



December 18, 2019

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

Our reference: OTT-RTG-LET-0293

Dear Mr. Lauch:

RE: Ottawa LRT Project – Project Agreement dated February 12, 2013 (“PA”) 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

The City hereby provides notice pursuant to Section 32.1 of the PA to RTG of the City's intent to exercise its remedial rights in relation to Sections 32.1(a)(i)(B) and 32.1(a)(ii). In particular, RTG has:

- a) Breached its obligations under the PA and/or its acts or omissions have or can reasonably be expected to result in a materially adverse interruption in the Maintenance Services or the availability of the System to System Users (the “**Interruption and Availability Impact**”); and/or
- b) Accrued Failure Points in its performance of the Maintenance Services over the threshold contained within Section 32.1(a)(ii) of the PA (“**Failure Point Exceedance**”).

Interruption and Availability Impact

Since the launch of the System, RTG has generally failed to rectify ongoing issues with vehicle performance including with the TCMS and door subsystems and with infrastructure performance due to switch failures. In addition to these and other technical failures, RTG continues to struggle operationally with delivery of vehicles to meet service levels including the availability of hot standby or spare vehicles. This situation persists despite the agreed upon reduction to thirteen vehicles for morning peak service. Broadly, RTG has failed to respond to and rectify ongoing vehicle issues and/or issues that occur on the mainline in a timely manner.

Due to these breaches, acts and omissions, there has been a material adverse interruption in the Maintenance Services. As well, there has been a material adverse interruption in the availability of the System to System Users.



Failure Point Allocation Exceedance

Pursuant to Section 32.1(a)(ii), the City is entitled to exercise its remedial rights in the event that Project Co accrues, in any Contract Month, more than:

- (A) 300 Failure Points in respect of Vehicle and System Availability Failures;
- (B) 300 Failure Points in respect of Station Availability Failures; or
- (C) 150 Failure Points in respect of Quality Failures and Service Failures, combined.

Based on the data RTG has provided in its own reports, RTG has exceeded the above thresholds by significant orders of magnitude since the commencement of the Maintenance Term. Specifically, RTG has accrued the following Failure Points for vehicle and system availability:

Failure Point Category, Contract Month	Sep-19	Oct-19	Nov-19
Vehicle and System Availability Failures	1575	1395	1265

As well, RTG has failed to provide appropriate responses to quality failures leading to the accumulation of Failure Points for Quality Failures and Service Failures as follows:

Failure Point Category, Contract Month	Sep-19	Oct-19	Nov-19
Quality Failures and Service Failures, combined	86,779.50	10,809.50	8,241.00

Conclusion

Based on the foregoing, the City is currently reviewing its rights of rectification under Section 32.3 in anticipation of delivering a rectification notice. The City will be seeking reimbursement from RTG for all reasonable costs and expenses incurred in relation to the exercise of its rights pursuant to Section 32 of the PA.

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

Yours Truly,

Michael Morgan
Director, Rail Construction Program

cc.

Lorne Gray, OTC
Troy Charter, OCT