

November 2020

## **Ontario Northland 2020-2021 Business Plan – note to reader**

### **Subsequent Events**

Ontario Northland Transportation Commission (ONTC) submitted its Commission-approved 2020-2021 annual Business Plan, per the Ontario Agencies and Appointments Directive (AAD), ahead of the December 31, 2019 deadline on December 18, 2019 to the Ontario Ministry of Energy, Northern Development and Mines (ENDM). On April 01, 2020, oversight for ONTC formally transferred from ENDM to the Ontario Ministry of Transportation (MTO).

Subsequent to the submission of the 2020-2021 Business Plan and to the transfer in oversight for ONTC, the following events took place that were not known or considered at the time of Business Plan submission:

1. Due to emergency government measures introduced to respond to the COVID-19 pandemic, the Commission's results of operations have been affected by the following events:
  - Rail traffic has decreased in freight carloads;
  - Motor Coach service was reduced effective March 25, 2020 and with further schedule reductions effective April 26, 2020;
  - The Cochrane Station Inn hotel was temporarily closed effective March 25, 2020;
  - The Polar Bear Express passenger train was temporarily suspended effective April 07, 2020, with partial-resumption of service June 25, 2020; and,
  - Increased operating costs due to sanitization, cleaning and physical distancing protocols.
2. Ontario Northland bus service permanently extended to fill critical [intercommunity transportation](#) gap in Northwest Ontario, connecting communities to essential services in Thunder Bay and Winnipeg. Ontario Northland has been provided \$3.5M for this expansion (including capital and operating funding) on top of the operating funding requested in the Financial Profile section of the business plan.
3. Ontario Northland is expected to receive approximately \$7.4M in additional operating funding in 2020-21. This one-time funding will be used to address legacy issues (e.g., maintenance, repairs, and replacements) and for investments to modernize the agency's operations and workforce.

These events have affected the ONTC's revenue and operating expenses versus those planned at the time of Business Plan submission in December 2019. It is not yet possible to fully and reliably estimate the duration, severity and impact of the COVID-19 pandemic on the financial position of ONTC for 2020-2021 or future periods. The agency is closely monitoring and reporting the impact and adjusting forecasts.

ONTC acknowledges that these subsequent events have a material impact on the financial position of the agency and have not been reflected in the posted 2020-2021 Business Plan.





# BUSINESS PLAN 2020-2021





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## EXECUTIVE SUMMARY

Ontario Northland's 2020-2021 Business Plan outlines our upcoming priorities, together with an analysis and evaluation of our transformation accomplishments to date, for all of our operating divisions and departments.

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

Since FY2014-15, Ontario Northland has made a remarkable turnaround and has become a dynamic, successful transportation agency delivering efficient, cost-effective services that promote economic development, job creation and community sustainability. There is no question that this will continue, ensuring Ontario Northland continues to provide essential services for the Province.

Ontario Northland has responsibly fulfilled its transformation mandate by focusing on cost containment, attracting new rail freight and remanufacturing customers and establishing a culture of continuous improvement. Since FY2014-15 Ontario Northland has reduced its operating subsidy by 18%<sup>1</sup>. This has been accomplished by driving efficiencies within every division and department, resulting in reduced costs, financial accountability, strong data for decision-making and enhanced performance in the delivery of services. This was achieved despite inflationary pressures on materials and services, and rising fuel costs.

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

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

To confirm our ongoing performance, guide future improvement and measure our transformation success, we are maintaining/implementing a set of Key Performance Indicators (KPIs) at all levels: organization wide, program, project and individual.

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

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<sup>1</sup> Excluding pension and discontinued operations (Ontera)

<sup>2</sup> Ontario Northland Social and Economic Impact Study, Ernst & Young, 2018.



## 1.0 Introduction

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The Ontario Northland Transportation Commission (Ontario Northland) is an agency of the Government of Ontario and as of April 1, 2020, reports to the legislature through the Minister of Transportation.

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

The transportation industry is evolving and Ontario Northland is responsibly leading and adapting to change, responding to the needs of stakeholders and continuing to move goods and people efficiently and effectively.

Over the past five years, Ontario Northland has embarked on an aggressive transformation agenda that has reshaped its business lines and refocused the agency on cost containment and continuous improvement, while moving goods and moving people across the Province and to markets around the world.

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

This transformation mandate has evolved into a journey towards a continuous improvement culture. Many important milestones have been reached and major change initiatives have resulted in significant improvements within every department of Ontario Northland. The FY2020-2021 Business Plan builds on the success of the agency's transformation initiatives while using that momentum to further align its service offerings with evolving customer expectations. Ontario Northland will continue to proudly support the transportation needs of communities, businesses, industry and government to ensure its vital services are delivered in a cost-effective and measurable manner.

## 2.0 Strategic Direction

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### 2.1 Vision, Mission and Values

#### *Our Vision*

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

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



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

### *Our Mission*

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

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

We also support top priorities within the mandates of a number of provincial ministries, including Energy, Northern Development and Mines; Transportation; Economic Development, Job Creation and Trade; Health; Long Term Care; Environment, Conservation and Parks; Heritage, Sport, Tourism, and Culture Industries; Infrastructure; Indigenous Affairs; Education; Agriculture, Food and Rural Affairs; and, Municipal Affairs and Housing.

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

### *Our Values*

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

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

## 2.2 Strategic Priorities/Direction

Ontario Northland's strategic priorities are focused on the identification of cost drivers, cost restructuring strategies and efficiencies to achieve a sustainable Provincial investment level and agency. The agency has successfully reduced the operating subsidy by 26% from FY2014-15 to FY2017-18 and by 18% from FY2014-15 to FY2018-19, with a significant bus expansion requiring an additional subsidy to expand into small northern communities along Highway 11 and 17 corridors. Through meaningful continuous improvement efforts and ensuring services are aligned with passenger volumes and freight customer requirements, Ontario Northland has been able to continue to stabilize subsidy requirements while incurring significant cost increases outside the agencies control totaling more than 8% expense



increases from items such as inflation, cost of living increases, and significant increases to fuel and materials purchased from the U.S.

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

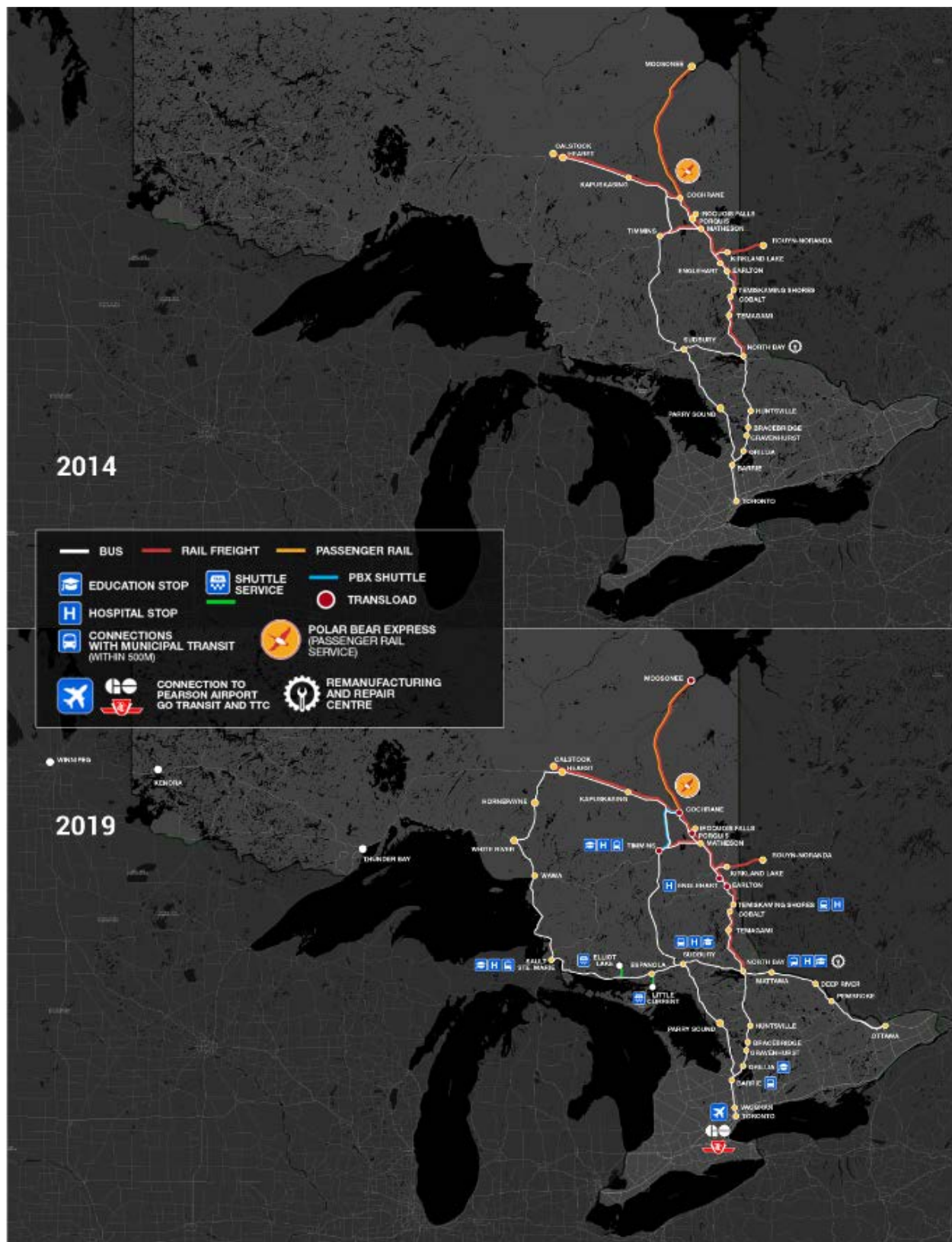
The strategic direction and mandate will be achieved by focusing on financial stewardship and operational effectiveness and will be guided by the following strategic priorities necessary to continuously improve and innovate to achieve business and service excellence:

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

Ontario Northland will develop a new strategic plan that recognizes the current and future economic and social transportation requirements in the North.

The following Ontario Northland service map shows the services the agency was delivering in 2014 versus 2019. There is significant expansion of service, reaching 50 more communities than in 2014 and moving 100,000 *more* passengers per year. This includes dedicated stops at hospitals and educational institutions; new seamless connections such as Hwy 407 to get to Pearson Airport; new transload sites bringing off-rail customers onto our network; a refurbished Polar Bear Express passenger train; and the remanufacturing and repair centre is delivering work for external customer customers to offset overall subsidy requirements. All of this is being delivered at an Ontario Northland subsidy **18% less** than it required in 2014:







## 2.3 Agency Mandate

Ontario Northland has been focused on transforming into a dynamic, sustainable organization and has responsibly fulfilled its mandate by focusing on cost containment, attracting new diverse rail freight and remanufacturing customers and establishing a culture of continuous improvement. Since FY2014-15 (to fiscal year ending 2018-19) Ontario Northland has reduced the operating subsidy by 18%<sup>3</sup>. This was accomplished by driving efficiencies within every division and department, resulting in reduced costs, financial accountability, strong data for decision-making and enhanced performance in the delivery of services. This also includes an increase in funding required to expand intercommunity bus services to small, low-population communities in Northern Ontario, as well as overcoming significant expense increases outside the agency's control such as fuel and materials necessary to run a transportation business.

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

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

Building upon the FY2019-20 business plan, this year's plan will continue to provide evidence, planning and organizational restructuring necessary to support transformation efforts and deliver transformation and transportation outcomes to meet the expectations of its mandate and subject to the approval of the government.

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

## 3.0 Environmental Scan

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The transportation industry is undergoing structural and technological change. Ontario Northland, building on its 118-year history, is uniquely positioned to provide government, communities, businesses, industry, seniors, students, travelers and other stakeholders valuable transportation services about the evolving expectations of its current and future customers.

Here is a summary of key internal and external factors affecting the agency during this business plan:

| Factor                      | Internal (I) or External (E) | Comment   |
|-----------------------------|------------------------------|---|
| New and emerging technology | E                            | Opportunities for the automation of manual processes will accelerate continuous improvement initiatives. New technology in all divisions can help continue to meet the expectations of customers while enabling divisions to reach goals. Corporate IT will continue to evaluate, |



|                                |   |  |
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|                                |   | recommend and enable appropriate IT systems and technology, including evaluation and attention to disruptive technology such as artificial intelligence, machine learning, virtual reality, autonomous vehicles and ride-sharing /crowd-sourcing. During this business planning horizon Corporate IT will complete a new 5 year IT Roadmap for the agency.   |
| Social Media                   | E | Customers and stakeholders of Ontario Northland utilize social media to plan, communicate and evaluate services. Through social medial channels, Ontario Northland will measure and tactfully respond appropriately to new and emerging news, trends, communications and comments. Proactively, Ontario Northland has used Facebook Live to share PBX activity through video with the public, advertise employment opportunities and respond/inform bus and train passengers about delays and related relevant information. Ontario Northland currently utilizes Facebook, Twitter, Instagram and LinkedIn as part of its social media reach, with friends/followers continuing to grow in numbers each year.  |
| Workforce Demographics         | I | A growing percentage of the workforce at Ontario Northland is nearing retirement eligibility. In order to continue to provide safe and secure services, effective succession planning is required. As employees are hired to fill retirements or complete new manufacturing work, leadership and technical skills training is imperative to continue to deliver on work programs efficiently and high quality.   |
| Recruiting in Northern Ontario | E | Workforce retirement eligibility is high, is increasing, and compounds the need to recruit key trades and leadership positions. Recruiting specialized trades and professionals in Northern Ontario is a significant issue. Population growth is low, lack of economic growth in areas means fewer works are entering the region. Timelines to attract and retain appropriate workforce are extended as a result. In some cases, recruitment has not been possible. To respond, apprenticeships have been started to develop skills. Although there are incremental costs to operate the apprenticeship program, Ontario Northland is making this investment to ensure the ongoing safe and sustain able operation of its services. Overall, effective recruiting remains an area of focus for Corporate Services. |
| Skilled Trades for rail        | E | The rail industry is experiencing skilled trades shortages and challenges across North America. In order to deal with some of these challenges, Ontario Northland has begun discussions about a two-fold approach: 1) to market and advertise rail-related careers to a younger audience, possibly including school visits and promotions; 2) begin  |



|                                   |   |  |
|-----------------------------------|---|--|
|                                   |   | discussion with Colleges and Universities, including Canadore College in North Bay about increasing the program offering for rail-related skilled trades such as railway car technicians, engineers and conductors, machinists and electricians.   |
| 10 year capital plan              | I | Ontario Northland received approval for its inaugural rolling 10 year Capital Asset Management Plan (CAMP) as part of its business/transformation plan approval in spring of 2017. The first 3 years of the plan, primarily focused on improving the safety, reliability and performance of capital assets through rehabilitation and repair efforts, have been successful. Ontario Northland will perform ongoing analysis of its capital assets including distribution of asset hierarchy, remaining useful life, state of good repair (SGR), and impact of SGR on desired service levels as it manages its capital asset portfolio throughout the life of this plan. Ontario Northland will highlight additional capital investment requirements related to new services (i.e. intercommunity bus expansion). |
| Real Estate Land and Buildings    | I | Ontario Northland has a significant portfolio of landholdings and buildings. In an effort to contain costs and focus on its transportation core competency, the portfolio is under review to identify non-core surplus holdings that can be circulated and offered for sale or transfer. This presents opportunities for cost avoidance in property taxes, insurance expenses, deferred capital repairs and liability. Important to note that in many cases, the value of the property is less than the administration costs to sell. This will be taken into consideration when confirming surplus properties for sale.   |
| CAD/USD Exchange rate fluctuation | E | Exchange rate fluctuations can have a significant impact to Ontario Northland operations in two key areas: <ol style="list-style-type: none"> <li>1. Customers that use rail freight services closely track the USD to determine the destination and mode of shipment of products.</li> <li>2. Purchase of capital, e.g. rail (material) or specialized parts in USD results in an increase in costs.</li> </ol>   |
| Fuel Price Volatility             | E | Fuel costs for rail freight, rail passenger and motor coach services provided by Ontario Northland can have a material impact on agency financial performance. In 2018-2019, fuel prices spiked considerably resulting in material increases to operating expenses. Despite ongoing initiatives and efforts to reduce fuel consumption, these spikes cause an adverse impact to the bottom line. The prices normalized somewhat in 2019-2020, however remain volatile. A 10-year review of fuel prices shows large   |



|  |  |  |
|--|--|--|
|  |  | and difficult-to-predict fluctuations which continue to affect the agency's costs. |
|--|--|--|

### 3.1 Initiatives Involving third-parties

#### 3.1.1 Strategic Partnership with Metrolinx

There are many synergies between the two provincial transportation agencies that should be explored in order to attain a seamless transportation network across all of Ontario. A strategic partnership could result in efficiencies and cost reduction through procurement and additional remanufacturing alignment. A few of the opportunities are highlighted below. Further collaboration will continue to solidify an appropriate plan and outline actions for each agency and Ministry.

##### *Refurbishment of rail assets:*

The Ontario trade directive allows agencies to procure goods and services directly from one another. Ontario Northland and Metrolinx jointly announced a plan to refurbish 15 bilevel coaches on August 07, 2019. ONTC will continue to work with Metrolinx to investigate a strategic alliance to include the provision of further mechanical and remanufacturing services. In this partnership, Metrolinx is treated as an internal client and is only charged based on actual cost recovery. It is anticipated that by following the Ontario trade directive in a strategic alliance, this partnership will reduce refurbishment costs and provide proven exceptional quality services for Metrolinx. Furthermore, the required work would remain within Ontario and contribute to job creation, tax base and GDP, while optimizing Ontario's investment in transportation infrastructure (Ontario Northland's shop facilities, location, trained workforce and reputation for quality). There is mutual benefit to both agencies where required work can be completed for Metrolinx at an inter-government rate and where Ontario Northland can provide good jobs, stimulate the economy and optimize the use of provincial assets in Northern Ontario. A long-term partnership between Ontario Northland and Metrolinx provides benefits to both parties. Without Ontario Northland, the refurbishment market will have limited options and pricing should be expected to rise significantly with potential risk related to quality when there are no other qualified providers.

##### *Seamless transportation – Making Connections to Muskoka*

In the summer of 2019, Ontario Northland and Metrolinx again collaborated on a program to move passengers between Toronto to Muskoka region and North Bay. A six-week program was set up for weekend travel providing simple, easy and efficient transfers by purchasing an Ontario Northland ticket online, which was honored by GO Transit. Ridership in the northbound direction was especially strong in excess of 90% capacity.

##### *Seamless transportation – Making connections to Pearson Airport*

Following on the success of the Muskoka pilot, and in response to passenger demand, Ontario Northland and Metrolinx have implemented an Airport connection service. The service began in 2019 and operates connecting an Ontario Northland bus stop with GO Bus departures at the 407 Bus Terminal. Passengers can purchase their ticket online from [ontarionorthland.ca](http://ontarionorthland.ca) and the connection will be honored on GO to connect to Pearson Airport. The Greater Toronto Airports Authority is also participating by creating a new website for ground transportation that will feature this service. Furthermore, additional passenger connections at the 407 Bus Terminal are being considered including Hamilton, Kitchener, Waterloo, Guelph, etc. Improved seamless ground transportation options to reach Pearson International Airport improves accessibility, safety, and connectivity for both agencies and for



travelers.

#### *Passenger Rail*

The April 2019 Provincial budget 'Protecting What Matters Most' indicated, "the government will continue to review initiatives to meet Northerners' transportation needs, including passenger rail." It goes on to state, "the government will continue to review initiatives to meet transportation needs in the North to optimize bus services and options for passenger rails services across Northern Ontario." Subsequently, Ontario Northland and Metrolinx were asked to collaborate on a comprehensive business case to explore options for returning passenger rail service. The business case includes an examination of track infrastructure and running rights, station and shelter analysis, new schedule options, crewing scenarios, financial, economic and social considerations and a comprehensive ridership study. The final business case was submitted to government for consideration.

#### *Corporate Services*

A strategic alliance would better enable Corporate Services to support delivery of seamless transportation across the province. Corporate Services could utilize similar processes and models for financial accounting and reporting, allocation methodology, business planning, human resource business practices, marketing and communications initiatives and technology licensing and procurement.

#### *Transit Procurement Initiative (TPI)*

Ontario Northland formally joined the TPI in 2018, which is led by Metrolinx. TPI is one of North America's most innovative transit procurement programs, working with over 44 transit agencies across Ontario since 2006. The program has delivered savings of approximately \$21.5M for program participants. Ontario Northland intends to use this program for bus and bus equipment purchases where feasible and has already joined the TPI program for procuring surveillance systems (cameras and technology) for installation aboard our motor coach fleet.

### **3.1.2 Continuous Improvement Activity with Third Parties**

**Strategic Planning:** Ontario Northland plans to work with a third party to facilitate the development of its next strategic plan. The timing will be aligned to coincide with receipt of the agency's updated mandate letter from government.

**Concordia University:** Ontario Northland has collaborated with Concordia University to host PhD students to evaluate passenger and freight car remanufacturing, repair processes, and make recommendations for efficiency improvements.

**Cobalt site assessment:** Working with ENDM and the Mining and Minerals division, work will take place with a consultant on behalf of ONTC to conduct a Cobalt site and hazard assessment to determine existing liabilities and hazards.



## 4.0 Overview of Programs and Activities

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### 4.1 Rail Services

The Rail Services division continues to be Ontario Northland's core and primary revenue-generating business. The business plan for FY2019-20 laid out initiatives, both short and long-term, that are being undertaken by the division to transform, ensure sustainability through cost containment and revenue generating initiatives, and continue to offer efficient, reliable and safe rail transportation services to shippers and industry in northeastern Ontario. The business plan for FY2020-21 builds on this comprehensive foundation and again focuses on key continuous improvement goals.

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

Following the significant initiatives undertaken in FY2019-2020 including polar bear passenger train and freight train service plan changes, closure of a running trades home terminal, departmental reorganizations, retirement of numerous experienced employees, implementation of a new drug and alcohol policy, and renegotiation of collective agreements, the emphasis for FY2021 will be to stabilize the operation and workforce, pursue more freight business, improve overall safety, and continue to meet budget expectations.

### 4.2 Passenger Services (Motor Coach Services and Polar Bear Express Passenger Train)

Ontario Northland provides transportation services connecting Northern, rural and remote communities. The Polar Bear Express passenger train connects passengers from Cochrane to the First Nations communities on the James Bay Coast. Each year 55,000 passenger trips are carried out, over a distance of 299 kilometers (186 miles) each way. Onboard the passenger train, daily food specials and other sundry items generate over \$500,000 in annual revenue.

The Ontario Northland bus network operates over 4.4 million kilometres per year, equivalent of 112 trips around the world. Buses transport nearly 350,000 passengers and over 180,000 parcels, connecting to transportation services across Canada. Ontario Northland has a modern coach fleet that includes Wi-Fi, electrical outlets, and audio and visual announcement systems that align with accessibility standards. The fleet of buses features bus camera systems, interior and exterior, to improve passenger, driver and highway safety.



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

### 4.3 Mechanical and Remanufacturing

Ontario Northland operates rail passenger and freight services in Northern Ontario, and has completed extensive passenger, freight, and daily locomotive maintenance, light repair and major overhaul work for more than 100 years. Modern maintenance facilities and expertise are essential for the safe and efficient operation of the railway. Rail rolling stock and locomotive maintenance is completed by the Rail Mechanical Division at facilities located in North Bay, Cochrane., Rouyn-Noranda, Hearst and Englehart.

The Cochrane shop complex is a 70,000 square feet maintenance facility dedicated to the maintenance, light repair and inspection of railway rolling stock, which includes the Polar Bear Express (PBX) passenger cars, freight cars and locomotives. By implementing lean manufacturing principles and engaging the workforce with third-party rail mechanical experts, the existing Cochrane facility and workforce has transitioned in recent years to support further locomotive maintenance, inspections and light repairs, in addition to the daily PBX and freight car maintenance.

The North Bay shop complex includes a 150,000 square feet facility with a car shop that is dedicated to passenger and freight car repair and remanufacturing, a locomotive shop, a wheel shop, and a state of the art paint facility. The Rail Mechanical Division oversees the locomotive and wheel shop and the transition of day-to-day locomotive maintenance and inspections from North Bay to Cochrane. This created capacity in the North Bay shop to complete a backlog of locomotive capital rehabilitation programs, including large internal locomotive overhauls. The capital locomotive rehabilitation program will continue over the next seven years. External locomotive, freight and passenger car repair contracts are completed when the capacity exists within the North Bay shop complex. External contracts deliver profit that helps to offset fixed costs and reduces overall agency subsidy.

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

### 4.4 Corporate Services

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

Corporate Services combine organization-wide support services based on specialized knowledge and subject matter experts in Finance, Human Resources, Information Technology, Marketing and Communications, Facilities, Business Analysis, Risk Management, Project Management and Continuous Improvement. As the organization moves forward, Corporate Services will focus on supporting the



divisions in activity-based costing to ensure the focus remains on continuous improvement. Corporate Services has summarized available services, access instructions, service level targets, support processes and performance measures into a catalogue as an aid to operating groups and new employees accessing service.

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

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

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

## 5.0 Planned Deliverables (FY2020-21 to FY2022-23)

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

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

Ontario Northland's approach to performance measurement is evolving. The Remanufacturing and Repair Centre has put into practice the *Plan, Do, Study, Adjust* (PDSA) philosophy to improve its objectives. Metric definitions were created for each objective to ensure a consistent approach would be used in the collection and calculation of the metrics, which will also make it easier to cascade them to the department level. Each objective is supported by an initiative(s) to help achieve the targets. Ontario Northland plans to spread the PDSA approach to objective setting across the organization for FY2021-22.



## 6.0 Financial Profile

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### *Ontario Northland at a Glance*

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

The FY2020-21 operating budget shows an operating subsidy of \$31.4M. Overall revenues of \$66.1M and expenses of \$97.4M. Ontario Northland's operating subsidy has remained consistent with prior year.

Ontario Northland is faced with annual negotiated union rate escalations, plus inflation/consumer price index of approximately 1.5% per year, which increases the costs of materials and services required for operations. Ontario Northland has implemented several cost savings strategies to reduce the impact of these costs through efficiency improvements, offsetting in part the impact of the forecasted salary and inflationary pressures within the plan.

Of the overall operating budget, it is important to note that the projected funding requirements for the Polar Bear Express (PBX) Essential Services is \$18.9M (60% of the operating budget). The PBX 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. All remaining ONTC services and supporting departments at Ontario Northland are provided for less than \$13M. This small but critical investment in the North directly and positively impacts economic development, climate change initiatives, tourism, reduces road maintenance costs and enhances road safety.



| <b>Ontario Northland at a Glance</b>                                | <b>Projected 2020-2021<br/>(\$000's)</b> |
|---|--|
| <b>Operating Investment:</b>  |  |
| Polar Bear Express (PBX)* Essential Services                        | 18,940                                   |
| Ontario Northland (excluding PBX)                                   | 12,374                                   |
| <b>Total Operating Investment</b>                                   | <b>31,315</b>                            |
| <b>Capital Investment:</b>  |  |
| Polar Bear Express (PBX) Essential Services                         | 12,738                                   |
| Ontario Northland (excluding PBX)                                   | 40,384                                   |
| <b>Total Capital Investment (Note 1)</b>                            | <b>53,122</b>                            |
| <b>Total Polar Bear Express (PBX) Essential Services Investment</b> | <b>31,678</b>                            |
| <b>Total Ontario Northland (excluding PBX) Investment</b>           | <b>52,759</b>                            |
| Principle payments of long term debt                                | 96                                       |
|   | <b>84,533</b>                            |

\* Polar Bear Express Essential Services include all Rail Freight and Rail Passenger services from Cochrane to Moosonee

**Note 1** - Of the \$53M capital, there is a \$8.7M capital lever that the Ministry will request supplementary estimates in support of the Agency's in-year capital requirements, based on the approved 10 year capital plan.

## 5.1 Operating Budget Summary

### *Operating Budget Summary*

The development of the FY2020-21 operating budget is guided by the set of business plan deliverables described in this plan. The budget is presented at a summary level.

The budget was developed assuming there will be no significant service interruptions causing loss of revenue, no significant service increases/decreases, no significant machinery failures causing loss of service or major changes to the current large mining and forestry customer forecasts. The budget presented does not include the financial impact of COVID-19 Pandemic.

### **Ontario Northland FY2020-21 Summary Operating Budget**



## SUMMARY OPERATING BUDGET FY2021

| <b>Revenues (\$000's)</b>                                | <b>2020-2021</b>    |
|--|---------------------|
| Rail Services  | 41,556              |
| Remanufacturing and Repair Services                      | 3,328               |
| Motor Coach Services                                     | 13,983              |
| Polar Bear Express Services                              | 7,024               |
| Other Income   | 240                 |
|  | <u>66,131</u>       |
| <br><b>Expenses (\$000's)</b>                            |                     |
| Labour & Benefits  | 59,262              |
| Materials & Parts  | 17,376              |
| Supplies & Equipment                                     | 4,817               |
| Services   | 7,019               |
| Other  | 8,971               |
|  | <u>97,446</u>       |
| <br><b>Total operating loss</b>                          | <br><b>(31,315)</b> |
| <br>Principle payments on loan                           | <br>96              |
| <b>Total Operating Subsidy</b>                           | <b>(31,411)</b>     |
| <br><b>Other expenses:</b>                               |                     |
| Amortization (non cash)                                  | 4,846               |
| Amortization of deferred capital contribution (non cash) | 13,939              |
|  | <u>18,785</u>       |

### *Revenues*

Total projected revenues for FY2020-21 are \$66.1M. Rail freight revenues are projected to decrease over the next few years, mainly due to a large freight customer winding down its mining operation and production with expected closure in FY2022-23. New growth is forecasted to partially replace the slowdown of current customers. Current focus includes mining, forestry, agriculture, and petroleum industry opportunities.

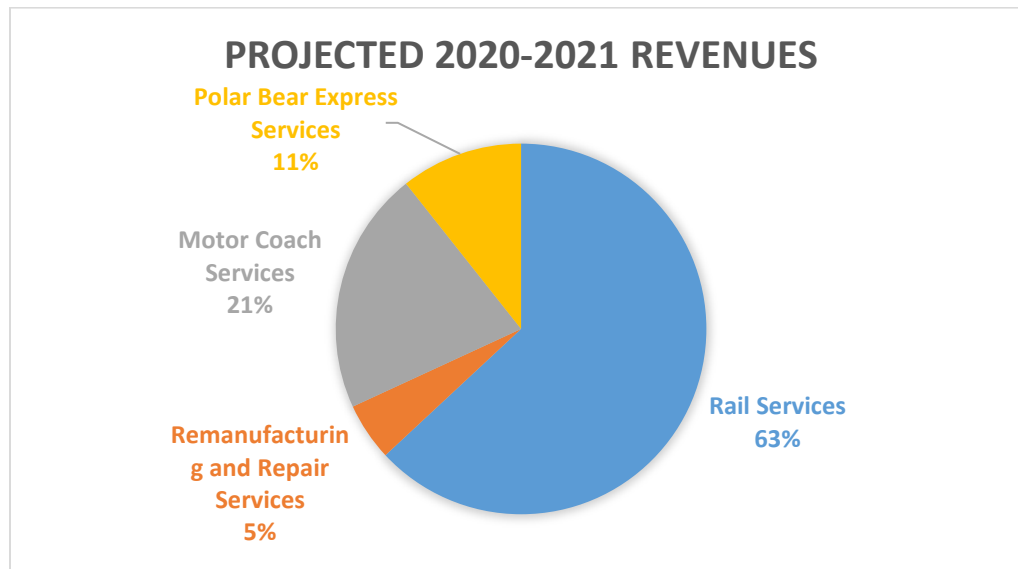
Remanufacturing and Repair (RRC) Centre includes only external work and has projected external revenues in the locomotive shop, paint shop, as well as freight car work and external passenger car work. RRC will deliver services at full direct cost recovery, with all profit directly offsetting overall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

Motor Coach Services has projected revenues increasing in FY2020-21 with full-year impact of revenue management as well as scheduled annual rate increases. This plan does not include the impact of COVID-19 Pandemic on ridership or revenues.



Polar Bear Express Services has projected revenues slightly increasing in FY2020-21 with full-year impact of revenue management as well as scheduled annual rate increases.

#### Ontario Northland FY2020-21 Revenues by Division



#### Expenses

Total expenses for FY2020-21 are projected at \$97.4M. Current plan does not include impact of COVID-19 Pandemic on expenses.

The largest expense in the operating budget is labour and benefits which represents 61% of projected expenses for FY2020-21 to support operations.

Another large expense in the business plan is fuel, where price can be unpredictable as it is determined by the market. Diesel fuel prices have been projected at a 1.5% increase each year, as prior year prices remained at lower rates than the previous two years. For our Rail and Motor Coach operations, fuel is a crucial input. 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. For example, from 2018 to 2019 average diesel prices jumped from \$0.83 c/litre to \$0.92 c/litre (11% increase) and unleaded increased from \$117.92/litre to \$124.58/litre (5.64%). Should that happen again this fiscal year, we would be looking at an \$1.07M increase in Motor Coach and Rail and a minimum \$43k increase in our every day operations.

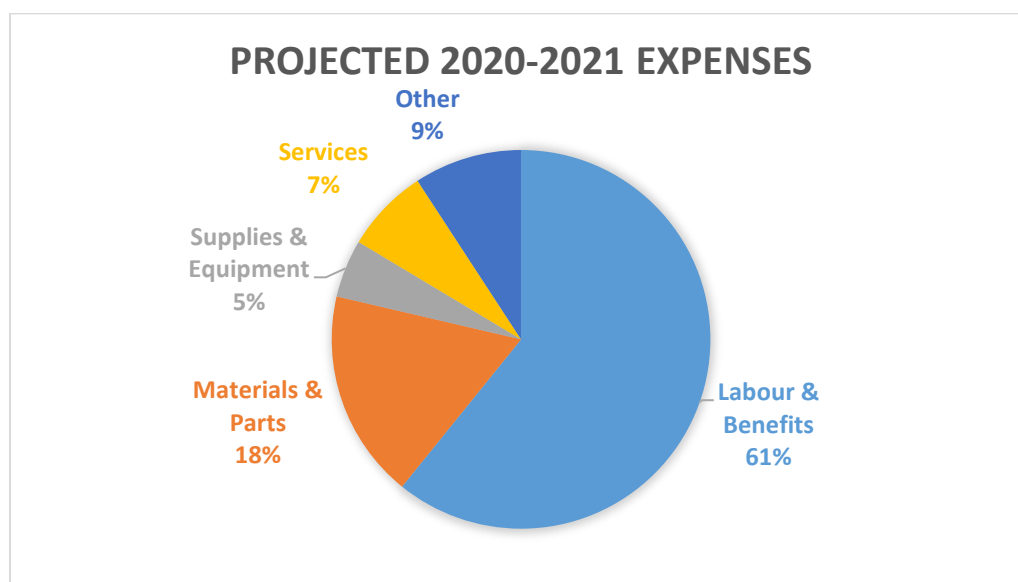


| Fuel Price Volatility - Impact of Unit Price Change |                    |                        |                                   |                        |                       |                        |                        |                        |
|---|--------------------|------------------------|-----------------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|
| Divison   | Direct Price/Litre | Outsourced Price/Litre | Budgeted Volume (litres in 000's) | Total Budget (\$000's) | 5% Increase (\$000's) | 10% Increase (\$000's) | 11% Increase (\$000's) | 15% Increase (\$000's) |
| Motor Coach   | \$0.99             | \$1.06                 | 2,043                             | \$2,219                | \$111                 | \$222                  | \$244                  | \$333                  |
| Rail  | \$0.92             | \$0.98                 | 7,500                             | \$7,533                | \$377                 | \$753                  | \$829                  | \$1,130                |
| Operations  | \$1.25             | \$1.25                 | 604                               | \$869                  | \$43                  | \$87                   | \$96                   | \$130                  |
| <b>Grand Total</b>                                  |                    |                        | <b>10,146</b>                     | <b>\$10,621</b>        | <b>\$531</b>          | <b>\$1,062</b>         | <b>\$1,168</b>         | <b>\$1,593</b>         |

Numerous cost savings strategies were implemented in FY2019-20 with planned savings/revenue growth of \$6M in FY2020-21.

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

#### Ontario Northland FY2020-21 Operating Budget by Expense Type



## 5.2 Capital Budget Summary

### Ontario Northland Ten-Year Capital Plan: FY2020-21 to FY2029-30

#### Overview

2020-2021 will be the fourth year of the approved 2017 rolling ten-year Capital Asset Management Plan (CAMP) initially budgeted at \$504M. This was the result of several experts, specialized technical assessments, and evaluation of Ontario Northland's major asset categories:

Major assets owned by Ontario Northland:

- Motor Coaches: 35 (32 owned, 3 leased; new units are on order to replace leased units)
- Rolling Stock:



- 24 locomotives
- 16 Polar Bear Express cars including passenger, diner and baggage cars
- 367 freight box cars and 154 service cars (gondolas, paper, center beam)
- Track: 673 miles of track
- Bridges and culverts: 93 bridges and 2100+ culverts
- Major buildings: 100+ buildings with 29 significant buildings

This year's ten-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 FY2020-21 approved plan as the basis, minor adjustments were made between assets categories, and a new 10th year of planning was added.

### **Background**

In FY2016-17 Ontario Northland worked with third-party experts to evaluate the condition of its assets and identify capital investment levels required to bring those assets into a state of good repair. This ten-year capital plan will layout the capital investment needed to improve asset performance and address the growing state of good repair (SGR) deficit.

Ontario Northland seeks a capital investment by the Province of Ontario of \$460M over the next ten years, building on the approved 10-year plan that started in FY2017-18. 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 SGR of all capital assets, reducing ongoing maintenance expenses and providing improved safety to passengers, environment, employees and infrastructure.

#### **5.2.1 Recommendations for Asset Management**

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

Ontario Northland has developed an asset management governance structure to improve capital asset management processes across the organization. This includes monthly executive team capital meetings with Finance to review current capital program plans and results, establishing capital project charters that details out the work to be performed with timelines, risks and cost breakdowns, capital budgets, monthly capital cash flow results and forecasts and capital project tender status which are all documented and stored centrally for capital project managers, within a new budgeting and forecasting software implemented in FY2018-19.

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

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

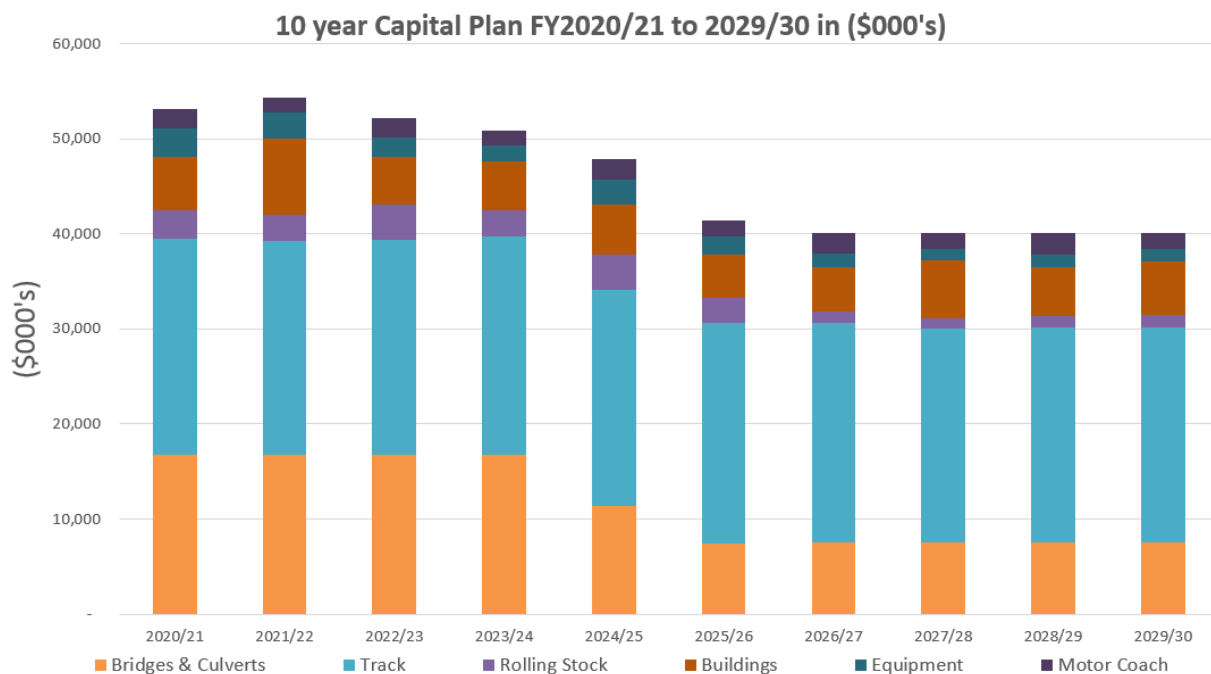


In FY2018-19 through FY2019-20, Ontario Northland further improved the capital asset management plan following the initial development. The project involved utilizing Ontario Northland employee's knowledge through a series of workshops in order to develop Capital Asset hierarchy and identification system, State of Good Repair definition and modeling, Asset Management Policy and Strategy and a framework for prioritizing capital projects.

During fiscal FY2020-21 Ontario Northland is focused on implementing recommendations to further refine the CAMP strategy. Ontario Northland will continue to further develop their CAMP over the next 3-5 years subject to available human and financial resources.

## Financial Overview

The following Figures illustrate the breakdown of the investment over the 10 years:



| (\$000's)          | 2020/21       | 2021/22       | 2022/23       | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       | 2028/29       | 2029/30       |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Bridges & Culverts | 16,750        | 16,750        | 16,750        | 16,750        | 11,323        | 7,489         | 7,563         | 7,556         | 7,556         | 7,556         |
| Track              | 22,808        | 22,475        | 22,652        | 22,952        | 22,793        | 23,104        | 23,104        | 22,478        | 22,653        | 22,653        |
| Rolling Stock      | 2,883         | 2,845         | 3,745         | 2,845         | 3,675         | 2,725         | 1,125         | 1,125         | 1,125         | 1,225         |
| Buildings          | 5,744         | 7,993         | 5,032         | 5,066         | 5,332         | 4,512         | 4,719         | 6,026         | 5,220         | 5,702         |
| Equipment          | 2,954         | 2,752         | 1,974         | 1,717         | 2,560         | 1,962         | 1,389         | 1,279         | 1,279         | 1,279         |
| Motor Coach        | 1,983         | 1,514         | 1,983         | 1,514         | 2,147         | 1,598         | 2,211         | 1,647         | 2,278         | 1,696         |
| <b>Total</b>       | <b>53,122</b> | <b>54,329</b> | <b>52,137</b> | <b>50,844</b> | <b>47,830</b> | <b>41,391</b> | <b>40,112</b> | <b>40,112</b> | <b>40,112</b> | <b>40,112</b> |

### Motor coaches

In December 2017, Ontario Northland's Motor Coach Services expanded services northwest as well as increased services in the northeast. This expansion increased Ontario Northland's bus fleet size by an



additional 7 buses, and various investments in technology, and equipment. This 10-year plan does not account for the rehabilitation and replacement costs of these assets.

Ontario Northland plans to continue to invest in new motor coaches on an annual basis and continue its overhaul program for existing coaches, including power train and light cosmetic work. This is in line with recommendations from a third party review to keep our motor coach fleet renewed and reliable. Annual investment level averages \$1.8M over the 10-year capital plan.

#### Buildings

Capital upgrades and improvements to facilities contribute to increased safety, reliability, and service performance. Ontario Northland would benefit from decreased operating and maintenance costs in the provision of transportation services. In depth audits of each facility are bringing forward a prioritized list to assist in scheduling capital work. Annual investment level averages \$5.5M over the 10-year capital plan which include work on our Remanufacturing and Repair shop facilities, shop facilities in Englehart & Cochrane and office buildings throughout our rail district.

#### Track

In FY2016-17 a field audit of Ontario Northland main track was conducted in order to assess overall track conditions relative to the tonnage and traffic levels handled (both passenger and freight). The following recommendations resulted: the installation of 52,500 track ties, and 15 miles of rail installed per year over the 10 years as well as a new grinding program for 40 miles of track grinded annually that extends the life of the rail, removing rail surface defects. Annual investment level averages \$22.8M over the 10-year capital plan to bring the track infrastructure assets into an acceptable SGR.

#### Rolling Stock

Ontario Northland plans to continue rehabilitating the aging rolling stock fleet, including locomotives, boxcars and passenger cars, over the next ten years. Major locomotive overhauls will be complete by year 8, while 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 emissions outputs. Ontario Northland will be looking at incorporating the purchase of new locomotives in the future CAMP as recommended by our third party consultants based on useful lives of our assets. Annual investment level averages \$2.2M over the 10-year capital plan.

#### Bridges and Culverts

Ontario Northland's bridge repair and maintenance plans were previously established and are updated annually. The program continues at an average annual level of \$15M per year until the end of FY2024-25 when it drops to a maintenance level of \$5.8M per year for the last four years of this capital plan. An annual bridge inspection is completed in order to set priorities for bridge repairs. It was recommended an escalated culvert program to upgrade the lower-grade culverts in the network, at a level of \$1.7M annually.

#### Equipment

Capital investment in Ontario Northland's other equipment averages \$1.7M annually; these funds are prioritized amongst all shop complexes to repair and replace aging tools and equipment.

### 5.2.2 Capital Program Accomplishments and Deliverables



The following are selected FY2019-20 capital program accomplishments, followed by a list of key deliverables being planned as part of this 3-year business plan.

#### **FY2019-20 Accomplishments**

1. Further improvement of the capital asset management plan following the initial development. The project involved utilizing Ontario Northland employee's experience through a series of workshops. The project resulted in a Capital Asset Policy and Strategy, steps forward for SGR calculation and project prioritization frameworks.
2. Process for auditing and verifying the Fixed Asset register has been implemented. These processes will result in all assets being verified over a five-year period.
3. Continued use of pre-commitment authority, which allows us to commit to future year capital work for better capital project management with short construction seasons.
4. Ontario Northland has developed a standardized naming convention for recording assets in the fixed asset register.
5. Ontario Northland continues to complete track inspections as part of its Rail Services operation, including track geometry and ultrasonic testing twice annually to inform ongoing rehabilitation activities. Additional inspections of bridges, culverts, buildings and motor coaches are performed by either third party or internal inspectors.
6. A dedicated capital Financial Analyst has been put in place to manage, evaluate and report on the capital asset management program.

#### **FY2020-21 to FY2022-23 Planned Deliverables**

1. Completion of models for state of good repair and capital prioritization model to assist in the decision making process for allocating limited capital funds.
2. Operationalize prioritization model to further assist in capital fund allocations.
3. Reconcile data gaps between fixed asset register and user group data with target completion within FY2020-21.
4. Continue to build on current and develop key performance indicators and desired levels of service for all asset categories.
5. Provide training on Capital Asset Management Strategy and Capital Asset Management Policy. Adjust operational procedures in accordance with the strategy and policy.
6. Develop desired levels of service for Asset Categories, and develop Capital Asset Management Plans by division or Asset Category.
7. Continue to build on Ontario Northland's 10-year capital plan in alignment with best practices to incorporate two capital groupings, one for state of good repair and another for new assets.
8. Develop long-term (30 year) CAMP for track infrastructure asset category (consider long term CAMP for other asset categories).
9. Continuously evaluate/apply for "non-traditional" funding sources to accelerate asset rehabilitation and renewal (e.g. Transport Canada's Rail Safety Improvement Program).
10. Build business case to implement Capital Asset Management Software.



## 7.0 Enterprise Risk Management

Ontario Northland will continue to grow its enterprise risk management practice while implementing its OPS risk framework-aligned strategy. This will include the development and communication of a risk policy for the organization. The risk profile of the organization has been elevated to the Commission through the addition of risk to the Audit and Finance committee, now called Audit, Finance and Risk Management Committee. The organization will focus on maturing the risk management process by moving beyond straightforward compliance with agency risk requirements in the Agencies & Appointments Directive and building a plan to integrate risk based decision making further into operations. The focus will be on rounding out the understanding of risk management through training and then measuring the maturity of the risk program on an annual basis. There will also be an increased focus on capital project risk by applying project management professional (PMP) practices and standardized project planning

### Objectives:

1. Completion of pension transition to PSPP through to the transfer of assets (reduces agency financial risk / sustainability)
2. Providing training for the executive on risk management
3. Operationalize risk management to ensure the identification of risks and corresponding mitigation strategies/tactics.
4. Leading the development of a strategic plan based on the revised mandate from government
5. Expand risk identification to include emerging risks

### Risk identification, assessment and mitigation strategies:

| Key Area                        | Risk Description / Mitigation  |
|---------------------------------|--|
| <b>ONTC Pension Plan merger</b> | The special payments to support the ONTC pension plan were not sustainable for the organization. The agency evaluated options and agreed to merge with Ontario Pension Board's (OPB) Public Service Pension Plan (PSPP), which was approved by government through OIC in March 2018. Effective May 1, 2018, Ontario Northland became a participating employer in the Public Service Pension Plan (PSPP). This meant that its employees became contributing members of the PSPP. Over the summer of 2018 Ontario Northland successfully concluded a pension merger agreement with OPB. The process of merging with the PSPP has several mandatory steps to complete. During FY2018-19, all of the notice requirements were met and filing with the regulator took place April 01, 2019. Financial Services Regulatory Authority (FSRA) provided final consent for the merger effective September 27, 2019. The merger with the PSPP will reduce Ontario Northland's cash flow requirements by about \$13M annually based on the cessation of special payments under the solvency relief program and the end of payments to the Pension Benefits Guarantee Fund. It should be noted that without solvency relief the <b>annual</b> special payments were projected to be in excess of \$32M. |



|   |   |
|---|---|
| <b>Motor coach will provide safe, efficient, reliable and responsible intercity bus services that connect communities</b>         | Access to sufficient capital to maintain an appropriate average age of the fleet, while adjusting service levels to meet passenger demand and maintaining customer and community satisfaction with the level of service provided.   |
| <b>Rail Services will safely, efficiently and reliably provide rail services that support economic prosperity in Ontario.</b>     | Global demand for mining, forestry, and agriculture will affect revenues. During this business planning horizon, a major mining customer will wind down its operations, delivering an immediate loss of nearly \$2M in revenue. Infrastructure maintenance will need to be carefully planned out to ensure consistent operating results while the 10-year capital rehabilitation program is taking place. Enhancing sales efforts to focus on many smaller opportunities including off-rail customers is a focus area.  |
| <b>Remanufacturing and Repair will deliver competitive services for Ontario Northland and customers throughout North America.</b> | <p>The ability to attract customers could be impacted by location and low cost competitors. Need to transform the mindset from maintenance shop to production line. This is a new business model in start-up mode. Market research will confirm revenue targets. Process improvement and lean manufacturing implementation will confirm organizational capacity to deliver to market needs. This change is meant to optimize asset utilization by also performing work for outside customers. This additional revenue, at full cost recovery, offsets costs and improves sustainability.</p> <p>Labour negotiations were successful in early 2019 resulting in a ratified 5-year collective agreement, providing crucial labour stability.</p> <p>Work with government to establish appropriate approval timeframes where required.</p> |
| <b>Rationalize real estate assets to focus on core transportation services.</b>   | Success of strategy may be impacted by a lack of interest in non-prime assets (the majority of surplus assets are small parcels of land in very remote areas with extremely low value, if any). In some cases, it will require more expense to divest the property than the actual value. Financial risk exists concerning the potential environmental remediation of properties as a past owner.   |
| <b>Provide innovative, efficient and effective corporate services to support the business units.</b>                              | Implementation of appropriate people, process, technology, partners and training is required to successfully enable the divisions to achieve their goals. This requires effective recruiting, succession planning, funding and leadership in order to align and continuously improve.   |



|  |  |
|--|--|
| <b>Organization structure and staffing required for successful transformation.</b> | The ability to retain, attract and succession plan remain significant challenges during this period of change for the agency.  |
| <b>Financial goals</b>   | Balancing financial goals of the province, stakeholder expectations for transformation (which are not entirely financial), and customer requirements/demands requires a significant amount of planning, communication, evaluation and reporting. The timeframe to successfully complete all objectives requires regular and ongoing evaluation and scheduling. |

## 8.0 Performance Measures

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

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

## 9.0 Human Resources

We will focus on Human Resources best practices to support the organization to reduce or contain operating costs and achieve business and service excellence. We will do this through initiatives to recruit



and retain top talent, improve employee engagement, support individual employee goal setting and achievement, and promote a culture of safety and wellness. By setting measurable objectives, we will remain consistently focused on continuous improvement to meet the needs of Ontario Northland operations. We will focus on the following three priority areas.

### ***Recruitment and Retention of Top Talent***

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

- Conduct employee engagement survey and utilize feedback to inform HR Strategic Plan and validate HR key performance indicators
- Establish ambitious yearly targets for our HR key performance indicators to ensure we continue to strive for HR excellence
- Develop matrix of required organizational-wide human resources and safety training requirements for staff
- Support yearly organizational performance management program to create culture of regular feedback and discussion of individual objectives to support organizational goals. Examine additional e-modules for coaching and feedback
- Ongoing improvement of data exchange and process alignment between HR and Payroll departments. Eliminate duplicate records and optimize payroll information system utilization
- Create manager-specific new employee orientation program
- Further develop Ontario Northland Workforce Strategy through introduction of e-succession to capture certifications and training and provide improved reporting on skills/training gaps, demographics, risks, and opportunities
- Examine opportunity to introduce paperless employee file system in HR.
- Audit HR policies and develop action plan to review and revise in order to ensure legislative compliance and alignment with HR best practices

### ***Organizational Health, Safety and Wellness***

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

- Provide HR due diligence training for all supervisors
- Optimization of incident management software capabilities to track and trend employee H&S incidents
- Yearly auditing of employee safety policies and processes to ensure that policies and processes are up to date and that there is an ongoing focus on continual improvement
- Roll-out of organization-wide training in the prevention of workplace violence, harassment, and discrimination
- Focus on Early & Safe Return to Work following both occupational and non-occupational illness to support our staff in their wellness and to contain costs associated with lost time



- Formalize Attendance Support Program to support staff to attend work, thereby reducing costs associated with absenteeism

### ***Labour and Employee Relations***

Management and the unions continue to work together to ensure the sustainability of Ontario Northland. In Human Resources we will continue to focus on positive and proactive solutions to labour and employee relations issues.

As of March 31, 2018 ONTC had 731 employees. The year-end target for active employees for 2019-20 is 740. For the first three quarters of 2019-20 ONTC has averaged 716 employees. The target for year-end 2020-2021 is 668.

### ***Executive Compensation Strategy***

The Executive Compensation Framework regulation came into force on September 6, 2016. It applies to all designated employers under the Broader Public Sector Executive Compensation Act, 2014 (“BPSECA”) and establishes requirements that designated broader public sector employers must meet when setting executive compensation. The framework requires all designated employers to have a written executive compensation program that describes the compensation they may provide to designated executives.

In 2017 ONTC engaged the Hay Group to provide independent expert advice on non-union compensation, including the establishment of the Agency’s Executive Compensation Program. The ONTC recognized the need to align compensation with organizations of similar mandate and activity in order to support the achievement of ONTC business goals and the ability to attract, retain and motivate key employees.

As part of this process, seventeen (17) comparable broader public sector organizations were identified and market data was compiled based on a benchmark of the 50th percentile of these organizations. No private sector organizations were included in the comparator market group, and all public sector comparators are Canadian organizations.

ONTC’s compensation philosophy is designed to ensure that ONTC is able to attract, retain, and motivate key talent in a manner that is competitive, affordable and aligned with ONTC’s business strategy. Information Technology Services.

## **10.0 Information Technology Services**

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

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



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

In FY2020-2021, ITS will introduce a number of software solutions aimed at containing expenses, gaining efficiencies and improving productivity, including:

- Review and improve technology security posture, including AV, firewalls and cyber risk prevention / mitigation strategy
- Migrate organization from on premise Microsoft Office suite to Office 365 (cloud-based)
- ONTC 5 year IT Roadmap (entire agency)
- Implement business intelligence (BI) reporting tool for dashboards and quick stats
- Introduce new/improved VoIP phone system features including auto-attendant, Jabber messaging and Outlook calendar integration
- Lead cross-functional team to evaluate asset management solution for ONTC

## 11.0 Legal and Realty

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

The Legal and Realty Department is responsible for providing:

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

In 2020-2021, the Legal and Realty Department will focus on:

- Completing the inventory of Ontario Northland's realty interests. Land and Realty will be a prominent part of overall agency requirements for a comprehensive asset management solution, including the use of a GIS-based software. Legal and Realty will participate in the asset management program as land and realty subject matter experts, including as part of a project team to evaluate and select an asset management solution, expected to take place over this business planning horizon.
- Completing the creation of contract templates and procurement documents and the implementation of contract management software throughout the organization
- Addressing physical legal records storage and management issues and increasing utilization of corporate records management tool
- Supporting the roll-out of incident management software



- Continuing to address Ontario Northland’s mining rights, interests and liabilities, including supporting the transition of oversight and expenses of existing sites to the Mining division of the MENDM and/or Infrastructure Ontario.
- Addressing legacy ownership issues and embarking on broader jurisdictional determinations
- Creating and implementing a Legal and Realty Department Services Request Policy, which will include the setting of service levels and standards of communication
- Building in-house legal expertise, with a focus on training and development

## 12.0 Marketing and Communications

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

The Marketing and Communications team is responsible for:

- Advertising and promotion
- Public relations
- Internal communications
- Brand management
- Corporate events
- Corporate Services Centre

### COMMUNICATIONS

As a government agency, Ontario Northland has heightened profile, attracts significant media attention, and has expectations from many stakeholders such as officials, the public, customers and business partners. In an effort to create positive relationships, the department shapes corporate communications, prioritizes media and external relations, and promotes the achievements of the organization.

The company’s reputation is managed through issues management, planning, and strategic communications and when needed, providing swift responses to issues as they arise.

In FY2020-21 communications focus will be placed on:

- Exploring new opportunities for community engagement and developing a strategic approach.
- Finding and strengthening internal communications channels to ensure employees are well informed of corporate initiatives.
- Further development of the department’s protocols.
- Finding opportunities for positive media coverage.
- Supporting compliance with French Language directive and meeting Accessibility for Ontarians with Disabilities Act (AODA) requirements through the development of tools and educations for internal use.

### MARKETING



The department also supports business growth across the organization by promoting products and services.

In FY2020-21 focus will be placed on:

- Creating effective data driven advertising campaigns for bus, polar bear express, rail freight and rail remanufacturing.
- Further growth of the company's social media assets.
- Supporting brand use and compliance through internal education and development of templates.
- Continue to enhance and improve the corporate website adding engaging content and tools to enhance customer's experience.

Research will be another area of focus by evaluating internal client satisfaction with Corporate Services via a survey and performing additional market research in the rail industry in order to provide effective marketing and communication products about current trends and issues for Ontario Northland's largest division. Work will continue with Passenger Services to monitor and respond to ridership looking for opportunities to grow ridership and revenue.