmental components as well as assessed additional electrification infrastructure required for new tracks and layover facilities, and other infrastructure required within the Union Station Rail Corridor. Metrolinx published the addendum in June 2021. Furthermore, in February 2021, Metrolinx publicly confirmed it had adjusted the Rail Corridor Electrification procurement (OnCorr) to require bidders to provide electrified service using the overhead catenary system (OCS) solution which is accepted as the international standard and said it would not entertain alternative electrification solutions that the procurement had previously accommodated, such as the use of hydrogen-powered trains. In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that it is not possible to set a clear timeline for the electrification of the GO rail network as under the current procurement model, the timelines associated with implementing service improvements along each corridor, including the introduction of electric service, are to be provided by the competing bidders as part of their proposals. Metrolinx will be able to communicate to the public and elected officials about the electrification phasing option and associated timeframes once it concludes the procurement process and selects a winning proponent, expected in January 2022. However, in setting out its requirements to bidders, Metrolinx has not and will not specify in which order the lines are to be electrified or specify dates for each. Instead, the procurement incents bidders to implement electrification quickly by evaluating the proponent's submission based on the ability to achieve the largest benefits as soon as possible in line with the GO Expansion full Business Case.

Committee Recommendation	Status Details
Recommendation 9 The Standing Committee on Public Accounts recommends that Metrolinx should provide the Committee with details on how Metrolinx is structuring agreements with private sector developers, and make this information available to the public. Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that since December 2018, Metrolinx and Infrastructure Ontario have advanced a Market Driven approach to the delivery of station infrastructure through Transit-Oriented Development (TOD), now referred to as Transit-Oriented Communities (TOC). The TOC Program applies to the Greater Golden Horseshoe transit network and addresses four work streams: market-driven third-party funded, joint development, dispositions, and entrance connections. For example, in Market Driven TOC opportunities, the TOC program has established an intake process, including a Conflict of Interest (COI) standard operating procedure. When a third-party approaches Metrolinx with a Market Driven TOC opportunity, Metrolinx follows the TOC In-take Process to determine whether there is a viable TOC opportunity, to assess the viability of the potential partner, to evaluate which work stream the opportunity falls within, and a valuation to determine whether an opportunity demonstrates a fair exchange of value. Metrolinx intends to use this approach to leverage third-party investment to reduce public funding for transit expansion, offer new transit services faster and at a lower cost to taxpayers. In spring of 2020, Metrolinx openly solicited third-party interest for new GO rail stations in and around 12 locations identified through business cases. Landowners/developers within 800 metres of a proposed site were contacted directly and invited to submit an expression of interest. Metrolinx and Infrastructure Ontario have a number of TOC transactions that are in active negotiations or have already reached the conditional or binding agreement transaction stage. In all instances, a negotiation strategy for these transactions has been employed using consistent terms, in accordance with TOC governance, to ensure that Metrolinx operations, infrastructure, and customers are protected and that a fair exchange of value is achieved for all parties.
Recommendation 10 The Standing Committee on Public Accounts recommends that Infrastructure Ontario should develop tools and remedies for incorporation into Alternative Financing and Procurement (AFP) contracts to address early indications of project delays. Status: Fully implemented.	As noted in our Metrolinx—LRT Construction and Infrastructure Planning follow-up (Section 1.07, 2020 Annual Report), Infrastructure Ontario introduced new provisions into AFP contracts that build on existing mechanisms in these contracts to allow for assessment of the progress of construction and, in certain circumstances, to require the contractor to accelerate construction in order to complete the project by the scheduled date. These provisions include the review of regular schedule submissions and any failures to maintain the schedule. Since our 2018 audit, Infrastructure Ontario and Metrolinx have included the new provisions and used these mechanisms on, for example, the Highway 427 Expansion, Highway 401 Tunnel, Groves Memorial Hospital and Etobicoke General Hospital. During our 2020 follow-up, Infrastructure Ontario implemented new tools but was unable to demonstrate if the tools were effective in addressing early indications of project delays. Since then, Infrastructure Ontario has been able to successfully demonstrate that it has used the new tools in the Highway 401 Tunnel and Highway 427 projects, and found that they were effective in identifying and addressing early indications of contractors' delays. For example, on the 401 Tunnel project, Infrastructure Ontario and Metrolinx issued a notice to the contractors in March 2020 that the project was falling behind schedule. The new tool obligated the contractors to mitigate the schedule, reaching on-time substantial completion in July, 2021.

Committee Recommendation	Status Details
	The Highway 427 project, which was substantially completed in September 2021, did experience delays, however. In order to deal with project delays and allow for the opening of the road, Infrastructure Ontario entered into an agreement to advance the cost of certain disputed work, subject to Infrastructure Ontario's right to seek reimbursement of that amount. As a result, Infrastructure Ontario was able to utilize the new tools and open the road to the public. Infrastructure Ontario indicated that it is confident that the tools utilized demonstrate that the approach on this project was successful in meeting project deadlines and achieving provincial objectives, including preventing the contractor from shifting responsibility for the delays to the province.
Recommendation 11 The Standing Committee on Public Accounts recommends that Infrastructure Ontario and Metrolinx should: - initiate an independent, transparent, and rigorous assessment of the costs and benefits embedded in the traditional delivery model in comparison with a Public-Private Partnership (P3) model before signing a contract with a consortium; and Status: Fully implemented. - clarify the process of calculating/estimating the risk transfer, which is central to the Public-Private Partnership (P3) model, and make the information public. Status: Fully implemented.	Infrastructure Ontario retained a third-party advisor to develop a Value for Money (VFM) for each project based on the VFM Methodology published on Infrastructure Ontario's website. There are several key inputs that drive the VFM for each project, including project costs and benefits and most notably, the project risk matrices that are completed by a third-party independent advisor with input from the project team, technical advisors and other relevant project advisors. The VFM for each project compares the estimated risk adjusted cost of procuring the project as a Public-Private Partnership (P3) model versus a more traditional delivery model approach (typically a Design-Bid-Build). The VFM analysis is used to verify the validity of using a P3 delivery model for a given project and is a rigorous assessment of the costs, benefits, and risks inherent in both a traditional delivery model and a P3 model. Every project requires a positive VFM, which is an independent assessment calculated by a third-party advisor and confirmed through a VFM letter issued to Infrastructure Ontario by the advisor. A positive VFM must be demonstrated to Infrastructure Ontario's Board of Directors prior to signing a contract with a consortium. Infrastructure Ontario confirmed that this methodology has been used on all P3 projects since 2007. Infrastructure Ontario conducts a VFM analysis to validate the use of a P3 model when launching a project. A key component of this analysis is the assumption of risk transfer to the private sector and mitigation of public sector risks under AFP. The VFM analysis is utilized at three stages of a procurement: Stage 1 – Prior to release of the RFP: The Infrastructure Ontario Board of Directors must approve release of all RFPs, and will not do so unless positive VFM is demonstrated by procuring a project using the P3 model; Stage 2 – Authorization to enter into the Project Agreement: Following the close of the RFP and bid evaluation, the preferred bid is compared to the public sector comparator (PSC), and the updated PSC with the current cost information is presented to the Infrastructure Ontario Board of Directors for approval. Approval for a P3 procurement will not proceed unless positive VFM is demonstrated; Stage 3 – Publication of the VFM analysis: After the project agreement has been finalized, Infrastructure Ontario releases a public report that contains the final VFM analysis, along with details on the project, the procurement process and the project agreement. The objective of the report is to provide the public and others with an understanding of the project and the basis for the decision to deliver the project via AFP.

Committee Recommendation	Status Details
	Infrastructure Ontario notes that a key component of the VFM exercise is the comprehensive risk analysis. For every project, risk workshops are conducted with participants which include Infrastructure Ontario staff, public sector project sponsors, and external experts. A risk matrix is used to identify risks and quantify their public sector impact, following a prescribed methodology: Step 1: Identify the project risks Step 2: Allocate the risks Step 3: Estimate probability of risk occurrence and resulting cost impact ranges, and Step 4: Run statistical analysis to quantify total risks retained by the public sector.
Recommendation 12 The Standing Committee on Public Accounts recommends that Metrolinx should provide the Committee with details on how it plans to reduce its operating subsidy to zero, including any anticipated impacts on pricing, service levels, and ridership levels. Status: Fully implemented.	In June 2020, Metrolinx reported to the Standing Committee on Public Accounts that Metrolinx's long-term objective is to eliminate its reliance on the provincial operating subsidy. Working toward this objective, Metrolinx has a plan to reduce its reliance on the provincial operating subsidies by taking a more commercial approach to conduct its business. To achieve this, Metrolinx has been focusing on actions to increase ridership and fare revenue, increase non-fare revenue opportunities and finding efficiencies. However, the ongoing COVID-19 pandemic has impacted Metrolinx's ability to achieve this plan due to significant declines in ridership and revenues. Prior to the pandemic, Metrolinx had successfully executed a number of strategies to help reduce reliance on the provincial operating subsidies. These measures, including increasing fare revenue and implementing operational efficiencies, has resulted in a year-over-year reduction in Metrolinx's provincial operating subsidy requirement plan from \$505.3 million in 2018/19 to \$321.2 million in 2019/20 and improved its planned cost-recovery ratio from 64.5% to 69.0% within the same period as highlighted in the publicly released 2019/20 Metrolinx Business Plan. As of September 2021, Metrolinx notes that it continues to implement cost-saving strategies and efficiencies, including through the business improvement plans (BIPs). Metrolinx has achieved a total net savings of over \$135 million from BIPs implementation in fiscal 2020/21, which is primarily due to savings and efficiencies driven by service level adjustments. For 2021/22, Metrolinx is forecasting a total BIPs savings of \$166 million and BIPs revenue of \$11 million.