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Lundi 18 février 2002

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public accounts**

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Provincial Auditor:
Ministry of Transportation

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Monday 18 February 2002

Lundi 18 février 2002

The committee met at 1030 in room 151, following a closed session.

2001 ANNUAL REPORT, PROVINCIAL AUDITOR MINISTRY OF TRANSPORTATION

Consideration of section 3.11, road user safety.

The Vice-Chair (Mr Bruce Crozier): I'll call this meeting of the public accounts committee to order. We have on the agenda this morning section 3.11 of the 2001 Annual Report of the Provincial Auditor, road user safety. We have some witnesses from the Ministry of Transportation, I understand. For the information of yourselves and the committee and those present, you have up to 15 minutes for some opening remarks, if you like, and then we'll just simply start to rotate, probably in 10-minute sessions, to the various caucuses for discussion, some question-and-answer. Is that all right? So for the record, if you'd identify yourselves, and then please continue.

Mr David Guscott: I'm David Guscott, Deputy Minister of the Ministry of Transportation, and I'm joined by Saad Rafi, assistant deputy minister of the road user safety division.

It's our pleasure to appear before this committee this morning to discuss the Provincial Auditor's findings and recommendations and to answer your questions. The findings of the Provincial Auditor in his 2001 report provided the ministry with valuable insight. They have prompted positive change in processes and procedures, resulting in increased efficiency in many areas of the road user safety program. As you will see, we've already made significant improvements and are committed to implementing all of the Provincial Auditor's recommendations in a timely manner.

The chart at your left shows the Provincial Auditor's recommendations in the left column. By the way, there's a copy of this chart for each of you. I hope it's been distributed.

The Vice-Chair: We have it.

Mr Guscott: Thank you. In the left column of the chart it shows the Provincial Auditor's recommendations; the ministry's actions are in the centre column and the extent of completion of that particular item is in the right column. The check marks show 100% completion, and the percentages toward completion are shown for the rest.

The check marks show that a majority of the Provincial Auditor's concerns have been fully addressed. In fact, the ministry has already implemented 79% of the recommendations. Some highlights of our progress so far include reducing the provincial average waiting time for road tests to six weeks; eliminating the backlog of 30,000 medical fitness cases; improving the procedures for acquiring consultants; and issuing a code of conduct to help ministry staff understand their obligations during an audit by the Provincial Auditor.

Before I begin to address specifics of the Provincial Auditor's findings, I'd like to first take a few moments to give you an overview of the responsibilities of the road user safety program. Today, Ontario is home to 11 million people, including eight million drivers and nine million vehicles. The tremendous growth in licensed drivers and vehicles over the last 30 years makes it challenging to maintain and improve road user safety. This graph shows the rising number of licensed drivers versus the declining number of fatalities in vehicle collisions.

As you see by the black line, the number of licensed drivers has doubled since 1973. For the same period, the red line indicates that the number of fatalities has dropped by more than half. In fact, in the year 2000, there were 849 traffic fatalities on Ontario's roads. That's 150 fewer than in 1995, and in fact it's the lowest number of fatalities since 1950. In addition, the number of drinking and driving fatalities has also decreased by about 28% between 1995 and the year 2000.

A number of initiatives have contributed to these improvements in road safety. Over the last 10 years, Ontario has completely revamped its driver testing system. The province implemented the graduated licensing system in 1994, bringing in a two-step process for preparing new drivers by gradually extending their privileges and testing their road skills twice.

We've also brought in a new system to assess drivers 80 years of age and older. It's the only mandatory age-based assessment of driving ability in Canada and one of the most stringent in North America.

We've established innovative ways to better serve the public, things such as Service Ontario kiosks.

To understand the breadth of our road user safety program, consider that in an average week we will administer approximately 11,000 written tests, 14,000 road tests,

2,500 commercial vehicle and driver inspections and five million electronic transactions.

I'd now like to turn to the specifics of the Provincial Auditor's findings. I'll begin by addressing the ministry's compliance with the Audit Act.

During the audit of the road user safety programs, some unique challenges were posed regarding the items requested from the ministry and the audit's timing. The audit occurred at the time the ministry was taking steps to outsource its driver examination function. Detailed procedures had already been implemented to protect the integrity of the vendor selection process. Other aspects of this and similar programs were making their way through the policy approval process and were being considered by cabinet.

This posed unique challenges for the public servants involved. They had to balance the Provincial Auditor's need to access particular documents with the need to maintain the confidentiality of cabinet submissions and the rigorous vendor selection parameters. The matter of access to cabinet material was referred to the cabinet office to make the appropriate determinations regarding these documents. The Provincial Auditor and the secretary of cabinet ultimately developed a protocol for such requests.

Other issues raised during the audit pointed to a need for greater clarity in informing the staff of our expectations in their dealings with the Office of the Provincial Auditor. At the minister's request, we developed a code of conduct to guide the interactions of staff and the Provincial Auditor's office. Staff are now being trained in this code.

I want to focus on the second major theme, that of road user safety. With strong support from the policing community and our broad network of stakeholders, including anti-drinking and driving groups, the medical community and other partners, the road user safety program helps to promote safety throughout the province. It raises public awareness of issues and encourages changes in driver behaviour and attitudes. Ontario's graduated licensing system, which I referred to a few moments ago, has resulted in significant decreases in the number of collisions involving beginning drivers; our new senior driver assessment and education program has also improved safety; and Ontario has introduced some of the toughest drinking and driving and commercial vehicle laws anywhere in North America.

It's evident that new vehicles and new technology are making cars and car travel safer around the world. Ontario's approach to road user safety, supported by stringent laws and delivered in partnership with police services and safety groups, is making our roads even safer by changing road user attitudes.

The success of the combined efforts of the police services, safety groups and MTO's programs is shown in this chart. Here we see the fatality rates for selected countries and Ontario. Not only does Ontario have the safest roads in Canada, we also have the second-safest in North America, and, as you can see from this chart, we

fare exceptionally well compared with other international jurisdictions. If you can't read that chart from where you are, the United Kingdom, Sweden and the Netherlands were the only jurisdictions with lower traffic fatalities in the year 2000 than Ontario. Ontario is on the far right.

These results are due in large part to key safety programs such as our graduated licensing system, administrative driver's licence suspension program, vehicle impoundment, RIDE programs and public education programs. They are cornerstones of our road safety efforts.

The Provincial Auditor also cited some concerns regarding drinking drivers. Since our administrative driver's licence suspension program aimed at drinking drivers was initiated in 1996, the ministry has processed over 104,000 90-day suspensions for drinking and driving violations. Integral to the success of this program is the ability of the ministry and the policing community to share data and coordinate activities in a timely fashion. The government is working with the Ontario Association of Chiefs of Police to develop the necessary improvements to streamline reporting requirements. We've put in place the necessary checks and balances to effect timely processing of these suspensions.

1040

The Provincial Auditor also brought up the issue of medical fitness cases. Our medical fitness program is carried out in consultation with the medical community and follows standards set by the Canadian Medical Association. Determining whether or not to revoke an individual driver's privileges is obviously a very serious decision. It can have a significant and lasting impact on the individual's life and deserves thorough review and consideration. As such, we draw upon the expertise of many specialists in areas such as cardiology and neurology before making a decision. To improve our medical review program, the ministry has over the past few years increased staff resources and introduced improved technology. As a result of these changes, and without compromising the integrity of the review process, all of the backlog in medical fitness cases has been eliminated. Staff are now working on current cases only.

I want to focus next on the area of controllership, where the Provincial Auditor expressed concern regarding procedures for hiring consultants. In response to the Provincial Auditor's findings, we've made our hiring practices for consultants more stringent, beyond existing requirements. Through a competitive tender, Management Board has established lists of vendors who can deliver particular products and services. Ministries may procure specialists from this list knowing that a competitive price and a check of expertise has already been made.

As part of our comprehensive response to the auditor's recommendations, we have instituted a secondary competitive process that now requires staff to solicit quotations from at least three prospective firms selected from a vendor-of-record list. It means these consultants must pass a double test. First, they have to be accepted as

vendors of record, and then they must win the competitive process against two other prequalified firms. We're currently training staff on these new procurement procedures.

The Provincial Auditor also addressed issues of customer service. I've already mentioned the high volume of interactions of the road user safety program with the public. In total, in a typical year, they amount to almost 20 million transactions and tests. We strive to provide excellent customer service in all of these activities. Not unlike other service providers, we survey our customers to gauge their satisfaction with our service. Our most recent customer surveys, in 1998 and 1999, show an overall satisfaction rate of about 85%. We're exploring ways to improve our response to customer feedback, such as comment cards, as noted by the Provincial Auditor.

I'd like to conclude my remarks by stating that we continually strive to improve the way we deliver products and services to the people of Ontario. The Provincial Auditor's report has been a catalyst for positive change. These positive changes are promoting effectiveness and efficiency improvements within the road user safety program. As I mentioned earlier, we have already implemented 79% of the Provincial Auditor's recommendations and we're well on our way on the remaining 21%.

We thank the Provincial Auditor for providing us with his recommendations and we wish to assure this committee that the Ministry of Transportation is fully committed to implementing all of the Provincial Auditor's recommendations.

The Vice-Chair: Thank you, Mr Deputy Minister. If that concludes your remarks, then I would suggest that we'll move around through the caucuses in 15-minute blocks, and through a very complicated method I've come up with, the leadoff being from the government caucus.

Mr Bart Maves (Niagara Falls): I'll start. Can I ask the auditor a quick question? In the report, you talked about the backlog of medical cases, medical files of people who were either going to get licences suspended or were going to get licences back. Most of the cases I deal with in my office are people who have had their licences suspended and have been cured, or their doctor is ready to say that they can get their licence back. I know that there's a whole process at the ministry to get licences back. So, of those 30,000 cases—you mentioned the backlog a while ago—do you know what the breakdown was of people waiting to have their licence actually suspended because a doctor said it should be suspended, and how many are actually cases where people are waiting to get them back because a doctor said they're cured?

Mr Erik Peters: No, we looked at the procedures. We looked at the cases that are provided to the ministry by medical practitioners and optometrists and people like that. We didn't look at the individual cases at all.

Mr Maves: OK, so we don't know the breakdown of how many were to get licences back and how many were to get licences suspended.

Mr Peters: That's true.

Mr Maves: Does the ministry know that number by any chance?

Mr Saad Rafi: We'd have to get that number for you. We do segment them into low- and high-priority cases based on whether they need immediate suspension on the Canadian medical standards or whether they are, for example, reporting back to us if they have been error-free, if I can use that term, on an annual basis if that's what was required of them.

So we try to segment them as well. I don't have the breakdown of the 30,000 at my fingertips. We can try and get that for you.

Mr Maves: You do 150,000 a year? Is that the number? You process that many medical cases?

Mr Rafi: No, I think that our numbers are probably about 92,000 cases per year. Certainly in the last year we tackled some of that backlog.

Mr Maves: OK. Now I'm going to go back to the Provincial Auditor again. When you said there was a backlog of 30,000, how do you determine what's a backlog? Is it six months from the time it was first brought up, or three months? How do you determine that backlog?

Mr Gerard Fitzmaurice: The ministry had determined the backlog. Their procedure determined if someone has a medical record outstanding that they have to review or reinstate. It's their number.

Mr Maves: OK. So I'll ask the ministry then: how do you determine that something is a backlog? Is it like the file's come in and it's been sitting for more than a day, more than a month? How do you determine if something's a backlog and not just a typical time to wait to be processed?

Mr Rafi: Essentially, we're prioritizing our cases, and they're a function of Canadian medical standards. So when a case comes in, we look at it from the physician's review of the case. The physician has sent in a completed form that indicates there is a particular medical condition. We look at the Canadian Medical Association guide or the National Safety Code guide, which are one and the same type of information. The staff scan that to determine if this is a high-priority case, meaning that type of condition should be put for suspension of driving privileges. Those are put into a high-priority section. When we have—and we did have over the last few years—such a volume that we aren't able to process cases at a pace that we would like, they end up getting put in a queue. They're put in that queue predominantly based on a low-priority assessment, and again, that is a function of the medical practitioner's assessment of their patient. If our staff are beyond their expertise in understanding that, we refer it to a medical advisory committee.

So the backlog, as it has become known, builds and became built because of the volume of a cases we were getting in and, quite appropriately and quite openly, an inefficient method of assessing those cases, which to this point we have tried to grapple with and have addressed

by improving our business processes as well as user technology.

1050

Mr Maves: OK. I'm just trying to determine, though, when we say there's a backlog, how you define a backlog. Practically speaking, doctors are sending in recommendations to suspend someone's license because they're having seizures or something like that, or they've had strokes, and at the same time, doctors from all over the province are sending you applications to release someone's license from suspension. So the paperwork comes in, and obviously the day that it comes in it doesn't go on a desk to have a panel of doctors look at it. Usually—I've had lots of people who have dealt with this process—the ministry doctors need more information, so it goes back out to the person's doctor for more information. To me, when you get an application in, there's got to be a certain amount of time that actually should elapse for that application to be processed, maybe a couple of weeks, depending on how much more information is needed, maybe a month.

So when I hear that there's a backlog, to me and, I think, members of the public, that means a file has been sitting around for a really long time and there's a really big, long backlog for these cases to be dealt with. Anything probably beyond a month or so I think you would define as a backlog, and the public would kind of raise their eyebrows at why. However, if it was just a snapshot of how many files we have in our desk right now—it's 30,000—a lot of those could have been just sent in or a couple of weeks old. I'm just curious, since the auditor's office says you define backlog for them, how you determine that.

Mr Rafi: You're quite right. The cases are processed and currently we are processing reinstatements as well as suspensions in a three- to eight-week period. The variance in that period depends on further requests for information and explanation by physicians. But if it is a straightforward case and there's enough detail provided by the physician, we are moving to, in some cases, reinstate and/or suspend as soon as possible.

I think that the situation where a backlog exists is because cases build up over time, and we had a situation where we needed to process the low-priority cases. But we were getting such a volume of high-priority cases that we concentrated on those, so these other cases built up to be dealt with in the time that one would have. It's akin to assessing your highest-need clients for either reinstatement or suspension to work toward road user safety standards. Those cases that are reporting in, for example, on an annual basis, as they might have been required as part of their reinstatement, would be put to the back of the queue, and that queue builds up.

Our view was that we tried to address the priority cases in a priority manner. The low-priority cases, regrettably, mounted, and we have tried since then to eradicate them.

Mr Guscott: If I can just add, the backlog has been alluded to as well. There were a couple of significant

events that triggered that situation. There were a couple of court cases in which doctors who had not reported medical conditions to the ministry were found liable when individuals were involved in accidents, and this caused doctors throughout Ontario to become more aware of their obligations in law, and increased, I believe, almost 50% the number of notifications that we got from doctors. You can appreciate that the dramatic increase over a very short period of time in itself created a backlog that we had to deal with.

Mr Maves: So the 30,000 number came from a snapshot in time of how many cases were pending. This 50% increase in the amount of applications for suspensions started when?

Mr Rafi: I would say that they started to build up approximately from 1996. There were a couple of court cases in 1994. We had reached out to the medical community and so, starting in 1996, we saw an increase, I think it would be fair to say, that culminated in about a 50% increase year over year.

Mr Maves: You've taken some steps, I've noted, to address this situation. So today if I took a snapshot, I'd have a backlog or—how many cases on the desk now?

Mr Rafi: With our three- to eight-week turnaround time frame, which again is down dramatically from what it was two years ago, we don't feel we have a backlog. We are processing cases from January of this year, so they fit within the three- to eight-week time frame. We are processing cases now and have eradicated that 30,000 backlog. Our current number of cases before us is, I believe, as of last week, a little over 1,300.

Mr Maves: OK. It might have been interesting, Auditor, to find out, of that basket of 30,000, what some of the stalest ones were and if there had been a rationale for that.

Mr Fitzmaurice: From that, 950 dated back to 1997, and 6,500 dated back to 1998. As you come forward in time, the numbers get greater.

Mr Maves: And what were the rationales for some of those?

Mr Fitzmaurice: We didn't look at individual cases because we had some question about whether we should be looking at people's medical records, so we just thought we'd accept the number as the ministry had stated it. We didn't review the individuals to see what the reason was, why they were on the queue.

Mr Maves: I'm assuming that for some of those an application would hang around that long because nothing had triggered the stopping of the application, or something had delayed the further processing of the application, like the doctors or the person involved no longer responding to getting the licence back or having it suspended.

Mr Rafi: Yes. The 1997 and 1998 cases that were quite rightly identified by the auditor we consider to be low-priority cases. When we went to address those cases, the majority of the 1997 cases, I believe some 60% approximately, were reporting that they had met their medical conditions, for example. Many times when we

reinstate, we may require an individual to submit an annual statement from their physician saying that they are free of this particular malady or situation, or, for example, it's a fracture that has subsequently healed and they're able to drive. In addition, in some other cases they were still considered low priority; they might be situations where they were unlicensed for over three years so they had to go back through the graduated licensing system to get reinstated to get a driver's licence and were, again, considered low priority in the medical area.

It was part of a process where we would assess and, if you will, make our determinations based on the CMA guide for two priority areas: reinstatements and suspensions that were obvious and/or through quick investigation with the medical community indicated the person should not be driving or indeed they should have their licence reinstated. So the one-year renewal example that I used, if I could call it that, was an example where the person is reinstated; they are submitting a one-year renewal statement.

We've made other changes, if I could address those.

Starting in 1999, we looked at our business processes. We redesigned those business processes by asking staff to take on different roles. For example, our senior medical analysts, who have more experience, would provide assistance to our junior analysts so that they would become qualified and able to assess cases in a more expeditious manner.

We introduced an integrated voice response call centre type of system so that when an individual calls in—we were finding that 23% of calls were from people wanting to know the status of their particular case, so we put some message tracks on there to let people know that they should expect turnaround times of this magnitude, and that then slowly dropped over time.

We improved some of our technology so that we could take our older systems that have the data of the individual drivers and combine those with the more modern software applications that process everything from the letters and forms that go back to the individual and/or their physician.

1100

Last, we hired additional staff to get trained to then deal with not only the incoming volume of cases but the backlog we've been speaking about. With those measures, along with our own observation of the demand and pressure in this area and along with the findings of the auditor, we were able to address the backlog of cases and also we're able, at this point, to be at a cycle time of three to eight weeks, down from 12 to 16.

The Vice-Chair: I would ask that we move on to the next caucus.

Mr Peters: I just raise a quick question on follow-up. In our report, and that was cleared with the ministry, we had 150,000 in 1999-2000. Is there a drop-off now to 92,000? Is the 92,000 that was in your mind a more current figure? Is there a drop-off in medical reports that are coming in?

Mr Rafi: I would say that was the volume, in that one fiscal year, of cases coming in and cases being dealt with. I'd have to verify against the 150,000.

Mr Peters: Right. We sent you the 150,000, we had agreed that it was 150,000 at the time, so I'm just trying to understand the difference between the 150,000 and the 92,000. That would help the committee, I think, to understand the situation.

It's quite possible that it may all be in—the case, for example, that Bart has mentioned. Just a question: it may be the other cases that are in over the—

Mr Rafi: Yes, and it could be that combination. We'll try to get to that reconciliation.

Mr Peters: It would be very kind. Thank you.

The Vice-Chair: Next caucus.

Mr Pat Hoy (Chatham-Kent Essex): Thank you very much. I want to thank the deputy and the assistant deputy for being here, as well as the auditor and his staff.

You've just partially addressed my first question, which was the discrepancy between 92,000 and 150,000 persons on backlog. Deputy, you, with your counterpart, say that except for about 1,300 people now, you've eliminated the backlog of not only the 950 persons the auditor cited dating back to 1997, and some 6,500 cases dating back to 1998, but you have eliminated the backlog since the auditor's report on these cases. To date, you have eliminated somewhere between 92,000 and 150,000 people on backlog. Correct?

Mr Rafi: Actually, I would say that we have eliminated the backlog of 30,000 and have been able to keep pace with the volume of cases that come in on an annual basis. In other words, we're keeping up with our volume and have managed to address the backlog that was in place.

Mr Guscott: If we could, just to help with that too, the method that was used to do that involved a situation where you have a large backlog—I think this is what you're getting to—and you actually end up with an awful lot of calls coming in from people wondering where their case is etc, so we changed the method of work. We changed the work the senior advisers were using—the junior advisers were handling the phone calls; the seniors were dealing with the more difficult cases etc—and we broke the cycle that was keeping us from getting to the cases by having to do the follow-up about why the cases weren't done. It was the workflow change that made this happen.

Mr Hoy: You've entered into my next line of questioning, then. If you say now that the work has changed, have you hired more staff to deal with this backlog?

Mr Rafi: Yes, we did. We not only hired more staff but a total of 10 analysts who have now been fully trained and a couple of additional support staff and one I would call a supervisory level. I believe that's 14 or 15 staff. It took some time for them to be fully trained in how to do these assessments. We also, as the deputy mentioned, made some business changes or workflow changes that brought our cycle time, which was a very high 12 to 16 weeks, down to anywhere from three to

eight or five to eight weeks, depending on the complications associated with a particular case.

We also reduced our call abandonment rate by using a method of call centre or IVR, integrated voice response, where we had people waiting a great deal of time to find out the status of their case, and also to get a sense of what was outstanding information. Perhaps they weren't familiar with the requirements we had mailed to them. We reduced that down to an 8% abandonment rate, which is very much in keeping with other industry norms.

In addition, we have undertaken a change in our imaging system and we are able to image the documents as opposed to having to send them around to get batched and then have letters prepared. The analysts can both look at the file as well as prepare the response. We have templates available for staff to use to save input time, and we hope to make further technology changes into the future.

Mr Hoy: These 14 persons you're talking about, are they new to the ministry or are they reassigned from elsewhere in the ministry, or a combination—

Mr Rafi: They are new to the ministry.

Mr Hoy: They are all new persons?

Mr Rafi: They were new employees to the ministry.

Mr Hoy: They're not reassigned from somewhere else in the ministry?

Mr Rafi: No, they were new positions. Someone may have applied and left a particular position to take this position, but they were net additional positions for the ministry.

Mr Hoy: In light of what the auditor has put forth with some of these cases going back to 1997 and 1998—you cited an increase of some 50% of these types of cases—have you looked at the demographics of Ontario and what might occur in the near future in light of the fact that the ministry was quite a bit behind and there was potentially some risk to drivers on our highways that are fit? Have you looked at the demographics here in Ontario? We have an aging population. We have what is known as the baby boomers coming along. The incidence of medical problems may increase, one might think. Have you looked at how you might be prepared for the very near future in light of the fact that you had such a great backlog of some 30,000 and we're faced with an aging population?

Mr Rafi: Yes, absolutely, we have looked at that fact. If I could mention a few things, one would be not only a demographic shift in North America and certainly in Ontario, but perhaps also other medical conditions that come up from time to time and that might be added to our requirements for suspension.

We feel that has been mitigated by the additional staff, firstly. Secondly, we feel that has been mitigated by our workflow changes. Third, we will continue to make changes to our call centre approach or the phone line approach that allows one to access information at least on status and also then focuses our calls so that the right level of individual is speaking to the caller and giving

them the information they need. Last, if funds permit, we hope to add further technology enhancements that will allow us to have access to the individual file as well as the response to that file, and also improve our access to the medical advisory committee or the medical advisors, who are specialists in their fields, so that they may have access to records, because they are of course cleared from a confidentiality point of view to do so, and they could be made to have better access and thereby provide better assistance to us. We hope these measures will be able to keep pace.

The last thing I should mention is that we have been working with the Ontario Medical Association also to ensure that the form they use is more clear for their purposes. This was a measure that they had identified, as did we, and we worked with the Ministry of Health and Long-Term Care and the medical community on what they call a forms committee to streamline the form and also to make it more clear for physicians to do reporting. That will hopefully reduce our cycle time, because the information provided will be that much more specific and will allow the analysts on our staff to deal with re-instatements and/or suspensions appropriately.

1110

Mr Hoy: From the previous answer, I believe, from the auditor, your ministry determined the definition of a backlog. Is that correct?

Mr Rafi: Yes. We identified the number of cases that we had in that queue, yes. We called that our backlog cases and I believe the auditor's staff used those numbers.

Mr Hoy: Have you changed the definition of a backlog from the time of the auditor's report?

Mr Rafi: No, actually, we eliminated it. We didn't redefine it as a method of elimination; we eliminated the backlog cases and we will keep the definition as a measure for us to follow to ensure that, if they start to mount, we are having to take remedial actions to address it.

Mr Guscott: It's a useful concept, the backlog, for our purposes because it becomes the trigger point. It's the red light that goes off when the number of cases coming in and the time that we're clearing the cases that we're dealing with are such that there is a back pressure being created. We always need to know where that is, so we'll maintain a very careful watch on ensuring that we're able to clear as many cases as are coming in.

Mr Hoy: I think it relates to the line of questioning that has taken place so far. Under the "Administrative Driver's Licence Suspension" or the ADLS, the auditor in his report said that from the time of the program being introduced in December 2000 "over 400 drivers had their suspensions rescinded because the ministry did not receive notice to confirm it. This posed a safety concern because it allowed drunk drivers to have their licences reinstated before the required time and before any remedial action could be taken."

In regard to that program and the auditor's comments, what is the progress on ensuring that the public is safe

from persons who should have had their driver's licence rescinded under a drunk driving violation?

Mr Guscott: The Provincial Auditor's observation went on to point out that the reason those 400 drivers had their administrative licence suspended was due to the fact that the ministry didn't get the necessary paperwork from the police service involved. That's a concern to us and we have taken particular steps generally and specifically to see that that doesn't happen.

Because it's an administrative driver's licence suspension, there is no court aspect to the inducement. It's administrative and there is no day in court for the individual involved, so therefore the paperwork that goes along with this procedure is very important. In fact, without the paperwork, it would be nothing but a phone call from the police officer who makes the arrest to the ministry. That would be it. Our requirement and our standard is that within seven days the police officer has to have submitted the paperwork that allows this submission to take place. Mr Rafi will go through the steps that we take in a few minutes to make sure that happens.

I did want to point out that there may have been a misunderstanding by some reading the headlines associated with this that this would mean someone got off scot-free. The police in fact charge someone with a Criminal Code offence related to drunk driving. They administer the administrative driver's licence as an immediate 90-day suspension. If they don't get the paperwork in to us on time, two or three weeks later that individual gets their licence back, but unless the police have dropped the drunk driving charge, they're still charged with drunk driving in that situation.

I'd like Mr Rafi to take you through and explain to the members the steps we take to ensure that we get the paper all the time now and not in the 0.4% of the cases that were mentioned.

Mr Rafi: Our process is, the day after the call is made to our centre—which is 365 days a year, 24 hours a day—we follow up a phone call to the investigating officer to ask her or him for the documentation. If we don't receive it in the next day, we follow up again with a phone call to the investigating officer to make sure they are aware that this is a defined period of time and that we need a response in a timely manner. On the third day, we fax a list of the outstanding, notices to registrars, if there are any from previous days, this paperwork and documentation to keep the veracity of the system in place. We fax that list to the Canadian Police Information Centre to determine perhaps if only a copy was sent to them, and that will allow us to get a copy that would satisfy our needs and requirements. Then we actually, if that is insufficient, would write to the chief of police or detachment commander of that particular force that was initiating the administrative suspension for a reminder of this notice to registrar, and then we would subsequently follow that, the outstanding list, to CPIC for further follow-up should it come in at a later period.

We can accept and have accepted these notice to registrars after the seven-day period, but it was felt when

it was first structured in consultation with the Ministry of the Attorney General, the Solicitor General, the Ontario Provincial Police and the Toronto Police Service, as well as the Ontario Association of Chiefs of Police, that a seven-day period was a sufficient length of time to allow for the processing of these cases and to get the paperwork in, yet it was also not too long a time to ensure integrity to the system that was administrative licence suspension. As of last week, we've had 104,000 of those that have been successful since 1996.

Mr Hoy: Thank you for your answer. Now, it would appear to me that in order to resolve the medical fitness report situation that the auditor mentioned, the ministry hired more people in order to deal with the situation. Is there any need for that in the ADLS system? Do you need to hire more people to achieve this seven-day period and ensure that these suspensions actually do take place?

Mr Rafi: It's our estimation that given the—and again, one of these is not a situation we want to have, and 400 is a large number, no doubt, but on the total volume of cases that we've had since 1996, we do not feel that this is an order of magnitude that is an issue of a lack of staff resources, but rather perhaps a re-emphasis and reinforcement of the procedures that are necessary to ensure that what is happening in a majority of the cases is actually going to continue to happen going forward. We feel that we have the checks and balances in place.

The Vice-Chair: Thank you, Mr Hoy. You'll have a further opportunity, I'm sure, if you like. But, Mr Prue, do you have any questions?

Mr Michael Prue (Beaches-East York): No. I wonder if I could just do a rotation. I'm just here substituting for Howard. He's in a press conference; he'll be back shortly.

The Vice-Chair: OK, we'll keep going.

Mr Maves: He has time for a press conference?

The Vice-Chair: Yes, what's that all about? No, never mind.

To the government caucus.

Mr Maves: Just continuing with the roadside suspensions, that's a program that started in 1996, and since 1996 you've had a total of 90,000?

Mr Rafi: At the time of the audit, I believe it was 96,000. Since then, I think the number is 104,000.

Mr Maves: OK. And out of that 96,000, 400 was the number of people that the auditor said got their licence back because you didn't get the paperwork in time from police forces?

Mr Rafi: I believe essentially yes, or that the administrative suspension did not take place and we took it off of our system because we did not get the notice to registrar.

Mr Maves: If an officer gives someone a roadside suspension and for whatever reason doesn't follow through with the paperwork within the required seven days, can that officer reapply for that suspension and then submit the paperwork, or is it—I realize that the charges aren't dropped. I understand that, but I'm just wondering, if he missed the seven days, can he reapply for the same roadside suspension and file, or is that—

Mr Rafi: With the process that we do through follow-up, perhaps the officer and their commander or chief would get the paperwork in on the eighth day or the ninth day, and we would want to receive that and accept it. There might be an issue of a challenge, but that challenge would have to be sought by the individual. So we would accept it. The seven days was instituted to provide the right tension between making sure that we have a system with some integrity and also making sure that—you know, these can happen at night, shift changes. Trying to accommodate those shift changes was a recommendation, accepted by us, from police forces as well. So yes, we would like to accept it. When we get that information, it would have to be within a reasonable period of time.

1120

Mr Guscott: If I could just add, that's part of the reason for us notifying the commanders and the chiefs involved. For example, if an officer is on a special assignment or is reassigned between the time that the administrative driver's licence was applied for and the paperwork was done, we'd take that into account as well. What we're really looking out for is the situation where we have no paperwork to support the application. If we heard the person was on other duties, in fact there is an authorization that other members of the force can apply for them if they have certain qualifications. We try to be as reasonable as we can to facilitate that information getting to us.

Mr Maves: OK. I have a two-part question on the second one here, and I guess I'm asking you to tell on somebody: (1) are there any police forces that were particularly guilty of not following through on the paperwork; and (2) can you outline some of the steps you've taken to get some of these forces to improve where they're having difficulty with the paperwork?

Mr Rafi: I don't know if there's a force that is particularly lax in their submission of paperwork. Again, judging by the volume of the roadside Breathalyzer and drinking-and-driving initiatives across the province, and again judging by the volume of cases, I don't know if it's any one force over another.

On the second aspect of your question, which was regarding the initiatives we've taken since this discovery, we contact the Ministry of the Solicitor General on a regular basis, but in this case we also chose to work with them quite deliberately. Through their policing services division, they have sent an all-chiefs bulletin out, which is their method of corresponding and providing information to chiefs of police across the province as to their responsibilities in joint initiatives like this one. They have indicated that they have sent out an all-chiefs bulletin emphasizing the need to ensure that the NTR, as it's called, the notice to the registrar, is completed in a timely manner. We're hopeful that this, along with our follow-up system, will keep this a successful program.

Mr Maves: Can I switch gears now and go to your computer system, your information technology? In the audit, the 30-year-old legacy system is one you're replacing. Can somebody just give us a quick overview of

what this system currently doesn't do and, in your replacement of it, what improvements you're looking for? Is the IT guy here?

Mr Guscott: We'll try to answer this, Mr Chairman, without using the IT guy. We'll keep the jargon as low as we can.

The Vice-Chair: Thank you.

Mr Guscott: The computer systems we're talking about date back to the 1960s and 1980s. They're built on computer languages of those eras. They have held together very well through many changes and upgrades, which have really taken them to the life of both their physical equipment and their software. We've got a chart somewhere—we're just getting hold of it now—that will show you what the computer system was used for 10 years ago and what it's used for now.

This computer system has within it two types of things. It relates to the vehicles and to the drivers and has addresses as a very important part of it. Those addresses and the privilege of driving a car or using a permit have links to other government programs. Ten years ago, we had a few links to those other government programs. You can appreciate, with an old-fashioned computer system, with equipment that wasn't upgraded and with a computing language that wasn't amenable to change, that as you add on to that, you're adding on to something that's quite vulnerable to begin with.

If we take it from what it was 10 years ago to what it is today, just to see how many more government programs have been spliced on to that, there are, for example, things that hadn't even been thought of 10 years ago. The Drive Clean program is completely integrated into this. You can't get your vehicle permit renewed unless you have your Drive Clean pass. That means we have to connect the Drive Clean computers into our computers to make that work. If you are behind in support payments and have an order from the court that's enforced by the Family Responsibility Office, you can't get your driver's permit renewed. That has to be tied into this.

All in all, there are 13 ministries and 36 programs that are now tied into that computer system—again, a computer system that was developed in the 1960s and the 1980s essentially to handle drivers and vehicles and really nothing more than that. So we've maxed out. We've done a good job of managing that old equipment and its situation to the point that now, like anything else, it's time for a change and a renewal. That's something we started, but stopped. We obviously didn't do any work through the Y2K era; we had our emphasis on other issues at that time. But we have in fact been looking toward the changes and the upgrades to this equipment to follow, and we have done considerable work on that. At the time the Provincial Auditor was reviewing this, we were right at the point of getting our kickoff from Management Board to get going on some aspects of this. We're underway with that now, and we look forward to having a new system.

Mr Maves: OK. What stage are you at in the process of replacing it: completing the business case, preparing

the tender? What stage are you at at this point? What are your timelines for the project?

Mr Guscott: We are into the first quarter of the project in terms of three or four; I'll ask Mr Rafi to give you exactly the steps we're at. We've achieved some of them, we're into others and we're just now getting our permission for the second phase of it.

Mr Rafi: What we went to Management Board with was a general scoped-out plan that had our strategy options to consider. We had approval for in-year changes and for the first year, fiscal year 2001-02, ending this fiscal year. The first changes that needed to be made were as the deputy referred to: we were coming to the end of what's called the "useful life" of certain hardware and the terminals that actually processed much of our over-the-counter work, and so we needed to prioritize those and replace those. That is unfolding now. I believe all those terminals across the province are on schedule to be replaced by the end of the fiscal year.

In addition to that, we asked for and were approved to be able to delve into and develop very detailed architecture and software application replacement and updating plans, project by very specific project. This is actually three databases of 100 million records that process—I believe it's in the report—some 250 million transactions per year. So while the overall and original submission was a general estimate of need, we only had approval for a little bit of last fiscal year, in-year; and for this fiscal year, we need to report back through our business planning exercise to get into the very specific and detailed plans.

The further replacement of the software and the database management to make sure this is a phased migration—that was the option we recommended and chose because of the interconnections to several ministries and a multitude of initiatives and, I dare say, partners outside of the public service and the Ontario government. We felt that to try to replace all of this at the same time would be dangerous and would probably not make for a good investment of money, because a phased approach allows you to take best advantage of the best improvements you can get at the time you're examining that project. This is an industry, I think as we all know, that makes such rapid improvements and changes to its technology and to how it does business that something one would undertake now, if not in a phased approach, might find itself to be somewhat challenged later on.

1130

Mr Maves: Do you have timelines in mind, then, for total replacement and implementation of that?

Mr Rafi: Yes. The total end date—it would be approximately a four-year project. Again, it would be phased in each year and we would have to seek approvals each year, what they call our report-backs.

Mr Guscott: I might just add that major parts of it need to be finished in 2003 to meet the government's commitment to e-commerce and some of the things that need to happen in that area; in 2003 and the rest of it in 2004.

Mr Maves: OK. The auditor was critical of the fact that you didn't have a business case completed when he did his audit. Will your business case also be something that comes in phases or will the business case that gets completed be for the entire project?

Mr Rafi: I would say that the Management Board submission was an overall plan and a business plan. So a strategic plan and a business plan. The strategic aspects to it were the options that one could examine and the recommendation we made. The business plan was to lay out in the early years what we planned to do and what was necessary to do now and then in the later years the type of project, the type of changes that we would have to make going forward. But the drill down and really the business case on each one of those projects in what we call the out year—so 2002, 2003 and so on—would have to go back to Management Board for report-backs so that they could approve this in a phased approach. They gave us only a notional approval for the fact that they realized that we have a four-year planning horizon and that they know we'll be returning on an annual basis to see them for year-over-year changes that they will approve based on our phased migration strategy.

Mr Maves: Chair, do I have any more time here?

The Vice-Chair: You have a minute.

Mr Maves: I wanted to get into a whole other section, so I'll let it go, and if it comes back, get to it.

The Vice-Chair: Sure. You're passing to Mr Hampton.

Mr Howard Hampton (Kenora-Rainy River): I have some basic questions, and I apologize if some of them have been covered before. They're just basic questions I'm trying to get my head around. I first want to ask about the road user safety program. Just for interest, could you tell me what the road safety user program budget was within the Ministry of Transportation for 1999-2000, and then for 2000-01, and then 2001-02, and could you tell us what your likely budget will be for 2002-03, for those fiscal years?

Mr Rafi: I hope I can give you the accurate figures. The year-by-year, I'll have to make sure that they're accurate, so I'd like to get back to you while you're still here, through the Chair.

Mr Hampton: Maybe the auditor can give us those numbers. I'm not sure.

Mr Rafi: I have the 1999-2000 figures, including our salary and our other direct operating expenses. We expended approximately \$140 million. We can get the exact figures.

Mr Hampton: So that's for 1999-2000, \$140 million?

Mr Rafi: I believe so, yes.

Mr Hampton: That's salary plus other direct operating expenditures?

Mr Rafi: Yes, that's correct.

Mr Hampton: So what's your sense for 2000-01?

Mr Rafi: If I might, I'd like to make sure we can get those figures for you. I don't have them at my fingertips.

Mr Hampton: OK. Does the auditor—do you have those numbers?

Mr Peters: We just have the numbers for 2001, which was \$101 million in costs and \$894 million in revenues.

Mr Hampton: So it was \$140 million in 1999-2000 and \$101 million in 2000-01?

Mr Peters: Yes.

Mr Rafi: If I might add, Chair—I'm sorry to interrupt you—that wouldn't include our carrier safety and enforcement branch function, which was not part of this recent audit. My numbers include that, and that's approximately \$38 million to \$40 million, so bringing you to the neighbourhood of \$140 million, if I'm not mistaken. I just wanted to point out that there was a discrepancy in what the auditor has just pointed out, because his audit was concentrating on all but that branch, and that branch was the subject of an earlier audit. So the \$101.4 million I believe refers to the budget for which they examined, if I'm not mistaken.

Mr Hampton: Is that fair?

Mr Peters: That would be fair. We isolated the numbers.

Mr Hampton: I want, then, the numbers for fiscal year 2001-02 and then your estimates for 2002-03, if those are available.

The other question I'd like to ask you is, what was the revenue generated by the road safety program for 1999-2000, 2000-01 and fiscal year 2001-02, and do you have any estimates for 2002 and into 2003?

Mr Rafi: The revenue for 2000-01 would be \$194 million, as defined by this aspect of the audit. There would be only a very small amount of money that might be captured through our carrier and truck enforcement revenue that may not have been included in the findings of this audit. Again, I'll get you the remaining revenue figures. I'm not sure if we can provide the cost requirements for 2002-03, as those budgets haven't been approved yet, so I don't know what approvals we'll get. But we'll have that breakdown shortly, hopefully, for the member.

Mr Peters: The only number we have is 2000-01, where we reported \$894 million in revenues.

Mr Hampton: The question I want to ask is, how does the outsourcing of driver exams impact on revenue generated and how does the outsourcing of other aspects of your programs affect revenue generated? Do you know that?

Mr Rafi: The impact on revenue generated by those programs would be the loss of revenue to the province from those programs, which must be considered in the context of the cost savings associated with those programs and also the customer service improvements, which are perhaps more qualitative and not necessarily dollar-focused but are of equal import. We have to look at the net effect, and some of that can only be determined once we look at what bid quality and bid prices we get. We've not concluded that process for the driver exam alternative service delivery, for the outsourcing alternative service delivery in what we call our licensing services, our back office, as it were. Again, we have not gone out with the request for proposals but we are

looking at the cost savings associated with not providing those services directly put up against the costs for purchasing those services in the marketplace.

Mr Hampton: The reason I ask this is because, for a program that costs you—and I'm just going to compare apples to apples here. The Provincial Auditor tells us that for fiscal year 2000-01, the expenditure was \$101 million. You've also agreed that you don't get a lot of revenue from the carrier safety aspect of it. So if the lion's share of the Ministry of Transportation road user safety program costs you \$101 million and you derive \$894 million in revenue, then outsourcing is going to have to be really quite something to reduce your costs without reducing your revenues, wouldn't you agree?

Mr Rafi: No, actually, respectfully, I would not. The ministry receives its revenue in a multitude of products and services, numbering well over 60, I believe. The majority of our revenue comes from what we call validation tags or validation stickers which are required on an annual basis by drivers in Ontario or may be purchased two years at a time. That product is not subject to alternative service delivery. Therefore, the majority of the revenue—I do understand that if you compare revenue to costs of the ministry, \$894 million, maybe \$900 million to approximately to \$140 million, it might appear that we would be outsourcing that revenue flow, but rather, we are outsourcing a smaller component of that, should there be a take-up in the marketplace.

1140

Mr Hampton: Let me get this straight: the specific question I want information on is, how does outsourcing of driver exams impact on revenue generated? In your business case you must have some analysis of that.

Mr Rafi: Yes.

Mr Hampton: What is it?

Mr Rafi: The revenue to fiscal year-end, March 31, 2001, is approximately \$63 million. That is revenue with our additional temporary staff of some 284 at the time of the audit, approximately 301 staff now. That was a need to undertake additional hiring to meet with what were again increasingly high wait times for staff. Our normal number of staff is 450. We've pulled in revenue far in excess of previous years. Of the \$894 million in revenue, there's some \$63 million from the driver examination function.

Mr Hampton: So \$63 million comes from the driver examination function, and the rest comes from?

Mr Rafi: The majority, maybe 70% of our revenue, comes from validation stickers. Other products would be the used vehicle information packages, commercial registrations and commercial fees, other fees that would be collected, and the drivers' licences themselves, which would be part of the initial registration for a driver.

Mr Hampton: So in your business case, \$63 million, more or less, comes from driver exam revenues. Have you done a business case analysis of what the cost will be of the outsourcing, both in terms of the actual cost, let's say, of the contract and in terms of the cost when you factor in loss of revenue?

Mr Rafi: Yes. I would also state, if I might, that the purpose of our alternative service delivery in this specific area was and remains to improve customer service, to provide a more flexible delivery of that service, to maintain our road use safety integrity and to maximize the return to the province, and then we structured a 10-year licence agreement that we are pursuing in the marketplace. So our estimated expenses are approximately \$39 million to \$40 million. Those are on an annualized basis, so they are recurring expenses. The purpose is not specifically and not necessarily to have a dollar-for-dollar exchange, but we will also get value from the business. We feel there is room for harvesting improvements that can be taken, and we will get value for those improvements in a bid price that we are anticipating to be received shortly.

I also have the budget data, if you wanted the costs. We are working on getting you the year-over-year revenue figures.

Mr Hampton: I just want to be clear on the cost of the outsourcing: you will have to pay someone \$39 million to provide the outsourced service. Is that right?

Mr Rafi: I would say that we are looking for a firm or a consortium to deliver the service on a 10-year licence. They will pay us, in net present value terms, an amount of money for that licence and they will also look at the opportunities they have within that licence, the 10-year period, to receive additional funds, to make additional money. So the government will get not only what it pays on a 10-year basis in year one but the additional, if I may call it, premium for that business on top of that cost per year. So we are forgoing \$39 million in our expenses to have someone else deliver the business on our behalf.

Mr Hampton: So you're forgoing \$39 million; you'll give up \$39 million on the expense side. What happens to the \$63 million in revenue?

Mr Rafi: Yes, in fact we're also forgoing that revenue, but we're getting a lump sum payment for 10 years' worth of revenue from a service provider that will deliver the service for us. The amount of that price bid as it's going to be remains to be seen because we have not concluded our exercise.

Mr Hampton: I just want to be really clear: your expenses decline by \$39 million, your revenues decline by \$63 million a year—that's an accurate assessment?

Mr Rafi: The short answer is yes, and I think we need to emphasize that this is something that is taking place in many other jurisdictions. We have customer service concerns in this business that have related to the government having to hire 300 additional staff, which is a very difficult number to sustain over time because of the costs associated with it, long wait times, customer concerns for those wait times. So the decision on this is a function of improved customer service and maximizing value for a business that at the time the government felt, and I believe feels currently, can be delivered by others.

Mr Hampton: I have another follow-up question. You mentioned a lump sum amount which would represent 10 years' worth of the contract. When will that lump

sum amount be paid in terms of what you've set out so far? What year would it be paid in?

Mr Rafi: If this deal is concluded in the ensuing months, which we hope it will be, then we anticipate receiving in the 2002-03 fiscal year the lump sum amount for a 10-year licence going forward. That lump sum amount would be not only for the costs we would anticipate for running the business and the revenue we would get, but a premium amount that a bidder might provide us for what they could harvest in other improvements and benefits, which is not a unique method of undertaking a 10-year licence agreement.

Mr Hampton: So when would that lump sum amount—let's assume it's collected in the 2002-03 fiscal year—be shown as revenue?

Mr Rafi: In the 2002-03 fiscal year.

Mr Hampton: But it would be shown for revenue for all 10 years or just for the one year?

Mr Rafi: I'm not an expert on the PSAAB versus accrual accounting basis. I'd have to ask our finance officials for that take, but I believe the term is that we would book the amount in the fiscal year that it was received. How it's shown for accounting purposes on a PSAAB basis, the experts are—

Mr Hampton: Since I think this is the bailiwick of the Provincial Auditor, could I ask the Provincial Auditor, based upon what you've seen—

The Vice-Chair: That's the end of the 15-minute block, but perhaps the auditor would comment?

Mr Hampton: Maybe you could tell me how it should be shown and, based upon what you've seen over the last six years, how it would likely be shown.

Mr Peters: I think the PSAAB ground rules are actually that revenue is accounted for in the period in which it was earned. So the revenue should be recorded in the period in which it was earned and expenditures in the period in which they were incurred.

Mr Hampton: Does that mean over 10 years, then?

Mr Peters: If this is a lump sum—

Mr Hampton: Representing 10 years' worth.

Mr Peters: Yes. We would have to look at the detailed transaction. But, for example, the ministry currently records—for those people who are paying multiple years' licensing, the licensing is recorded in the year to which it applies. For example, a two-year licence would be spread over the two fiscal years in which it has occurred. That is the accounting that takes place.

Mr Hampton: Can I ask one definitional question? What do you mean by "harvesting more money"? Let's say you've got a private operator out there. Does it mean they're sort of allowed to figure out ways of extracting more money from the public?

Mr Rafi: The fee amounts that will continue to be set by the government and by the minister won't change unless the government agrees to have them change. The efficiencies that the service provider would be able to gain was my reference to harvesting improvements that they will have to determine and they will have to value as something they can accrue to themselves as part of their

interest in bidding on this business. There are efficiency gains that we feel would be of some interest to a potential bidder. That's what I meant. But the bidders themselves cannot set rates and will not be able to set rates or fees.

Mr Hampton: This won't be like 407?

The Vice-Chair: Thank you, Mr Hampton. We have about 10 minutes till lunch. We can go till five after, with a 15-minute block here, and then break for lunch.

Mr Patten: We can break for lunch now and come back at 1:30.

The Vice-Chair: Do you want to break for lunch now? Is everybody ready to do that?

Mr Peters: Can I make a very brief comment?

The Vice-Chair: You can make a comment, yes.

Mr Peters: Just to follow up, Mr Hampton, why I have some difficulty in answering your question is this: in the public accounts, we are using the accrual basis of accounting, which is what we are describing; in other words, an allocation over 10 years. However, I'm not sure how the estimates would be prepared that come to a vote before you, because they are still being prepared on a cash basis.

Mr Hampton: I think I know how they would be prepared.

Mr Peters: OK.

Mr Hampton: They'd be shown as one lump sum in one year.

The Vice-Chair: We'll adjourn, then, for lunch until 1:30—

Clerk Pro Tem (Ms Anne Stokes): Recess.

The Vice-Chair: Recess, thank you. There's that technical term. I don't want to get ahead of myself. We'll recess until 1:30, at which time we'll begin with the Liberal caucus.

The committee recessed from 1151 to 1334.

The Vice-Chair: I believe we have a quorum, so we'll call the committee meeting to order and continue with the review of section 3.11 of the Annual Report of the Provincial Auditor, that being road user safety. Just before we begin with the official opposition, Mr Rafi has some clarification on this morning's discussion. Although it may be for Mr Hampton, certainly we'll be able to provide that to him, or it will be in the record anyway. Go ahead, sir.

Mr Rafi: Thank you, Chair. There are a couple of areas; one was on the medical cases or medical reports that the auditor's report identifies as 150,000, and Mr Peters asked for clarification on that. I'll address that first.

I should clarify that my reference to 92,000 or thereabouts is to complex cases. Of the 150,000 reports that are identified in the audit report, we consider the remainder to be reports that are filed with us. So we processed approximately 60,000, and then in addition to that we cleared our backlog, generating a number of complex cases processed, approximately 90,000 in the year 2001. The audit report identifies 150,000 reports. The additional number above my number and the 150,000—that difference—is the reports we receive

which, for example, we call less complex or straightforward reports. If you are a category A through C driver's licence driver, you are required every three years to file a medical fitness report. If that's sent to us, we file that into the individual's file, and that is considered one report. That's how those reports reconcile to 150,000. I'm sorry if that has caused some confusion and I thank you for that opportunity.

The second piece relates to the division's expenditures and revenue for the years 1999-2000 to 2001-02. Although the member did ask for 2002-03 figures, those are not approved, nor would the revenue figures be approved, because they are a function of any changes that might occur based on fee structure or volume. So the estimates for 1999-2000 were \$151.8 million. This is for the entire division, which would be in excess of what was audited in the report. For the 2000-01 fiscal year, the estimates were \$143.1 million. For 2001-02, the estimates for expenditures were \$142.7 million.

For revenue, again, in the year 1999-2000, we reported revenue of \$878.6 million. In the year 2000-01, as the auditor has identified, it was \$894 million. I believe that would have been a third quarter projected. It settled—in other words, we received the remainder of that fiscal year's revenue—at \$910.3 million. For this fiscal year, 2001-02, ending March 31, we have a projected revenue of \$892 million, and that's where that ends.

You will see a fluctuation in revenue. If I could, I'll give you some way of explanation of that fluctuation. That fluctuation typically is a cause of the fact that we have 15% of licensed drivers who choose to renew their validation sticker on a two-year basis versus on an annual basis. I think, as I mentioned, a majority of our revenues come from both passenger and commercial vehicle validations. So we see a bit of an ebb and flow, if I might call it that, with respect to revenue fluctuations year over year. There'll be one year that's up a bit and one year that's down a bit and so on.

Thank you for the opportunity.

The Vice-Chair: Mr Maves, was that OK? That was part of what you raised this morning, I think.

Mr Maves: Actually, I think Mr Hampton raised it.

The Vice-Chair: And he raised the other—OK. Then we will continue for another 15 minutes with the official opposition.

Mr Hoy: The auditor made mention in his report the outsourcing of the driver examination system, which was something we talked about before lunch, I believe. He made mention that the ministry paid consultants over \$1 million to prepare a business case for alternative service delivery, but we're informed by the consultant that although the business case had been started, at the ministry's request it was not completed. How did it come to be that the ministry got involved with a \$1-million payment for work that was never finished or even required to be finished?

Mr Rafi: As we mentioned earlier in this morning's session, the ministry received approval to hire a signifi-

cant number of staff to deal with the waiting times for driver examination services, in advance of examining what market opportunity might exist for this business to be delivered by other firms that exist in the marketplace. At the time of getting approval for those staff, we also received approval to examine the market opportunity and assess this business in that context, partly because there is not a competitor business per se. There are many service providers out there delivering these types of services, service-type businesses, but not specifically driver examination.

1340

We asked and were approved at that time to undertake a market test and market analysis for up to \$600,000. Within that \$1 million that was identified in the auditor's report, we would break that down into \$600,000 and then \$450,000. That first \$600,000 was for a very extensive analysis on the business itself, doing some modelling, but also examining benchmarks, other jurisdictions that might be providing this type of service—what can we learn from that, and would there be a market interest in this? When we determined that indeed there might be, we went through the alternative service delivery vendor of record and proceeded to engage the same firm to do the business case development in this area.

We were also going to then take that business case to Management Board of Cabinet for review, and the decision at the time was directed to us that this was not an outsourcing opportunity because we were looking at the broad spectrum of alternative service delivery, which one could look at as outsourcing on the one hand and perhaps on the other hand full and outright sale of an asset, and there are several spots on that spectrum as well. So at the time we were asked to go to the cabinet committee on privatization and SuperBuild. This committee, while it does look at financial analysis, doesn't just strictly look at a business case analysis, and we were required to provide the spectrum of policy analysis which said we were going to recommend a spot on that spectrum, and we recommended a 10-year licensure agreement.

In the course of doing that, we had substantially completed the business case, but we used that information, that financial modelling, the financial analysis and assessment, to put it into a cabinet submission, a policy submission, and provided, as the auditor's report indicates, financial analysis information as well as looking at the spectrum of opportunities to give our recommendations to the cabinet committee on privatization and SuperBuild.

To that end, we felt that we took advantage of the information that was garnered; that we put that into a policy submission that provided members of the cabinet committee full and complete information as we knew it at the time. Their response to us was for us to go out and test the marketplace through a two-stage competitive bid process which we are in the process of completing now. We did a request for qualification and expression of interest, as it's called, and then secured a series of

successful proponents, who now have the opportunity to conclude a request for proposal where they will put in a price bid and a business plan.

The two contracts that were let for these projects amounted to a little over \$1 million. I want to emphasize that we felt that we have a completed business case. A business case should always be updated when you are ready to conclude your recommendations, when demographic information or staffing information is complete at the time that you would take the decision forward for review by the cabinet committee on privatization and SuperBuild. So it was a change in approach which was very much in keeping with the mandate of one committee over Management Board of Cabinet, and we felt that we took advantage of the advice we received as well as the information we received. I'll stop it at that. Thank you.

Mr Hoy: I think that through certain bills before the Parliament, Bill 65 in particular, where outsourcing or privatization is the order of the day by the government, hiring consultants for \$1 million not to complete an action is not public monies well spent.

The auditor mentioned that nowhere in the portions of the submission we received was this limitation noted: that the information was taken from an unfinished business case.

What is the ministry doing now in terms of hiring consultants? Is this hiring a tendering in all cases? Will you be tendering for consultants or do you pick from a pool?

Mr Rafi: The vendor-of-record approach that's been established by Management Board Secretariat applies in several areas, as all members will probably know, not the least of which is alternative service delivery. While at the time we did select from that group of already vetted consultants, the process that the Management Board Secretariat goes through is to select through a competitive exercise these vendors. It places them their list, allows ministries to access that list, puts their per diems on there that have been agreed to and discussed and negotiated. We at the time followed that approach, but I think as has been pointed out by the auditor, their view was that in spite of what we thought were the methods to follow at the time, we should be looking to undertake firms off the vendor-of-record list in a competitive manner. We are committed to doing so, and we are committed to improving the way that we address our acquisition of consulting resources, to your question, and to the Chair.

What we are moving to do, for example, is we have set up a central process for the acquisition and co-ordination of consulting resources. This process begins with requiring—whether an individual is going to choose from the vendor-of-record list, we must still select three names off that vendor-of-record list and require them to go through a competitive process in which they would submit their qualifications as well as their bid on the particular services. There are a series of mandatory documents. We have provided relevant staff with checklists that must be completed. One of those documents is a

consultant acquisition approval form must be completed and on the file. There must be an information note on the file for what the project is about. There must be letters to the consultants inviting them to respond to our interests. Through the competitive process, once a— we may also post the opportunity, I should add, on the MERX system, the electronic system that's used by government, but specifically in vendor of record we will go to a minimum of three.

Then, when the consultant is chosen, there is a consultant work package that is also centrally kept where there would be a signed agreement on board. Signatures will be obtained, and the consultant will not start work until that signed agreement is in place. All the other material I mentioned will also be part of the file.

Two more items, if I might. Throughout the life of the project there will be ongoing reporting on the financial status and financial status updates of the consultant assignment. Then at the close-off of the assignment we will require that the file have a close-off letter but also an evaluation form, another feature identified by the auditor in his report, an evaluation form that's signed off by both the vendor and the ministry to complete the file, and that will be kept centrally. To date, we have trained 85 of our staff since establishing this process in the fall of 2001, and those staff are either primary approvers of consultant assignments, project management staff or administrative staff that would be handling some aspects of consulting acquisition in the division.

Mr Hoy: Thank you. Would this file—and you've gone through the steps of what would happen—be made public in a timely way? Are you going to have these consultants do their work and then make the tendering process, the competitive process, public after the fact, or will it be public up front to those who may want to avail themselves of the service?

Mr Guscott: We encourage as much competition of skilled and able consultants to help us out on projects as we can. There is a process that we've mentioned through the Management Board Secretariat where they establish vendors of record, and they do a very broad advertising for that vendor-of-record process. They use the MERX system and other means to encourage any qualified bidders to come into their process, so that usually brings in a good, large field of potential bidders.

When we use a subset of that process for the competition that we've talked about today, that we've instituted since the Provincial Auditor's report, we are working within that subset. When we go out and advertise it on the MERX system as well, if we have any reason to believe that the vendor of record doesn't contain enough people skilled in that particular area, then we do use a very broad public access. The MERX system is followed very carefully by people who wish to sell services to the government.

1350

Mr Hoy: This morning, Deputy, you mentioned in your opening remarks that quotations would be garnered from three sources. Does this apply to the discussion we're having now?

Mr Guscott: Yes, that's exactly the same piece. If I can clarify: as I mentioned this morning, and as Mr Rafi mentioned a moment ago, we don't take one company from the vendor-of-record list any more. We select three and have a secondary competition among those three. That gives us more competition into that, more accountability in that process.

Mr Hoy: Now, does what you've just described include the outsourcing of the driver's licence testing offices? Would you require at least three applicants for the purposes of outsourcing of the driver's licence?

Mr Rafi: Is this about the driver examination or the private issuing offices that the question is pertaining to?

Mr Hoy: It is the government's intention to privatize the drivers' testing. Would you require that at least three firms or consortiums, as you described it before lunch, would apply before you're granted that?

Mr Rafi: In fact, what we've done in that approach is a two-stage competitive process.

The first stage was asking for an expression of interest by the broader community out there. That was posted on the MERX system. Once we went through that exercise and a blind process of review was undertaken by a series of evaluation teams, we then qualified a group of bidders. I don't know the number of bidders because it's blind to me. So the answer is yes, absolutely. In fact, I think we exceeded those requirements in the privatization of the alternative service delivery of driver examination business.

Then the qualified bidders have the opportunity to submit price bids on the request for proposal, which are right now in the process of being fulfilled and have not yet concluded.

Mr Hoy: Has the ministry achieved, to this date, the six-week waiting period that you desired for persons who seek a licence? Have you achieved the six-week waiting period, the turnaround time, that the minister has stated he wants? Have you done that currently?

Mr Rafi: We have a provincial average of a six-week waiting period across the province. The answer is yes. However, there may be some driver exam centres that will experience fluctuations or will just have an abnormally high demand area and they may not be down to six weeks at this stage. But the driver examination alternative service delivery will require that the successful proponent will have a six-week wait time at every driver exam centre.

The Vice-Chair: Thank you, Mr Hoy. We now will move on to the third party and that will get us right back into our equal rotation.

Mr Hampton: I want to return to some of the questions I asked earlier this morning. I'm trying to get a sense of what you mean when you say that when driver examination is privatized, whoever is the private sector company that gets the contract, there will be—and I'm trying to use your words—significant opportunities for them to harvest other revenues. It seems to me that harvesting other revenues means other fees. So is it within the conceptual framework of this that a private

company that gets the contract for driver testing, or may already have gotten the contract, for all I know, would be able to assess other fees or additional fees or fees on top of?

Mr Rafi: Mr Chair, just before the break we were exploring some of this area, and I would reiterate that the fee structure will not change unless the minister and/or the government are willing and interested in changing that fee structure; it will not be the purview of the successful proponent. The “harvesting of opportunity” reference is to additional cost savings, cost efficiencies that a proponent might be able to bring. They will have to determine, while going through in some detail the data room that is available to them, as this transaction has not concluded and a successful proponent has not been selected yet—they will have to determine and reflect that in their price bid as to where they see those opportunities lying and whether or not they feel that there is value for those opportunities.

The original intent of this exercise was to determine the market interest for this type of business. While there are service firms in Ontario that might be interested, one cannot be certain that there will be an interest when it comes time for bidding. We did what we thought was a prudent amount of work to get us to this stage, and we are testing the market to see if indeed there is interest in the marketplace for the business. But fees are the sole purview of the Minister of Transportation, increases in this area, if they are to be increased. The competitive process has not concluded as yet.

Mr Hampton: So I want to ask this specific question again. I think what I heard you say is that the minister would have the capacity to allow higher fees or additional fees, would have the capacity to allow the private contractor to assess additional fees or higher fees. Is that correct?

Mr Rafi: The fees cannot change without the minister’s approval. It’s not that the minister would increase fees—I want to be careful with my language—but the fees cannot increase unless the minister authorizes it.

Mr Hampton: Could you give me a concrete example of how a private company could harvest additional revenues? One way would be to go to the minister and say, “We want a higher fee” or “We want your approval to charge additional fees.” Can you give me another example of how a private operator could harvest additional revenue?

Mr Rafi: Some examples of how a successful proponent would be able to secure additional cost efficiencies would be to provide differing hours of service to take advantage of the fact that not everybody works from 9 to 5, so extend service hours, naturally making sure that we aren’t running into rush hour time or that we’re not testing at inappropriate times. Perhaps provide weekend service. Perhaps also provide car rentals for individuals who do not have a vehicle readily available. Those are, I think, three examples of where a successful proponent would be able to garner cost efficiencies or additional revenue opportunities that would be reflected in where they see the value for this business to be.

Mr Hampton: So for someone who wants to have a driver’s test and doesn’t have a vehicle of their own, one of the allied services that might be provided by this private company would be that you can rent a car at the same time.

Mr Rafi: Yes, and only those services that would be approved by us would be subject to that type of allied service provision, and not any service that a proponent would wish to provide. I think that’s an important emphasis that I might add, Chair.

Mr Hampton: I want to just go back to the raw numbers again. What you indicated this morning was that, on average, the driver examination function brings in \$63 million in revenue. The associated expenditures, costs, I gather are \$39 million, which leaves roughly a net revenue of \$25 million a year. Is that a fair assessment?

1400

Mr Rafi: Yes, considering that this year is the highest revenue year we’ve had and considering that the costs, as you’ve identified them, are net of the revenue.

Mr Hampton: We’re actually dealing I think with year 2000-01 figures. I think that’s what we agreed on. So you’re saying the revenue will actually be higher this year?

Mr Rafi: Revenue was higher in 2000-01 than it was in the years previous because we had brought on many more staff than we had, which allowed us to pull forward revenue. It is revenue that is not being realized if someone is waiting more than six weeks to get service. The moment we can reduce that to a below-six-week level, we’re realizing revenue that would not be realized until subsequent years. That’s why the 2000-01 fiscal year was a very strong revenue year for this business line. These are temporary staff hires that we had undertaken.

Mr Hampton: I understand. But in general, then, the process of privatizing this would mean that the taxpayers of Ontario, if we project 10 years ahead and use the figures that we’ve received, would be forgoing about \$25 million of revenue a year, net revenue; revenue net over associated expenditures and costs.

Mr Rafi: With the price bid approach that we have put in place and that we are hoping to get submissions on, we will not be entertaining those bids if we are not making as much money as we are making now or more. The opportunities for cost reductions and cost efficiencies are realized in the bottom line of a business. We are anticipating and hoping that that will be reflected in the price bids that we get for the business, because as a 10-year opportunity they will have the opportunity to undertake a return on their investment. It’s our hope that through our competitive process the government will realize those benefits. While the math that the member is talking about is the case, we do not intend to undertake this opportunity without ensuring that we’re getting at least what we’re getting now.

In addition to that I would add, if I might, that we also will get improved service delivery. One of the main objectives of this initiative was to improve the service

delivery, with which we were hearing that MPPs throughout Ontario were having difficulty, through their constituents, through our own customers. In order to sustain service improvements over the long term, this will be one of the methods to do so and to do so effectively.

Mr Hampton: If I remember reading the press releases about privatizing water testing, that was going to result in improved service delivery too. What assurances are there, what consumer protections? This is all under the discretion of the minister. What legislated consumer protections are there and what legislated service delivery do you have?

Mr Rafi: There are several requirements that we will have in our contract and in our delegation agreement with the service provider. There are several tools that are at our disposal that we will employ and will require of a service provider.

To start with, there will be performance standards set by the ministry and by the province. Those performance standards will not change unless authorized. We have escalation remedies that if service standards are not met, we will be meeting and ensuring that they are met through various remedies and tools at our disposal.

We will use such mechanisms as scheduled audits, unscheduled audits, something called mystery shopper investigations where individuals from the ministry will conduct themselves as customers. We will also undertake customer satisfaction surveys and require that those surveys be verified by having the proponent do the same. There will be a cure plan, as it's called, for any sub-standard performance that is found by the proponents. They will have to demonstrate in writing back to the ministry if they do not perform—for example, if they do not keep customer service levels at the six-week requirement, they will have to demonstrate how they're going to do that and what their methods of rectifying this will be.

We will have a small group of individuals who will also act as an oversight body with the proponent, and we will have an issues management and complaints resolution process and monitor them through the changes in any legislative or regulatory means that the government has at its disposal. The contract itself will also be required to be adhered to, and an oversight body will be structured to undertake the type of monitoring that is necessary.

Mr Hampton: As I do the simple math, it looks like we're talking, over a 10-year period, at least \$250 million in revenue that would ordinarily come to the taxpayers of the province. I think what I heard you say is that the contract would not be given unless you can capture at least \$250 million. Is that a fair assessment?

Mr Rafi: The intent of this initiative is to maximize customer service improvements, to ensure that provincial wait times are at an acceptable level to the clients of the business and to Ontarians, and to ensure that we maximize value to the province. We will have to determine what type of price bid interest there is in the marketplace

before and unless we are able to take this forward. It will go through a decision-making process within the government, and decisions against those objectives will be assessed. It would be our hope, through this competitive bidding process, that we can maximize all the objectives associated with this initiative.

Mr Hampton: I'll repeat my question again, and maybe I'll put it in the negative so it will be easier for you to answer. Are you saying that a bid might be accepted even though the province will not realize the \$250 million of net revenue that otherwise, just from the rough estimates, would accrue to the taxpayers? In other words, are you saying that the province would accept a bid, say, for \$215 million or \$220 million even though, looking at it from a business-case analysis, that would suggest that the province is actually going to lose revenue? The province will actually have less money accruing to it when all of the associated expenditures etc are factored into the equation.

Mr Rafi: There are two equally important objectives in this deal structure. One objective is to ensure that customer service is improved. I think we've heard from all accounts that it needs to be. We've heard from our customers, we've heard from MPPs and we've heard from the Provincial Auditor.

The other objective is to ensure that we are no worse off and we try to maximize value. We went through a competitive process, and are going through a competitive process, to create a healthy marketplace tension and a bid interest that will generate a situation where we are no worse off now than we were before we undertook this initiative.

Mr Hampton: I'll repeat my question. Are you saying that the province, from your perspective as the person who appears to be in charge of this, would actually accept a bid which would result in the province realizing less net revenue from these activities? In other words, the province would be in worse financial shape, say seven years, eight years or 10 years from now, than it would be otherwise had it kept this function within the public service.

Mr Rafi: I personally will not be making the decision. I will make a recommendation through my deputy minister, and through to the minister if he chooses to accept that, and we will take that to a cabinet committee, just to clarify my role to the Chair. As I mentioned, through this competitive process, through this bid process, we hope to be no worse off in a financial term, but also to maximize the other objectives that we have for this initiative. I feel that addresses the situation of, "Will the province accept?" I can't speak for what the province may or may not accept, but our objectives going forward are to ensure, again, that we are no worse off and we maximize other objectives that are of importance to this initiative.

1410

Mr Hampton: For the province to break even, I think we'd all agree, just on the rough mathematics and the projections, the province would have to realize \$250

million on this contract. Whoever the private sector proponent is, I'm sure they would want to realize a profit of at least 15%, which means the private sector proponent probably would be willing to offer only about \$216 million, something like that. That leaves you some room for profit. Just calculating in, say, a 15% return for the private operator means that the province is already out about, let's say, \$20 million or \$30 million.

The Vice-Chair: You may want to pursue that in the next round.

Mr Hampton: Oh, I think I will.

The Vice-Chair: We now move to the government caucus.

Mr Raminder Gill (Bramalea-Gore-Malton-Springdale): The biggest driver testing centre in my riding is the John Rhodes, and I know we had the minister over there about a year and a half ago when the backlog was tremendous. In fact, we were getting a lot of complaints even from industry, which was bringing in workers from overseas who were having difficulty getting their licences.

I just need to know: how are we doing in terms of improving the service? I know I don't hear as much from my constituents. Perhaps the problem has gone away. Please update me on that.

Mr Rafi: We undertook to hire additional contract staff because, as the member has pointed out, not just at the John Rhodes Centre but at many of our very busy centres in high urban areas across this province we were experiencing lengthy wait times for numerous reasons.

Beginning in mid-1999, we began a process of adding a road test booking centre, we call it. It's a call centre that allows callers to access the booking opportunities by actual centre as well as what is the next available time for an individual road test. So, for example, if a young person is going to university in Ottawa, lives here in the Toronto area but wants to take their test in Ottawa, they can find out if there is an opportunity for a test in Ottawa and when, and vice versa of course.

In addition to improving that system, we've hired additional staff. We added some 300 additional staff when all was said and done. We added three more driver exam centres to meet the existing and what might be future demand. We are pleased to say that we now have an overall provincial average wait time of six weeks or better. Again, as mentioned to a previous question, there may be certain areas in the province where the wait times are much lower than that. Again it depends on which type of test one wants to take. It may mean that in some cases we're still experiencing wait times that are somewhat higher, but our provincial average still remains at or about six weeks. Specifically in the John Rhodes Centre, we've seen a dramatic reduction in the wait times by some 98% in the G2 and some 70% in the G1, which is the first test that is taken. The G2 is the second exit test that is taken by individuals who are trying to acquire their graduated licensing G-level licence.

Mr Gill: I certainly want to congratulate the ministry, because it has made our life much easier since the

improvements. I was looking at the chart this morning that you showed about the number of fatalities. Subsequently, I was reading an article in the *Globe and Mail* in, I believe, the *Wheels* section that said the deaths by homicide are higher than the deaths by motor accidents. I think that trend has improved quite a lot. Is there any reasoning behind that? Have we done some programs, or what's the—

Mr Rafi: I think the ministry is very pleased with the results that we see on this chart. I believe we've had the lowest level of fatalities due to motor vehicle crashes since 1950. However, it would be inappropriate for the ministry to suggest that it takes credit for all those changes. Numerous initiatives have been undertaken over many years by governments that have sensitized the public to road safety. One example, and another real success story in Ontario, is that the use of seat belts in Ontario, which is about 92% to 93% usage, is the highest in Canada. Therefore that makes it the highest in North America, because we far exceed the US in seat belt usage in Canada.

There's a clear set of data from the federal government that indicates that seat belt use is a direct determinant in saving people's lives when it comes to motor vehicle collisions. The police community has done a stellar job in sensitizing the public, whether it be blitzes or public education campaigns. We have worked with over 100 community groups throughout the province to sensitize them to all aspects. We have worked with other partners, such as insurance bureaus, safety leagues, driving school associations and the like.

We also feel that the graduated licensing system itself, while recognizing we have only preliminary data, has reduced the number of collisions pre the introduction of the system in 1993 to one year after introduction of the system. We saw an immediate decline in collisions and injuries; collisions, I believe, at a 31% reduction and injuries at a 24% reduction. When we put all of these factors together—and I'm sure I've forgotten some—they might speak to the combined effect. I would be remiss if I didn't also talk about the reduction of drinking-driving incidences and the 25% reduction we've seen over 10 years of fatalities due to drinking-driving.

There is still more work to be done, but all those items combined make for what has been a good record in Ontario.

Mr Guscott: Mr Chairman, if I could just add to Mr Rafi's answer, one of the things you'll often hear is, "Well, of course it's safer, because cars are safer these days. They have ABS brakes, they have air bags etc." That's why we thought it was important to include as well the way our jurisdiction shapes up with the rest of the world, which also has safer cars and vehicles. We feel that chart of the international ranking of other countries vis-à-vis Ontario shows that it isn't just technology, that technology is improving all over the world. Even with that, our safety record is getting better. That's a credit to the people of Ontario, who are driving better.

Mr Gill: In terms of the minister having the power to increase the fees for driver training or whatever, I

suppose that authority exists with him even now, but I'm sure, in all fairness, he will need the cabinet's approval whenever he wants to do that. Do you want to elaborate on that? That's the norm anyway.

Mr Guscott: There is nothing in the plan that we're proposing for the privatization of our driver exam function that takes away from or gives any greater powers in setting fees to the government than it has now. All the fee setting will be at the government's requirement to be approved, whether that's the finance minister or the Minister of Transportation.

Mr Gill: I believe if there's any net loss in revenue and there's an increase in service, sometimes you have to pay money to get better service.

Mr Guscott: The discussion we've had today has sort of been like a back-of-the-envelope discussion of some of these initiatives. The business plan that's required by the government in assessing bidders, or by the bidders themselves as they determine the price they can pay, takes into account an awful lot more factors than we've talked about today. It takes into account long-term trends in the business, in the costs of the business and in the opportunities.

For example, we're not talking about just selling a business that we do now. As we've said a couple of times, we're going to require that the new purchaser of this service provide six-week coverage for a driver exam anywhere in the province. We're at a six-week average today, but as Mr Rafi has said, we're way above six weeks in some areas and below in others. A condition will be that it's six weeks everywhere. That's a level of service that we're not able to provide today, as much as we'd like, and they have to take into account that cost factor as well.

1420

Mr Gill: Sure. I'm done.

Mrs Julia Munro (York North): We'll pass.

The Vice-Chair: To a member of the official opposition.

Mr Hoy: Thank you, Chair.

It has come from a question of mine, and your answer was that you were approaching a six-week average across the province. I recognize that there may be areas where that might not be achievable this week but might be achievable next week. In answer to Mr Hampton's question, you say you want, through privatization, to have the same revenue. So we've got the six-week situation remedied; the government wants to achieve the same revenue. That leaves customer service, which has been mentioned a number of times here. Before lunch, Assistant Deputy, you mentioned flexibility, and just a few moments ago you mentioned different hours of service as an example of how to achieve more friendly customer service. Do you not at this date have the ability with our public service here in Ontario to have different hours of service?

Mr Rafi: We have increased our hours of service at the margins, and we've done that obviously through co-operation with our existing staff. It is far more chal-

lenging to provide such services as weekend service and also to provide part-time services, because the number of individuals an organization needs on board in order to have the flexibility to put on part-time service requirements by individuals or the service itself and full-time is a level of staffing that may be difficult to sustain over time. In addition, in order to even get to a provincial average of six weeks it was a massive investment of temporary staff; again, not something that's going to be easily sustained over time.

The other thing I might mention is that there will be other costs associated with the initiative that aren't reflected in our costs because of what we would call economies of scale and scope that we undertake already. So it's very challenging to provide services in a manner that is outside the norm.

Mr Hoy: But you have the ability to have different hours of service with our public service here in Ontario now.

Mr Rafi: Just to the level of increasing them in certain locations only by one or two hours at the end of a weekday. It's been challenging for us to put on weekend services. It's caused concern among ourselves and concern among the staff in terms of the workload that's been put on them.

Mr Hoy: But the Ontario government could hire more staff to do that.

Mr Rafi: The government has hired more staff to do that. I think the issue becomes, what is a level of staff that one has to take on additionally to get six weeks in every location, and is that a level that can be sustained over time? It's perhaps not a level that can be sustained over time in terms of the costs.

Mr Hoy: I look at the six-week issue that we talked about and your desire to have the same revenue. You have flexibility within the public service now, so I'm failing to find out exactly why you want to move in this direction.

The 10-year contract to a firm or consortium: have you looked into and analyzed the need to have a 10-year turnaround? Have you analyzed whether, when you go into the next round of competitive process, there would be anyone available to deliver this examination service at the end of 10 years, other than the one that's providing it currently?

Mr Rafi: What we've examined is that the successful proponent will be required to signal their interest in maintaining the business with a substantial lead time. So with two years remaining in their 10-year licence, they will need to signal to us whether they will be interested in continuing on, and that can be done through an extension period, or whether they're going to be considering exiting the business, and then we'll prepare for another competitive round to solicit a successful proponent at that point. If they are interested in maintaining the business, then we will look at our experience with them and determine whether that's something the government should be interested in and whether we want some remedial action to be taken before, and not until, we are going to engage them for another extension or another contract.

Mr Hoy: You're going to have a very rigorous program here to provide for the first service provider for a period of 10 years. I would hope that's going to be a very rigorous process and an open one and a public one. Do you believe that at the end of 10 years there would be anyone in Ontario who could take over this very extensive examination process for drivers in Ontario, assuming perhaps that the winning bid, the winning firm or consortium, has decided that they don't want to be involved here? Would there be anyone in Ontario with the expertise to take over after 10 years? Have you analyzed that? Do you believe there would be someone who could step in on a two-year turnaround and be able to take over what you're preparing to tender out?

Mr Rafi: I would say that when we have our bids in, we'll have a sense of the number of firms and/or consortia that are interested in bidding on the business in the first instance, and that might be an indicator. I would hope that lets us know that there would be interest in this business going forward. If we do not receive that type of interest, then I think we've got the answer earlier on. But originally, this was to determine the interest in the marketplace, and that is the process we're going through now. What the circumstances will be in 10 years in Ontario I couldn't speculate.

Mr Hoy: I think the public would want to know and would want assurances that the firm or consortium that takes this over for a period of 10 years doesn't become a monopoly, whereby there's no one left in Ontario that could deliver the service because they've been shut out for 10 years. You're not allowing for a process that turns around very often—once a decade.

Mr Guscott: It's a reasonable question. I think we will soon know the answer to that question, as best we can now for 10 years hence. As Mr Rafi has said, if we have multiple qualified bidders now for a business that none of them are providing, we'll have a pretty good idea, depending on the nature of those other bidders, whether we're likely to have those same types of bidders around 10 years from now. It's really not that much more difficult than the situation we're in today.

Mr Hoy: It's been stated here this afternoon that the government wants to maintain the revenue stream that they have. One would assume that the consortium also needs to make money at this. I have a concern, and the public has made it known to me, about rural and remote areas. I don't doubt that there would be a consortium around that would like to be the biggest driver examination centre in the GTA or Toronto, but what protection will be provided so that costs don't escalate in those rural and remote areas, and the service will be provided in the timely way that you desire without having persons travel great distances to have their exam? Let's particularly cite the very young and those who are 80 years of age.

Mr Rafi: The first requirement will be that the proponents maintain the same number and approximate locations of driver exam centres that there are in the province now. There is an allowance to move, for leasehold arrangements, within a five- or 10-kilometre radius,

or if leases are coming due, because we don't own those properties in each and every circumstance. But the expectation is that the service points must continue to exist within the approximate locations that they are now. Along with service wait times that are consistent in each and every location or better than six weeks, those are some of the checks and balances that would take place in terms of access and availability of service.

1430

Mr Hoy: The government wants to maintain the same revenue and the consortium will want to make some monies, perhaps undetermined, but they'll want to make some monies. How can you guarantee that in rural and remote areas the cost might not go up, citing those very same points that you've made? You want to maintain a government stream of monies. The consortium wants to make monies. The minister is going to be under great pressure, I would suggest, to increase those fees in rural and remote areas. It would seem reasonable to me that where you have walk-in traffic as large as you could have in this area that we sit in today, that consortium would do very well. What protections are there for rural and remote areas, other than the fact that you say the existing office has to be within five or 10 kilometres? What is going to protect them in year five of this agreement?

Mr Rafi: There's no opportunity for differential fee structures in the agreement. It must be adhered to if a firm is going to bid for this business. So you have to sign the agreement before you even entertain putting a price bid in.

I think the second point is that that's why we're looking for a single proponent for across the province, because there are differential cost structures living in various regions of the province when you factor in demand and population for a client base. So the notion is that the bidder will be delivering services across the province, will take its revenue based on set fees across the province, not differential fees, and must maintain services and service levels the same in one part of the province as it does in the most urban, most populous parts of the province.

Mr Hoy: You mentioned that these firms or consortiums, along with delivering the driver examination, will also be able to provide additional services. Do you have any list of services that can be made available or a list of services that cannot be made available through these driver examination offices?

Mr Rafi: In our request-for-qualification/expression-of-interest process, we asked any interested bidders to identify the types of ideas they thought they would want to see for additional service provision that would be related to this business. We also put in prohibitions as to the types of products and services that could not be provided in our driver exam centres. A few of the ones I have mentioned, which are perhaps extended hours, though not necessarily providing differential costs for extended hours, but again pulling revenue forward, speak to the proponent's return on its investment and the timeline for its return on its investment, and perhaps car

rental service provision that could be seen to be an additional revenue stream for the proponent.

Mr Hoy: Let's say I'm a young man who wants to get my first driver's licence and I go for my driver examination. Let's say perhaps I own a car and I want to get my licence and I go to this new firm or consortium and they say, "We have rental cars here. We prefer that you rent our car rather than use your own." Have you got something that will protect the public? Their first goal is to get their driver's licence. They may not want to buy any product at all that is available. We don't even know what they might be, but we hear car rental, for example. Is there anything that protects a person who says, "I do not want to use your rental car. I just want to take my exam in whatever car I choose"? Have you got some protection for that client so that they won't be coerced into using services and products provided by the firm or consortium?

Mr Rafi: Yes, we will do a number of things. One, obviously, beyond the fact that the coercion of additional services is an expressed prohibition and will be an expressed prohibition, as I mentioned earlier, we will also be undertaking our own mystery shopping, our own spot auditing, our own monitoring, our own complaints resolution process. We will require the proponent to also advise us of complaints they've received and how they've resolved them. Those complaints will also be available to be received throughout the various methods people have of communicating with their government now—through their local members, through letters to the minister, through the e-mail process—and perhaps secure a complaint resolution process that would be imperceptible, or not the scrutiny of the proponent, but rather the scrutiny of the ministry itself. These oversight functions, along with others, will be employed to insure not only the type of example the member has identified but other examples as well that might come up when people might feel they've been egregiously examined and dealt with in a manner that was not to their satisfaction.

Mr Hampton: I wonder if you can help me out and make some distinctions. When you cut away all of the various names and designations you might attach to something—in the spring of 1999, I believe you could say that the government sold a stream of future revenues associated with Highway 407 for a lump-sum payment. Would that be a fair description? Future revenues would have come from Highway 407, from the tolls. The government decided to sell that stream of future revenues for a lump-sum payment in 1999.

Mr Guscott: I feel like you're trying to put words in our mouths.

Mr Hampton: Is that a fair description?

Mr Guscott: I think it would be fair to say that the government got competitive bids for selling the business of operating Highway 407 for a number of years.

Mr Hampton: And the rights to the future stream of revenue.

Mr Guscott: I think what you haven't distinguished in your comment is the cost associated with it, the cost

associated with extending the highway etc. The government did not only forgo the revenue but the cost associated with that as well. So I think it's fair to say it sold the business associated with operating that highway.

Mr Hampton: As I understand it, what you're proposing now, in the spring of 2002, is to sell a 10-year stream of future revenues or to sell a business for 10 years for a lump-sum payment in fiscal year 2002-03, is that right?

Mr Guscott: The timing etc is all contingent on the fact that we haven't even got the bids for it yet, so I think that's quite speculative as to just when that might happen. Yes, it might happen and it might be a year or two later.

Mr Hampton: You've made a lot of comments about consumer protection and protection of drivers, etc. One of the frequent complaints we've seen, and we get them from all over the province, is that people are being assessed fees for the utilization of the 407 when they're able to establish an affidavit, evidence or work records that in the times in question they could not possibly have been anywhere near Highway 407 because they were elsewhere in the province. We get those complaints repeatedly and, as MPPs, we have a very difficult time having those resolved. In fact, in many cases, the 407 corporation just sloughs them off and says, "We're due a certain amount of revenue and you have to pay." Where's the consumer protection in that?

1440

Mr Guscott: The driver exam privatization model that we're looking at has much more intervention of the government in terms of fees, consumer protection etc than any other similar model. In fact, the dispute resolution, as Mr Rafi talked about in answer to Mr Hoy's question a few minutes ago, is much more extensive. As some of the members alluded to earlier today, there are a lot of complaints now about the driver exam function, perhaps not surprisingly when 60% of the people who go to take it pass and 40% get some bad news. So it's not surprising that we would have some complaints about it.

We expect this is the kind of business where we're going to have to have the best of customer service in order for this to be a success as an outsource activity, because of the fact that not everybody who walks in is going to get what they want. In fact, about 40% of them won't.

Mr Hampton: Just so I'm very clear on this, the minister will retain control over what can be charged for the driver examination fee, is that correct?

Mr Guscott: The minister will have control over what can be charged for the examination fee and he will have a veto over any other services that are provided by the provider as well. So if there are conflicting services of some nature—I can't think of one off the top of my head—they wouldn't be allowed. But the fees that are for the government-type service are set by the ministry.

Mr Hampton: I believe you indicated to a couple of questions earlier that you had already set out parameters

on what would be allowed and what would not be allowed. Is that a fair assessment?

Mr Guscott: In order to allow the bidders to develop their business case, it was necessary to define the types of businesses that were involved. As well, we got input from potential bidders about the things they would like to do. So we have some idea of the services that might be involved in this particular activity.

Mr Hampton: I want to get a clear picture of what would not be permitted and what would be permitted. I understand where some of these services have been privatized in other jurisdictions, for example, that where a six-week time limit has been set, if someone were willing to pay more, that is, an additional fee—not a fee for the examination but to have it scheduled earlier—that would be permitted.

Mr Rafi: That will definitely not be permitted here. In fact, there will not be differential fees for queue-jumping; there will not be differential fees for aspects of that whatsoever. Again, the fee structure will be set and will not deviate unless and until approved.

Mr Hampton: So someone would not be able to pay an additional amount in order to get an earlier driver's examination.

Mr Rafi: That's correct, nor are we contemplating that. We are putting checks and balances in place to watch for that and to audit on that basis as well, and would definitely act on complaints we received in that regard swiftly.

Mr Hampton: I understand as well, where this kind of privatization has been done in other jurisdictions, that if someone wanted, let's say, a Saturday or Sunday appointment, they could pay an additional fee and by payment of that additional fee would be entitled to an appointment at that time. I guess you'd call it a convenience fee.

Mr Rafi: It's our assessment that, as has been mentioned, a firm is obviously looking to generate profits and that's what makes it successful. But also, firms look at their various returns: their returns on equity, their returns on investment and so on. I'm certainly not an expert there, but the ability to draw revenue forward, in other words the ability to continue to provide services well below six weeks in terms of wait times, is the ability to pull revenue forward that is unrealized revenue. It's revenue waiting to be brought forward. But if you can't make the times available, then you can't realize the revenue. We see that as a benefit.

However, what will not be available to them will be to say, "Oh, OK, we'll allow the firm to undertake an evening test or a weekend test," and then provide fees associated accordingly with that. That is not the case. Again, the fee will be a standard fee, whether the test is provided on a Saturday or a Sunday or a Monday.

Again, the benefit is derived in other aspects of the proponent's opportunities, and that's one to pull revenue forward, but they will have to determine whether they can withstand the additional costs associated with having a cadre of staff available, because the same benefits must

accrue across the province. They may have to put on weekend services in order to meet their wait times in a particularly busy or populous area or areas where there are driver exam centres with high demand.

Mr Hampton: I think this may have been touched on earlier, but I just want to be absolutely sure. Again, where privatizations of this sort have occurred in some other jurisdictions, people found that the service might not be offered in a particular geographic location, just as a matter of routine delivery of service. People found that they would have to go further afield to receive the service. Can you ensure or can you guarantee us here that wherever driver examinations are available in Ontario today, they will continue to be available on the same basis?

Mr Rafi: For the RFP that's currently out for examination and bid, as part of the process with these types of transactions, we have set up what's called a data room, and that is a physical location with scores and scores of information that a bidder would need to understand the business so they can make an educated and appropriate bid with all the information that is necessary. In that data room are all the points of location, volumes and wait times that we currently have for those driver exam centres that currently exist, among many, many other pieces of information and analysis and data. So, one, the message has been sent in part of their examination.

Secondly, the message has been sent in the RFQ and RFP process, where it has been indicated that the expectation is for a six-week wait time at all driver exam locations. It has been indicated that the driver exam locations must remain in a proximate location to the existing locations, so that if the proponent doesn't wish to have the challenges of providing service in downtown Toronto or wherever the closest location is, or if the proponent doesn't wish to have the high volume of another location or the low volume of another location, those opportunities are not available to the proponent, and the proponent is making a bid based on that knowledge and those requirements.

That is also in the contract and it's also in something called the service level agreement. Both those documents will need to be agreed to by any interested party who will put a price bid in and, by putting a price bid in, they have agreed to those parameters.

Mr Hampton: I want to return to the question I asked earlier, and I'll use your terminology this time. In the spring of 1999, the government in effect sold a business called Highway 407. They sold the business for a lump sum of money, which, as I understand, was payable in the spring of 1999. Is that a fair description? The business was called the business of the 407.

1450

Mr Guscott: The government sold the business of 407 in the spring of 1999, yes.

Mr Hampton: For a lump sum payable in the spring of 1999?

Mr Guscott: For a lump sum that was payable, yes, as far as I know, in the spring of 1999.

Mr Hampton: Have you had a chance just since 1999 to look at what was paid in the lump sum and what the projected revenue streams look like?

Mr Guscott: No. The highway was sold in—perhaps I should have corrected your earlier statement—a competitive process in the spring of 1999 to the highest bidder. I haven't seen what the revenues have been since then.

Mr Hampton: So no one is able to do a sort of value-for-money audit, what was paid in a lump sum and what the revenue stream now seems to look like?

Mr Guscott: I think what can be said is that the highway was sold for what the market price was for that highway in the spring of 1999.

Mr Hampton: I'll repeat my question. No one has done, and no one is in a position to do, an analysis of the value of the lump sum of money versus the value of the revenue stream?

Mr Guscott: I haven't seen that information.

Mr Hampton: OK. I'm not surprised.

I just want to go to the proposition that we're facing now. We're now headed into the spring of 2002, and what is proposed is to sell a business for a 10-year period. This business is driver examination. Fair description?

Mr Guscott: Yes.

Mr Hampton: Is anyone doing an analysis before this happens? Is anyone doing an analysis of what the likely future revenue streams are and what the value of that revenue stream will be versus lump sum?

Mr Guscott: I would say that's being done by many people. Each of the bidding companies and consortiums without doubt are doing that, and as we develop our business case to know whether we're getting a reasonable price for that business, we will have done that as well.

Mr Hampton: Have you done it yet?

Mr Guscott: We're partway through.

Mr Hampton: Can you share that with us?

The Vice-Chair: Can you share it with us?

Mr Guscott: It's not complete. It's incomplete.

The Vice-Chair: OK.

Mr Hampton: When will it be complete? When can it be shared?

Mr Guscott: I'd have to check on that, Mr Chair. I'm not sure.

The Vice-Chair: OK. Thank you.

To the government caucus.

Mrs Munro: Much of our conversation has been directed around the driver examination function. I know that obviously with the introduction of the graduated licensing system, just the fact that it would put two road tests for an individual would put some increase on the resources. You've talked about the kinds of things you did as a temporary measure, hiring more people and so forth, but I wondered if you could give us an idea about the graduated licensing system itself. Obviously it put pressure on the system with regard to road testing, but clearly from the point of view of safety and so forth.

What other areas, then, are you seeing in terms of your review of that initiative?

Mr Rafi: The ministry conducted a preliminary evaluation, and what we did was we compared all novice drivers, so all drivers who were in preparation of getting their full licence, in 1993—this is just prior to the introduction of the graduated licensing system—and then examined all novice drivers in 1995. We examined their collision and injury rates and found, as I believe I mentioned earlier, there was a 31% decrease in collisions and a 24% decrease in injuries associated with those collisions among the novice driver population.

While that is a preliminary study, we are in the process now, after having seen a few more years of experience and results, to do a more fulsome and involved evaluation. We need to refresh those figures because now they've become dated and we have a longer amount of experience to draw upon.

Mrs Munro: Thank you.

The Vice-Chair: On to the official opposition.

Mr Hoy: Thank you. Is there any reason why the consortium that owns the 407 today could not bid on this driver examination service?

Mr Guscott: The bidders on the driver examination process had to be pre-qualified through a process that showed their businesses and their areas of expertise. There isn't anything that would have precluded them per se, as it would not have precluded anyone else, from doing that. Whether they were one of the approved bidding companies, I don't know, because I don't know the list.

Mr Hoy: So if they met the criteria and the demands of the ministry, that exact consortium could provide the driver examinations in Ontario?

Mr Guscott: Yes, exactly—

Mr Rafi: It's possible.

Mr Guscott: —if they were prepared to meet all the conditions of the tender.

Mr Hoy: Then we'd have a case where we have a consortium that has the Ministry of Transportation providing them with the penalty for non-collection of fees on the 407—thereby you're taking their licence away—and they issue drivers' licences?

Mr Guscott: No, there's actually no connection. The 407 agreement deals with the driving permit of the vehicle, the renewal of that driving permit. It does not deal with the driver's licence.

Mr Hoy: OK. I stated it wrong. But, in any regard, they could be involved, one way or another with the government of Ontario, with both the driver's examination and the licensing of the vehicle. In one way or another this consortium could be involved with the Ministry of Transportation in both regards.

Mr Guscott: We're dealing with a theoretical situation and I don't know what the case is. One of our criteria was whether or not there were conflicts between businesses, and I don't know whether that would have been considered a conflict.

Mr Hoy: In the auditor's report he talked about millions of dollars' worth of a consultant's work that was mismanaged as consultants were often selected without a competitive tendering process or engaged without a written contract in place. Is the ministry currently, at this date, involved with any consultants where you do not have contracts signed?

Mr Rafi: Not that I'm aware of. I think we took action. We very much agree with the findings of the auditor in the sense that his recommendations have been implemented, and we feel have been implemented beyond his requirements. As far as I'm aware—I stand to be corrected, but I'm not aware of that situation.

Mr Hoy: Could you provide the signed agreements with those consultants to the committee?

Mr Rafi: We'd have to take that under advisement. The firms themselves would have to be consulted. That's something they perhaps may not be comfortable with in terms of their own proprietary and financial concerns.

Mr Guscott: I think, Mr Chair, subject to any privacy issues, we'd be pleased to show that. I might add that the Provincial Auditor's findings with respect to consultants have been applied not only in the road user safety program but throughout the ministry. We have geared up our processes and our oversight for consulting assignments in every division of the ministry.

Mr Hoy: There seems to be a shift, from what I understood as a younger person, from the need for the public to know to a need to protect the competitive process. I've been involved in tendering as a farmer, and everyone in the room saw the tender. We have a situation in Ontario where huge contracts are given out and, as the auditor points out, in some cases mismanaged. We are using the words "competitive process" to protect the very people who have received the contract. I suggest quite firmly that the public has a right to know about these contracts, whether they are signed currently, as exist today.

1500

I'm really quite bewildered by the need to protect the competitive process. In the past, it's been an observation of mine that most contracts are eventually, if not immediately, made public. I think it lends credibility to the ministry—all ministries, yours included—and would therefore satisfy the needs of the government to show an open process and to protect the taxpayer. You've just stated that you want to ask the people you're in contract with whether they want to show the committee. It seems that they have more rights as to what is contracted with the government of Ontario than does the taxpayer. I would hope that you would be able to provide those contracts to us in a reasonable timeframe. If that is the law, that you have to ask these persons you're in contract with whether you can share it, it seems to be a one-sided operation, not protecting the public very well.

Mr Guscott: Mr Chair, if I could—in fact, the Chair may be able to guide us better on the information and privacy aspects of this, but we have no hesitation at all in presenting the contracts to the committee if they are

requested. We can't release contracts publicly unless we abide by the privacy provisions of certain things. But if the committee wants the contracts, and if it's in accordance with the committee rules, we have no hesitation in that.

The Vice-Chair: I think there's your answer. If the committee requested them, you'd take that request under consideration and determine whether you could provide them?

Mr Guscott: Absolutely.

The Vice-Chair: So we'll just leave it at that.

Mr Rafi: Mr Chair, could I just add to that a bit?

The Vice-Chair: Sure.

Mr Rafi: Thank you. It might be helpful to distinguish between the competitive process and the comment I made about protecting their proprietary interests. In some circumstances, we mentioned that we found a vendor-of-record process, which was initially a competitive process. I think the auditor has commented on that and we've responded to that. I think as well, in terms of contracts being in place, the auditor has identified that we didn't have contracts in place in a timely manner. I don't want to leave the committee with the impression that we had no contracts. We did have contracts, and we recognize that our administration of that needs to be improved and we have set about to do so. So I just wanted to make sure that the committee was aware that we were respecting the findings of the auditor and have indeed acted upon them.

Mr Richard Patten (Ottawa Centre): I have a couple of short questions. One is, at the completion of the audit in February 2001—it's about a year ago—in their report, the auditor stated:

"Although we requested that the ministry provide us with a copy of the parts of the business case that were completed, the submission"—this is under the section of alternative service delivery—"made to the cabinet committee on privatization and SuperBuild, and the committee's decision on the ministry's recommended option, the ministry only provided us with partial information and did so only after our audit was completed. Therefore, the ministry did not demonstrate to us that a proper cost/benefit analysis was done, nor did it demonstrate the validity of the assumptions and other information on which the decision to outsource was made."

I see your report card here says under this that the business case is completed. As the auditor, did you get an update on that business case?

Mr Peters: No, because we didn't ask for one.

Mr Patten: Oh, you didn't ask for one?

Mr Peters: No.

Mr Patten: OK. Would you like one?

Mr Peters: We will follow up on this audit, of course, for the 2003 report.

Mr Patten: OK. I should have asked this before because that was the heart of my question. Given the concern you raised at that time, my question obviously was that the business case be prepared and be the basis on which you moved ahead.

Presumably the history of the 10-year time frame, which now seems to be developing into a trend, is a very long time, and some of the concerns the members have already raised about that length of the deal with multiple companies and consortia etc leaves us with some worries. Presumably in negotiations, this is where the companies say, "Well, with this kind of volume, the expenses and the time it takes to implement, it's really got to be a long-term arrangement, otherwise it's not worth it."

Were there bids that looked at other time frames or was this something that was promoted by the ministry in terms of a 10-year arrangement? Or was this something that came by way of feedback from the companies that wanted to enter the bidding process?

Mr Rafi: Just as a minor point of clarification, by way of answering the question, the process is still alive and we are awaiting RFP bids from bidders. The length of the licence agreement was set and established by the government based on an assessment that indicated we would get interest in the business that would be for a length of time necessary for someone to make the necessary investments in staff training, in learning the business and getting their return on investment out, as well as the margins they think are relevant and appropriate for this type of service provision. So we did not ask in our expressions of interest if—

Mr Patten: So that was a given for you?

Mr Rafi: Yes. The government made that decision, so we didn't get that feedback from companies.

Mr Patten: We'll take the government on on that one in question period, if we ever get to it.

I was interested in your discussions today about the ever-increasing complexity of the interfacing of various ministries inside and outside of government in terms of your information and technology development, which must be extremely challenging. I would respect anyone taking on that kind of a challenge.

However, one of the issues that has been raised, and I'm sure you have heard about this, is the selling of information to private firms. I would like to ask you, because we're led to believe that it involves numerous companies—50-odd companies—to what extent does this go on, and has this been cleared with the privacy commissioner's office? Let me leave those two questions with, you first of all.

Mr Rafi: The ministry does have an information management process whereby it also has partnership arrangements through contract with insurance firms, in some cases with marketing firms and in some cases various investigative firms and so on.

The contracts in 1994—I believe we worked with the Information and Privacy Commissioner's office and they had identified and indicated that we had a sound process. In 1999 and 2000—I remain to be corrected on the dates—we had some concerns expressed by the privacy commissioner's office. We worked with them in detail. We did spot audits of a cross-section of these firms and we found where they could improve their administration of information. We have tuned that up with those firms

and have issued the changes to our contractual relationships with them.

In addition, we have identified a very strong respect for privacy and access to information in our driver examination alternative service delivery to the extent that Dr Ann Cavoukian, the Information and Privacy Commissioner, has written in full support of the provisions that were established by the minister in the contract, in the legislation requiring the appointment of a privacy officer to the successful proponent.

We feel that we continue to improve our access and handling of information, subject to the satisfaction of the privacy commissioner.

1510

Mr Patten: This is, as you know, an issue that, because of the nature of the interfacing, is raised depending on which ministry is involved in a particular concern, issue or discussion. But there is a growing concern out there, and, quite frankly, I think the other jurisdictions have done far better than we have here in Ontario. I suspect that the privacy commissioner is raising concerns but saying, "Well, all right, it's within the purview and the legalities of what we have in this particular province."

But I would say to you that if Mrs Smith finds out—and as a matter of fact, we did get some calls on this. What is that information, where does it go, who uses it, who benefits by it and who profits by it? We're not able to tell them, except we know that the government is selling information that has been gathered under one auspice and sold for commercial purposes. We don't know to what degree the government benefits. Presumably, there has to be a benefit; otherwise the government would not do that. But it's still under a shroud of secrecy. Quite frankly, I find that disturbing, and I'm concerned about it; a lot of people are concerned about it. It is not limited to your ministry; there are others where it's a general concern as well.

So I would ask you, what kind of examples? Say you sell some information to an insurance company or, let's say, a marketing company. All of a sudden when I pick up the phone, someone says, "Hello, Richard Patten. I'm calling from ABC Marketing. I'd like to know whether you would like to buy—" Where the hell did they get my name from? It could have been, maybe, from my driver's licence information. I don't know.

Mr Rafi: The ministry guards what we consider to be personal information, such as address information linked to an individual's name, very, very carefully. In the circumstances where we provide information, in the example that the member was referring to, we are not providing address information. I think, given what we have seen exists in North America and how we've benchmarked our information access protocols, we know that in the US there are jurisdictions they call open-record states where any information is available to anybody for purchase and for sale by the jurisdictions. The Canadian jurisdictions—and Ontario is a leader

among them—have been very careful to ensure that there are strict protocols and contractual provisions in place.

When one goes to inquire about insurance coverage and one wants to secure coverage, insurance companies must access the driver's record information. But again, they need various types of information. Those are strictly contractually provided. In cases of information that's given for automotive recalls, it's vehicle identification number information, so it's about the vehicle, not the individual.

Lastly, perhaps, I might add that there are call centre operations in the private sector and data-matching that occurs in the private sector, through everything from Internet access to filling out a sweepstakes form to filling out a draw ticket to buying credit card purchases, that expose people to their information, and the data-matching that occurs in that context is far greater than the allowances that we provide in information that's given out or sold.

The Vice-Chair: That concludes that block of questioning. Committee members, we're at this stage: the clerk has just gone to see if Mr Hampton is available. I see there are still some papers there. If Mr Hampton had one more block of questioning, each caucus would have had equal opportunity. Also, it was my understanding that adjournment time would be around four at the latest.

Mr Patten: I would wind up fairly soon, in the next minute or two, if I was just permitted to complete this line of questioning. That would be it for me.

The Vice-Chair: All right, go ahead. In the meantime, we're trying to locate Mr Hampton. A minute or two.

Mr Patten: I'm searching here—and certainly don't take any of my requests in any personal way, but I do want to pursue this. I wonder if there would be a map. I would ask the auditor to listen to the question because it might come under his purview as well, and that is: could we do an audit trail that says, "I'd like to know where information goes from my neighbour Mrs Smith," where that might go? I know there are many, many ways—and perhaps the majority, maybe all, I don't know, are legitimate—in which government does business, but the more I've been involved with government, the more I become concerned with big government. All of a sudden we lose control over what happens with private information. I would like to know if there is a way of being able to map and say—and I'm worried about the commercial side more than anything else. If you're talking about medical information that's required for a review of someone's eligibility because of age or a handicap or something of that nature, and they have to go through therapy, I'm OK with that. But when I go in and I see my doctor—it's probably a bad example—and I say "I'd like to see my file," my doctor gets all uptight and he thinks it's his file. I say, "No, that's my file. I'd like to see that, if you don't mind." I can see that, I can get my blood test and I can get pretty well anything. I think that's a very healthy thing for any society to do, and I think some jurisdictions do that well.

Is there a way to say, "Listen, if we gather information on you, there are six areas or nine areas in which

information sharing may occur," maybe with another ministry here? I'm particularly concerned about the commercial aspect, where someone profits in one sense or another, externally in the private sector, or maybe even the government indirectly. I think people need to know that and should know that. Is there a way of tracking that to hopefully provide some comfort for people so that they're not worried about certain information, because a lot of it sometimes has to do with the medical information that's also shared with your ministry?

Mr Rafi: I would address a couple of things, if I might. One would be that, in our discussions with the privacy commissioner, one of the changes we've made to the capturing of information in the first instance is the actual indication, regardless of where one might be. So whether you're accessing services through the Internet or whether you're at the counter, the consent notices have been made far more clear. On the forms themselves, the consent notices are made clear so that when an individual is providing information, you provide it under the auspices of the Freedom of Information and Protection of Privacy legislation. That speaks to the first provision of information.

I think in terms of the information that then goes out from the ministry, we have begun a process of undertaking audits of those people we contract with to ascertain what happens when the information about the individual responsible hits your company or your insurance company's desk. What protocols do they have in place where that information then goes beyond? Have those people been identified in the contract? If not, why not? We have begun that process. It's something that has come from people throughout the province and MPPs who have expressed some concerns or questions. But we've worked in concert with the privacy commissioner's office and have structured those first preliminary audits—because that's all they are for now—in a way that meets their interest and their concerns. We could not see a higher judge of whether we are on the right track in that regard than the Information and Privacy Commissioner.

Mr Patten: My last question is just to—

The Vice-Chair: This was supposed to be two minutes.

Mr Patten: Yes, I know. This is it. Could we receive a report? Presumably, there would be a report after the audit on that. Could the committee receive a report of that audit and your findings, particularly in relation to respect for private citizen information?

Mr Rafi: We can certainly give you our protocols. We can give you a copy of the contract we use. I can't see why we wouldn't be able to, if you'll allow us to expunge the names of the firms, give you a copy of the audit results and what our next steps are going to be in that regard.

Mr Patten: That's fine. Thank you.

1520

Mrs Munro: We're going around? We're continuing?

Mr Maves: Do you want to go another round?

The Vice-Chair: We'll go until the committee decides we shouldn't go any more. As I said, we have the time of 4 o'clock in mind, but it's up to the committee. I checked with both caucuses here and I think they have one more little question. It's our information that Mr Hampton won't be back.

Mrs Munro: OK, then I have one little question as well. First of all, I want to look back for a moment at the issue around privatization, because obviously the ministry has a long history of experience with privatization of various services. I'm wondering, in the context of that experience, are there lessons that you would apply as you go forward with further privatization such as we have discussed here today?

Mr Rafi: I think in the experience the ministry has had over the decades with private issuers, along with other examples the member is alluding to, one of the learnings we've applied—and they don't just come from our own experiences but experiences across a competitive assessment we did by benchmarking other jurisdictions. Those are really reflected, we feel, in the oversight and monitoring requirements that have been injected into the contract and service level agreement for the alternative service delivery for driver examination.

They speak from the standard-setting approach, in the first instance, to the monitoring throughout the delivery of the services; the very strict provisos for access to information and protection of privacy; the strict provisos on fees and how they will be handled as the sole purview of the Minister of Transportation; the auditing and spot-checking of the proponent throughout the relationship on a regular and an irregular basis so that we're not signalling our interests and allowing someone to mask what's going on. All of those things, we feel, are ways that we have learned from our own experiences, learned from what others in other jurisdictions have done, to make what I might call a made-in-Ontario solution for hopefully what will be a successful initiative.

Mrs Munro: Just as a follow-up, obviously that sort of thing would include such things as customer satisfaction and making sure people are happy with those kinds of services that are being offered.

Mr Rafi: Yes, we will definitely include customer satisfaction surveys, and I shouldn't have neglected that area, which is a first trigger. If you look at patterns and trends, our customer satisfaction levels have exceeded the retail sector, food service and other government departments, especially federal. That will give us a pattern and an indicator of what we need to identify and improve upon, and our private issuers have been a good example of that. When you combine our customer satisfaction in the private issuing network with our own, I think as the deputy mentioned in his opening remarks, we have a very high satisfaction rating of 85% plus. So we'll learn from that as well.

Mr Hoy: In the future, when the ministry does move toward privatizing driver examination offices, you will no doubt be selling assets, correct, or turning over assets to the winning consortium or firm?

Mr Rafi: The information technology equipment will be retained as the government's property and leased back, I believe. The property and those assets are the purview of the Ontario Realty Corp, so the proponent will have the opportunity to pick up those as market-level lease agreements.

Mr Hoy: But you would lease them back on a cost recovery basis?

Mr Rafi: Yes. The Ontario Realty Corp will do market-level lease arrangements with the proponent unless they choose not to use them.

Mr Hoy: And that would include the \$101 million of computers that were not supported by a sufficient strategic plan and a proper business case put forward by the ministry?

Mr Rafi: In actual fact, there has not been \$101 million expended, nor would we expend it without a strategic plan or a business case. But the changes that have been made at the terminal, in other words, to the physical hardware and the upgrading and changes to that equipment, will remain the asset of the government—and I want to confirm that, so I have—and they will be leased back by the proponent as well as perhaps a data access fee if indeed they are generating access to data.

Mr Hoy: There have been a great many issues spoken about here today: consulting firms, a lack of contracts etc. I think the public found this particular report by the auditor to be very problematic, and there will be other avenues for members to raise questions. Some of those will deal with the government itself and not necessarily with the deputy or assistant deputies and staff.

I am not satisfied that the move to privatization was proven by yourselves here today to be one that is required. The six-week time frame is reported to be working generally well in Ontario. The government wants the same amount of revenue. Customer service can be flexible today with the public service that exists here in Ontario, and I'm not convinced that the process will be totally open to the public after the fact. I also find that the 10-year agreement seems to be rather arbitrary and might not allow others in the future, a decade from now, to avail themselves of bidding on this process.

However, I want to thank the auditor and yourselves for being here today and answering the questions put forward. As I say, I'm not convinced that all is well and good in your next move or moves. That's not necessarily a personal opinion; it's one that's shared by many persons who are concerned about the lack of credibility, accountability and process that the ministry has demonstrated. Had it not been for the auditor making the public aware of these situations, I don't know when we would have ever discovered some of the failings that existed at MTO, as shown by this audit.

It is quite true that the graduated licensing posed a serious problem for the government, and thereby MTO. However, you've rectified that problem by hiring persons. Now the statement is made that we must privatize something that is working well in order to continue doing something that is working well. I haven't

found your rationale to be persuasive enough for me, at least, but I do appreciate your being here, and other staff members in the room who have patiently waited through the afternoon. I thank you for your patience with us.

The Vice-Chair: If everybody has concluded their comments and questions, just a couple of things before you leave. You offered, I believe—just to confirm this—that there would be a report made available to the committee that's relative to the privacy issue that was discussed just a few minutes ago.

Mr Rafi: Yes.

The Vice-Chair: So that'll be forthcoming.

Earlier there was the comment about asking for contracts. It's normal for the committee to write to the ministry and ask for information once we've concluded this part of the process. If there are any requests of that nature, they should be brought to the committee and made known to the clerk. Are there any requests? Normally it's at this time that these kinds of requests are made. There may be additional requests.

1530

Mr Hoy: I asked the deputy and the assistant to respond to the report that millions of dollars worth of consultants' work was mismanaged as contracts were often selected without a competitive tendering process or engaged without a written contract in place. I don't feel that I can say to the deputy which contract it is, because it's not named here. I asked if those contracts were now signed. It is a rather broad question, I admit, but by the deputy's and the assistant's answers today, they don't provide the names of the companies. So I'm asking a rather blind question of the deputy to respond to. Not knowing which company it was makes it difficult for me to ask, but I would ask them of their own goodwill to respond to the committee as to whether those contracts are indeed, as of this date, now signed.

Mr Rafi: I'm sorry, the answer is yes, they are, absolutely.

Interjection.

The Vice-Chair: As long as we have the discussion on the record.

Mr Fitzmaurice: When the consultants were engaged originally and they went to work, there was not a signed contract in place, and that's what we mean by that point. At a subsequent date, contracts were completed and signed and were in the file, if that answers your question.

The Vice-Chair: There has been a verbal assurance but Mr Hoy would like a written assurance. That's something you can ask for.

Mr Hoy: With two answers in the positive, one coming from the auditor and one from the ministry, I don't believe I need a written response.

The Vice-Chair: OK, thank you.

Mr Hampton, you snuck in under the wire. We were about adjourn, but you were next on the list.

Mr Patten: Don't tell him that.

Mr Hampton: I want to ask some questions about privatizing issuing offices. How many MTO issuing offices are there province-wide?

Mr Rafi: There are 281 private issuing offices. There are six ministry issuing offices.

Mr Hampton: Six ministry and 281 private issuing offices?

Mr Rafi: That's the term we use. Yes, that's correct.

Mr Hampton: Where are the six MTO?

Mr Rafi: Here in Queen's Park, the Macdonald Block complex, and Keele and 401, the Downsview complex. I'll need my staff's assistance on the other four. I'm sorry, I'm drawing a blank.

When we use the term "issuing office" for the ministry, in some cases they would be co-located with the driver exam centre. So there would be maybe two or three wickets that we'd call the issuing office end of the business.

Mr Hampton: The administrative officers at MTO—I guess I want you to look back and then look ahead. How many private issuing offices in general would an administrator be in charge of, on average?

Mr Rafi: On average—bear with me on this—in the neighbourhood of approximately 20, and that's a ballpark figure. We will get a more accurate figure for you.

Mr Hampton: So a given administrator or administrative officer would be in charge of about 20 of the private issuing offices?

Mr Rafi: That's correct.

Mr Hampton: What would be the duties of those administrative officers who would be in charge of the private issuing offices?

Mr Rafi: Principally, they are there to assist a new issuer who gets established: to help them with training, to help them with customer resolve issues that they might have questions about, to help them with customer service efficiency—sometimes it has to do with the office flow, the set-up of the location—and to advise them on their practices. So it's really an adviser role, a role that they provide input to. There are many other points of contact that the issuing staff have beyond the issuing office administrator, which is their title.

Mr Hampton: So they would train, they would deal with customer service?

Mr Rafi: Yes, that's correct.

Mr Hampton: Who would have looked after the auditing function of those 281 private issuing offices?

Mr Rafi: We have a small group in what's called licensing services. That branch undertakes spot audits and reviews the information of private issuers on transaction reports that they undertake on their reconciliation, as well as normal auditing practices that are in place.

Mr Hampton: So the outsourcing of the auditing function—I would assume that that licensing services group has more to do than just auditing the private licence issuers, that they have other duties as well?

Mr Rafi: We have a small group that does audit and verification and the remainder of the branch has many, many other responsibilities among the staff that work there.

Mr Hampton: So how was the decision arrived at to outsource that auditing function?

Mr Rafi: Again, I would say that, in examining business lines where there are service providers that can provide a higher degree of coverage in what is a very dispersed business, including our own driver exam centres, we examine where there might be business interests in providing that service and where there might be better coverage provided by the private sector. So we went forward to the Management Board of Cabinet on the outsourcing elements and got approval to again test the marketplace to see if, through an RFP process, there would be interest in having a service provider provide those services on contract to the ministry.

Mr Hampton: Was a business case made?

Mr Rafi: Yes, it was.

Mr Hampton: Did the auditor see the business case?

Mr Rafi: I don't know. For what we call the Kingston back office, just to jog your memory?

Mr Peters: We didn't review that.

Mr Hampton: OK, I was just wondering.

For the other issue, I just wanted to ask a few questions about revenue collection and control. From the numbers I've seen, in 1998 you wrote off \$250,000 and then I believe by the year 2000 you wrote off \$925,000 as uncollectable?

Mr Rafi: Yes, that's correct. Our write-offs increased in 2000. We do write-offs after seven years of uncollectable debt, but we keep that uncollectable debt on our books and in our system and still try to go after that uncollectable debt. In 1993, there were increases in fees for validation stickers and other areas, so seven years later would be 2000, and there may be a case that suggests that's why we saw an up-tick in the write-off amounts.

Mr Hampton: What about for the year 2001? Do you know what your write-off amount was?

1540

Mr Rafi: Offhand, I don't. Perhaps I could get that number to you shortly.

I might just correct myself. There are eight MTO issuing offices: in Thunder Bay, London, North Bay, Ottawa, Kingston, Downsview, which is Keele and 401, here in Queen's Park, and in Hamilton.

Mr Guscott: Our write-offs for 2001 are zero. We're going back and redoubling our efforts at collecting those amounts.

Mr Hampton: It's zero?

Mr Guscott: Zero.

Mr Hampton: Explain that to me.

Mr Guscott: The write-offs were debts that weren't collectible after seven years. We've decided that we want to go back and see whether some of the things that we were going to write off we can in fact collect on. So we're going back to the collection agencies to handle those debts. We're taking other looks at address files etc to see where the individuals may be and we're going to take an extra effort at collecting those debts.

Mr Hampton: So at this point your write-offs are zero?

Mr Guscott: That's correct. Our write-offs for this fiscal year will be zero for that program.

Mr Hampton: That doesn't mean necessarily that you've collected money.

Mr Guscott: No, that means we're not prepared to accept that we're not going to collect that money this year.

Mr Hampton: At a certain point you're going to have to account for what you couldn't collect.

Mr Guscott: Absolutely.

Mr Hampton: So when will that happen?

Mr Guscott: We will probably rectify that next year or the year after, depending on when we absolutely get to the trail end, the cold trail, on collecting some of that debt. But we're putting an extra effort into it. It had grown much too large and had been noted by the Provincial Auditor. We're taking an extra effort at it and, I might add, it has already been successful in a few areas.

Mr Hampton: You must keep track, I would hope on an annual basis, of how many NSF cheques, for example, you get. How many NSF cheques would you have received in the last year?

Mr Guscott: On average, we get about 25% NSF, not collectible.

Mr Hampton: So what does that work out to be?

Mr Rafi: I don't know the answer. I do know that the auditor identified the number of 39,000 not-sufficient-fund cheques. We have responded, we think, quickly to that identification, as well as having noted that in the revenue control review we had done just prior to the arrival of the Provincial Auditor. To that end, what we have put in place is, once a cheque has not cleared the banking process with us—and I'd be happy to go through what that process is—then we undertake to institute an immediate phone call to the debtor. Some 30 days after that we send a notice, then again at 60-day and 90-day intervals, which is something we instituted last year. In addition to that, any debt that's older than two years we are now sending to collection agencies. While that is a large number of not-sufficient-fund amounts, there's no question about that, in the last 12 months we have recovered almost 5,700 from the 39,000, representing about \$1.6 million.

So just to emphasize the deputy minister's points: we are in the process of responding to the auditor's findings in that regard and are also undertaking to go after those debtors in a manner that is within industry standards.

The last thing I would say is that in 2000, even though that write-off amount was as high as it was, that was less than 1% of our revenue. Essentially, the ministry collects 99% of its revenue, which is way above industry standards, where write-off amounts on average are between 0.5% and 1.5%.

Mr Hampton: Since you're saying you're not writing off any this year, can you anticipate when you're going to make that write-off?

Mr Guscott: No. That's going to be a function of when we run out of all avenues to collect that debt. The options range from whether we can track down people

who have the debt. The debt that's owed on drivers' licences is relatively easy to collect. It's harder to collect it on vehicles, which may not even exist any more. I think it would be fair to say that the very observation the Provincial Auditor made about the size of the write-off and the concern of the minister that this was a trend that had gone on for a number of years have caused us to take another look at our collection measures. We are in fact exploring policy options that may make it so that taxpaying Ontarians aren't subsidizing those who are trying to not pay that debt.

Right now, you can pay any of your MTO fees with a debit card, a credit card, cash and currently a personal cheque. Clearly, it's the personal cheques that are the problem.

Mr Hampton: Just from an accounting perspective—and maybe the audit staff can help me out here—what amount are you dealing with this year which otherwise, but for this change in policy, would have been written off? Do you know?

Mr Guscott: I can't recall the exact amount.

Mr Hampton: For accounting purposes, how is that recorded?

Mr Guscott: It's a matter of practice that it's written off after seven years. We're saying we want eight years to try to find this particular amount. As I say, we have made some substantial progress in the six months since we've made that decision.

Mr Peters: That is a question my office looks at in the audit of the public accounts, whether the provision is adequate. So if the ministry's efforts show that collection has improved to the point that the allowance can be

reduced—there are really two stages on any receivable. There's one creating an allowance, because it is doubtful whether it will be collected, and then the effort is made, and then at that point, when all efforts to collect fail, a write-off actually occurs. So it's a two-stage process.

Even though the write-off may be zero, we may still look at the amount of the allowance that is provided against these accounts, to see what can actually be collected. It's part of the public accounts process in which we have to determine or audit the valuation put on the receivables by the responsible ministry or entity in the government. Does that help or confuse?

Mr Hampton: I think I get the picture. So from your perspective, you will still determine if the allowance is acceptable, predictable etc, and the write-off will be made now after eight years instead of seven. So you've effectively changed your practice by one year.

Mr Guscott: The practice that we've changed is more with respect to the vigilance that we will go after these unpaid debts. I'm not saying that it's a permanent change to eight years, and subject to accounting practices, it may take eight and a half to collect some of them, but we have made substantial progress into what we would have written off by a special and concerted effort this year.

The Vice-Chair: Thank you. If there is no further business before the committee, I want to thank you as well, Mr Guscott and Mr Rafi, and your staff, for coming before the committee and helping us better understand the audit report.

Therefore, we will adjourn until tomorrow morning at 10 o'clock.

The committee adjourned at 1549.

CONTENTS

Monday 18 February 2002

2001 Annual Report, Provincial Auditor:

Section 3.11, road user safety	P-171
Ministry of Transportation	P-171
Mr David Guscott, deputy minister	
Mr Safi Raad, assistant deputy minister, safety and regulation division; registrar of motor vehicles	

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