Ontario Northland

An Agency of the Government of Ontario

Ontario Northland Transportation Commission
Annual Report 2020-2021

Ontario

Contents

Land Acknowledgement

We would like to acknowledge the importance of the land which Ontario Northland Transportation Commission (ONTC or Ontario Northland) operates on. We do this to reaffirm our commitment and responsibility in improving relationships between Ontario Northland and Indigenous peoples and communities to improve our understanding of local Indigenous peoples and their cultures. We are dedicated to honouring the treaties and other commitments that have been made by moving towards reconciliation and collaboration.

Message from Chair

Delivering efficient, safe and reliable transportation services to Northern Ontario is our mandate, and I couldn't be prouder of Ontario Northland's fulfillment to this commitment this past fiscal year.

Adversity, although difficult and challenging, can provide clarity and build character. The coronavirus (COVID-19) pandemic highlighted the essential nature of Ontario Northland's services to business, people, and the economy of Northern Ontario. Our rail freight customers depend on us to bring their materials in and out of the region; without transportation, jobs would be lost. Our motor coach and Polar Bear Express passengers put their faith in us to keep them safe while transporting them to school, medical appointments, and work. Small businesses relied on us to deliver parcels and rail customers counted on us to access the global supply chain so they too, could keep their businesses open.

Our employees responded swiftly and professionally, putting the safety of our passengers, customers, and the communities we serve at the forefront. At a time when much of the world stopped moving, we were counted on as one of the few that continued to operate to ensure people and goods that needed to move for essential reasons, could.

I hope that our purpose and response during this time is not forgotten; that all stakeholders understand the essential nature of Ontario Northland's transportation services as we move toward economic recovery and the important role we will play.

I am privileged to present Ontario Northland's Annual Report. The report provides a summary of our achievements and progress made over the past year on our commitments to provide better transportation. This work was guided by our mandate of delivering efficient, safe, and reliable transportation services in Northern Ontario while building a strong, sustainable organization.

Tom Laughren

Message from the President and CEO

For most of the period of Ontario Northland's Annual Report, our country and industry have been dealing with unprecedented challenges. As people and an organization, we changed the way we travel, work and live. As our province dealt with challenges in the face of the COVID-19 pandemic, our focus was to keep supply chains open, protect our employees, passengers, and the communities we serve, including many Indigenous communities that rely on our services, and continue to provide safe and reliable transportation services for essential travel. I would like to proudly acknowledge the compassionate and skilled response from our employees during this time.

We continued to carry out the important work of improving our transportation network. We did this by securing new equipment, improving infrastructure, repairing bridges and the railway track which is critically important for safe and efficient movement of people and goods. We expanded motor coach service in Northwestern Ontario with new connectivity provided through service to Thunder Bay and Winnipeg. The launch of this service in May 2020, during the COVID-19 pandemic, highlights the important service that Ontario Northland provides to the people of Northern Ontario.

In April 2020, oversight of Ontario Northland was transferred from the Ministry of Energy, Northern Development and Mines to the Ministry of Transportation (MTO). The new reporting structure aligns Ontario Northland with provincial transportation services. A new Memorandum of Understanding between the MTO and ONTC was established in September 2020 and laid the foundation for a productive and positive relationship.

As we look to the recovery phase of the COVID-19 pandemic in partnership with the Province, we will continue to build on opportunities to promote transportation services for passengers and business in Northern Ontario. This service connects communities, increases road safety, reduces greenhouse gas emissions, and contributes to a stronger northern economy by providing linkages as a critical component to the supply chain. Working together, we can build an affordable, accessible, vibrant Northern Ontario with a sustainable economy and a healthy environment.

Our organization is known for its rich history, resiliency and continuous improvement mindset. Building a stronger and more dynamic future for northern transportation will continue to be our focus and the foundation of our planning. We are passionate about customer-service excellence, implementing innovative technology, modernizing our infrastructure, finding efficiencies, and enhancing our culture of safety. We do this work because of the significant impact Ontario Northland has on the people and businesses across Northern Ontario. We have charted a strong path forward ensuring that our essential services are valued, integrated and drive prosperity throughout the region.

CMoore

Corina Moore

Vision, Mission, Values & Mandate

Vision

Ontario Northland will remain the transportation leader in Northern Ontario, providing efficient, valued and vital transportation solutions, including rail passenger and rail freight service, motor coach service, a boutique railway station hotel (the Cochrane Station Inn), and remanufacturing and repair services for passenger cars, freight cars and locomotives.

Our focus will be on business and employee excellence, innovation and collaboration. We will establish cost-effective business practices, continue progressing a culture of continuous improvement and operate more efficiently and effectively, enabling a sustainable Ontario Northland.

As employees, we will take pride in our work and our workplace. We will promote a culture of open communication, fairness, diversity and creativity that will move us forward as a secure and valued workforce and agency.

Mission

Our motto is: Moving people. Moving goods. Moving forward. As an agency of the Crown, Ontario Northland supports and fosters economic development, job creation and community sustainability across Northern Ontario.

Our vital transportation services promote access to work, health care, education, and the movement of goods and delivery of services within the region and between Northern Ontario and other regions throughout North America.

Ontario Northland is critical to the growth and prosperity of Northern Ontario and has proven interconnectivity to other transportation modes across the province, including passenger services (Metrolinx) and rail freight (Class 1 railways) that rely on Ontario Northland as a key component of the supply chain.

Values

By choosing to live these values, Ontario Northland employees share accountability for helping achieve efficient and valued transportation solutions for the next 100 years.

Our values include:

- accountability
- customer satisfaction
- positive team/work environment
- safety
- continuous improvement

Mandate

Ontario Northland is responsible for the delivery of efficient, safe and reliable transportation services in Northern Ontario.

Governance

The Ontario Northland Transportation Commission is an agency of the Government of Ontario. It was established by government in 1902 under the ONTC Act.

Ontario Northland is accountable to the Minister of Transportation for fulfilling its mandate and carrying out the roles and responsibilities of the ONTC Act. Commission members are appointed by the Lieutenant Governor in Council and go through an application process established through the Public Appointments Secretariat.

Reporting Structure

The President and CEO is accountable to the Commission of the ONTC, comprised of a Chair and Commission members, each of whom have been appointed by the Province of Ontario. The Commission, is accountable to the Chair of the Commission who in turn reports to the Minister of Transportation, the minister responsible for overseeing Ontario Northland.

Commission Members

Thomas Laughren, Timmins, Chair
(appointment March 11, 2018 for a three-year term)
Remuneration was $0

Debra Sikora, Guelph
(appointed May 18, 2017 term ended May 18, 2020)
Remuneration was $0

Lillian Trapper, South Porcupine
(appointed March 7, 2018 term ended March 6, 2021)
Remuneration was $1,000

Ila Watson, Sault Ste. Marie
(appointed March 11, 2018 term ended March 10, 2021)
Remuneration was $2,500

RJ Falconi, Bradford
(appointed January 9, 2020 for a two-year term)
Remuneration was $5,500

Randy Nickle, Kenora
(appointed December 6, 2019 for a two-year term)
Remuneration was $2,300

Doug Bender, Black River-Matheson
(appointed January 7, 2021 for a three-year term)
Remuneration was $0

The combined amount of remuneration for all appointees was $11,300 for fiscal year 2020-21.

Principal Officers

Corina Moore – President and Chief Executive Officer
Drew Duquette – Vice President of Transportation
Chad Evans – Vice President of Corporate Services
Donna Jaques – Legal Counsel

Commission Committees

The Ontario Northland Transportation Commission has established the following three committees to assist with oversight and governance for the 2020-2021 fiscal year.

Audit, Finance and Risk Management Committee:

1. Debra Sikora, (Committee Chair)
2. Tom Laughren
3. Randy Nickle

Human Resources Committee:

1. Ila Watson (Committee Chair)
2. Debra Sikora
3. RJ Falconi

Governance Committee:

1. RJ Falconi (Committee Chair)
2. Ila Watson
3. Randy Nickle

Employees

Ontario Northland employs 748 individuals, who live and work in Northern Ontario and northwestern Quebec.

Introduction

Ontario Northland continued to provide essential services during the COVID-19 pandemic. By initiating our pandemic response plan quickly in March 2020, Ontario Northland was prepared to keep its passengers, customers, employees, and the communities it serves safe.

For the first time in Ontario Northland's history, motor coach services were expanded to Winnipeg, Manitoba, serving an additional 14,500 kilometers and 21 communities. A new bus maintenance facility was opened in Thunder Bay and new stops were added in Ottawa to include VIA Rail Train Station, Children's Hospital of Eastern Ontario and the Ottawa Hospital and six new motor coaches were added to fulfil all service requirements across the Province.

The Polar Bear Express (PBX) passenger train service continued to operate as it is the only all-season land link between Cochrane, Moosonee and the First Nations communities along the James Bay Coast. In collaboration with community leaders and First Nation Chiefs, the PBX passenger service was suspended for 45 days in the spring of 2020 to ensure the safety of employees, passengers and the residents of remote communities; a first in the trains' 56-year operating history.

2020-2021 Highlights

MOVING PEOPLE
13,450 passenger trips were fulfilled on the Polar Bear Express passenger train between Cochrane and Moosonee
106,067 passenger trips fulfilled on Ontario Northland motor coaches

MOVING GOODS
39,292 carloads of rail freight moved (the equivalent of 98,230 transport trucks)
5.6 million kilograms of express rail freight shipments were delivered between Moosonee and Cochrane
2,434 vehicles transported on the Polar Bear Express train between Moosonee and Cochrane
103,477 parcels carried on Ontario Northland Motor Coaches

EQUIPMENT AND INFRASTRUCTURE
26 active locomotives
38 in-service buses
854 miles of track maintained (1,374 kms)
675 miles of mainline track (1,086 kms)
461 rail crossings
93 rail bridges
2,100 culverts
508 switches

EMPLOYEES
748 employees
22% of employees are women
5% of employees identify themselves as Indigenous
1% of employees identify themselves as a visible minority
Ontario Northland's female participation rate (22%) is 9% higher than the Rail Transportation industries' female participation rate (13%) and 10% higher than the Truck Transportation industries' female participation rate (12%).

Performance Highlights

Safety

As outlined in Ontario Northland's 2020-2021 Business Plan, delivering transportation services safely is Ontario Northland's top priority. We continue to build on the existing safety culture by reinforcing the roles and responsibilities. The importance of safety was further highlighted when the outbreak of COVID-19 resulted in many changes and enhancements including the addition of 22 new standard operating procedures.

Although we did not meet our target of reducing the lost-time injury frequency by 47% (from 3.0 to 1.45), we did see a year-over-year decrease of 6.6%. Setting the reduction in lost-time injury frequency was deliberate to establish expectations of accountability as we build the health and safety culture at Ontario Northland. Following the implementation of our new incident reporting system, Intelex in 2019-2020, we are now able to conduct a more accurate analysis and focus on implementing corrective and remedial steps. The decrease in comparison to previous years was achieved through a number of prevention initiatives to increase employees' understanding of their role in safety and strengthening the Health and Safety foundation. We're proud to report that there were no major rail or motor coach occurrences or accidents this past year.

Since the launch of the Work Safe program in 2019; a company program that recognizes safety in action our employees have become more comfortable with recognizing safety and speaking up to prevent incidents. Throughout the year, six employees were recognized for being ambassadors of safety at Ontario Northland. The Work Safe Program will be expanded in the next fiscal year with improved communication and recognition process, with the ultimate goal of increasing the awards given each year.

Reporting safety concerns was enhanced through the launch of Intelex, an environmental, health and safety, and quality management platform. The platform provides employees with an easy-to-use program to monitor, record and report concerns or incidents and have them escalated for resolution. Since the implementation of Intelex, there have been 169 documented health and safety concerns. The program's goal is to increase reported health and safety concerns resulting in a reduction in lost-time injuries. By implementing this safety software, Ontario Northland demonstrated its focus on introducing software solutions aimed at gaining efficiencies and improving productivity as outlined in the 2020-2021 Business Plan.

Ontario Northland participated in the Railway Association of Canada's (RAC) safety culture assessment process to identify opportunities and to implement initiatives to make a positive impact to strengthen our safety culture. The voluntary assessment included surveys, interviews and focus groups with employees, supervisors and managers. The process identified three main areas that we will be focusing on over the next few years – communication, making health and safety a priority, and building trust.

Ontario Northland developed an environmental focused "Check Before You Work" checklist to guide environmental impact assessments and processes to ensure compliance and due diligence for future work at Ontario Northland.

Ontario Northland's continuous efforts throughout the year to implement these programs and initiatives helped ensure that we met our strategic priorities outlined in the 2020-2021 Business Plan of demonstrating our commitment to health, safety and the environment.

People

Faced with an extended disruption of operations, Ontario Northland offered staff ongoing training and support to navigate through the COVID-19 pandemic.

The COVID-19 response for employees included:

- Additional support through a dedicated employee health nurse
- Mental wellness support
- New policies for reporting illness and self-isolation
- Employee care packs that included important items like gloves, sanitizers, masks, and information on the latest COVID-19 health guidelines
- Installation of barriers for front line staff along with HVAC upgrades
- Enhanced employee communications
- Dedicated email address for COVID related questions and concerns
- Virtual employee town halls

While Ontario Northland pivoted during the pandemic, its primary focus shifted to ensuring essential goods and people were able to move within the region. The agency however, remained focused on planning for the future and post-pandemic economic recovery across the North.

Internal communication efforts were paramount during the pandemic. From the onset of the pandemic, employee communications were proactive. A new communication vehicle was created to provide employees with information about COVID-19 from trusted health resources as well as other relevant news. A one-page bulletin called the Dispatch was distributed weekly electronically with a paper-based to reach non-desk workers. It quickly became clear that Ontario Northland needed to reach people where and when they needed it most. A business case was developed and approved for the launch of an Ontario Northland employee app (to be released in 2021) to communicate with employees. Considering that over 70% of Ontario Northland employees are non-desk workers, the app is expected to have a significant impact on the effectiveness of internal communications. The employee app is one of the ways in which we continuously improve and innovate to achieve business and service excellence as mentioned in the 2020-2021 Business Plan.

Employee engagement sessions were shifted virtually which proved to be successful, with more than half of employees indicating a preference to the virtual platform during a recent survey.

The Human Resources department quickly developed a guide for managers and supervisors to support remote workers and their reintegration to the workplace, which included checklists for performance, accommodation requests and on-going support resources. Recruiting efforts continued, with new COVID-19 protocols in place, for over 92 positions in 2020-2021, this included screening of over 2,466 applicants, 319 interviews and 68 new hires.

The Information Technology department worked diligently to expedite the deployment of productivity applications and tools to the work force to support remote work tools and ease of access due to COVID-19 all while mobilizing the workforce with the equipment needed to truly be mobile, simplify connectivity and ensure productivity of employees continued seamlessly.

The senior leadership team participated in an Indigenous cultural awareness session which included a first-hand account from a residential school survivor. This training was a first step to developing a strategy to deliver further education and awareness across the agency.

Mandatory leadership training in a virtual classroom was offered to provide leaders with skills to manage their teams more effectively.

Partners

Ontario Northland is vital to the people and businesses of Northern Ontario. We deliver reliable transportation services that connect people and businesses – we've been doing this for 120 years and have become a trusted partner for the many - communities we serve, including Indigenous communities that rely on our services.

While fulfilling its mandate, Ontario Northland has been a driver of continued economic growth while creating a stronger Northern Ontario through its culture of open communication and innovation.

This past fiscal year, Ontario Northland has made it a priority to establish and enhance relationships with municipalities across the region to ensure collaboration during transportation planning. The President and CEO hosted a mayors meeting bi-annually to provide an update on Ontario Northland services and to seek input on transportation needs.

Ontario Northland's railway infrastructure team has strengthened its relationships with municipalities by working with them to access funding through Transport Canada's Rail Safety Improvement Program, with the aim of creating safer communities and reducing the overall cost associated with the upgrades. This past fiscal year, the City of Temiskaming Shores received funding through the Transport Canada Rail Safety Improvement program to upgrade a high-risk crossing.

Ontario Northland is proud of the working relationships it has with Indigenous leaders, which proved to be critical during the COVID-19 pandemic, as vulnerable First Nation communities in the James Bay Coast worked hard to protect community members from the virus. Weekly calls were held to ensure that Mushkegowuk First Nation communities continued to receive essential supplies and to discuss ongoing risks. In spring 2020, collectively, it was decided to pause train service between Cochrane and Moosonee to help prevent the spread of the virus to these communities.

The communications team responded to 56 media calls and managed high-profile issues throughout the year while enhancing its social media content and followers to provide critical updates to passengers and customers first-hand. The enhanced social media strategies delivered on our commitment identified in the 2020-2021 Business Plan to further grow the agency's social media assets

Our partnership with Metrolinx crossed over several divisions this past year. In 2019, Ontario Northland was awarded the contract work to re-furbish bi-level passenger coaches for Metrolinx. Much of the focus this past fiscal was a ramp-up for the program which included lean training, task development and engineering work. We continued to collaborate on the Initial Business Case for Northeastern Passenger Rail and partnered to offer seamless ticketing options for passengers travelling to Toronto Pearson Airport through connections at the Vaughan Highway 407 Terminal.

Planning

The agency focused efforts on planning for the COVID-19 pandemic recovery while fulfilling its mandate. We continued the important work of planning and consulting with municipalities on future transportation plans and requirements for the region through our legal department. The real estate asset and property program continued to generate revenue from properties sold.

Efforts continued to prepare business cases that support government priorities that align with our mandate of providing safe, reliable and efficient transportation solutions for Northern Ontario. Together with Metrolinx, we developed a draft Initial Business Case for Northeastern Passenger Rail in 2020-21 (released in May 2021). In the meantime, we completed critical work to audit the track infrastructure between North Bay and Timmins and Cochrane.

The next phase of feasibility work for the Northeastern Passenger Rail will include updating the business case, in collaboration with MTO and Metrolinx. Supported by a $5 million investment from the Province, the Updated Business Case is targeted to be completed in 2022.

Ontario Northland also provided input into ***Connecting the North: A Draft Transportation Plan for Northern Ontario*** released by the Ministry of Transportation on December 10, 2020.

A signed Memorandum of Understanding with Glencore for the potential movement and processing of ore from the Wasiman mine west of Rouyn-Noranda could represent a substantial opportunity for Ontario Northland in future years by increasing its rail carloads. This initiative aligns with Ontario Northland's focus of pursuing new rail freight business as outlined in our 2020-2021 Business Plan.

As part of our 2020-2021 Business Plan goals to improve overall safety of rail services, we worked with the Railway Association of Canada to plan for federally mandated installation of locomotive video and voice recordings in all of its locomotives. The locomotive video and voice recordings will provide insight into crew communications and actions taken to help improve rail safety by reducing the risk of future accidents.

During the past year, Ontario Northland was able to exceed its aggressive infrastructure rehabilitation targets, installing 65,073 railway ties (target was 50,000), repairing 8 bridges (target was 8), and replacing 37 (target was 30) of its culverts. Favourable weather which extended the work season and a redesigned infrastructure work program as detailed in the 2020-2021 Business Plan contributed to the success of the infrastructure rehabilitation.

Customer Experience

COVID Response

The safety and health of passengers, customers and communities we serve was our top priority this past year – ensuring that those travelling for essential reasons could do so with confidence. Below are some of the measures we put in place to follow health recommendations and reassure customers:

- COVID-19 page on the Ontario Northland website with a dedicated email address for questions and concerns
- Flexibility for ticketing and refunds
- Mandatory masks for passengers and employees
- Installation of plexi-glass bio barriers on motor coaches and stations
- Implementation of health screening and temperature checks for passengers
- Updates through e-blasts and social media
- Enhanced disinfectant cleaning of all passenger equipment
- Application of an anti-microbial product on motor coaches and the Polar Bear Express
- Isolation coach on Polar Bear Express to provide a space for passengers developing COVID-19 symptoms while on the train journey to self-isolate.

Customer Focus

Ontario Northland continued its motor coach expansion to better serve northern Ontarians and now provides motor coach and parcel service between Thunder Bay and Winnipeg. Many enhancements were made to existing motor coach routes with the addition of hospital and post-secondary education stops and further connections with VIA Rail Station in Ottawa as well as offering a daytime travel option from Ottawa, providing even more reliable and convenient bus stop options for passengers.

We continued to modernize the ticket section of our website, placing ticketing prominently on the home page. Because we want travel to be easy for passengers, we installed arrival and departure screens in our stations, which are also available on our website; installed braille seat numbers on motor coaches; and continued to work with Metrolinx to provide seamless ticketing with GO Transit tickets for those travelling to Pearson Airport.

Motor Coach passengers experienced 89% on-time performance which is up from 83% last year and closer to the 90% target - attributed to issues beyond our control such as traffic delays caused by road construction, bad weather and road and highway closures.

The Bus Parcel Express product continued to transform its service offerings and now includes track and tracing capabilities for parcels and a simplified checkout process that increases customer confidence and makes it easier for passengers shipping with Ontario Northland.

Although this year looked different for passengers on the Polar Bear Express (e.g. reduced travel days and the removal of the dining-car to follow recommended health guidelines for COVID-19), Polar Bear Express customers were 84% satisfied with the service. This is 9% above target which highlighted that passengers felt safe on-board the Polar Bear Express service.

Remanufacturing and Repair services received positive feedback on the services provided to various customers. Report cards received from CN and Metrolinx scored above 95% for remanufacturing and repair services quality and ability to deliver on-time. This division, which has a full cost-recovery model has steadily increased its cost recovery in the past four years. External repair work was steady keeping the business unit at capacity with passenger coach work, locomotive upgrades and repairs, tank car retrofits and repairs and external paint work.

Rail freight continued to pursue opportunities for off-rail customers with the promotion of its transload facilities throughout the region. Car storage services were offered to many customers as a result of COVID-19 pandemic and the decrease in carloads they ship. Train starts were adjusted to meet service commitments for customers in the mining and forestry industry who experienced a drop in the market due to the pandemic.

Financial Highlights

For the 2020-2021 business year, revenue was $61.3 million, and comprised of rail freight services revenue, passenger fares and external remanufacturing and paint work. The budgeted revenue for the year was $68.2 million.

The fiscal year came to a close with COVID-19 having a material impact on revenue as a direct result of reduced ridership by as much as 91% in some weeks with services reduced by 74% beginning in late March 2020. COVID-19 ridership impact amounted to $11.2 million in lost revenues.

Operating costs totaled $101.7 million while the budget for the year was $99.5 million. We were able to offset some of the additional operating costs through savings due to COVID-19, such as fuel savings from reduced service and lower fuel rates, employee vacancies, reduction in overtime costs, and less need to rent freight rail cars due to lower demand.

Net loss represents the excess of operating expenses, including amortization, over revenues earned in the fiscal year, Ontario Northland ended the year with a total net loss of $3.2 million.

Capital expenditures for the year were $59.7 million which was $0.3 million (0.5%) over the annual budget of $59.4 million, despite supplier and contractor issues related to COVID-19.

Ontario Northland received one-time funding of $7.4 million of which $1.1 million was spent on legacy pressures addressed through operating funding, $4.3 million spent on capital items, along with a $2 million self-insurance fund implemented.

During the year, Ontario Northland responsibly delivered on its mandate to deliver essential regional transportation services while managing its operating funding. Overall, COVID-19 had a net impact of $12.1 million, which included loss of revenues of $12.9 million offset by expense savings of $0.8 million. The agency continued to provide stability to rail freight customers, and passenger needing to travel for essential reasons.

Business Plan Report

In response to the COVID-19 pandemic, results of operations and forecasted business plan initiatives have been affected in several ways but most notably through the reduction of motor coach service, temporary closure of the Cochrane Station Inn and the temporary suspension of the Polar Bear Express passenger train from April 7th to June 25th and increased operating costs due to sanitization, cleaning and physical distancing protocols.

The organization is guided by the following principles to achieve key deliverables:

- Reduce or contain operating costs
- Demonstrate commitment to health, safety and the environment
- Continuous improvement and innovation to achieve business and service excellence
- Increase revenue
- Collaborate with Ontario Northland employees and the communities it serves

Key Achievements from 2020-2021 outlined in the 2020-2021 Business Plan include

- Purchased new motor coaches
- Track upgrades including 65,073 ties replaced, grinding of 41 miles of track
- Expanded motor coach services to Northwest Ontario
- Provided connection for passengers at the Highway 407 Vaughan Terminal with direct connections to Pearson Airport
- Upgraded five Grade Crossing Automated Warning Systems
- Expanded the use of electronic documenting in the field
- Provided distracted driver training to motor coach operators
- Migrated to Microsoft Office 365
- Implemented contract management software for the entire organization
- Advanced Enterprise Risk Management strategy by establishing benchmarks

Looking Forward: Key Deliverables for 2021-2022 as outlined in the 2020-2021 Business Plan

- Support economic recovery post COVID-19 pandemic
- Pursue new off-rail customers to ship goods using transload facilities located throughout northern Ontario
- Create a new strategic plan for the organization with input from key stakeholders
- Improve organization commitment to Health and Safety
- Establish an Enterprise Asset Management Program
- Continue with capital improvement plans to ensure all assets and infrastructure are in an acceptable state-of-good repair
- Continue to inventory real estate assets and divest surplus assets
- Support accountability and governance initiatives

Year in Review

Corporate Performance

Ontario Northland generated revenue from rail freight, passenger rail, motor coach services, remanufacturing and repair services, and its boutique hotel.

Financial Report

The following discussion and analysis of the financial condition and results should be read in conjunction with the audited financial statements and related notes.

Revenues

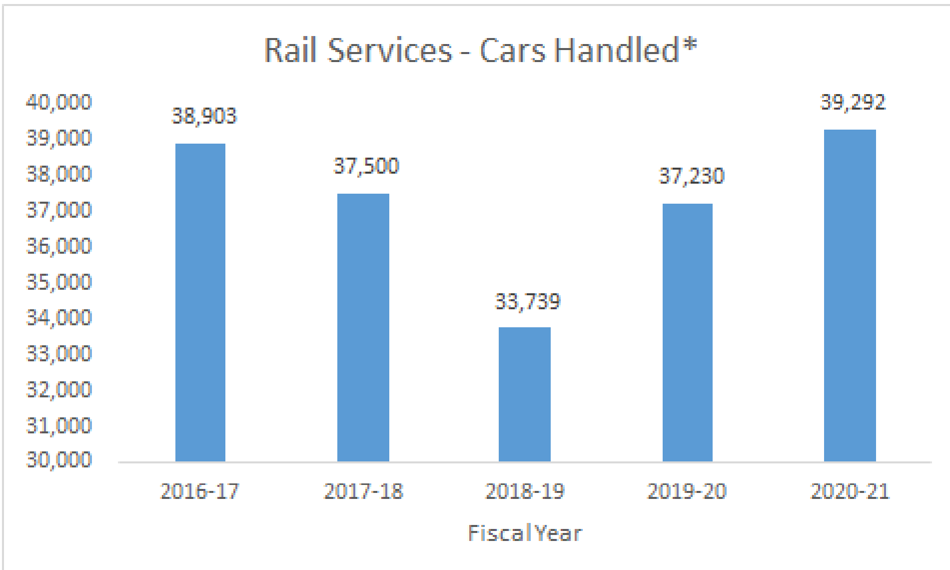
Ontario Northland's total revenue for fiscal year 2020-2021 was $61.3 million, which was approximately $6.9 million less than forecasted as a result of a reduction of passenger fare revenue due to the COVID-19 pandemic. Most of the revenue was generated from Rail Services, totaling $43.4 million. Remanufacturing and Repair Services generated $7.3 million in revenue while Motor Coach Services generated $5.7 million of revenue. Polar Bear Express services, which includes, Cochrane Station Inn, Express Freight and auto-carrier revenue totaled $4.7 million. Other revenues include revenues such as lease revenue.

Financial Report	2016/17	2017/18	2018/19	2019/20	2020/21	2020/21	2020/21	2020/21
($000's)	Actual	Actual	Actual	Actual	Actual	Budget	$ variance over budget	% variance over budget
Revenues								
Motor Coach Revenues	10,809	10,963	12,896	13,316	5,738	13,983	(8,245)	-59%
PBX Revenues	8,198	7,537	6,609	7,469	4,661	7,024	(2,363)	-34%
Rail Services Revenues	37,977	36,713	39,223	47,005	43,398	43,722	(324)	-1%
Remanufacturing & Repair Services Revenue	4,130	5,182	4,174	4,704	7,304	3,328	3,976	119%
Other revenues	321	204	161	179	168	140	28	20%
Total Revenues	**61,435**	**60,599**	**63,063**	**72,673**	**61,269**	**68,197**	**(6,928)**	**-10%**

Rail Services continues to be Ontario Northland's core and primary revenue generation business. The majority of rail revenue is derived from four major customers in the mining and lumber industry. The fiscal year 2020-2021 was challenging, and the mining and forestry industries saw their markets drop with the COVID-19 pandemic. As a result, Ontario Northland adjusted freight service to reflect the changes in demand from customers.

Rail freight revenues decreased by 8% to $43.3 million over previous year and was $0.3 million (1%) off target. The decreased revenue over prior year is attributed to industry shutdowns due to COVID-19 and market conditions which lowered carload revenues along with demurrage and car hire revenues as well. This decrease was slightly offset by an increase in storage revenues and foreign exchange gains on our carload freight revenue.

39,292 freight carloads were shipped during this period, which is an increase of 6% over the previous year; however, even with this increase we saw a decrease in carload revenues. This is due to the makeup of the car count. There was a decrease in linehaul cars and an increase in switches, due to a new switching agreement signed in late fiscal 2019-2020, which does not generate the same level of revenue as linehaul traffic.



* Cars handled include the following: linehaul freight, intermediate switching, outbound switching, inbound switching and haulage

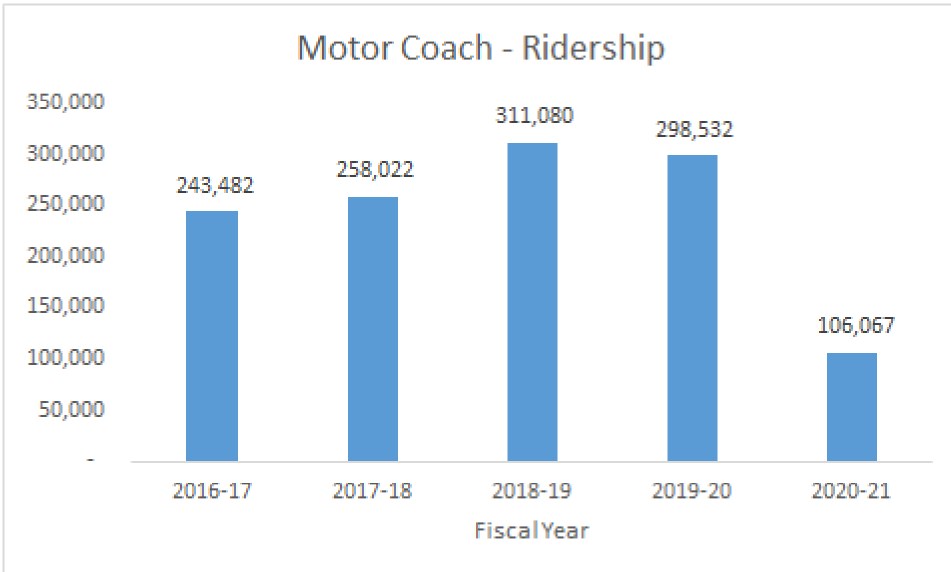
Scheduled and chartered motor coach services contributed $5.7 million of revenue, which was a 57% decrease from the previous year and 59% below the target. Although Ontario Northland expanded bus routes into Northwestern Ontario and into Winnipeg throughout the year, the impact that COVID-19 had was significant. Specifically, Ontario Northland had $8.6M of lost revenues in motor coach services in 2020-2021 due to COVID-19, attributed to a reduction in scheduled routes throughout the year, and a decrease in charters offered, ridership and parcels being shipped as a result of temporary reduction in scheduled routes.

The Polar Bear Express contributed $4.7 million in revenue to the organization, which was a decrease of $2.8 million (38%) compared to the previous year and was $2.4 million (34%) off the target. The impact that COVID-19 had was significant, specifically Polar Bear Express services had $2.6 million of lost revenues in 2020-2021 from COVID-19, with a temporary 45 day suspension in services throughout the first quarter of fiscal year 2020-2021 and a decrease in services and ridership for the remainder of the year. Included in Polar Bear Express revenues is $1.2 million of Express Freight, $0.5 million of auto-carrier and $0.2 million in Cochrane Station Inn revenues.

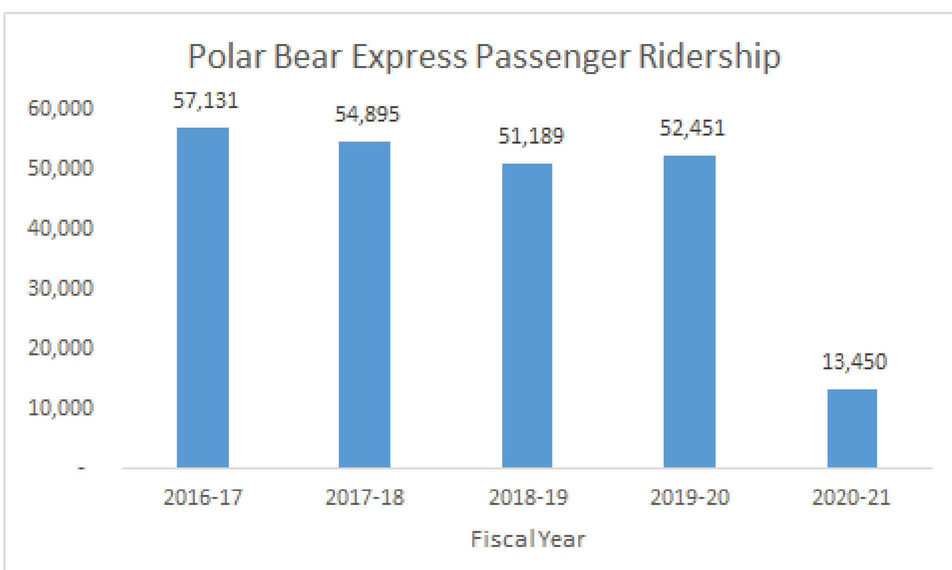
Remanufacturing and Repair Services met its mandate to complete all rolling stock and capital work for the Rail Services Division while delivering all external customer work at full cost recovery. It contributed $7.3 million in revenue, an increase of 55% over prior year, from external rail freight car, passenger car repair and locomotive work this fiscal year. The target was set at $3.3 million, in which it was exceeded by $4 million due to a contract in place to refurbish passenger cars for Metrolinx. As detailed in the business plan, the Remanufacturing and Repair service was able to complete external projects and reduce the overall agency subsidy.

Ridership

Motor coach ridership was steadily growing year over year with a bump in 2018-2019 due to bus expansion, however with the emergence of COVID-19 at the end of 2019-2020 and the public health recommendations for essential travel and the provincial stay-at-home orders, ridership declined by 64% to 106,067 in 2020-2021.



The Polar Bear Express passenger train between Cochrane and Moosonee was temporarily paused for 45 days and only ran for a total of 155 days during this past fiscal year as compared to 239 days in 2019-2020. The total decrease in ridership from the previous fiscal year was 74%, with 13,450 passengers in 2020-2021. The major decline in ridership was a direct result of temporary pause in service as directed by local health authorities in collaboration with local community leaders and First Nation Chiefs to help stop the spread of COVID-19 to the communities of the James Bay Coast.



Operating Subsidy

Ontario Northland received approximately $42.9 million in operating subsidy from the Province of Ontario in 2020-2021. The budgeted subsidy was $40.3 million which included $32.9 million for base operating subsidy and $7.4 million in one-time funding. This was an increase in subsidy of just under $12 million from 2019-2020 and $2.6 million over budget. Of the one-time funding, $2 million was allocated to a self-insurance fund, $1.1 million was allocated to operating and $4.3 million was reallocated to capital funding.

The Polar Bear Services, which includes the passenger train and a freight train, equals $16.9 million in funding to provide essential connections to the communities of Cochrane and Moosonee, as it is the only all-season land link to Moosonee and the Indigenous communities of the James Bay Coast.

The increase in subsidy is a direct result of the significant reduction in revenues due to the ridership loss caused by the COVID-19 pandemic. Businesses counted on Ontario Northland's reliable services to keep their goods reaching the market throughout the pandemic.

The overall impact on Ontario Northland from COVID-19 was $12.1 million. A $13 million loss of revenues due primarily to a decrease in ridership which was offset by savings of $0.9 million with lower fuel costs due to reduction in service and rates and savings through decreased travel expenses, less overtime and reduction in rail freight car rentals.

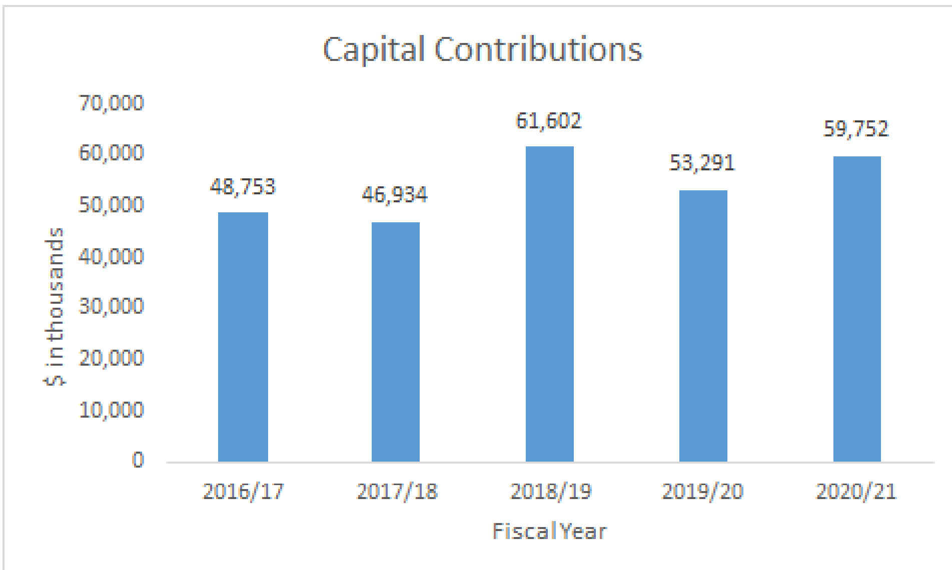
The operating subsidy from the Province from 2016-2017 to 2017-2018 was consistent, even with inflationary increases, and Ontario Northland implemented many savings initiatives which kept the subsidy steady. In 2018-2019 Ontario Northland was directed to expand bus services which resulted in a 9% increase in subsidy over 2017-2018. Ontario Northland maintained that subsidy level in 2019-2020 with continued efficiency initiatives, even considering the impact that COVID-19 had at the end of 2019-2020.

Overall, Ontario Northland's subsidy for 2020-2021 increased 39% over the past year, this includes one-time funding, expanding our reach considerably through Motor Coach Services expansion, and the direct result of the impact of the COVID-19 pandemic on the organization.

Special funding includes one-time funding requirements, such as self-insurance fund, pension related expenditures, and derailments.

Capital Subsidy

Capital subsidy increased by $6.5 million to $59.8 million in 2020-2021 from $53.3 million 2019-2020, all provided by the Province of Ontario. The increase in funding was partially due to one-time funding received from the Province in the amount of $4.3 million to address legacy pressures, such as aged building repairs and aged vehicle and fleet replacement, and $2 million to address the expansion of motor coach services to Winnipeg, requiring the purchase of additional motor coaches outside our existing 10-year capital asset management plan, which accounts for maintaining the state-of- good-repair of assets.



Operating Expenditures

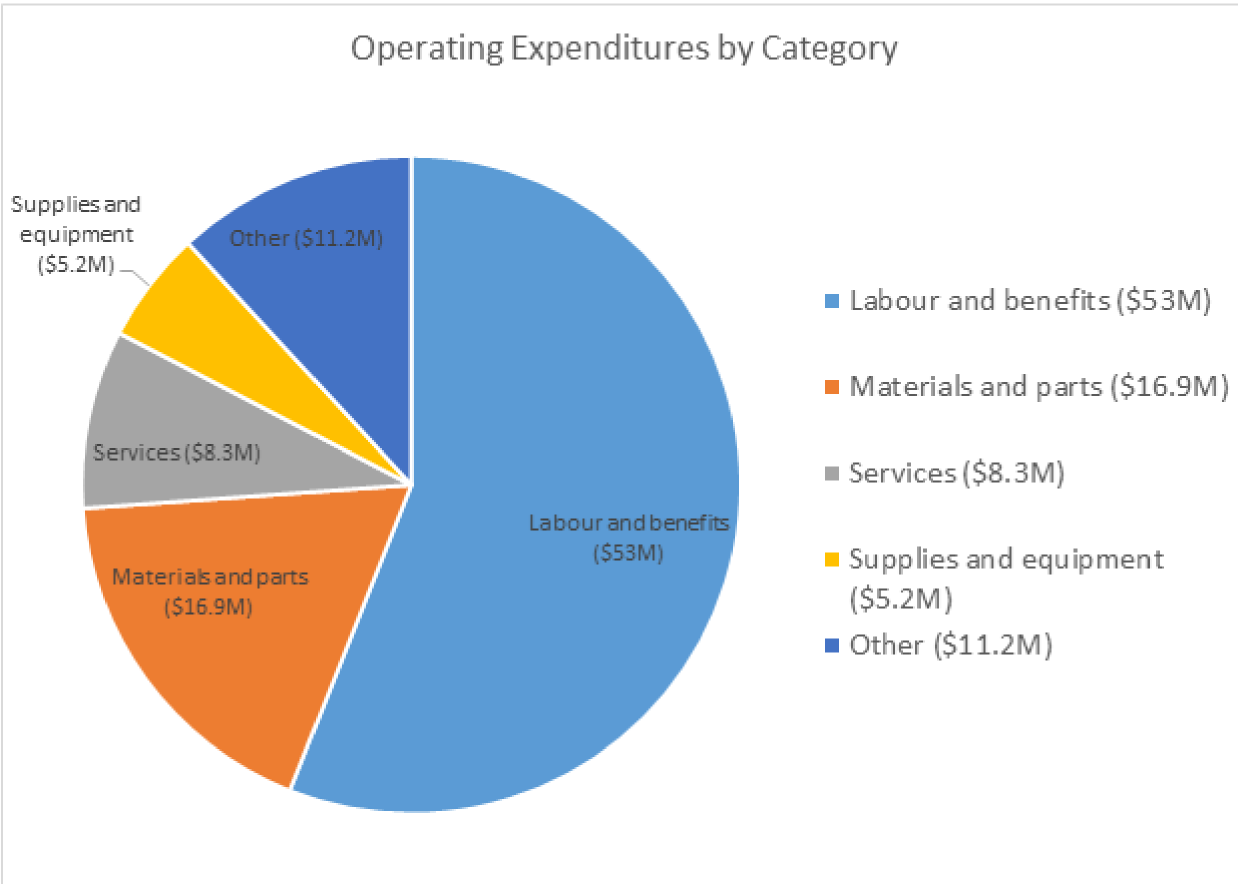
Operating costs (before other items such as amortization, inventory write-offs, employee future benefits, etc.) for the year were $94.7 million or $4.8 million less than budget, however an increase from the prior year by $3 million. Although Ontario Northland saw an increase in costs over the prior year due to safety measures put in place to ensure customer and employee safety during the COVID-19 pandemic, it did come in below budget due to a decrease in services, which led to fuel savings and labour and benefits savings.

Operating expenditures by year are shown below.

Financial Report	2016/17	2017/18	2018/19	2019/20	2020/21	2020/21	2020/21	2020/21
($000's)	Actual	Actual	Actual	Actual	Actual	Budget	$ variance over budget	% variance over budget
Expenditures								
Labour and benefits	45,852	49,411	49,900	51,099	53,069	60,157	(7,088)	-12%
Materials and parts	15,516	16,051	16,824	17,770	16,902	16,045	857	5%
Services	7,998	6,916	7,323	7,196	8,292	7,375	917	20%
Supplies and equipment	4,475	4,002	4,144	4,264	5,232	4,806	426	9%
Other	8,372	8,268	9,749	11,371	11,241	11,129	112	1%
Total Expenditures	**82,213**	**84,648**	**87,940**	**91,700**	**94,736**	**99,512**	**(4,776)**	**-5%**
Net Loss (before other items)	(20,778)	(24,049)	(24,877)	(19,027)	(33,467)	(31,315)	(2,152)	7%

Operating expenditures by category for 2020-2021 are shown below.

Ontario Northland's largest expense is labour and benefits which makes up 56% of all expenses to support operations. Other expenses include items such as insurance, property taxes, software fees, rail freight car rental, travel and training. The most significant variance this year was in Services expense, which was 20% over budget. The reason for the 20% variance is a result of additional COVID-19 related expenses, including cleaning services, in addition to an increase in services required for bus expansion to Thunder Bay that was not included in budgeted figures.



Capital Investments

All capital asset management plan initiatives forecasted in the business plan for the fiscal year were successfully achieved and came in 100% on target. The following represents a breakdown by division of capital investments.

Rail Services capital expenditure totaled $55.8 million. These funds were utilized to continue Ontario Northland's aggressive infrastructure maintenance schedule. Total investment in Rail Infrastructure was $39.8 million, along with an investment of $16 million in Buildings and Equipment.

- Capital rehabilitation work included: 8 bridges; 37 culverts; 9 crossings; 27 crossing signal system upgrades; 14 satellite communication units; 1 high-water detector; 88.55 miles of track surfaced and lined; 40.59 miles of rail grinded, 65,073 ties replaced; and 18.91 miles of rail upgraded.
- Upgrades to multiple buildings were performed including: North Bay Diesel Shop, North Bay Car Shop, North Bay Wheel Shop, North Bay Powerhouse, North Bay Maintenance of Way Shop, North Bay Yard Office, Englehart Resthouse, Cochrane Diesel Shop, Cochrane Station Inn and Cochrane Wheelpit.

- Replacement of the Road Stores building, built in 1918, at the North Bay Shop Complex was completed by building a new state-of-the-art facility.
- Major equipment upgrades included 8 freight rail cars, 3 locomotive overhauls, 2 tampers and the purchase of used gondolas and locomotives which will be overhauled to replace end-of-life units. Improvements were made to various buildings including replacing an elevator, installing a new locking system, new telephone system, and Wi-Fi improvements to the Cochrane Station Inn.
- Numerous technological improvements were made to address the changes in work environment with the COVID-19 pandemic.

Motor Coach Service's capital expenditure totaled $4 million.

- Introducing three additional mid-size coaches to the fleet as part of the expansion to Winnipeg, and three end of life coaches were replaced, as well as the overhauling of five motor coaches and some station upgrades.

Risk Management

Ontario Northland continues to develop and implement an effective Enterprise Risk Management (ERM) Program to support risk-informed decision making, assess opportunities and ensure that the organization complies with the Government of Ontario requirement for all provincial agencies to use a risk-informed approach in managing business. The identification, assessment, management, monitoring and reporting of risks is vital to the successful ongoing achievement of the organization's strategic objectives.

The risk landscape for the year included:

Risk	**High Level Overview and Mitigation Strategy**
Unknown extent of impact that COVID-19 will have on operating subsidy, therefore forecasted budget may not include adequate COVID-19 relief.	The Pandemic Response Working Group has developed a Pandemic Response plan. The Plan addresses continuation of services, employee and customer health, and communication with staff, customers and agencies. Ontario Northland has received additional operating funding for fiscal 2020-2021. Ontario Northland is proactively managing the impact of the COVID-19 pandemic by identifying additional revenue opportunities and driving operational savings and efficiencies for 2021-2022. Considerable time has been spent monitoring and modeling the pandemic's significant and lasting impact on revenue and developing a budget which is both cost effective and puts the organization in a position to recovery quickly once the pandemic is resolved.
Risk of derailment, which is an inherent risk of the industry.	The impact of a derailment can have a significant pressure on cash flow, as well as loss of revenues depending on the severity of the derailment. This has been mitigated through the Province providing Ontario Northland with $2 million to re-establish a self-insurance fund. Ontario Northland has implemented additional testing annually as well as established a recurring rail grinding program.

Risk of loss of rail freight revenues as rail revenue is dependent on 4 large customers - 77% of total freight revenues.	Developing relationships to increase freight revenue from agriculture and other sources. Inter-modal transload facilities are being established to increase access to rail for off-rail small, medium and growing customers. Offered car storage service to grow revenues, which we have seen increase revenues even through the COVID-19 pandemic. Reworking rates and providing volume incentives to attract new customers. We continue to identify opportunities to diversify revenue sources for transportation services and assets.
Risk of increased private sector service competition on revenue generating Motor Coach routes due to Intercommunity Bus Deregulation, which came into effect July 1, 2021.	Ontario Northland operates Motor Coach Services to northern and rural communities as well as major towns and cities. Revenue generated on the major town and city routes helps to offset the cost of operating the northern and rural routes. It is critical to sustain these northern and rural routes to ensure citizens have equal access to health services, education centres and ability to travel for essential or recreational purposes. Ontario Northland will continue to provide excellent customer service and convenient schedule options, accessible transportation services, ensure connections to government services (health services and education) and operate long-haul journeys moving people across the Province, connecting to other provinces and carriers.
Risk of maintaining a highly skilled workforce throughout the organization.	Ontario Northland requires many uniquely skilled employees, from railway car technicians to bus drivers across the organization that are typically not readily available in Northern Ontario. To ensure highly skilled workforce Ontario Northland will maintain apprenticeship programs and work with local colleges to continue the Railway Car Technician program. The agency will continue to attend job fairs and activity promote careers at Ontario Northland. The agency will use third-party specially services where skills do not exist in organization.

In 2021-2022, Ontario Northland will continue to review all appropriate risks on a monthly basis and ensure appropriate mitigation plans are developed and in place. Management continues to work towards managing risks and mitigating any respective risk events and other significant factors that impact results.

Based on a culture of accountability and strong business acuity, Ontario Northland continues to make decisions that ensure fiscal responsibility and appropriate use of tax payer dollars while continuing to provide necessary connectivity through transportation solutions in Northern Ontario.

Key Performance Indicators

Our Corporate Key Performance Indicators (KPIs) measure and report the organization's performance to Ontario Northland's major stakeholders and partners: the public including Indigenous communities and its oversight ministry – the Ontario Ministry of Transportation. The Corporate KPIs are reported against targets which are a product of the Annual Business Planning process. A more detailed set of KPIs are used internally to manage day-to-day business operations. Ontario Northland continues to focus on developing its Performance Measurement Program and industry standards comparators for both internal and external KPIs as detailed in the 2020-2021 Business plan.

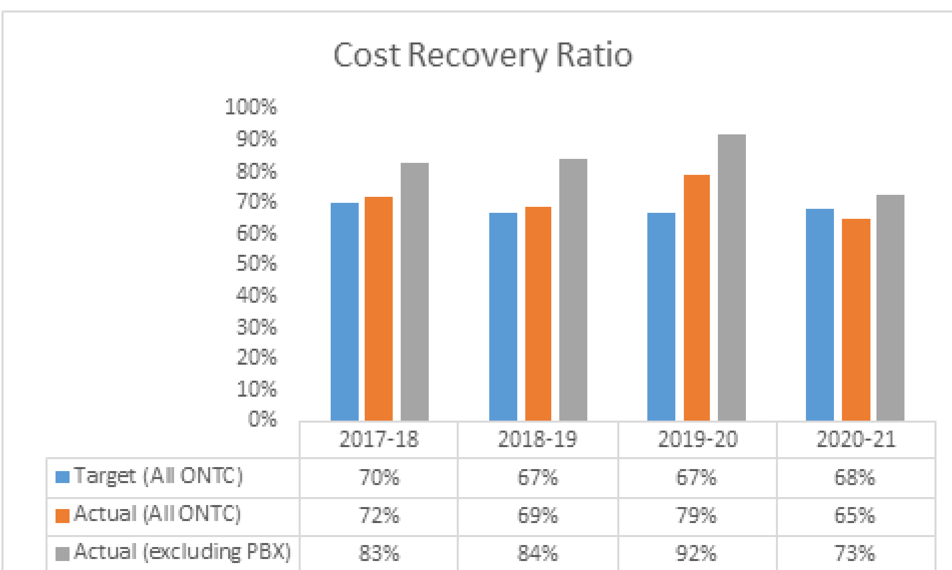
Cost Recovery Ratio

Cost recovery ratio is the ratio of total revenues (excluding operating subsidies, grants and sale of assets) to total operating costs including corporate allocation (excluding amortization, future employee benefits, and derailment expenses). Cost recovery ratio is used as a key indicator of financial performance and provides an indicative measure of how efficient and how effective the agency operates. This ratio also represents the extent to which the organization's operations are self-funded.

Ontario Northland has always had one of the best cost recovery ratios among its North American peers. The cost recovery ratio (including Polar Bear Express) in 2020-2021 was 65% for all services offered, which is 3% lower than target.

For comparison purposes, the cost recovery ratio is 73% if Polar Bear Express services are excluded. The Polar Bear Express services are heavily subsidized to provide essential connections between the communities of Cochrane and Moosonee, which is essential in providing the only Provincial land link to the James Bay coastal communities. As such, the cost recovery ratio with and without the Polar Bear Express services are considered alongside each other.

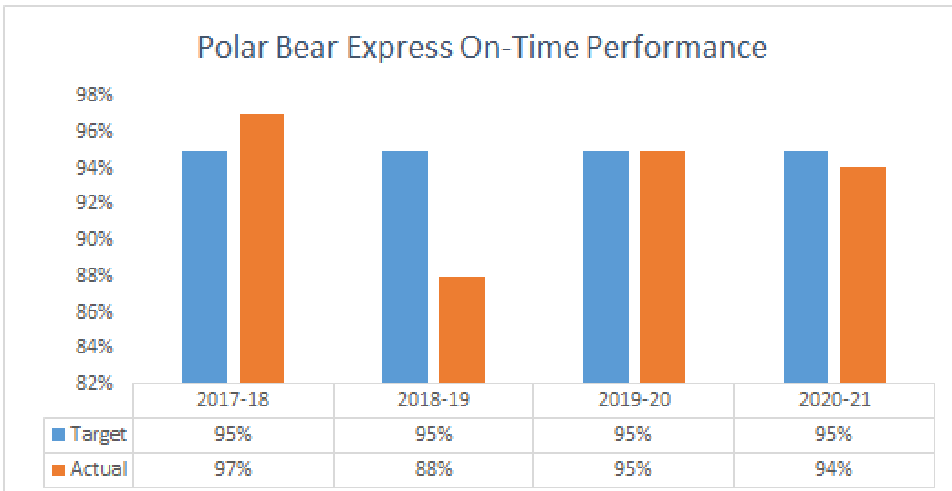
The onset of COVID-19 in March 2020 caused a significant reduction in revenue for the full 2020-2021 fiscal year which negatively impacted the cost recovery ratio. Ontario Northland will continue to identify and pursue opportunities for revenue generation as it works through the pandemic recovery phase.



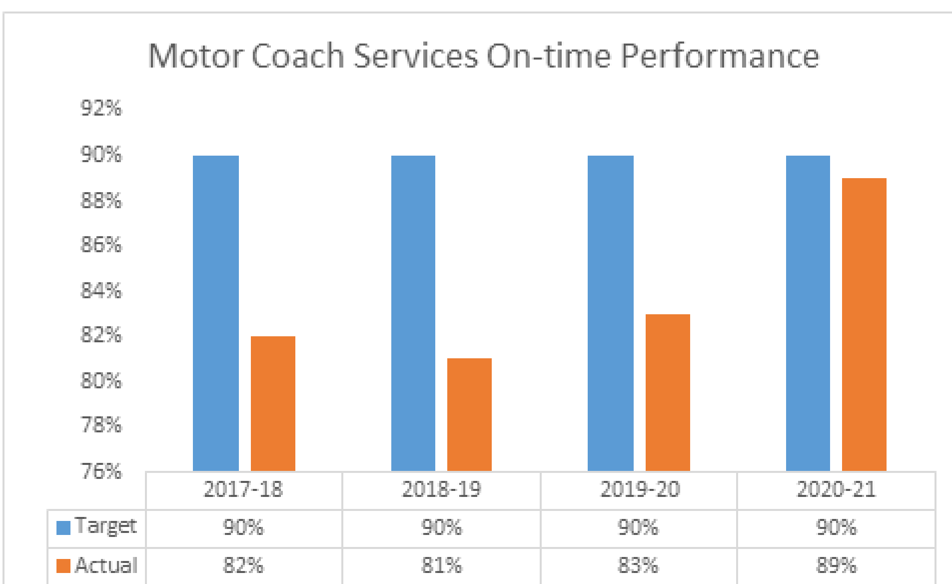
On-time Performance

The on-time performance indicator measures the number of scheduled trips arriving at their destination on time for the period being measured. On-time is defined as within 15 minutes of scheduled arrival time for rail trips and bus trips.

On time performance for the Polar Bear Express was 94% which is 1% below target and is attributed to slow orders and seasonal track work. On-time performance is affected by a variety of factors such as track maintenance and weather conditions. Ontario Northland has an extensive maintenance program to ensure that the fleet and track infrastructure is kept in a state of good repair and is safe for its staff and passengers.

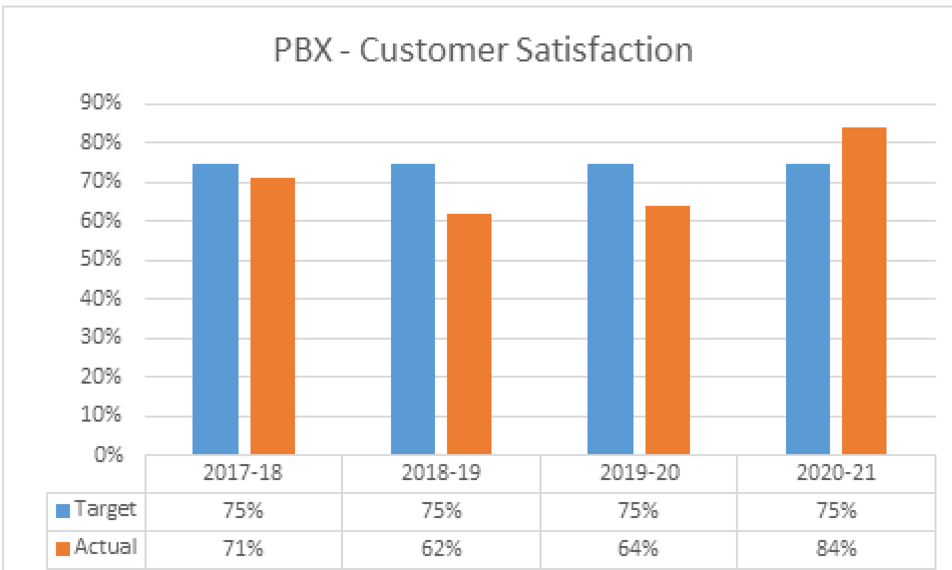


Motor Coach Services on-time performance was 89% which was 1% below target due to the condition of highways, road closures, congestion, distances travelled and weather conditions, which are all factors that are out of Ontario Northland's control. Ontario Northland continues to work on factors that we have control over in order to meet on-time performance, such as length of agency stops and maintenance of fleet to ensure we continue to work towards meeting our target.



Polar Bear Express Services Customer Satisfaction

Ontario Northland requests passengers to complete annual surveys on the satisfaction of the services received on the Polar Bear Express passenger train. The customer satisfaction rate for 2020-21 was 84%, which is 9% above target. Despite that the Polar Express passenger train service between Cochrane and Moosonee was temporarily suspended for 45 days in early spring of 2020 and many safety measures were introduced to stop the spread of COVID-19 while the train was operational. Although this may have caused inconvenience and discomfort to the riders, customer satisfaction had in fact jumped from 64% in 2019-20 to a historic high of 84%, surpassing the 75% target last year. Riders appeared to appreciate ONTC's adherence to the direction given by local health authorities, consultation with Indigenous communities, and timely communication of new processes and schedule changes to passengers through passenger e-blasts and social media posts



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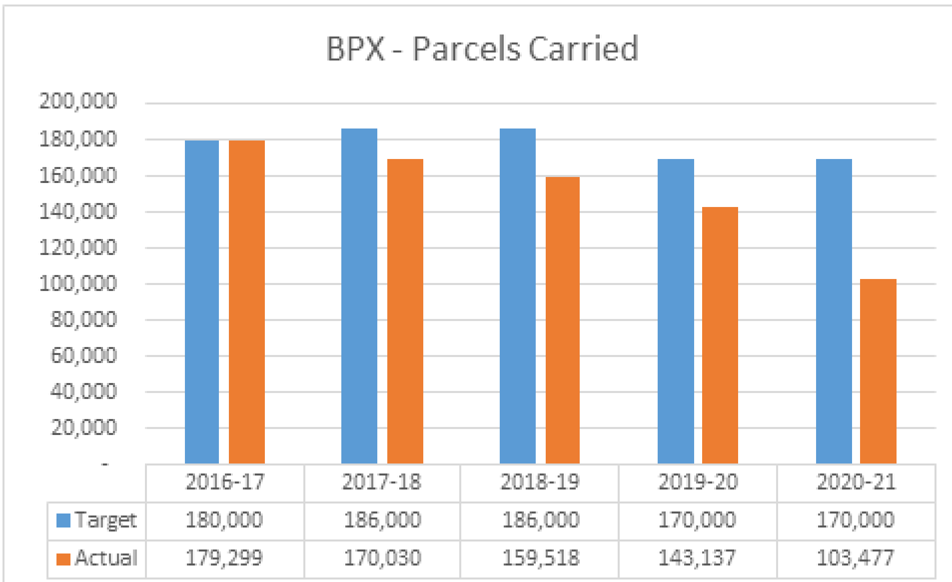
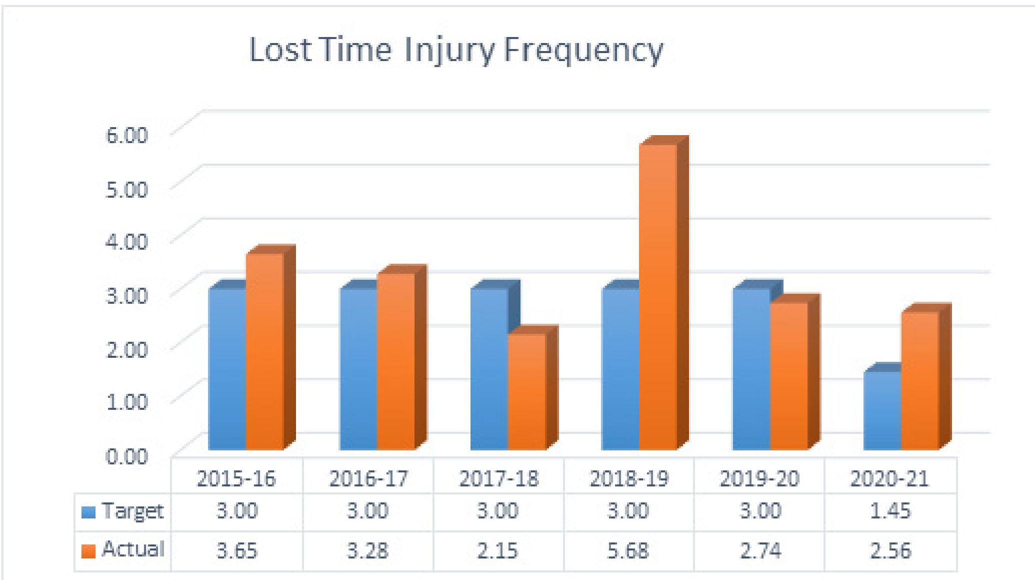
Bus Parcels Carried

This performance measure tracks the number of parcels carried on Ontario Northland Motor Coaches. The number of parcels carried was below target this year by 39% (or almost 70,000 parcels) as a result of the COVID-19 pandemic and the exit of Greyhound from Canada, creating a disruption in shipping continuity across the Country. Bus parcel express continued to provide an affordable and reliable shipping solution to communities in the North throughout the COVID-19 pandemic. Considering the reduction in scheduled motor coach routes, which means fewer opportunities to ship parcels, the number of parcels carried were favourable. Assuming the trend continues into the next fiscal year, we will continue to see a rise in parcels carried to meet the established targets.



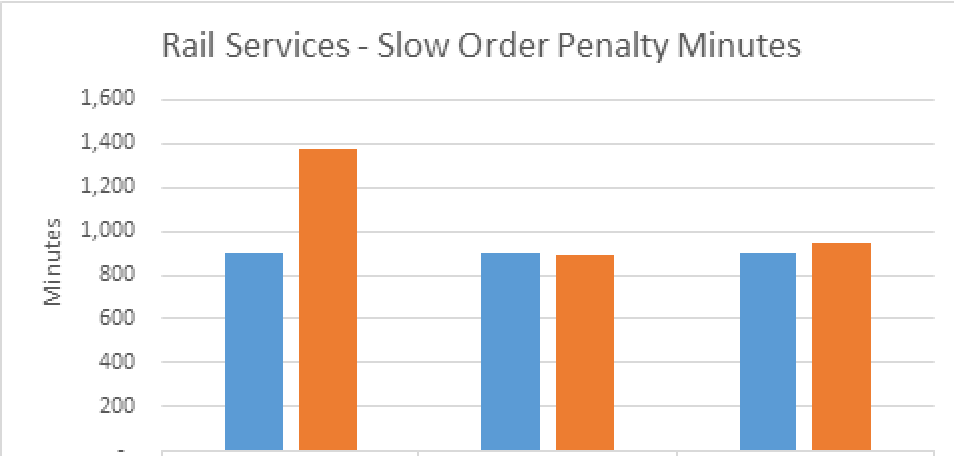
Employee Lost Time Injury Frequency

Lost time injury frequency measures the number of lost time injuries/illnesses occurring in the workplace per one million hours worked. This measure provides a picture of how safe the workplace is for workers. For this year, an ambitious target was set to reduce the Lost Time Injury (LTI) frequency rate by more than 50%. While this target was not met, LTI did decrease by 6.6%. The Health and Safety team has conducted trend and root cause analyses on recurring injuries and/or lengthy absences. An action plan has been developed to proactively address the frequent causes of injuries, including inaugurating a task analysis for positions that experience overexertion of injuries. ONTC also plans to create an Injury Prevention Specialist position in the next fiscal year focusing on further reducing LTI frequency at Ontario Northland.



Slow Order Penalty Minutes

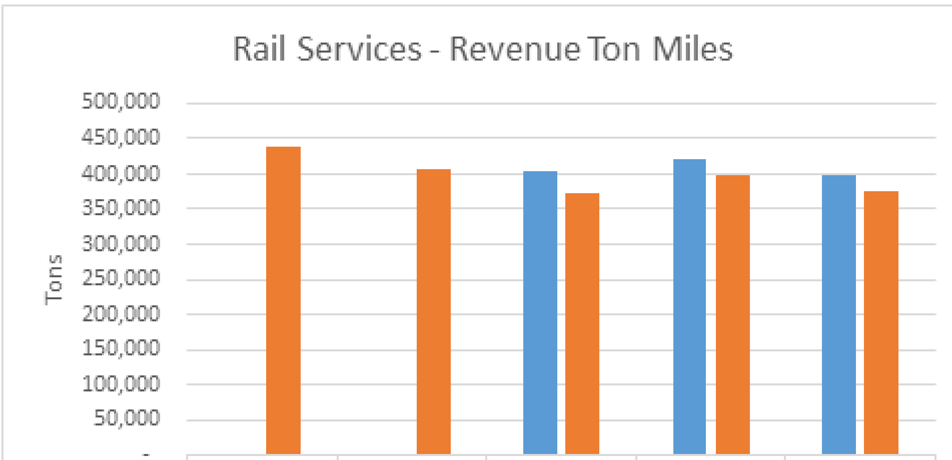
A slow order is a local speed restriction on the rail line which is below the track's normal speed limit and usually imposed when there is a deficiency or maintenance being performed on a section of track or dependent of the grade and curvature of the track. This performance measure tracks the amount of additional time that it takes a train to complete its journey as a result of a slow order. Ontario Northland fell short 50 minutes of reaching its target of 900 minutes due to rail conditions from a derailment at the end of the past fiscal between North Bay and Cochrane. As a result, the rail replacement and rail grinding program was adjusted to target those areas and reduce the number of slow orders by the end of this fiscal year. Furthermore, Ontario Northland increased the rail program by an extra 16,000 feet and replaced 3.3 miles of relay rail to improve slow orders.



	2018-19	2019-20	2020-21
Target	900	900	900
Actual	1,374	894	950

Revenue Ton Miles

Revenue Ton Miles (RTM) is an indicator that measures the number of revenue tones hauled over one mile. Ontario Northland fell short of its RTM target, indicating that Line Haul freight revenue was also below budgeted. We continue to work with customers to increase carloads and associated revenue to reach our RTM targets. Work continues to attract potential customers for new freight opportunities in the next fiscal year.



	2016-17	2017-18	2018-19	2019-20	2020-21
Target	-	-	404,831	420,548	399,043
Actual	438,274	407,374	372,694	397,849	374,252

Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended March 31, 2021

Ontario Northland Transportation Commission
Consolidated Financial Statements
For the year ended March 31, 2021

Contents

Management's Responsibility

The Ontario Northland Transportation Commission's management is responsible for the integrity and fair presentation of the consolidated financial statements and other information included in the annual report. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The preparation of consolidated financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with the consolidated financial statements.

The Commission maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that the Commission’s assets and liabilities are adequately accounted for and assets safeguarded.

The Commission is responsible for ensuring that management fulfils its responsibilities for internal control and financial reporting. The Commission meets with management and external auditors to satisfy itself that each group has met its responsibilities. These consolidated financial statements have been reviewed and approved by the Commission.

These consolidated financial statements have been audited by the Auditor General of Ontario, whose responsibility is to express an opinion on whether they are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor’s Report which follows, outlines the scope of the Auditor’s examination and opinion.

T. Laughren
Chair

C. Moore
President and CEO

North Bay, Ontario
June 25, 2021

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Northland Transportation Commission

Opinion

I have audited the consolidated financial statements of the Ontario Northland Transportation Commission (Commission), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and changes in net (deficit) assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Commission as at March 31, 2021 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Commission in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commission either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

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Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Bonnie Lysyk

Toronto, Ontario
June 25, 2021

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Ontario Northland Transportation Commission
Consolidated Statement of Financial Position
(dollars in thousands)

March 31		**2021**		2020
Assets				
Current				
Cash and cash equivalents	**$**	**17,400**	$	11,919
Accounts receivable (Net of allowance - $201; 2020 - $391)		**14,359**		15,932
Inventory		**20,081**		13,962
Prepaid expenses		**1,274**		1,151
		53,114		42,964
Restricted cash (Notes 3 and 7)		**2,000**		2,290
Capital assets (Note 4)		**511,611**		473,597
	$	**566,725**	$	518,851

Liabilities and Net Assets				
Current				
Accounts payable and accrued liabilities	**$**	**33,098**	$	25,006
Current portion of long-term debt (Note 9)		**101**		96
Deferred revenue		**7,257**		7,040
		40,456		32,142
Deferred government contributions (Note 7)		**2,000**		2,290
Deferred government capital contributions (Note 8)		**432,841**		389,053
Long-term debt (Note 9)		**1,144**		1,245
Accrued non-pension benefit obligation (Note 5b)		**84,469**		85,141
Liability for contaminated sites (Note 10)		**6,675**		6,675
		567,585		516,546
Net (deficit) assets				
Unrestricted		**(860)**		2,305
	$	**566,725**	$	518,851

Contingencies (Note 13)

Commitments (Note 14)

Approved on behalf of the Commission:

_______________ Chair

_______________ President and CEO

Ontario Northland Transportation Commission
Consolidated Statement of Operations and Changes in Net (Deficit) Assets
(dollars in thousands)

For the year ended March 31		2021		2020
Revenues				
Sales and other (Note 12)	**$**	**61,269**	$	72,673
Expenses (Note 12)				
Labour and fringe benefits		**53,069**		51,099
Materials and parts		**16,902**		17,770
Services		**8,292**		7,196
Supplies and equipment		**5,232**		4,264
Other (Note 16)		**11,272**		16,297
Interest on long-term debt (Note 9)		**58**		74
Loss (gain) on sale of capital assets		**(930)**		520
Amortization of capital assets		**20,696**		19,728
Employee future benefits (Note 5)		**7,809**		18,435
		122,400		135,383
Deficiency of revenues over expenses before government funding		**(61,131)**		(62,710)
Government operating contributions (Note 11)		**42,877**		45,729
Amortization of deferred capital contributions (Note 8)		**15,089**		14,052
Deficiency of revenues over expenses for the year	**$**	**(3,165)**	$	(2,929)
Unrestricted net asset, beginning of year	**$**	**2,305**	$	5,234
Unrestricted net (deficit) asset, end of year	**$**	**(860)**	$	2,305

The accompanying notes are an integral part of these consolidated financial statements.

Ontario Northland Transportation Commission
Consolidated Statement of Cash Flows
(dollars in thousands)

Year ended March 31	**2021**	2020
Cash provided by (used in)		
Operating activities		
Deficiency excess of revenue over expenses for the year	**$ (3,165)**	$ (2,929)
Items not affecting cash		
Amortization of capital assets	**20,696**	19,728
Amortization of deferred capital contributions	**(15,089)**	(14,052)
Loss (gain) on disposal of capital assets	**(930)**	520
Employee future benefit expense	**7,809**	18,435
	9,321	21,702
Changes in non-cash working capital balances		
Accounts receivable	**1,573**	4,434
Inventory	**(6,119)**	1,083
Prepaid expenses	**(123)**	(369)
Accounts payable and accrued liabilities	**8,092**	(5,081)
Deferred government contributions and deferred revenue	**(73)**	6,799
	12,671	28,568
Capital activities		
Purchase of capital assets	**(59,752)**	(53,291)
Proceeds from sale of capital assets	**1,097**	387
	(58,655)	(52,904)
Financing activities		
Operating line of credit	**-**	(5,000)
Principal repayment of long-term debt	**(96)**	(389)
Deferred capital contributions	**59,752**	53,291
Pension contributions paid	**(4,082)**	(12,511)
Non-pension benefits paid	**(4,399)**	(3,625)
Settlement of pension plans	**-**	(4,519)
	51,175	27,247
Increase in cash and cash equivalents during the year	**5,191**	2,911
Cash and cash equivalents, beginning of year	**14,209**	11,298
Cash and cash equivalents, end of year	**$ 19,400**	$ 14,209
Represented by		
Cash and cash equivalents	**$ 17,400**	$ 11,919
Restricted cash (Note 3)	**2,000**	2,290
	$ 19,400	$ 14,209

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Organization

The Ontario Northland Transportation Commission (the “Commission”) is a Crown agency, reporting to the Minister of Transportation. The Commission delivers a variety of services, including rail freight, passenger rail, motor coach, and remanufacturing and repair primarily in Northern Ontario.

The Commission generates revenues from the provision of transportation services. The Commission also receives annual operational and capital subsidies from the Province of Ontario. The ability of the Commission to continue to offer its services and fulfill its mandate is dependent on the ongoing subsidies it receives from the Province.

As a not-for-profit Crown agency of the Province, the Commission is exempt from income taxes. This exemption extends to its wholly-owned subsidiary, and accordingly no tax provision is recorded in these financial statements.

2. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with the standards applicable for government not-for-profit organizations found in the Public Sector Accounting Handbook. They include the accounts of the Commission and its wholly-owned subsidiary, Nipissing Central Railway Company.

Cash and Cash Equivalents

Cash includes cash on hand, balances with banks, and internally restricted cash.

Accounts Receivable

Accounts receivable are measured at amortized cost and shown net of allowance for doubtful accounts.

Inventory

Materials and supplies are valued at the lower of cost and net realizable value by using the weighted-average costing methodology. The Commission uses the same cost formulas for all inventories having a similar nature and use to the Commission. The Commission periodically reviews the value of items in inventory and records write-downs or write-offs based on its assessment of slow moving or obsolete inventory. When net realizable value is less than carrying cost, inventory is written down accordingly. When circumstances which previously caused inventories to be written down no longer exist, that previous impairment is reversed.

2. Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at acquisition cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for principal categories of capital assets are as follows:

Land	No amortization
Rolling stock	30 to 40 years
Track and roadway	20 to 100 years
Buildings	20 to 50 years
Equipment	3 to 40 years
Coaches	10 years

No amortization is provided on assets under construction until they are placed in use.

Impairment of Capital Assets

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the capital asset may not contribute to the Commission's ability to deliver services. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, both the asset and any related deferred capital contributions are written down by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Commission uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Revenue Recognition

Revenue from all sources is recognized when all of the following conditions are met:

a) services are provided or products delivered to customers
b) there is clear evidence that an arrangement exists, and
c) collection is reasonably assured.

Contract revenues are generally recorded on a percentage of completion basis as work reaches predetermined project milestones.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Commission accounts for provincial contributions under the deferral method of accounting as follows:

- Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

- Externally restricted contributions related to operating expenditures are recognized as revenue when the related expenditures are incurred.
- The Province reimburses the Commission for the cost of certain capital assets purchased for use in operations. The Commission records the contributions as deferred capital contributions. Deferred capital contributions are amortized to revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Employee Future Benefits

Pension Plans – Commission employees are members of the Public Service Pension Plan (PSPP) and the Public Service Supplementary Benefits Account (PSSBA). The Commission accounts for its participation in the PSPP and PSSBA, which are multi-employer defined benefit pension plans, as defined contribution plans.

The Province of Ontario, who is the sole sponsor of the PSPP and PSSBA, determines the Commission's annual payments to the Plans and is responsible for ensuring that the pension funds are financially viable. Any surplus or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. Therefore, the Commission's contributions are accounted for as if the plans were defined contribution plans with contributions being expensed in the period they come due.

Non-Pension Benefit Plans - The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. In addition, as a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB), the Commission recognizes workers compensation benefits on an accrual basis using actuarial calculations provided by the WSIB for benefits in force, benefits not yet awarded and administrative loading costs.

Both Pension and Non-Pension expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. These expenses are recorded in the year in which employees render services to the Commission. Event driven gains and losses are recognized immediately as revenues or expenses (WSIB and long-term disability).

2. **Significant Accounting Policies** (continued)

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the Consolidated Statement of Financial Position date. Revenues and expenses are translated at the rates of exchange in effect at the transaction date. Realized and unrealized gains and losses are included in the determination of excess of revenue over expenses.

Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The coronavirus ("COVID-19") pandemic has added to the Commission's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates.

Significant areas requiring the use of management estimates relate to the useful lives of capital assets, valuation allowances for accounts receivable and inventory, liability for contaminated sites, and obligations for pension and non-pension post-employment benefits. By their nature, these estimates are subject to measurement uncertainty.

Accounts receivable are subject to measurement uncertainty due to the Commission's exposure to credit risk from individual customers (also see Note 18). Due to the COVID-19 pandemic, additional measurement uncertainty exists around potential collection delays from customers due to the economic slowdown brought on by emergency measures to combat the spread of COVID-19. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the consolidated statement of operations in the year in which they become known.

2. Significant Accounting Policies (continued)

Financial Instruments

The Commission classifies its financial instruments as either fair value or amortized cost. The accounting policy for each category is as follows:

Fair value

This category includes cash and cash equivalents which is initially recognized at cost and subsequently carried at fair value.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Liabilities for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Commission is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

3. Restricted Cash

	2021	2020
Externally restricted – Deferred Contributions (Note 7)	**$ 2,000**	$ 2,290
	$ 2,000	$ 2,290

(dollars in thousands)

4. Capital Assets

			2021	2020
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Rail Services				
Roadway	**$ 566,671**	**$ 189,604**	**$ 377,067**	$ 336,631
Buildings	**68,428**	**30,562**	**37,866**	35,646
Equipment	**135,263**	**69,928**	**65,335**	70,037
Under construction	**13,207**	**-**	**13,207**	14,048
Motor Coach Services				
Buildings	**3,437**	**1,051**	**2,386**	2,614
Coaches	**23,163**	**7,657**	**15,506**	14,394
Equipment	**528**	**284**	**244**	227
	$ 810,697	**$ 299,086**	**$ 511,611**	$ 473,597

5. Employee Future Benefits

Plan Merger and Curtailment

Effective May 1, 2018, the Commission’s Pension Plan was merged with the Public Service Pension Plan (PSPP) and ONTC’s Supplementary Employee Retirement Plan (SERP) was merged with the Public Service Supplementary Benefits Account (PSSBA), (collectively, the “Merger”).

The Commission was given consent by the Financial Services Regulatory Authority of Ontario to transfer all defined pension benefit assets and liabilities to the PSPP and PSSBA on September 27, 2019.

Under the transfer agreement, the Commission was required to pay any shortfall from the changes in asset value between May 1, 2018 (effective date of the merger) to the date of consent of asset transfer (September 27, 2019) for both the Pension Plan and the SERP Plan. There was no shortfall in the Pension Plan. The shortfall in the SERP Plan of $4,519 was subsidized by the Ministry of Energy, Northern Development and Mines and paid to PSSBA.

In addition, contributions were made to the Pension Plan to fund the solvency deficit. Solvency deficit contributions to the Plan ceased as of September 27, 2019, date of consent. All assets of the Pension Plan were transferred to PSPP and PSSBA as of December 18, 2019.

Pension Plan

The PSPP and PSSBA are contributory defined benefit plans. PSPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death. The PSPP is funded by contributions from participating employers and members, and by the investment earnings from the Public Service Pension Fund. Contributions from members and employers are remitted to the Ontario Pension Board (OPB). The portion of these contributions that exceeds Income Tax Act (Canada) limits is transferred to the PSSBA.

The Commission’s full time employees participate in the PSPP which is a defined benefit pension plans for employees of the Province and many provincial agencies. The Commission’s annual payments are included in employee future benefits expenses.

Post-employment benefits plan

The Commission offers non-pension post-employment benefits such as group life, health care and long-term disability to employees through defined benefit plans. The accrued non-pension benefit obligation and expenses are determined annually by independent actuaries in accordance with accepted actuarial practices and Canadian public sector accounting standards using management's best estimates. In accordance with existing pension regulations, annual valuations will be completed for the Commission’s pension plans. The date of the most recent report for accounting purposes for the non-pension post-employment benefit plan was March 31, 2021.

Information about the Commission’s pension and other benefit plans is presented in the following tables.

(dollars in thousands)

5. Employee Future Benefits (continued):

a. Reconciliation of accrued benefit obligation to accrued benefit asset (liability)

Pension Plans:

	Pension	SERP	2021 Total	2020 Actual
Accrued benefit (liability) asset, beginning of year	$ -	$ -	$ -	$ (2,905)
Employee future benefit expense	-	-	-	4,095
Funding contributions	-	-	-	8,432
Settlement payments	-	-	-	4,519
Settlement/Curtailment loss	-	-	-	(14,141)
Accrued benefit liability, end of year	$ -	$ -	$ -	$ -
Valuation allowance	-	-	-	-
Accrued benefit (liability) net of valuation allowance, end of year	$ -	$ -	$ -	$ -

b. Reconciliation of accrued benefit obligation to accrued benefit asset (liability)

Non-Pension Benefit Plans:

	2021	2020
Accrued benefit obligation, end of year	$ **(68,140)**	$ (92,070)
Unamortized net actuarial (gain) loss	**(16,329)**	6,929
Accrued benefit liability, end of year	$ **(84,469)**	$ (85,141)
Accrued benefit liability, beginning of year	$ **(85,141)**	$ (84,456)
Benefit expense	**(3,727)**	(4,310)
Benefits paid	**4,399**	3,625
Accrued benefit liability, end of year	$ **(84,469)**	$ (85,141)

Included in the accrued non-pension benefit liability are workers' compensation benefits in the amount of $11,586 (2020 - $11,676). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board as at December 31, 2020.

(dollars in thousands)

c. Components of Net Periodic Pension Benefit Expense

		2021		2020
Pension plan contributions	**$**	**4,082**	$	4,079
Interest on accrued benefit obligation		**-**		27,011
Expected return on plan assets		**-**		(25,637)
Amortization of net actuarial (gain)/loss		**-**		(4,920)
Settlement/Curtailment loss		**-**		14,141
Change in valuation allowance		**-**		(549)
	$	**4,082**	$	14,125

d. Components of Net Periodic Non-Pension Benefit Expense

		2021		2020
Current service cost	**$**	**3,352**	$	1,483
Interest on accrued benefit obligation		**1,409**		2,473
Amortization and immediate recognition of net actuarial (gains) losses		**(1,034)**		354
	$	**3,727**	$	4,310

e. Weighted Average Assumptions

	2021	2020
Discount rate - pension	**n/a**	5.00%
Discount rate - non pension	**2.82%**	2.94%
Discount rate – long-term disability	**1.89%**	2.94%
Discount rate - WSIB	**4.75%**	4.75%
Rate of compensation increase	**2.00%**	2.00%
Drug cost increases	**5.37%**	5.00%
Medical and hospital cost increases	**5.37%**	5.00%
Dental cost increases	**3.00%**	4.50%
Vision care cost increases	**0.00%**	0.00%

(dollars in thousands)

6. Credit Facilities

As of March 31, 2021 the Commission is working with the Ministry to renew an operating line of credit with the Ontario Financing Authority (OFA) in the amount of $5 million, which expired in September 2020. As at March 31, 2020 there was no outstanding amount used on the operating line of credit, that bared interest at the Province of Ontario's cost of borrowing for a 30-day term plus 2.5 basis points.

7. Deferred Contributions

Deferred contributions are restricted funds received from the Province to be used only on future expenditures. As of March 31, 2021 the balance represents funds from Ministry of Transportation (MTO) to be used as a self-insurance reserve based on approval by MTO in the event of a future derailment. Prior year funds were provided by Ministry of Energy, Northern Development and Mines and related to refurbishment bids for new contracts, which was repaid in fiscal 2021.

The change in the deferred contributions balance is as follows:

	2021	2020
Balance, beginning of year	$ 2,290	$ 2,247
Interest income	-	43
Repayment to Ministry of Energy, Northern Development and Mines	(2,290)	-
Self-insurance reserve	2,000	
Balance, end of year	$ 2,000	$ 2,290

8. Deferred Capital Contributions

Deferred capital contributions represent the unamortized capital contributions received from the Province to fund the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations using rates similar to those used to amortize the related assets acquired.

The changes in the unamortized deferred capital contributions balance are as follows:

	2021	2020
Balance, beginning of year	$ 389,053	$ 350,966
Contributions from the Province (Note 11)	59,752	53,291
Amortization to revenue	(15,089)	(14,052)
Retirements, transfers and adjustments	(875)	(1,152)
Balance, end of year	$ 432,841	$ 389,053

(dollars in thousands)

9. Long-term Debt

	2021	2020
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of $13 for 25 years beginning February 1, 2006.	**$ 1,245**	$ 1,341
	1,245	1,341
Less current portion	**101**	96
Long-term debt	**$ 1,144**	$ 1,245

Interest on long-term debt was $58 (2020 - $74).

Principal payments required in the next five years and thereafter are as follows:

2021-2022	$ 101
2022-2023	106
2023-2024	111
2024-2025	117
2025-2026	123
Thereafter	687
	$ 1,245

10. Contaminated sites

The liability for contaminated sites is comprised of costs expected to be incurred on a former transloading property and former telecommunications sites, identified in the prior years. The estimated costs have been determined with the assistance of consulting engineering firms and historical experience with remediation activities. The liability includes all costs anticipated to be incurred on these properties and there are no anticipated recoveries expected.

ONTC owns one site in Cobalt where contamination is present that exceeds the acceptable threshold, however no reasonable estimate of remediation can be made at this time therefore no liability has been accrued. The Ministry of Energy, Northern Development and Mines has engaged a consultant to complete Phase 1 Environmental Site Assessments (ESA) and mining assessments within 2021, which will identify Areas of Potential Environmental Contamination (APECs) and will determine if a phase 2 ESA is required. If a phase 2 is required, it will determine the extent of contamination.

	2021	2020
Former transloading property	**$ 3,500**	$ 3,500
Former tower sites	**3,175**	3,175
Contaminated sites liability	**$ 6,675**	$ 6,675

(dollars in thousands)

11. Government Contributions

Under the terms of a Memorandum of Understanding with the Minister of Transportation, the Commission receives both operational and capital funding from the Province of Ontario.

Details of Government contributions received during the year are as follows:

	2021	2020
Ministry of Transportation:		
Commission operational funding	**$ 42,800**	$ -
Special Funding – self-insurance reserve	**2,000**	-
Operational funding	**44,800**	-
Capital contributions (Note 8)	**59,752**	-
Total Ministry of Transportation contributions	**$ 104,552**	$ -
Ministry of Energy, Northern Development and Mines		
Commission operational funding	**$ -**	$ 30,933
Special Funding – Pension deficit funding	**-**	6,188
Special Funding – Pension benefit guarantee fund	**-**	1,488
Special Funding – Pension/SERP settlement	**22**	4,617
Special Funding – Derailment	**-**	2,503
Operational Funding	**22**	45,729
Capital contributions (Note 8)	**-**	53,291
Total Ministry of Energy, Northern Development and Mines contributions	**$ 22**	$ 99,020
National Transportation Agency of Canada		
Rail operations	**55**	-
Total government contributions	**$ 104,629**	$ 99,020

	2021	2020
In summary:		
Commission operational funding	**$ 42,877**	$ 30,933
Capital contributions	**59,752**	53,291
Special funding	**2,000**	14,796
Total government contributions	**$ 104,629**	$ 99,020

12. Segmented Information Disclosures

The Commission is a diversified Crown agency of the Province of Ontario that provides a wide range of services to its customers primarily in Northern Ontario such as rail freight and passenger services, motor coach services, and remanufacturing and repair services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Rail Services

Rail services relates to providing logistics and transportation solutions and the shipment of large quantities of products to and from Northern Ontario.

Polar Bear Services

Polar Bear Services relates to providing passenger transportation and shipping solutions between Cochrane and Moosonee.

Motor Coach Services

Motor coach services provides shipping solutions and passenger transportation to connect communities throughout Northern Ontario and into Manitoba.

Remanufacturing and Repair Services

The Remanufacturing and Repair team is responsible for the repair and rehabilitation of railway rolling stock from customers spanning North America.

Administration

This relates to the expenses for the operations of the Commission itself and cannot be directly attributed to specific segments. It also includes some rental of properties to external customers in order to reduce overall costs.

(dollars in thousands)

Year ended March 31, 2021

12. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration Note i)	Provincial Government Operating Contributions	**2021 Total**
Revenues	43,398	4,661	5,738	7,304	168	-	**61,269**
Expenses							
Labour and fringe benefits	24,113	10,251	7,568	4,373	6,764	-	**53,069**
Materials and parts	9,094	2,845	2,656	1,828	479	-	**16,902**
Services	2,746	1,515	2,407	236	1,388	-	**8,292**
Supplies and equipment	2,829	1,455	614	76	258	-	**5,232**
Other	4,978	1,323	2,489	73	2,378	-	**11,241**
	43,760	17,389	15,734	6,586	11,267	-	**94,736**
Excess (deficiency) revenues over expenses before items below:	(362)	(12,728)	(9,996)	718	(11,099)	-	**(33,467)**
Derailments	55	-	-	-	-	-	**55**
Inventory write-offs	284	-	-	-	-	-	**284**
Interest on long-term debt	-	-	58	-	-		**58**
Gain on sale of capital assets	(797)	-	(107)	-	(26)		**(930)**
Foreign exchange gain	(308)	-	-	-	-	-	**(308)**
Amortization of capital assets	8,289	9,838	1,620	-	949	-	**20,696**
Employee future benefits	2,883	1,175	716	418	2,617	-	**7,809**
Excess (deficiency) of revenues over expenses before government funding	(10,768)	(23,741)	(12,283)	300	(14,639)	-	**(61,131)**
Government operating contributions	-	-	-	-	-	42,877	**42,877**
Amortization of deferred capital contributions	3,488	9,199	1,564	-	838	-	**15,089**
Excess (deficiency) of revenues over expenses	(7,280)	(14,542)	(10,719)	300	(13,801)	42,877	**(3,165)**

Note i) Administration employee future benefits includes $1,841 in long-term disability expenses for the entire organization.

(dollars in thousands)

Year ended March 31, 2021

12. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration Note i)	Provincial Government Operating Contributions	2020 Total
Revenues	47,005	7,469	13,316	4,704	179	-	72,673
Expenses							
Labour and fringe benefits	23,186	12,462	7,004	1,565	6,882	-	51,099
Materials and parts	8,875	4,030	3,426	1,276	163	-	17,770
Services	2,586	1,325	2,297	100	888	-	7,196
Supplies and equipment	1,905	1,464	613	36	246	-	4,264
Other	4,864	1,261	1,684	883	2,679	-	11,371
	41,416	20,542	15,024	3,860	10,858	-	91,700
Excess (deficiency) revenues over expenses before items below:	5,589	(13,073)	(1,708)	844	(10,679)	-	(19,027)
Derailments	2,503	-	-	-	-	-	2,503
Inventory write-offs	2,245	-	-	-	-	-	2,245
Pension benefit guarantee fund	671	361	201	47	208	-	1,488
Interest on long-term debt	6	-	68	-	-		74
Loss (gain) on sale of capital assets	521	-	1	-	(2)		520
Foreign exchange (gain)	(1,310)	-	-	-	-	-	(1,310)
Amortization of capital assets	7,207	9,392	1,604	724	801	-	19,728
Employee future benefits	5,836	5,773	2,260	523	4,043	-	18,435
Deficiency of revenues over expenses before government funding	(12,090)	(28,599)	(5,842)	(450)	(15,729)	-	(62,710)
Provincial government operating contributions	-	-	-	-	-	45,729	45,729
Amortization of deferred capital contributions	2,410	8,917	1,550	486	689	-	14,052
Excess (deficiency) of revenues over expenses	(9,680)	(19,682)	(4,292)	36	(15,040)	45,729	(2,929)

Note i) Administration employee future benefits includes $1,705 in long-term disability expenses for the entire organization.

13. Contingencies

In the normal course of its operations, various statements of claim have been issued against the Commission claiming damages for personal injury, property damages, environmental actions and employment-related issues. Damages, that have not already been accrued, cannot be estimated at this time and in any event the Commission is of the opinion that these claims are unfounded or covered by insurance after application of a $2,000 deductible. Should any loss result, it would be charged to the consolidated statement of operations when the amount is ascertained.

14. Commitments

The Commission is also obligated to certain job guarantee agreements with a significant number of its unionized employees. To the extent of any actual claims under these agreements, the Commission would maintain provisions for such items. Due to the nature of these agreements, the exposure for future payments may be material. However, such exposure would be based on certain actions of the Commission that have not occurred and as such no provision has been made as at the year-end date.

15. Economic Dependence

i. Customers:
The Rail Services Division derives 77% (2020 – 78%) of its revenue from four major customers.

ii. Province:
The Commission generates revenues from rail and motor coach services as well as remanufacturing and repair services. In addition, the Commission receives operating and capital grants from the Provincial government. The ability to continue to offer and grow its services and meet its obligations are dependent on the ongoing grants it receives from the Province of Ontario.

(dollars in thousands)

16. Other Expenses

i. Regular operating expenses of $11,241 (2020 - $ 11,371) include items such as insurance, property taxes, software fees, rail freight car rental, travel and training.

ii. During the year the Commission incurred $55 (2020 - $2,503) related to derailments that occurred along its rail line. These costs include labour, benefits, materials and third party costs. The costs were incurred to clean up, do environmental testing, and perform track repairs.

iii. During the year the Commission expensed $284 (2020 - $2,245) for obsolete, slow moving and revalued inventory.

iv. Prior year includes $1,488 for the Pension Benefit Guarantee Fund payment that is no longer required due to pension plan merger.

v. Foreign exchange gain of $308 (2020 – gain of $1,310) was experienced in the year.

17. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

			2021
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 17,400	$ -	$ 17,400
Restricted cash	2,000	-	2,000
Accounts receivable	-	14,359	14,359
Accounts payable and accrued liabilities	-	33,098	33,098
Long-term debt	-	1,245	1,245
	$ 19,400	$ 48,702	$ 68,102

(dollars in thousands)

17. Financial Instrument Classification (continued)

			2020
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 11,919	$ -	$ 11,919
Restricted cash	2,290	-	2,290
Accounts receivable	-	15,932	15,932
Accounts payable and accrued liabilities	-	25,006	25,006
Long-term debt	-	1,341	1,341
	$ 14,209	$ 42,279	$ 56,488

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				2021
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 17,400**	**$ -**	**$ -**	**$ 17,400**
Restricted cash	**2,000**	**-**	**-**	**2,000**
	$ 19,400	**-**	**-**	**$ 19,400**

				2020
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 11,919	$ -	$ -	$ 11,919
Restricted cash	2,290	-	-	2,290
	$ 14,209	-	-	$ 14,209

There were no transfers between Level 1, 2 and 3 for the years ended March 31, 2021 and 2020.

(dollars in thousands)

18. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Commission if a debtor fails to make payments of interest and principal when due. The Commission is exposed to this risk relating to its cash and accounts receivable. The Commission holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Commission's cash accounts are insured up $400,000 (2020 - $400,000).

Accounts receivable are due from customers and the Province of Ontario. Credit risk is mitigated by financial approval processes before a customer is granted credit. The Commission measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Commission's historical experience regarding collections. The amounts outstanding at year end were as follows:

March 31, 2021					**Past Due**
	Total	**Current**	**1-30 days**	**31-60 days**	**over 61 days**
Government receivables	**$ 4,253**	**$ 4,253**	**$ -**	**$ -**	**$ -**
Customer receivables	**10,307**	**8,848**	**804**	**117**	**538**
Gross receivables	**14,560**	**13,101**	**804**	**117**	**538**
Less: impairment allowances	**(201)**	**-**	**-**	**-**	**(201)**
Net receivables	**$ 14,359**	**$ 13,101**	**$ 804**	**$ 117**	**$ 337**

March 31, 2020					Past Due
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	$ 2,088	$ 1,059	$ 1,029	$ -	$ -
Customer receivables	14,235	11,124	2,018	509	584
Gross receivables	16,323	12,183	3,047	509	584
Less: impairment allowances	(391)	-	-	-	(391)
Net receivables	$ 15,932	$ 12,183	$ 3,047	$ 509	$ 193

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

18. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

Currency risk relates to the Commission operating in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency rates occur. The Commission maintains a USD bank account to receive USD from customers and to pay USD to suppliers and other carriers. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Commission is exposed to this risk through its interest bearing long-term debt.

The Commission's long-term debt as described in Note 9 would not be impacted as the inherent rate of the debt has been fixed.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Commission is not exposed to this risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet all cash outflow obligations as they come due. The Commission mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and regular reports to the Province of Ontario.

(dollars in thousands)

18. Financial Instrument Risk Management (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

				2021
	Within 6 months	**6 months to 1 year**	**1-5 years**	**> 5 years**
Accounts payable	**$ 33,098**	**$ -**	**$ -**	**$ -**
Long-term debt	**50**	**51**	**586**	**558**
Total	**$ 33,148**	**$ 51**	**$ 586**	**$ 558**

				2020
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	$ 25,006	$ -	$ -	$ -
Long-term debt	48	48	435	810
Total	$ 25,054	$ 48	$ 435	$ 810

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

19. COVID-19 Impact

During fiscal 2021, the Commissions' results of operations have been affected due to emergency government measures introduced to respond to the COVID-19 pandemic. The Commission has seen the following impacts:

- Rail traffic has decreased in freight carloads
- Motor coach services were reduced throughout the year
- The Cochrane Station Inn hotel was temporarily closed with a re-opening date of June 24, 2020 with decreased capacity
- The Polar Bear Express passenger train was temporarily suspended effective April 7, 2020, with reinstatement on June 25, 2020 with decreased trips
- Increased operating costs due to sanitation and social distancing protocols

19. COVID-19 Impact (continued)

These events have reduced the Commission's revenue and increased operating expenses from ongoing operations. The shortfall caused by these factors were funded by the Ministry (see Note 11).

20. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's financial statement presentation.