

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
de l'Ontario

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# STANDING COMMITTEE ON PUBLIC ACCOUNTS

ORNGE AIR AMBULANCE AND RELATED SERVICES

INTERIM REPORT NO. 1

2<sup>nd</sup> Session, 40<sup>th</sup> Parliament  
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The Honourable Dave Levac, MPP  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House.

Norm Miller, MPP  
Chair

A handwritten signature in cursive script that reads "Norm Miller".

Queen's Park  
June 2013



**MEMBERSHIP OF THE  
STANDING COMMITTEE ON PUBLIC ACCOUNTS**

2<sup>nd</sup> Session, 40<sup>th</sup> Parliament

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FRANCE GÉLINAS

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## **PREAMBLE**

The Standing Committee on Public Accounts held hearings on the Auditor General's March 2012 *Special Report* entitled *Ornge Air Ambulance and Related Services*. During 2012 the Committee held 17 meetings between March and September, hearing from 61 witnesses (see Appendix No. 1). The 2013 hearings are ongoing and to date the Committee has held 8 meetings and heard from 14 witnesses.

It is the Committee's intention to table two interim reports on various issues and observations related to this audit report—an initial report for the 2012 hearings and a second report for the 2013 hearings. Committee recommendations are to be addressed in a final report.

### **Professional Conduct of Witnesses**

The Committee had concerns with the conduct of certain witnesses. Letters were sent to various professional regulatory bodies to outline matters of conduct and to request that investigations be initiated and that appropriate action be taken by these bodies (see Appendix No. 2).

### **Acknowledgements**

The Committee acknowledges the dedication of Ornge personnel who have operated in a challenging environment over the past few years. Furthermore, the Committee would like to express its appreciation to Ornge for the commitment to providing ambulance services to Ontarians.

The Committee would like to thank the witnesses who appeared during these hearings from government ministries, Ornge Air Ambulance and the private sector. The Committee acknowledges the assistance provided by the Office of the Auditor General and the staff of the Legislative Assembly in the preparation of this report.

## 1. BACKGROUND

### 1.1. Ontario's Air Ambulance Service<sup>1</sup>

The province established a helicopter-based aero-medical program associated with Sunnybrook Hospital in 1977.<sup>2</sup> Initially, the province's air ambulance program contracted with private operators for aircraft, pilots and paramedics. The Ministry of Health and Long-Term Care (the Ministry) operated the central air ambulance dispatch centre and had oversight responsibility for program effectiveness.<sup>3</sup>

The service expanded during the ensuing years to include various aircraft associated with hospitals throughout Ontario. Several base hospitals were amalgamated under the Ontario Air Ambulance Base Hospital Program.

In 2005 the Ministry gave the new Ontario Air Ambulance Services Corporation the responsibility to coordinate these services effective January 2006. It was renamed Ornge and given new responsibilities, for example, in 2008 patient transfers by land ambulance between hospitals and in 2009 a dedicated paediatric transport program. The Ministry established a not-for-profit corporation:

. . . the Ontario Air Ambulance Corporation (Corporation) to become responsible for all air ambulance operations. This was done partly to address an independent accreditation review that recommended clearer lines of authority among the different components of Ontario's air ambulance operations. Having an arm's-length corporation deliver air ambulance services was also consistent with the Ministry's long-term objective of moving away from direct service delivery, with health-care services being provided by external entities accountable to the Ministry.<sup>4</sup>

The Auditor General reported on the Ornge corporate structure as delivering services with its aircraft and land ambulances, stationed at 12 bases across Ontario, and contracting with independent service providers for additional services. The private subcontractors provided aircraft and pilots and generally employed their own paramedics.<sup>5</sup>

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<sup>1</sup> This section is based on information from Ornge's *Home Page* and the Auditor General's 2012 *Special Report* entitled *Ornge Air Ambulance and Related Services*.

<sup>2</sup> Ornge, *Home Page*, <http://www.ornge.ca/AboutOrnge/Pages/History.aspx>, accessed January 28, 2013.

<sup>3</sup> Ontario, Office of the Auditor General, *Special Report: Ornge Air Ambulance and Related Services* (Toronto: The Office, March 2012), p. 5.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

Ornge's workload, consisting largely of transfers, is paid for through provincial funding and supplemented with borrowing. Its recent workload and budget were described as follows:

In the 2010/11 fiscal year, Ornge was responsible for the transport of more than 19,000 patients, medical teams and organs for transplant. More than 90% of these are "inter-facility" transfers of patients between health-care facilities.

Ornge received \$150 million in ministry funding in the 2010/11 fiscal year. It also borrowed about \$300 million between June 2009 and January 2011 to finance various items, including the purchase of aircraft and a new head-office building.<sup>6</sup>

## 2. AUDITOR GENERAL'S FINDINGS

The Auditor General's office completes between 12-15 value-for-money audits each year for inclusion in its *Annual Report*, tabled in early December. Ornge Air Ambulance Services was expected to be included in the *2012 Annual Report* when the audit was initiated in late autumn 2011; however, due to various challenges the report was not completed in time for inclusion. Consequently, at the request of the Minister of Health and Long-Term Care it was tabled in the Legislature as a *Special Report* in March 2012.

### 2.1. Overview of Audit Report (2012)<sup>7</sup>

The audit objective was to assess whether air ambulance and related services were:

- meeting the needs of Ontarians in a cost-effective manner; and
- in compliance with Ministry and legislative requirements.<sup>8</sup>

The Auditor General provided the following summary of the principal audit findings:

The Ministry has a responsibility to ensure that the services it is paying for are being provided cost-effectively and that Ornge is meeting the needs of the public and Ontario's health-care system. In outlining its plans to the Standing Committee on Public Accounts in February

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<sup>6</sup> Ibid.

<sup>7</sup> Ibid., pp. 7-10.

<sup>8</sup> Ibid., p. 6.

2006 regarding the corporation that would be responsible for Ontario's air ambulance services, the Ministry committed to set standards and monitor performance against those standards to ensure that the "end result will be improved care, improved access to service, increasing effectiveness and efficiency of the delivery of service, and the assurance of greater fiscal and medical accountability." As well, the Ministry's original submission to Management Board of Cabinet requesting approval for the Ornge arrangement specified that obtaining and evaluating performance information of this nature would be an essential part of the Ministry's oversight function.

However, the Ministry has not been obtaining the information it needs to meet these oversight commitments. For instance, it does not periodically obtain information on the number of patients being transferred or assess the reasonableness of the cost of the services being provided on a per-patient basis (something it could do by comparing Ontario's costs to costs being incurred in other jurisdictions or examining changes in Ontario's average costs over time). We noted in this regard that the funding Ornge received for air ambulance services increased by more than 20% between the 2006/07 fiscal year (Ornge's first full year of operations) and the 2010/11 fiscal year. However, over the same period, the total number of patients transported by air decreased by 6%. Also over the same period, Ornge received \$65 million to perform inter-facility land ambulance transfers, projected to number 20,000 annually. However, Ornge is currently providing only about 15% of the projected transfers.

From a quality-of-care perspective, the Ministry receives limited information on whether requests for patient pick-up and transfer are being responded to in a timely and appropriate manner or whether patients are receiving the appropriate level of care during transport. As well, we questioned whether the Ministry had adequate oversight over Ornge's procurement practices and its intercompany arrangements

with management and the board to ensure that Ornge was following appropriate public-sector business practices.

We suspected that the changes Ornge made to its corporate structure were not contemplated when the Ministry originally negotiated the performance agreement that governs the accountability relationship between the two parties. The Ministry acknowledged this and indicated that these changes hindered its ability to obtain the information needed to exercise adequate oversight.

It should be acknowledged that Ornge has made improvements to certain aspects of service delivery, including a new paramedic training program, and ongoing upgrades to the dispatch system to improve functionality and reliability. It has also assumed additional responsibilities, including certain critical-care land ambulance services in 2008. Furthermore, Ornge has obtained and maintained certification by the International Commission on Accreditation of Medical Transport Services. Consequently, some increase in operating costs may be justified. However, the Ministry needs better information if it is to ensure that the increase in annual funding has been well spent on improving the timeliness, volume and quality of services provided.

[The report noted several areas in which Ornge had not provided the Ministry with information required for proper oversight.]

The Ministry also needs to consider the long-term impact of Ornge having created its own airline and relying much less on other well-established air ambulance service providers. Significant dependence on one service provider poses potential risks, especially if other private-sector air ambulance providers can no longer stay in business. With fewer potential service providers, the Ministry will have reduced negotiating power in future funding agreements because it will have no option but to rely on Ornge for the delivery of Ontario's air ambulance services.

It should be acknowledged that, as a result of our bringing a number of these observations to the Ministry's attention during the course of our audit, as well as later media reports concerning Ornge, the Ministry has recently taken substantive action to address many of the issues raised in this report. Certain issues will take additional time to resolve in the most cost-effective manner given that Ornge's first priority must be to ensure the safe and timely transport of patients needing air ambulance and related services.

### **3. BUSINESS MODEL**

#### **3.1. Rationale for Ministry Divestment of Air Ambulance Service**

Mr. Sapsford (formerly Deputy Minister of Health and Long-Term Care) said previous audits identified problems with aircraft service and availability, including coordination, standby and employment issues. Discussions on divestment began in 2003. The Ministry wanted to create an organization focusing full-time on air ambulance service, with appropriate expertise. Mr. Sapsford said during his tenure several health care services were divested to external non-profit corporations.

#### **3.2. Corporate Structure**

#### **3.3. Implementation of Corporate Structure**

Several witnesses discussed the design and implementation of Ornge's corporate structure. Dr. Mazza (formerly President and Chief Executive Officer, Ornge) noted that initially Ornge was a not-for-profit but not a charity. Charity status was necessary to raise money in a foundation. Dr. Mazza said his vision was to generate revenue globally, return the revenue to Ontario and improve systems and services in Ontario. Mr. Beltzner (formerly Chair, Board of Directors, Ornge) said, "The performance agreement was pretty silent on the manner in which the thing should be delivered." Mr. Rothfels (Chief Executive Officer, The Intravest Corp.; formerly Chief Operating Officer, Ornge International) noted that Ornge International was never created. Ms. Heinz (formerly General Counsel, Ornge, formerly Partner, Fasken Martineau DuMoulin, LLP) said that she did not think that spin off entities were envisaged back in 2003. Ms. Beecher (formerly Vice-President, Human Resources and Organizational Development, Ornge Global) believed the Ornge corporate structure consisted of 17 companies and "was inordinately complicated."

Ms. Renzella (formerly Vice-President, Ontario Air Ambulance Co.; Executive Vice-President Corporate Services and Vice-President Finance, Ornge) said that

Dr. Mazza negotiated a weight upgrades deal with AgustaWestland that included a \$4.8 million donation but that a lawyer advised this could not be done. A Marketing Services Agreement was then struck with AgustaWestland. Payments flowing from the agreement were first made to Ornge Peel and later, to Ornge Global. Mr. Beltzner noted that Dr. Mazza and other executives moved from the charity to the for-profit Ornge Peel.

The Hon. Deborah Matthews (Minister of Health and Long-Term Care) cited Mr. Wallace (Secretary of the Cabinet, Head of the Ontario Public Service and Clerk of the Executive Council) as saying that it is not uncommon for broader public sector institutions to create subsidiaries to try and extract value from other areas of public service activity. The Minister said that “the corporate structure was not the problem” and that Ornge told the Ministry up to \$200 million would flow back to Ontario’s air ambulance system. She said, “Dr. Mazza was pursuing international business perhaps with the knowledge of government,” but added that “the really rotten part of Ornge, were items that were never disclosed.” Mr. Sapsford pointed out that it is necessary to rely on the judgment of boards of governors and management to ensure that public money is not used to support ancillary business.

According to Mr. Rafi (Deputy Minister of Health and Long-Term Care), ministry analysis concluded that Ornge was able to restructure under the terms of the Performance Agreement. He said the Ministry’s only option to prevent restructuring would have been to stop all funding, which would have put patients at risk. He added that as Ornge is federally incorporated, Ontario could not enact legislation affecting Ornge’s corporate governance.

Mr. Sapsford said Ornge had the authority to decide to buy aircraft but that this was not initially contemplated and that there was never discussion of Ornge owning aircraft and operating an aircraft division. Mr. Potter (Contractor retained by Ornge; formerly Vice-President, Aviation; Chief Operating Officer, Ornge) did not think Ornge’s new corporate structure would be in U.S. Department of Transport regulatory compliance.

More recently, Ornge has undergone further restructuring. According to Ms. Golding (Partner and Director, Health Law Practice Group, Fasken Martineau DuMoulin, LLP), since January 1, 2012 Fasken Martineau Dumoulin’s role has focused on issues such as the resignation of the board, the election of the new board, the wind-up of Ornge Global entities and the petition of two of those entities into bankruptcy [Global GP Inc. and Global Holdings LP]. Ms. Golding said she did not advise Ornge on provincial government relations other than to sometimes suggest Ornge seek government consent. She added that standard structures were in place for Ornge on the for-profit and not-for-profit sides.

### **3.4. Fundraising and For-profit Initiatives**

According to Mr. Beltzner a significant funding gap between current service levels and demand for Ornge’s services remains. He said Ornge engaged in a combination of fundraising and for-profit initiatives and that the government was

always informed. Mr. Rafi said Mr. Beltzner indicated in a letter that “Ornge’s pursuit of the new business ventures is being funded entirely with monies advanced as debt or equity by third parties, and is not being funded by monies advanced by the government.”

### **3.5. International Operations**

The Hon. Deborah Matthews noted that when Ornge met with the Ministry on January 24, 2011 that many corporate structure changes had already occurred. She added that Ornge indicated no public funds would be used for private endeavours and referred to the possible \$200 million fund flow back, as noted earlier. Mr. Rafi remarked that the Ornge leadership’s “apparent promotion of private interests over public interests was unforeseeable.”

Mr. Beltzner explained that a management company was set up to hold 99.99% of the shares of a limited partnership, to be diluted as investors came in. Mr. Beltzner was told that Dr. Mazza owned a majority of the shares and that the valuation of the company, assuming it could be monetized, was about \$100 million. The company, with no source of income at that time, had a licence agreement to utilize the intellectual property of Ornge, which had value. Mr. Beltzner became aware of substantial payments to Dr. Mazza’s professional corporation for services not provided. Mr. Beltzner said that he signed off on a contract with Dr. Mazza to provide services as a medical director in 2007 and that “apparently, the contract had a continuation clause in it and Dr. Mazza continued to draw money” on an ongoing basis. Mr. Beltzner added that he next followed up on this matter in December 2011 and was informed that Dr. Mazza was receiving a \$400,000-a-year stipend to provide medical directives without a supporting invoice. This compensation arrangement continued until he left on medical leave. Following up on the Ministry’s request to put together Dr. Mazza’s compensation, Mr. Beltzner alerted the Ministry’s internal auditor in an e-mail of this arrangement and subsequently telephoned the Ministry internal auditor in January 2012.

According to Mr. Lebo (Principal at Gravitas Business Architects; formerly Regional Operations Manager, Greater Toronto Area; Executive Aide to the CEO, Ornge), Dr. Mazza wanted Ornge’s reputation to rival that of the Royal Flying Doctor Service of Australia. Mr. Lepine (formerly Chief Operating Officer, Ornge) explained that for-profit entities such as Ornge Peel were created to sell services similar to Ontario’s, in other jurisdictions. He added that it is a common practice to hold assets in a trust to protect the organization against lawsuits and people coming after assets. Mr. Navas (Vice-Chair, Global Governance Advisors; formerly Ornge Board of Directors; Chair, Governance and Compensation Committee) described locations considered for U.S. expansion. Dr. McLellan (Board of Directors, Ornge) said that Sunnybrook Health Sciences Centre had discussions with Ornge about working together on international opportunities in Brazil and Kazakhstan, but “nothing has come of that.”

Mr. Farquhar (Vice-President, Operations, Ornge) and Mr. Lebo learned from newspapers that Ontario would receive only a 3% share from Ornge’s

international operations. Mr. Lebo believed there would be an enormous return on investments for Ontario and said, “I thought that I was working for the benefit of the people of Ontario. It now appears as though I was working for their [senior executives and board members’] personal benefit.”

According to Mr. Beltzner, Ornge’s share from the for-profit side was based on gross fee revenue. When a dollar came into the for-profit side, a percentage [3%] was to immediately flow to Ornge. Mr. Bates (Director, Emergency Health Services, Ministry of Health and Long-Term Care) noted that the plan did generate some small amount of revenue from paramedic training as well as consulting work in Saskatchewan.

Ms. Kiel (Partner, National Services Leader for Internal Audit and Enterprise Risk Management, Meyers Norris Penny) said the 2008 Meyers Norris Penny (MNP) report commented on Ornge’s unusual organizational structure and that the first recommendation was for the Ministry to look at the structure. According to Mr. Beltzner, the board’s response to the MNP report was to direct management to “Get it fixed.” Management was to report quarterly on Performance Agreement compliance.

On May 20, 2008, Mr. Schell’s (Manager, Risk and Assurance Services, Health Audit Service Team, Ontario Internal Audit Division, Ministry of Finance) audit unit was informed that Ornge intended to create additional corporate entities. He said his unit notified the Ministry’s legal services branch and created a draft plan, with input from the Provincial Controller, on an audit strategy and objectives. The executive decided on a separate internal audit engagement and a separate legal review in July 2008. Mr. Beltzner said the Ministry’s legal services branch never approached him or any board member.

### **3.6. Charitable Corporation**

Ornge’s charitable corporation came under scrutiny. Ms. Hawkins (Assistant Deputy Minister and Chief Administrative Officer, Corporate Services Division, Ministry of Health and Long-Term Care) was asked about a line item indicating that at year end March 31, 2008, Ornge allocated the Ornge Foundation a special gift of \$8.4 million. She noted a business case request from Ornge to the Ministry to allocate \$5 million from the land ambulance program to the air ambulance program. Ornge provided the following three reasons for the request: increased fuel costs, staff training expenses and contractors’ rate increases. The funds were reallocated. The Ministry sent a letter to Ornge specifying the funding had to be used for the three stated reasons. A senior Ornge executive confirmed back in writing that this was understood. However, the Ministry received a letter indicating that the funds were primarily spent on costs relating to the new Ornge aircraft.

### **3.7. January 2011 Letter on Restructuring**

In January 2011 Ornge sent the Ministry a letter about the corporate restructuring. Mr. Lepine said that Mr. Bates sometimes asked why the structure was so

complicated. Mr. Lepine replied it was for tax advantages, to protect assets. Mr. Lepine participated with Mr. Beltzner and Mr. Apps (Counsel, Wildeboer Dellelce LLP) in the Ministry briefing about the January 2011 letter. He said the comments received back were, “This looks solid. Have your lawyers reviewed it?” He said that another comment was “as long as your counsel has checked it over. I don’t understand all the legalities of the structure, but it looks solid, and this looks like a good plan to generate revenue outside of Ontario.” Mr. Beltzner described the purpose of the January 2011 letter as a “sanity check with government” and said there was no pushback from the government.

Dr. Mazza heard reports that the government “thought that the business plan and the opportunity were so positive that they would like to look at the potential of investing. They also talked about a number of other potentials down the road, that they thought it was a brilliant piece of public policy. That was why we went ahead with it.” Ms. Heinz explained the origin of the Ornge Issuer Trust structure. Ms. Renzella noted that the offering memorandum explained the corporate structure.

### **3.8. Board’s Role and Issues**

Mr. Beltzner said, “Somewhere along the line it went off the rails. . . . I think . . . as Ornge was created, or the Ontario Air Ambulance services was created, at day one.” Mr. Beltzner commented that he did not know whether “Dr. Mazza or others in the organization had properly kept the government apprised through the process,” but referred back to the January 2011 letter and said surely the government would have raised comments, questions or concerns then, if they existed. Mr. Beltzner and the board concluded, “The government has been informed. We haven’t heard anything. Therefore, it must be fine.”

### **3.9. New Corporate Model and Legislation (2012)**

Mr. Delaney (Chair, Board of Directors, Ornge) described Ornge’s task for the next few years as rebuilding the leadership and re-establishing the credibility of the corporation. Safety is the first consideration; efficiency is the second. The board is responsible for oversight of Ornge operations, formulating strategy (together with the Ministry) and ensuring strategy implementation. According to Mr. Delaney multiple corporations are often set up to isolate liability and minimize tax; the concept of establishing a charitable organization is not new. He said that the corporate structure was not a red flag but that he would not have tolerated different directors serving on different organizations. That resulted in differentiated interests on the board.

Mr. Delaney did not believe that knowledge and skills developed in air ambulance in Ontario would be exported “because in the short term I don’t believe we have the credibility.” Mr. Delaney suspects Ornge viewed Alberta’s Shock Trauma Air Rescue Society (STARS -- funded 70% - 73% by donations) as a model.

He said the intention is to shift Ornge from a federally chartered not-for-profit to a provincially chartered not-for-profit corporation. This would give the provincial government more ability to intervene directly. According to Mr. Rafi, the federal

government will determine whether the shift is possible when Ornge makes its application. The federal government will assess whether provincial legislation has similar elements as the federal legislation. He said that “the [provincial] legislation provides the ability for the minister to issue directives, to appoint a supervisor—a special investigator—and to require the establishment of a whistleblower policy.” Continuance provisions would ensure suppliers’ rights to bring action against the corporation. (See information on Bill 50, the *Ambulance Amendment Act (Air Ambulances)*, 2012.)

According to the Hon. Deborah Matthews, the Ministry now has the Performance Agreement it needs to provide proper oversight and is able to access information from sources it trusts. (See information on the amended Performance Agreement.)

Ms. Volker (Board of Directors, Ornge) noted that Ornge is simplifying its structure. Her committee is putting the audit up for tender, developing a whistleblowing policy and ensuring that the mandate is appropriate. Dr. McLellan said that Ornge now has appropriate management staff in place with an appropriate governance model. Issues remain with respect to staffing, interiors, and the overall quality and timeliness of information.

Mr. Feeley (Vice-President, Aviation, Ornge), Ornge’s VP of Aviation, discussed air operations staffing. He agreed that Ornge now owned the ideal complement of helicopters. Rotary-wing staffing was to have been increased from 67 – 80 (full staffing) by July 2012. Mr. Feeley said Ornge’s airline functions well and did not see an advantage in reverting to outsourcing.

### **3.10. Impact on Other Industry Players**

Ornge’s impact on other industry players, including former suppliers, was discussed. Mr. Blakely, Canadian Helicopter’s VP of EMS operations, said the contract extension clause, if enacted, would enable Canadian Helicopters (CHL) to resume operations for Ornge within three to four weeks. CHL could take over the aircraft, re-employ staff and deliver a high level of dispatch reliability to Ornge. Mr. Feeley noted that Ornge is on budget for air fleet operations, with no more money spent this year than last, under CHL outsourcing. Mr. Mackie (Director, Ontario Air Transport Association) argued the private sector provided better service at lower cost. Mr. Kidd (formerly Critical Care Flight Paramedic, Ornge), a former Ornge paramedic, believed that private sector companies such as Voyageur and Thunder should bid on fixed-wing and rotor wing services.

Mr. Mackie agreed with a statement that Ornge operations resulted in association members losing “multimillions of dollars.” Mr. Kidd said aspects of Ornge’s internalization “harmed patient care” and that Ornge did not want to spend money training paramedics.

According to Mr. Lepine, the purpose of a 2007 Ornge Request for Information (RFI) issued to air carriers was to obtain information on cost drivers following double digit increases in contract bids by the carriers. Mr. Mackie said the RFI “requested detailed proprietary and confidential information. No contracts were to

be awarded.” He added that it appeared that “[Dr. Mazza] gave his new airline our business and we were actually forced to help him.” Mr. Caplan (Vice-Chairman, Global Public Affairs; formerly Minister of Health and Long-Term Care) described a letter he received from northern air providers saying that Ornge was competing with their for-profit business.

## **4. PERFORMANCE AGREEMENTS AND LEGISLATION**

### **4.1. Original Performance Agreement and Legislation**

The Ministry and the Emergency Health Services (EHS) Branch had oversight responsibility for Ornge set by the *Ambulance Act*, the Performance Agreement and the Transfer Payment Accountability Directive. Mr. Blum (formerly Vice-President, Regulatory Affairs and Chief of Security; Vice-President, Strategy; and Vice-President, Corporate Affairs, Ornge) noted that the government’s most important lever was a non-appropriation clause. If Ornge was not complying with the Performance Agreement, the government could cut funding. Ms. Golding said that the Ministry, as the chief funder of Ornge, had great powers of moral suasion. Mr. Bates explained that an ambulance service requires certification from EHS in order to operate.

Mr. Lepine, Ms. Heinz and Ms. McKeogh (Deputy Director, Legal Services Branch, Ministry of Health and Long-Term Care) noted that Article 15 provided the Ministry with the authority to take control of Ornge’s communications centre if patient safety was threatened. The Ministry could access grant fund records and terminate the agreement with Ornge for cause. Mr. Lepine said that EHS could audit Ornge twice a year and assess anything else at any time with reasonable notice.

Mr. Bates explained that the Ministry has an oversight checklist covering, for example, operational issues and financial standards. The checklist was prepared in 2006 and implemented in 2011. He added that Dr. Mazza expressed no desire to apply the checklist to Ornge.

Ms. Hawkins, citing the Auditor General’s report, noted that Ornge did not need Ministry approval for setting up new corporate structures or for service delivery decisions. Dr. Mazza said that “the [Performance] agreement is silent on any number of things. . . . It is not a prescriptive agreement whereby it dictates every single element.” Dr. Mazza added that Ornge’s mandate, reflected in cabinet submissions, included increasing awareness of Ornge and generating revenue outside the tax base through fundraising and for-profit initiatives. He described steps taken, such as converting the Ornge Communications Centre (OCC) systems from analog to digital, to establish Ornge’s information database, which was part of the Performance Agreement.

Mr. Bates tabled correspondence, which he said indicated he was under direct orders from the associate deputy minister, Mr. MacLeod (formerly Assistant Deputy Minister of Health and Long-Term Care), to do what Dr. Mazza said to

do. Later, when Mr. MacLeod appeared, he said, “I think that’s taking some liberties, because if I look at the correspondence that he tabled, it does not say that.”

Mr. Blum described how the Performance Agreement schedules provide for “cure periods.” If the Ministry identified a problem, the Ministry could notify Ornge and give it, for example 30, 90 or 120 days to address and correct the problem. Mr. Lepine drew attention to Performance Agreement schedules that include key performance indicators.

#### **4.2. Amendments to Original Performance Agreement**

Ms. Renzella and Ms. Heinz described two amendments to the original Performance Agreement – one to add services in Thunder Bay and a second to incorporate a critical care land ambulance service.

#### **4.3. Comments on Ministry Oversight of Performance Agreement**

According to Mr. Blum, regular meetings occurred between representatives from Ornge and EHS to address operational or other issues. Dr. Mazza said Ornge reported on everything outlined in the Performance Agreement but did not formally report on items outside the Performance Agreement, adding that information on these items was not requested. Mr. Blum believed that the Ministry should have exercised its contractual obligations within the original Performance Agreement to request salary disclosures. According to Mr. Steeve (Principal Secretary to the Premier), the Ministry and ministers moved swiftly once they were aware of actions and behaviours that occurred beyond the scope of the Performance Agreement. Ms. Golding never briefed the government other than responding to an email asking why Ornge was incorporated federally. Mr. Steeve and Mr. Rothfels had no recollection of seeing the Performance Agreement.

#### **4.4. New Performance Agreement and Legislation**

According to Ms. Hawkins, the new Performance Agreement has a much greater degree of oversight, accountability and transparency. The Minister noted that calls that come into Ornge but are refused (not completed) can be tracked. Ms. McKeogh said Bill 50, the *Ambulance Amendment Act (Air Ambulances)*, 2012 would provide the province with many of the same powers for intervention in the public interest as those that currently exist for public hospitals under the *Public Hospitals Act*. She said that the amended Performance Agreement and proposed legislation, if passed, would provide a strong and effective response to address concerns identified in the Auditor General’s report. Mr. Delaney believes the new Performance Agreement provides both the Ministry and the Minister with much more authority to intervene. He described the agreement as “perhaps overly restrictive in some regard, but it’s a natural consequence of going from one that didn’t work to a slight overcorrection the other way.”

Mr. Bates said that under the new agreement Ornge has more stringent monitoring, control and reporting obligations. There are enhanced key performance indicators (Ornge's funding and executive compensation are tied to performance improvement targets). Ornge's internal investigations protocol will be improved and the Ministry of Natural Resources (MNR) has initiated a safety review of Ornge's rotary-wing ambulance operation. Ms. McKeogh noted that Ornge must provide not-for-profit air ambulance services and obtain prior Ministry approval for such actions as purchasing real estate, incurring debt, selling assets (subject to a specified threshold) and changing the corporate structure.

The Committee asked whether defined service levels had been included in the new Performance Agreement. Mr. Bates said as far as he knew, they had not been included. He explained that issues such as proper staffing for critical care, advanced care service and helicopters are not in the amended Performance Agreement because standards exist under the *Ambulance Act* for ambulance operators. However, he said that this information should be in the operational plan associated with Ornge's Performance Agreement.

#### **4.5. Implementing New Performance Agreement**

Implementation of the amended Performance Agreement includes such measures as improving disclosure, simplifying structures and improving controls. Ms. Volker noted that a significant amount of disclosure is required in a short time. The board is trying to meet reporting timelines, create a simple, easy-to-understand structure and ensure there is an open, ongoing dialogue with the Ministry. Ornge's finance and audit committee is responsible for ensuring that Ornge has an internal control mandate with the right leadership. The controls are more than financial as they relate to every aspect of the organization including, for example, maintenance records.

Mr. Brady (Manager, Investigations Unit, Emergency Health Services, Land/air Operations, Ministry of Health and Long-Term Care), the head of EHS investigation services, was not familiar with the original Performance Agreement but has provided all of his staff with copies of the amended (new) agreement. The EHS was never told to make the original Performance Agreement part of investigations. Now investigators are using the new agreement.

#### **4.6. Compliance with Performance Agreement and *Ambulance Act***

The Hon. Deborah Matthews said that the Ministry met and continues to meet with Ornge senior management quarterly. As noted earlier, the Ministry relied, for oversight of Ornge, on the Performance Agreement, the *Ambulance Act* and the transfer payment accountability directive. The three means of oversight under the Performance Agreement were EHS's investigation and compliance work, certification (a comprehensive review of ambulance operators conducted every three years), and performance agreement reporting. EHS had day-to-day contact with Ornge. Ms. Heinz confirmed that Ornge's board was vetted by the Minister's

office. The Ministry made no nominations and appointed no members. Directors' liability insurance was in place; the Ornge bylaw provides for director indemnification.

Ms. Hawkins, the ADM who oversaw land and ambulance services from October 2007 until early 2010, disagreed with a statement that the Ministry had failed in its oversight responsibilities. She said the Ministry relied on Ornge reports, written and verbal assurances from Ornge and the Meyers Norris Penny third party review. Ms. Hawkins did not know Dr. Mazza's salary until it was reported last year.

Mr. Beltzner said that in a meeting in 2008 Ms. Hawkins showed him a letter from an individual, possibly Keith Walmsley, alleging such items as a double set of books and inappropriate, excessive bonuses. The Ministry's internal audit team and Mr. Beltzner and the board looked into the matter immediately.

Mr. Steeve said that accountability mechanisms existed and the government should have done a better job. He added that "we in Ontario will all have to wrestle with . . . how to develop appropriate accountability mechanisms as we look for ways to provide top-quality government services efficiently." Mr. Bates explained that the certification unit and the investigations section -- the main oversight bodies -- are part of the EHS. Its oversight includes formal investigations, unannounced inspections, certification and patient care. EHS reports through the ADM. According to Mr. Bates the Office of the Chief Coroner consults with the EHS investigation manager and uses EHS reports when deciding whether to conduct an inquest.

Mr. Doneff (Critical Care Flight Paramedic, Ornge), a critical care flight paramedic, said that when he and his colleagues expressed concerns (over, for example, patient safety during transport) to a Ministry investigations officer during a base audit, the inspector replied "Yes, that's why I'm here." Doneff said "they never got back to us."

Several witnesses commented on floating accountability at Ornge. Referring back to 2003, Ms. Heinz said there was no one line of accountability. The pilots and medics were employed by the air providers and the dispatch centre staff, by the Ministry. The Ministry was also responsible for billings. The base hospital was under Sunnybrook. Mr. Lepine did not have access to management salary and contract information held by the for-profit companies, did not know how accountability could be ensured and agreed with a comment that accountability had "floated away."

Dr. Mazza said that he never made decisions alone; the board of directors provided solid governance and oversight; and Ornge complied with the Performance Agreement. He added that the Ministry worked to the best of its ability to provide oversight according to the Performance Agreement. He noted that he never had any conversations with the Minister. According to Dr. Mazza, when he requested meetings to introduce himself and discuss Ornge he was told

there was no need because the Ministry was continually informed and comfortable with Ornge operations.

The Minister said she went to the Ornge base in London and expected to meet Dr. Mazza but that he did not show up. On a second occasion, on December 15, 2011 the Minister had a clear request to meet with Dr. Mazza but he did not appear in the Minister's office. On December 19, 2011 the Minister sent a letter to Ornge clarifying the purpose of the meeting. On December 21, 2011 the Minister directed forensic auditors into Ornge. She said on January 11, 2012, less than a month later, Dr. Mazza "was out of work."

#### **4.7. Government Accountability for Air Ambulance Services Pre-Ornge**

EHS played a key role in managing air ambulance services prior to the creation of Ornge. According to Mr. Rusk (Rusk Consulting; formerly Aviation Safety Manager, Ornge), EHS and the MNR were involved in complaints investigations. EHS had its own managers and staff at air bases. This helped with such matters as attendance, pay and benefits. Managers dealt with day-to-day work including making sure the aircraft were properly staffed, equipped and clean. They helped arrange continuing medical education of the air paramedics. They dealt with the local hospitals and the local ambulance services regarding coordination of land and air. Lists existed with daily staffing information, for example, on pilots, co-pilots and paramedics. The Ministry conducted spot checks and audits. Land and air programs were audited.

Mr. Bates commented on Regulation 501, which was in effect in 1997. He believed that important parts of the regulation that provided the Ministry with powers to intervene to ensure that provincial assets and funds were being appropriately deployed were deleted by the Red Tape Commission around 2000.

#### **4.8. Ornge-Ministry Communication**

Several witnesses discussed communication between Ornge and the Ministry. Dr. Mazza said that Ornge's plans were in the public interest and were fully and regularly disclosed to the government and to senior Ministry officials. The EHS branch was the primary point of contact for Ornge. Mr. Lepine and Mr. Blum shared responsibility for briefing the Ministry. Ms. Renzella was also involved. (Section 4.8 *Hansard* extracts provide details on who from Ornge met whom from the Ministry.) Meetings in 2006-07 were more "haphazard" than was later the case but communication still occurred several times per month.

Dr. Mazza added that the MNP audit recommended regular and formalized communication. Formal quarterly meetings were introduced with "a far more intense format of briefing" for major projects. Mr. Beltzner, Mr. Apps and Mr. Lepine briefed the Ministry regarding reorganization at Ornge, as noted in section 3.7.

Dr. Mazza said that the Ministry was attentive to its obligations in quarterly meetings. It had an extensive process in place for land and air ambulance review. Mr. Rusk, the Ornge manager for occupational health and aviation safety, was of the opinion that there was not good Ministry oversight. He worked with the lead MNR person for annual inspections and base visits but had no involvement with people from the Ministry. Two or three times he saw Mr. Bates and Mr. Brown do “pass throughs” of the dispatch centre but he said these visits were not thorough checks or inspections.

Dr. Mazza described being told by his corporate communications staff the Minister did not require a briefing. He said he offered a personal briefing through his communications VP in the spring of 2011. Mr. Beltzner was not aware of any specific request Dr. Mazza had made with respect to meeting the Minister.

When questioned by the Committee about whether Ornge stonewalled the Minister, Dr. Mazza said “I can’t imagine a circumstance at Ornge where we would stonewall the Minister.” When asked whether he stonewalled the Auditor, Dr. Mazza said that he convened a team and the Chair was focused on providing information in a timely and efficient fashion. (The Auditor said that he was not able to see anything on for-profit companies which were not controlled by Ornge or of which Ornge was not the beneficiary.) According to Mr. Lepine, a legal opinion indicated Ornge was not required to disclose salaries but other than that “nobody ever tried to avoid giving anybody information.”

Mr. Beltzner said that the government conveyed concerns to him once about the Keith Walmsley letter, as noted in section 4.6. The Ministry also communicated with Ornge over the MNP process and budget allocation changes. Mr. Beltzner said he initiated some meetings, for example, one with the ADM on the Auditor’s draft report. However from 2005 on, neither the chair nor the board initiated communication with the government until the board presented the new corporate structure, as described in section 3.7.

Mr. Beltzner explained that an independent board committee had been created to review the Ornge Global structure. When the committee was satisfied with cash flow arrangements (from the Ornge Global private entity to Ornge), the board made certain the government knew of the arrangements. As noted earlier, Mr. Beltzner indicated there was no negative reaction from the government during any of the three presentations to government.

Mr. Lebo, a former Ornge base manager, said that Dr. Mazza and the Ornge executive were very selective in what they disclosed to the Ministry. Mr. Kidd, a former Ornge paramedic, noted that the Ministry had a lot of information, such as information on the 145 incidents under investigation by the Office of the Chief Coroner and the unused \$8 million allocated to land ambulance services in the initial year. In December 2011, Mr. Kidd’s father discussed Ornge and Mr. Kidd’s situation with the Ministry’s Communications and Information Branch and emailed his concerns that office.

#### **4.9. Ministry Comments on Communication with Ornge**

The Minister responded to Dr. Mazza's testimony which stated that he had always been willing to cooperate. She noted that he manipulated patient transfer numbers and, as discussed earlier, avoided at least two meetings with her. The Minister said that Dr. Mazza "then claimed I would not meet with him." She only learned about Dr. Mazza's salary on December 22, 2011.

When asked why she did not take oversight action given all the red flags, the Minister replied that Ornge did not report on such issues as salary disclosure and the correct number of patient transfers and failed to report incidents that should have been reported. The Minister also said the MNP report "did give us this confidence. We later found out that further digging would have resulted in perhaps a different outcome." She added that the information the Ministry was mandated to receive through the Performance Agreement was not adequate.

Mr. Caplan met with Dr. Mazza once in 2008. There were no discussions about plans to develop for-profit entities or about executive compensation. He described Ornge as a "rogue agency." Mr. Caplan said, "The Ornge management quietly attempted to restructure the not-for-profit Ornge into a for-profit corporate entity that would serve their interests and obscure the lines of accountability and the flow of money. The board of directors became complicit with Ornge management in making this happen."

Ms. Hawkins said, "At the time, we didn't know what information we weren't getting [from Ornge], frankly. They gave us the information that we had asked for, but we didn't know what we were not told." Ms. Hawkins also said, "I felt that we had very good oversight [referring to the period 2007 – early 2010]." She described the Auditor General's report as "a big surprise to me."

Mr. Bates said, "We exercised the oversight to the best of our abilities." He added that "Every indication that we had [including the Meyers Norris Penny review] and all the reviews that we conducted indicated that they [Ornge] were performing properly." Mr. Bates noted that the Ministry met with Ornge fairly frequently as required under the Transfer Payment Accountability Directive. Ornge informed the Ministry about its interest in generating revenue and purchasing aircraft but not about the complex group of companies that it planned to establish or about problems with aircraft interiors. The Ministry had difficulty obtaining financial information from Ornge.

Ministry investigations have identified 50 outstanding issues at Ornge, including paramedic, pilot and co-pilot staffing problems. Level of care is also an issue. Mr. Bates stated that "I said to myself, 'I have to do something about this,' and I developed draft director's orders . . . ." The ADM wanted resolution without a director's order and Ornge did then send a staffing plan. Ornge has hired more staff including paramedics and pilots.

According to Mr. Bates, after paramedics were divested to air operators (Canadian Helicopters and Voyageur) and the consolidation plan was

implemented, the EHS air ambulance team was disbanded. Mr. Bates said, “There is no dedicated person in emergency health services at this point in time with respect to air ambulance.”

He added that “all of us right now are working full-time on air ambulance, to be truthful – but at other times they’re working on land ambulance and base hospitals and a number of different functions they perform.” Mr. Brady said that EHS is currently investigating Ornge air ambulance response incidents. Mr. Bates noted that an oversight unit will be hired under Ms. Li.

Mr. Feeley, Ornge’s VP of Aviation, said that while he deals with the MNR and Transport Canada, he still has no direct Ministry contact, though he does provide information to a communications officer who prepares morning reports for the Ministry. Mr. Blakely said that he was never approached by the Ministry for information other than in connection with the Ministry’s investigation into the inability to do CPR in the AW139. When Canadian Helicopters was under contract directly with the Ministry, he spoke with the EHS manager in charge of air ambulance operations daily.

Mr. Bates said that when Ornge was created, the system changed from licensing to certification, with three year reviews and a few unannounced inspections. There were ten unannounced air services inspections in the past year, and few before that. The difficulty with unannounced air services visits is that the plane could be gone when the inspector arrives at the base.

#### **4.10. Lobbying**

The lobbying discussion focussed primarily on the roles of Mr. Guy (formerly Chief of Staff to the Premier, 2003-06) and Mr. Apps. Dr. Mazza said that the term “lobbying” confused him. He did not believe that Ornge used a lobbyist. Ornge just wanted to figure out whom to call at the Ministry.

Many witnesses spoke about Mr. Guy. Mr. Guy said “. . . at no time did I undertake any lobbying on behalf of Ornge.” Ornge drew up a contract to retain his services but it was never finalized. Mr. Guy was retained and compensated by Fasken Martineau, with Mr. Apps as the main contact. Mr. Guy began billing Fasken on December 5, 2007. He withdrew one invoice dated December 17, 2011. Mr. Guy described a brief conversation he had with the Minister on the issue of salary disclosure at Ornge.

Dr. Mazza said that he met Mr. Guy once or twice, agreed it was unusual that Mr. Guy was prepaid but said that he never reached out to him. According to Mr. Apps, Mr. Guy’s advice and assistance was sought in brainstorming sessions to anticipate and think about issues from the government’s perspective.

Mr. Apps said “I never lobbied this government for anything in respect of Ornge.” He described a chat after the bond issue with the Minister of Finance at a cocktail party, where he described how successful the issue had been. He spoke to staff in government offices in connection with setting up briefings.

Ms. Morrison (Integrity Commissioner and Lobbyists Registrar), the Integrity Commissioner, was asked by Fasken Martineau to provide an advisory opinion about a number of emails Mr. Apps sent on behalf of Ornge in December 2010. She concluded that Mr. Apps was engaged in lobbying as a consultant lobbyist as defined by the Act and that he should have been registered for that activity. In response to Committee questions Ms. Morrison said she has no authority to prosecute an offence under the Act. She told the Committee that it could provide information to the Ontario Provincial Police (OPP).

According to Ms. Heinz, Mr. Apps said that he did not need to register because he was not asking the government for anything but was only providing the government with information and a good-news story. (Ms. Heinz believed that both Mr. Giorno and Mr. McCarthy registered as lobbyists in 2003.) Mr. Shortill (Manager, Risk and Assurance Services, Health Audit Service Team, Ontario Internal Audit Division, Ministry of Finance) said Mr. Apps felt that Ornge was a success story and encouraged the government to promote that.

Ms. Lowe (Executive Vice-President, Lending and New Business, Infrastructure Ontario), former chief of staff at the Ministry, received two pieces of correspondence from Mr. Apps and contacted Ornge to request that it approach the Ministry directly, rather than through external counsel, to set up further meetings. Mr. Bates received a letter from Mr. Apps requesting a meeting with the Ministry. He consulted the legal branch which told him to write to Mr. Apps, saying that Mr. Apps should speak with the Meyers Norris Penny auditors.

## **5. MANAGEMENT AND OPERATIONS**

### **5.1. Corporate Culture and Governance**

The Hon. Deborah Matthews described the corporate culture as being one of confrontation. The closed nature of the corporation limited the transfer of financial and operational information and the lines of communication were constricted. Ornge was seen to take a very legalistic and obstructionist approach to oversight. The Minister noted the change in culture under the new leadership in 2012.

Dr. Mazza explained that performance at Ornge was managed under Human Resources with assiduous attention to the values that Ornge held. He indicated that he was open and inclusive in the management of Ornge and that there was a high-performance culture, driven and focused on goals and deliverables.

Ms. Beecher commented that Dr. Mazza is a brilliant visionary, incredibly passionate, committed and energetic. Mr. Rothfels explained that the CEO's management style did not include an open discussion of issues. He would announce his decision and staff were expected to follow through. Mr. Lebo concluded that Dr. Mazza and the board felt that they were beyond the ministry's influence.

Ms. Hawkins commented that alleged abuses that came to light recently are very concerning for all. Ornge's leadership's apparent promotion of self-interest over the public interest was not expected and was out of character with the ministry's relationships with transfer payment recipients. Mr. Harness (formerly Fixed-wing and Helicopter Flight Controller, Ornge; Aviation Training Officer, Medical Air Transport Centre, Ministry of Health and Long-Term Care) was of the opinion that greed was the guiding principle in management's decisions that benefited a select group.

Morale was reported to be low, according to Mr. Lee (Member of Ted Rogers Paediatric Transport Team, operated by Ornge). In this regard, Mr. Lebo noted that the major challenge at the Toronto base was low morale, poor employee engagement and lack of trust between the front line and headquarters. This was compounded by the rumours about the purchase of the speedboat and J. Smarts funding by taxpayers, and the non-reporting of salaries. Furthermore, Mr. Lebo disagreed with senior management's approach that he said was making it difficult to achieve established corporate objectives.

Mr. Binderup (Senior Pilot, Fixed-wing Operations, Ornge) similarly concluded that the main problem was the lack of trust and ineffective communication between front-line workers and management. This was compounded by weaknesses in the staff training program and wages that resulted in grievances. Mr. Rothfels confirmed that the organization was very top-down driven.

The Minister commented on the importance of the change in culture with the new leadership. The culture of fear and intimidation has been replaced with a culture of continuous quality improvement. Mr. Farquhar noted that there is an open-door policy now. However, Mr. Binderup was less positive and commented that the new Ornge management needs to be purposeful in establishing an atmosphere of trust, not only within the company but also with the broader public. He added that within Ornge there are two very distinct camps, one with the objective of rebuilding Ornge and the other to start an entirely new service.

Mr. Feeley commented that changes have taken place on an administrative level through the new leadership at the Board level and the most senior executive staff, resulting in a positive focus. Mr. Delaney explained that the task for the next couple of years is the straightforward application of basic business principles to rebuild the leadership of Ornge and to re-establish the credibility of the corporation through the new Performance Agreement and legislation. The corporate structure has been clarified, a redundant corporation has been placed in bankruptcy, and some managers have been replaced.

## **5.2. Staff Compensation–Non-Disclosure and Pay Levels**

The Hon. Deborah Matthews stated that the Ministry did not have access to salary figures in the for-profits entities, which were in turn not captured under the *Public Sector Salary Disclosure Act*. According to Mr. Wallace the Act outlines a series of technical criteria that impose an obligation on applicable organizations and

individuals to disclose any compensation, essentially T4 compensation, over a \$100,000 level.

Mr. Sinclair (Director, Legal Services Branch, Ministry of Finance) explained that Ornge Global Holdings, for example, was not caught by the Act given its structure. The obligation to determine whether or not to disclose rests with each employer; a company that is a for-profit corporation would not meet the definition of employer under the *Public Sector Salary Disclosure Act, 1996*. Therefore, there is no obligation to disclose salaries. Ms. Hawkins indicated that Ornge complied with this Act and Mr. Bates confirmed that the Ministry did not get salary information on the for-profit companies.

According to Dr. Mazza the Board relied upon advice from legal counsel not to disclose compensation for senior management. Specifically, Ms. Heinz noted that given the corporate structuring, her firm advised that technically it was not a requirement by non Ornge entities to disclose but that this could be changed by regulation. Furthermore, Ms. Beecher was told by Ms. Renzella that there was a legal opinion that it was not a requirement to report and on that basis it was decided to remove those employees from the list. As vice-president, Ms. Beecher's advice to the contrary was to release salary information.

Dr. Mazza stated that his salary was determined by the board of directors which consulted with counsel and third party compensation advisers. According to Ms. Beecher his salary was comprised of a number of components including a base salary, performance pay, long-term incentive pay, and clinical fees as a medical director. Mr. Navas commented that in a for-profit entity there are three components of compensation—a salary, an annual bonus and some form of long-term incentive and Ms. Renzella further noted the medical director's stipend. The stipend applied to a contract between Dr. Mazza's professional corporation and Ornge.

Mr. Beltzner was of the opinion that his compensation of \$200,000 as Board chair was warranted given that Ornge was a risky and a complex operation. Mr. Sapsford expressed the view that most board members responsible for public health agencies usually serve on a voluntary basis; therefore, a distinct contrast to the chair's compensation level.

The salary arrangement between Ornge and the for-profits required that Ms. Renzella and the staff were to keep track of the time that they spent on Ornge and the for-profits for reconciliation. They were to charge time under management service agreement provisions. Mr. Lebo expressed concern when he discovered that a portion of his Ornge salary was used to pursue for-profit objectives for private benefit.

According to the Committee, during the hearings held by the Standing Committee on Estimates, the Ministry of Health and Long-Term Care was not forthcoming with information requested on Ornge's operations, including salary information. For the caucus requesting this information, it was a warning sign of broader issues at Ornge. This caucus also pointed out that its FOI requests in March 2010 on Dr.

Mazza's salary and related corporate matters were not fully addressed. Mr. Beltzner indicated that Ornge did not provide information on Dr. Mazza's salary based on legal advice that it was protected as confidential. Ms. Renzella indicated that she did not receive FOI requests and Mr. Bates was not aware of the approximately 45 questions on Ornge tabled in the Estimates Committee.

### **5.3. Patient Safety—Staffing Levels**

Dr. McLellan explained that Ornge's Quality Committee has identified major management safety concerns, for example, staffing shortages that relate to inadequate critical care by paramedics and advanced care paramedics. Mr. Kidd expressed concern that staff levels were affecting patient care resulting in negative patient outcomes. At issue was the potential loss of life while waiting for aircraft and inadequate care enroute.

Mr. Bates commented on complaints on Ornge's service levels received in 2011. Ornge assured the Ministry that they were staffing properly. According to Mr. Doneff the inadequate staffing situation was compounded by management's response that they did not have the funding for paramedics and training to upgrade staff. Also, Mr. Wade (Medevac Helicopter Pilot, Ornge) is of the opinion that service erosion started a downward trend with the inability to staff with pilots as well as medical personnel. Mr. Binderup confirmed the need for more paramedics and pilots, specifically rotor pilots.

According to Mr. Farquhar there was no staff down-staffing policy; however, problems developed with the excessive cost of overtime. In response, Ornge introduced regionalized coverage sharing resources across all bases. This policy has been changed and now Ornge permits working overtime. Mr. Ueckermann (Vice-President, Logistics, Ornge) described another aspect of the staffing problem—that some qualified staff were under utilized, for example, in the Ornge Communication Centre (OCC).

The Hon. Deborah Matthews concluded that Ornge is at the full complement for fixed-wing planes and there are 74 helicopter pilots, representing 75% of the full complement. Progress has been made but additional hiring is still required. There are 217 paramedics at Ornge, an increase of 10 over last year. Mr. Feeley noted that Ornge is expected to be at full pilot staffing by the end of July 2012. In conclusion, Dr. McLellan is confident that the personnel shortage is being addressed, specifically the shortage in pilots and critical care and advanced-care paramedics.

### **5.4. Staff Professionalism**

Ms. Hawkins noted that the alleged abuses that came to light recently are of concern and Mr. Lebo acknowledged their impact on employees. He went on to say that the professional staff is not responsible for circumstances confronting Ornge in recent years.

Mr. McKerlie (formerly Interim President and Chief Executive Officer, Ornge) commented that there is another component to Ornge that may seem obvious but that may be forgotten in the controversy. He was reminded of the dedication and commitment of the staff at Ornge working tirelessly to serve Ontarians and to ensure that there is a reliable, professional and compassionate medical transport service. He concluded that paramedics, pilots, aviation maintenance engineers, and communications officers have been deeply affected by the actions of a few. Mr. Feeley noted the impact of attrition and the level of professionalism demonstrated across Ornge.

### **5.5. Patient Safety–Cabin Design and Patient Reporting**

Mr. Lepine testified that the CEO wanted the cabin design team to consist of paramedics rather than management. Mr. Kidd noted the design issues, specifically concerning loading and unloading patients and patient care on board, resulting in patient safety concerns. Dr. Mazza commented that the cabin interiors were designed without his involvement by Ornge staff including paramedics and a doctor. This work was approved by the Board of Directors. When he became aware of the issues he asked the Chief Operating Officer to address the problems.

Mr. Potter indicated that the design team consisted of Mr. Farquhar, Mr. Lepine, a medical doctor and two paramedics. The process entailed a full-size detailed mock-up of the AW139. This enabled the team to use a model–sit in the aircraft and perform all the necessary procedures. Mr. Farquhar said that he was asked to join the RFP committee to look at vendor presentations and to review renderings. He summarized the process as follows:

The RFP went out in 2008; it was awarded in 2009. We were against very tight deadlines to be able to deliver because the CHL contract was coming up, and we were given tight deadlines to operate in. A medical team was sent over, consisting of a front-line flight paramedic at the Toronto Island and one at Sudbury. A project manager and a transport physician were sent to Switzerland because that was where the manufacturer was. It was Aerolite. They were there for about a week and they went through all kinds of prototype testing. They went through a number of medical scenarios to make sure that all the medical scenarios that we do in the field could be checked.

According to Mr. Farquhar the contract for the interiors was approximately \$6 million. Mr. Saād Rafi and Mr. McKerlie remarked that they received assurance from the medical director that the interiors were sufficient until a complaint was filed at the Ornge Communications Centre in July 2011.

Initially, Ornge thought that the specs were incorrect. Dr. McLellan commented on the design issues, specifically the height of the stretcher in the interior of the helicopter and the ability of paramedics to access and treat a patient, which would include not only CPR but advanced airway management, intubation and other procedures. Mr. Feeley was of the view that the medical and clinical issues were incorrectly analysed and Mr. Farquhar attributed the problem in part to the way in which the various test scenarios were conducted.

Ornge went back to the manufacturer and advised them of the design problems with the firm claiming that the project was completed in accordance with the specifications provided by Ornge. The engineering drawings were redrafted, followed by simulated cabin activities including crash and pull testing over the period of approximately year. Corrective action has been taken to achieve a short-term correction on the interior structure.

When a complaint is conveyed to the Ministry's EHS branch, an investigation is conducted and the findings are reported to the complainant and the relevant ambulance service. The branch currently has a number of ongoing investigations related to incidents at Ornge as complaints relating to Ornge are now reported to the Ministry.

## **5.6. Ornge Communications Centre–Response/Launch Policy**

Mr. Ueckermann discussed the importance of the OCC as the nerve centre of Ontario's air ambulance and critical care land transport system. The OCC's mandate is to determine the level of care required during transport events. It entails the coordination and launch of appropriate resources related to the Provincial Transportation Authorization Centre (PTAC), which in turn authorizes patient transport between facilities. The OCC is the central point of coordination for matters related to maintenance, aviation, weather, physicians, paramedics, and land ambulance systems.

Ornge transitioned to a new management approach in 2012 that included a new Board of Directors. Prior limitations in operations were noted, for example, approximately 2% memory remained on the dispatch system servers; the analog phone system for the air dispatch system was dysfunctional approximately two weeks after Ornge assumed management; approximately 70% of flight legs had no patients; and there was little control over aviation costs. Furthermore, Mr. Farquhar noted that Ornge was in the process of implementing a data management system in the OCC but as customization was required, the project was placed on hold.

Mr. Ueckermann identified the problems in the OCC—the need for more focus on Global System development, the need for a quality system (information captured in the system wasn't monitored and quality-controlled), the need to incorporate the Aviation Control Centre into the OCC to improve the situational awareness in the OCC of the movements of dedicated aircraft, and the need for dedicated flight filing, posting arrivals and departures. According to Mr. Farquhar corrective measures are being taken to restructure the OCC, for example, with specialized

staff in such areas as medical information and flight planning. This has been made possible through enhanced training for communications officers within a specialized staffing model. Mr. Farquhar noted that the launch policy established to reduce the cancelled call ratio and save resources has been cancelled.

### **5.7. Ornge Bases and Expansion Plans**

Internal discussions on base requirements extended over a three year period from 2007 to approximately 2010. Mr. Feeley provided an overview of bases throughout the province and service issues. Mr. Potter stated that Ornge planned to consolidate the rotor and fixed-wing operations, rather than consolidating the contracted carriers' primary care, resulting in fewer bases in northern Ontario. The plan was to improve the overall efficiency and response time by designing a structure based on optimal aircraft utilization.

In terms of the servicing network, Mr. Feeley spoke of the decision to locate a base in Hamilton. Mr. Lepine explained that Hamilton was preferred in terms of patient demographics, aviation functions, weather and launch capability. With respect to Toronto, Mr. Lebo noted Ornge's dissatisfaction with a base on Toronto Island, primarily because of the access issues arising from the channel crossing. Mr. Potter pointed out that Ornge had to find a suitable airport to operate the Pilatus AW139 aircraft and possibly a corporate jet. Subsequently it was decided to move east of the GTA. Mr. Farquhar and Mr. Lepine preferred to move eastward to Peterborough or Oshawa to service the preponderance of calls in this region. Numerous factors had to be considered in the decision in addition to patient demographics, for example, staffing, operational matters and aviation functions (weather and launch reliability). According to Mr. Lepine he was instructed by the CEO to open an eastern base. When the analysis was completed Oshawa was selected. The matter is now under review and the decision has been placed on hold.

### **5.8. Whistleblower Protection**

Ms. Morrison concluded that receiving complaints from employees in the Ontario Public Service offers benefits and strong protection from reprisal is a key accountability component. The Commissioner added that the *Public Service of Ontario Act* contains a disclosure-of-wrongdoing framework, establishing mechanisms and protections for public servants for disclosing wrongdoing. Public servants can submit a disclosure to the Commissioner; however, her office does not have jurisdiction over Ornge.

Dr. Mazza said that he had an open-door policy. Ms. Kiel noted that the Board Chair had stated that that he did not consider a whistleblower complaint mechanism to be necessary as the culture of the organization was such that staff would be comfortable in bringing matters to the attention of their supervisor. Ms. Beecher testified that overall Ornge was of the opinion that a whistleblower procedure was not required.

### **5.9. Meyers Norris Penny Review (2008-2010)**

In 2008 the Ministry of Finance's internal audit division engaged MNP to undertake a review of Ornge. According to Ms. Hawkins, it included an assessment of financial management and procurement processes, the governance and accountability framework, the integrity of Ornge's financial and service data reports, the risk management process, and compliance with the Performance Agreement. In addition, MNP focused on operational and policy matters. Ms. Kiel explained that MNP was retained to provide a review with a limited scope, not leading to audit conclusions found in an audit opinion. Mr. Schell mentioned that there was to have been a legal review separate from the MNP review. The report on the legal review was never delivered to the Ministry of Finance.

Ms. Kiel summarized the report, noting that there were 26 recommendations. The recommendations addressed concerns in various areas across the organization with significant findings for the Ministry to address: Ornge's corporate structure, inadequate reporting to the Ministry, inadequate oversight of Ornge, and non-compliance with the Performance Agreement.

Ms. Kiel indicated that the conclusion that received the most attention—that Ornge is using provincial grant funding economically, efficiently and for the purposes intended—only applied to one of the seven objectives of the review. In addition, there were other positive conclusions, for example, an appropriate procurement process, compliance with certain administrative sections of the Performance Agreement, and strengths in the approach taken to risk management.

Mr. Schell noted that the Ministry of Finance agreed with the factual accuracy of the report. He concluded that there were serious recommendations requiring attention with a number of red flags. Dr. Mazza indicated that a committee was formed to address MNP findings in conjunction with the Ministry's Emergency Health Services Branch.

### **5.10. Quality Management**

Witnesses addressed quality management issues at Ornge in several areas including financial management and service delivery, specifically patient care issues. Mr. Farquhar told the Committee that his role was to oversee policy compliance, for example, investigations related to proper staffing and aircraft availability. Quality monitoring related to service efficiency and the response to calls. In the case of Canadian Helicopters and Voyageur, ratings were assigned.

When asked about responsibility for quality assurance at Ornge, Mr. Lepine stated that it was fragmented although Ornge had a quality management department providing organizational oversight, reporting to the CEO. However, Mr. Lebo expressed concern that Ornge was not collecting the required data. He commented that it is difficult to make sound decisions when data is lacking, thereby compromising evidence-based decision-making. According to Mr. Bates, the Ministry exercised oversight through a proper documentation system. For

example, a certification review was carried out in 2006 and 2009 to ensure that documentation was collected within the purview of quality assurance.

Dr. Mazza indicated data was accurately reported and Mr. Beltzner stated that he was surprised at Mr. Lepine's comment about providing the Ministry with incorrect patient transfer data.

Mr. Lepine commented that the Performance Agreement schedules included key performance indicators. Mr. Bates stated that under the new Performance Agreement Ornge has enhanced monitoring, control and reporting obligations using performance indicators. Mr. Rafi confirmed that the Ministry responded with the introduction of improved response times as set out in performance indicators.

### **5.11. Administrative Warnings/Red Flags to Ministry**

There were a significant number of warnings or red flags identified during the hearings, dating from 2004 through to January 2011, which should have alerted the Ministry that something was wrong at Ornge. For example, there were three Freedom of Information requests and 34 questions tabled in the Standing Committee on Estimates, all of which were ignored. The Standing Committee on Public Accounts noted that the various red flags raised over several years were not satisfactorily addressed by the Ministry, thereby compromising accountability. A 2004 Ministry report about the new direction being taken by the Ontario Air Ambulance Service included warnings regarding accountability, oversight and the overall structure. A Ministry e-mail to Ornge in September 2004 noted concerns with respect to the merit of what was referred to as "air ambulance reform." At issue in the proposal was the absence of crucial background information and meaningful alternatives.

Many whistleblowers contacted different Ministry officials to warn them of public funds going to Ornge's private sector entities, and excessiveness in spending and executive compensation, to no avail. The Ministry did not take action on these warnings and failed to correct the problems at Ornge. For example, in 2008 Mr. Walmsley, a former Ornge employee, wrote a letter to the Ministry noting a number of management irregularities and questionable accounting practices. The Ministry received his letter and conveyed these concerns to the Ornge Board. . According to Mr. Beltzner, a meeting was convened in 2008 and Ms. Hawkins provided the letter alleging concerns such as a double set of books at Ornge and inappropriate and excessive bonuses. The Ministry's internal audit team, Mr. Beltzner and the board considered the matter at that time. The Ministry failed to bring about any change at Ornge.

The Minister testified that Dr. Mazza's \$1.4 million compensation was the key to unlocking the scandal at Ornge. Many red flags were raised regarding this issue. A Freedom of Information request was filed for information on Dr. Mazza's salary in 2008-09. A response was not received. The Committee was informed by the Ministry during the hearings that it did not have the required information on Dr. Mazza's complete income package.

Questions tabled in the Standing Committee on Estimates were not answered until after the Auditor General submitted his *Special Report on Ornge Air Ambulance and Related Services* approximately two years after the questions were tabled. The Minister commented that the Public Accounts Committee had asked the Deputy Minister about this issue and that he had indicated that it should have been addressed and he apologized for the shortcoming.

The Ministry hired MNP to complete a review of Ornge operations. According to the Ministry of Finance, the MNP report raised serious concerns with respect to the corporate structure, internal corporate communications on corporate objectives, non-compliance with the administrative provisions as set out in the Performance Agreement, and management shortcomings with respect to reporting statistical records. The Ministry of Finance concluded that there were a number of red flags requiring attention in the report. MNP confirmed at the hearings that its report identified red flags in the recommendations, specifically non-compliance with the Performance Agreement. According to Dr. Mazza, a committee was formed to address the MNP findings. The Board discussed the MNP report's recommendations and instructed management to address the problems.

The Ministry failed to take substantive action to correct the problems at Ornge identified by MNP. The Minister said that initially the MNP report "did give us this confidence. We later found out that further digging would have resulted in perhaps a different outcome." She added that the information the Ministry was mandated to receive through the Performance Agreement was not adequate. Dr. Mazza indicated that the MNP audit recommended regular and formalized communication, and in response formal quarterly meetings were introduced with, for example, "a far more intense format of briefing" for major projects.

Mr. Caplan noted that northern air providers raised concerns with Ornge consolidating operations in northern Ontario and operating aircraft in competition.

The Ministry did not follow through, ask questions, or make changes at Ornge. In support of innovation in the public sector, the Minister of Health and Long-Term Care cited Mr. Wallace's testimony that it is not uncommon for broader public sector institutions to create subsidiaries to attempt to extract value from other areas of public service activity. However, the complex corporate structure allowed Ornge to transfer public health care funds to private for-profit companies as well as shield executive compensation from public disclosure. Ornge was advised by counsel to seek the consent of government on its corporate restructuring. Instead, five ministries were thoroughly briefed by Ornge's on the proposed corporate structure in 2011, including a detailed schematic outlining of multiple for-profit companies. The tone of Ornge's January 2011 restructuring letter to the ministries may have been a red flag as well. However, none of the ministries at the briefing conducted a follow-up with Ornge, and the restructuring proceeded, and the Ministry failed to prevent subsequent problems at Ornge.

With respect to corporate governance, the new Board Chair mentioned that one item that would have been a red flag was having different directors serving on the

various organizations. According to the Chair, that approach “sets up differentiated interests on the part of the top board, which is not a structure that I would tolerate.”

## **6. PROVINCIAL AND CORPORATE FINANCIAL ARRANGEMENTS**

### **6.1 Expenditure of Annual Ministry Transfer**

The Hon. Deborah Matthews indicated that Ornge’s leadership and legal counsel gave assurances to the Ministry that no public funds would be used for private sector initiatives. Furthermore, the Ministry was assured that there would be no impact on services by these initiatives and that there could be up to \$200 million in savings to address “service gaps” in the public air ambulance system.

According to Mr. Rafi the majority of the funding is from government, but Ornge has other sources of revenue, both foundational and otherwise. Mr. Beltzner testified that funds that Ornge GP, for example, had access to derived from the Marketing Services Agreement with AgustaWestland. The salaries of Ornge employees engaged in for-profit operations were to have been charged back under a Management Services Agreement.

The Deputy Minister provided the following financial management context noting that Ornge is an independent not-for-profit corporation governed by the *Canada Corporations Act*: the for-profit activities were outside of the Ministry’s contractual nexus with Ornge, without a legal mechanism for intervention; the Ministry was informed that these for-profit activities would not have an impact on the services provided under the Performance Agreement and there was no reason to believe that Ministry intervention was required; and Ornge representatives also indicated that no public funds would be used in for-profit enterprises. It promised that these for-profit ventures would provide a return on investment to the province for the supplementary funding of the not-for-profit side ambulance services.

Mr. Lepine confirmed that the annual cost to the Minister of Health of Ontario’s air ambulance service before it was transferred to Ornge was approximately \$90 million. The budget last year was \$152 million and according to Ms. Maria Renzella resources required for capital expenditures were usually addressed through bonds. She added that the budget increases were reflected in the Performance Agreement and by 2009 Ornge prepared its budgets through the results-based planning process. Mr. Lepine identified various cost saving options that were considered, including the closure of bases, discontinuing night shifts at certain bases and reducing overtime.

Mr. Lepine commented on the current budget noting that in fiscal year 2011-12 the corporation was within its projections. Mr. Bates pointed out that Ornge’s expenditures are no greater on the trend line and are now less than the Ministry’s increases.

## **6.2. Provincial Consolidation**

Ornge's financial statements were consolidated for the year end March 31, 2008. Mr. Wallace explained that consolidation is an accounting reporting construct by which an entity is brought into another entity's reporting books. Consolidation into the province's books does not change the practical governance mechanisms through which operational control is normally exercised. Mr. Sinclair informed the Committee that there is no liability to the province by virtue of the fact that Ornge has been consolidated on the financial statements of the province. Consolidation is introduced for financial reporting purposes and does not override or overwrite existing legal relationships or obligations. More specifically, consolidation does not override the trust indenture which is clear in saying that the province doesn't have a liability vis-à-vis the bonds that were issued.

Mr. Sinclair explained further that there are good reasons to consolidate, specifically to help in the understanding of the province's financial statements. Dr. Mazza stated that he did not have an issue with consolidation, nor did the Board. Consolidation was viewed by the CEO as an academic issue.

## **6.3. Ornge Bond Issue**

According to Dr. Mazza, arrangements for the bond issue in 2009 were made with the full knowledge and support of the Ministry of Health and Long-Term Care and the Ontario Financing Authority. Mr. Wallace explained that the Ministry of Finance reviewed the material provided by Ornge in its letter of January 19, 2011 and engaged in a technical conversation. The Ministry of Finance and the Ontario Financing Authority ensured that the province remains insulated from any incremental risk.

Mr. Sinclair informed the Committee that Ornge Issuer Trust was created as a special-purpose entity under Ontario law. Under the offering memorandum, Ornge is the sole beneficiary of the Trust and it may offer one or more series of debentures under a master trust indenture. The offering memorandum is clear in stating that recourse in failing to meet obligations is limited to the assets of the Trust. The Ornge Issuer Trust is obliged to meet its payments under the bond indenture.

The total of \$275 million was an amortizing bond similar to a mortgage. Ms. Maria Renzella noted that these funds had been spent. Under the repayment scheme approximately \$22 million would be paid annually in principal and interest with payment in full at the end of 25 years. At that point the assets—the helicopters and other assets purchased with that money—would go back to Ornge.

## **6.4. Aircraft Purchase**

Ornge Ambulance purchased 12 helicopters from AgustaWestland. Under the purchase agreement the total value was \$144 million which under an amendment increased to \$152 million. According to Mr. Rafi the Ministry was not involved in the purchase of the aircraft.

AgustaWestland wanted Ornge to pay a premium of approximately \$600,000 per aircraft for the weight upgrade. Mr. Rothfels confirmed that this was not specified in the purchase agreement and that Ornge should not be required to pay this charge. Mr. Rothfels said that Dr. Mazza subsequently insisted that Ornge pay the upgrade charge.

The Committee heard from Mr. Beltzner that the Board was unaware of an additional payment. Dr. Mazza said that he had passed the transaction over to finance to ensure that it was based on fair market value and assessments, and stated that legal and finance personnel did the appropriate evaluations.

According to Mr. Feeley Ornge now has 12 AW139s and 11 Sikorsky S-76s helicopters. Two AgustaWestland helicopters are for sale in Pennsylvania to retrieve funds. Ms. Renzella testified that, as noted previously, a trust presently owns the aircraft and that Ornge is the beneficiary of the trust.

## **6.5. Corporate Finances—Practices and Revenues**

### *Financial Arrangements*

Ornge's corporate structure and the diverse investments contributed to the complicated financial structure. In addition to the annual transfer of Ministry funding, Mr. Lepine explained that the for-profit entities were to generate new revenues that would benefit the provincial air ambulance service in the future. The initial steps to secure new resources included the credit lease transaction and funding from AgustaWestland through the Marketing Services Agreement. He further said that the objective was to identify equity investors—to generate revenue which in turn would benefit provincial ambulance operations. Ms. Renzella confirmed that no revenues had been generated.

The Committee addressed various internal financial transactions raised by witnesses but complete details were not provided during the hearings. Financial arrangements of interest (some of which are discussed above) included the Ornge Issuer Trust \$275 million bond for the purchase of aircraft and other items, the \$30 million debenture (credit lease transaction) identified by Ms. Renzella for Ornge's building, staff compensation packages and loans, and expenditures for post graduate business education as part of succession planning. Concerns were expressed over unaccounted for funds internally and the transfer of Ornge funds to the Ornge Foundation charity. Ms. Beecher noted that across the corporation there had been a feeling of financial crisis. On the frontline this was attributed in part to the perception that Ornge's international ventures were at the expense of Ontario ambulance services.

## 7. AUDITEE'S CORRECTIVE MEASURES

### 7.1 Auditor General's Draft Report–Ministry Response

Following her reappointment in October 2011, the Minister of Health and Long-Term Care was apprised of the Auditor General's findings in the draft audit report on Ornge Air Ambulance. According to the Minister, she instructed the Ministry to prepare an analysis of all available options to address these concerns. Mr. Rafi commented that there were aspects in the draft report that were surprising as it was information that the Ministry was not able to access nor was it provided by Ornge.

### 7.2. Minister's Response to Audit Report Recommendations

The Hon. Deborah Matthews noted that substantive action had been taken to address many of the issues raised by the Auditor General through a new Performance Agreement to ensure greater oversight, transparency and accountability, which would safeguard patient care and provide better value for taxpayer funds. Secondly, amendments to the *Ambulance Act* were introduced to protect whistleblowers and prevent future abuses of power at Ornge. These amendments were to permit the government to assume control of Ornge in extraordinary circumstances through the appointment of a supervisor.

Other initiatives included an increase in the number of front-line staff to ensure that more patients have access to these services, establishment of a patient declaration of values, creation of a patient advocate position for patients and their families, the formation of a new quality improvement program for air ambulance dispatchers, and development of a whistleblower policy. The Minister sought to have all of the recommendations fully implemented by the fall of 2013.

The Minister provided the following update on the audit recommendations:

**Recommendation No. 1:** The Auditor recommended that we review whether the amount the Ministry pays for air ambulance is reasonable for the level of service provided by renegotiating the performance agreement to provide direct access to Ornge's affiliated organizations; evaluating the cost and delivery compared to previous years; establishing additional performance indicators with more frequent and more informative reports on the extent to which performance expectations are being met.

*We do have a new performance agreement. You've heard about that. It requires approval for changes to the corporate structure and requires compliance with the Broader Public*

*Sector Accountability Act and the Public Sector Salary Disclosure Act. So we have fixed that problem. We will now have full reporting of compensation for those at Ornge.*

*An interjurisdictional scan examining provision of air ambulance services across Ontario is currently under way. It is on track to be completed by the end of this year. Under the new PA, Ornge is required to report to the ministry on a number of key performance indicators, according to a pre-set timeline. This is also on track to be completed by the end of this calendar year.*

**Recommendation No. 2:** The Auditor recommended that we conduct a formal program evaluation of critical care land ambulance that would assess total demand; assess capacity at the municipal land ambulances instead of having Ornge do it; and comparing the cost of different service options.

*I can tell you that that is currently under way. It is including an assessment of need for inter-facility patient transfers. The review is to be completed in this fiscal year, with implementation of the review's findings in 2013-14.*

**Recommendation No. 3:** The Auditor recommended changes to ensure patients' needs are met in the most cost-efficient manner.

*Ornge is now better tracking how often hospital staff must accompany a patient because appropriately trained paramedics are not available. We are also beginning to review the reasons for flight cancellations after takeoff. The ministry and Ornge are reviewing the feasibility of linking the land and air ambulance dispatch systems. Ornge is also undertaking the substantive work of ensuring the most appropriate aircraft are routed to pick up and deliver patients requiring transport.*

**Recommendation No. 4:** The Auditor recommended that we enable air ambulance response times to be assessed against

performance standards and for reasonableness, including the tracking of key times in the call-handling process, while expanding the provisions in the performance agreement requirements to include indicators on response times for the key stages of a patient transport, from the time a call is received, to the time when Ornge is on site, to the time the patient reaches his or her destination.

*I'm very pleased to report that the amended performance agreement requires Ornge to report on key reaction and response time indicators; that Ornge is undertaking system upgrades to meet this enhanced reporting requirement; that Ornge is undertaking a review and developing a plan to ensure all times in the call-handling process are properly recorded.*

**Recommendation No. 5:** The ministry should conduct unannounced service reviews of Ornge; that Ornge should identify systemic issues from improved complaint tracking; and Ornge should review its quality assessment evaluation measures to ensure they reflect key elements of good patient care.

*Ornge has established an operations quality committee to evaluate and address quality assessment evaluation measures, and they're developing a quality improvement plan like our hospitals do. The Ministry continues to conduct regular unannounced service reviews. Ornge is using an improved complaints tracking system to identify any systemic issues. The ministry's investigation unit has reviewed what complaints, incidents and resulting investigations at Ornge should be forwarded to the Ministry and has worked with Ornge, including providing training to designated staff to ensure the reporting requirements on incidents are clear.*

### **7.3. Ornge New Leadership**

The Minister explained that there is a clear mandate now with new leadership addressing key issues. The interim president/CEO reiterated Ornge's commitment to openness and transparency, and the need to proceed on all audit recommendations. Mr. McKerlie and Mr. Farquhar outlined the various corrective

management and operational measures to achieve a more transparent and accountable organization. Ornge would operate in the future as a corporation under the *Ontario Business Corporations Act* to ensure provincial control.

## **8. COMMITTEE'S AREAS OF CONCERN**

During the hearings the Committee identified the following concerns based on the issues and observations outlined in this report:

### **Business Model**

1. There was an apparent inability or unwillingness of the Ministry of Health and Long-Term Care (the Ministry) to obtain the information needed to exercise proper oversight of Ornge. Where a government ministry is the primary funder of a Crown agency or community service provider, reliable information is required on a timely basis to assess the service levels and cost effectiveness of those services.
2. The Ministry of Health and Long-Term Care did not address the concerns of its legal department and the Emergency Health Services Branch concerning some of the structural changes and operational issues at Ornge.
3. Ornge's independent Board of Directors did not fulfil its fiduciary responsibilities in regard to substantial provincial funding provided to an external organization delivering health care services. The Board did not request the Ministry's perspective on significant strategic decisions.
4. Ornge's current business model entails owning all aircraft and directly employing all pilots, paramedics and support staff. At issue is whether this approach provides better patient care—with attention to cost effectiveness—than the previous business model. Formerly, services were delivered by external providers, with the exception of the communications and dispatch function.

### **Performance Agreements and Legislation**

5. Performance measures are a central component in Ornge's reporting to the Ministry with respect to quality of patient care, timeliness of response for both emergency and inter-facility calls, incident reporting, and the cost effectiveness of aircraft and land ambulance operations. Such performance measures provide a standardized reporting regime on all aspects of Ornge's operations but were not in place.
6. Ornge and the Ministry lacked useful and reliable data to drive evidence-based decision-making. Ornge's Board and senior management at both Ornge and the Ministry are responsible to ensure that major strategic, operational and funding decisions are based on relevant information, with data analyses. These analyses require individuals with the industry-related expertise to critically assess data and define appropriate steps.

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## Management and Operations

7. The Ministry was not diligent in pursuing “red flags” indicative of potential problems at Ornge. Of concern is whether other ministries are proactive in encouraging staff responsible for the ongoing oversight of provincially funded entities to use their experience and judgment in bringing forward to senior management instances where they believe serious operational or financial concerns are not being satisfactorily addressed.
8. In order to ensure the appropriate level of care for patients in a timely manner, staffing levels are defined by established standards. Of concern is that these standards are not being complied with to ensure a response to all calls, regardless of location.
9. Approximately 90% of Ornge’s patient transfers relate to inter-facility transfers. At issue is whether these transfer services are delivered with efficiency and effectiveness on a timely basis to the satisfaction of patients and facility staff.
10. The electronic dispatch system’s reported deficiencies required improvements to facilitate dispatch operations and enable the system to provide the data needed to monitor key performance metrics. Ornge has analyzed the electronic integration of air and land-based ambulance dispatch systems. Their assessment of the practicality of this approach is needed to address dispatch system shortcomings.
11. Given the highly technical nature of Ornge’s operations in the medical, air transport and dispatch fields it is essential that training is ongoing to ensure that personnel are current in their areas of expertise and that the staff complement is adequate to perform required functions at all bases. Of concern is whether the needed training is being provided in a timely and cost effective manner.
12. Ornge has established base hospital services to consolidate medical directives internally rather than rely on external base hospitals for medical oversight. At issue are budget implications for this defined cost over the long term. A revised model may be warranted given the concerns related to the annual cost, operational efficiencies and Ornge as sole operator.

## Provincial and Corporate Financial Arrangements

13. Substantial provincial funding allocated for the delivery of public services requires Ministry oversight with periodic inquiries. One objective is to ensure that the funded entity is aware of and in compliance with all established administrative practices and standards expected in a public sector environment. These include compensation levels, salary disclosure, fair and transparent procurement, and whistleblowing and conflict of interest policies. Established administrative practices require monitoring and enforcement by the Board of Directors and the Ministry.

14. Ornge management made certain financial decisions that may compromise the viability of the provincial air ambulance service. Specifically, the ongoing service costs related to the Ornge Issuer Trust debenture have long term financial consequences that could have a direct impact on the province's ability to provide ambulance services.

## APPENDIX NO. 1

### List of Witnesses–2012 Hearings

Name	Position, Organization	Date of Appearance
Apps, Mr. Alfred	Counsel, Wildeboer Dellelce LLP	April 18, 2012
Bartolotta, Mr. Louis	Executive Vice-President, AgustaWestland Philadelphia Corp	April 18, 2012
Bates, Mr. Malcolm	Director, Emergency Health Services, Ministry of Health and Long-Term Care	April 18, 2012 June 13, 2012
Beecher, Ms. Rhoda	Formerly Vice-President, Human Resources and Organizational Development, Ornge Global	July 31, 2012
Beltzner, Mr. Rainer	Formerly Chair, Board of Directors, Ornge	April 25, 2012 Aug. 1, 2012
Binderup, Mr. Poul-Erik	Senior Pilot, Fixed-wing Operations, Ornge	Aug. 29, 2012
Blakely, Mr. Robert	Vice-President and General Manager, EMS Operations, Canadian Helicopters Group Inc.	Aug. 2, 2012
Blum, Mr. Jacob	Formerly Vice-President, Regulatory Affairs and Chief of Security; Vice-President, Strategy; and Vice-President, Corporate Affairs, Ornge	May 16, 2012
Brady, Mr. Rick	Manager, Investigations Unit, Emergency Health Services, Land/air Operations, Ministry of Health and Long-Term Care	June 26, 2012
Caplan, Mr. David	Vice-Chairman, Global Public Affairs; Formerly Minister of Health and Long-Term Care	May 2, 2012
Delaney, Mr. Ian	Chair, Board of Directors, Ornge	April 4, 2012
Doneff, Mr. Brandon R.	Critical Care Flight Paramedic, Ornge	July 31, 2012
Farquhar, Mr. Steve	Vice-President, Operations, Ornge	May 2, 2012
Feeley, Mr. Jim	Vice-President, Aviation, Ornge	June 26, 2012
Golding, Ms. Lynne	Partner and Director, Health Law Practice Group, Fasken Martineau DuMoulin, LLP	April 25, 2012
Guy, Mr. Don	Formerly Chief of Staff to the Premier of Ontario, 2003-06	May 2, 2012
Harness, Mr. Trevor	Formerly Fixed-wing and Helicopter Flight Controller, Ornge; Aviation Training Officer, Medical Air Transport Centre, Ministry of Health	April 18, 2012
Hawkins, Ms. Ruth	Assistant Deputy Minister and Chief Administrative Officer, Corporate Services Division, Ministry of Health and Long-Term Care	June 26, 2012
Heinz, Ms. Cindy	Formerly General Counsel, Ornge, Formerly Partner, Fasken Martineau DuMoulin, LLP	June 6, 2012
Henry, Mr. John	Mayor, City of Oshawa	June 26, 2012

<b>Name</b>	<b>Position, Organization</b>	<b>Date of Appearance</b>
Jepson, Ms. Valerie	Counsel, Office of the Integrity Commissioner of Ontario	Aug. 2, 2012
Kidd, Mr. Trevor	Formerly Critical Care Flight Paramedic, Ornge	June 6, 2012
Kiel, Ms. Margriet	Partner, National Services Leader for Internal Audit and Enterprise Risk Management, Meyers Norris Penny	Aug. 1, 2012
Lebo, Mr. Jay	Principal at Gravitas Business Architects; Formerly Regional Operations Manager, Greater Toronto Area; Executive Aide to the CEO, Ornge	Aug. 29, 2012 Sept. 5, 2012
Lee, Mr. Jonathan	Member of Ted Rogers Paediatric Transport Team, operated by Ornge	Aug. 1, 2012
Lepine, Mr. Tom	Formerly Chief Operating Officer, Ornge	May 30, 2012
Li, Ms. Patricia	Assistant Deputy Minister, Direct Services Division, Ministry of Health and Long-Term Care	March 28, 2012
Livingston, Mr. David	President and Chief Executive Officer, Infrastructure Ontario	April 25, 2012
Long, Ms. Kelly	Formerly Associate Vice-President, Ornge	May 2, 2012
Lowe, Ms. Mary	Executive Vice-President, Lending and New Business, Infrastructure Ontario	April 25, 2012
Mackie, Mr. Bob	Director, Ontario Air Transport Association	April 18, 2012
MacLeod, Mr. Hugh	Formerly Assistant Deputy Minister of Health and Long-Term Care	Aug. 1, 2012
Matthews, Hon. Deborah	Minister of Health and Long-Term Care	March 28, 2012 July 31, 2012
Mazza, Dr. Chris	Formerly President and Chief Executive Officer, Ornge	July 18, 2012
McKeogh, Ms. Carole	Deputy Director, Legal Services Branch, Ministry of Health and Long-Term Care	April 25, 2012
McKerlie, Mr. Ron	Interim President and Chief Executive Officer, Ornge	March 28, 2012
McLellan, Dr. Barry	Board of Directors, Ornge	April 25, 2012
Mitchell, Mr. Kelly	Founder of Pathway Group; Formerly Board of Directors, (and other corporate appointments), Ornge	May 2, 2012
Morrison, Lynn	Integrity Commissioner and Lobbyists Registrar	August 2, 2012
Navas, Mr. Luiz	Vice-Chair, Global Governance Advisors; Formerly Ornge Board of Directors; Chair, Governance and Compensation Committee	May 16, 2012
Potter, Mr. Rick	Contractor retained by Ornge; Formerly Vice-President, Aviation; Chief Operating Officer, Ornge.	May 9, 2012
Rafi, Mr. Saäd	Deputy Minister of Health and Long-Term Care	March 28, 2012
Renzella, Ms. Maria	Formerly Vice-President Ontario Air Ambulance Co., Executive Vice-President Corporate Services and Vice-	

<b>Name</b>	<b>Position, Organization</b>	<b>Date of Appearance</b>
	President Finance, Ornge	May 16, 2012
Rothfels, Mr. Tom	Chief Executive Officer, The Intravest Corp.; Formerly Chief Operating Officer, Ornge International	May 30, 2012
Rusk, Mr. Fred	Rusk Consulting; Formerly Aviation Safety Manager, Ornge	June 13, 2012
Sapsford, Mr. Ron	Formerly Deputy Minister of Health and Long-Term Care	Aug. 1, 2012
Schell, Mr. David	Manager, Risk and Assurance Services, Health Audit Service Team, Ontario Internal Audit Division, Ministry of Finance	Aug. 2, 2012
Shortill, Mr. Tim	Chief of Staff to the Minister of Finance	April 25, 2012
Sinclair, Mr. James	Director, Legal Services Branch, Ministry of Finance	May 9, 2012
Smitherman, Mr. George	Chairman and Principal of G and G Global Solutions; Formerly Minister of Health and Long-Term Care	April 4, 2012
Steeve, Mr. Jamison	Principal Secretary to the Premier	April 4, 2012
Tilford, Ms. Wendy	Deputy Minister of Economic Development and Innovation	April 4, 2012
Ueckermann, Mr. Julius	Vice-President, Logistics, Ornge	Aug. 2, 2012
Volker, Ms. Patricia	Board of Directors, Ornge	May 2, 2012
Wade, Mr. Bruce	Medevac Helicopter Pilot, Ornge	July 31, 2012
Wallace, Mr. Peter	Secretary of the Cabinet, Head of the Ontario Public Service and Clerk of the Executive Council	April 18, 2012
Worden, Ms. Cathy	Chief of Staff, Minister's Office, Ministry of Economic Development and Innovation	April 4, 2012

## APPENDIX NO. 2

### Committee Correspondence

The Committee had concerns with the professional conduct of certain witnesses. Letters were sent from the Chair, Standing Committee on Public Accounts, to the following professional regulatory bodies to outline these reservations:

- the Institute of Chartered Accountants of Alberta Re: Ms Margriet Kiel;
- the Institute of Chartered Accountants of Ontario Re: Mr. Rainer Beltzner;
- the College of Physicians and Surgeons of Ontario Re: Dr. Chris Mazza;  
and
- the Law Society of Upper Canada Re: Mr. Alfred Apps.