Legislative Assembly of Ontario

Assemblée législative de l'Ontario

Official Report of Debates (Hansard)

Journal des débats (Hansard)

P-18

P-18

Standing Committee on Public Accounts

Comité permanent des comptes publics

2016 Annual Report, Auditor General:

Ministry of Transportation

Rapport annuel 2016, vérificatrice générale :

Ministère des Transports

2nd Session
41st Parliament
Wednesday 21 February 2018

2e session
41e législature
Mercredi 21 février 2018

Chair: Ernie Hardeman
Clerk: Katch Koch

Président : Ernie Hardeman
Greffier : Katch Koch

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

http://www.ontla.on.ca/

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7400.

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7400.

Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario

Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

ISSN 1180-4327

CONTENTS

Wednesday 21 February 2018

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Wednesday 21 February 2018

Mercredi 21 février 2018

The committee met at 1233 in room 151, following a closed session.

2016 ANNUAL REPORT, AUDITOR GENERAL

MINISTRY OF TRANSPORTATION

Consideration of section 3.09, Metrolinx—public transit construction contract awarding and oversight.

The Chair (Mr. Ernie Hardeman): I'll call this session of the public accounts committee to order. We're dealing with section 3.09 of the 2016 Annual Report of the Office of the Auditor General. We have with us the presenters: Stephen Rhodes, Deputy Minister of Transportation, and Phil Verster, president and chief executive officer of Metrolinx. Welcome. Thank you very much for coming in to help us out with this review.

As we normally do, you will have 20 minutes to make a presentation, and then we will have questions and comments from the caucuses. We will start with the government caucus this time around. We'll have a 20-minute rotation for each party, and then when we get that done, we will divide the remaining time—to take us to 2:45—equally among the three for the second round.

With that, the floor is yours. Again, thank you very much for coming in.

Mr. Stephen Rhodes: Good afternoon, everybody. As the Chair indicated, I'm Stephen Rhodes, deputy for transportation. It's a pleasure to be here this afternoon. I'm here with Phil Verster. I'm also accompanied by my executive director for transportation policy and programs at MTO, Vinay Sharda.

As the committee members know, the gentleman to my left is Phil Verster, the new CEO at Metrolinx. Phil joined Metrolinx in August. It may feel slightly longer than that now, but he came to us from the UK, where he was the managing director of Britain's Network Rail and was running Scotland's railway operations, known as ScotRail Alliance, one of the largest rail operations in Europe.

I know Phil is anxious to update the committee and answer questions about a whole range of work that was going on prior to his arrival—and certainly since his arrival—in response to the Auditor General's 2016 value-for-money report. Without further ado, I'll turn it over to Phil.

Mr. Phil Verster: Thank you very much, Deputy Rhodes. I'm Phil Verster, the president and CEO of Metrolinx. It's great to be here. To the Chair and the Auditor General and members of the standing committee, thank you very much for having me here. I'm honoured to be here and to give you feedback on the progress we're making on our capital programs, as well as to address any questions you might have.

I think the standing committee has a very important role in the accountability framework for Ontario, so it's important for me to share with you the good stuff that we have been doing in Metrolinx over the last couple of months.

If I could, just as an introduction, give the committee an overview of the nine key actions that we as Metrolinx are implementing in response to the 17 recommendations from the Auditor General's report.

Before I go through the nine points, I'd just like to state unambiguously that, reading the Auditor General's report the first time around—and the second and the third time around—it's really clear that that report has given us quite a lot to think about. It is of great use to us and it is important for us to respond to those issues because we can improve our business by addressing the issues that were raised in that report.

I'll take you through the nine items that we are focusing on currently; firstly, on safety. I deliberately want to deal with safety first. One of the first things I've done on joining Metrolinx has been to focus on forming a new safety, security and health executive committee to get more structure in terms of our safety reporting and to also publish a safety charter that is equivalent to our customer service charter, and therefore elevate both customer service and safety to the same level in the organization.

We've also now taken the Certificate of Recognition program, which is a program that is really important for contractors to have in terms of the safety management systems that they must have and the processes that they must have with their own employees to ensure that safe operation and the safe delivery of the primary contracts is now made a compulsory requirement for all of our contractors. This is a discrete and definitely important step forward.

In terms of our construction safety management, I've taken that team and I've strengthened it over the last two months by around 17 people. We are in the process of recruiting, but by doing that we'll be in a different position with regard to doing really good audits and reviews.

The second major activity is, we've structured the whole Metrolinx organization around a very clear set of objectives, which we will continue to discuss publicly. Those objectives have very specific delivery elements around safety, delivery elements around contracts and delivery elements around cost control. All of those work back into the Auditor General's findings and commentary.

The third and further really important change we've made in the last couple of months has been to implement what we call benefits management. It's basically sponsors. This is best practice in other jurisdictions: When you have a big-projects organization, you have sponsors. The sponsor is an important custodian of the benefits management process or the business case. The sponsors make sure that all of the participants during the delivery of a contract phase stick to what the business plan had envisaged.

That's really important, because big projects like this need to have continuity during the life cycle of the program as you move from planning through to procurement, through to delivery and through to operations. The sponsors stay throughout the process. This is best practice, and we've implemented that.

1240

The fourth big change that we've implemented is a stage-gate process. Projects, when they go through a stage-gate process—again, this is best practice in other jurisdictions—you take decisions in an orchestrated way and at each of the stage gates, all of the different players that are involved in a contract know that decisions are made at the particular gate. These gates are sort of at the point of optioneering, and feasibility before that, and then it goes through preliminary design, then design, then procurement. At each of these stages, the decisions get coordinated, and that's good practice.

The fifth big change that we've made and implemented is that we have formed a collaboration with Infrastructure Ontario. Where the two organizations were operating with the same objectives but sort of operating as separate organizations before, with great support from the excellent people at IO and from Ehren Cory, the president and CEO of IO, we have put the two teams together and said, "Look, trying to achieve the same objective, we'd best achieve that as a joint team." So Ehren and myself, every month, have a joint review with our respective teams on all of the contracts we're working on together.

If you look at the Metrolinx capital programs group now, you'll see IO members fulfilling roles within our organization. Again, this is best practice. This is what is called "alliancing" or "collaborative contracting" in other jurisdictions. It's good practice, and it's really good. It will test; over time, we will see and test how good it is. But this is the best way to embark on our further capital programs from this point onwards.

In terms of governance, which is the sixth biggest change we've implemented, my capital programs group now, every month, reviews their capital programs and projects they're busy with in terms of schedule, in terms of cost, in terms of risks. This sounds like a fairly normal thing to do, and it is, but I think reviews like this, in terms of the governance, are really important. It is about focusing on what risks can affect the programs, and dealing with those risks before they become errors, omissions, overspends or late responses.

Something else: Action stream 7 is our program management plan. A program management plan is a suite of agreed, common processes that all of the program management teams adhere to and follow. These are the types of activities that you will find program managers must do often. How do they manage a change order? How do they manage a schedule? We are now in the process of creating that as an electronic version and accessible for all of our teams.

The next major stream of activity is our vendor performance management. One of the key items that you'll see from the Auditor General's report is that we need a program and a process whereby we keep track of vendors, score them, keep track of their performance, and then remove them or encourage them to be better if they don't perform well. We have implemented that. In September, we did the first such implementation of a scorecard. It will be fully implemented by the end of March 2018.

The last, or ninth, activity, which is really important, is that when you have this program of longer-term capital activity that you have in the future, as we would have for Metrolinx and for Ontario, it is really good practice to develop what I call a centre of excellence. A centre of excellence is a different way of saying that you develop an internal competence and a skills base in your organization that, over time, can deliver consistent, continuous, good program management, and that you develop that expertise to the level which is acknowledged by international program management teams, groups or even universities or colleges. You involve them in your centre of excellence. We've agreed and plotted out a trajectory of how we'll achieve that in Metrolinx internally, and we'll implement this in the coming years. I think that will have a big impact on our programs.

So those are the nine big thrusts. During the rest of the questioning, I'll be referring to those every now and again.

I thank the committee for the opportunity to give that introductory message. Thank you very much, Mr. Chair.

The Chair (Mr. Ernie Hardeman): Thank you for the presentation.

We will start, as I said, with the government side. Mr. Anderson.

Mr. Granville Anderson: Hi, Phil. It's nice to see you again. The first time we met was while touring the maintenance facility in Whitby. You were relatively new at that time, so I guess you're more familiar with the operations of Metrolinx now.

The Auditor General's report touched significantly on Metrolinx's dealings with CN and CP. As you are well aware, these rail partners will have a crucial role to play in the ability to deliver services to communities like Niagara and Bowmanville. How are you working with CN and CP? Could you tell me, how far along are any negotiations with CN and CP with respect to rail services to Bowmanville?

Mr. Phil Verster: Thank you very much for that question, MPP Anderson.

CN and CP are very important parties for us to collaborate with. I would like to phrase it like that because CN and CP at times are joint operators on the system, and at times they are suppliers to us, so the relationship has many different dimensions to it. These relationships are really important primarily, and even more so, in the context of some of the commentary and some of the advice within the Auditor General's report.

Where we are in situations where we are procuring either services or capacity on CN- and CP-owned track, we are in a very different commercial context than what we would be if we were procuring services to build capability for us on our own track. We have a complicated set of commercial agreements and commercial frameworks with CN and CP. On nearly every specific initiative, such as what we currently have with the freight bypass, we are in detailed discussions on terms and conditions for that particular initiative itself. With CN, currently, on the freight bypass, my team—and lately, me, because I've become engaged myself because this is so important for us, that we get the CN freight bypass discussion resolved. For me, that's the first really important step that will benefit our customers on both the Kitchener line as well as, potentially, on the Milton line somewhere in the future.

So if I take your question, MPP Anderson—and please help me if I didn't address it fully—the relationship with CN and CP is always going to be commercially really complex. I think the advice that we have from the report, which is good, is that we need to build on our rights for audit of the contracts that we, in the end, close with them.

One specific example that was picked out in the report was the use of pre-used rail track in delivering contract work for us. That activity is something that an audit can easily pick up and verify. It's perfectly safe and perfectly acceptable to do, but it should be done with full knowledge of both parties.

So I think what has been important from that report is to flag up that there are issues where we can do better, in terms of managing that relationship. And, from the commercial relationships we are establishing now with CN and CP, we will continue to implement those types of controls through audits and checks as we go forward.

1250

Mr. Granville Anderson: So you would say, in other words, those negotiations are going well so far, to the best of your knowledge.

Mr. Phil Verster: If I talk specifically about the negotiations on the freight bypass, these negotiations are at a stage now—about two weeks ago, I engaged—me and my team—with Luc Jobin and his team directly. It was a conference call. We directly exchanged ideas on what the key issues are for the negotiation that we need to move forward. We are not at a stage where there are blockers or immovable disagreements. We are at a stage where we are resolving and getting clarity of issues. So it is moving forward, yes.

Mr. Granville Anderson: Okay, thank you. I'll turn it over to my colleague.

Mrs. Liz Sandals: Welcome to public accounts. Thank you, first of all. As somebody who represents a community on the Kitchener line, I appreciate the update on the CN freight bypass—obviously, a big issue. But I actually wanted to go back more to a couple of issues: one that you raised, which was new, and one that the auditor raised.

The whole interplay of performance, and how you make sure, where you've got a history of unsatisfactory performance, that people aren't coming in and continuing to be the low bidder and therefore continuing to get contracts, and this whole issue, which is not unique to Metrolinx, of how you link competitive procurement with performance-based procurement—you mentioned that a bit, but if you could elaborate on that.

Mr. Phil Verster: When you look at how contractors perform, it is typically on a sliding scale of shades of grey rather than just good or bad. That's the challenge for us in terms of deciding how, in a mature fashion, to manage our supply chain. I think that's where we have to apply the really good judgment.

We are now, most definitely, in that frame of mind where we will put contractors that perform consistently poorly in a category where we inform them that they need to have specific remedial actions and improve where they're at, or we will not continue to place contracts with them. That is a really important remedy to have—and to have that remedy be very public for the supply chain, so they know you can act on that. That step is now something we've built into our process.

Our vendor performance management tool is the tool that we'll use to track how contractors perform, so that there's a scorecard and there's a commercial base that is justifiable, on which you can make those decisions, and the contractor has no recourse to say, "You've just acted unfairly," and the like. It gives it the systematic robustness that it needs, and I think it's really important to have that.

Mrs. Liz Sandals: Okay, thank you. That's good to hear because I think that would be a concern that we shared with the auditor.

The other was something that I wondered if you could describe a little bit more fully. You mentioned that you've implemented a stage-gate process. I suspect that I know what you mean by that, but I'm not sure. How about you describe it more fully?

Mr. Phil Verster: Yes. Why this is good practice is, when you think of these programs, sometimes it can be seen as—let's take the freight bypass. The process is, we're going to build a freight bypass. Then the expectation is that there's a plan, there are options, and it's understood that people aren't just going out there and building, shovels in the ground, as quickly as possible.

Mrs. Liz Sandals: We hear a lot of that in my neck of the woods: "Just go build it."

Mr. Phil Verster: In practice, though, when you think of a complicated program like this, there are very difficult choices to make, and those choices are what we call "optioneering." When you start a program like this, there are different parts of your organization that are involved in the planning phase and in the optioneering phase. The optioneering phase could be, "Well, we'll have to build a grade-separated crossing over there. It will be rail over road—or will it be a tunnel? How close to the 407 will it be? Is it close to power lines? What options do we have?" There are numerous choices that must be exercised, and if some of these choices are exercised before other choices, you'll find that the project moves forward, but there are actually conflicting requirements that will, in some way, cause you either schedule or cost risks.

It's really important that there's a process whereby you get to—typically, the first gate is the end of the feasibility phase. We say, "Very well. End of the feasibility stage, this is what we all agree to. This is the next step. No, we don't proceed with A and B, and we don't proceed with E and F either." Then, in the next phase, when you do optioneering, you make sure that between C and D, you decide which one you then take forward, and that you then also close off things you're not going to do. In some complicated projects, if you don't do that, there are different decisions that continue to be made by the design department or the engineering department, which could be out of sync with what the procurement strategy is. Before you get to the procurement phase, you need to have another stage gate where you get all of the different parts of the organization—the two organizations in our case, Infrastructure Ontario and Metrolinx—again to agree on what's an exact next step to follow.

So this principle of stage gates is about bringing order to the decision-making and making sure that it's cost optimal and schedule optimal.

Mrs. Liz Sandals: Okay. Thank you very much.

How are we doing for time, Chair?

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

Mrs. Liz Sandals: Oh, my. Let's go—

Mr. John Fraser: Granville, did you have something else?

Mr. Granville Anderson: No.

Mr. John Fraser: Thanks, guys. Thank you very much for being here and for your presentation.

Just sort of following on my colleague from Durham but more about the relationship—you have a unique relationship with CN and CP. There's a certain dependence upon them because of their ownership of certain corridors. You have to work with them, but they're also a supplier in terms of construction and maintenance contracts, and it was identified in the auditor's report. When you have a partner that has—that relationship is different and has different levers that you have to be considerate of. How do you actually manage some of the specific costs inside things like construction and maintenance to ensure that you're getting value and that that partner is giving you good value as a comparator to what it would cost you to get it done by somebody else? That's a big question, but it's something that interests all of us here.

Mr. Phil Verster: Yes. Thank you very much, MPP Fraser. You're absolutely right: The relationships with CN and CP are multidimensional relationships. I have to just say very clearly up front that both CN and CP are very good partners for us, very good fellow railway operators as such. The big challenge is not anything else but how we manage the commercial choices where we are in effect trying to procure part of their property. That's where the biggest dimension of challenge lies.

If I then go to another dimension of relationships where they are providing dispatching services for us, those are run really professionally, separately to the types of commercial choices we have to make when we approach them to say that we'd like to do a Bowmanville extension or a Niagara extension or the like. As good partners, we don't find that they bring these worlds together and say, "Well, if you do this, we will be less collaborative on something else." That doesn't happen. They are very collaborative across all of the dimensions where we interact with both of these organizations. But the relationship is a commercially challenging relationship, just from the basic premise of where we start off with the requirement, which is, very often, to serve customers on routes that are really important to them as well.

1300

So it's their property, and it's their commercial competitive advantage, often, that is at stake when they discuss choices with us. That is a complex commercial discussion. We will continue to deal with that commercially and professionally and listen carefully and negotiate carefully.

Mr. John Fraser: CN and CP are complex corporations, so they have different departments, different pressures that exist, different mandates. What are the things you can do to say, when you're constructing track, "We spent $1.5 million here, and actually the standard is"—is there a standard or an average price that you could look at across North America or in Canada, just to get a comparator? There may be pressure inside, especially, commercial organizations—different departments and pieces of that organization—to get certain results.

Mr. Phil Verster: If I could use a practical example, in our recent conversations with CN, we have covered the territory of discussion around, in the freight bypass, what standards would apply; for example, for electromagnetic compatibility, or EMC. That is signalling systems relative to overhead power systems.

The discussion on what standards apply—if you apply different standards, you have different cost implications—are all mixed into the complexity of the debate. In any case, it's not that easy to do the per unit cost comparison that you specifically refer to, because every part of a network is affected by different conditions and different circumstances. We see that on large programs and large, complex projects.

So unit costs normally help you to get an indicative idea, but unit costs are not enough to help you to decide "Did I get the right price on this contract?" You have to negotiate the technical solution and the commercial solution on every specific application.

The Chair (Mr. Ernie Hardeman): Two minutes.

Mr. John Fraser: Go ahead.

The Chair (Mr. Ernie Hardeman): Okay. We'll go to the official opposition. Mr. Hillier.

Mr. Randy Hillier: Thank you very much for being here.

When I was listening to your nine action items, nothing was specified in those nine action items about the CN and CP relationship or contract or activity. I want to focus in on that a little bit, but before I get there, you mentioned that you're implementing some IT technology for a project management plan now. Is that correct?

Mr. Phil Verster: Yes.

Mr. Randy Hillier: Twenty years ago, when I was in project management, we had software and an app. You can't be serious that you're now implementing project management plan software. That has been around for a long, long time. Gates and milestones: These are fundamentals of project management, and they've existed for a long time. Metrolinx is just learning about this?

Mr. Phil Verster: I want to just clarify my earlier comment: We are implementing a new wave of contract management software as part of our enterprise resource planning tool—or ERP tool—Oracle. The contract management module—or CM14—that we're implementing is a version of improved contract management from what we've had before. So I think in the context of my answer, I just want to clarify that while program management tools such as Primavera and the like have been used throughout, where I think you make a big difference to how you manage programs is not necessarily the software—

Mr. Randy Hillier: Okay, let me just stop there for a second. You've had the software and you've had these programs, because they have existed for a long time. All of the stuff that you said in your presentation on that—any project management professional knows all that stuff. Changing the software—I don't know if it's changing the software or changing the operator here. We see some very egregious examples of failure in project management by Metrolinx, and that can't just be attributed to, or fixed by, some new software.

There was one other element in the nine key items that I found a little bit odd. It was this concept of sponsors. When I look across the table, you are the sponsor, not someone else. The provincial government has mandated Metrolinx to be the sponsor. So I think we need to make sure that Metrolinx understands that they have an obligation to deliver and not just sub-delegate and create some fluff to indicate that maybe something is going to happen.

Before I turn it over to my colleague—

Mr. Phil Verster: MPP Hillier, could I respond to that, please?

Mr. Randy Hillier: Yes, sure.

Mr. Phil Verster: I just want to give clarity. I think it's quite appropriate to give clarity to the comments you've just made.

First of all, you are 100% correct. My suggestion of the nine key work streams, or action streams, that I've got was not to indicate that software is the solution and, as you referred to, that changing a little bit of software will be the answer to program management. That was why I gave the nine substantive work streams, of which providing people with really good tools and good information is really important to program management. That is your point, and I agree with that fully. That is why it's important that it's part of the nine.

But what is substantive about the nine action streams is the really important other stuff, such as organization, people and competence, all of the things we're addressing. To then talk specifically about benefits management of sponsorship, there was absolutely no part of my discussion that said we were not acting as the sponsors for the program. We own the program.

What a sponsor does is, a sponsor owns part of the program. They're still Metrolinx employees, with a Metrolinx focus on managing through the life cycle. Remember how we explained what the gated process is? The sponsor stays with the business case and makes sure that all of the parts of what we have to deliver are getting delivered.

The term "sponsor" is an international term that we use in other jurisdictions as well. But it doesn't change the fact that we are fully in control of the program, we own the program and it's our program to deliver.

Mr. Randy Hillier: Listen, I can understand why trusses get installed upside down. If Metrolinx is only now—and I do question about sponsors. What you're describing there is a manager, somebody who manages and has a set of responsibilities. "Management" is not a new term. I think it's confusing things, saying the sponsors you have—it may be an internationally accepted term, but I don't believe it alters anything, that people are held to account to deliver on their responsibilities.

Mr. Phil Verster: On that latter point, you are exactly right. It's about accountability. And you're right as well that sponsors are senior managers with particular roles. The reason why we call them sponsors is for the same reason that you won't call all managers just a manager. You call managers different types of managers.

Therefore, to be really, really clear about that, sir, if you think of what the sponsor does, the sponsor really owns all of the management decision-making around the business case.

1310

Mr. Randy Hillier: I'm going to finish—one more question before I turn it over to my colleague, and that is, I've heard all this terminology about the relationship, and the contracts are complicated with CN and CP, as if it's some really tremendously difficult thing to do, to enter into a contract with CN and CP and provide those services. I don't believe it's that complicated, or it ought not to be so complicated. And if it is that complicated, then Metrolinx has a duty to uncomplicate the contract.

I'll ask you this: If there's one or two things in the contract with Metrolinx that prevent you from doing a good job and providing value for money for Ontario taxpayers in the utilization of CN and CP track or services, what would they be?

I want to say that when I look at the numbers, I see two large government agencies, one federal and one provincial, as well as a large private company, fleecing the taxpayer with these costs of track and maintenance. The taxpayer is getting raked.

So that question is, what are the things in that contract that can be removed or reformed or modified, so that the taxpayer will now get some value for their dollars?

Mr. Phil Verster: If I start with the fundamental commercial challenge that we have when we approach an owner of a different asset group and try to convince that owner to part with that asset on terms that are in our agreement, that would be the basic issue that makes a negotiation to secure track from CN or CP—that they own, that is part of their competitive advantage—to secure that with a favourable alternative deal. That is where the challenge lies in terms of a complicated commercial discussion.

Having said that—

Mr. Randy Hillier: If they're a profit-oriented operation, it should be pretty simple. We rent, we lease, we buy, we do all kinds of things in all kinds of relationships.

Mr. Phil Verster: Or if you're a profit-oriented organization, you say that—

Mr. Randy Hillier: CN and CP are supposed to be profit-oriented operations.

Mr. Phil Verster: Yes. Let me follow through. You say, "I'm sorry, I'm not selling that because that's my competitive advantage." Then there's no sale, and then there's no growth in services, which is—

Mr. Randy Hillier: So you're telling me that they have you and the taxpayer over a barrel?

Mr. Phil Verster: They do. I'll give you an example, MPP Hillier. On Milton, that corridor is really, really important to CP, and we will have to go and work very closely with CP to figure out how we can reroute the services they have over that part of the network, because that part of the network is really critically important to them.

Again, your points on profit-oriented organizations are absolutely correct. One of the things I'm doing with my teams now when we negotiate is, I'm saying to my teams, "We're not a government. Don't think like a government organization. Think like a business." We need to negotiate like a business as well.

If I take the freight bypass, for example—

Mr. Randy Hillier: Okay, but—

Mr. Phil Verster: Sir, I have to clarify. You asked the question. I have to clarify this.

The freight bypass for CN, where we ask CN to operate across a different route—there are different operating expenditures over the next 50 years that we need to all bring into play.

None of what I've described to you, though—your earlier comment on complicated contracts—I'm not saying these are contracts we can't do. All of our contracts are complicated. I'm just saying these are contracts that have a unique feature to them which we must manage differently.

Mr. Randy Hillier: I'll pass it to my colleague.

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

Mr. Michael Harris: Mr. Verster, welcome to Ontario. I know you've got some extensive experience in the rail business, and I think we'll all be the benefactors of that. Clearly, I'd love to be asking questions of your predecessor, perhaps, on this report, but we have you. I guess I apologize for that, for you having to be here and him not.

Some would suggest that a rail company was using Metrolinx as an automated teller machine, albeit one with no deposits required. I believe, as you read, I'm sure, for the first or second or third time—how damning a report this was by the auditor on the use of taxpayers' money, specifically when it comes to working with our rail partners. I understand the unique relationship—expanding the system but, at the same time, getting value for money on infrastructure that we have to build now.

Building off of John Fraser's question about an average or an industry standard, what would roughly be the industry standards for, say, the construction of one mile of track? Do you have an idea, roughly?

Mr. Phil Verster: It's very difficult to make a comparison without talking about what one mile of track would cost—if it's an electrified line or a non-electrified line; if it's a line with a lot of water drainage requirements or not.

Mr. Michael Harris: It's hard.

Mr. Phil Verster: Yes.

Mr. Michael Harris: So I'll use the industry standards. It's reported that for CN, one mile of track is about $1.1 million. I think that they charged Via Rail about $3.5 million at one time.

In the auditor's report, it talked about an unnamed project, a nine-mile track extension that cost $95 million. Do you see that as just an outrageous amount of money to spend on a nine-mile track?

Mr. Phil Verster: I cannot talk specifically to the example that you have in there, and I cannot tell you what the price makeup is of that. If I do an analysis of that, I can probably respond in more detail to you.

Mr. Michael Harris: I guess I would say it is.

In a lot of these contracts, Metrolinx has built into its relationship or contracts, with CN and CP, audit committees, frequent inspections and other mechanisms, specifically audit rights. Going forward, now knowing what we know, do we have audit rights for a lot of these contractual obligations with these vendors that would not expire, or is there a time period as to when your rights for audit, as an owner, expire?

Mr. Phil Verster: Going forward, I think we reflected that in some of our earlier commentary on our actions that we are taking on the different recommendations: enforcing our audit rights and using our audit rights to clarify what has been delivered for us, what the current state of the operational delivery is—stuff that we will adhere to and what we'll enforce.

Mr. Michael Harris: When you were the CEO and came in, I hope—and I'm assuming—you asked why we didn't exhaust mechanisms that were in place, like audit committees and frequent inspections. It was clear as day that a lot of these mechanisms were never actually acted upon. Why were they not? And what changes have you made to ensure that, going forward, we do all of those very things?

Mr. Phil Verster: Thank you for that question. It is really important to get that into the right context. There are many changes we are making now to how we are working. While I explained the nine main work streams, underpinning those work streams is the principle that we, as an organization, need to operate with that big, strong commercial focus in terms of everything we do. With that comes the responsibility to, at times, do even more than what a contract gives you as official levers, to make sure you get the right result.

If I pick an example such as in our safety focus, at times we have been focusing on meeting our requirements as an owner but not necessarily doing that extra bit to audit on safety. Commercially, in the same sense, where we would have audited or checked to a level of satisfaction that may have satisfied people at the time, we now need to bring with it a bigger, stronger commercial focus, and pursue questions that affect the commercial value of our relationships more significantly.

Mr. Michael Harris: It was revealed in the auditor's report that CN was charging Metrolinx for new parts, yet using recycled parts. You know, there's a large construction budget that I believe our rail partners can utilize.

Would it have troubled you to know that these firms were actually pulling from that pot to perform maintenance and repairs for their own track that had nothing to do with Metrolinx's? That's the first question, and I'm hoping you would just agree with me and the answer would be yes.

And then, (b): What mechanisms have you put into place on the construction and maintenance side to ensure that we're constantly reviewing invoices and work performed, specifically, for Metrolinx-owned and -used track versus CN's or CP's track? That's very real, you know.

1320

Mr. Phil Verster: It is.

Mr. Michael Harris: We just bought a new van on Friday. I've got a new van, and I'm happy for that, because I paid for that. But in a lot of cases, Metrolinx was buying new parts but was getting used parts. How do you feel about that?

Mr. Phil Verster: On your first question: If I sign a contract with any other party, and I find that any part of that contract has not been honoured and has not been delivered to what was agreed at the contracting stage, it's an unacceptable outcome. Either that behaviour must be avoided or I am due recompense, so I cannot agree that that's the right approach to follow.

I'd like to just pick up on the used track example. To reuse old railhead or rail is an acceptable practice—

Mr. Michael Harris: If you paid for a reused part.

Mr. Phil Verster: If you've paid for it. Exactly.

Mr. Michael Harris: I don't mind buying used parts if I'm paying a used-parts price.

Mr. Phil Verster: Exactly. I just want to address the aspect in the report that suggested it may have been unsafe—

Mr. Michael Harris: I'm not suggesting—

Mr. Phil Verster: It wasn't unsafe.

Mr. Michael Harris: No, no. I think we agree with that.

The Chair (Mr. Ernie Hardeman): Let him answer.

Mr. Michael Harris: We agree.

Mr. Phil Verster: Yes. That bit is not good.

The real important part of what we do with our contractors going forward is when we place contracts, we expect them to submit to us what's called a QMP, or a quality management plan. The quality management plan should deal with aspects of delivery: how it will be delivered, what will be delivered and how the scope of what they have submitted to us will be achieved over time.

The quality management plan needs to be managed more vigorously by ourselves. This is why the types of answers that I gave MPP Hillier are important. To have a sponsor and to have an organization that has the contract management software experience that can follow-up and make sure those bits are delivered is really important.

Mr. Michael Harris: Have—

The Chair (Mr. Ernie Hardeman): Okay. That will conclude this round. Hold that next question for the next round.

Mr. Michael Harris: I will.

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

Mr. Percy Hatfield: Thank you for being here. You've been on the job for about six months. At what point were you presented with the Auditor General's report?

Mr. Phil Verster: The Auditor General's report, if I recollect—within the first two weeks, I had a visibility of not only the 2016 report, but also the 2012 report, so a very good visibility of what the issues were that the Auditor General had identified.

Mr. Percy Hatfield: You have extensive experience with rail. Have you ever seen such a damning indictment of a business with no accountability for the expense of taxpayers' dollars—anything as terrible, as disturbing, as this?

Mr. Phil Verster: I cannot specifically comment as you've asked me to, because I'm more of a practical person, in the sense that when I work in organizations—you see organizations in different cycles of their evolution and response to the world in which they're working.

I think there is quite a lot in this report of what we have to do better. There is no doubt about that. The things we have to do better are probably not going to happen overnight, even though I'm pushing it as hard as possible to get, as quickly as possible, those changes implemented. But there are things, and people and processes and methods of working take time to embed themselves into an organization. So without focusing so much on—forgive me for saying so, MPP Hatfield. For me, it's not to focus so much on the initial part of, "How bad is it?"; I'm rather focusing on the huge program we've got, the great people we've got in Metrolinx, the great people we've got in IO—

Mr. Percy Hatfield: Let's talk about those great people. How many of those great people lost their jobs after you read this report? How many people who were supposed to be accountable and were not accountable—how many people lost their jobs—senior managers, mid-managers, auditors, whatever—since you've been there?

Mr. Phil Verster: My approach to an organization and to delivering change in any organization is to create the right environment for people to succeed in. Very often—

Mr. Percy Hatfield: Well, the only ones who have succeeded up till now—

Mr. Phil Verster: No, if I could answer—

Mr. Percy Hatfield: —are contractors and design consultants.

Mr. Phil Verster: If I could answer: When I look at organizations that perform less effectively than what you want, it's very often not so much the people as much as it is how the organization has been set up, how it's structured, what the strategic objectives are and how it is focusing on those strategic objectives. It's the environment that you, as a senior management team, create in your organization to deliver. Over the last three months, I have changed senior people in my organization, and it's public knowledge. At the right time, you do change people, but—and this is why it's so important that those nine activity streams are put in context—I have changed how that capital projects group is organized, which is really important.

Mr. Percy Hatfield: All right. Did you transfer people or did you show them the door?

Mr. Phil Verster: We transferred people and we put new people in place. I'm in the process now of recruiting new people into that capital delivery program team. We have created six new sponsors to lead that part of the program, which didn't exist before. That's really important, because creating an organization capable of delivering stuff is what I'm focusing on. Before, I was just focusing on people who must be considered to be either successful or unsuccessful.

Mr. Percy Hatfield: There's a phrase, I suppose, known to people in Toronto or Ontario more so than yourself: the gravy train. It seems to me anyone who has ever had a contract with Metrolinx has been on that gravy train. They've been in high cotton because they got away with so much, and nobody ever called them to account. You're saying that that's going to change.

Mr. Phil Verster: Yes. If I can be really clear on that, I'm committed to running Metrolinx as a professional organization. We have a lot to do to get our organization into a stronger place, and we are doing that. We're putting the right measures in place, the right organization and the right people, and I'm very excited about that. We are delivering, already, now, large contracts such as Eglinton. We have a very big work stream of new LRTs that are coming up. We've got a big work stream of pre-RER package 3 work that is in the process of getting delivered. We deliver about $3 billion a year in capital investment in infrastructure all the time. You can see it going in. I'm confident that we will continue to improve how we deliver these programs.

Mr. Percy Hatfield: You have determined that a design consultant with a previous record of not having the experience or the staff or the competence to deliver a design for a project, which leads to cost overruns worth millions of dollars—you are going to go after that design consulting firm to get the money back that they cost. I suppose you can't go after them retroactively, but there's example after example, and they keep getting contracts. Is that going to end?

Mr. Phil Verster: We cannot place design contracts with design contractors that haven't got the capabilities or the ability to deliver a particular piece of work.

Mr. Percy Hatfield: Based on their past record.

Mr. Phil Verster: Based on their past record or based on the competencies that they submit to you in their tender of what they can do or cannot do and what resources they've got. In your tendering process, you must make sure that you've built in all of the required conditions that they have to meet in order to deliver the contract.

1330

Mr. Percy Hatfield: And if one of them slips through and gets a contract and doesn't live up to expectations, are you going to go after them for the extra money that it has cost?

Mr. Phil Verster: The answer is yes. We have to build into our contracts, and we are building into our contracts, the remedies that allow us to do that.

Mr. Percy Hatfield: And the same with under-performing contractors: Will they be held accountable to the same—

Mr. Phil Verster: Yes.

Mr. Percy Hatfield: They will?

Mr. Phil Verster: Yes.

Mr. Percy Hatfield: Will you take legal action for any mistakes that they perform on the job if it has cost more money because of their incompetence with their mistakes?

Mr. Phil Verster: We'll contract-manage all of our contracts. What you refer to as legal action is not—you're right. A sequence of contract management has legal action somewhere in it if it's required, and we have taken legal action in the last year on contractors that have not delivered. I've got quite a few examples that I can give you.

Mr. Percy Hatfield: Will you change the wording in the contracts when you award, be it a tender or a contract, to say that not necessarily will the low bidder be accepted, and the rating criteria for making this determination will be based, to a large part, on the past performance of the bidders on Metrolinx contracts?

Mr. Phil Verster: Technically, in procurement terms, that is a slightly different question. In procurement terms, you cannot modify what your criteria for evaluation are in your tender documentation itself. Your evaluation criteria must be evaluation criteria, and the evaluation criteria must stand on their own merits.

The best measure that you have for underperforming contractors is to have a classic remedial program where you give them, after one failure, an opportunity to correct or improve or subsequently not be on the tender list. That is better than to try and evaluate poor performance within the evaluation criteria.

Having said that, as part of the process of procurement we do evaluate contractors during the qualification phase for what their previous experience and previous performance has been. There's a combination of options there, but if contractors have poor performance outside of us as Metrolinx as the owner or customer, it is difficult to evaluate to what extent they are poorly performing or not. If they have poor performance with us, that will reflect itself in our evaluation at the time that they qualify or not. They could still qualify, but once they qualify in the procurement process, you have to state with your evaluation criteria that you had, which is typically about safety measures, scope and technical and financial measures.

Mr. Percy Hatfield: Will you still allow a contractor to sub 100% of projects?

Mr. Phil Verster: No, absolutely not. That's a really good example of something that just shouldn't happen.

Mr. Percy Hatfield: What are your new criteria? If it isn't 100%, is it 50%, is it 60%, is it 75%?

Mr. Phil Verster: It's not so easy to specify just the percentage value depending on what the scope of work is. The way I would steer that discussion—and our procurement team is busy figuring out what type of exact mechanism or clause we'll implement, but it's a standard-practice contractual term in any rail industry construction contract that you cannot subcontract a substantial scope of work or core accountability for delivery of the work. If any changes are made, you are to inform us as Metrolinx. So those types of terminology will now be implemented.

Then the issue is: How good is your contract management of that contractor from the time of bidding through to the time of delivery?

Mr. Percy Hatfield: And will any of your sponsors have any oversight or investigative ability to look at the subs who are brought on to see whether they are up to your standards?

Mr. Phil Verster: Absolutely. The contract management team has that visibility. Part of our procurement process, when we set up our contract with our construction entity, is to say, "These are our rights of order, these are our rights of access; this is what we can do."

I'll give you an example. Just on the same visit with MPP Anderson, or two days before, when I went to Oshawa to the station that was being built, I walked onto the site and asked the contractor to stop work because they were doing work that was unsafe. The contractor said, "Can you do this?" Of course I can do that. Our contract allows me to walk onto the site and exercise those rights. I think that is just what we need to use better and use more of.

Mr. Percy Hatfield: The ability of some subs to get more work: Have you noticed, or has your team noticed, that one contractor uses the same subs, or are the subcontractors—are their names throughout the subcontracting with Metrolinx?

Mr. Phil Verster: That's a really good question. I haven't seen enough of what the contract supply chain dynamics are to answer your question thoroughly. I can come back to you on that.

What I can say from my previous experience is that it's typical for larger contracting entities—what I would call mid-tier—to develop established relationships with subcontractors in particular expertise or skill sets, such as electrical contractors or air conditioning contractors, and to build commercial relationships and delivery relationships over time, which is sort of locked in into a supply chain of sorts.

At times, that is really good for us because it means that we actually get cost differentials that could be more competitive because they know each other and the interface costs between them are not very high. But when it happens to the extent that was picked up in the report, where a substantial part of your scope was subcontracted and not delivered because it was not paid and all of those types of difficulties, then it can be a difficulty.

Mr. Percy Hatfield: Well, when I read the report and I see where a sub walked off the job and took the design plans with him—is that going to happen again? Are there going to be copies of design plans out there so that it's not going to slow down a project if some guy leaves?

Mr. Phil Verster: I would not want to see that happen again ever.

Mr. Percy Hatfield: You wouldn't?

Mr. Phil Verster: No.

Mr. Percy Hatfield: I understand you had a good-news announcement this morning somewhere.

Mr. Phil Verster: Yes. From the beginning of April and for the next two or potentially four months after the beginning of April, we will be testing WiFi on two full train consists—which is 24 vehicles—and on four buses.

The reason why we want to test and do a customer feedback session associated with that testing is to see how our customers respond to the WiFi solutions we're putting forward, and basically to the capacity of WiFi we're making available, which will be about half a gig for a period of a month per device that they will have an account for. So, yes, that's a very exciting thing for us because our customer base—whenever I'm on our trains and on our buses with our customers, the first thing they talk about is WiFi. WiFi has become, in a sense, what's considered a free good. People really want access to WiFi. The trial is a very exciting thing for us.

Mr. Percy Hatfield: When you got here and read the Auditor General's report, did you have second thoughts about taking your position?

Mr. Phil Verster: I made a point of meeting the Auditor General as soon as possible.

Mr. Percy Hatfield: Thank you.

The Chair (Mr. Ernie Hardeman): Okay, thank you. If you're finished now, we'll go, then, back to the government side. We have a full 20 minutes for each party. Ms. Sandals?

Mrs. Liz Sandals: Okay, thank you. So I think I'm going to stay with this whole area which the auditor identified of errors and omissions with some of the design consultants, and then going on as you work further into the project with deficiencies in the actual construction. I wonder, because I think the auditor has correctly raised concerns about when there is an error or omission in the design, then what happens? Or when there is a deficiency in the construction delivery, be it in terms of the product or the timelines, then what happens?

1340

I wonder if you could walk us through that design consultant—and then it turns out there's been some form of errors and omissions. What will happen differently now so that we understand the relationship? One of the senses that I got from the work that the auditor did was that perhaps, in some of the ways contracts have currently been structured, you might not even have had the tools within the current structure of the contracts to find a remedy or a solution for that.

I wonder if you could walk us through the process of what will be different and how you will be able to address those errors and omissions differently moving forward. How will you be able to address those deficiencies in construction going forward in a way that would be different than what the auditor has identified so that we have some comfort that the ability to deal with those issues has been improved and ultimately to avoid the transgressors in the future?

Mr. Phil Verster: Thank you, MPP Sandals. It's important to think about the two types of contracts we have from a slightly different perspective. Where we have traditional design-build contracts, the error and omission problem at the design phase, when the design entity hands over the contract to a build entity, is the problematic one. Without speaking to any of the specific detail in the report and just—

Mrs. Liz Sandals: This is really more a process, legal sort of a question.

Mr. Phil Verster: Yes, absolutely right, and it's a commercial issue as such. Just speaking from different jurisdictions in which I've worked, it's an age-old problem that whoever designs considers whoever builds to not have got—

Mrs. Liz Sandals: They didn't build it right.

Mr. Phil Verster: Yes.

Mrs. Liz Sandals: It's all their fault.

Mr. Phil Verster: And the builders say the designers didn't design it right. So that tension is inherent in design-build contracts. But because it's inherent in those contracts, there are remedies you can exercise to control them. To answer your question, our contracts for design-build type work will reflect those remedies that we can exercise, and we will have the means to do what needs to be done.

Mrs. Liz Sandals: Can you give us some "for examples," not necessarily of the specific situations in the report, but hypothetically, if this goes off the rails here, then that would be the—

Mr. Phil Verster: Yes. The typical thing that you would have built into a design-build contract or the design part of a contract would be that there's a design review mechanism and there's a design close-out mechanism. There's a testing on whether the objectives you've set for the program, the sponsor leading the program—whether those objectives that you've set have actually been achieved at the end of the design phase before you sign it off.

Mrs. Liz Sandals: So who actually, then, does the design review? Is that a third party that you hire, or is that somebody who already works for Metrolinx who has the expertise to do design review? Who does that?

Mr. Phil Verster: It could be any of the two. It could be a third party that's more technically equipped to understand the details of the particular design, or it could be a Metrolinx person themselves. I think from where we are at with the size of the capital program we've got, what I'm very keen on—and this is why I started off with saying that we need to think of the two types of contracts we've got. We're just discussing design-build now. But when we talk about an AFP type of contract, I can explain to you how that actually addresses the issue much better because it packages all of the system and design risk into one complete entity, which you have stronger commercial remedies on.

Mrs. Liz Sandals: So instead of this person going and doing this and that, they're all in the same bubble, so you guys sort it out.

Mr. Phil Verster: Exactly right. That's the big shift which I implemented on RER procurement from September onward and why we are now procuring RER in the manner that we are. Instead of pulling out the operator bit up front, we've ring-fenced the overall package, where what's called system integration risk—which is basically the same as the design and build risk, the system integration risk; how do you integrate the systems together to work well into one commercial package and say, "I just want the output, please"? If the output doesn't work because your design and build didn't work together, you must fix it. That's for that second stream of contracts.

Mrs. Liz Sandals: It's not the bigger ones?

Mr. Phil Verster: Those are the bigger contracts. That's exactly why we're doing the AFPs on the bigger contracts. When I go back to the design-build contracts, it's quite important now that when you bring this sort of commercial mindset to the different types of contracts, you try to figure out which of your contracts are better to do as design-build only and then, when you do design-build, make sure that you have the right expertise arrayed around the design phase, as well as around the build phase, to make sure that you can deliver that effectively.

While I explain what it is we want to do differently, I can envisage that a year or two years along this line of getting all of our systems, processes and people into the right space, we're still going to have difficult situations and hiccups along the line, but we will continuously improve this process and reduce the size of the issues that have happened.

It is important to take your design-build contracts and limit them to a scope of work which is sort of the bread-and-butter delivery of some parts of your supply chain, and not to take those parts of the supply chain and expect from them to do contracts, which is vastly different to the capabilities they've got. I think the old process of intelligent managing of your supply chain and your procurement process comes into play.

Mrs. Liz Sandals: So if you take that approach, but then you combine that with the conversation we had before about performance and a performance scorecard, then I guess if you're just measuring the outcome, that's one thing, but assuming that there are some components within this—your performance scorecard: Is it a project-specific performance scorecard or is there a generic component to just any construction project? If you're laying track, for example—I'm just pulling that out of the air, but if there's something you're doing that's standard. You've got a contract to do it here; you've got a contract to do it there. Is there a standard performance scorecard you would have for specific functions that are repeated in different contracts?

Mr. Phil Verster: No—yes. Yes and no.

Your performance scorecard, yes, is very specific to the scope of delivery and to the contractor. I would see that much more aligned to a design-build contract where we are managing the contractors phase by phase as it goes through the design stage, then goes through the build stage and then goes through the operational stage. But no, I don't think one can very easily construct a generic set of terms against which to measure the contractor. There will be parts of the specific contract which may reflect on the generic competencies of a contractor, but the scorecard would be the performance against the contract specifically.

Mrs. Liz Sandals: Is that scorecard something you develop after you've identified the contractor, or is that scorecard something that you develop before you go to tender or before you go to the RFP, where you design the scorecard up front? How does the timing work on that?

Mr. Phil Verster: The scorecard would be standardized, but applied to specific contracts.

1350

Mrs. Liz Sandals: So there would be standard items, but then you would fill in the details for this project: "The details look like this for this project, it looks like something else"—you're evaluating the same things, but different details.

Mr. Phil Verster: Exactly. With that mental picture, you can understand that where we are letting a large contract to an AFP entity—we've called them Project Co or consortium of companies—the scorecard becomes something that is of less individual value as pertaining to a specific contractor, because it's evaluating Project Co and it therefore doesn't serve the same purpose. But the risks are not there to manage. The risks are all encapsulated in the commercial structure that you have already established.

Mrs. Liz Sandals: When you were talking earlier, you talked about how one of the things that you were working on was governance. You talked about a formalized monthly project review process. How does that fit into what we've just been talking about?

Mr. Phil Verster: It doesn't fit.

Mrs. Liz Sandals: It doesn't fit? Oh, okay.

Mr. Phil Verster: No, it doesn't fit, but it deliberately doesn't fit. The two work in parallel, but at the monthly governance structure, the scorecard is not revealed because there is so much to reveal on a monthly basis just in terms of the key things, what I call the three key basics, and that is cost, schedule and risks, which is bread-and-butter stuff that goes with program management. Vendor performance sits in the background, and the vendor performance and the scorecard get updated based on information that may flow from the monthly contract governance that happens on all of the projects and programs.

In that sense, my approach is pretty old-fashioned with regards to program management on a monthly basis. The closer you are to the detail, the closer you are to the truth. Therefore, that monthly intrusive review by senior management within Metrolinx, into the programs, into the different projects, and looking carefully at where schedule and cost issues are is where you're going to pick up the different risks that may be starting to build up that, if you don't review, will catch you two, three months later.

Mrs. Liz Sandals: This might be more a question for Stephen, but in summary format, then, is this looking like the thing I would be accustomed to seeing with IT, where you've got a dashboard that is sort of red, yellow or green in terms of budget and timelines?

Mr. Stephen Rhodes: Yes.

Mr. Phil Verster: Yes, exactly. I've asked my teams to do exactly the same, to do a dashboard. On a monthly basis, I'd like to see a dashboard—I call it a RAG status; red, amber, green—a RAG status on risks: "List the seven or eight or 10 biggest risks for me, and RAG them in terms of where they are, what the remedies are and what the mitigation actions are. Then, similarly, RAG for me what are the cost movements and the schedule movements so that we understand where we are." So it's exactly the same thing.

Mrs. Liz Sandals: Because those are sort of the two—"Is it on time, is it on budget?"

Mr. Phil Verster: Exactly.

Mr. Stephen Rhodes: Correct.

Mrs. Liz Sandals: And hopefully, "Is the right thing being done while it's on time and on budget?"

Mr. Phil Verster: To fix it.

Mrs. Liz Sandals: Yes. "Are we achieving anything?"

Mr. Phil Verster: This is important, MPP Sandals, to explain—and I just want to say this again because we've got a momentous, big scope to deliver: We will have to make sure that everyone who is involved in these programs grows, matures very quickly into the use of these tools, the philosophy of the control aspect that I referred to, the thinking that's necessary to continuously manage these programs with the intensity that I think they need to be managed with. This type of organizational change is all that I'm focusing on at this point in time. We are nudging the whole organization and team to embrace this and to get there as quickly as possible. But it will take time, and through the—

Mrs. Liz Sandals: But it's really a big culture shift in some ways.

Mr. Phil Verster: You're right. It is a big culture shift.

Mrs. Liz Sandals: Good luck.

Mr. Phil Verster: Thank you.

Mr. John Fraser: Thanks very much, Mr. Chair.

The Chair (Mr. Ernie Hardeman): Five minutes.

Mr. John Fraser: Okay, I won't be that long. Thank you very much. I appreciated my colleague's question around governance. I'm glad to see that you're making those changes, because I think they're critical to any organizational success, to make sure you have those things in place.

I want to go back to performance-based considerations in tendering. You know there are challenges around that. If you've got a supplier whose performance record is poor, I think the expectation is that you don't want to be awarding a contract to that person if their history is such. But given the litigious nature of the business that you're in, how do you do that and make that stick, in the sense that you're not always going to get tied up in civil proceedings because people feel that your rating of their performance is unfair or outside of the law? It's a big question.

Mr. Phil Verster: What I like about that question is that it is fundamentally the commercial essence of how you run contracts. You picked up on two really important parts, performance and—you called it litigations; I would call it commercial remedies. So it's performance and commercial remedies, and the third leg that I'd like to add to the two you've added is just the competitive marketplace. It's important to get those three legs in harmony. I'll tell you why.

One of the recommendations that we will consider, but which we won't always use, is the recommendation that we consider using liquidated damages as a remedy for poor performance. That is intuitively correct, and I'm very keen on using liquidated damages, because liquidated damages is a no-argument, genuine pre-estimate of loss: "Thank you. You've not delivered this. We just take that amount and not pay you that." And that avoids the litigation challenge you referred to.

But when you consider the third leg, and that is the competitive marketplace issue—because you must always consider the three together—on some contracts, depending on the size, the scope and what you deliver, if you say, "I'm going to have a mechanism in there against schedule," the contractor will say, "Maybe we're not sure about this. I'll make a provision for a 10-week overrun." And they just put the liquidation damages value into the contract.

I've worked in this industry long enough to see that when your remedies are stronger, you get a less value-for-money bid, because the tension is then in the supply chain to offset their risks or to fold their risks into the pricing. Now, there's always a commercial discussion on whether that's good or bad, or whether you need to buy that or whether that's still value-for-money or not, but that's a different choice.

I think what you therefore have to do when you manage a contract like this is that you always have to be sure that you have the right remedies at the right time for the contracts you're letting. Again, at the heart of this is what you do as the owner to make sure that you don't leave all of this up to the supply chain to say, "Well, I'm going to sit over here, and if you don't perform, I'm going to levy commercial remedies on you."

I'm of a slightly different school that says you use all of your commercial remedies when you really need to use them, but try and get engaged with a contractor through the life cycle of the contract and help to solve problems before they become problems. So you don't manage this by arm's length, therefore; you get closer to the contract and you manage that. When the contractor struggles to get permits resolved, then you get engaged with whomever they should get permits from. You see if you can bring leverage to the discussion, and see if you can solve problems before you need to resort to commercial mitigations.

Mr. John Fraser: Okay. We've just gone through—I am from Ottawa, so you don't really—

Mr. Phil Verster: I know.

Mr. John Fraser: So we've just gone through with RTG and the city, and the average person trying to get their head around what's going on here. It's six months late, and the complexity of that relationship and what went on inside that is not visible to everybody. So I can appreciate what you're saying as it relates to that, although I don't fully understand—

Mr. Phil Verster: Yes, yes.

1400

Mr. John Fraser: I guess the next question that I have is, there's a very aggressive transit build in Ontario right now, probably one of the most aggressive in North America, if not the most aggressive. In terms of our ability to contract out and the competitive nature of trying to get good bids and get value, how is that playing as a factor in what you have to do?

Mr. Phil Verster: Such a significant question for us, that. It is a very realistic concern that the market is so close to being hot in terms of the number of projects and programs that are in the North American market that the supply chain is constrained. When the supply chain is constrained, cost goes up and value for money is affected by costs going up.

I've just done the market soundings to engage consortia in our RER program. I'm glad to say that I got massive interest from all over the globe, particularly from China, particularly from Europe, particularly from the UK as well. It's huge, but this is not just a North American phenomenon of a hot transit program. This is getting to be a global program. Australia is very active in transit programs now as well. China is ratcheting up in terms of busyness and so are other parts of Asia. It's getting really busy in Vietnam and places like that.

The Chair (Mr. Ernie Hardeman): We all appreciate the good market, but that's the end of that bracket. Thank you very much. With that, we'll go to the official opposition: Mr. Hillier.

Mr. Randy Hillier: Thanks again. My questions will be for the deputy minister for this round and then I'll pass it over to my colleague.

Mr. Rhodes, you've been in front of this particular committee on a number of occasions now.

Mr. Stephen Rhodes: Correct.

Mr. Randy Hillier: Invariably, when you've been here, we've talked about the failings of either your own ministry or aspects of your ministry or agencies that report to your ministry. There have been substantive failings in your ministry and in the agencies that you oversee. We've heard from Phil about nine key action plans to address the specifics raised in the Auditor General's report. Have you developed any specific action plans to address the failings of oversight in your ministry with contracting, with expenditures, with oversight of agencies? Have you done that?

Mr. Stephen Rhodes: Yes. With regard to what we're here for today, I'll focus my comments on agency oversight—

Mr. Randy Hillier: But how are you going to provide better oversight to taxpayers for Metrolinx?

Mr. Stephen Rhodes: Sure. Okay. I arrived in early 2016. I think about the second week I arrived, Minister Del Duca had issued a letter of direction to Metrolinx which laid out his expectations on enhancing some of the oversight responsibilities that the Ministry of Transportation was to carry out. It focused on establishing clear performance indicators for the ministry and for Metrolinx, enhanced reporting structures and governance structures to make sure that we're communicating information back and forth and making sure we're flagging risks for each other ongoing, and a range of things that are in that letter of direction around matters to do with promotional marketing, sponsorship and other things that had certainly been in the media.

Mr. Randy Hillier: You said you received a letter of direction when you started.

Mr. Stephen Rhodes: The letter of direction went from Minister Del Duca, as the shareholder for Metrolinx, to the chair of Metrolinx, and I happened to be the deputy, I think, on week two.

Mr. Randy Hillier: Yes. So maybe just on that, we know that there have been failings and cost overruns and expenses that are not prudent with Metrolinx for a while. Was that the first time that a performance directive was issued to Metrolinx, as far as you're aware?

Mr. Stephen Rhodes: No. There were certainly other ones that were issued previously. On a go-forward basis now—

Mr. Randy Hillier: I hate that term, "go-forward."

Mr. Stephen Rhodes: I don't like going backward, so—

Mr. Randy Hillier: Well, it seems that we are going backward often. We're not getting very far forward.

Mr. Stephen Rhodes: From today on, the Treasury Board guidelines and directives indicate that ministries are to issue an annual mandate letter to all their agencies, and effectively that is an annual letter of direction. So you have two forms of direction: You have an annual letter that goes out to agencies, and then you have a letter of direction that can be issued on specific topic areas.

Mr. Randy Hillier: Did you feel that there was an elevated or emphasized expectation to get Metrolinx operating with more of a culture to provide value, or was this just another ministerial letter, another directive? Or did you feel that, "This time we actually have to get something done with Metrolinx"?

Mr. Stephen Rhodes: It's week 2 on the job, so the context—

Mr. Randy Hillier: Well, you've had a little bit of time since then.

Mr. Stephen Rhodes: But you're asking me a question about that day when I got it.

Mr. Randy Hillier: Since that time, as you went forward.

Mr. Stephen Rhodes: Sure. To Phil's point before, when one looks at the scale and scope of expenditure that's vested within both Metrolinx, which reports to the Ministry of Transportation, and all the highway and other infrastructure that's in MTO—

Mr. Randy Hillier: Yes, because we've seen problems on the highways in the paving—

Mr. Stephen Rhodes: For sure. When you see the quantity of projects, the expectation there, the dollar values attached to it, all the procurement that's needed to do with that, whether it's, as Phil talked about, design-build or AFP contracts for different things, obviously, irrespective of the directions from the minister—which are truly important and I always have regard for those—certainly you are looking very closely at those projects and the costs that are attached to them and the expectations and delivery dates that are around them, and the range of risks that one needs to manage attached to those projects.

Mr. Randy Hillier: I'll pass it over to my colleague.

Mr. Michael Harris: That letter you had issued to Metrolinx: There was a time frame, I believe, that you had set on Metrolinx to report back, was there not?

Mr. Stephen Rhodes: There was. It was September, and then there was a mid-year report, I believe, in June.

Mr. Michael Harris: Is that something that you can share with the committee, perhaps?

Mr. Stephen Rhodes: Absolutely. It's posted on the website.

Mr. Michael Harris: It is posted on the website? Okay, good.

Mr. Stephen Rhodes: Yes, but I can share it.

Mr. Michael Harris: Okay. I guess I was still on the CN issue, with construction costs. There was talk that CN did its own capital maintenance and expansion projects but actually billed it back to Metrolinx. In fact, there were reports that some employees of CN had observed and complained about improper billing practices. I'm wondering if at any time Metrolinx has questioned CN about that or if they've reported that to other officials who may look into improper billing by CN to Metrolinx. I'm not going to suggest that the proper authorities be notified, but have there been any concerns previously? Going forward, what have you done to ensure that any and all inputs, especially as they pertain to construction, regular maintenance and repair, have the proper oversight?

Interjections.

Mr. Michael Harris: Go ahead. Either one of you.

Mr. Percy Hatfield: Or both.

Mr. Michael Harris: Or both. Hopefully they have the same answer.

Mr. Phil Verster: Very often when you want to fix a problem well, you need to understand the problem even better than what you think the fix has to be. Getting to where we are now, the implementation of the article CM14 process we referred to earlier, which sets up that contract management formation, gives us the clarity to track and to manage these relationships quite significantly better so that the billing will be tracked, so you bill for what stages of work was bid in the quality management plan by the contractor.

I can see that the management of CN and CP contracts in the future, where they do work for us on their own corridors, when such work is agreed on, which we will have, can be managed significantly better going forward.

1410

Mr. Michael Harris: I guess maybe this is a better question for the deputy: Through your tenure, knowing that the auditor reported on this practice, do you know of any further investigation that your department has undergone? Or, have you even reached out to authorities to thoroughly vet any invoices that may have been—I don't want to say, perhaps, fraudulently claimed or sent in for payment. Has anyone at any time looked into this further?

Mr. Stephen Rhodes: I'm not aware of anything related to fraudulence and reporting further. I'm certainly aware of Metrolinx looking more into these concerns ever since they were raised with the audit team and continuing to do that, but nothing further that involves authorities or broader reporting or broader allegations.

Mr. Michael Harris: It has been reported that Via Rail has been purchasing rail lines to reduce costs. Is Metrolinx considering this as well in addition to what has been publicly talked about?

Mr. Phil Verster: Sorry, MPP Harris, could you ask the question again?

Mr. Randy Hillier: Via Rail has been purchasing lines from CP and CN to reduce their costs, throughout Ontario. Has Metrolinx looked at that, considered it, examined it? Is it feasible? What is the outcome of your examinations of purchasing your own lines instead of being held over the barrel by CN and CP to use their lines?

Mr. Phil Verster: Metrolinx has been doing that for many years. Keep in mind that in the 50 years of GO operating—GO started its operations fully on CN and CP lines and systematically have procured—about 80% of those lines are procured.

Sorry, let me clarify that: 80% of our lines that we operate on currently are owned by us. That's where we are today, so the answer to your question is, yes, where we can procure lines, we do.

Mr. Randy Hillier: All this expense and all this complication for only 20% of your capacity?

Mr. Phil Verster: It's a really important question, that, because—

Mr. Randy Hillier: That seems—

Mr. Phil Verster: Let's take Kitchener. If you look at the Kitchener corridor and you look at the huge potential that the Waterloo region has in terms of a Silicon Valley for Canada, then by having only up to Bramalea, really, as our own asset base, the part that's missing is actually quite impactful on the total service we can deliver to the profile of customers that you have along the whole corridor. So, yes, the 80% of the corridors that we own is usually impactful and usually beneficial for the communities on those corridors.

This is just my view, looking at the transit map: What we have on the Milton line and Kitchener specifically is very poor coverage where we can make huge, beneficial delivery of services into the future if we had more services that we can run on those lines. Sometimes you can only run more services if you procure the rights to operate on those lines.

Mr. Randy Hillier: Let me ask you this question: How much of your total operating cost is the result of the 20% of the lines that you operate on CN and CP lines?

I'm looking at the numbers that the Auditor General has shown here. It seems like for only 20% of your capacity, huge monies are spent out each and every year.

Mr. Phil Verster: I think the numbers that you refer to—I may be incorrect, because I don't have the numbers you have in front of you there. The numbers that the Auditor General's report referred to weren't operating costs expenditures, but capital expenditures, if I'm not mistaken. But I don't have the numbers in front of me that you've got.

Mr. Randy Hillier: Okay. Well, maybe if we could have this undertaking, that you would provide to the committee what the yearly operating cost is of that 20% of your capacity that you use on CN and CP.

Mr. Phil Verster: We can supply you with that information—no problem.

Mr. Randy Hillier: Okay, thank you.

Mr. Michael Harris: Moving forward—and I'm all too familiar with that Kitchener line example, so I'm looking forward to having further conversations with you on that, clearly.

Back to procurement: The auditor raised issues with several projects—the design issues, the delay in completing projects, the contractors that routinely were awarded further contracts despite poor performance. Maybe, off the top of your head, would you know the bidder pool that you have currently at Metrolinx to execute some of these larger projects? Would you have a number of qualified bidders that you can pull from? Do you feel that that list could be expanded? How could that list be expanded? Do you feel you have enough bidders, frankly, or qualified contractors to properly supply tenders or respond to tenders to do a lot of this work that you procure?

Mr. Phil Verster: I can answer that question without giving you numbers, and I'll try to do that; if it's not sufficient, please, challenge me again.

Just splitting the types of contracts into two streams again—

Mr. Michael Harris: Design and construction?

Mr. Phil Verster: No, no—splitting it sort of into AFP, consortia, international and then local for design-build. If I split it like that, then internationally, I think there are players in the market that one can entice. The moment you change your contract structure, your terms, your packaging and the size, you get more expressions of interest.

I've worked over the last couple of weeks in our soundings of the market for RER with at least two or three companies that have explicitly stated and have people in-country to campaign for work and to bring their international expertise to our work. So I think if you start to do that, as we have done, and you get international players, you get opportunities to actually benefit both streams, whether you have design-build contracts or AFP contracts.

When I look at the design-build contracts—and the scope for design-build contracts would be the mid-tier rather than the higher tiers—I do think the market is constrained. I do think we can have more players in the market. I do have a sense that we have the same organizations that bid. That's not bad, because organizations that can deliver consistently develop an understanding of your types of environments they must deliver in as well as how to work in a railway environment. It can take a lot of cost out of your business, as long as you have a competitive market.

I think, currently, the market is competitive, but the question that was asked earlier about how busy the market gets can affect that competitiveness going forward.

Mr. Michael Harris: Clearly, you don't want to reduce the bidder pool that you have, but in some cases, and I think you know of the ones that were mentioned, there were clearly poor performance matters. What mechanisms, going forward, do you have in place?

I know, Deputy, we talked about paving contractors or even road maintenance contractors. If they're in litigation with the government, in some cases, they may be limited to bid on future work.

What policies or procedures have you put in place, going forward, for poor performance? I get that there are deficiencies, and in some cases, it has taken nine months over two—going forward, how do we correct that?

Mr. Phil Verster: Take them off the bidders list.

Mr. Michael Harris: Altogether?

Mr. Phil Verster: Ban them.

Mr. Michael Harris: And have you done that?

Mr. Phil Verster: Yes, for two. We're busy reviewing the list. I've put four nominated parties on the list and I've put at least two that are—

Mr. Michael Harris: Has Metrolinx moved through the courts to recover any costs because of some of these poor performance measures? I guess the second question is, for deficiencies that have taken rather long, what have you done or what practices have you put in place to shorten the timeline that a lot of these deficiencies are corrected in?

Mr. Phil Verster: Metrolinx has had an active contract management approach to some contractual construction problems that we've had in the past, so we can point to that. Clearly, the Auditor General has pointed to others where the structure of contract management has not been addressed as well as we would have liked.

1420

I can refer you to Willowbrook fuelling bays, where there was a two-year dispute with a contractor where Metrolinx terminated the contract for non-performance. It was a two-year legal dispute, and Metrolinx won that. I can point you to delay costs with a contract at Burlington. Metrolinx succeeded in that dispute quite significantly. Platform doors at Pearson and Union with a contractor were also a matter in dispute that was managed contractually.

The latest one, which is perhaps a more pertinent one, is a two-year dispute with Bombardier in the courts, which I focused on in November and December and then negotiated a way forward which I think saved us a good amount of money, and it was important to resolve.

There are examples of how we manage this. I think what is definitely at the heart of what we need to do differently is that where we have companies that are underperforming and are not meeting the requirements, we should prevent them from bidding.

The point is, though, that you affect your competitiveness if you shrink your market too much.

Mr. Michael Harris: Yes, of course.

The Chair (Mr. Ernie Hardeman): Okay, thank you very much. That concludes that section.

Mr. Hatfield?

Mr. Percy Hatfield: Let me take you back a bit. We were talking at one point about safe workplaces. What priority do you put on Metrolinx having a safe workplace?

Mr. Phil Verster: Huge. One of the first things I have asked my top team and the rest of our organization to consider is how we elevate safety as a core value of the organization and a core focus for what we do.

Over the last three months, we've implemented everything from a safety executive—and we call it a SHE executive—safety, health and environment executive—which I personally chair every month. We've implemented a safety charter which we've elevated to the same level as our customer service charter. I've strengthened our safety team. I've strengthened our construction safety management team by about 17 people. We are busy strengthening our operational safety team. We are putting a huge amount of effort into safety.

More than that, when you want to make a cultural change in organizational safety—we've put safety moments on our minutes on our agendas. A safety moment is where people at every meeting discuss safety issues, no matter what the meeting is about. We've started a safety leadership program to take our people through a safety cultural change.

In terms of my response to your question, if you ask me, "What are the two or three most important things we in Metrolinx need to get right that are what I would call underlying foundational stuff?", it would be diversity and inclusion, safety and a focus on commerciality in our delivery of what we do.

Those are the three broad, underlying things. I've identified four key pillars for the organization: a focus on people, where D&I would be a key part of it; a focus on safety, which is in itself; design and build, which is about commerciality; and then about customer experience. Those are the four big things we need to get right.

Safety is non-negotiable. If I can just expand on that slightly, in all of my experience in different jurisdictions in different parts of the world, organizations that are in rail that are really effective with their focus on safety are similarly those organizations that are really good at delivering their programs and really good at managing and engaging their people, because the types of thinking and problem-solving you must have to make your organization safe are the same tools and techniques you can employ for continuous improvement, the same tools you employ to think about how you engage people to get their opinions. If you want them to be safer, then you also get their opinions on how to do the job better. That focus comes through very positively through organizations that focus on safety.

Mr. Percy Hatfield: How many days has it been since you had a lost-time accident?

Mr. Phil Verster: We are not measuring lost-time accidents in terms of "days since." What I've implemented is what's called a lost-time injury frequency rate. That's an international standard. When you look at the lost-time injury frequency rates standard, our rate at Metrolinx is at a rate that is not as good as I want it to be. It's at a rate that is closer to three or four lost-time injury frequency rate per 200,000 hours worked, and I want that rate to drop down to a value of around 2.8.

Mr. Percy Hatfield: When we talked about CNCP earlier, I think the quote I jotted down was "commercially complex." Does that mean you can't go too hard on the cost that they charge you on an hourly rate or on a track replacement rate because you don't want to risk them saying to you, "You have less access to our trackage from here on in"? Is that a sensitivity thing that you've got to be mindful of?

Mr. Phil Verster: You're exactly right. It is a point of commercial leverage. When I say "commercially complex," it is two sets of objectives which aren't naturally aligned, in the sense that I want to secure a part of their asset base to serve my customers; they want to use their asset base to serve their business. These objectives are not necessarily aligned. When these objectives aren't necessarily aligned, the commercial negotiation becomes more complicated.

I just want to restate what I said before. Both those organizations engage with us constructively on these matters. It just requires quite a lot of work to find a way to get that alignment, which is not naturally there.

Mr. Percy Hatfield: Do you believe that it is important for one of your supervisors to be on site when work is being done on your behalf on a CNCP piece of track?

Mr. Phil Verster: No. I don't think it's necessary for one of my supervisors to be on site, and the reason why I don't is I would expect many of our contractors—I would treat CNCP, in the context that you've asked the question, as a contractor. I expect contractors such as that, which has a turnkey accountability, to deliver for me without a supervisor being on track. I do expect to have other rights under the contract, such as a right to audit and a right to walk on to site whenever we think it's appropriate to walk on to site.

Mr. Percy Hatfield: I believe you've said you've met with the Auditor General. Have you met with the contractors and the design consultants to lay down the law, to say what has happened in the past isn't going to happen on a go-forward basis?

Mr. Phil Verster: I've gone one step further. I've phoned CEOs of companies. I've done this work for us, and I've been really clear about what I expect and what I don't expect.

Mr. Percy Hatfield: The dispute resolution process: Is that going to be used more in the future than it has in the past when we're dealing with contractors?

Mr. Phil Verster: I'm not sure how you see the use of the dispute resolution process, so I'll just explain how I see it, and then maybe I can clarify my answer to you if it doesn't meet your requirements.

When you ask whether it's going to be used more, for me, the dispute resolution process is used whenever it needs to be used, based on what's in the contract. The challenge for us, as an organization, is to make sure that we manage the issue appropriately, and if we are not convinced that the outcome is the right one, that we don't hesitate to take it through dispute resolution at all. I think that's important, as a distinction.

1430

The issue is not really, "Was a choice exercised not to use the dispute resolution process?"; the issue is, "Did we decide to have a different commercial outcome without a dispute resolution process?" I think dispute resolution processes should be used when the requirement is there, when you have a requirement, when you're not happy with the place where you are in your negotiation of a dispute.

If I can pick an example, I think it was the Willowbrook—no, it was not. It was the west tunnel contract in 2015. There was a dispute resolution board decision. Metrolinx and the contractor went to dispute resolution. Metrolinx lost the dispute resolution decision, then took the issue—quite incredibly for Metrolinx—to court. The court overturned the DRB outcome.

That's the update my team gave me in 2015. I was quite interested in that example, because I think that that shows a degree of willingness to engage and to address an outcome which is not to our liking. It's in that sort of legal complexity of background—I'm just challenging myself on your question, to make sure I answer it fully.

Mr. Percy Hatfield: When I read the report, I don't see that it's been used where, perhaps, it could have been used more frequently. You weren't here at the time, but we had a lot of conversations about—and it wasn't true—the bridge that was built upside-down, or the truss that was built upside-down.

Mr. Phil Verster: Yes, that's not correct.

Mr. Percy Hatfield: As I understand, that contractor was paid out 99% of the full cost of the work. Metrolinx stepped in and finished the work. Then in phase two, he was hired because he had the low bid. Again, he screwed it up: 87% of the glass was damaged by poor welding technique and will have to be replaced. Then he turns around and gets a new contract. I forgot what it was—$9 million, or something. He continues today to work for Metrolinx.

When taxpayers see that type of methodology, that type of, "Just go along and do what you want, and we won't worry too much about it"—the same guy screwed up on the width of a stairwell, and so the covering won't fit. There is going to be another bunch of money to give him to get that fixed, and we turn around and we give him a $39-million job after that.

Shouldn't somebody have stepped in and said, "You know what? We're just going to have to go our separate ways in the future here"? If you're not going to take him to court, if you're just going to pay him out to get rid of him and then re-hire him, wouldn't you think a dispute resolution process or something would come in to say, "You owe us money. You screwed it up. We want our money"?

Mr. Phil Verster: I think your point is well made. The clarity that I gave earlier about the fact that if we have poorly performing contractors, we will not place further contracts with them, is a procurement decision that we've made from this point onwards.

I would like just to perhaps clarify one point that you referred to earlier, in the context of the trusses that you referred to specifically, and the suggestion that the trusses were put in inappropriately. I've climbed on top of that bridge to look at the trusses. When you think of how the trusses have been designed, you think of how they are lifted, because these are multi-tonne devices. The lifting hooks can only be placed in a certain way. It can't be lifted the wrong way round. It can't be put in place the wrong way round. It's designed to have an arc curvature, so that the weight can push it out. If it was the wrong way round, it wouldn't have worked.

I just think that information was given to the Auditor General—clearly, I'm not criticizing the Auditor General's report; I'm just saying that in the inherent principle of how the trusses have been designed as such, that was built correctly.

However, the phase two you referred to was not managed well. It was not delivered well. And you're right; there were welding errors. Again, I climbed up on that structure and I looked at where the welds were, and it's not good. There are big lessons learned from that. We need to get that right going forward.

Mr. Percy Hatfield: Your contracts do allow for cost recovery on overruns resulting from design errors or omissions, yet you've rarely done so. You've rarely gone after the design consultants. Why is that?

Mr. Phil Verster: I would like to answer that question not necessarily with a reflection on the details of those contracts. I would just say, what's been has been. Depending on how you manage a contract up to the end point, and when you get to an end point and you've signed off on a design and then afterwards learn that you've not got the right remedies in place, you are commercially in a different place to proceed with it.

Can I just answer what improvement I think is important? I've given an indication to one of the previous speakers that we will have better design reviews at the end of the design phase. That must happen. You must be really clear on whether your design has actually met your design review obligations.

The thing I want us, as an organization, to do better is we must be clearer on what it is we actually want to achieve. That's why the role of what we call a sponsor is really important, so that by the time the designs are specified, it is really absolutely clear what you are actually asking for in a design.

I'm drawing no inferences now other than talking from my own experience. Often, the issues are as much about how the owner changes their mind on things, and the designer is just sort of not to blame. As an owner, we need to be more disciplined and more specific as well.

I'll give you a real example: Currently, just to be practical about this—

The Vice-Chair (Ms. Lisa MacLeod): There's just about three minutes left.

Mr. Phil Verster: I don't want to talk in philosophical terms on it, so practically, we are currently in our RER program and I've got a huge number of very motivated, good people who want to do more things. They want to change this and do more of that. You have to get to a point where you say, "No, stop now. We need to draw the line. This is the snapshot of what we're going to deliver." "Yes, but we can do better things if we change"—no, don't change that. Focus on drawing the line somewhere. That's a discipline process you need to have, which is why that earlier comment I made about a gated process where you stop decisions is really important.

Your question on how do we fix it so there aren't so many design errors and omissions: Yes, part of that is managing the supply chain better, but another part of it is managing our own decisions better as well. I'm just being honest about that. My practical experience is you need to be, yourself, focused on getting that right. This is why as an organization we have this culture change we have to go through. We have to get better at this, and it's not going to happen quickly.

Mr. Percy Hatfield: My friend the new minister, upon her appointment, within a few hours, as I read in the media, suggested that the GO line could be extended to Cambridge, which wasn't in the long-range plan that existed upon her appointment. Has that changed since her suggestion that the GO line will be extended to Cambridge?

Mr. Phil Verster: There are many options to do different things. Extending the GO line to Cambridge is not in our current RER plan, but so are many other things that we want to do that aren't in our plans yet. It all goes into the basket of good things to do. At a time when we have developed options for that, we'll put it back to the government of the day and ask the government of the day to make a decision on what should be implemented.

Mr. Percy Hatfield: Having said that, I take Via back and forth to Windsor, so I'll go on record as asking you to extend GO to Windsor, if that would help with anyone.

The Vice-Chair (Ms. Lisa MacLeod): You guys have 30 seconds left to answer that.

Mr. Phil Verster: I'm not sure an answer was required.

Mrs. Liz Sandals: No, no. Look at the long-range high-speed rail. It goes to Windsor.

The Vice-Chair (Ms. Lisa MacLeod): With that, I will thank you for appearing before our committee today, and I thank all of my colleagues for the round of questioning.

We'll give you a few minutes to vacate the room and have some pleasantries with my colleagues, and then we're going into closed session again. So thank you.

Mr. Phil Verster: Thank you very much.

The committee continued in closed session at 1440.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Chair / Président
Mr. Ernie Hardeman (Oxford PC)

Vice-Chair / Vice-Présidente
Ms. Lisa MacLeod (Nepean–Carleton PC)

Mr. Bob Delaney (Mississauga–Streetsville L)
Mr. Vic Dhillon (Brampton West / Brampton-Ouest L)
Mr. Han Dong (Trinity–Spadina L)
Mr. John Fraser (Ottawa South L)
Mr. Ernie Hardeman (Oxford PC)
Mr. Percy Hatfield (Windsor–Tecumseh ND)
Mr. Randy Hillier (Lanark–Frontenac–Lennox and Addington PC)
Ms. Lisa MacLeod (Nepean–Carleton PC)
Mrs. Liz Sandals (Guelph L)

Substitutions / Membres remplaçants
Mr. Granville Anderson (Durham L)
Mr. Arthur Potts (Beaches–East York L)

Also taking part / Autres participants et participantes
Mr. Michael Harris (Kitchener–Conestoga PC)
Ms. Bonnie Lysyk, Auditor General

Clerk / Greffier
Mr. Katch Koch

Staff / Personnel
Mr. Ian Morris, research officer,
Research Services