

November 30, 2012

**Presto Statement: Check against delivery**

**Ontario PC Transportation Critic Frank Klees media availability on Presto**

In the coming weeks, I believe the word Presto will become as synonymous with the word 'scandal' as e-Health and Ornge, and will become yet another sordid part of the legacy of the seven cabinet ministers now running for leadership of the Liberal Party.

I first raised the Presto issue with the Minister of Finance and the Minister of Transportation in a letter I personally delivered to them on November 22nd last year.

In that letter I warned the government about the questionable circumstances under which the TTC was being coerced by Metrolinx and the Ministry of Transportation to enter into a contract with the Presto /Accenture consortium for the delivery of a transit fare-card system.

This, despite the fact that the TTC had issued a public tender to which there were 11 initial responses from providers, 3 finalists and one proponent who was able to meet every one of the conditions and specifications prescribed by the TTC. That competing bid had superior technology and would save taxpayers more than \$300 million dollars in capital costs and some \$15 million in annual operating costs.

In that letter, I pointed out that the TTC had gone through extensive public tendering process and that the TTC and the City of Toronto had expressed their preference to award the contract to ACS Xerox, the company that had successfully met all the technical specifications and terms of the RFP.

I asked that the ministers intervene to delay any decisions relating to this deal with a view to, at the very least, scrutinizing the procurement process.

Both ministers did nothing.

On December 7th of last year, I raised the issue during Question Period. This time with the Premier.

Here's what I said at the time. I'm quoting from Hansard:

**" Here are the facts: City of Toronto Councillors as well as Commissioners of the TTC have stated categorically on the public record that the competing bid is superior and will save taxpayers \$300 million. It is also a fact that Metrolinx is coercing and threatening the TTC to withhold other infrastructure funding if they don't enter into this agreement."**

I went on to ask if the Government would look into these concerns, or if it would once again take the Auditor General to expose even more mismanagement and waste of taxpayer dollars.

The question was ignored, and it was clear that once again the government would do nothing. You'll recall that my questions concerning Ornge were met with the very same responses.

Interesting, that at the very same time, there were reports that the same coercion tactics were being employed by Metrolinx and the Ministry of Transportation throughout the GTA.

Hazel McCallion was quoted as saying in May of last year, that Presto is "nowhere near what's around the world," and pointed to Hong Kong's system as being very user-friendly.

Councillor Pat Saito said at the time,

".....Let's be honest about this - the system is not the best system in the world. If our transit staff and Council had our choice, we would not proceed with this technology, using this software, using this equipment, because we don't have faith in it that it's the best system and the most up-to-date system."

She went on to say that the City's hands were tied because participation was required in order for the municipality to get its share of gas tax revenue.

York and Durham Region had similar experiences.

In the meantime, a scenario was playing out in Ottawa where similar pressure was being put on OC Transpo to contract with Presto. Again, OC Transpo had very specific expectations of what a transit card-payment system would deliver. Presto gave assurances that it could deliver on those specifications, knowing it had neither the technology nor the capacity to do so.

After two disastrous test phases, the resignation of Presto's Managing Director, more delays, and no answers to even the most basic of questions, the taxpayers have been left on the hook for more than \$25 million dollars and the people of Ottawa are still wondering how they got sold on this deal and Presto has already been forced to offer a \$3 million discount to OC Transpo to compensate for its failure to deliver.

What's interesting, is that the very system that Presto can't get right has been operating in Gatineau for months. That system was installed by the company that the TTC had identified as its preferred vendor before Metrolinx and the Ministry interfered.

So when it was clear that we wouldn't get any answers from the government, I contacted the Auditor General on April 30th this year to make him aware of what I considered to be the highly irregular conduct at Metrolinx and Presto.

I delivered a set of files that confirmed that the Ministry of Transportation, through Metrolinx, had pressured the TTC and the City of Toronto to reject a proposal that offered superior technology and savings to the taxpayers in excess of \$450 million and that essentially blackmailed them to sign a deal with Presto. It was either enter into a deal with Presto or risk losing gas tax money for other infrastructure projects.

I asked him to consider including Presto in his value for money audit given these questionable circumstances.

So where do things stand today?

1. Metrolinx and MTO are continuing to push blindly ahead with Presto despite its glaring problems, antiquated technology and rising costs to taxpayers;
2. Presto has now been adopted by Metrolinx and will soon morph into another expanding and costly bureaucratic boondoggle under the Metrolinx umbrella;
3. Earlier this week, Metrolinx and the Ministry of Transportation announced that an agreement had been signed with the TTC and the City of Toronto under which Presto would deliver a seamless transit card-payment system.
4. Here's what we know: That agreement commits the TTC and the City of Toronto to sole source a transit fare-card system without the benefit of an open tender. That in and of itself, contravenes provincial procurement policy.
5. We also know that Presto does not have the ability to deliver an open payment fare card system, because it does not have the technology to do so. The very fact that Presto claims that it will develop that technology, is what gives us concern. The champions of eHealth, lead us down the same blind alley. Promising a system that would ultimately be developed at untold cost to taxpayers.
6. No one knows what the terms of the agreement are that was signed. No one knows what the end costs will be, and the question we have, is why does Metrolinx and the Ministry of Transportation want to get into the business of competing with the private sector?
7. Why after the example of Ornge, do we hear once again, from an agency of the government, that it wants to develop a business with taxpayer dollars, with a view to monetizing that business to make a profit ?

That was Chris Mazza's game plan.

By failing to deliver on its contract with Ottawa, Presto has already called into question its competency. Why the rush to sink millions more of tax dollars into an organization that lacks the experience and competency to deliver when the service can be delivered by the private sector at less cost ?

Finally, the Auditor General will be tabling his report in the next few days, and we'll be interested to see what he has to say about Presto and the government's handling of this file.

This is no longer a scandal in the making - we're here now. The leadership hopefuls who are quick to talk about the need for fiscal responsibility, should tell us what they know about this issue and how they can justify letting this play out and endorse the waste of millions of tax dollars.

In the normal course, I would have had the opportunity to pursue the government on this issue in Question Period; but as we know, the doors to the Chamber are locked.

As I said earlier, I brought my concerns about Presto to the attention of the Auditor General, and I'll look forward to what he has to say when he tables his report within the next few days.