Bonnie Lysyk, Auditor General
Office of the Auditor General of Ontario
20 Dundas Street West, Suite 1530
Toronto, Ontario
M5G 2C2

May 11th, 2020

Dear Ms. Lysyk,

We are writing to express our concern that Metrolinx's plan for the Scarborough Subway Extension (SSE) is moving forward based on a fundamentally flawed business case analysis. Metrolinx has disregarded its own Guidance policy by failing to conduct a reasonable comparison of defensible replacement options for the Scarborough RT (SRT). We request that the Auditor General of Ontario conduct an independent and transparent value for money (VFM) audit of this project and require Metrolinx to conduct a proper Initial Business Case Analysis that considers all reasonable options to replace the SRT.

The SSE is, at a minimum, estimated to cost $5.5 billion and take ten years to build. The project is an expensive overbuild in a transit system where fares make up 97% of the TTC's non-subsidized operating budget. With its low estimated ridership and enormous fixed and operating costs, the SSE will likely require transit users to pay even higher to subsidize its expected losses. This is money that could be used to build other desperately needed transit projects instead.

Despite its enormous costs, the SSE does not meet the needs of Scarborough's residents for an accessible and affordable rapid transit network that helps them get around Scarborough. This complaint outlines the planning history of the SSE, the portions of Metrolinx's Business Case Guidance that Metrolinx ignored in approving the project and the negative ramifications that Metrolinx's failure to adhere to its own project planning principles will likely have on climate change, carbon emissions, public health and safety.

As the province emerges from the COVID-19 lockdown, Premier Ford has said that "removing economic restrictions will be based on health and science". We urge that health and science be made critical to all public investments going forward. Public transit must be viewed akin to health care and education, i.e. a vital public service, and as such, funding for transit must achieve the best VFM in terms of construction and operating costs, jobs created, time to build, impact on sustainability and public health and safety.

Yours sincerely,

Jamaal Myers, Brenda Thompson and Moya Beall for Scarborough Transit Action
Shelagh Pizey-Allen for TTC Riders
Jennifer Robinson for Connect Sheppard East and 42 Voices
Anna Kim for Scarborough Civic Action Network

The Purpose and History of the SSE

The SSE has a convoluted planning history:

- In 2010, the City of Toronto approved a plan for a seven-stop Light Rail Transit (the Scarborough LRT) line extending from Kennedy Station along the SRT route, and travelling to Sheppard Avenue and then to Malvern Town Centre to replace the aging SRT.
- In 2013, the City changed the plan to a three-stop subway extension. Metrolinx produced a business case analysis of the three-stop SSE proposal and concluded that it was "**not a worthwhile use of money**" (emphasis added).
- In 2016, the City changed its plan again, this time to a one-stop subway extension combined with the Eglinton East LRT. Both projects were to be built within the City's original cost envelope of $3.56 billion, but the estimated cost of the SSE alone quickly rose to nearly that full amount, leaving the Eglinton East LRT without funding.
- In 2019, the City and the Province struck an agreement whereby the Province would build the SSE, reconfigured as an eight kilometer-long, three-stop subway extension. The reconfigured SSE was then included in the Province's transit plan for Toronto.
- In February 2020, Metrolinx issued a Preliminary Design Business Case Analysis (PDBC) for the SSE that estimated that the project would cost $5.5 to $6 billion and take ten years to build**.**
- In March 2020, Metrolinx and Infrastructure Ontario issued a Request for Qualifications for advance tunneling work on the SSE.

In April 2020, the Residential and Civil Construction Alliance of Ontario commissioned an independent report warning that "**soaring project costs threaten the GTA's and Ontario's economic competitiveness and quality of life**" and that "**tunnel depths and political interference**" were the highest risk factors for costs (emphasis added). The report found that the $**723.7 million** estimated cost per kilometer cost of the SSE was "**nearly double the [Toronto-York Spadina Subway Extension (TYSSE)] price tag**" where costs rose from $2.1 billion to $3.2 billion "it **essentially disqualified the TTC from delivering future infrastructure projects**" (emphasis added). Metrolinx, and Ontario, cannot afford to let this happen again.

Metrolinx's Business Case Guidance

The 2012 Auditor General's VFM audit of Metrolinx recommended that:

> Metrolinx should ensure that all projects contemplated under the *Regional Transportation Plan* are subjected to a rigorous **cost/benefit analysis** that considers **financial, economic, environmental and social** needs and impacts and **that transit infrastructure investment decisions are made on the basis of that analysis** (emphasis added).

The 2014 Auditor General's Annual Report followed-up on the 2012 VFM audit and found that "little or no progress" had been made on this issue despite the fact that "in **the 2014 [Ontario] budget**, the province committed to working with Metrolinx and municipalities to **prioritize transit investments through the use of business case analyses"** (emphasis added).

In 2017, Metrolinx developed the Metrolinx Business Case Framework, as an:

> **[E]vidence-based** evaluation framework for business cases to inform investment decisions for transit projects. The Business Case Framework **ensures** that **effective evaluation of options is conducted** as a project advances through planning, design, delivery, and operation. The business case supports a

> **systematic process** of **identifying, quantifying, and comparing expected benefits and costs of a project in a consistent and clear manner over its lifecycle** (emphasis added).

In 2018, Metrolinx produced its Business Case Guidance to provide "a robust approach for assessing the benefits, costs, and impacts of a range of potential transportation investments" and as such was deemed "a key component of an **overall approach to evidence-based decision-making**" (emphasis added).

The Guidance states, among other things, Business Cases "should be free of bias and based on verifiable data, evidence and transparent assumptions" and should not be used as an "**after-the-fact justification of previous decisions**" (emphasis added). It defines "'**Business as Usual**' (BAU) as "the baseline against which options are compared where the investment has not occurred and **existing business practices**, committed plans and general trends continue into the future" (emphasis added). It further notes that the "[e]arly stages of Business Case development are typically focused on the creation of **sufficient evidence to select a preferred option from a group of realistic options**, with later stages focused on the optimization of the preferred option" so that "**a transparent and accountable process is used to identify potential options to address the problem or opportunity**" (emphasis added).

OUR COMPLAINT

1. Metrolinx's SSE Business Case Analysis fails to follow the Guidance

Rather than producing an Initial Business Case (IBC), and following the Guidance to create "sufficient evidence to select a preferred option from a group of realistic options" using "a transparent and accountable process" to develop defensible options to replace the SRT, the PDBC simply took the City of Toronto's one-stop SSE project as its starting point. This led to a comparison between the SSE and a BAU comparator consisting not of the SRT itself, but of a bus network that has never existed and that has never been seriously proposed, considered or examined. At no point, was the SSE or the bus network compared to the Scarborough LRT or any other reasonable alternatives.

The City's one-stop SSE itself was based on a flawed IBC. In a rejection of evidence-based industry best practices, it failed to identify reasonable options, quantify and compare the expected benefits and costs of the SSE versus the Scarborough LRT over their expected lifecycles, and use the SRT as its BAU comparator.

The City's IBC simply assessed several possible routes for the SSE using the three-stop SSE as the baseline or BAU case, stating that:

> **Per City Council direction, City and TTC staff have focused on subway technology options for the replacement of the SRT**. Four options for the SSE were developed and assessed in this initial business case in order to make a staff recommendation on a preferred option. Options development considered project planning objectives and **City Council direction**. Option 1 is the City Council approved 3-stop extension of Line 2 along McCowan Road and is the base case option in this business case analysis. **Options** 2A, 2B, and 2C are variations of an express option that **were developed and assessed in light of Executive Committee's direction in January and City Council direction in March 2016** (emphasis and underline added).

In basing its PDBC on Toronto's ill-conceived, politically directed SSE, Metrolinx contravened its own Business Case Framework and Guidance for evidence-based decision-making.

2. The SSE fails to achieve sustainable and healthy communities

Metrolinx's business case sets out to "[m]ove people with less energy and pollution" and "improve quality of life and public health".

Climate Change

The 2019 Auditor General's Annual Report examined the Ontario government's transit plans to reduce greenhouse gas (GHG) emissions and concluded they were "not likely to result in significant emissions reductions." According to the City, transportation accounts for 38% of the City's GHG emissions, with Scarborough having the highest amount of GHG emissions per capita due to the high usage of personal vehicles.

Metrolinx claims that the SSE will result in a decrease of 10,000 auto-generated tonnes of GHG emissions per year. The PDBC says the line will attract approximately 105,000 daily boardings, however, it also says that there will be nearly this number of boardings from bus transfers at the SSE's three stations. How, therefore, the SSE results in a reduction of personal vehicle use, as claimed by Metrolinx, is unclear. Furthermore, Metrolinx's boardings projections are based on a discounted fare for GO/TTC users which, as of March 31, 2020, has been cut by the Province. Moreover, without fair comparisons with other possible options for the replacement of the SRT, Metrolinx's claims that the SSE will encourage an uptake in ridership from drivers are dubious. For example, Metrolinx estimates that by 2041 there will be 38,000 people living within walking distance of the SSE's three stops but the research report, *Choices for Scarborough* found that only 10,635 people lived within walking distance to these three proposed SSE stops back in 2015. At that same time, 41,843 people lived within walking distance to the Scarborough LRT option.

Carbon Emissions Generated by Construction

A study of carbon emissions related to Toronto's Sheppard Subway Line found that because of its low ridership , it could take as long as 30 years of operating the Sheppard Line to eliminate the carbon footprint created by its construction and operation. A more recent study has found that that underground rail lines generate 27 times more GHG emissions than surface rail lines. Consistent with these findings, the SSE will require extensive construction due to the significant length and depth of the line.

Tunneling for the SSE will involve massive amounts of concrete and rebar, which must be produced and transported to the site. Once in service, the energy consumed by operating the SSE's long trains with low ridership will exacerbate the project's carbon footprint. In addition, the low ridership per kilometer will require a high operating subsidy causing a financial drain on the TTC and further undermining the TTC's ability to provide reliable and consistent service at affordable rates.

Public Health

Metrolinx's business case for the SSE states that:

> "The new investment should reduce negative impacts to health and create appropriate conditions for healthy habits as compared to [BAU]. Building transit close to people and jobs encourages transit usage, as well as walking as an access mode, rather than driving."

Scarborough is a 'transit desert' with some of the Toronto's lowest transit accessibility scores and the highest levels of working poor. The SSE will serve only one of Scarborough's eight neighbourhood improvement areas whereas the Scarborough LRT option serves three. With the highest level of working adult poverty in the city coupled with a highly racialized population, Scarborough is particularly vulnerable to COVID-19.

The Toronto Board of Health documented the link between rapid transit and income and the incidence of disease, such as diabetes and early death. Areas of Toronto, such as Scarborough, that lack access to transit have the highest incidence of diabetes in the city, which, according to the U.S. Centre for Disease Control, can make a person more susceptible to COVID-19. The University of Toronto's Dalla Lana School of Public Health noted that "there is reason to suspect race may be a factor in determining who is being infected and dying from the virus" while a public statement from Black Heath Leaders in Ontario notes that "Black workers, (particularly Black women), are over-represented in front facing service provider roles, including among [personal support workers] and [nurses]." Scarborough's disjointed and dilapidated public transit system exacerbates the dangers

for these workers who often take multiple buses to travel between their homes and work. These problems existed long before COVID-19 and it is a glaring omission that the SSE Business Case does not even mention, let alone examine, any of them.

Conclusion

It is essential that all reasonable and defensible rapid transit options be contrasted with the SSE given the project's costs and potential effects on future transit planning in Toronto. **All SRT replacement options must account for costs, economic benefits, climate change, public health and safety**. The SSE must face a thorough, rigorous business case analysis that is free from political interference, protects public money and most importantly, measurably improves the lives of Scarborough residents.