



January 9, 2020

Mr. Peter Lauch, CEO  
 Rideau Transit Group GP  
 1545 Carling Avenue  
 Suite 406  
 Ottawa, ON K1Z 8P9

Your reference: RTG-OTT-00-0-LET-0898

Our reference: OTT-RTG-RLET-0532

Dear Mr. Lauch:

**RE: Ottawa LRT Project – Project Agreement dated February 12, 2013 (“Project Agreement”) between the City of Ottawa (the “City”) and Rideau Transit Group Partnership (“RTG”) Remedial Rights (S. 32.1(a)(i)(B) and 32.1(a)(ii)) – Interruption and Availability Impact and Failure Points Exceedance**

We write in response to RTG’s letter of December 19, 2019, as referenced above, in relation to the City’s December 18, 2019 notice of its exercise of remedial rights bearing reference OTT-RTG-LET-0293.

The City rejects the assertions made by RTG in its letter. In particular and without limiting the generality of the foregoing, given the poor performance of the System since the handover date, the City maintains its position that RTG has breached its obligations under the Project Agreement and that its acts and omissions have or could reasonably be expected to result in a materially adverse interruption in the Maintenance Services or the availability of the System to System Users. In fact, there have already been significant interruptions.

By way of recent example, there was a material adverse interruption in the availability of the System caused by extensive service disruptions and delays on December 31, 2019. In particular, but without limitation:

- a Train stopped at Cyrville Station with an issue that RTM failed to respond to in a timely manner. The City later discovered that the issue was caused by the neglect of duties by an RTM technician;
- a Train was stranded near uOttawa Station and was not recovered by RTM in a timely way or in accordance with the Project Agreement due to RTM's lack of, among other things, Standard Operating Procedures for dealing with such circumstances and a lack of leadership from RTM's team; and

City of Ottawa	Ville d’Ottawa
O-Train Construction	Construction de l’O-Train,
Transportation Services Department	Direction générale des transports,
110 Laurier Avenue West	110, avenue Laurier ouest
Ottawa, ON	Ottawa, ON
K1P 1J1	K1P1J1



- RTG failed to make additional spare Vehicles available for peak service by December 31, 2019 contrary to the agreement between the City and RTG. Accordingly, RTG is unable to provide the service level set out under the Project Agreement and as such, the availability of the System is and continues to be compromised.

Based on the City's preliminary assessment of the events of December 31, the root cause appears to be related to the long term buildup of metallic dust on the Vehicle rooftops leading to activation of the Vehicles' safety protections. For a low floor vehicle with the majority of its equipment located on the roof, there must be regular and ongoing maintenance activity on that rooftop as part of inspections and other maintenance activity. To the extent that the buildup of debris was allowed to accumulate over an extended period of time, it is unclear how this condition has gone unchecked by the RTM maintenance team. Absent timely intervention on this issue, we have to attribute this recent failure to a failure by RTG to deliver Maintenance Services.

The City continues to see a pattern of performance by RTG that falls well below the standards set out in the Project Agreement and therefore requires intervention. In reviewing the launch records for November 2019, we note that a late Vehicle launch occurred on ten separate days (November 4, 7, 9, 10, 12, 19, 20, 22, 28, and 30). More concerning is that in the same month we had to initiate replacement bus service on seven different occasions (November 8, 12, 19, 20, 21, 22, and 29). This pattern of inadequate RTG performance has persisted since the handover date and is unsustainable.

In addition to the technical examples described above and other technical issues experienced on the System to date, RTG has also failed to provide accurate Daily Operating Reports, Payment Adjustment Reports, Performance Monitoring Reports, and monthly payment invoices to the City in a timely manner as required under the Project Agreement. This information is critical to understanding System performance in order to assess RTG's performance failures under the Project Agreement including, but not limited to, Failure Points.

Based on RTG's obligations under the Project Agreement, and expected best practices, the parties should be able to rely on a performance reporting system to provide an objective and transparent methodology for assessing performance factors; however, RTG has resorted to manual manipulation of the data and manual adjustments of the reports. Furthermore, to the extent that RTG has provided performance information as part of daily reviews with City staff, we have relied on those meetings to assess performance factors and Failure Points.

RTG's failure in adequately meeting the demands of the System as well as its demonstrated inability to properly perform the Maintenance Services demonstrates a



clear failure to meet the requirements of the PA. Furthermore, RTG's acts and omissions have clearly resulted in a material adverse interruption to both the Maintenance Services and the availability of the System to System Users, thus confirming the City's entitlement to exercise its remedial rights.

The City has and will continue to work collaboratively with RTG with respect to its significant ongoing performance failures in relation to the System and maintenance; however, the severity of RTG's failures has put the City in the position of having to exercise its remedial rights. As such, and as noted in our previous letter, the City will evaluate the necessary rectification mechanisms and deliver a rectification notice in relation to the above-noted failures.

The City reserves all of its rights under the Project Agreement and at law.

Yours Truly,

A handwritten signature in black ink, appearing to read 'M. Morgan'.

Michael Morgan  
Director, Rail Construction Program

cc.

Lorne Gray, OTC  
Troy Charter, OCT