



Ontario Northland

Ontario Northland Transportation Commission
2019-2020 Business Plan

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Contents

- EXECUTIVE SUMMARY 2
- 1.0 Introduction 3
- 2.0 Strategic Direction 3
 - 2.1 Vision, Mission and Values 3
 - 2.2 Strategic Priorities/Direction..... 4
 - 2.3 Strategic Growth Potential 5
 - 2.4 Agency Response to Mandate Letter 5
- 3.0 Overview of Programs and Activities 6
 - 3.1 Rail Services 6
 - 3.2 Passenger Services (Motor Coach and Polar Bear Express) 7
 - 3.3 Rail Mechanical and Remanufacturing 7
 - 3.4 Corporate Services 8
- 4.0 Planned Deliverables (FY2019-20 to FY2021-22) 9
- 5.0 Financial Profile 10
 - 5.1 Operating Budget Summary 11
 - 5.2 Capital Budget Summary 14
 - 5.2.1 Capital Program Accomplishments and Deliverables 17
- 6.0 Enterprise Risk Management 18
- 7.0 Performance Measures 20
- 8.0 Human Resources 20
- 9.0 Information Technology Services 21
- 10.0 Legal and Realty 22
- 11.0 Marketing and Communications 23

EXECUTIVE SUMMARY

Ontario Northland's 2019-2020 Business Plan outlines our upcoming priorities, together with an analysis and evaluation of our transformation accomplishments to date for all of our operating divisions.

This business plan includes details on our organizational strategic priorities and direction, performance measures, risk assessment, business environment, financial profile and planned deliverables.

Since 2014, Ontario Northland has made a remarkable turnaround and has become a dynamic, successful transportation agency delivering efficient, cost-effective services that promote economic development, job creation and community sustainability. There is no question that this will continue in order to ensure Northern Ontario's transportation agency continues to provide essential services for the Province.

Ontario Northland has responsibly fulfilled its transformation mandate by focusing on cost containment, attracting new rail freight and remanufacturing customers and establishing a culture of continuous improvement. Since FY2014-15 Ontario Northland has reduced operating subsidy by 26%.¹ This has been accomplished by driving efficiencies within every division and department, resulting in reduced costs, financial accountability, strong data for decision-making and enhanced performance in the delivery of services.

The team at Ontario Northland is proud of our significant accomplishments, most notably the significant reduction in the operating subsidy. Together we have produced a more efficient agency that provides value to the Province and the taxpayer. In addition, the agency provides a confirmed total provincial GDP impact of approximately \$175 million.²

As this business plan clearly shows, significant goals have been achieved and a detailed action plan is outlined to sustain our success.

Looking forward, Ontario Northland will continue to concentrate on containing/reducing costs while providing ever-better service, and growing our business in a strategic, responsible manner, taking into account potential risks.

Ontario Northland is vital to the people and businesses of Northern Ontario. We deliver strong, reliable and environmentally friendly transportation services that connect people and businesses. We increase road safety, contribute to tourism, connect business to markets, connect citizens to medical appointments, connect students to education, generate economic activity, enable economic development and truly make Northern Ontario open for business.

¹ Excluding pension and discontinued operations (Ontera)

² Ontario Northland Social and Economic Impact Study, Ernst & Young, 2018.

1.0 Introduction

The Ontario Northland Transportation Commission (Ontario Northland) is an agency of the Government of Ontario and reports to the legislature through the Minister of Energy, Northern Development and Mines (ENDM).

Ontario Northland was created by the Ontario government in 1902 to provide transportation services in northeastern Ontario. With a long and storied history, Ontario Northland has helped to shape the identity of northeastern Ontario.

The transportation industry is evolving, and Ontario Northland is responsibly leading and adapting to change.

Over the past four years, Ontario Northland has embarked on an aggressive transformation agenda that has reshaped its business lines and refocused the agency on cost containment while moving goods and moving people in today's transportation environment.

While fulfilling its mandate, Ontario Northland has continued to be a driver of continued economic growth, sustainable employment and provision of a strong transportation network for private, commercial and industrial transportation.

This transformation mandate has evolved into a journey towards a continuous improvement culture. Many important milestones have been reached and major change initiatives have resulted in significant improvements within every department of Ontario Northland. The FY2019-20 Business Plan builds on the success of the agency's transformation initiatives while using that momentum to further align its service offerings with evolving customer expectations and to cooperate with communities, business, industry and government to ensure its vital services are delivered in a cost-effective and measurable manner.

2.0 Strategic Direction

2.1 Vision, Mission and Values

Our 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.

Our 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.

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.

We also support top priorities within the mandates of a number of provincial ministries, including Energy, Northern Development and Mines, Transportation, Economic Development, Job Creation and Trade, Health, Long Term Care, Environment, Conservation and Parks, Tourism, Culture and Sport, Indigenous Affairs, Education, Agriculture, Food and Rural Affairs. Ontario Northland is critical to the growth and prosperity of Northern Ontario, and has proven interconnectivity to other transportation modes that rely on Ontario Northland as a key component of the supply chain.

Our 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.

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

2.2 Strategic Priorities/Direction

Ontario Northland strategic priorities are focused on the identification of cost drivers, cost restructuring strategies and efficiencies in order to achieve a sustainable provincial investment level and agency. The agency has successfully reduced the operating subsidy by 26% from 2014-15 to 2017-18 and continues to renew areas of the business to further improve financial metrics.

A sustainable agency is an organization that has embedded continuous improvement processes and behaviours into the workforce; can evolve to meet changing customer requirements; and, continually align with its mandate to provide best in class transportation services while providing economic stimulus in the North.

The strategic direction and mandate will be achieved by focusing on financial stewardship and operational effectiveness and will be guided by the following strategic priorities necessary to continuously improve and innovate to achieve business and service excellence:

- Reduce or contain operating costs
- Demonstrate commitment to health, safety, and environment
- Increase revenue

- Collaborate with employees and communities

Ontario Northland's strategic direction includes establishing a roadmap for seamless interconnections throughout the Province with passenger and freight services and aligns with current government priorities.

2.3 Strategic Growth Potential

Ontario Northland has been providing vital transportation services for over 100 years and as such is very experienced in serving the transportation needs of people and businesses in rural areas of the Province.

The "Rural Ontario Municipality Association (ROMA) 2015 report" found that 75% of Ontario is rural or partially rural:

The Province of Ontario is comprised of 444 municipalities of which 335 (75 per cent) are either rural or partially rural. "Rural areas provide the commodities that give us a positive balance of trade, they hold the sources of our water, the location of recreational and natural amenities to which we turn to be refreshed, they contain much of our biodiversity, they process most of the urban pollution and they contain a large part of our social and cultural heritage. Without the people to extract, process and transport those commodities, safeguard those amenities and sustain our heritage, we would all be worse off – rural and urban alike." (Bill Reimer, Immigration in the New Rural Economy.)

Through recent transformation efforts, the agency has confirmed technology and continuous improvement initiatives imperative for efficient and effective service delivery.

It is important that readers understand the expertise and strategic planning capabilities within Ontario Northland and recognize the very different transportation requirements necessary in rural areas of the province where 'connectivity' is critical (i.e. transportation services where no others exist) versus in population-dense/ metro areas of the province where solving 'congestion' is critical.

2.4 Agency Response to Mandate Letter

Note: In September 2018, the annual fall/October timeline for receiving agency mandate letters from the Minister was extended by six months (to spring 2019). This is beyond the timeline for business plan submission therefore this response is based on the most recent (2017) mandate letter.

Ontario Northland has been focused on transforming into a dynamic, sustainable organization and has responsibly fulfilled its mandate by focusing on cost containment, attracting new diverse rail freight and remanufacturing customers and establishing a culture of continuous improvement. Since 2014-15 Ontario Northland has reduced operating subsidy by 26%.³ This was accomplished by driving efficiencies within every division and department, resulting in

³ Excluding pension and discontinued operations (Ontera)

reduced costs, financial accountability, strong data for decision-making and enhanced performance in the delivery of services.

The agency will continue to provide the following services and ensure efficient, safe and reliable transportation services in Northern Ontario.

- Rail freight services
- Motor Coach services
- Polar Bear Express services/excursion train and Cochrane Station Inn
- Remanufacturing and repair services for Ontario Northland rail assets and for external customers

Building upon the FY2018-19 Business Plan, this year's plan will continue to demonstrate evidence, planning and organizational restructuring necessary to support transformation efforts and deliver transformation and transportation outcomes to meet the expectations of its mandate and subject to the approval of the government.

Ontario Northland will continue change initiatives critical to any successful business and necessary to continue to achieve positive financial results and provide transportation services that truly "Open the North" for business.

DID YOU KNOW?

Starting in December 2017, Ontario Northland successfully expanded intercommunity bus services west of Sudbury to White River and connecting to Hearst. This has added 58 communities and 4,238 route miles, resulting in a total of 4.4 million route miles per year and 158 communities

3.0 Overview of Programs and Activities

3.1 Rail Services

The Rail Services division continues to be Ontario Northland's core and primary revenue generating business. The business plan for FY2018-19 laid out initiatives, both short and long-term, that are being undertaken by the division to transform, ensure sustainability, and continue to offer efficient, reliable and safe rail transportation services to shippers and industry in northeastern Ontario. The business plan for FY2019-20 builds on this comprehensive foundation and again focuses on key transformation goals.

Ontario Northland operates a significant network of light density rail lines through sparsely populated areas in a climate with severe winters and short summers. The majority of the revenue generated comes from a small number of large customers. Many of the commodities handled can be cyclical in nature and are also subject to competition from trucking. Despite these challenges, the Rail Division has made measured progress in securing new customers and expanding our reach, increasing revenue from trans load hub customers, containing costs, improving service and processes, and maintaining a safe railway. The drive to improve in all of these areas will continue through the life of this three-year plan and beyond as a culture of continuous improvement. While many of the new initiatives identified for FY2019-20 may be incremental, the implementation of numerous small improvements will contribute to positive change and continue to ensure a healthy supply chain to the end customers. Rail Freight plays an extremely important role in "opening the North for business."

Rail Safety Management System

In FY2017-18, Ontario Northland developed and implemented a Rail Safety Management System (RSMS) and continued to develop, train and communicate it throughout FY2018-19. Safety Management Systems are required of all railways operating in federal jurisdiction under the Railway Safety Act. Safety management systems are intended to build a culture of safety and continuous improvement within the organization through structured processes that:

1. Set out accountability and policy
2. Identify the rules and regulation under which safety is governed
3. Set out practices for risk assessment and remediation
4. Set out accident/incident reporting and investigation processes
5. Set out methods for identification of safety concerns
6. Set targets for safety performance and safety programs to achieve these targets
7. Set out methods for continuous improvement

The Ontario Northland RSMS was developed in accordance with the regulatory guidelines and submitted to Transport Canada. It has been deemed compliant to the SMS regulation.

Implementation and ensuring the RSMS becomes engrained within the culture of the organization is an ongoing process and will continue through the life of this plan.

3.2 Passenger Services (Motor Coach and Polar Bear Express)

Ontario Northland provides transportation services connecting northern communities. Each weekday, the Polar Bear Express train connects passengers from Cochrane to the First Nations communities on the James Bay Coast. Each year 55,000 passenger trips are carried out, over a distance of 186 miles (299 kilometres) each way. Onboard the passenger train, daily food specials and other sundry items generate over \$595,000 in annual revenue.

The Ontario Northland bus network operates 4.5 million kilometres per year, equivalent of 111 trips around the world. Buses transport nearly 300,000 passengers and over 180,000 parcels, connecting to transportation services across Canada. Ontario Northland has a modern coach fleet that includes Wi-Fi, electrical outlets, and audio and visual announcement systems that align with accessibility standards.

Ontario Northland's Express Freight service transports 7,000 to 9,000 shipments yearly, containing over 165,000 units between Cochrane and Moosonee. These shipments include parcels, groceries, consumer goods, sporting goods and other equipment.

DID YOU KNOW?

In June 2018, Ontario Northland added one university stop (total now five) and six hospitals across the North providing seamless transportation to seniors and students, critical within the Northern region that has unique climate and geography risks and extremely limited transportation options.

3.3 Rail Mechanical and Remanufacturing

Ontario Northland operates rail passenger and freight services in Northern Ontario, and has completed extensive passenger, freight, and locomotive daily maintenance, light repair and major overhaul work for more than 100 years. Modern mechanical facilities and expertise are

essential for the safe and efficient operation of the railway. Rail rolling stock and locomotive maintenance is completed at facilities located in North Bay and Cochrane.

The Cochrane shop complex is a 70,000 square feet maintenance facility dedicated to the maintenance, light repair and inspection of railway rolling stock which includes the Polar Bear Express (PBX) passenger cars, freight cars and locomotives. By implementing lean manufacturing principles and engaging the workforce with third party rail mechanical experts, the existing Cochrane facility and workforce has transformed from servicing only the PBX and performing light locomotive maintenance to complete locomotive inspection and full maintenance for the majority of the locomotive fleet, including freight car repairs in addition to regular servicing of the PBX, all with the same level of workforce.

The North Bay shop complex includes a 150,000 square feet facility with a car shop that is dedicated to passenger and freight car repair and remanufacturing, a locomotive shop, a wheel shop, and a state-of-the-art paint facility. The transition of day-to-day locomotive maintenance and inspections from North Bay to Cochrane created capacity in the North Bay shop to complete a backlog of internal locomotive capital rehabilitation programs, as well as attract new external rail customers from across North America. The capital locomotive rehabilitation program will continue over the next seven years. External locomotive, freight and passenger car repair contracts are completed when the capacity exists within the North Bay shop complex. External contracts deliver profit which helps to offset fixed costs and reduces overall agency subsidy, optimizing the Provincial investment in the shop facility and equipment.

The Rail Mechanical division also operates several smaller mechanical shops at the endpoints of the railway in Rouyn-Noranda and Hearst as well as a centrally located facility in Englehart.

This unparalleled experience in mechanical and remanufacturing work on internal rail rolling stock assets means there is a workforce with significant knowledge capable of delivering high quality repair and refurbishment. External customers benefit from Ontario Northland's unique understanding of railway operations and mechanical expertise, and this knowledge and expertise has been used to gather additional external customers in all shops over the past 3-4 years.

3.4 Corporate Services

Corporate Services is a business partner and trusted advisor to the operating divisions of Ontario Northland. Corporate Services will operate efficiently and effectively, delivering a corporate services centre of excellence to assist the operating divisions to identify key cost drivers, contain and reduce costs, implement efficiencies, identify and reduce risks and achieve their goals.

Corporate Services combine organization-wide support services based on specialized knowledge and subject matter experts in Finance, Human Resources, Information Technology, Marketing and Communications, Facilities, Business Analysis, Risk Management, Project Management and Continuous Improvement. As the organization moves forward, Corporate Services will focus on supporting the divisions in activity-based costing to ensure the focus remains on continuous improvement. Corporate Services has summarized available services,

service level targets, support processes and corporate performance measures into a Corporate Services Catalogue that assists divisions to quickly learn about and access support.

It will align with industry best practice and public sector norms in delivery of services. Embracing modern technology for corporate and transportation solutions, Corporate Services will analyze and utilize appropriate digital tools in its delivery of services and provide technological leadership and stewardship to ensure each division can maximize these shared services to achieve their goals. This is ever more important in the organization as it transforms to meet the needs of today's customers.

Corporate services will lead the development of the Ontario Northland organization performance measurement strategy and implementation of continuous improvement and Lean principles. This will include educating and engaging employees in the development of performance measures and KPIs, including setting targets, identifying benchmarks and reporting progress. This initiative includes looking at standards and indicators in use at leading railways, intercity bus companies, repair and remanufacturing shops, government, private sector and other transportation agencies.

In addition to comparison with industry, Ontario Northland will ensure focus on KPIs which enable decision makers to contain and restructure costs while maintaining efficient operations. The external indicators help to provide context for Ontario Northland decision makers and cost centre owners, however the best comparator for Ontario Northland KPIs will be its own year-over-year (or month-over-month) performance by indicator. This will ensure that focus remains on Ontario Northland-specific cost containment and restructuring while carrying out the agency mandate.

4.0 Planned Deliverables (FY2019-20 to FY2021-22)

Each division of Ontario Northland is guided by the following principles in order to achieve the goals highlighted within this plan:

- Reduce or contain operating costs
- Demonstrate Ontario Northland's commitment to health, safety and environment
- Continuously improve and innovate to achieve business and service excellence
- Increase revenue
- Collaborate with employees and communities

Ontario Northland's approach to performance measurement is evolving. The Rail Mechanical and Remanufacturing division has put into practice the *Plan, Do, Study, Adjust* (PDSA) philosophy to improve its objectives. The division reviewed the organization's risks, strategic directions, CEO goals, historical data, and solicited stakeholder input to develop "SMARTer" objectives, baselines and targets for 2019-20. Metric definitions were created for each objective to ensure a consistent approach would be used in the collection and calculation of the metrics, which will also make it easier to cascade them to the department level. Each objective is supported by an initiative(s) to help achieve the targets. Ontario Northland plans to spread the

PDSA approach to objective setting across the organization for 2020-21.

5.0 Financial Profile

Ontario Northland at a Glance

Ontario Northland is a consolidated entity to the Province of Ontario. As such, the fiscal impact of Ontario Northland on the Province is equivalent to the operating subsidy, capital subsidy and cost of borrowing for two small loans with the Ontario Financing Authority.

The fiscal 2019-20 operating budget shows an operating subsidy of \$31.3M, which remains the same level of operating funding as FY2018-19. With fuel price increases over the past two years of 30%, negotiated union rate escalations and inflation/consumer price index of approximately 2% per year, ONTC has implemented cost savings strategies to try and lessen the impact through efficiency improvements

Of the overall operating budget note that the projected funding requirements for Polar Bear Express (PBX) Essential Services is \$18.7M (60% of the operating budget). The PBX passenger and freight train is an essential service connecting the communities of Cochrane and Moosonee and the only land link to the First Nations communities of the James Bay Coast.

Ontario Northland at a Glance	Projected 2019-2020
Operating Investment:	
Polar Bear Express (PBX)* Essential Services	18,710,208
Ontario Northland (excluding PBX)	12,604,792
Total Operating Investment	31,315,000
Capital Investment:	
Polar Bear Express (PBX) Essential Services	17,500,049
Ontario Northland (excluding PBX)	35,547,051
Total Capital Investment	53,047,100
Total Polar Bear Express (PBX) Essential Services Investment	36,210,257
Total Ontario Northland (excluding PBX) Investment	48,151,843
Discontinued operations (Ontera)	-
Pension Deficit Payments (Note 1)	7,083,500
Principle payments of long term debt	389,400
Deraillments	-
Self-Insured Retention	-
	91,835,000
* Polar Bear Express Essential Services include all Rail Freight and Rail Passenger services from Cochrane to Moosonee	
Note 1 - The pension funding identified for FY2018-19 and future years is based on the January 1, 2017 valuation of the pension plan and the solvency relief rules set out in O.Reg 178/11.	

Currently, Ontario Northland is transitioning the Ontario Northland Pension Plan to the Public Service Pension Plan, until final consent is received by the regulator for the transfer of assets, payments required under pension solvency legislation must be submitted in the amount of approximately \$1M per month.

5.1 Operating Budget Summary

Operating Budget Summary

The development of the FY2019-20 operating budget is guided by the set of business plan deliverables described in this plan. The budget is presented at a summary level and followed below at the divisional level.

The budget was developed assuming there will be no significant rail freight service interruptions causing loss of revenue, no significant machinery failures causing reduced service levels or major changes to the current large mining and forestry customer forecasts.

Ontario Northland FY2019-20 Summary Operating Budget

Revenues	2019-2020
Rail Services	41,794,534
Remanufacturing and Repair Services	4,510,000
Motor Coach Services	13,419,523
Polar Bear Express Services	6,975,815
Other Income	190,000
	66,889,872
Expenses	
Labour & Benefits	59,669,717
Materials & Parts	17,103,057
Supplies & Equipment	4,726,083
Services	7,510,072
Other	9,195,944
	98,204,872
Total operating loss	(31,315,000)
Discontinued operations (Ontera)	-
Pension Deficit Payments	7,083,500
Principle payments on loan	389,400
Derailments	-
Self-Insured Retention	-
Total Operating Subsidy	(38,787,900)
Other expenses:	
Amortization (non cash)	5,776,116
Amortization of deferred capital contribution (non cash)	13,849,455
Write off of assets/inventory (non cash)	-
	19,625,571

Revenues

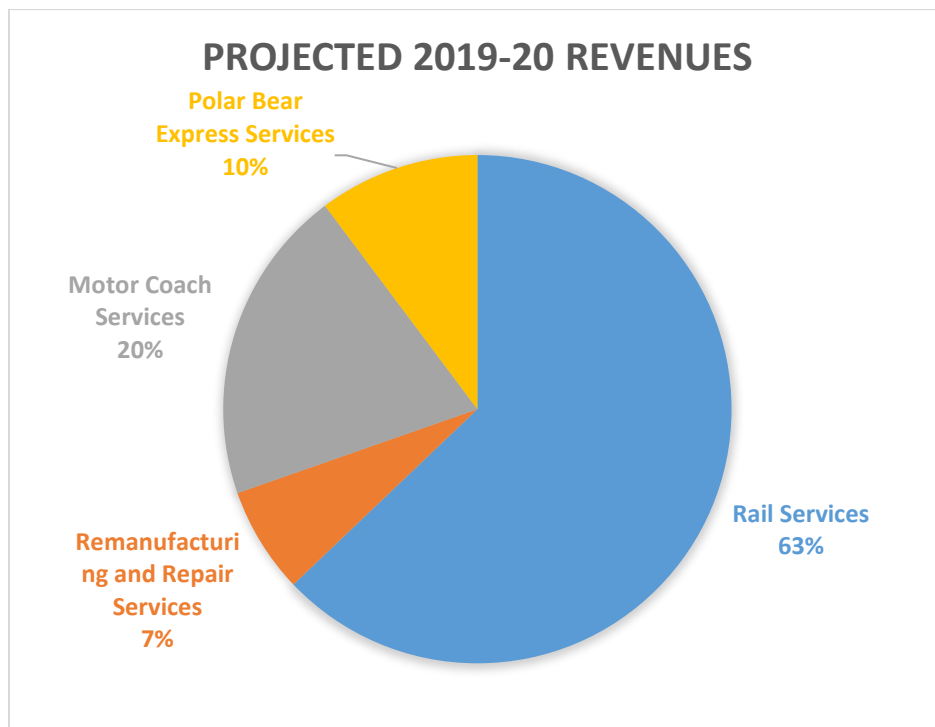
Total revenues for FY2019-20 are projected at \$66.9M. Rail freight revenues are projected to increase for anticipated growth in lumber shipments and economic development initiatives in northeastern Ontario as well as current multimodal solutions that have been implemented that promote truck-to-rail services and expand the current market to include “off-rail” customers. Current focus includes mining, forestry, agriculture, and petroleum industry opportunities.

The Remanufacturing and Repair Centre (RRC) includes only external work and has projected external revenues in the diesel shop, paint shop, as well as freight car work and external locomotive work. RRC will deliver services at cost recovery, with all profit directly offsetting overall agency subsidy levels.

Motor Coach Services has implemented a fare increase and is projecting ridership levels and revenues to increase due to the intercommunity bus expansion (ICB) mandate in Northern Ontario with new routes going to 20 new communities and increased services on certain existing routes.

Polar Bear Express Services has also implemented a fare increase however this is being offset by projected reduced ridership.

Ontario Northland FY2018-19 Revenues by Division



Expenses

Total expenses for FY2019-20 are projected \$98.2M.

Ontario Northland continues to implement productivity and cost-containment measures. The ICB bus expansion mandate has increased Motor Coach expenses due to expansion focused within low population density areas with low ridership. This will reduce the overall cost recovery ratio, however still maintain the cost recovery ratio above most motor coach services.

The largest expense in the operating budget is labour and benefits which represents 61% of projected expenses for FY2019-20 to support operations. This includes an increase as per collective agreement wage escalations.

Other large expenses in the business plan include fuel, where price can be unpredictable as it is determined by the market. Diesel fuel prices have been projected at a 3% increase, as FY2018-19 has seen an 11.1% increase over prior year comparison and a 30% increase over the past two years. Over a ten-year history, Ontario Northland has seen an average change on diesel fuel of 2.26%, which is represented by volatile fluctuations.

Fuel Variance - 10 Year History

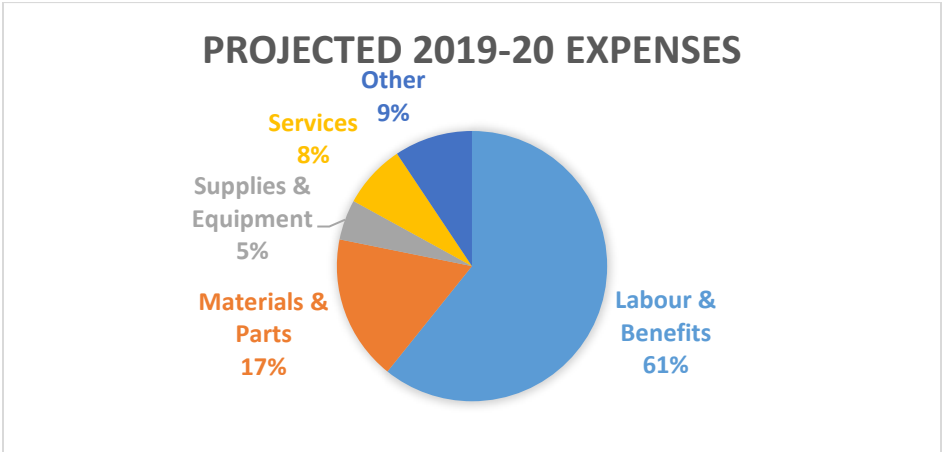
Fiscal Year	Average Diesel Price per litre	Price Variance	% Change
2009	0.784	0.00	0.20%
2010	0.686	-0.10	-12.53%
2011	0.777	0.09	13.23%
2012	0.94	0.16	21.09%
2013	0.93	-0.01	-1.12%
2014	0.971	0.04	4.38%
2015	0.912	-0.06	-6.07%
2016	0.722	-0.19	-20.77%
2017	0.708	-0.01	-1.93%
2018	0.831	0.12	17.28%
2019	0.923	0.09	11.10%*
		Average	2.26%

**Please note the business planning was done in September, the current diesel price was 0.99 creating a % change over 18%, this resulted in an average change of 2.94%*

Another expense to the Agency is the continuation of third-party consulting services; these subject matter experts will provide significant process improvement guidance and implementation support including lean initiatives necessary to efficiently achieve long-term sustainability of the agency.

Other expenses noted in the summary budget include non-cash expenses, including amortization expenses, as well as amortization of deferred capital contribution.

Ontario Northland FY 2019-20 Operating Budget by Expense Type



5.2 Capital Budget Summary

Ontario Northland Ten-Year Capital Plan: FY2019-20 to FY2028-29

Overview

Ontario Northland is currently in the third year of the 2017 approved ten-year Capital Asset Management Plan (CAMP) budgeted at \$504M over the subsequent ten years. This was the result of several assessments by experts, specialized technical assessments, and evaluation of Ontario Northland's major asset categories:

Major assets owned by Ontario Northland:

- Motor Coaches: 32 owned
- Rolling Stock:
 - 24 locomotives
 - 16 Polar Bear Express cars including passenger, diner and baggage cars
 - 367 freight box cars and 154 service cars (gondolas, paper, center beam)
- Track: 673 miles of track
- Bridges and culverts: 93 bridges and 2,191 culverts
- Major buildings: 100+ buildings with 29 significant buildings

This year's capital plan remains focused on delivering the rehabilitation of major capital assets to achieve an appropriate state of good repair across the agency. Starting with the FY2018-19 approved plan as the basis, minor adjustments were made between assets categories based upon the current need.

Background

In FY2016-17 Ontario Northland evaluated the condition of its assets and identified capital investment levels required to bring those assets into a state of good repair. This ten-year capital plan will lay out the capital investment needed to improve asset performance and address the growing state of good repair (SGR) deficit.

Ontario Northland seeks a capital investment by the Province of Ontario of \$53M for FY2019-20. This investment extends and rehabilitates Ontario Northland's aging infrastructure in order to deliver its mandate for "safe and efficient transportation services." This investment further reduces risk and improves the SGR of all capital assets, reducing ongoing maintenance expenses and providing improved safety to passengers, environment, employees and infrastructure.

Recommendations for Asset Management:

Ontario Northland has implemented several recommendations for its Asset Management Program as follows (a select list of accomplishments and deliverables can be seen in the 'Capital Program Accomplishments and Deliverables' section below):

Ontario Northland has developed an asset management governance structure to improve capital asset management processes across the organization. This includes monthly executive team capital meetings with Finance to review current capital program plans and results, establishing capital project charters, capital budgets, monthly capital cash flow results and forecasts and capital project tender status which are all documented and stored centrally for capital project managers, within a new budgeting and forecasting software implemented in FY2018-19. A new contract management software, Cobblestone, is expected to be launched in FY2019-20 further aiding capital project managers.

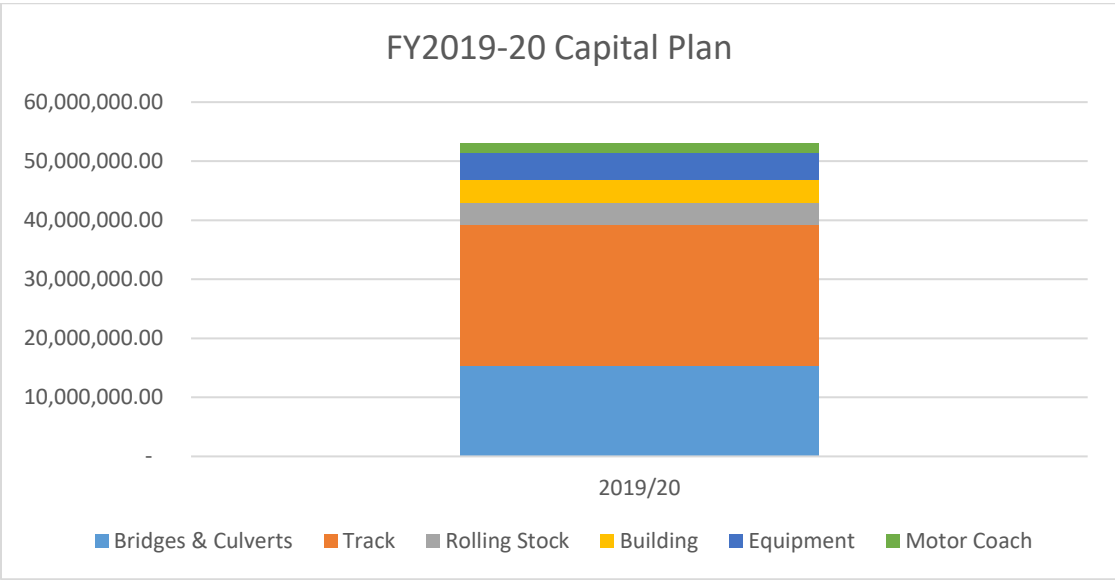
Ontario Northland divides its capital asset program among track infrastructure, bridges and culverts, rolling stock, motor coaches and buildings and equipment and is developing a capital asset management policy, strategy and plan for each department.

Ontario Northland continues to refine operating and maintenance practices to more efficiently balance lifecycle costs against acceptable risk tolerance by implementing its 10-year asset management plan and improving state of good repair.

In FY2018-19, Ontario Northland engaged a consultant to further improve the capital asset management plan following the initial development. The project involves utilizing Ontario Northland employees' knowledge through a series of workshops in order define state of good repair. The project will result in desired levels of service for all asset categories, a model to calculate state of good repair internally as well as associated cost to rehabilitate assets. Furthermore, deliverables also include standard useful life by asset categories, a Capital Asset Management Policy and Strategy and a project prioritization framework for capital decisions.

Financial Overview

The following Figures illustrate the breakdown of the investment over the next year:



	2019/20
Bridges & Culverts	15,450,000.00
Track	23,798,781.00
Rolling Stock	3,647,375.00
Building	4,012,500.00
Equipment	4,484,612.00
Motor Coach	1,653,832.00
Total	53,047,100.00

Motor coaches

In December 2017, Ontario Northland's Motor Coach Services expanded services northwest as well as increased services in the northeast. This expansion will increase Ontario Northland's bus fleet size by an additional 7 buses, and various investments in technology, and equipment. For FY2019-20 Ontario Northland plans to acquire three new mini-coaches as part of the continued expansion, replacing currently leased buses.

Ontario Northland continues to invest in new motor coaches on an annual basis and continues its overhaul program for existing coaches, including power train and light cosmetic work. This is in line with recommendations to keep our motor coach fleet renewed and reliable.

Buildings

Capital upgrades and improvements to facilities contribute to increased safety, reliability, and service performance. Ontario Northland would benefit from decreased operating and maintenance costs in the provision of transportation services. In depth audits of each facility are bringing forward a prioritized list to assist in scheduling capital work. Building investment for FY2019-20 is \$4M, with rehabilitations planned in North Bay, Englehart, and Moosonee.

Track

In FY2016-17 a field audit of Ontario Northland's main track was done in order to assess overall track conditions relative to the tonnage and traffic levels handled (both passenger and freight). The following recommendations resulted in: the installation of 52,500 track ties, and 17 miles of rail installed per year. Ontario Northland plans to continue this recommendation in FY2019-20.

Rolling Stock

Ontario Northland plans to continue rehabilitating the aging rolling stock fleet, including locomotives, boxcars and passenger cars. This investment in rolling stock continues to improve the state of good repair while reducing fuel consumption, maintenance costs and emissions outputs.

The Polar Bear Express passenger cars used between Moosonee and Cochrane are being refurbished in Ontario Northland's shop complex with an expected completion in FY2019-20. Locomotive rehabilitations continue with two locomotives to be rehabilitated in FY2019-20.

Bridges and Culverts

Ontario Northland's bridge repair and maintenance plans were previously established by an external engineering firm, and are updated annually. The program continues at an average annual level of \$15M. An annual bridge inspection is completed in order to set priorities for bridge repairs. The engineering firm also recommended an escalated culvert program to upgrade the lower-grade culverts in the network, at a level of \$1.7M annually.

Equipment

Capital investment in Ontario Northland's other equipment for FY2019-20 is \$4M. These funds are prioritized amongst all shop complexes to repair and replace aging tools and equipment. Multiple large rail equipment are scheduled for replacement in FY2019-20.

5.2.1 Capital Program Accomplishments and Deliverables

The following are selected FY2018-19 capital program accomplishments, followed by a list of key deliverables being planned as part of this business plan.

FY2018-19 Accomplishments

1. A new budgeting and forecasting software, Questica, went live for Capital in August 2018. Approvals of capital projects, forecasting, reporting, and budgeting have been integrated into the software. The program has automated reporting and resulted in one location for all financial reporting of capital projects. Project managers are able to input information in future year projects to assist in planning and determine benefits of pre-commitment authority.
2. A third-party consultant was engaged to further improve the capital asset management program following initial development. The project involved utilizing Ontario Northland employee's experience through a series of workshops which resulted in establishing desired levels of service for all asset categories, a model to calculate state of good repair internally as well as associated cost to rehabilitate assets, standard useful life by asset categories, Capital Asset Management Strategy and Policy, and a model for prioritizing projects. These tools will be introduced to the organization beginning in 2019-20.
3. Process for auditing and verifying the Fixed Asset register have been developed. These processes will result in all assets being verified over a five-year period.
4. Increased use of pre-commitment authority. For FY2019-20 almost \$10M of projects have gone for vendor proposals. Pre-commitment authority has allowed ONTC to establish multi-year contracts for capital program work resulting in significant cost savings.
5. Ontario Northland delivered capital asset management training as part of its 'Finance 101' training to all capital project managers. In addition, capital project managers received contract management and change management training by industry experts to improve the ability to hold contractors accountable and minimize change order costs.
6. Ontario Northland continues to complete track inspections as part of its Rail Services operation, including track geometry and ultrasonic testing twice annually to inform ongoing rehabilitation activities.
7. A dedicated capital Financial Analyst has been put in place to manage, evaluate and report on the capital asset management program.

FY2019-20 Planned Deliverables

1. Implementation of Capital Asset Management Strategy and Capital Asset Management Policy.
2. Calculation of state of good repair and estimated cost to rehabilitate assets.

3. A capital prioritization model to assist in the decision-making process for allocating limited capital funds.
4. Commencement of a physical audit of Ontario Northland's asset inventory to verify capital asset records.
5. Provide training on Capital Asset Management Strategy and Capital Asset Management Policy.

6.0 Enterprise Risk Management

Ontario Northland will continue to grow its enterprise risk management practice while implementing its OPS risk framework-aligned strategy. This will include the development and communication of a risk policy for the organization. The risk profile of the organization has been elevated to the Commission through the addition of risk to the audit and finance committee of the Commission. The organization will focus on maturing the risk management process through moving beyond complying with quarterly reviews of risks and reporting on a quarterly basis to the Commission. The focus will be on rounding out the understanding of risk management through training and then measuring the maturity of the risk program on an annual basis. There will also be an increased focus on capital project risk by applying project management professional (PMP) practices and standardized project planning.

Risk identification, assessment and mitigation strategies:

Key Area	Risk Description / Mitigation
ONTC Pension Plan merger	<p>The special payments to support the ONTC pension plan were not sustainable for the organization. The agency evaluated options and agreed to merge with Ontario Pension Board's (OPB) Public Service Pension Plan (PSPP), which was approved by government through OIC in March 2018. In 2018, Ontario Northland became a participating employer in the Public Service Pension Plan (PSPP). The process of merging with the PSPP has several mandatory steps to complete. It is anticipated that the approval will be received in FY2019-20. The merger with the PSPP is expected to reduce Ontario Northland's cash flow requirements significantly.</p> <p>Accomplishments:</p> <ol style="list-style-type: none"> 1. Pension merger agreement with OPB 2. Complete pension data review and update 3. Issuance of mandatory notices under the PBA
Motor coach will provide safe, efficient, reliable and responsible intercity bus services that connect communities	<p>Access to sufficient capital to maintain an appropriate average age of the fleet, while adjusting service levels to meet passenger levels and maintaining customer and community satisfaction with the level of service.</p>

Rail Services will safely, efficiently and reliably provide rail services that support economic prosperity in Ontario.	Global demand for mining, forestry, and agriculture will affect revenues. Infrastructure maintenance will need to be carefully planned out to ensure consistent operating results while the 10-year capital rehabilitation program is taking place. Enhancing sales efforts to focus on many smaller opportunities including off-rail customers is a focus area.
Rationalize real estate assets to focus on core transportation services.	Success of strategy may be impacted by a lack of interest in non-prime assets (the majority of surplus assets are small parcels of land in very remote areas with extremely low value, if any). In some cases, it will require more expense to divest the property than the actual value. Financial risk exists concerning the potential environmental remediation of properties as a past owner.
Provide innovative, efficient and effective corporate services to support the business units.	Implementation of appropriate people, process, technology, partners and training is required to successfully enable the divisions to achieve their goals. This requires effective recruiting, succession planning, funding and leadership in order to align and continuously improve.
Organization structure and staffing required for successful transformation.	The ability to retain, attract and succession plan remain significant challenges in transformation.
Governance	Administrative processes, oversight, policies and directives can affect decision-making and expenses which may affect the ability to meet customer requirements and expectations in a timely manner.
Financial goals	Balancing financial goals of the province, stakeholder expectations for transformation (which are not entirely financial), and customer requirements/demands requires a significant amount of planning, communication, evaluation and reporting. The timeframe to successfully complete all objectives requires regular and ongoing evaluation and scheduling.

7.0 Performance Measures

Performance measures provide year over year comparison of the effectiveness of Ontario Northland's delivery of transportation services

	2016-2017	2017-2018	2018-2019	Target
Polar Bear Express Passenger Train Customer Satisfaction	70%	71%	62%	75%
Polar Bear Express Passenger Train On-time Performance	99%	97%	88%	90%
Cochrane Station Inn Occupancy Rate	49%	53%	51%	55%
Employee Lost Time Injury Frequency	3.65	2.15	5.68	3.00
Cost Recovery Ratio for Ontario Northland	75%	72%	69%	67%
Cost Recovery Ratio for Ontario Northland excluding the Polar Bear Express Essential Service	89%	83%	80%	76%

8.0 Human Resources

We will focus on Human Resources best practices to support the organization to reduce or contain operating costs and achieve business and service excellence. We will do this through initiatives to recruit and retain top talent, improve employee engagement, support individual employee goal setting and achievement, and promote a culture of safety and wellness. By setting measurable objectives we will remain consistently focused on continuous improvement to meet the needs of Ontario Northland operations. We will focus on the following three priority areas.

Recruitment and Retention of Top Talent

To become a magnet organization for employees in northeastern Ontario and within the broader Transportation industry, we will focus on initiatives that will strengthen employee engagement, provide competitive compensation and benefits, and build a reputation as an "Employer of Choice." Key initiatives we will undertake to achieve this include:

- Conduct employee engagement survey and utilize feedback to inform HR Strategic Plan and validate HR key performance indicators
- Establish ambitious yearly targets for our HR key performance indicators to ensure we continue to strive for HR excellence
- Development of matrix of required organizational-wide human resources and safety training requirements for staff
- Support of yearly organizational performance management program to create culture of regular feedback and discussion of individual objectives to support organizational goals
- Examine additional e-modules for coaching and feedback
- Examine opportunity to introduce paperless employee file system in HR
- Audit of HR policies and development of action plan to review and revise in order to ensure legislative compliance and alignment with HR best practices

Organizational Health, Safety, and Wellness

Ontario Northland continues to implement initiatives to support a culture of safety. The Manager, Health & Safety and Manager, Human Resources roles work together to partner with divisions to support employee health, safety, and wellness. Elements of this strategy include:

- Provide HR due diligence training for all supervisors
- Roll-out of incident management software to track and trend employee H&S incidents
- Yearly auditing of our employee safety policies and processes to ensure that policies and processes are up to date and that there is an ongoing focus on continual improvement
- Incorporation of existing H&S policies into new policy management software to facilitate the annual audit, review, and revision of policies

Labour and Employee Relations

Management and the unions continue to work together to ensure the sustainability of Ontario Northland. In Human Resources we will continue to focus on positive and proactive solutions to labour and employee relations issues. This includes labour negotiations with all unions as collective agreements reach expiry in December 2018 and December 2019.

9.0 Information Technology Services

Information Technology Services (ITS) provides centralized enterprise technology services for all divisions. ITS is positioned as a business partner to assist and support the operating divisions and departments achieve their goals, working to provide timely and consistent decision-making information.

Focused on innovation and continuous improvement, ITS is an integral partner in successful agency transformation.

Through modernization of legacy systems, implementation of digital solutions, and inspiration of strategic change in technology, ITS assists each division in achieving their goals, satisfying their customers, and improving cost recovery.

In 2019-20, ITS will introduce a number of software programs and solutions aimed at containing expenses and gaining efficiencies, including:

- Implement incident management software (track and trend employee health and safety incidents)
- Digital forms management and delivery application (modernization of traditional paper-based forms for use on mobile tablets)
- Implement new Bus Parcel Express tracking and point of sale solution (reduces costs and mitigates risk related to current/legacy system)
- Time tracking and workforce management software (next phase of deployment to expand benefits companywide)
- Enterprise Resource Planning software roadmap (plan for ERP/MRP moving forward)

10.0 Legal and Realty

The Legal and Realty Department provides services and support to the Commission, senior management and operations and addresses external requests for service.

The Legal and Realty Department is responsible for providing:

- Legal advice
- Agreement development and tracking
- Procurement support
- Litigation and Third Party claims management
- Commission governance services
- Realty services
- Insurance program monitoring

In 2019-20, the Legal & Realty department will focus on:

- Completing the inventory of Ontario Northland's interests in realty
- Implementing contract management software throughout the corporation
- Continuously improving processes for capital projects
- Supporting the roll-out of incident management software
- Addressing Ontario Northland's mining rights interests and liabilities
- Sourcing and employing a solution for board management and secure access to information for directors

11.0 Marketing and Communications

The Marketing and Communications department provides marketing, communications and creative support to all the business divisions.

The department supports business growth across the organization by promoting Ontario Northland as a safe and reliable transportation provider. The team aims to produce marketing materials that are best-in-class. The advertisements, events and activities from this team help operating groups find new customers, differentiate services from competitors, increase sales and generate revenue.

The Marketing and Communications team is responsible for:

- Advertising and promotion
- Public relations
- Internal communications
- Brand management
- Corporate events
- Reception of 555 Oak Street East

The team also manages communications issues as they arise and works with the Ministry of Energy, Northern Development and Mines and other stakeholders to ensure accurate and consistent messaging.

In FY2019-20 focus will be placed on:

- Creating effective data driven advertising campaigns for bus, Polar Bear Express, rail freight and rail remanufacturing.
- Increasing positive media coverage.
- Consistent and effective internal communications that shape a dynamic work culture
- Increase social media and web presence.
- Communications support of the pension transition.

Research will be another area of focus by evaluating internal client satisfaction via survey for the third year in a row and performing additional market research in the rail industry in order to provide effective marketing and communication products about current trends and issues for Ontario Northland's largest division.