

Request to Review Supplier Suspensions and Reinstatement IPAC Paving Limited and Pave-1 Construction Limited

Date: June 27, 2025

To: General Government Committee

From: Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to recommend the reinstatement of Pave-1 Construction Limited ("Pave-1") and IPAC Paving Limited ("IPAC") as eligible suppliers to the City of Toronto. Both companies are currently subject to permanent suspensions imposed by Council.

At its meeting on February 6 and 7, 2012, City Council temporarily suspended IPAC, Sebastian Corbo, as an individual, and any entity in any way owned, directed or controlled by Sebastian Corbo, including Road Mill Construction ("Road Mill"). IPAC and Sebastian Corbo as an individual and any entities owned, directed, or controlled by Sebastian Corbo (including Road Mill) were permanently suspended by Council on November 27, 28, and 29, 2012. The suspension was based on Sebastian Corbo pleading guilty to a charge of paying a secret commission in relation to providing money to a former Toronto Transit Commission ("TTC") employee to facilitate IPAC obtaining paving work from the TTC. City Council on August 25, 26, 27 and 28, 2014, also permanently suspended Pave-1 Construction Limited, an affiliate of IPAC Paving Limited from being awarded or granted any future City contracts, or otherwise profiting from any City contracts.

John Corbo has maintained ownership and sole directorship of both Pave-1 and IPAC since 2014, distancing the operations from prior activities, as corroborated by federal compliance records. Road Mill is no longer in operation.

The current City of Toronto Municipal Code Chapter 195, Procurement ("Chapter 195") and the Supplier Suspension Procedure (the "Procedure") prescribe a maximum supplier suspension period of five years. It also provides suspended suppliers the option to apply for reinstatement upon completion of at least half of their total suspension period. However, as no formal mechanism exists in the Procedure for reviewing a permanent suspension imposed by City Council, it is recommended that City Council

now reinstate IPAC and Pave-1 as eligible suppliers in accordance with Chapter 195 and the Procedure.

RECOMMENDATIONS

The Chief Procurement Officer recommends that:

1. City Council reinstate IPAC Paving Inc. and Pave-1 Construction Limited and permit these entities to be eligible to submit bids and be awarded contracts by the City of Toronto, effective immediately.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of the recommendation in this report.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on February 6 and 7, 2012, City Council temporarily suspended IPAC, Sebastian Corbo, as an individual, and any entity in any way owned, directed or controlled by Sebastian Corbo, including Road Mill from being awarded or granted any future City contracts until the courts had rendered a final decision regarding the charges laid against Sebastian Corbo concerning several Criminal Code offences, and all appeals had been exhausted or until all of the charges against Sebastian Corbo had been withdrawn.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM10.15>

At its meeting on November 27, 28 and 29, 2012, City Council made the suspension of IPAC, Sebastian Corbo and Road Mill permanent.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM18.4>

At its meeting on August 25, 26, 27 and 28 2014, City Council adopted a report to permanently suspend Pave-1 due to its affiliation with IPAC.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX44.30>

At its meeting on July 12, 13, 14 and 15, 2016, City Council adopted a new Chapter 195, Purchasing, which introduced a new Supplier Code of Conduct and more clearly set out provisions related to the suspension of suppliers from doing business with the City. .

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM13.13>

COMMENTS

Suspension of IPAC and Pave-1

In 2012, City Council permanently suspended Sebastian Corbo as an individual, IPAC, and Road Mill from being awarded City of Toronto contracts, based on the fact that Sebastian Corbo, as the owner of those companies, had pleaded guilty and been convicted of paying a secret commission to a TTC employee in relation to TTC paving contracts. Sebastian Corbo was sentenced to a four-month conditional sentence, one year of probation, and was ordered to pay \$30,000 in restitution to the TTC within 12 months.

In 2014, City Council extended the permanent suspension to Pave-1, citing its affiliation with IPAC. The owner of Pave-1 was John Corbo, the son of Sebastian Corbo. John Corbo was noted as an officer of IPAC at the time of the suspension of both IPAC and Pave-1 but was not suspended as an individual. Pave-1 was also set up a month after the suspension of IPAC, back in 2014, using IPAC equipment.

The suspensions imposed by Council meant that the suspended suppliers could not be awarded any City of Toronto contracts as a supplier of goods and/or services or as a subcontractor to such a supplier, including any options, renewals or extensions of existing contracts.

Chapter 195 (Procurement By-law) Amendments

Chapter 195, in force in 2014, did not have specific provisions regarding supplier suspension or a method to address similar unethical bidding practices. Chapter 195 now includes two different mechanisms to address concerns about supplier conduct, each of which has its own form of reinstatement process.

Chapter 195 was amended in 2016 to include a Supplier Code of Conduct and provisions authorizing the suspension of suppliers based on violations of the Supplier Code of Conduct, as well as a new illegality provision that could render suppliers ineligible to bid on City contracts if convicted of certain offences. The changes to Chapter 195 took effect on January 1, 2017.

Illegality and Ineligibility

Under the current Chapter 195, Section 13.5 provides that suppliers must disclose any past convictions, whether their own, or those of an affiliated person, or any individual with an ownership interest, for offences such as collusion, bid-rigging, price fixing, bribery, or fraud under the Criminal Code, Competition Act, or similar legislation, unless a pardon has been granted. Where such a conviction exists, the supplier will be deemed ineligible to be awarded a City contract for a minimum of five years from the date of conviction, unless the Controller grants an exemption.

Section 22.2 of the Procurement Policy expands on the above by authorizing the Controller to reverse a determination of ineligibility, if the supplier can demonstrate that

they, an affiliated person, or an individual with an ownership interest has received an absolute discharge, a conditional discharge with all conditions satisfied, a pardon, or a record suspension related to the offence.

Supplier Suspension

For contraventions under the Supplier Code of Conduct in Chapter 195, the maximum suspension period which may be authorized by Council is five (5) years, as specified in Section 13.13(A).

Under Section 13.14(B) of Chapter 195, a decision to reinstate a suspended supplier may be made by City Council based on the recommendation of both the Chief Procurement Officer and the appropriate division head, subject to such reasonable conditions or limitations that ensure the supplier will not pose a material risk to the City's procurement process, contract management or reputation for the remaining duration of the original suspension.

Suspension Term

The City has been suspending contractors more frequently for violations of the Supplier Code of Conduct, particularly due to unsatisfactory performance, as outlined in the Procedure that has been in effect since January 1, 2017. Council-approved suspensions have ranged in length from one year to five years. In addition, suppliers who have been convicted of certain offences under the Criminal Code or other applicable law will be deemed ineligible for award of contract for at least five years, unless they have received a pardon.

The suspension of IPAC, Road Mill and Pave-1 are the only permanent suspensions that Council has ever issued and have now extended well beyond the 5-year maximum term currently authorized at the City.

Previous Request to Review Suspension

John Corbo has made several requests over the years, specifically in 2016, 2018, and 2021 for IPAC and Pave-1 for a review of the suspensions. In his 2016 request, he provided evidence demonstrating that he was in control of IPAC. In 2018, John Corbo submitted a copy of an Advanced Determination from Public Services and Procurement Canada, which indicated that Sebastian Corbo's 2012 conviction would not disqualify IPAC or Pave-1 from bidding on procurement contracts, as the conviction was more than three years old.

In 2021, John Corbo presented a statutory declaration confirming that he was the sole officer, director, shareholder, and controlling mind of both IPAC and Pave-1. He affirmed that Sebastian Corbo had no involvement, directly or indirectly, with either of the companies since 2012. This was corroborated by a statutory declaration from Sebastian Corbo affirming the same information, as well as corporate profile reports from the Ontario Ministry of Government Services.

Current Request to Review Suspension

The City received a new request from John Corbo on May 4, 2023, requesting that the City review the permanent suspensions for Pave-1 and IPAC. Subsequently, the Chief Procurement Officer met with John Corbo to review the history and status of the suspensions, as well to gather information on the current corporate structure of the suspended companies.

In November 2024, John Corbo provided an additional statutory declaration confirming that he is the beneficial owner of all shares of both IPAC and Pave-1, which are held by 2745465 Ontario Limited, of which he is the sole owner. The declaration also provides the following:

- John Corbo has operated, managed and controlled IPAC since 2012
- Since 2012, Sebastian Corbo has had absolutely no involvement with IPAC or IPAC's operations directly or indirectly in any manner.
- Sebastian Corbo has no interest nor influence in IPAC whatsoever, directly, indirectly nor beneficially.
- Sebastian Corbo has never been involved with Pave-1 nor Pave-1's operations directly or indirectly in any manner. Pave-1 was solely established by John Corbo.
- Sebastian Corbo has no interest nor influence in Pave-1 whatsoever, directly, indirectly nor beneficially.
- IPAC and Pave-1 are not related to and do not conduct any business with any entities controlled by Sebastian Corbo, including but not limited to Road Mill Construction.

The statutory declaration reiterates that Sebastian Corbo has not been involved with IPAC or IPAC's operations directly or indirectly in any manner since 2012. Sebastian Corbo has no interest or influence in IPAC, directly, indirectly, or beneficially.

Sebastian Corbo also provided a statutory declaration confirming that he has not been involved in IPAC since 2012, has never been directly or indirectly involved with Pave-1 or its operations, and that Pave-1 was solely established by John Corbo. According to the terms of the statutory declarations submitted by John Corbo, Sebastian Corbo has no interest or influence in Pave-1 whatsoever, directly, indirectly, or beneficially.

Corporate profiles from the Ministry of Public and Business Service Delivery submitted by John Corbo, along with his statutory declaration, support the statutory declarations provided.

Due to the unique circumstances under which IPAC and Pave-1 were dealt with, the path forward must consider a hybrid approach to reviewing the actions taken previously by Council. IPAC was permanently suspended 11 years ago, and Pave-1 was permanently suspended 9 years ago. The time period for eligibility to review the suspension under Section 5 of the Procedure is upon completion of at least half of the total suspension period. As there is no definitive end date to a permanent suspension, no firm review date can be established using this framework. However, given that the current maximum suspension term for a Supplier Code of Conduct violation is 5 years, and there is a minimum 5-year ineligibility period based on the illegality provision, it is

reasonable to undertake the review process for suspensions issued well in excess of both terms.

Both IPAC and Pave-1 have since successfully completed work for multiple public sector entities in the Greater Toronto Area, with supporting letters of reference attesting to the quality of their performance, professionalism, and reliability.

Reinstatement Authority and Recommendation

Under the Procedure, applications for review of suspensions are to be reviewed by the Chief Purchasing Officer and Legal Services. If the CPO and Legal Services are satisfied that the reasons for the original suspension will no longer present risk for the City by the Supplier in question, then a memo supporting the reinstatement of the Supplier may also be provided to the appropriate Approval Authority as set out in Section 2 of the Supplier Suspension Procedure.

In addition, if a supplier is deemed ineligible through the illegality provision, the Treasurer may reverse a suspension in respect of an offence listed in Article 195-13.5(A), if the Supplier demonstrates that it or its affiliate has been granted an absolute discharge, conditional discharge (and has satisfied the conditions), a pardon or a record suspension (See: Section 21.2.2 of the Procurement Processes Policy). In this case, Sebastian Corbo received a pardon in 2020.

The permanent suspensions of Sebastian Corbo, IPAC, Road Mill and Pave-1 were imposed by Council. Given that the original permanent suspensions were issued by Council prior to the Chapter 195 amendments related to the Supplier Code of Conduct under a previous authority, Council authority is now being sought to reinstate IPAC and Pave-1 as eligible suppliers. It should be noted that there is no request to review or reinstate Sebastian Corbo as an individual.

Given that all evidence supports complete operational and ownership separation of IPAC and Pave-1 from Sebastian Corbo, the City's own policies now prescribe a maximum suspension period of five years, and no formal mechanism for review of a permanent suspension exists for these legacy suspensions, it is recommended that Council lift the suspension of IPAC and Pave-1 Construction Ltd and reinstate these two companies as eligible suppliers. Based on an extensive review of the documentation submitted by John Corbo, the reasons for the original suspension will no longer present a risk for the City by IPAC or Pave-1.

This action would align the City's practices with its current Procurement By-law and support the City's perspective that the remedy of supplier suspension is not a punitive instrument, but rather an accountability measure intended to be exercised to prevent risk to the City's valid commercial or business interests.

Discussions have been held with relevant Division Heads regarding the potential reinstatement of IPAC and Pave-1, including the identification and resolution of any concerns. In addition, PMMD will be issuing updated guidance on the Supplier Performance Evaluation process to further support Divisions in supplier and contract management.

Legal Services was consulted in the preparation of this report.

CONTACT

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SIGNATURE

Geneviève Sharkey
Chief Procurement Officer

ATTACHMENTS

- John Corbo Statutory Declaration 2024
- Sebastian Corbo - Statutory Declaration 2024
- IPAC, PAVE-1 City of Toronto Submission