



An Agency of the Government of Ontario

2025-2026 Business Plan



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Land Acknowledgement

We want to acknowledge the importance of the land on which Ontario Northland operates. We do this to reaffirm our commitment and responsibility to improving relationships between Ontario Northland and Indigenous peoples and communities and 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 the Chief Executive Officer

Our agency is committed to excellence as we continue to provide efficient, affordable, safe and reliable transportation services to our customers and the communities we serve.

Looking ahead to the coming business cycle, Ontario Northland is poised for success. Attracting and retaining talent remains one of our priorities, with a competitive labour market and an ambitious year ahead for the agency. Building capacity and ensuring we are structured effectively as an organization will continue to empower our team to fulfil our mandate.

Several key capital projects are also on the horizon, including the progression of work identified in the 2021 building condition assessment to repair and update Ontario Northland-owned properties.

Agency Modernization, Enterprise Asset Management and Enterprise Resource Planning remain a key focus for corporate services. Each program will increase operational efficiency, bolster strategic risk management and enhance data-driven decision-making.

Our Remanufacturing and Repair Centre continues to attract new business, solidifying job stability and investment in the northeast. This year, our teams are focused on continuing to meet deadlines and achieve project milestones while maintaining the high standard of work for which Ontario Northland is known.

Our Rail Freight services continue to grow year over year. Looking ahead, Ontario Northland will continue to maximize this revenue stream, finding innovative solutions to meet the demands of its new and growing customer base.

Finally, reinstating the Northlander Passenger Rail Service remains an area of focus for the agency, with the manufacturing of the new trainsets already underway. The year ahead will be focused on preparing for operational readiness as our teams undertake important work that will lay the foundation for a successful launch of service. This is an exciting time for Ontario Northland, and we are proud to continue to achieve milestones to ensure timely delivery of this important transportation initiative.

I am pleased to share this business plan, which outlines the key actions our teams will undertake to fulfill government expectations and priorities. We look forward to working with government partners, industry stakeholders, Indigenous communities, and our valued passengers and customers to meet the transportation needs of northern Ontario.

Chad Evans
Chief Executive Officer

Agency Overview

Established in 1902, Ontario Northland operates as an agency of the Ontario government. The agency supports northern Ontario communities and businesses by providing quality remanufacturing, rail and motor coach transportation services.

Mandate

Ontario Northland is an agency of the Ontario government that reports to the Legislature through the Ministry of Transportation (MTO). Ontario Northland was created by the Ontario government in 1902 to provide transportation services in northern Ontario. The agency operates under the authority of the *Ontario Northland Transportation Commission Act*. The organization is mandated to deliver efficient, affordable, safe and reliable transportation services in northern Ontario

Vision

The world needs what northern Ontario has to offer – and Ontario Northland will be the modern, future-ready transportation system to deliver it.

Mission

We're improving connectivity between northern Ontario and other parts of the province to support economic development, job creation and community sustainability. As an agency, we work with municipal stakeholders, Indigenous communities and partners at MTO. We align priorities, focus on fulfilling our commitments and are trusted partners delivering high quality services.

Our Values

Our organizational values are:

Safety. Full Stop: Safety is core to everything we do. We do not settle for less for our people or our customers.

Go Beyond: We take pride in serving our customers and communities. We seize every opportunity to exceed their expectations and to challenge the status quo to meet their evolving needs.

Never Stop Caring: We care about each other, our customers, our work and how we do it. We create a respectful environment where we can be ourselves, feel valued and perform at our best.

Focus on the Path Ahead: We grow and innovate with intention. We align with government and ministry priorities and fulfil our commitments.

Lead the Way: We can all be leaders. We take responsibility, trust each other to do the right thing and speak up to make things better.

Fulfilling Government Priorities

Ontario Northland is mandated to deliver efficient, affordable, safe and reliable transportation services in Northern Ontario.

As the *Agencies and Appointments Directive* requires, the Minister of Transportation issues an annual letter of direction that sets out the expectations for the fiscal year. These priorities provide the foundation for the agency's plan forward ensuring operations and government direction align.

The letter underscores three themes that set the expectations for all agencies: *innovation, sustainability and accountability*. Ontario Northland outlines how it will support fulfilling government priorities throughout the business plan.

Innovative

1. Simplify client/customer interactions.
2. Expand and optimize digital service offerings.
3. Improve client/customer satisfaction.
4. Share data with Supply Ontario, when requested, regarding procurement spending and planning, contract arrangements and vendor relations to support data-driven decision-making.

Sustainable

5. Strengthen public service delivery by optimizing organizational capacity and directing existing resources to priority areas.
6. Use public resources efficiently and
 - a. Operate within agency's financial allocations.
 - b. Prudently and responsibly manage workforce size. Where an agency requires a material increase in workforce size, the agency must provide the Minister with an HR plan for approval that provides the rationale based on government priorities and/or agency mandate.

Accountable

7. Develop and report on outcome-focused performance measures to effectively monitor and measure performance.
8. Protect individual, business or organizational data by actively managing data and cybersecurity and reporting Artificial Intelligence uses.
9. Report all high risks including effective mitigation plans
10. Align hybrid work policies with the Ontario Public Service (OPS) and identify and assess office optimization opportunities to reduce office realty footprint and find cost reductions.
 - a. Collaborate with MOI to identify office space opportunities.
 - b. Align with the MBC Realty Directive and OPS Modern Office Space (OMOS) Standards.
11. Develop and encourage diversity and inclusion initiatives by promoting an equitable, inclusive, accessible, anti-racist and diverse workplace.

12. Increase non-government, non-fare, non-fee revenue annually by in alignment with a target set through discussions with the ministry and reflected in the corresponding business plan.

For FY 2025-26, Ontario Northland is fully committed to fulfilling the following expectations for Ontario Northland specifically. These include:

Major Project

1. **Continue to advance work to reinstate the Northlander Passenger Rail service between Toronto and Timmins, with a rail connection to Cochrane, and an in-service date in Spring 2026. Meet key milestones to start construction of Timmins Station and undertake fleet testing and commissioning, including:**
 - a. **Contract award and commencement of construction for the new Timmins-Porcupine Station in 2025**
 - b. **Completion of stop improvements along the ONTC-owned corridor in 2025.**
 - c. **Commence fleet testing and commissioning in Winter 2025/26.**
 - **Response:** By the end of the fiscal year, the agency will be in the final stages of readiness. Employees working on the rail service will be hired and trained, maintenance plans will be implemented, and the construction will be near completion for track improvements, fleet testing, stops and stations.
2. **Develop a comprehensive marketing and communications strategy to promote the Northlander Passenger Rail service, including outreach to key stakeholders and the public. ONTC will share its planned marketing and promotional activities with the ministry for approval, with an initial plan shared by August 31, 2025.**
 - **Response:** The agency is currently developing a marketing and communications strategy to promote the Northlander Passenger Rail service through outreach to key stakeholders and the public and will share with the ministry by August 31, 2025.

Modernization

3. **Advance work to modernize the agency by supporting the ministry on the modernization of the *Ontario Northland Transportation Commission Act* throughout 2025-2026.**
 - **Response:** Ontario Northland is collaborating with MTO to create a new, modern Ontario Transportation Commission Act to replace the current version.

Enhanced Reporting

4. **Implement the performance measurement framework developed in FY 2024-25, and submit quarterly performance measurement reports as directed by the ministry highlighting progress on core measures that align with Ministry priorities.**
 - **Response:** Ontario Northland will continue to consistently meet with MTO to align priorities, while implementing a sustainable framework that meets the needs of the agency and MTO.
 - Continue to operationalize the Ontario Northland data governance and information management roadmap and focus on collecting accurate, relevant data.

5. **Continue to work with the ministry to develop an agency governance and relationship framework by July 31, 2025. Implement the framework throughout the second half of the fiscal year, and make further refinements as required to support its objectives.**
 - **Response:** Ontario Northland will continue to work with the ministry to develop an agency governance and relationship framework to be completed by July 31, 2025, and implement it during the second half of the fiscal year, making further adjustments as required.

Community and Partner Engagement

6. **Meaningfully engage diverse populations and equity-deserving groups within your service areas to ensure that community needs are understood to better deliver safe, affordable, accessible and equitable access to transportation services. This includes engaging with Indigenous communities and organizations and fulfil the duty to consult obligations with Indigenous communities, ensuring consistency with provincial policies and direction for Indigenous relations. ONTC must share engagement and consultation plans with the ministry and seek the ministry's advice before entering into any significant commitments or agreements with Indigenous communities.**
 - **Response:** Ontario Northland will engage with diverse populations and equity-deserving groups within our service areas to ensure community needs are understood, share engagement and consultation plans, and seek the advice of the Ministry before entering into any significant commitment or agreements with Indigenous communities and organizations.
7. **Continue to take actions to combat sexual exploitation and human trafficking in accordance with the Calls for Justice of the National Inquiry into Missing and Murdered Indigenous Women and Girls and Ontario's Anti-Human Trafficking (AHT) Strategy, including:**
 - a. **Training ONTC frontline staff to identify and respond to human trafficking.**
 - b. **Promoting the National Human Trafficking Hotline on motor coach and passenger rail services, as well as in stations using decals and posters.**
 - c. **Continuing the Safe Ride Home and Phantom Rider Program.**
 - **Response:** Taking action to combat sexual exploitation and human trafficking, in accordance with the Calls for Justice of the National Inquiry into Missing and Murdered Indigenous Women and Girls and Ontario's Anti-Human Trafficking Strategy, through programs such as the Ontario Northland Safe Ride Program, as well as posting trilingual decals on coaches and stations.

Current and Future Programs and Activities, Including Implementation Plan

This section describes the agency's main programs and activities and how resources will be allocated to effectively achieve its goals and expectations.

Operations

RAIL FREIGHT	Implementation Plan
<p>Increase rail freight revenues, activities, and opportunities to support economic development and business growth in northern Ontario</p>	<p>Rail Freight has a total projected revenue of \$59.3 million for FY 2025-26. This will be achieved by executing the rail service plan for customers, growing business with existing customers and adding new customers through business development and capital investment efforts. For example, expanding the Englehart transload site is projected to accommodate over 1,000 carloads per year once implemented. Ontario Northland will be relocating the lumber transload site to meet the long-term demands of customers. There will also be an increased focus on sales and customer satisfaction, which will contribute to meeting this goal.</p> <p>Anticipated growth is also expected as the agency works to meet the demands of increased traffic between Cochrane and Moosonee, supporting construction projects in the community. Early forecasts project increased traffic on this line until 2031 due to large building and infrastructure projects in the region.</p> <p>This fiscal year, a business case will be developed for the new grain elevator and bulk commodity centre in Earlton, to meet growing demands from the agriculture sector. This investment would enhance the agency's capacity for transloading and provide a revenue stream for the foreseeable future.</p> <p>The team will continue discussions with the mining sector and evaluating future opportunities for transportation.</p>
<p>Continue to improve Rail Infrastructure to enable the safe and reliable delivery of transportation services</p>	<p>Throughout FY 2025-26, Ontario Northland will be investing \$76.5 million to continue to update rail infrastructure to a state of good repair, with a long-term goal of improving the class of track, upgrading from Class 3 standards to Class 4 by FY 2028-29. This would improve safety, reduce costs (crewing and maintenance) and reduce transit times for customers and passengers.</p> <p>Major infrastructure projects this fiscal year will include the continuation of regular state of good repair work on bridges, track, signals and culvert upgrades. Furthermore, funding has been requested to increase bridge and culvert work.</p> <p>The grade crossing safety assessment project, which started last fiscal year, will advance this fiscal year as infrastructure upgrades commence in response to the findings from the assessments. Crossing enhancement work will be focused on and prioritized to the Northlander corridor during this fiscal year.</p> <p>The team aims to enhance community outreach efforts regarding construction projects, with the goal of maintaining positive relationships and minimizing any adverse impacts to neighbours and municipal partners. Similarly, Ontario Northland will continue its scrap rail tie cleanup initiative, aiming to eliminate the accumulated backlog by the end of FY 2026-27.</p>

<p>Set up Systems to Ensure Compliance with the Applicable Regulatory Framework</p>	<p>Legislation, directives and policies which impact Ontario Northland continually evolve and impact operations. Building on the work of last fiscal year, new roles will be added to create systems to filter down regulation changes into the agency's corporate policies and operations, increasing the agency's capacity to react and integrate regulations. Most notably, the Transit and Rail Project Assessment Process under the amended <i>Environmental Assessment Act</i>, will significantly impact operations and construction projects when it comes into effect in December 2025.</p> <p>Work will continue on shifting rail oversight to Transport Canada and aligning with federally regulated railways. This fiscal year, it is anticipated that there will be a need for more compliance monitoring personnel, better training, enhanced record-keeping and improved internal auditing aligned with the rules and regulations.</p>
<p>PASSENGER SERVICES</p>	
<p>Polar Bear Express and Motor Coach Long-term Planning</p>	<p>In recent years, Indigenous and municipal leaders, businesses and the public have requested increased service between Cochrane and Moosonee. Large construction projects in Moosonee have also required more people moving in and out of the community. Due to this increased demand, Ontario Northland has provided a business case to provide five days per week service, year-round, starting in June 2025. The agency will research additional transportation needs, ridership forecasts, and additional costs associated with increased service.</p> <p>The equipment currently used on the service will reach the end of its expected 30-year life cycle in 2029. This fiscal year, Ontario Northland will evaluate options and develop a path forward for Polar Bear Express rolling stock.</p> <p>The agency will update work on the long-term motor coach fleet strategy, which was originally developed in 2016, prior to the route expansion to Winnipeg. The plan supports future decisions related to fleet purchases and replacement, including identifying gaps and opportunities for operational effectiveness. Milestones this fiscal year include reviewing opportunities for the viability of offering a dedicated fleet of accessible smaller vehicles, as well as increasing the spare ratio of bus fleet by purchasing five new motor coaches. With the increased operating territory, as well as longer lead times on bus part availability, motor coaches can be out of service for up to six months to repair incident damage (e.g., wildlife collisions). Increasing the spare ratio will allow for redundancy when coaches are unavailable due to overhauls, incidents, heavy cleaning, or training new operators.</p>
<p>Simplify Customer Interactions and Improve Satisfaction</p>	<p>Customer experience continues to be an area of focus as Ontario Northland prepares to launch the new Northlander Passenger Rail Service. As a result, the agency is exploring digitized options to accommodate a variety of customer needs. This would include enhanced customer feedback mechanisms to provide rapid customer response, as well as expanding the customer contact centre to operate in a 24/7 environment, with new technologies in place to support it.</p> <p>Last fiscal year, the agency began to procure a new ticketing platform, which will integrate features like notifications, facilitate integration with other network provider ticketing systems, allow for dynamic pricing strategies and adjusting</p>

	<p>fares based on demand to allow for a wider range of affordable pricing points for customers.</p> <p>The agency will also start developing a loyalty points program hosted by Ontario Northland. With the new ticketing system, customer service training will be continuously developed and offered to all front-line staff and managers, ensuring positive experiences for all passengers.</p>
Network Planning	<p>Network planning involves designing and optimizing routes, schedules and fleet deployment to meet customer demands while maximizing operational efficiency.</p> <p>Passenger services will create a framework to achieve network planning goals using data and analysis. Initiatives include improving efficiency by investing in scheduling software, ensuring reliable bus tracking data and investing in a new fleet to support Ontario Northland's daily operations across rural and remote areas.</p> <p>Ontario Northland will align network planning with regional strategies for the north, including Connecting the North, through working with MTO to establish a systematic approach to evaluating current passenger transportation services. This includes integrating with other providers and engaging stakeholders within the ecosystem. Regular consultations with other providers, such as ONEX (Ontario Express Bus), Via Rail and Metrolinx, will ensure seamless transportation solutions that consider first and last-mile connectivity, support for vulnerable communities and service provision in unserved areas.</p>
REMANUFACTURING AND RAIL MECHANICAL	
Sustain Production Timelines at RRC	<p>The goal of two-week production cycles was established and achieved last fiscal year. Maintaining this level of productivity is paramount to customer satisfaction and meeting the transportation requirements of our large refurbishment partners.</p> <p>Work continues on the 56-coach bilevel-2 contract, scheduled for completion at the end of FY 2026-27. Ontario Northland continues to collaborate with customers on additional passenger coach refurbishment opportunities.</p>
Expand Capabilities and Infrastructure to Support Future Growth	<p>The agency expanded its locomotive repair and refurbishment business in 2024, and new contracts secured last fiscal year provide many years of work. This work includes damage repairs, upgrades, overhaul, paint, wheel and truck work, and locomotive maintenance. Customers are from both private and public sector companies. Small and large railways have recognized Ontario Northland's ability to deliver quality repair and refurbishment services to support the equipment that drives their business.</p> <p>The agency has identified the potential need for a new rail freight inspection portal in 2026-27 that will increase safety readings for rail cars, improve maintainability and overall safety and significantly reduce time and resources associated with general inspections.</p> <p>Infrastructure upgrades entail the completion of the grit blast system within the paint shop. Grit blasting involves the high-pressure application of abrasive materials against a surface. A common example of this process is the removal of paint from equipment. This enhancement aims to address health and safety hazards, improve work efficiency, and create additional revenue opportunities. Furthermore, an investment will be made to upgrade the repair-</p>

	in-place (RIP) platform, which has reached the end of its life. This multi-year project will address the replacement of concrete and upgrades to electrical, drainage and sewage. Ontario Northland continues to invest in various equipment upgrades that are near the end of life within the shop facilities.
Invest in Locomotive Power for Revenue and Support of Agency Freight Operations	<p>Last fiscal year, three locomotives were added to the fleet, with three more planned for this year. These new models feature distributed power, enhancing control over acceleration, braking and temperature extremes. This investment allows for longer trains, reducing rail freight operation costs. Adding locomotives provides revenue-generating opportunities for leasing to repair customers whose locomotives are in for service. This division projects \$1.9 million in leasing revenue over the next three years.</p> <p>Ontario Northland remains committed to ongoing investment in our locomotive and freight car fleet, actively working to overhaul and upgrade these assets in line with our asset management plan. This effort ensures improved reliability, extended asset life, and enhanced service quality to better meet the needs of customers and stakeholders.</p>

Major Projects

Northlander	This fiscal year, work on the Northlander program will focus on operational readiness. Major milestones this fiscal year include the continuation of joint elimination, crossing upgrades, an advertising campaign launch, ticketing solution implementation, starting construction of the Timmins-Porcupine Station, stop construction and upgrades to current stations.
Enterprise Asset Management (EAM)	<p>The EAM program project is anticipated to be fully implemented during FY 2025-26, with all remaining divisions going live with Hexagon EAM software. Work will continue this year on the execution and supply chain standard guiding principles. Currently, Motor Coach Services, along with a few facilities, are using the new processes and technology to ensure proactive asset management practices.</p> <p>The agency has requested funding to build capacity to advance the enterprise asset management program. This includes project coordinators, planning supervisors, a planner and scheduler and execution support within the operational divisions.</p>
Enterprise Resource Planning (ERP)	Last fiscal year, Ontario Northland completed work to procure an ERP solution and select a system integrator. This year, the focus will be on working with the system integrator to plan the implementation schedule, while considering other ongoing initiatives at Ontario Northland. Work will continue to move forward with business readiness and start with a full general ledger chart of accounts redesign.
Agency Modernization	<p>The development and implementation of a modernization plan include technology upgrades, performance measurement strategies, and process improvements, resulting in greater sustainability and operational efficiency while enhancing governance and transparency to promote effective decision-making and enhanced oversight.</p> <p>Milestones this fiscal year include aligning key performance indicators with MTO to enable targeted reporting and decision-making. Work will continue to</p>

	establish infrastructure for business intelligence services, which will roll out at the beginning of the fiscal year, implementation of the performance measurement framework, allocation models that support operational areas, and support the ministry in modernizing <i>the Ontario Northland Transportation Commission Act</i> .
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Corporate Strategies

Increase Support for Operational Managers	<p>To address evolving regulatory, governance, oversight and agency modernization, Corporate Services has requested funding to build additional agency capacity. As part of this process, there are measures in place to address regulatory and oversight expectations.</p> <p>The increased capacity will better support operational teams, enabling them to focus on operational goals. Support will include advisory services, analysis, training, facilities maintenance and service, recruitment, and communication services. Overall, this approach will improve operational effectiveness, enhance employee performance, and improve information sharing.</p>
Health and Safety	<p>The agency voluntarily adheres to Transport Canada regulations and industry standards when it comes to safety practices. Currently, the Kirkland Lake subdivision is the only subdivision that has federal oversight. Moving forward, Ontario Northland will shift all rail operations under Transport Canada oversight, aligning with federal standards. Ontario Northland aims to secure Canadian Transport Agency (CTA) approval for a single certificate of fitness for the entire railway and report all rail safety occurrences to the Transportation Safety Board of Canada (TSB), with notifications issued to MTO in each instance. This transition, expected to be completed this fiscal year, will require more compliance monitoring personnel, better training, expanded record-keeping, and improved internal audits.</p> <p>A communications plan will also be developed, which contains health and safety roles at various operational levels to increase accountability and standardize communication methods to support employees.</p> <p>Work will continue to enhance a culture that prioritizes safety through Work Safe Campaign training, the orientation policy, and incorporating Health and Safety modules in the new Learning Management System (LMS) for managers and new employees in all business lines.</p>
Building Condition Assessment	<p>The 2021 building condition assessment provided over 1,400 recommendations, to be addressed over a five-year period, for properties owned by Ontario Northland. Since the release of the report, 199 recommendations have been addressed. Ontario Northland has requested a 10-year total operating and capital investment of \$263 million to address the ongoing gaps in building condition assessments, subject to government review and approvals.</p>
Corporate Governance	<p>Ontario Northland will continue to mature its corporate governance program in the coming years. The agency will collaborate with the Ministry to further define Agency Governance and Relationship Framework, as part of the 2025-26 Annual Letter of Direction.</p>

	<p>Ontario Northland will also strive to comply with the recent amendments to the Agencies and Appointments Directive. The 2024 amendments affect numerous processes, and as a result, ensuring alignment will remain a continuous effort.</p> <p>Additionally, Board and Board Chair responsibilities are being inventoried across applicable legislation, directives, and policies to provide members of the Board and the Board Chair with clear insights into their accountabilities and line of sight evidence to ensure fulfillment.</p>
Non-Fare Revenue	Ontario Northland will continue to build on the work accomplished in the last fiscal year to increase non-fare revenue. We anticipate steady performance from the sale of advertising space and merchandise, with additional targets set for further growth.

Environmental Scan

Internal and External Assessment

This environmental scan provides an overview of the factors, trends and events that currently influence or could potentially impact Ontario Northland's operations, objectives and overall performance.

External Factors

The transportation sector has been significantly influenced by the changing economic and labour environment in recent years. The competitive labour market in northern Ontario impacts various sectors, including transportation, construction and tourism. Ontario Northland has implemented innovative recruitment strategies to address this, such as the 'Company You Keep' campaign, community outreach and job fairs as well as increasing the number of apprentices in key business lines.

Volatility in fuel and energy prices continues to affect the agency's financial performance, leading to higher operational costs and potential surcharges for customers. Ontario Northland mitigates the volatility of these costs by generating additional revenue where possible.

Higher inflation rates impact operational planning and spending as the costs of essential materials and maintenance for transportation assets continue to increase. The agency mitigates inflationary pressures through group buying options, Request for Proposal-based public procurement and expanding its vendor base to secure optimal purchasing contracts.

Climate change also poses significant risks, including forest fires, flooding, washouts, unpredictable winter road conditions and air quality issues. Ontario Northland continuously monitors these issues to enhance preparedness strategies accordingly.

Although somewhat improved in recent years, supply chain challenges still affect project deadlines and equipment maintenance due to delays in equipment lead times and parts availability. To address these challenges, a dedicated team has been created to focus on optimizing supply chain and procurement processes.

Monitoring new directives, policies and legislation will impact the agency this fiscal year, requiring resource allocation for compliance and reporting. The Transit and Rail Project Assessment Process in the revised *Environmental Assessment Act*, effective December 2025,

will affect construction projects. Integrating compliance timelines into project plans will be a notable challenge.

Internal Factors

Attracting and retaining talent has been a challenge in recent years. The organization faces competition from local private industries, particularly the mining sector, which offers wages exceeding transportation industry standards. Ontario Northland experienced an annual labour turnover rate of approximately 9.5% last fiscal year. This turnover can be disruptive as it impacts productivity and increases costs related to recruiting and training. In the year ahead, the agency will continue its efforts to address wage compression, promote its value proposition as an employer and adopt a strategic approach to employee engagement.

The agency is undergoing modernization efforts to ensure operational efficiency, including large capital programs to improve crucial transportation assets. These include Enterprise Resource Planning (ERP), Enterprise Asset Management (EAM) and the Northlander reinstatement. In general, these programs will demand significant time and focus from both corporate and operational departments this fiscal year, but this effort will lay the groundwork for more efficient, safe and dependable service delivery in the future.

Due to organizational growth, 16.7% of the workforce has been in their roles for less than a year. Onboarding many employees at once is expected to continue to challenge those responsible for onboarding, training and mentoring. New resources such as Ontario Northland's Online Learning Management System and internal communication programs will assist in some of these efforts.

The agency is aware of the impacts of accidents and incidents on reputation, operations and employee morale. A critical incident occurred last fiscal year resulting in a fatality. A report from Transport Canada is pending and will be released upon completion. Overall, key safety performance measures have improved recently, with reported injuries and illnesses down by 7%, lost time claims down by 18% during FY 2023-24, and the agency is working to minimize incidents and the associated consequences.

Currently, the agency voluntarily complies with Transport Canada regulations and follows best safety practices. The agency is furthering its modernization efforts by transitioning rail oversight for the entire railway, beyond only the Kirkland Lake subdivision, to Transport Canada, aligning with federally regulated railways. Access to a larger, integrated regulatory body empowers the agency to remain current with best practices and provides the organization with the opportunity to collaborate with other industry leaders. This transition is expected to progress this fiscal year with an increased complement of compliance monitoring personnel, enhanced training, expanded record-keeping processes and improved internal auditing. The expansion and implementation of these compliance initiatives are expected to be completed by the end of FY 2025-26, to coincide with the transition.

Summary of Human Resources Impacts

Ontario Northland's Human Resources strategy over the next three fiscal years will focus on aligning our organizational structure with responsible workforce management practices. Committed to designing an efficient, effective and sustainable structure, Ontario Northland aims to meet its high workplace culture, safety and diversity standards. The strategy also addresses

the agency's modernization goals and aims to strengthen recruitment initiatives with a focus on attract, develop and retain a talented, diverse workforce.

In executing this strategy, Ontario Northland acknowledges the need to balance growth, technological advancements and regulatory compliance. The agency also faces challenges such as a competitive labour market, rivalry with the private sector for talent and a limited local pool of skilled workers in northern Ontario for Remanufacturing, Rail and Transportation.

In alignment with modernization and expansion, Ontario Northland will continue to respond to changing business conditions and environmental factors, including the need to integrate new technologies and adapt to post-COVID shifts in hybrid and remote work arrangements. These trends impact ongoing recruitment strategies and workplace culture, influencing talent recruitment and retention. Embedding these considerations into the talent acquisition approach and strategy will ensure that the agency navigates these complexities effectively.

In FY 2025-26, Ontario Northland will focus on improving the People and Culture Strategy created in FY 2022-23. This includes enhancing the employee experience, fostering strong labour relations, and developing a competitive compensation package that attracts and retains top talent. Similarly, efforts to embed diversity, equity, and inclusion in recruitment and workforce practices will remain a priority, creating opportunities for diverse talent and fostering an inclusive organizational culture.

Talent Acquisition

Ontario Northland will focus on the talent acquisition process to better recruit a diverse workforce with the right skills to meet the agency's needs. Key activities include:

- Leading the integration and optimization of recruitment technologies, including the Applicant Tracking Software, ensuring systems align with the talent roadmap and enhance recruitment workflows.
- Developing and tracking recruitment cycle performance against defined KPIs and implement improvements as needed.
- Leading initiatives to ensure diverse and inclusive hiring practices by removing bias in recruitment processes, including standardized interviews and diverse hiring panels.
- Providing consultative support and guidance to senior leaders regarding talent acquisition planning and best practices.
- Innovating with external vendors and recruitment firms to explore new solutions.

Total Compensation Strategy

The competition for talent has intensified due to a shortage of qualified professionals and skilled tradespeople, driving wage pressures across the board. Recent negotiations with the skilled trades workforce created significant wage compression, affecting the competitiveness of professional-level staff. In response, considerable progress was made this past year to address this initial compression and realign with the market. However, additional work must be done to further enhance alignment and ensure compensation remains competitive.

As demand grows for executive talent with specialized skills and diverse experience, offering a compelling and comprehensive compensation and benefits package is critical to attracting, retaining, and motivating the workforce. A Total Compensation Review is being undertaken to achieve these objectives, which includes the following key action items:

Comprehensive Data Analysis: Conduct an in-depth analysis of current compensation data, including internal salary structures and existing compression between different levels and roles and organizational structure. Assess the data to identify gaps within the compensation framework.

Benchmarking Analysis: Benchmark compensation and benefits packages both internally and externally. This includes a review of relevant public sector comparators, broader market standards and performance-based compensation frameworks to ensure that packages are competitive, particularly within high-demand and difficult-to-recruit roles.

Alignment with Organizational Goals and Talent Strategy: Ensure the compensation strategy is closely aligned with organizational goals, business objectives and long-term talent needs.

Financial Feasibility and Sustainability Assessment: Evaluating the financial impact of any recommended adjustments to ensure they are achievable within budgetary constraints and support the agency's financial health.

Advancing the Diversity Equity and Inclusion Action Plan

Ontario Northland will continue its diversity, equity and inclusion efforts as part of its Modernization Action Plan in FY 2024-25 through to FY 2026-27.

The agency will:

- Continue to foster an organizational culture of inclusion and belonging where diverse staff can thrive.
- Focus on five key areas:
 - Training
 - Leadership
 - Organizational activities
 - Recruitment/Retention/Succession
 - People and partners
- Key activities within those areas:
 - Establish a Diversity Equity Inclusion (DEI) Advisory Committee.
 - Complete a training needs assessment.
 - Continue to raise awareness and provide practical tools and guidance on celebrating diversity and champion inclusion and belonging at all levels.
 - Provide training to mitigate the risks of unconscious bias during screening, assessment and selection processes.
 - Address systemic barriers for underrepresented groups, including but not limited to using plain language in job descriptions and job postings and reviewing position requirements based on real-world occupational requirements.
 - Build anti-racism competency and capacity to support accountability for an anti-racist and inclusive workplace.

- Foster internal and external partnerships that promote diversifying the talent pipeline.

Organization Development

Ontario Northland will progress the people and culture strategy with a focus on:

- Putting our people/employees first by committing to progressing a culture of safety, respect, inclusion and wellbeing.
- Elevating operational safety by focusing on prevention to reduce the risk of incidents at work and to manage them effectively if they should occur.
- Elevating the well-being, productivity and engagement of the workforce to foster a greater sense of fulfilment, pride and safety at work for all employees.
- Emphasizing lifelong learning and supporting career development.
- Continuing with leadership programs to promote high performers.
- Designing and implementing a rewards system that is tied to the organizational values.

Workforce Summary

	As of September 30, 2022	As of September 30, 2023	As of September 30, 2024
Active Employee Headcount	839	926	1006
Permanent Employees	837	923	1001
Part-time Employees	2	1	0
Temporary Employees	0	2	5
Non-Union Staff	206	250	283
Unionized Staff	633	676	723
Executive Staff (voting and non-voting)	6	7	11
Unifor – Largest Bargaining Unit	361	412	347
Teamsters – Maintenance of Way	116	110	112
United Steelworkers	91	96	108
Teamsters Motor Coach Division	65	58	64
Women in the Workforce	23.12%	23.10%	23.66%
Women in Trades	3.94% (6 of 152 trade employees)	4.9% (10 of 205 trade employees)	4.21% (9 out of 214 trade employees)

	As of September 30, 2022	As of September 30, 2023	As of September 30, 2024
Visible Minority staff (including those self-identifying as Indigenous):	7.74%	9.40%	9.74%

For FY 2025-26, Ontario Northland forecasts an increase of 152 positions, subject to government approvals. This growth largely supports agency modernization including organization-wide programs such as enterprise asset management, as well as the reinstatement of the Northlander passenger rail service.

Furthermore, the increase supports the mandate for excellence in governance and accountability, improvements to the safety and efficiency of Ontario Northland's operations to support facility maintenance, capital asset management, workforce management, external communications and public relations, IT support and decision-making. Additional full-time equivalents (FTEs) have been requested to support critical positions that impact the safety of operations, such as maintenance staff, planning staff, compliance inspectors, training roles and support staff due to Ontario Northland's evolving business complexities, including rail operational supports. A third-party analysis was completed to review the effort of FTEs and found that, on average, 17% of employees are working in excess of their standard hours. These additional FTEs would help alleviate some of the burden on current staff.

The table below details budgeted FTEs, subject to government approvals, from FY 2024-25 to FY 2027-28 and reflects the cyclical nature of projects underway. There is a reduction in numbers in FY 2027-28 to reflect the completion of a large customer refurbishment work. However, it is anticipated that these employees will be retained as a result of successfully securing additional refurbishment and repair contracts. This will be reflected in business plans in future years. The reduction in FY 2027-28 is being partially offset by growth within other divisions and the reinstatement of the Northlander passenger rail service. Ontario Northland is working with the Ministry on continuing efforts to increase capacity through additional resourcing.

Budgeted FTEs				
	2024-25	2025-26	2026-27	2027-28
Total	1,084	1,236	1,211	1,063

Communications

Ontario Northland is committed to timely, effective and transparent communications with stakeholders, including customers, employees, media, the provincial government, Indigenous communities, local communities and more. The agency prioritizes building brand awareness to support all communications efforts and generate revenue.

Key communications channels managed and produced by Ontario Northland include a website (www.ontarionorthland.ca), an employee newsletter and app, network of digital screens, and passenger-facing entertainment system featuring company content.

For this fiscal year, key communications initiatives and programming include:

- **Planning for the Return of the Northlander Passenger Rail Service:** Marketing and communications planning for both the pre-service and post-service launch of the Northlander will continue throughout this fiscal year. The design of advertising materials to support the promotion of the Northlander will be completed this fiscal.
- **Refining the Company You Keep Recruitment Campaign:** Building on the success of the current advertising campaign to raise awareness of career opportunities, this fiscal year aims to better target key markets including skilled trades, hybrid and remote workers.
- **Promoting Revenue-Generating Services:** Enhancing outreach and visibility to attract new passengers and freight customers through the development and execution of the FY 2025-26 Ontario Northland Marketing Plan. The primary focus will be increasing motor coach ridership and raising awareness of the benefits of shipping by rail.
- **Increasing Community Engagement:** Expanding the community outreach program designed to increase awareness about infrastructure, safety and construction along the rail corridor, including upcoming facilities work.

Information Technology Services

A five-year Information Technology Services (ITS) Roadmap was established for 2021-2026. This fiscal year marks the fourth year of the plan. The roadmap considers the current and anticipated needs of the organization, industry trends, current capabilities and regulatory expectations. It provides the ITS department with the direction to address urgent technological issues while also establishing a foundation for organizational growth. This fiscal year, notable advancements in technology services fall under four key areas:

Modernize Business Applications

- Continue work on modernizing core business applications to the latest releases and standards. This includes continuing the migration to the Microsoft Azure Cloud Platform, continuing the integration of Enterprise Asset Management practices using technology (EAM) and preparing for the implementation of a modern Enterprise Resource Planning (ERP) solution.

Enhancing Reporting, Data and Analytics

- Establish infrastructure and support model for business intelligence and performance measures programs.
- Introduction of Microsoft Power Platform and Microsoft Fabric (Power BI, Power Automate, Power Apps).
- Review options for reporting on operational data using General Transit Feed Specification (GTFS) format.

Focused Cybersecurity Improvements and Awareness

- Increase employee awareness of cybersecurity and cyber hygiene.
- Update IT security and user acceptance policies to align with current trends and industry best practices.

- Administer simulated phishing campaigns, threat analysis and pen testing.
- Inform the Ontario government's Cyber Security Operations Centre of cybersecurity incidents by email or phone.

Establish DevOps Lifecycles and Streamline Business Applications

- Establish DevOps Standards and Lifecycles for Software and Hardware deployments and updates.
- Reduce the number of duplicated services and streamline business applications across a similar platform.

Inventory of Artificial Intelligence Use

The internal policy for Ontario Northland was approved and issued in the last fiscal year. The policy aligns with the Province of Ontario's initial AI policy, and it is recognized that this is expected to evolve and be updated further in the coming years. Microsoft Copilot has been launched in a limited release, accessible only to those who need it. Although it is still evolving, current applications offer features such as document comparison and enhanced productivity tasks. Growing education for employees on the suitable and ethical use of AI will continue.

Realty Strategy

The Legal Services and Corporate Governance Department manages Ontario Northland's significant realty holdings throughout northern Ontario, western Quebec and eastern Manitoba. These include Ontario Northland's surface rights and mining rights, rail corridor, station grounds, ballast pits, vacant land holdings, as well as the management of 160 buildings.

As part of that responsibility, Realty Services is reviewing the inventory of Ontario Northland's realty assets, primarily based on operational requirements. In addition to supporting the realty requirements of the operating divisions, Realty Services is responsible for addressing legacy files and other issues on specific realty holdings, including properties in Cobalt, the James Bay former tower sites and Moosonee.

Realty Services is also supporting the work being completed on the Northlander Project, modernization of the *ONTC Act* as well as the Transport Canada Transition Project.

Over the next three years, the agency will acquire the realty rights for the construction and operation of five southern station locations related to the Northlander project.

Furthermore, between FY 2025-26 and FY 2027-28, Ontario Northland plans to acquire eight structures to meet the needs for work shelters and storage requirements.

As Ontario Northland continues to grow and in support of our mandate, an assessment of realty needs and further acquisitions may be required to support operations and house the workforce.

Initiatives Involving Stakeholders (Third Parties)

Ontario Northland is committed to partnering and engaging with various stakeholders to understand perspectives, discover opportunities and collaborate to achieve mutual goals and government priorities.

Our operational teams work with other transportation partners, such as VIA Rail, Onex (Ontario Express Bus) and Metrolinx, to maximize connections to provide seamless transportation

services. Making convenient connections is key to preparing for the Northlander passenger rail service and enhancing motor coach services.

The Rail Freight division will continue to support and provide planning assistance to the Weeneebayko Area Health Authority in their redevelopment project involving the construction of a new hospital in Moosonee. Much of the material for the new building will be transported by rail. Exploring opportunities to attract new freight customers is one of the strategic priorities for Ontario Northland.

Ontario Northland continually works with northern post-secondary institutions and secondary schools on opportunities to promote transportation careers to students. The Human Resources department will lead this initiative with support from other departments. This is one of the ways Ontario Northland is investing in finding new talent.

Working with Indigenous Communities

Duty to Consult with Indigenous Communities

Duty to Consult Screening and the legal analysis for capital projects (including demolition of buildings), special projects and land dispositions rest with the Legal Services and Corporate Governance Team (LSCGT). Letters were sent to Indigenous communities about construction, demolition, environmental and Northlander projects that may have an impact on their Aboriginal and/or treaty rights.

This fiscal year, the LSCGT will collaborate with MTO's Indigenous Relations and Environmental Policy Branch and Ontario Northland's operating divisions to develop a policy and Standard Operating Procedures (SOPs) to help guide the Agency's Duty to Consult Screening processes moving forward.

Ontario Northland will continue to collaborate with MTO, the Ministry of Indigenous Affairs, and First Nations Economic Reconciliation when appropriate to ensure it meets its legal duty to consult with First Nation and Métis communities. This consultation occurs when Ontario Northland is aware of established or asserted Aboriginal or treaty rights and considers actions that may impact those rights. Additionally, we will ensure alignment with provincial policies regarding Indigenous relations.

Strengthening Relationships with Indigenous Communities

The agency will continue to build the Indigenous Relations team and continue conversations with Indigenous communities to better understand their unique transportation needs. Ontario Northland will support ongoing professional development and communications training to enhance staff understanding of reconciliation and the inclusion of Indigenous perspectives related to transportation needs. Ontario Northland will also continue to coordinate training for internal teams to address cultural mindfulness and unconscious biases. Work will also be furthered with Indigenous communities and organizations to promote public awareness of human trafficking and sexual exploitation of marginalized groups. Furthermore, through network planning, Ontario Northland will look to support vulnerable communities in service planning efforts to ensure user needs and safety are reflected in all stations and shelters.

Risk

Ontario Northland continues to enhance its Enterprise Risk Management (ERM) practices. This year, the team will continue its work to standardize and enhance the risk reporting and monitoring practices throughout the organization as requested by the government's Ontario Internal Audit Division (OIAD). This will be accomplished through many efforts, including publishing our ERM Policy and Framework and developing internal training for staff to enhance the risk culture at Ontario Northland.

The agency will continue to monitor all risks to achieving the strategic objectives outlined in this Plan. The ERM processes include regular discussions of the risks to the successful completion of our objectives and plans to mitigate the impact on desired results. The team considers threats to health and safety of both the public and employees, physical and virtual infrastructure, as well as required resources including, but not limited to, labour, funding and equipment.

The following table summarizes the high risks identified by the agency for FY 2025-26 year.

Risk	Description	Mitigation Strategy
Skilled workforce shortages, especially in northern Ontario, have led to risks of schedule and project delays as well as associated reputational risks.	The risk that Ontario Northland's ability to deliver on its key priorities is due to challenges to attract and retain resources, stemming from increased competition for top talent, shortage of skilled trades, compensation considerations and difficulties attracting skilled professionals to northern Ontario.	Apprentice programs continue to be used to lower barriers to entry for skilled trades. The agency will continue to put in place talent acquisition and marketing initiatives and review compensation strategies. Ontario Northland is also addressing compensation through a completed market analysis and has implemented benefit increases.

Financial Profile

Ontario Northland is a consolidated entity of the Province of Ontario.

The FY 2025-26 operating budget includes a planned total subsidy requirement of \$131.8 million (including proceeds from scrap sales and principal payments on loan), revenues of \$136.8 million and expenses of \$263 million, subject to government review and approvals. Over the course of the three-year business plan, the operating subsidy requirement increases from \$131.8 million to \$141.5 million, a 7% increase. The increase accounts for the implementation of the Enterprise Asset Management program, the implementation of an Enterprise Resource Planning transformation program, many initiatives to address the Modernization Action Plan and the return of the Northlander passenger train. The three-year business plan also includes inflationary, fuel and foreign exchange pressures, which are estimates based on current trends, but all have unknown volatility that can increase or decrease throughout the three years.

Ontario Northland is faced with annual negotiated union rate escalations, plus inflation/consumer price index increases per year, which increase the costs of materials and services required for operations. Over the past few years, there has been volatility in inflationary rates which have materially impacted Ontario Northland's budget requirements.

Out of the overall FY 2025-26 operating budget, it is important to note that the projected funding requirement for the Polar Bear Express essential services is \$34.2 million (27% of the operating budget). The Polar Bear Express passenger and freight train is an essential service connecting the communities of Cochrane and Moosonee and is the only land link to the First Nations communities of the James Bay coast.

The Northlander projected funding requirements in FY 2025-26 are \$14.1 million (11% of the operating budget) to support the launch of the new era of the passenger train service. All remaining Ontario Northland services and supporting departments have a projected operating funding requirement of \$78 million in FY 2025-26.

Ontario Northland FY2025-26 to FY2027-28 Fiscal Impact (000's)			
Ontario Northland at a Glance	Projected FY2025-26	Projected FY2026-27	Projected FY2027-28
Operating Investment:			
Polar Bear Express (PBX)* Essential Services	34,168	35,275	37,376
Northlander Passenger Rail Services	14,141	25,576	26,475
Ontario Northland (excluding PBX)	78,038	72,569	72,248
Total Operating Investment	126,347	133,420	136,099
Capital Investment:			
Polar Bear Express (PBX) Essential Services	14,165	12,724	12,927
Northlander Passenger Rail Services	179,047	61,151	8,514
Ontario Northland (excluding PBX)	101,729	99,255	82,287
Total Capital Investment	294,941	173,130	103,728
Total Polar Bear Express (PBX) Essential Services Investment	48,333	47,999	50,303
Total Northlander Passenger Rail Services	193,188	86,727	34,989
Total Ontario Northland (excluding PBX) Investment	179,767	171,824	154,535
Foreign Exchange	6,000	6,000	6,000
Proceeds from sale of scrap metal	(692)	(712)	(732)
Principle payments of long-term debt	123	129	135
Total Investment Required	426,719	311,967	245,230
* Polar Bear Express Essential Services include all Rail Freight and Rail Passenger services from Cochrane to Moosonee, including the Cochrane Station Inn hotel.			

Operating Budget Summary

The development of the FY 2025-26 to FY 2027-28 operating budget is guided by the set of deliverables described in this plan. The budget is presented here at a summary level.

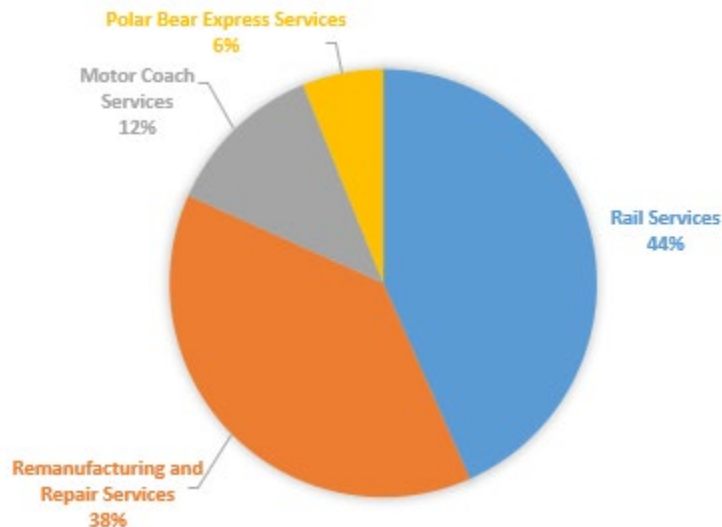
The budget assumes that there will be no further significant service interruptions causing loss of revenue, no significant service increases/decreases, no significant machinery failures causing loss of service, no major derailment or washouts or major changes to the current large mining and forestry customer forecasts that are not already included in the forecast.

Summary Operating Budget - FY2025-26 to FY2027-28			
Revenues (\$000's)	FY2025-26	FY2026-27	FY2027-28
Rail Services	59,297	61,352	63,020
Northlander	-	3,207	3,421
Remanufacturing and Repair Services	52,451	38,937	6,452
Motor Coach Services	16,644	16,741	16,852
Polar Bear Express Services	8,378	8,513	8,650
	136,770	128,750	98,395
Expenses (\$000's)			
Labour & Benefits	141,207	147,390	138,994
Materials & Parts	60,783	54,865	39,212
Supplies & Equipment	6,895	6,995	6,706
Services	20,902	21,337	20,793
IT Development	13,851	9,696	5,818
Other	19,480	21,887	22,970
	263,117	262,170	234,493
Total operating loss	(126,348)	(133,420)	(136,098)
Foreign Exchange	6,000	6,000	6,000
Proceeds from sale of scrap metal	(692)	(712)	(732)
Principle payments on loan	123	129	135
Total Operating Subsidy Requirement	(131,779)	(138,837)	(141,501)
Other expenses:			
Amortization	3,455	3,232	3,135
Amortization of deferred capital contribution	35,633	45,304	48,772
Amortization asset retirement obligation	79	79	79
Write-off assets/inventory	200	200	200
	39,367	48,815	52,186

Revenues

Total projected revenues for FY 2025-26 are \$136.8 million.

Ontario Northland FY 2025-26 Projected Revenues by Operating Division



Rail Freight revenues are projected to increase by 6% over the next three years. New growth is forecasted as well as an increase in other rail revenues, such as storage and car rental income, to help offset the slowdown of current 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 locomotive shop, paint shop and car shop (freight and passenger car). RRC will deliver services at cost recovery, with any profit directly offsetting overall operating subsidy levels. Over the course of the multi-year plan, RRC revenues are expected to decrease as a large customer contract winds down. The impact of this wind-down will decrease revenues by \$46 million in three years. However, it is anticipated that these employees will be retained as a result of successfully securing additional refurbishment and repair contracts.

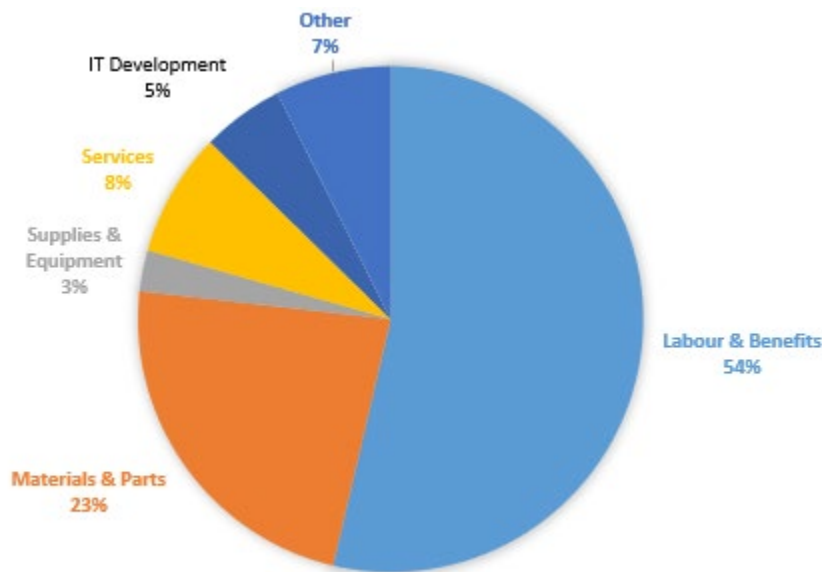
Motor Coach Services has projected revenues to increase over the course of the multi-year plan by 1.2%, with a projected increase in ridership and fares annually throughout the plan. Projected revenues assume a return to full service and ridership and include all current routes. Motor Coach revenues also include revenues for bus parcel express services with annual projected increases in parcels carried and regular projected increases in rates.

Polar Bear Express Services includes all Rail Freight and Passenger Services from Cochrane and Moosonee and has projected revenues to increase throughout the multi-year plan by 3.2% based on an increase in ridership and a large rail freight project starting in Moosonee for the hospital build.

Expenses

Total operating expenses for FY 2025-26 are projected at \$263 million (including Enterprise Asset Management Program expenses as well as Enterprise Resource Planning Program).

Ontario Northland FY 2025-26 Operating Budget Projected Expenses



The largest expense in the operating budget is labour and benefits, which represent 54% of projected expenses for FY 2025-26 to support operations. Total labour and benefits decrease over the course of this multi-year plan by 1.6% due to a wind-down of external contract work.

Another large expense in the business plan is materials and parts, which made up 23% of operating expenses in FY 2025-26. Included in materials and parts is fuel, which can be unpredictable and volatile, as diesel fuel prices are determined by the market. Due to its nature as a petroleum-based commodity, fuel prices fluctuate with the supply and demand forces of the oil market. Please see the Key Assumption: Diesel Fuel section for the fuel assumption/volatility impact table.

Other expenses make up 7% of operating expenses in FY 2025-26 and represent insurance, property taxes, freight car rentals, software fees and travel expenses. Services also make up 8% of operating expenses in FY 2025-26, which includes rail and track testing, vehicle and equipment repairs and consulting. Finally, supplies and equipment represent 3% of the operating budget in FY 2025-26, which includes utilities, general tools and supplies for operations.

Another expense included in the operating budget is the Enterprise Asset Management Program (EAM), in the amount of \$6.9 million for FY 2025-26 to support the implementation.

This program has now been fully included within the operating budget due to it being a cloud-based software implementation.

The EAM Program will allow the agency to deliver a single information platform for the effective utilization of physical assets across the organization, which will align with Asset Management and transportation industry best practices.

Another initiative included in the operating budget is the Enterprise Resource Planning (ERP) transformation program, in the amount of \$7.1 million for FY 2025-26. This program has now been fully included within the operating budget due to it being a cloud-based software implementation and will allow the agency to modernize ERP technology, which will integrate and streamline Ontario Northland's core business areas and enable several efficiency improvements and risk mitigations.

Other expenses noted in the summary budget include the cash impact of foreign exchange transactions, as well as non-cash expenses, including amortization expenses, amortization of deferred capital contribution, amortization of asset retirement obligation and assets/inventory write-offs.

Capital Budget Summary

Ontario Northland 10-Year Capital Plan: FY 2025-26 to FY 2034-35

Overview (Snapshot)

Major assets owned by Ontario Northland:

1. Motor Coaches: 41 in-service coaches
2. Rolling Stock:
 - 38 locomotives
 - 15 Polar Bear Express cars, including passenger, diner and baggage cars and 13 Polar Bear Express Revenue Service Cars
 - 374 revenue service cars (gondolas, paper, center beam) and 149 non-revenue cars
3. Track: 1086 kms (675 miles) of mainline track
4. Bridges and culverts: 87 bridges and 1900+ culverts
5. Major buildings: 160 buildings with 53 buildings over 1000 sq. ft.

This year's 10-year 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 FY 2025-26 approved plan as the basis, adjustments were made to ensure assets reach and

maintain state of good repair. Any new regulatory requirements are met including environmental obligations, and a new tenth year of planning was added.

This 10-year capital plan will lay out the capital investment needed to improve asset performance and address the growing state of good repair deficit. A portion of the funding is focused on modernization and upgrades. This includes addressing building condition assessments, along with a request for replacement of our Polar Bear Express train.

Ontario Northland seeks, subject to government review and approvals, a capital investment by the Province of Ontario of \$1.35 billion over the next 10 years, building on the approved 10-year plan that started in FY 2017-18. This investment extends and rehabilitates Ontario Northland's aging infrastructure to deliver its mandate for safe and efficient transportation services. This investment further reduces risk and improves the state of good repair of all capital assets, reducing ongoing maintenance expenses and providing improved safety to passengers, customers, employees, environment and infrastructure.

The 10-year capital plan includes the \$253.1 million required to implement the Northlander Passenger Rail Service, which includes fleet purchase, station infrastructure and track upgrades.

Recommendations for Asset Management

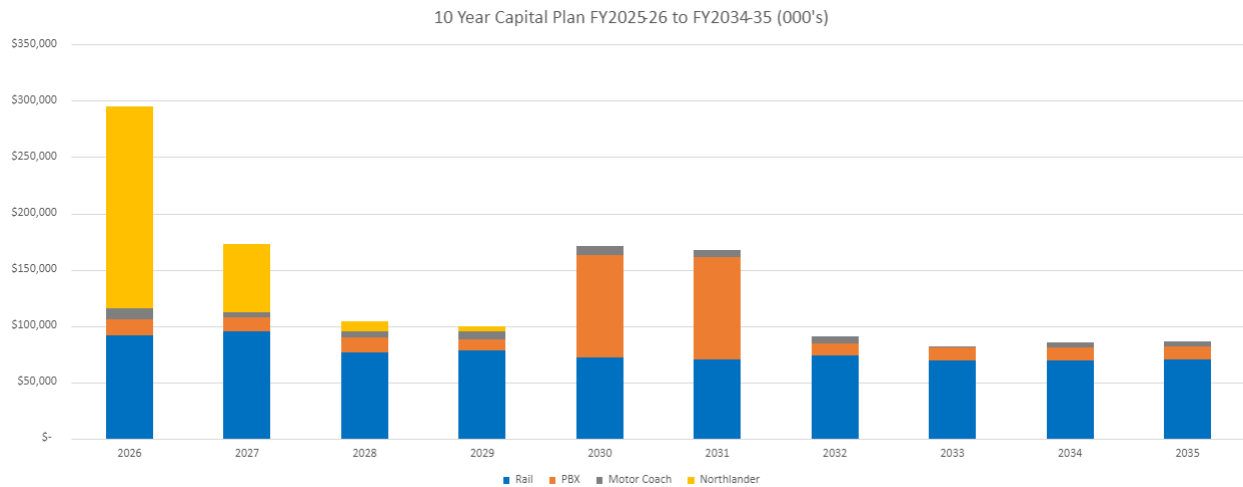
Ontario Northland divides its capital asset program across Rail, Polar Bear Express, Northeastern Rail and Motor Coach Services divisions. A capital asset management strategy and plan continue in the development stages, considering the needs of all of Ontario Northland.

Ontario Northland continues to refine operating and maintenance practices to balance life cycle costs more efficiently against acceptable risk tolerance by implementing its 10-year asset management plan and improving the state of good repair in this planning horizon. While some asset categories have reached good repair, others have a significant backlog. Initial analysis has indicated that Ontario Northland's current capital funding will not be sufficient to reach and maintain a complete state of good repair. Additional studies will take place in the coming years to analyze various asset groups from which additional funding may be requested.

As an asset-intensive organization, having accurate information and shared knowledge is critical. In FY 2021-22, Ontario Northland created the new Asset Management Office, which has overseen the current implementation of the Enterprise Asset Management (EAM) program, and its sustainment. This program focuses on implementing improved technology and improving and standardizing Ontario Northland's processes and procedures. The program includes asset management, inventory management and work management. Motor Coach Services adopted the system in FY 2022-23. The roadmap has other Ontario Northland groups to implement and launch EAM over the next few business cycles, integrating lessons learned, process improvements, standardization and necessary configurations. This plan will transform Ontario Northland's entire asset management program.

Financial Overview

The following figures illustrate the breakdown of the investment requirements over the 10 years:



(000's)	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total
Rail	\$91,866	\$94,760	\$76,546	\$78,045	\$71,799	\$69,915	\$73,333	\$69,103	\$69,330	\$70,235	\$764,933
Polar Bear Express	\$14,165	\$12,724	\$12,928	\$10,315	\$90,745	\$91,705	\$10,989	\$11,503	\$11,829	\$11,866	\$278,769
Motor Coach	\$9,864	\$4,495	\$5,740	\$6,794	\$8,749	\$5,893	\$6,396	\$636	\$3,782	\$4,504	\$56,853
Northlander	\$179,047	\$61,151	\$8,514	\$4,425	-	-	-	-	-	-	\$253,137
Total	\$294,942	\$173,130	\$103,728	\$99,579	\$171,293	\$167,513	\$90,718	\$81,241	\$84,941	\$86,605	\$1,353,691

Rail

The Ontario Northland annual main track upgrades include, on average, between 46,000 and 62,000 ties replaced and over 10 miles of rail installed annually. Another upgrade to infrastructure includes a bi-annual grinding program for 40 miles of track that extends the life of the rail and removes rail surface defects.

In 2000, Ontario Northland stopped the previous practice of burning legacy ties. Since then, an estimated one million ties have been replaced, which are currently placed in small piles along the system, which can cause a safety hazard. In FY 2023-24, Ontario Northland disposed of 650,000 ties and, in the next two years, is set to dispose of the entire backlog of ties. The plan includes \$14.6 million to properly inspect and dispose of the rail ties that have been replaced since 2000 and to continue the program going forward to avoid a repeat scenario. The practice of disposing of the ties properly when replaced has become the new standard.

Ontario Northland's bridge, culvert repair, and maintenance plans have been established and are updated annually. An annual bridge inspection is completed to set priorities for bridge repairs with the assistance of an external engineering firm. The engineering firm inspects,

designs and supervises all projects. Increased inflationary pressures have resulted in additional asks for bridge repairs over the next year to the amount of \$5.6 million. This will ensure that bridge steel-work at a couple of locations deemed degraded to the point of complete replacement can commence while maintaining Ontario Northland's bridges to a state of good repair. A consultant was hired in late FY 2024-25 to support additional funding requests for bridge and culvert work over the next 10 years. This funding will be addressed during next year's planning process and will further support asset management initiatives of maintaining Ontario Northland's bridges and culverts to a state of good repair.

Over the next 10 years, Ontario Northland plans to continue rehabilitating the aging rolling stock fleet, including locomotives, boxcars and passenger cars. The first round of major locomotive overhauls will be completed by year four and overhauls on the fleet will then restart. Freight car rehabilitation is ongoing. This investment in rolling stock continues to improve the state of good repair while reducing fuel consumption, maintenance costs and emission outputs. Due to Ontario Northland's extensive expertise in remanufacturing, used locomotives and freight cars are being acquired and overhauled by Ontario Northland's skilled workforce. These units allow for a cost-effective method to replace rolling stock assets and allow for additional revenue-generating opportunities. In FY 2025-26, \$2.8 million has been identified to increase the fleet by three used locomotives.

A building condition assessment took place in FY 2021-22. The assessment provided a detailed breakdown of all of Ontario Northland's buildings and required repairs for the next 20 years. With the completion of the Business Case in FY 2024-25, a more refined cost analysis was provided within the capital asset management plan to produce accurate funding requirements. The recommended costs within the building condition assessment business case are required to implement a medium fair condition (FCI 25%) in a 10-year period and transition to a new central maintenance group over a period of two years.

Crossing upgrades to align with Transport Canada's regulatory requirements will also be required over the next 10 years. Ontario Northland has identified a need for a total of \$16.4 million and is currently in the process of preparing an application to Transport Canada for oversight of the entire railway instead of the current partial oversight. As part of the transition, Ontario Northland has identified the need for grade crossing upgrades along its corridor to meet federal regulations and improve safety.

Annual investment for Rail averages \$76.5 million over the 10-year capital plan.

Polar Bear Express

The Ontario Northland annual Island Falls subdivision track upgrades include the installation of over 13,000 track ties, and five miles of relay rail installed per year over the next 10 years. Further investment requirements include bridge upgrades and repairs, building upgrades and equipment replacement.

An additional request put forward in the 10-year capital plan includes replacement of end-of-life Polar Bear Express rolling stock, subject to government review and approvals. The existing rolling stock is nearing end-of-life and currently consists of seven passenger cars, two wheelchair accessible cars, one snack car, two dining cars and two baggage cars. This fiscal, Ontario Northland will evaluate options and develop a path forward for Polar Bear Express rolling stock.

The annual investment level for Polar Bear Express averages \$27.9 million over the 10-year capital plan.

Motor Coach

Ontario Northland plans to continue investing in new motor coaches on an annual basis and its overhaul program for existing coaches, including powertrain and light cosmetic work. This is in line with recommendations from a third-party review to keep our motor coach fleet safe, renewed and reliable.

The annual investment level for Motor Coach Services averages \$5.7 million over the 10-year capital plan.

Northlander Passenger Rail

Ontario Northland has included in its 10-year capital plan requirements an investment of \$253.1 million, which includes funding for design and engineering, fleet procurement, station and track infrastructure. The service route would support economic opportunities, the tourism industry and improve access to health care, education, as well as other critical services. A joint elimination program along the ONTC-owned corridor of the Northlander route has been included under this program and accounts for \$44.4 million of the \$253.1 million total ask over the next 10 years.

Key Assumption: Diesel Fuel

Fuel is a crucial input for Ontario Northland's rail and motor coach operations. Due to its nature as a petroleum-based commodity, fuel prices fluctuate with the supply and demand forces of the oil market. This volatility often falls within a normal range, but there can be large moves, as seen in recent years. Over a 10-year period (2014-2024), year-over-year changes fluctuated from a -17% change to a +61% change. For example, from FY 2021-22 to FY 2024-25, year-to-date average diesel prices increased from \$1.04/litre to \$1.38/litre (32%) and unleaded increased from \$1.44/litre to \$1.65/litre (15%). Should we see a 10% increase, we would be looking at a \$1.8 million variance in Motor Coach and Rail; with a 20% increase, it would be a \$3.5 million variance.

The table below highlights the impact of unit price change on Ontario Northland's budget:

Fuel Price Volatility - Impact of Unit Price Change								
Division	Direct Price/Litre	Outsourced Price/Litre	Budgeted Volume (litres in 000's)	Total Budget (\$000's)	10% Increase	20% Increase	10% Decrease	20% Decrease
Motor Coach	\$1.38	\$1.42	\$1,843	\$2,349	\$235	\$470	(\$235)	(\$470)
Rail	\$1.38	n/a	\$8,200	\$13,227	\$1,323	\$2,645	(\$1,323)	(\$2,645)
Operations	\$1.65	\$1.65	552	\$2,145	\$215	\$429	(\$215)	(\$429)
Grand Total			\$10,595	\$17,721	\$1,773	\$3,544	(\$1,773)	(\$3,544)

Fuel Price Variance FY 2021-22 to FY 2024-25		
	Diesel	Unleaded
FY2021-22 Average Price/Litre	\$1.04	\$1.44
FY2024-25 YTD Average Price/Litre	\$1.38	\$1.65
\$ Change	\$0.34	\$0.21
% Change	32%	15%

Performance Measures

Performance measurement and program evaluation are a means of providing feedback to the organization to support a continuous improvement cycle and evaluate the organization's progress towards its desired outcomes. The cycle is completed when the feedback is incorporated into the organization's business planning cycle's objective setting and program improvements.

Over this business cycle, Ontario Northland will continue to work with MTO in the further development of a performance measurement and evaluation framework that defines a suite of high-level strategic, program-level outcome- and output-based measures covering different themes including effectiveness, efficiency, organizational sustainability and customer satisfaction indicators. The performance results will help Ontario Northland to refine its operational plans and monitor its progress with respect to its priorities and objectives.

The current strategic performance measures effectively monitor Ontario Northland's business activities, align with organizational objectives and help improve performance. Some metrics were not reported as they had a limited impact on evaluating or enhancing the agency's overall performance. Throughout this year, Ontario Northland will focus on establishing the following metrics, including those that are directly aligned with government priorities for FY 2025-26:

- Ontario Northland is establishing Enterprise Asset Management metrics for all business divisions. This will set standards to establish similar metrics to assess the performance of our on-going major initiatives.
- Redefining Motor Coach fleet availability measurement based on new information from the Enterprise Asset Management software
- Customer satisfaction metrics based on new software implemented in FY 2024-25, which gathers real time survey data for Motor Coach, Polar Bear Express and Cochrane Station Inn services
- The on-time performance metrics for both Motor Coach and Polar Bear Express services have historically been reported. However, the enhanced accuracy of the data has not been available, which has delayed the reporting for FY 2025-26.
- Ontario Northland is actively working to enhance the precision of capital project metrics, enabling more accurate tracking and reporting of project performance. This will be available for the upcoming fiscal year.

Ontario Northland is undergoing modernization efforts across its business functions, which will involve defining or redefining baseline performance measurements. As a result, forecasting in the current scenario may lead to inaccuracies. Therefore, the target forecasts are currently limited to two years while we continue to develop the performance measurements. Additionally, Ontario Northland acknowledges that not all measures are evenly distributed throughout the year and will develop annual forecasted measures for future business plans to allow for comparability.

The performance indicators below cover a suite of strategic and operational outcomes focusing on aspects of effectiveness, efficiency, organizational sustainability, safety and customer experience.

Motor Coach Ridership Government Priority - Sustainability			
FY 2023-24 Actuals	FY 2024-25 Actuals at Q2 end	FY 2025-26 Target	FY 2026-27 Target
314,332	162,660	315,000	318,150
Details: Motor Coach ridership refers to the total number of motor coach passenger tickets for which revenue was realized in the given fiscal year. As ridership numbers are not equally proportioned throughout the year, as of the end of Q2, ridership is slightly below where it was in the prior year. Ontario Northland has observed a 23% reduction in student fare types within our high ridership routes, which we believe is due to fewer international students enrolled compared to last year. We anticipate that ridership will be slightly below the previous year's actuals due to this trend. For FY 2025-26, we do not expect a significant increase in ridership due to an anticipated decline in international student enrolment. However, we aim to counteract this expected decrease through targeted marketing campaigns. For FY 2026-27, we project a baseline growth of 1% owing to sustained marketing efforts and heightened awareness of Ontario Northland as we relaunch Northlander services, based on a review of historical trend analysis.			

Polar Bear Express Passenger Train Ridership Government Priority – Sustainability			
FY 2023-24 Actuals	FY 2024-25 Actuals at Q2 End	FY 2025-26 Target	FY 2026-27 Target
52,758	30,825	56,055	56,615
Details: Polar Bear Express Passenger train ridership refers to the total number of passenger tickets for which revenue was realized in the given fiscal year. Over the next two fiscal periods, we have set a target to increase ridership by 1% each year. This target is based on the growth of tourism in northern Ontario post-COVID, the reinstatement of the Northlander passenger rail by mid-2026 and the construction of the new hospital building in Moosonee, which may bring more contractors commuting to the area.			

Revenue Ton Miles (RTM) Government Priority - Accountable (measuring outcomes)			
FY 2023-24 Actuals	FY 2024-25 Actuals at Q2 End	FY 2025-26 Target	FY 2026-27 Target
453,612,000	233,863,000	455,000,000	470,000,000
<p>Details: Revenue Ton Miles (RTM) is calculated by multiplying the weight in tons of the shipment being transported by number of miles the shipment is transported. RTM is a widely accepted standard in the North American rail freight industry for evaluating operational efficiency, productivity and revenue potential.</p> <p>By analyzing RTM data on a territory-by-territory basis or over specific timeframes, Ontario Northland can quickly identify areas where productivity may be suboptimal. Significant fluctuations in RTM may indicate the need for adjustments, such as changes in horsepower requirements or train frequency. These adjustments may be necessary to address factors like seasonal variations in traffic, shifts in customer behaviour or alterations in shipping patterns.</p> <p>The year-over-year target increase of 15,000,000 RTM over the next two years is based on a conservative estimate. This projection considers the anticipated rise in carloads (which means an increase tonnage) as we actively pursue new projects and expand our customer base.</p>			

Carloads Moved Government Priority - Accountable (measuring outcome)			
FY 2023-24 Actuals	FY 2024-25 Actuals at Q2 End	FY 2025-26 Target	FY 2026-27 Target
37,957	18,261	39,000	40,000
<p>Details: Carloads moved measures the number of customer railcar loads moved in a fiscal year. This number shows that Ontario Northland's rail freight customers continued to demonstrate confidence in our services. Although we are anticipating carload numbers to decrease with the anticipated closure of a major customer mining operation, Ontario Northland is actively pursuing new projects, such as growing our transload sites and capacity within active sites therefore has forecasted a conservative increase.</p> <p>The target was set based on a comprehensive analysis of current market conditions, past performance data and anticipated project continuity or new business opportunities with our clients, with the expectation of slight year over year increase in carload numbers.</p>			

Rail - Slow Order Penalty Minutes**Government Priority - Accountable (measuring outcome)**

FY 2023-24 Actuals	FY 2024-25 Actuals at Q2 End	FY 2025-26 Target	FY 2026-27 Target
322	327	500	500

Details: Rail Services tracks the impact of slow orders on performance by determining slow order penalty minutes. Speed limits are developed depending on the grade and curvature of the tracks. If the condition of the track deteriorates, then a slow order is issued for that section of track until it can be repaired. This performance measure monitors the amount of additional time or 'penalty' time that it takes a train to complete its journey as the result of a slow order.

These are tracked monthly for every subdivision across the railway. Slow orders are a good measure of the condition of the track infrastructure and the success of capital investment. This measure helps determine where capital investments should be made in the track infrastructure. The lower the penalty minutes, the better the state of good repair is for the infrastructure.

For the remainder of the current fiscal, a reduction in penalty minutes is expected as the crew concludes their work on the rail infrastructure annual upgrades. This project involved the replacement of rails, ties, tie plates, joint bars and welding of joints, as well as the installation of new track ballast.

For the next two fiscal years, the penalty minutes are expected to increase as Ontario Northland is planning to complete higher volume of work due to re-establishment of Northlander passenger services.

Cost recovery Ratio**Government Priority – Sustainability**

FY 2023-24 Actuals	FY 2024-25 Forecasted to year end, as of Q2	FY 2025-26 Target	FY 2026-27 Target
69%	59%	52%	49%
76% excluding Polar Bear Express	67% excluding Polar Bear Express	58% excluding Polar Bear Express	55% excluding Polar Bear Express

Details: 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, accretion and derailment expenses). Cost recovery ratio is used as a key indicator of financial performance and provides an indicative measure of how efficient and effective the agency operates. This ratio also represents the extent to which the organization's operations are self-funded.

Ontario Northland is continually working on improving its cost recovery ratio through business efficiency initiatives, optimizing its use of provincial assets and increasing revenue. The cost recovery ratio is targeted for FY 2025-26 and FY 2026-27 to decrease since Ontario Northland continues to work on modernizing 120+ year old processes/technologies, which generates large one-time costs, such as for the Enterprise Asset Management (EAM) and Enterprise Resource Planning (ERP) transformation programs. Another reason for a decreasing cost recovery ratio is due to the reinstatement of the Northlander passenger rail service with a low-cost recovery rate. While this impacts our financial metrics, reinstatement

of the service is a government priority that provides a valuable service and strategic benefits for northern communities.

Safety – Lost Time Injury Frequency Rate (LTIF)
Government Priority – Sustainability

FY 2023-24 Actuals	FY 2024-25 Actuals at Q2 End	FY 2025-26 Target	FY 2026-27 Target
2.93	3.21	1.60	1.50

Details: The lost time frequency is measured as the number of lost time injuries (an injured worker who is unable to come back to work the next day). The calculation is total lost time incidents over total hours worked by Ontario Northland employees for 200,000 hours worked. Ontario Northland established the LTIF targets that align with industry best practices while considering the specific challenges and conditions present in northern Ontario.

Ontario Northland experienced a 0.28 rise in LTIF when comparing the current Q2 LTIF of 3.21 with the 2.93 at the end FY 2023-24. However, when comparing the second quarter of FY 2023-24 at 3.42 and the second quarter of FY2024-25 at 3.21, there is a decrease of .21. There are several factors to take into consideration when analyzing these numbers. However, we can identify the significant growth and evolving workforce dynamics as a contributing factor to the slow decline in our annual numbers.

Given our LTIF moved from 2.93 to 3.21, setting targets of 1.6 for FY 2025-26 and 1.5 for FY 2026-27 reflects a measured approach to drive improvement. These targets consider our organization's current safety metrics, allowing us to make gradual, sustainable reductions in LTIF by improving training programs with a focus on new employees.