



**The Corporation of the
City of North Bay**

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July 4, 2011

The Honourable Dalton McGuinty
Premier of Ontario
Main Legislative Building, Room 281
Queen's Park
Toronto, ON M7A 1A1

Dear Premier McGuinty:

I am writing to you seeking your assistance in regards to the future of the ONTC (Ontario Northland Transportation Commission). A tender was issued by Metrolinx for the refurbishing of 127 railway cars. From my understanding, Metrolinx' sole criteria for awarding this bid was the lowest price. This might sound like good business practice but, in reality, Metrolinx did not and could not, for whatever reason, factor in revenue from the contract to reflect what the Province of Ontario would have received if the contract was awarded to the ONTC. Our numbers show that if the contract was awarded to the ONTC, it would have saved over 6.2 million dollars in the life of the 5-year contract. This does not take into account severance costs which would be over 10 million dollars for the long-serving members of the ONTC. We all realize the situation of the fiscal health of our great province, and I know you are working hard to find savings, but here is a classic case of trying to save what appears to be a savings of 2 million dollars when, in fact, it will cost the Province in excess of 6.2 million dollars not factoring severance costs.

The awarding of this contract to an out-of-province firm is not the real issue. The real issue is not factoring all revenue that the Province would receive and the expenses the Province would be responsible for. This revenue and expense must be and should be factored and weighed before the contract is formalized.

Much has been said about the worst recession in our lifetime, where the Federal and Provincial governments spent record amounts of dollars to ensure our citizens would have jobs, our economy would recover, and we would get back to normal as quickly as possible. I believe this was the right course with all the information that was available at the time. Our city is recovering like most other cities in Ontario and we are proud of that.

Being the Premier of the largest province in Canada, brings much responsibility. I can understand that this issue is only a small amount of money in relation to your whole budget. You have stated many times your support for government workers and I take your word for it. As an elected official, your word is very important to our citizens. I understand situations arise from time to time in regards to decisions that must be changed for fiscal reasons. We all understand that. This is a case where your employees are being disadvantaged, through no fault of their own, by a flawed process. You cannot turn your back on them with this new information that is available.

Premier, mistakes happen, decisions are made with the best information on hand at the time. I believe this decision was based on the information that was presented. For some unknown reason, the revenue and expense side was excluded from the decision making process. As you know, leadership is judged by how we react to the problems, not the problems themselves. I have enclosed a summary of the revenue that was not taken into consideration for your review.

The Province of Ontario has recently released the Growth Plan for Northern Ontario. Northerners are very excited that your government is actively promoting sustainable economic development in Northern Ontario. This decision by Metrolinx, a Crown agency, clearly flies in the face of the stated goals and objectives of the Growth Plan.

You have the opportunity to stand up for one of the most important industries in Northeastern Ontario, the hard working individuals of the ONTC, the citizens of Northern Ontario and the taxpayers of Ontario. We are looking for strong leadership. The men and women of the ONTC are counting on your leadership to make the right decision. Northeastern Ontario is counting on your leadership. Out of respect to everyone, we await your response.

Sincerely,



Al McDonald
Mayor
City of North Bay

cc: The Honourable Monique Smith, MPP for Nipissing
The Honourable Michael Gravelle, Minister of Northern Development and Mines
The Honourable Kathleen Wynne, Minister of Transportation
Mr. Tim Hudak, Leader of the Opposition
Ms. Andrea Horwath, Critic, Intergovernmental Affairs
Northeastern Ontario Mayors
Northern Mayors (Timmins, Sudbury, Sault Ste. Marie)
Regional Area Mayors
Chambers of Commerce of Northeastern Ontario; Ontario Chamber of Commerce
Canadian Auto Workers (CAW) Local 103

Economic Benefit of the GO Contract
 North Eastern Ontario
 Highway 11 North Corridor

<u>Description</u>	Direct employment 109 FTE Per Year	Indirect and direct other employment 233 jobs, per year	Total Annual Dollar benefit 342 Jobs	Total Ontario Direct Dollar Gain over, 5 years
Employer Health Tax	\$ 125,404.50	\$ 186,283.50	\$ 311,688.00	\$ 1,558,440.00
Ontario Payroll Taxes	\$ 327,957.02	\$ 384,244.96	712,201.98	\$ 3,561,009.90
Woker's Safety Insurance	\$60,000.00		60,000.00	\$ 300,000.00
Ontario HST portion	\$ 50,000.00	\$ 30,000.00	80,000.00	400,000.00
Pension Fund Contributuins	\$ 321,550.00	\$ -	321,550.00	1,607,750.00
Ontario Health Premium	\$ 65,400.00	\$ 104,850.00	170,250.00	851,250.00
			\$ 1,655,689.98	\$ 8,278,449.90

Disclosed Assumptions

- 1) Average job at ONTC is paid \$59,000. Based on actual payroll.
- 2) The average indirect job is paid \$41,000.00
- 3) Tax rates are actual 2010 Ontario T1 tax rates
- 4) Ontario Health Premium is 2010 actual levels
- 5) Economic Multiplier of 2.11 over 5.3 Years
- 6) Ontario sales taxes are provincial portion of HST on contract consumables
- 7) EHT is 1.95% of gross salary
- 8) Pension fund contributions are 5% of salary

Conclusion

The Province of Ontario's payback on awarding the GO contract to ONTC is 1.2 years based on the variance between the lowest price and ONTC (\$2,025,538/\$1,655,689.)
 The Province of Ontario is **four times better off** by awarding the contract to the ONTC.

There is no consideration of other community job loss and prosperity such as, dentists, physiotherapists, other medical support profession, new homes, groceries, education and every other life support process including municipal taxes

The contract awarded by the Province of Ontario should be considered on a total net cost to the people of Ontario , on a wholistic approach building the province, labour skills and professions, not giving away tax dollars to other provinces and lossing jobs to other governments without complete calculations and net economic cost assessment.