

Unpacking the Metro Line delay

Disappointing. Aggravating. Infuriating.

There are a lot of words I could use to describe the Metro LRT Line project thus far (many of which are not family friendly). Thankfully, today's release of the report offers up some clear findings on how we got to where we are today: weeks away from interim operation that doesn't yet come close to meeting our specifications.

The City Auditor has done exactly what Council tasked him to do. For context, he is fully independent of city staff and reports directly to Council; his work is one key way that Council holds administration to account when things go wrong.

Having reviewed the report, there are many details that I find troubling.

First of all, there is clear evidence of serious issues within the Transportation Department relating to roles, responsibilities and blurred lines of accountability and communication on this project. Not only were the city's senior managers seemingly out of the loop when contractor performance started to slip in 2011, but City Council was left totally in the dark until late 2013 – which made it all the more difficult for us to hold staff accountable and explain to the public what was going on. For me, this is the most shocking finding and I suspect it will form the sharpest point of the arrow at Monday's Audit Committee meeting.

In retrospect, the decision to split the signalling and civil construction contracts led to a lot of these internal communication and accountability problems. By dividing the project up, the City lost the ability to effectively coordinate construction activities, and it diminished our ability to hold the signal contractor accountable to timelines. While we are holding back roughly \$26 million in payments from Thales, the total project value of \$665 million is a much bigger stake and keeping them together would likely have increased the accountability between the consortium of contractors. Lesson learned.

It's also clear in retrospect that the original target opening date of April 2014 was somewhat unrealistic. There was ample evidence that implementing signalling systems of this kind had proven difficult in other cities and very few transitions have gone smoothly. This wasn't adequately accounted for in project timelines.

None of this, however, makes up for the fact that our signalling contractor - Thales - signed a contract committing to this timeline and has failed to deliver a large part of what was agreed to, time and time again. While they may claim the system is ready for full operation, the City and our expert consultants (Hatch Mott MacDonald, or HMM) have not received critical quality assurance paperwork that proves these claims are justified. During the project, when certain key documentation did arrive, it was frequently returned because it lacked necessary detail. As part of projects like this, we hire a third-party engineer like HMM to help validate the information we

get back from our contractors and protect the City's interest. As of June 15 of this year, only 1 of 6 major signalling sub-systems had been deemed suitable for revenue service by HMM.

It's clear from reading this report that the City could have done a better job in managing its relationship with Thales, that the contract was not managed well by ETS, and that oversight from higher up in the Transportation Department was inadequate. For these reasons, coupled with the problems at Thales, the working relationship between the two organizations was characterized as frustrating and far from collaborative, which inevitably led to conflicting opinions on the state of deliverables.

One interesting finding from the report is that the City based the selection of Thales not on pricing but on ability to deliver the project within the specified time line. Many citizens have commented to the effect of 'that's what you get with the low bid' – but that was not the case here. Thales was in fact the second highest bid, but one of the main reasons they won the job was the promise that they could deliver the project in 32 months. Sadly, we're now in month 51 with a long time to go before the system is fully operational.

Even if the city had managed the contract perfectly, there's now plenty of evidence in the auditor's report to indicate that Thales would not have been able to deliver the promised product on time.

The Auditor makes three definitive recommendations, all of which are directed at the City's General Manager of Transportation Services, and all of which have been accepted by the Department:

1. Follow consistent principles and methodologies of contract administration, including quality assurance and control
2. Ensure roles, responsibilities, lines of communication, authority are clearly defined for all major projects
3. Develop a standard reporting schedule for all major capital projects which includes schedule, scope and budget

City Council will hold both the City Manager and the General Manager of the Transportation Department accountable for meeting the action plans detailed in the report and ensuring these mistakes are never repeated. Changes have already been made, but more are needed, particularly around culture, and Council will be monitoring this very closely.

It's important to note that the Valley LRT Line will be a P3 project, a model that bundles all the contracts together and transfers risk (and cost escalations) entirely to the private partner. Mercifully, the signal system for the Valley Line will not interact with either the Capital or Metro Line.

In my mind, this report will not slow or tarnish City Council's pursuit of a full LRT network for Edmonton. LRT remains the most effective way to move large numbers of Edmontonians from A to B, increase our productivity by reducing commuting times, and free up our roadways for goods and services to move more easily. It is essential infrastructure for a growing city, a city that strives to be globally competitive in every sense. This includes how we effectively manage contracts to get good quality, cost-effective, on-time results in the future.