



An Agency of the Government of Ontario

Ontario Northland Transportation Commission
Annual Report 2019-2020



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Message from the Chair

It's a privilege to serve as Chair on this commission at a time when there is growing interest and reliance on rail and motor coach transportation.

Ontario Northland continues on its journey to modernize and improve in order to meet transportation needs of people and businesses. We provide safe, accessible and reliable transportation solutions that benefit the economy and improve quality of life in the communities we serve.

This has been an incredible year financially, and staff are to be applauded for coming within 0.01% of our capital budget. For our operating budget, we finished the year under budget by 8%, including pension benefit guarantee fund, all while expanding services. This accomplishment highlights the rigorous planning and execution by everyone involved in budget forecasting and planning, and in delivery of our integrated transportation services.

This report shows our revenues increased in all of our operating divisions. The rail division moved more cars and expanded its storage services. Passenger services put in place an updated ticketing strategy and Remanufacturing and Repair welcomed new work including bi-level passenger coaches, locomotives, and freight cars.

In the last quarter of the fiscal, the coronavirus pandemic negatively impacted motor coach ridership and significantly changed how Ontario Northland carries out its services. In the coming years the organization will continue to respond and pivot as a result of this global issue.

In 2019, we saw the departure of two commissioners, Gaetan Malette and Ewen Cornick, and the appointment of two new commissioners, RJ Falconi and Randy Nickle, who have experience in governance, railroading and motor coach transportation. They bring fresh perspectives to an exceptionally qualified commission. Our commissioners are actively involved in strategic and business planning and fully engaged in monitoring Ontario Northland's progress.

While there are many miles yet to travel to reach Ontario Northland's full potential, I am confident that the senior leadership and passionate employees will grow the company to be even stronger. Ontario Northland is extremely well positioned to remain the leader of transportation for all of northern Ontario. The foundation that currently exists is what will drive Ontario Northland to a prosperous future and I couldn't be more thrilled to play a role in this company's journey.

On behalf of the Commission, I am pleased to share with you this year's annual report.



Tom Laughren
Chair, Ontario Northland Transportation Commission

Highlights

MOVING PEOPLE

52,451 passenger trips were fulfilled on the Polar Bear Express passenger train between Cochrane and Moosonee

298,532 passenger trips fulfilled on Ontario Northland motor coaches

MOVING GOODS

37,230 rail freight carloads moved

4.8 million kilograms of express rail freight shipments were delivered between Moosonee and Cochrane

3,425 vehicles transported between Moosonee and Cochrane

EQUIPMENT AND INFRASTRUCTURE

25 active locomotives

35 in-service buses

854 miles of track maintained (1,374 kms)

675 miles of mainline track (1,086 kms)

461 rail crossings

90 rail bridges

508 switches

EMPLOYEES

731 employees

21% women

5% of employees identified themselves as Indigenous

Ontario Northland's female participation rate (21%) is 7% higher than the Rail Transportation industries' female participation rate (13%) and 8% higher than the Truck Transportation industries' female participation rate (12%).

Company Overview

The Ontario Northland Transportation Commission (ONTC or Ontario Northland), an agency of the Province of Ontario, provides safe and reliable transportation services throughout northern Ontario.

Our Services

Headquartered in North Bay and operating primarily in northern Ontario, Ontario Northland's services include:

- The Polar Bear Express passenger rail service (providing the only all-season land link between Cochrane and Moosonee and First Nations communities of the James Bay Coast);
- Rail freight services;
- Rail mechanical and remanufacturing services; and
- Motor Coach services throughout northern Ontario connecting to Toronto, Sault Ste. Marie, and Ottawa

Vision

Efficient and valued transportation solutions for the next 100 years.

Ontario Northland will be the transportation leader in northern Ontario, providing efficient, valued and vital transportation solutions, including rail passenger and rail freight services, motor coach services, hotel services, and rail mechanical and remanufacturing 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, transform to 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.

Values

By choosing to live the following 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

Corporate Governance

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

ONTC is accountable to the Minister of Energy, Northern Development and Mines (ENDM) for fulfilling its legislative obligations, the management of the resources it uses, and its standards for any services it provides. As of April 1, 2020, the ONTC is accountable to the Minister of Transportation. Commission members are appointed by the Lieutenant Governor in Council and go through an application process established through the Public Appointments Secretariat.

ONTC and ENDM have a Memorandum of Understanding (MOU) that was updated in June 2019. The MOU reflects the mandate of the agency and the accountability relationship between the ONTC and ENDM. It also defines the responsibilities of the Minister, Deputy Minister, Chair of the Ontario Northland Transportation Commission, Commissioners and the CEO.

Mandate

On November 4, 2016 the Province of Ontario approved a new mandate for the ONTC, and directed that ONTC continue to provide and ensure efficient, safe and reliable transportation services including rail freight, motor coach services, the Cochrane Station Inn and other real estate, the Polar Bear Express passenger train and remanufacturing and repair services for ONTC rail freight, Polar Bear Express and external customers.

The mandate of the ONTC is to:

- a) continue to provide and ensure efficient, safe and reliable services in northern Ontario to support long term sustainability through transformation efforts, as directed by the Province of Ontario through the Minister from time to time; and
- b) ensure the remanufacturing and repair services provided to external customers will be at full cost recovery and will not adversely affect the provision of the other services.

A mandate letter was provided in October 2017 further directing ONTC to:

- Continue transformation initiatives in order to achieve long-term sustainability;
- Work with ENDM to implement the findings of the Accountability Framework and Mandate Reviews, including overarching initiatives, such as clarification of socio-economic and transformation objectives and the modernization of the *Ontario Northland Transportation Commission Act*;
- Further develop ONTC's Ten-Year Capital Plan, including performance measures and prioritization strategies that ensure infrastructure is maintained in a state of good repair and that transportation services are safe, efficient and reliable; and
- Continue to support government initiatives, such as climate change and inter-community bus modernization.

Most of these expectations were fulfilled in 2018-19, with the exception of on-going work to the modernization of the Ontario Northland Transportation Commission Act. 2019-2020 performance highlights are listed throughout this document.

Reporting Structure

The President and CEO reports to the ONTC, comprised of a Chair and Commission members, each of whom have been appointed by the Province of Ontario. The Commission, in turn, reports to the Minister of Energy, Northern Development and Mines, the ministry responsible for overseeing the ONTC.

Commission Members

Thomas Laughren, Timmins, Chair
(appointment March 11, 2018 for a three-year term)
Remuneration total is \$1800

Ewen Cornick, North Bay
(appointment March 11, 2018 for a two-year term)
Remuneration total is \$900

RJ Falconi, Bradford
(appointment January 9, 2020 for a two-year term)
Remuneration total is \$0

Gaétan Malette, Timmins
(appointment March 11, 2018 for a three-year term)
Resigned March 2020
Remuneration total is \$1900

Randy Nickle, Kenora
(appointment December 6, 2019 for a two-year term)
Remuneration total is \$0

Debra Sikora, Guelph
(appointment May 18, 2017 for a three-year term)

Remuneration total is \$0

Lillian Trapper, South Porcupine
(appointment March 7, 2018 for a three-year term)
Remuneration total is \$800

Ila Watson, Sault Ste. Marie
(appointment March 11, 2018 for a three-year term)
Remuneration total is \$1500

The combined amount of remuneration* for all appointees was \$6,900 for this fiscal year.

*Note that remuneration totals shown represent amounts paid within the fiscal year. Submission and processing of remuneration may occur following the month when remuneration is earned. Public Servants employed under PSOA who also hold a government appointment are not permitted to be paid or accept any remuneration in respect to that appointment.

Principal Officers – Ontario Northland

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

Employees

Ontario Northland employs 731 individuals, who live and work in northern Ontario and northwestern Quebec.

2019-2020 in Review

Overview of Performance

(\$000's)	2017/18 Actual	2018/19 Actual	2019/20 Actual	2019/20 Budget	2019/20 Variance
Operating Costs	84,648	87,940	91,700	98,204	-6.6%
Motor Coach Revenues	10,963	12,896	13,316	13,420	-0.8%
PBX Revenues	7,537	6,609	7,469	6,976	+7.1%
Rail Services Revenue	36,713	39,223	47,005	41,795	+12.5%
Remanufacturing & Repair Services Revenue	5,182	4,174	4,704	4,510	+4.3%
Ridership – Motor Coach	258,022	311,080	298,589	315,000	-5.5%
Ridership – PBX	54,895	51,189	52,451	54,000	-3.0%
Car loads	37,500	33,739	37,230	38,885	-4.5%

Passenger Services

Motor Coach Services:

Scheduled and chartered motor coach services contributed \$13.3 million of revenue, which was a 3.3% increase from the previous year. This included the implementation of our revenue management program and increased marketing efforts in all markets. However, there was a 0.8% decrease from target due to reduced ridership and scheduled motor coach services as a result of the COVID-19 pandemic. Operating expenses totaled \$15.0 million, which was a decrease of 4.1% versus budget due to lower fuel prices and a decrease in one-time costs from intercommunity bus expansion in 2018-2019.

Ridership grew at a steady pace but declined quickly in the month of March due to a 43% reduction in passengers due to COVID-19, resulting in an overall decrease in annual ridership with a revenue loss of \$0.4 million.

Passenger Numbers:	2019-2020	2018-2019	2017-2018
Motor Coach	298,589	311,080	258,022

Polar Bear Express:

The Polar Bear Express contributed \$7.5 million in revenue to the organization, which was an increase of 13.0% compared to the previous year and was a 7.1% increase from target. An increase in revenues resulted from a slight increase in ridership, along with the implementation of a new revenue management program as well as an increase in carload freight revenue with more shipments between Cochrane and Moosonee.

Operating expenses totaled \$20.5 million which was a slight decrease of \$0.3 million (1.3%) from the previous year due to lower fuel costs. Operating the passenger train four times per week (versus six days) in the summer and four days per week (versus five days) in the winter months has increased the passengers per trip while saving on fuel, maintenance and labour costs.

Polar Bear Express freight express shipments, comprising of smaller goods increased by 600,000 kilograms, as did revenue for this service by over \$0.2 million from the previous fiscal year.

Polar Bear Express ridership saw an increase of 2.4% this year in part due to an increase in ridership as a result of additional infrastructure projects in this corridor and James Bay coastal communities. The Polar Bear Express on-time arrival performance was 95%, an increase of 7%.

Passenger Numbers:	2019-2020	2018-2019	2017-2018
Polar Bear Express	52,451	51,189	54,895

Cochrane Station Inn:

The Station Inn's occupancy rate for this fiscal period was 53%, an increase of 3% from the previous year. The increase can be attributed to an increase in internal department referrals (i.e., Maintenance of Way employees requiring overnight stays while working away from home terminal), and an increase in tourism and travellers due to an extended summer season for the Polar Bear Express (summer schedule extended from August into October).

Cochrane Station Inn	2019-2020	2018-2019	2017-2018
Net Revenue	\$493,040	\$471,993	\$475,815

Capital Investment:

Passenger Services' capital expenditure totaled \$4.5 million. All capital asset management plan initiatives forecasted in the business plan for this fiscal were successfully achieved. Motor Coach Services introduced three mid-size coaches into their fleet as part of the 10 year Capital Asset Management Plan. The Polar Bear Express refurbishment project was completed with the delivery of a dining car and two baggage cars, adding to the full consist of passenger cars refurbished. Improvements were made to the Cochrane Station Inn, Timmins Garage and North Bay Station. New hoists were installed at the North Bay Garage, and technological advancements were made with the introduction of Revenue Management software and security cameras in Moosonee.

Performance Highlights:

- Announced expansion of motor coach service to provide connectivity to Northwestern Ontario beginning in Spring 2020 between White River and Thunder Bay, providing essential transportation services to northwestern Ontario
- New pricing structure was implemented, offering passengers more fare options according to their travel needs
- Aligned checked baggage policy with industry partners, reducing the amount of free checked luggage and implementing a checked baggage fee
- New Polar Bear Express schedule implemented to operate four days per week (five days per week in the summer) increased the passenger capacity per trip while saving on fuel, maintenance and labour costs
- Partnership with Metrolinx's GO Transit for seamless summer weekend travel to the Muskoka Region was successful during Summer 2019, increasing awareness of Ontario Northland and expanding the integrated passenger network for Ontarians
- Partnered with Shelter Bus to donate a bus to be repurposed into a mobile shelter that will provide temporary relief for those in need from homelessness
- Introduced a new transportation model to Manitoulin Island - a shuttle services the island, connecting with scheduled Motor Coach service in Little Current
- Trialled a new entertainment system on the Polar Bear Express, offering a streaming service on-board of movies, television episodes and games, a welcomed trial as there is not internet or cellular service along the Polar Bear Express journey from Cochrane to Moosonee
- Launched a new Bus Parcel Express point of sale system saving manual processing time and offering real-time tracking
- Held successful "Stuff the Bus" events in Sault Ste. Marie and North Bay, raising cash donations and donating thousands of pounds of food to local food banks
- Initiated "Kids Ride Free" promotion on the Polar Bear Express, resulting in 606 free rides

Rail Services

Rail freight revenues totalled \$47 million, an increase of \$7.8 million (19.8%) over the previous year and an increase of 12.5% over target. The increased revenue is attributed to an increase in carloads, storage revenues, contract revenues, special trains and foreign exchange gains on our carload freight revenue.

Operating expenses for rail services totalled \$41.4 million, an increase of 11.8% over the previous year and 1.2% over target. Expenses were up primarily as a result of additional labour and benefit costs associated with the increase in additional carloads and special trains as well as an influx in material and parts cost for locomotive repairs. The total amount spent on fuel this fiscal was \$9.3 million.

37,230 freight car loads were shipped during this period, an increase of 10.3% over the previous year. The increase in car loads is consistent with previous years with the exception of 2018-2019 where temporary shut downs and a harsh winter contributed to lower than usual carload shipments.

Rail Freight	2019-2020	2018-2019	2017-2018
Carloads Shipped	37,230	33,739	37,500

Despite an excellent safety record for 2019-2020, Ontario Northland experienced two derailments and a crossing incident, resulting in \$2.5 million in unforeseen expenses. Enhanced training with employees on emergency response and safety improvements are made continuously.

Capital Investment:

Rail Services' capital expenditure totaled \$48.8 million. These funds were utilized to continue Ontario Northland's aggressive infrastructure maintenance schedule. Capital rehabilitation work included: 6 bridges; 20 culverts; 34 crossings; 6 crossing signal system upgrades; 1 hot box detector; 183 miles of track surfaced and lined; 39.61 miles of rail grinded, 63,750 ties replaced; and 15 miles of rail upgraded. Upgrades to multiple buildings were performed including: North Bay Diesel Shop, North Bay Car Shop, Englehart Bunkhouse, Moosonee Bunkhouses and a new storage office facility in Moosonee. Major equipment upgrades included five freight rail cars, two locomotive overhauls, two front end loaders and two boom trucks.

Performance Highlights:

- Intelix incident management software in conjunction with the Rail Safety Management System (RSMS) continued to be deployed throughout the organization with training, policy development and evaluation of day-to-day operations, tracking rail incidents, workplace injuries and other incidents
- Increased train loads and reduced freight train frequency on the Temagami subdivision between Englehart and North Bay from six days per week to three days resulting in operational savings
- Closure of North Bay terminal for running trades employees streamlined operations and reduced costs
- Significantly reduced slow order penalty minutes from 179.6 minutes in the last fiscal to 75.61 minutes in this fiscal
- Scrap rail and obsolete asset sales resulted in proceeds of \$400K
- Recruitment and training of 20 Track Maintenance Labourers and eight Conductor Trainees
- Detoured 47 trains during a rail disruption for a Class 1 Railway between North Bay and Rouyn-Noranda and Rouyn-Noranda and Hearst resulting in unexpected revenue and stronger partnership with class 1

Remanufacturing and Repair

Remanufacturing and Repair Services met its mandate to support the Rail Services Division while delivering all external customer work at full cost recovery. It contributed \$4.7 million in revenue, an increase of 12.7%, from external rail freight, passenger car repair and locomotive work this fiscal year.

Operating expenses were \$3.9 million, an increase over the prior year due to the increased external customer work requiring more labour, materials and parts, however the division still concluded the fiscal year with \$0.8M in excess revenues. Budget pressures were mitigated by making business decisions that support fiscal responsibility and appropriate use of the provincial subsidy.

Every dollar of excess revenue generated by external work of the Remanufacturing and Repair services helped offset the overall agency subsidy requirement by mitigating financial pressures to the overall budget.

Performance Highlights:

- Paint contract for another heritage railway miniature train at North Bay's waterfront, with the colour scheme aligning with the Polar Bear Express
- Announced a partnership with Metrolinx to refurbish bi-level passenger cars with engineering, procurement, task development, and production plan completed in 2019-20 fiscal year. Production scheduled to begin in Spring 2020
- Completed repairs/modifications to 137 tanker cars
- Continued to attract external work for Positive Train Control (PTC) installation and maintenance certification, resulting in 29 PTC installs
- Delivered final refurbished diner car and baggage car for the Polar Bear Express passenger train
- Secured new contracts in the paint shop, including waste disposal trucks, bins and mining equipment
- Rehabilitated 35 gondolas for use in copper/zinc concentrate service mine
- Painted six locomotives

Corporate Services

Corporate Services at Ontario Northland provide leadership and management oversight of the development and execution of the organization's overall business strategy. It provides expertise for business transformation initiatives, fulfillment of agency requirements and reporting to the Ministry and the Commission, and continuously evaluates and establishes the conditions to drive the agency's financial capability, innovation, employee excellence, collaboration and culture.

Corporate services expenses decreased by \$1.1 million year over year across the division.

Corporate Services delivered on its planned objectives, implementing efficiencies and continuing its transformation agenda, coming in \$3.4 million under target for the year.

Performance Highlights:

- Introduction of Work Safe awards, recognizing employees who go above and beyond to keep themselves and their colleagues safe
- Final approval from Ontario's pension regulator for the transfer of assets in the Ontario Northland Pension Plan to the Ontario Pension Board's Public Service Pension Plan (PSPP) Pension
- Benefit re-enrollment to update coordination of benefits expected to further manage benefit costs
- Initiation of processes to identify Ontario Northland's interests in realty with plans to complete the inventory in next fiscal
- Labour agreements reached with Teamsters Maintenance of Way Division, and United Steelworkers Local 1976, providing significant competitive advantage and labour stability for maintenance of way, rail traffic control, customer service and sales employees and locomotive engineers and conductors
- Capital improvements to 20 buildings worth an estimated value of \$4.6 million
- Financial services support to 55 capital projects with an annual budget of \$53 million
- Issued over 5,500 purchase orders, 10,500 requisitions and 35 tenders worth over \$55 million
- Established roadmap for the transformation of internal supply chain, including strategic procurement practices, materials management, warehousing and staging of parts and materials.
- Participated in over 25 community events throughout the North
- COVID-19 resulted in the agency activating its pandemic response plan in March 2020 with significant impact forecasted for many revenue and expense categories including new opportunities and challenges for all corporate departments to support the essential workforce during the pandemic
- Marketing and Communications increased positive media coverage, responding to over 100 media inquiries during the fiscal year
- Social media channel audience grew by 16%

Risks and Mitigation:

The Corporate Services division leads the organization's efforts to manage risk effectively, identify innovative opportunities, mitigate risk and develop its strategic plan, goals and organizational objectives. With several staff trained in Ontario Public Service risk management, Ontario Northland has positioned itself as a resource for emerging Enterprise Risk Management (ERM) best practices.

Ontario Northland lessened and eliminated a number of risks in 2019-2020, these included:

- Agency operating pressures largely caused by temporary and planned shutdowns, fuel price volatility, and lack of an agency self-insurance fund (SIF). The operating pressures were mitigated by seeking additional new revenue through transload arrangements, close evaluation of fuel price trends including evaluation of fuel hedging and proposing a SIF for 2020-2021.
- Refurbishment customer, prototype and program requirements resulted in project scope changes and some related cost increases for remanufacturing and repair services. This was mitigated by enhanced training, engineering and lean manufacturing processes.
- Government direction to focus on true costs of each line of business was successfully achieved through an agency-wide cost containment and continuous improvement strategy, its success was demonstrated by 2019-2020 operating expense results consistently finishing within budget.

Significant risk events that took place this fiscal include:

- A labour strike by a Class 1 railway resulted in a significant reduction of rail freight service
- Consistent low ridership on Manitoulin Island motor coach route
- Budget overage on the internal refurbishment project of the Polar Bear Express
- The pandemic of COVID-19 resulted in significant pressures as ridership declined rapidly in March
- Two derailments and a crossing incident

These events resulted in budget pressures which were mitigated by adjusting rail freight service plans, partnering with a shuttle to service Manitoulin Island, connecting in Espanola, freezing hiring (except for jobs with direct health and safety responsibility), workforce layoffs and a focus to increase rail freight transload activity. Based on a culture of accountability and strong business acuity, Ontario Northland continued to make decisions that ensured fiscal responsibility and appropriate use of tax payer dollars while continuing to provide necessary connectivity through transportation solutions in northern Ontario.

Public Performance Measures

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

In 2019-2020 the organization continued to be above target at 92% for cost recovery ratio (excluding PBX essential services). Ontario Northland continues to maintain a relatively high cost recovery ratio compared to other transportation agencies across North America, where it is not uncommon for cost recovery ratios to be at or below 50%. The performance improvement year-over-year is attributed to higher freight revenues, reduction in operating expenses and a new pricing structure for motor coach services as well as a multitude of cost improvement initiatives realized over the last few years.

Polar Bear Express customer satisfaction and Cochrane Station Inn occupancy rate increased from the previous year but fell below their targets. The customer satisfaction survey participation remained low and the overall satisfaction was below target due to a number of variables directly affecting the overall satisfaction of customers with the PBX service such as changes in fare structure and schedule.

In order to improve Polar Bear Express customer satisfaction, Passenger Services will address suggestions and feedback gathered in customer surveys and work to increase the number of survey respondents.

The Cochrane Station Inn occupancy experienced an average year, increasing its occupancy over last year although occupancy remained below target due to a decrease in economic activity and a change in PBX Schedule.

The employee lost time injury frequency decreased and remained slightly above target. On-going training of the internal responsibility system continues with all members of the organization to improve how hazards are reported and controlled, ensuring we are on target for next fiscal.

Overview of Public Performance Measures

	2017-2018	2018-2019	2019-2020	2019-20 Target
Cost Recovery Ratio for Ontario Northland excluding the Polar Bear Express Essential Service	83%	84%	92%	83%
Polar Bear Express Passenger Train Customer Satisfaction	71%	62%	64%	75%
Polar Bear Express Passenger Train On-time Performance	97%	88%	95%	95%
Cochrane Station Inn Occupancy Rate	53%	51%	53%	55%
Employee Lost Time Injury Frequency	2.15	5.68	3.08	3.00
Cost Recovery Ratio for Ontario Northland	72%	72%	79%	67%

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