



*Office of the President & Chief Executive Officer*

Phil Verster

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November 24, 2017

Chris Murray  
City Manager  
City of Hamilton  
City Hall, 2<sup>nd</sup> floor, 71 Main Street  
Hamilton, Ontario  
L8P 4Y5

Dear Mr. Murray,

**RE: Hamilton LRT Operations and Maintenance**

I am pleased to respond on behalf of the Province and Metrolinx to Hamilton City Council's August 18, 2017 motion regarding Hamilton Street Railway (HSR) operating and maintaining the Hamilton Light Rail Transit (LRT) system.

The March 2016 Memorandum of Agreement (MOA), between Metrolinx and the City, confirmed key principles, roles and responsibilities for the Hamilton LRT project, which is expected to be complete by 2024. The MOA identified Alternative Financing and Procurement (AFP) using Design-Build-Finance-Operate-Maintain (DBFOM) as the anticipated delivery model for the project. The DBFOM model means the successful consortium (Project Co) responsible for designing and building the project, is also responsible for operating and maintaining it for the 30 year concession period.

This approach ensures that ProjectCo considers all the aspects of performance including that of operations and maintenance assets, and, in so doing, it provides a strong incentive for high quality design, high quality construction, and also for cost effective and efficient long term performance.

Metrolinx and the Province have devoted significant time and effort to consider and assess the implications of changing the delivery model at this stage of the project, while ensuring value for money, appropriate risk transfer and committed project timelines are maintained. I believe that removing operations from the procurement and assigning them to HSR is not in

the City's interest for the following reasons:

- It increases the project's complexity and creates interface risks between ProjectCo and HSR, which will imply a commercial risk to HSR. Should such interface risks not be resolved during the delivery of the contract, the implementation of services will be affected and HSR will incur costs and liabilities for such delays;
- It can result in higher operating costs due to the lack of competitive tension compared with the DBFOM model where bidders provide a long term fixed price for operations;
- It can result in delays in the procurement of approximately 4 to 5 months as it requires a new Request for Qualifications (RFQ) to ensure an open and fair procurement process.

Based on these considerations, I strongly recommend that the project continue to be delivered using the DBFOM model. However, if the City decides it is not willing to proceed with this model, Metrolinx is prepared to remove operations from the current procurement and work with the City on the basis that HSR will take on both the commercial and operational obligations under contract with Metrolinx remaining as the project owner.

To be specific, ProjectCo will retain the responsibilities for daily and lifecycle maintenance as well as for capital rehabilitation of the assets. This is consistent with the Design-Build-Finance-Maintain (DBFM) LRT projects in Toronto and Ottawa.

The City will be fully responsible and accountable to Metrolinx to operate the LRT system with the following obligations:

- Safe operation/driving of Light Rail Vehicles (LRVs) in revenue service;
- Regulation and supervision of LRV operations through the operations control centre (OCC);
- Recruitment and selection, training, certification and ongoing supervision and scheduling of drivers, OCC staff and other operations staff;
- Regulation and supervision of all LRV movements on the mainline and to/from the Operations, Maintenance and Storage Facility;
- Control of critical safety systems and authorizing access to LRT rights-of-way during operating hours;
- Fare enforcement;
- Provide customer information and assistance (including lost and found, addressing customer queries and complaints management);
- Respond to security incidents and emergencies, monitor passenger assistance intercoms and on-demand real-time CCTV, coordinate responses with police, fire and emergency medical services; and

- Provide full support and assistance to Metrolinx and Project Co. during design development and delivery phases as required where it pertains to Operations.
- All commercial claims related to HSR's responsibilities as the provider of operations under the contract.

The City will also be responsible for and carry the complete and full risk for ensuring that HSR is capable of fulfilling the above accountabilities and has comprehensive plans to achieve that state of readiness. Such plans must be shared with Metrolinx by no later than March 2020, given that it typically takes 4 to 5 years to properly prepare the operational capabilities. The City will also have to enter into an operations agreement with Metrolinx, by March 2020, to define the roles and responsibilities of the parties, the service and performance standards, the commercial responsibilities as well as the interface requirements between HSR, Metrolinx and ProjectCo.

This approach is consistent with the Toronto and Ottawa LRT projects - where the local transit agency will operate the LRT services.

Until the City formally agrees to all the provisions in this letter, Metrolinx will continue to proceed on the assumption that the project will be delivered through a DBFOM model with ProjectCo delivering the operations. If the City wants to change to a DBFM model with HSR delivering the operations, I would ask that the City formally confirm agreement to all the conditions in this letter, supported by a Council resolution, by January 24, 2018.

I appreciate the patience shown by the City and trust this response demonstrates the commitment of the Province and Metrolinx to the LRT project and our willingness to consider the City's requirements.

Sincerely,



Phil Verster  
President & Chief Executive Officer

- c. The Honourable Steven Del Duca, Minister, Ministry of Transportation  
His Worship Fred Eisenberger, Mayor, City of Hamilton  
Stephen Rhodes, Deputy Minister of Transportation  
Ehren Cory, President, Infrastructure Ontario  
Marni Dicker, Chief Commercial Officer and General Counsel, Infrastructure Ontario  
Peter Zuk, Chief Capital Officer, Metrolinx  
Gerry Chaput, Vice President, Rapid Transit, Metrolinx  
Jason Thorne, General Manager, Planning and Economic Development, City of Hamilton  
Andrew Hope, Director, Hamilton LRT, Metrolinx