



An Agency of the Government of Ontario

Ontario Northland Transportation Commission
Annual Report 2021-2022

Land Acknowledgement

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

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Message from the Chair

It is a privilege to serve as Chair on this Commission. As I reflect on the past year, I am pleased to highlight some of the many successes Ontario Northland achieved.

The safety of employees, communities and customers continued to be the organization's highest priority this fiscal year. This was demonstrated by Ontario Northland's response to the COVID-19 pandemic. I commend the employees who worked through this challenging time, responsibly carrying out safety protocols and putting public safety above all else. Together, they demonstrated a commitment to deliver reliable transportation services ensuring that communities, people, and businesses were connected when they most needed it.

The Business Case for Northeastern Passenger Rail was strengthened this past year with data from two test trains that operated on the proposed route and community engagement sessions. In addition, the province released the Updated Initial Business Case on April 10, 2022, and announced an initial \$75 million commitment for the return of the service. Ontario Northland and the Commission look forward to continuing to work with industry, municipalities, and Indigenous communities to prepare to bring back this important service and continue to provide vital transportation solutions to the province.

The agency's freight trains carried large volumes of essential goods across vast distances this year and contributed \$44.5 million to overall revenue. By moving goods by rail, our customers have chosen a reliable partner to access the global supply chain conveniently and safely. A capital investment of \$40.6 million into rail infrastructure strengthened our essential rail line ensuring that Northeastern Ontario will remain connected for generations to come.

As a result of COVID-19, the manufacturing sector was impacted due to parts scarcity and delays in the global supply chain. Having our own in-house rail remanufacturing and repair centre during this time was an advantage for our operations. Our repair expertise was also sought out by many public transit and national railways during the pandemic, looking for an Ontario-made solution to extend the life of their equipment.

As shown in this Annual Report, Ontario Northland is committed to delivering on our mandate to connect communities with reliable transportation services. This organization is more than ready to meet the diverse and changing needs of Ontarians as the province and the world continues to evolve.

The Commission looks forward to providing oversight, while celebrating the achievements and major transportation enhancements that the organization is delivering for Northern Ontario.



Al Spacek
Chair

Message from the Interim President & CEO

It is with great pleasure that I share some of the many ways Ontario Northland has demonstrated resilience, creativity, and optimism in the face of new and changing priorities. Again this year, our organization adapted and evolved to meet the dynamic transportation needs of the province.

Our employees worked hard to keep communities and supply chains connected, as the pandemic continued to disrupt businesses and industries around the globe. The safe and resilient nature of our rail line ensured we remained a dependable shipping partner for businesses and a crucial link for Northern communities, who depend on safe, timely delivery of vital products.

Near the end of the fiscal year the total number of rail freight cars moving to and from Northern Ontario increased and ridership on our passenger train and motor coach services began to recover. Our continued investment in rail infrastructure ensures that we are poised to support the development of Northern Ontario's communities and facilitate their economic recovery.

At Ontario Northland, we are proud of our culture of continuous improvement. A cornerstone of this culture are the suggestions we receive from employees each year. Employee engagement has helped us modernize our operations and back-office processes as well as enhance our delivery of services. Our Enterprise Asset Management (EAM) program launched this past year and will further empower employees to make positive change in our organization. EAM will be implemented across all divisions of Ontario Northland over several years and will provide employees real-time access to data that informs decision-making and fosters meaningful planning and objective setting. The program will assist teams in proactively managing company assets and continuing to deliver critical transportation services.

Our focus on elevating employee well-being, productivity and engagement was deepened with the information we received from our employee survey. With a response rate of over 73%, we have meaningful data to help cultivate a greater sense of fulfillment, pride, and safety at work for all employees.

Our impact is far reaching and supports critical government priorities including but not limited to Health, Tourism, Job Creation, Indigenous Affairs, Economic Development, Environment and Climate Change, Post-secondary Education, Manufacturing, and more. Our employees are skilled and passionate transportation experts who understand the unique attributes of rural Ontario and deliver excellence to customers. Our reputation has led to Ontario Northland securing new rail freight and remanufacturing and repair customers as well as new revenue streams to deliver greater economic impact for Northern communities and the province.

Ontario Northland plays a pivotal role in connecting businesses and people with each other and the world.



Chad Evans
Interim President and CEO

Vision, Mission, Values & Mandate

Vision

Ontario Northland will be the transportation leader in Northern Ontario, providing efficient, valued, and vital transportation solutions, including rail passenger and freight services, motor coach service, 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, progress 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.

Mission

We move people, we move goods, and we move the organization forward. As an agency of the Crown, Ontario Northland supports and fosters economic development, job creation and community sustainability across Northern Ontario. Our vital transportation services promote access to work, health care, education, and the movement of goods and delivery of services within the region and between Northern Ontario and other regions throughout North America.

Ontario Northland is critical to the growth and prosperity of Northern Ontario and connects with 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 and integrated passenger network.

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. These values include:

- Accountability
- Customer Satisfaction
- Positive Team/Work Environment
- Safety
- Continuous Improvement

Mandate

Ontario Northland is committed to connecting the North and ensuring safe transportation options for people and freight. The mandate letter delivered on October 1st, 2020, detailed expectations for the agency to deliver high-quality service to Ontarians in keeping with its several key priorities, including:

- Competitiveness, sustainability, and expenditure management
- Transparency and accountability
- Risk management
- Workforce management

- Data collection
- Digital delivery and customer service

In addition to the above priorities for all agencies, Ontario Northland was directed to:

- Support the economic recovery after COVID-19
- Deliver safe, efficient, and reliable transportation services to Northern Ontario
- Improve efficiency and long-term sustainability of Ontario Northland's operations and business lines
- Implement a capital asset management plan
- Focus on accountability and governance.

Governance

The Ontario Northland Transportation Commission is an agency of the Government of Ontario. It was established by government in 1902 under the *Ontario Northland Transportation Commission Act* (ONTC Act). Ontario Northland is accountable to the Minister of Transportation for fulfilling its mandate and carrying out the roles and responsibilities of the ONTC Act. Directors are appointed to the Ontario Northland Transportation Commission by the Lieutenant Governor in Council and go through an application process established through the Public Appointments Secretariat.

Reporting Structure

The President and Chief Executive Officer is accountable to Ontario Northland's board of directors (the Commission), which is comprised of a Chair and Commission members, each of whom have been appointed by the Province of Ontario. The Commission is accountable to the Chair of the Commission who in turn reports to the Minister of Transportation

Commission Members	Appointment Start	Appointment End	Remuneration April 21- March 22
Al Spacek, Chair	May 6, 2021	January 27, 2025	\$ 1,100.00
RJ Falconi, Vice Chair	January 9, 2020	January 27, 2025	\$ 6,100.00
Roberta Sawchyn, Director	July 29, 2021	July 28, 2024	\$ 700.00
Randy Nickle, Director	December 6, 2019	December 15, 2024	\$ 2,900.00
Doug Bender, Director	January 7, 2021	January 6, 2024	\$ 1,300.00
Lynne Innes, Director	January 6, 2022	January 5, 2024	\$ 200.00
Tom Laughren, Former Chair*	March 11, 2015	October 21, 2021	\$ 10,050.00

*Remuneration for two years of expenses.

Commission Committees

The Commission has established the following three committees to assist with oversight and governance for the 2021-22 fiscal year.

- Audit, Finance and Risk Management Committee: Committee Chair - Vacant
- Human Resources Committee: Committee Chair - Vacant
- Governance Committee: Committee Chair - RJ Falconi

All Board Members were also a member of each Committee.

Executive Team:

Interim President & Chief Executive Officer	Chad Evans
Vice President of Transportation	Drew Duquette
General Counsel	Donna Jaques
Senior Director of Passenger Operations	Tracy MacPhee
Chief Human Resources Officer	Danielle Baker

Introduction and Context

Ontario Northland is vital to the people and businesses of Northern Ontario. The organization continued to deliver reliable transportation services to connect people and businesses. Ontario Northland has been doing this for 120 years and has become a trusted partner with many of the communities it serves, including Indigenous communities.

The COVID-19 pandemic presented the organization with many challenges that employees worked hard to overcome. Remote work, a mandatory vaccination policy for employees, and enhanced safety measures were put into place to reduce the risk of spreading the virus. As expected, there continued to be substantial impact on revenues and ridership due to limited capacities and temporary reductions in the frequency of service. The Cochrane Station Inn experienced a significant decrease in occupancy levels from pre-COVID levels and the Polar Bear Express passenger train's dining car was suspended temporarily. Nearing the end of the fiscal year, protective health measures began to lift, and the agency saw ridership and revenue increase as Ontarians began to travel again.

Ontario Northland's rail services division demonstrated its value this past year by quickly adapting, showing supply chain resilience, and remaining reliably steady for customers in alignment with the priority outlined in the mandate letter to support economic recovery. Rail shipments increased overall and freight customers in the region commended the organization for its consistency and commitment to the economic well-being of the North.

The rail division continued its work on a multi-year rail modernization plan which aims to improve freight service, expand transloads, enhance customer service, and increase safety. Initial steps were taken this year towards the introduction of container shipping and increasing transload usage.

As guided by the mandate letter, Ontario Northland also made some significant investments in rail infrastructure with 17.6 miles of rail upgraded this fiscal, 90.71 miles of rail grinded, and 58,591 ties replaced. This, in addition to upgrading 13 crossings, 4 crossing signal systems and 43 culverts shows the agency's commitment to rail safety and customer service as it improves the reliability of its transportation network.

The Remanufacturing and Repair Centre (RRC) worked to ensure production continued despite challenges with the supply chain and attracting talent. RRC was filled with a diverse number of projects from customers throughout North America. The largest project in RRC, a multi-car transit refurbishment contract, made significant progress with prototyping and engineering work setting the stage for more fulsome production in the coming year.

Intercommunity motorcoach services continued to improve Ontarians' access to hospitals and health centres, educational institutes, as well as other transportation providers. Connections to GO Transit and the TTC were expanded in Toronto, with a new bus stop added at King City GO. As outlined in the business plan, the agency implemented seamless ticketing on select trips connecting Ontario Northland bus service to GO Transit, with tickets for both services available for sale on the Ontario Northland website improving the customer experience.

The Polar Bear Express passenger train service continued to be the only all-season land link between Cochrane and Moosonee, providing vital access to services and opportunities for Moosonee residents and Indigenous communities along the James Bay Coast. Ontario Northland worked closely with community leaders and public health agencies to respond to the enhanced safety measures to protect remote communities.

2021-2022 Stats:

MOVING PEOPLE

- 26,299 passenger trips were fulfilled on the Polar Bear Express passenger train between Cochrane and Moosonee
- 167,676 passenger trips were fulfilled on Ontario Northland motor coaches

MOVING GOODS

- 40,085 carloads moved
- 5.4 million kilograms of express freight shipments were delivered between Moosonee and Cochrane. Commodities included medical supplies, household goods, food, and other essential supplies.
- 3,131 vehicles transported between Moosonee and Cochrane
- 38,060 bus parcels carried

EQUIPMENT AND INFRASTRUCTURE

- 32 active locomotives
- 38 in-service motor coaches
- 854 miles of track maintained (1,374 kms)
- 675 miles of mainline track (1,086 kms)
- 461 rail crossings
- 93 rail bridges
- 2100 culverts
- 508 switches

EMPLOYEES

- 746 employees
- 23.1% of the workforce – identify as a woman
- 3.8% of the workforce identify as women in the trades
- 5.2% of employees identify themselves as Indigenous
- 6.5% of employees identify themselves as a visible minority
- Ontario Northland's participation rate for individuals who identify as women is 10% higher than the Rail Transportation industries' (13%) and 11% higher than the Truck Transportation industries' (12%).

Performance Highlights

Safety

To support employee health, safety, and wellness, Ontario Northland focused on providing staff with tools and resources to assist identification, management, and mitigation of health and safety risks. Elements of this past year's work, as guided by the business plan included:

- Due diligence training for all supervisors
- Yearly auditing of employee safety policies and processes
- Organization-wide training in the prevention of workplace violence, harassment, and discrimination

Early and safe return to work initiatives following both occupational and non-occupational illness to support staff.

A Rail Safety Culture Assessment was completed this year. The aim of the survey was to gather information on employee perceptions of safety. Three key themes were identified from the results: communication, making safety a priority, and building trust. The survey was followed by an action plan based on the themes with tactics that will be carried out over the next few years.

Ontario Northland continued to enhance safety competencies by hiring hazard control methodology experts to assist and support leaders with their health and safety responsibilities, such as accident investigations, job safety analysis, hazard/risk assessments, and hazard control.

Training on human trafficking recognition and response was delivered to 55% of Ontario Northland's motor coach operators. This training focused on identifying the signs of human trafficking and reporting suspected cases to the Canadian Human Trafficking Hotline.

The target for lost time injury frequency was not met this fiscal year. Root cause analysis of injuries has highlighted the need to prioritize safety at all levels of the company. The analysis also identified that many of the injuries are a result of employees not taking sufficient time, placing efficiency ahead of safety. Planning and preparation work began in the last fiscal for an internal safety campaign, improved training, and a safety recognition program to correct course next fiscal.

COVID-19 Impacts and Response

Ontario Northland continued to effectively and responsibly overcome the challenges presented by the pandemic. Guided by the mandate letter, the organization continued to prioritize the safety and health of passengers, employees and the communities served, and adapted operations and services based on best practices and the advice of Public Health authorities. Staff demonstrated resiliency, optimism, and a true spirit of collaboration to ensure the agency was able to safely meet the critical transportation needs of Ontarians.

Like many organizations across the globe, Ontario Northland's Information Technology Services department continued to experience higher than normal demands in their support of remote work.

The Canadian manufacturing industry was impacted by a slowed global supply chain making parts and materials complex and more expensive to source. This impacted all the operational areas of the company.

The Ontario Northland Pandemic Response Committee continued to work with employee groups to evolve the organization's processes and procedures to adapt to the recommendations set forth by government and public health. Examples of this include the implementation of a mandatory vaccination policy for employees and contractors, health screening requirements, a framework to support remote work, and the release and/or revision of 28 Standard Operating Procedures (SOPs). Onsite vaccination clinics were held at work locations in North Bay, Englehart and Cochrane in partnership with the local public health agencies.

Frequent internal communications about COVID-19 and its impacts were distributed through multiple communications platforms to educate and provide clarity to employees, stakeholders, and partners. All employees completed the COVID-19 Prevention and Management e-learning module, learning how to protect themselves and others from the spread of the virus.

As outlined in the business plan, Ontario Northland continued to enhance health and safety protocols to address COVID-19 risks. Promotion of safety protocols to passengers was a focus with mandatory masks on transportation for much of the fiscal year and reduced seating capacity on all passenger services. To enhance on-board safety, air purification units were installed in all motor coaches and Polar Bear Express passenger cars to improve air quality and reduce the risk of transmission.

The COVID-19 Pandemic Response Committee and the Pandemic Policy remained in effect for the entire fiscal year and will continue until the risk and impacts of COVID-19 are reduced.

People and Culture

The labour market in Northern Ontario and Canada became increasingly competitive this fiscal. Attracting and retaining skilled tradespeople, business professionals and rail workers proved to be more difficult compared to previous years. This is attributed to retirements, the pandemic, little immigration to Northern Ontario, and a skilled trade labour shortage. The 'Company You Keep' advertising campaign was launched in the last quarter to assist recruiting efforts. This targeted campaign will continue into next fiscal and is aimed at increasing awareness about available positions and the benefits of working at Ontario Northland.

Indigenous cultural awareness training was delivered to the senior leadership team and was well received.

The Information Technology Services department continued phasing in Microsoft 365 to the organization with the aim to enhance productivity and make online collaboration easier. This fiscal, the team finished rolling out the upgrade to all locations, delivered employee education, and refreshed the company's intranet making it mobile-friendly and more accessible for non-desk workers.

Webinars on respectful workplace, mental health, asset management, and training on software tools were delivered. These webinars were recorded throughout the fiscal year and since accumulated into a library of video training that continues to be helpful for new employees.

Enhancing internal communications was a focus this past fiscal year with respect to driving engagement, supporting organization change, and improving overall effectiveness. Reaching non-desk workers was a priority as 65% of employees work in an operational capacity with limited access to technology in the workplace. Highlights for internal communications this fiscal year included:

- Launch of an internal communications app called The Dispatch. The app pushes important notifications to employees, provides a centralized platform for important links, and files and helps to foster a sense of community through a centralized photo-sharing tool.
- Production of the ON News, the company's quarterly newsletter that reaches employees and pensioners.
- Data and valuable feedback were gathered from an engagement survey. This information was used for strategic planning and measured perceptions about workplace culture. The survey collected a wide array of input with an employee response rate of 73%.

Communications and External Relations

Ontario Northland's brand and reputation continued to be enhanced by focusing on issues management strategies, planning, stakeholder relations, and strategic communications.

Marketing efforts supported ridership recovery with the use of effective data-driven advertising.

Social media channels grew by 13% and were used to tactfully communicate essential information to external stakeholders and partners. This included service changes and COVID protocols, as well as marketing promotions, job opportunities and company highlights.

The organization continued to foster positive external relations through community engagement activities, supporting 2SLGBTQIA+ outreach programs, Indigenous youth groups and much more.

The average media sentiment score for this fiscal was 87% positive or neutral and over the year reached demographics across the province with direct mentions of the company in nearly 2,000 news articles. Most notable media attention was regarding the test train from North Bay to Toronto for the Updated Initial Business Case for Northeastern Passenger Rail and expansion of services in the northwest.

Ontario Northland continued to engage northern and Indigenous communities and partners to achieve long-term and sustainable outcomes. Most notable external engagement activities included:

- Virtual engagement with select community leaders, First Nations and Political Territorial Organizations located in Northeastern Ontario to better understand the needs of communities and Indigenous partners, and to include their feedback in the Updated Initial Business Case for Northeastern Passenger Rail.
- The agency led two bi-annual meetings with mayors in Ontario Northland service area providing an opportunity to share service updates, coordinate transportation planning and collect feedback.

- Monthly calls to discuss passenger train operations, COVID-19 risks and protocols were held with First Nation Chiefs from the Mushkegowuk Territory, the Town of Moosonee, public health officials and other community leaders.

Customer Experience and Focus

Ontario Northland continues to explore new strategies to deliver value to customers.

An Accessibility Advisory Committee was formed this fiscal year in the Passenger Services division. This committee consists of passengers with a range of abilities and experiences aimed at enhancing accessibility at Ontario Northland. To date the committee has completed some governance and foundational work and looks forward to providing more input into the organization in the coming year.

The creation and implementation of a customer charter was completed this year. The charter outlines the Passenger Services philosophy and commitment to passengers. It highlights that Ontario Northland's service is based upon true northern hospitality and ensures customers are heard when they reach out, and that they feel welcome when travelling or using services. The charter includes four commitments aimed at creating the best possible service and experience. These include:

- To make every effort for passengers to travel without delays
- To provide expert service
- To ensure passengers' experience is safe and comfortable
- To respond quickly when passengers and customers need help

The commitments are measured through performance measures on a quarterly basis and are posted on the Ontario Northland website for full transparency and accountability.

As outlined in the mandate letter, a priority was to explore and implement digitization, or digital modernization strategies, for the provision of services online while maintaining and exceeding customer service standards through transition. One of the ways the organization fulfilled this was the addition of a live chat feature to the website. The live chat connects passengers to a Customer Service Representative and proved to be an effective tool during peak communication intervals. The tool has enhanced communication and continues to elevate the customer experience when engaging with Ontario Northland.

To address the business plan deliverable of continuing to optimize bus service, creating new connections and new stops was a priority to increase access to bus service throughout Ontario Northland's service area. New connections and stops included:

- An airport connection service, launched in partnership with Metrolinx to provide passengers with an improved seamless bus transportation option to reach Pearson International Airport.
- A new bus stop to serve the township of Manitouwadge, located in northwestern Ontario off Highway 17. The stop is located at a Ministry of Transportation rest area, improving safety and convenience for passengers and drivers.
- After considerable community outreach, an agency location was secured in Kenora alongside Highway 17 East. The new agency location is central and provides an ideal waiting space for passengers, as well as customers shipping and receiving parcels.

- A partnership with a private freight carrier to provide Bus Parcel Express to and from the communities of Chapleau and Foleyet.
- A new stop was added in Barrie at the Allandale Waterfront GO Station to connect with Simcoe County LINX or GO Transit to Union Station
- New access to Union Station Bus Terminal was created for all trips in and out of downtown Toronto.

The agency will continue to optimize bus service by evaluating ridership and parcel activity to assess the need for a bus stop, flag stop or no stop as operations continue.

Accountability and Governance

Ontario Northland continued to modernize processes to improve accountability and ensure compliance to legal requirements. Recent examples that reinforce accountability to the Ministry of Transportation include:

- Supporting the modernization of the ONTC Act with legislative amendments passed in 2020 and 2021.
- An information management initiative to modernize Ontario Northland records and data management, privacy, and information security to achieve compliance with the applicable directives, as guided by the mandate letter.
- Ongoing work with the Ministry of the Environment, Conservation and Parks to update Ontario Northland's - assessment requirements under the Environmental Assessment Act through the development of updated regulations.
- The introduction of a process for providing comments to municipalities in Ontario Northland's service area relating to development applications impacting the Ontario Northland property and, through the Ministry of Transportation, on Official Plan Updates of municipalities in Ontario Northland's service area.
- Updates to the organizational by-law of the Ontario Northland Transportation Commission to reflect changes in the Ontario Northland Transportation Commission Act and best practices in crown corporation governance, subject to Minister's approval.
- The creation of a Commission policy on diversity and inclusion.
- The establishment of a clear and consistent process and approach to consultation with Indigenous communities relating to Ontario Northland capital projects.
- Establishment of an environmental program to monitor compliance with environmental laws.
- Establishment of a Sustainability Committee to support initiatives relating to climate change, reduction of green house gas emissions, and impacts of operations on the natural environment.

Asset Management, Planning and Change

Since introduced in 2021, implementing the Enterprise Asset Management (EAM) program, a planned deliverable detailed in the business plan, has enhanced Ontario Northland's ability to plan for the timely renewal of equipment and plan for appropriate inventory to help avoid mechanical failures and strengthen the culture of safety. As outlined in the mandate letter, the company has prioritized developing business capabilities to adhere to asset management principles and support the organization to mature Enterprise Asset Management practices in accordance with industry standards. A highlight for this fiscal year was the launch the Asset Management Policy

and Data Standards, a project milestone and important initial step in the company's Asset Management journey.

The EAM project team built a solid foundation this fiscal year, capturing over 430 unique characteristics that the EAM software, system, and processes will need to effectively manage Ontario Northland's \$866 million of assets. Over the next three fiscal years, EAM will be implemented beginning with motor coach operations, followed by rail freight and infrastructure.

Strategic planning was also a focus with work beginning on a renewed vision and values for the organization.

The company's Project Management team completed 8 projects this fiscal year, most notably a compliance program for the commercial vehicle operators' program for the motor coach division, and Microsoft 365 implementation.

Much progress was made on the Updated Initial Business Case for Northeastern Passenger Rail. Operating times, infrastructure conditions, and community input were gathered. By the end of the fiscal year, a draft was prepared for publication which was subsequently released publicly on April 10, 2022.

Financial Highlights and Performance

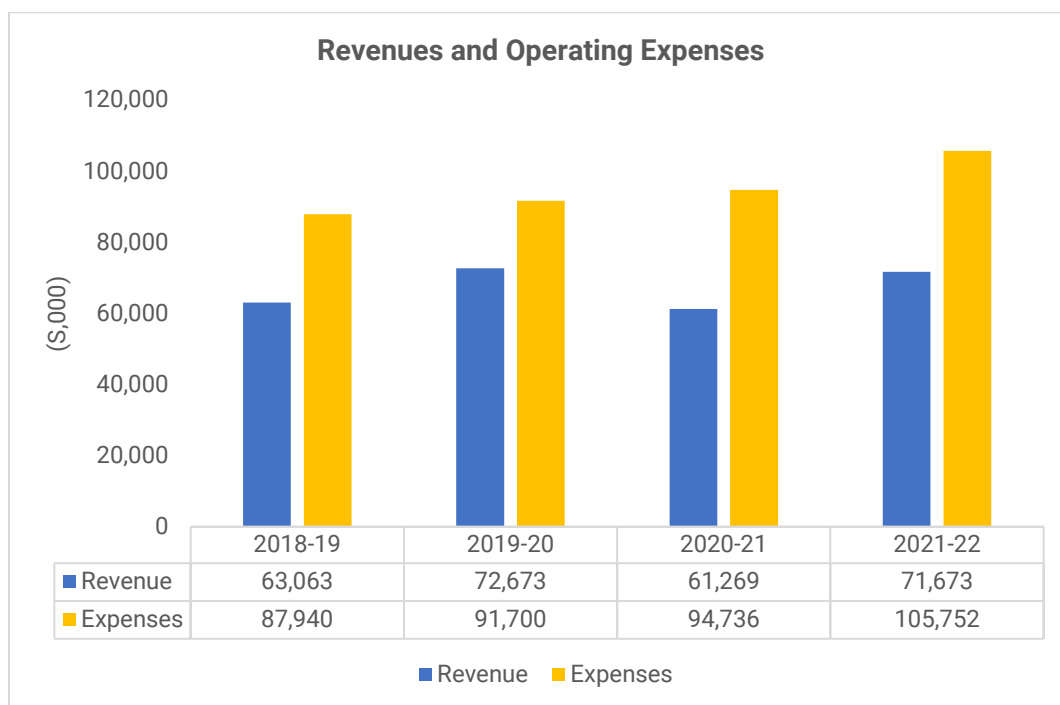
During the year, Ontario Northland responsibly delivered on its mandate to deliver essential regional transportation services while managing its operating funding. Overall, COVID-19 had a net impact of \$10.3 million, which included loss of revenues of \$9 million and additional expenses of \$1.3 million for safety measures. The agency continued to provide stability to rail freight customers, and passengers needing to travel for essential reasons.

Ontario Northland generates revenue from rail freight, passenger rail, motor coach services, and remanufacturing and repair services.

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

Ontario Northland saw an improvement across all divisions with respect to the generation of income. The greatest percentage improvements were in Motor Coach Services ([see ridership](#)), with an increase of 64% as passengers increased their travelling with the lifting of the pandemic restrictions and Remanufacturing and Repair Services with an increase of 60%, from the 2020-2021 fiscal year as work ramps up on large refurbishment contract. Rail revenue increased slightly from the previous year (3%) which was in line with an increase in the number of cars handled, however, this is still 6% below pre-pandemic levels as the mining and forestry industries continued to be impacted by COVID-19.

Ontario Northland's operational [expenses](#) increased by \$11 million, with the greatest impact being in materials and parts as well as services, due to inflation and fuel prices.



Net loss represents the excess of expenses, including amortization and employee future benefits, over revenues earned in the fiscal year, Ontario Northland ended the year with a total net loss \$11.3 million.

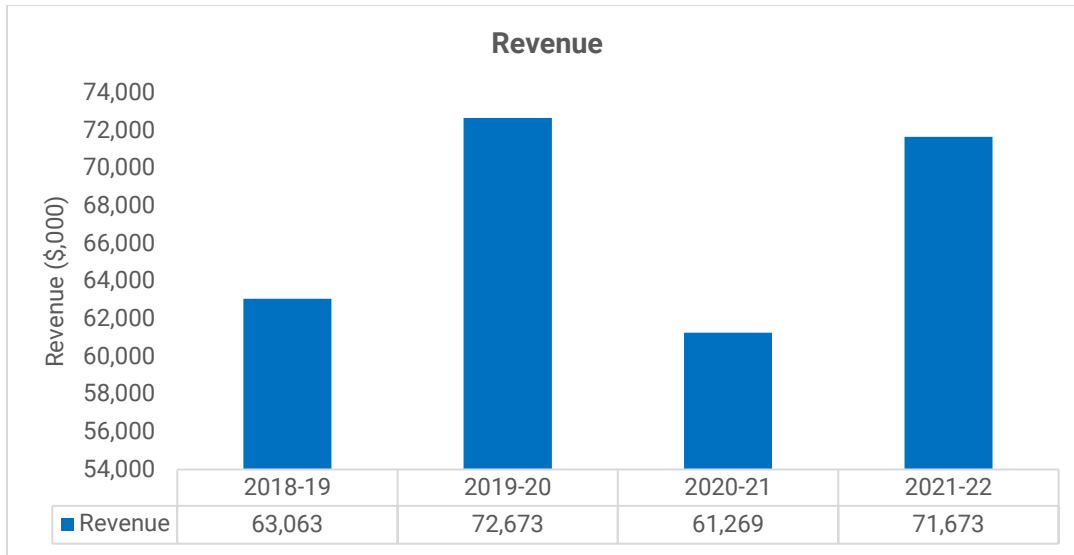
Capital expenditures for the year were \$62.3 million which was \$1.2 million (2%) below the annual budget of \$63.5 million, despite supplier and contractor issues related to COVID-19.

Revenue

Ontario Northland's total revenue for the 2021-2022 fiscal year was \$71.7 million, which was approximately \$1.4 million (2%) more than budgeted because of higher-than-expected rail revenues and \$10.4 million (17%) more than prior year with an increase in ridership levels and a ramp up of a large refurbishment contract. Most of the revenue was generated from Rail Services, totaling \$44.5 million. Remanufacturing and Repair Services generated \$11.7 million in revenue while Motor Coach Services generated \$9.4 million of revenue. Polar Bear Express services, which includes, Cochrane Station Inn, Express Freight and auto-carrier revenue totaled \$5.9 million. Other revenues include revenues such as lease revenue and amount to \$0.2 million.

Revenues by year (2018-19 to 2021-22) are shown below.

Financial Report	2018-19	2019-20	2020-21	2021-22	2021-22	2021-22	2021-22	2021-22	2021-22
(\$000's)	Actual	Actual	Actual	Actual	Budget	\$ variance over budget	% variance over budget	\$ variance over prior year	% variance over prior year
Motor Coach Revenues	12,896	13,316	5,738	9,427	9,656	(229)	-2%	3,689	64%
PBX Revenues	6,609	7,469	4,661	5,867	5,202	665	13%	1,206	26%
Rail Services Revenues	39,223	47,005	43,398	44,502	40,819	3,683	9%	1,104	3%
Remanufacturing & Repair Services Revenue	4,174	4,704	7,304	11,698	14,584	(2,886)	-20%	4,394	60%
Other revenues	161	179	168	179	50	129	258%	11	7%
Total Revenues	63,063	72,673	61,269	71,673	70,311	1,362	2%	10,404	17%



Rail Services continues to be Ontario Northland's core and primary revenue generation business, contributing \$44.5 million in revenues to the organization. The majority of rail revenue is derived from four major customers in the mining and lumber industry. In 2021-2022, rail revenues saw a \$1.8 million impact due to a decrease in newsprint revenues related to COVID-19. This was offset by increases in other rail revenues, such as haulage, switching and storage, which brought revenues to \$1.1 million (3%) over prior year and \$3.7 million (9%) over budget.

Scheduled and chartered motor coach services contributed \$9.4 million of revenue, which was a \$3.7 million (64%) increase from the previous year and below budget by \$0.2 million (2%). Over the past year, ridership recovered lower than assumed in the 2021-2022 budget as the province experienced multiple waves of COVID-19. Specifically, Ontario Northland had \$5.6 million of lost revenues in motor coach services in 2021-2022 due to the pandemic, attributed to a reduction in scheduled routes through the year and a decrease in ridership levels over projected levels.

The Polar Bear Express passenger train contributed \$5.9 million in revenue to the organization, which was an increase of \$1.2 million (26%) from the previous year and above budget by \$0.7 million (13%). COVID-19 impacted revenues with \$1.6 million of lost revenues in 2021-2022 as ridership levels had still not returned to pre-pandemic levels, although ridership did increase over the prior year by 96%. Included in Polar Bear Express revenues is \$1.1 million of Express Freight revenues, \$0.6 million of auto-carrier and \$0.4 million in Cochrane Station Inn revenues.

Remanufacturing and Repair Services met its mandate by delivering external customer work at full cost recovery. It contributed \$11.7 million in revenue, an increase of \$4.4 million (60%) from the previous year, due to external rail freight car, passenger car repair and locomotive work. The target was set at \$14.6 million but came in below target by \$2.9 million (20%), due to project scope and schedule changes as well as supply chain constraints. As detailed in the business plan, the Remanufacturing and Repair Service was able to complete external projects and reduce overall agency subsidy.

Expenses

Operating costs (before other items such as amortization, inventory write-offs, employee future benefits, etc.) for the year were \$105.8 million or \$14.1 million (12%) less than budget and \$11 million (12%) more than the prior year.

Operating expenditures by year are shown below.

Financial Report	2018-19	2019-20	2020-21	2021-22	2021-22	2021-22	2021-22	2021-22	2021-22
(\$000's)	Actual	Actual	Actual	Actual	Budget	\$ variance over budget	% variance over budget	\$ variance over prior year	% variance over prior year
Labour and benefits	49,900	51,099	53,069	58,409	72,001	(13,592)	-19%	5,340	10%
Materials and parts	16,824	17,770	16,902	22,146	21,893	253	1%	5,244	31%
Services	7,323	7,196	8,292	10,520	8,583	1,937	23%	2,228	27%
Supplies and equipment	4,144	4,264	5,232	5,202	5,414	(212)	-4%	(30)	-1%
Other	9,749	11,371	11,241	9,475	12,014	(2,539)	-21%	(1,766)	-16%
Total Expenditures	87,940	91,700	94,736	105,752	119,905	(14,153)	-12%	11,016	12%
Net Loss (before other items)	(24,877)	(19,027)	(33,467)	(34,079)	(49,194)	15,115	-31%	(612)	-2%

The large expense variances can be explained as follows:

Labour and Benefits, which is the agency's largest expense and makes up 55% of all expenses, increased by \$5.3 million (10%) to \$58.4 million from the prior year, due to annual cost of living adjustment, additional FTE's for COVID-19 protocols, full year costs of bus expansion included in the 2021-2022 budget as well as additional FTEs to support a large refurbishment project and corporate initiatives, such as the Enterprise Asset Management Program. However, Labour and Benefits were \$13.6 million (19%) below budget partly due to difficulties obtaining resources in certain areas of the organization, such as skilled trade employees and engineers and conductors within Rail services and professionals within Corporate Services and the reallocation of employee future benefits.

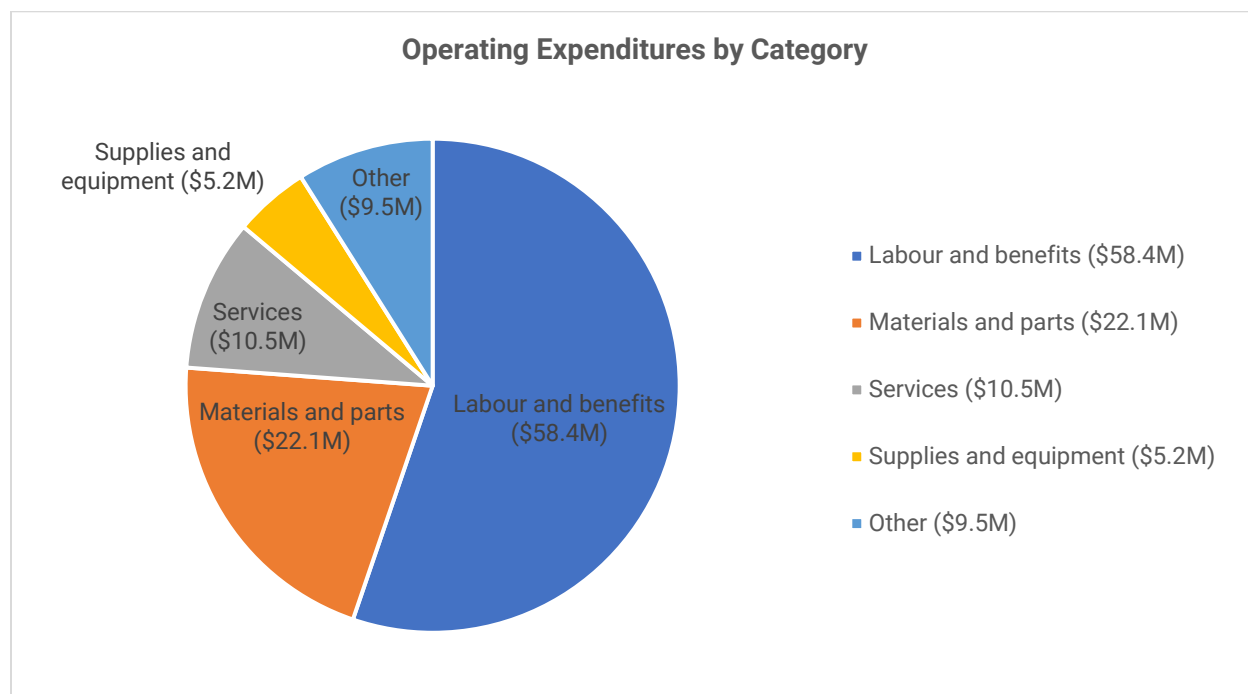
Materials and Parts increased by \$5.2 million (31%) to \$22.1 million from the prior year and was \$0.3 million (1%) over budget, primarily due to external contracts at the Remanufacturing and Repair Centre, a 45% increase in fuel prices compared to the prior year and the related increase in services throughout the year compared to prior year.

Services increased by \$2.2 million (27%) to \$10.5 million from the prior year and \$1.9 million (23%) over budget, due to an increase in repairs required in the agency's facilities, consulting engagements, along with a full year of bus expansion services and an increase in cleaning protocols associated with the continued Pandemic.

Supplies and Equipment expenses decreased 1% from the prior year and decreased \$0.2 million (4%) over budget, due to small utility expenses savings.

Other expenses, include items such as insurance, property taxes, software fees, rail freight car rental, travel expenses and training, were \$1.8 million (16%) below prior year and \$2.5 million

(21%) below budget due to underspends in many areas of the agency such as less travelling occurring due to the pandemic.



Year-end actuals are inclusive of savings from the implementation of business improvement processes to achieve better value-for-money, as detailed in the mandate letter. Ontario Northland is committed to help find efficiencies and achieve better outcomes at a lower cost base.

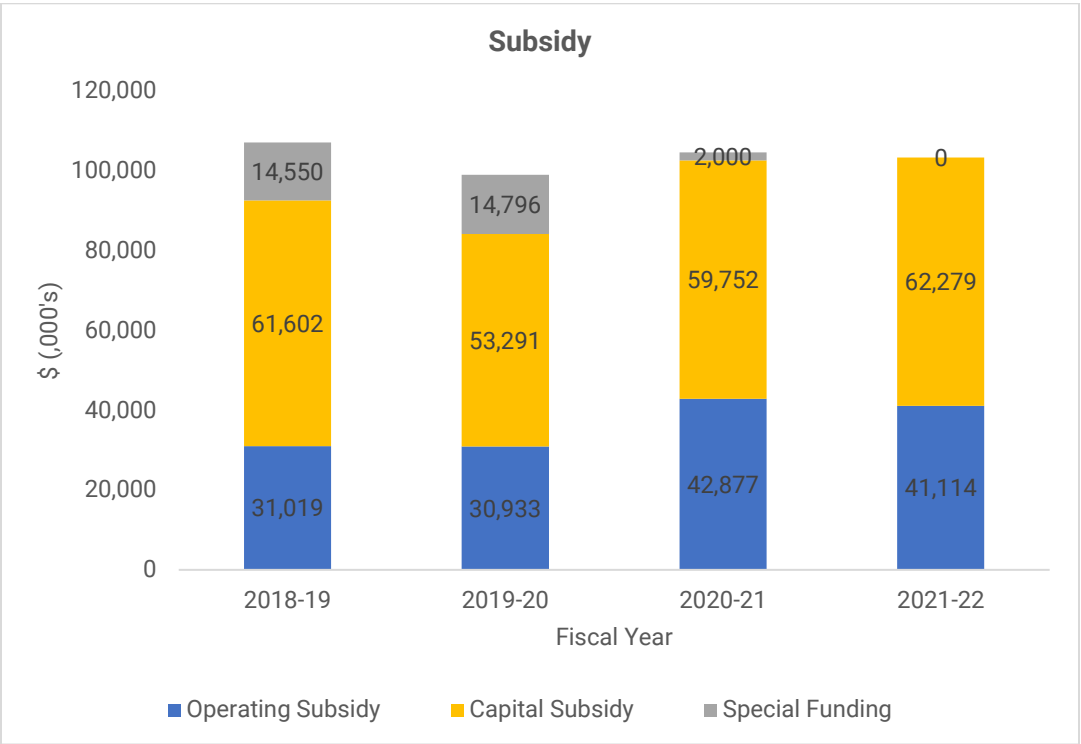
Operating Subsidy

The Province of Ontario provides Ontario Northland with an operating subsidy of operating expenses less revenue, employee future benefits, proceeds from sale of assets and principal payments made on a loan to ensure Ontario Northland has sufficient funds to operate, to fulfil its mandate. Ontario Northland received approximately \$41.1 million in operating subsidy from the Province of Ontario in 2021-2022, which is a decrease of 4% over prior year and below budget of \$43.1 million by 4%. This improvement was realized despite the provincial lockdowns/restrictions and multiple waves of COVID-19 that were not anticipated or planned for at the time Ontario Northland completed its 2021-2022 Budget.

Overall, the impact on Ontario Northland from COVID-19 was \$10.3 million. There was a \$9 million loss of revenues due primarily to a decrease in ridership along with an increase in expenses of \$1.3 million with additional safety protocols and materials purchased related to the pandemic. In the below chart, you will see the impact COVID-19 has had on Ontario Northland's operating subsidy levels between 2019-2020 to 2020-2021 and the continued impact for 2021-2022.

The Polar Bear Express Services, which includes the passenger train and a freight train, equals \$18.3 million in funding to provide essential connections to the communities of Cochrane and

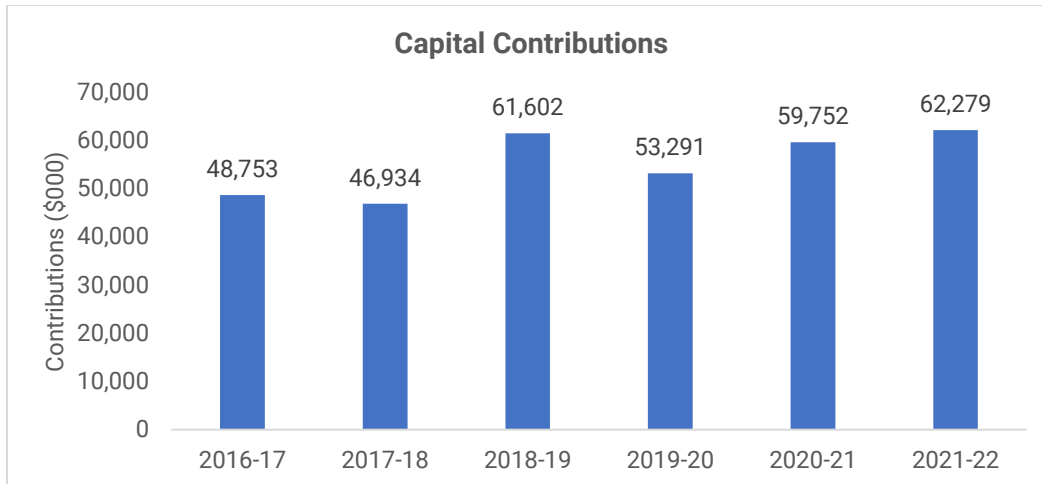
Moosonee. It is the only all-season land link to Moosonee, providing a vital connection for the municipality and the Indigenous communities of the James Bay Coast.



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

Capital Funding and Investments

Capital contributions increased by \$2.5 million (4%) to \$62.3 million in 2021-2022, of which \$61.9 million was provided by the Province of Ontario and \$0.4 million was provided by National Transportation Agency of Canada. The increase in funding was partially due to increase in inflationary costs to maintain the rail capital program along with funding received from the implementation of Ontario Northland’s Enterprise Asset Management (EAM) program. Details of the capital investments made throughout the year are summarized below.



Capital Investment

Capital asset management plan initiatives forecasted in the business plan for the fiscal year were 92% successfully achieved and came in 98% on target. The following represents a breakdown by division of capital investments.

Rail Services capital expenditure totaled \$58.7 million. These funds were utilized to continue Ontario Northland's aggressive infrastructure maintenance schedule. Total investment in Rail Infrastructure was \$40.6 million, along with an investment of \$18.1 million in Buildings and Equipment. Below is a list of some of the capital work completed:

- Capital rehabilitation work included: 5 bridges; 43 culverts and 3 deep dig culverts; 13 crossings; 4 crossing signal system upgrades; 194.89 miles of track surfaced and lined; 90.71 miles of rail grinded; 58,591 ties replaced; and 17.6 miles of rail upgraded.
- Upgrades to multiple buildings, including the North Bay Diesel Shop, North Bay Car Shop, North Bay Wheel Shop, North Bay Office, Englehart Bunkhouse, Cochrane Stores Shop. Improvements included roof replacements, replacing aged windows, kitchen upgrades, heating/cooling units, and lighting and electrical upgrades.
- Major equipment upgrades included: the purchase of an outdoor forklift for larger freight movements in Cochrane, a set of four 50-ton portable electric screw jacks, 2 switch grinders, a wheeled excavator, a snow fighter, 82 used gondolas, 5 flat cars and locomotives which will be overhauled to replace end-of-life units.
- Technology upgrades included: the installation of 24 strand fibre-optic cable between two of the main building corridors, the construction of a data center in the main stores building complete with a server, an A/C unit and supplies, along with the purchase of 190 tablets, 70 monitors, 79 laptops, 17 docking stations, 165 CISCO network phones, and 2 CISCO network conference phones.

- Commenced the Enterprise Asset Management (EAM) Program and established the Asset Management Office and governance model. This included development of the EAM data standards, development of the risk and review process, the EAM target operating model, development of business processes across many work streams, as well as many other EAM best practices.

Motor Coach Services capital expenditure totaled \$3.6 million. Below is a list of some of the capital work completed:

- Addition of two new full-size wheelchair accessible motor coaches to the fleet and the repower of seven motor coaches.
- Decommissioning of a motor coach, which has reached the end of its life cycle.
- Purchased a hoist for the bus maintenance facility in Thunder Bay.
- Commenced a two-year construction project of a new wash bay for the North Bay Motor Coach Maintenance Facility. The addition was designed in 2018.

Enterprise Risk Management

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

The risk landscape for the year included:

Risk	High level overview and mitigation strategy
Unknown extent of impact of COVID-19 on operating subsidy, therefore forecasted budget may not include adequate relief.	Ontario Northland continues to address and manage the impacts of COVID-19. Prioritization was placed on ensuring the continuation of transportation services, employee and customer health, and communication with stakeholders. Ontario Northland worked with MTO to mitigate the financial impact of COVID-19 and received additional operating funding for fiscal 2021-2022. Due to COVID-19 and other global impacts, Ontario Northland experienced increased supply chain pressures and expects this to continue into next fiscal. The complexity of specialized supplies of core materials and equipment could result in increased price volatility or significant shortages, which could adversely affect results of operations and financial conditions. Trucking industry transportation costs have increased significantly due to petroleum prices and driver shortages, causing serious backlogs in supply chain.
Fuel price volatility	Ontario Northland's fuel expense constitutes a significant portion of the operating costs increasing 45% compared to last fiscal. Rail and Motor Coach divisions are fuel intensive operations, dependent on the availability of diesel fuel. The company was exposed to both emerging and escalating fuel price volatility, and escalating carbon emissions costs. A significant fuel supply shortage due to increased demand, disruption of oil imports, or other factors will have a material effect that will see increases in the direct costs related to fuel purchases and indirect expenses related to purchased goods and materials to operate.
Risk of loss of rail freight revenues as rail revenue is dependent on 4 large customers- 76% of total freight revenues.	Ontario Northland developed and strengthened relationships with businesses in Northeastern Ontario that ship large volumes of goods in an effort to increase freight revenue from agriculture and other sources. Multi-year rail modernization plan began this fiscal with the goal of improving freight service, expanding transloads, enhancing customer service, and increasing safety.

Risk of maintaining a highly skilled workforce throughout the organization.	Like many organizations across the province, Ontario Northland requires many uniquely skilled employees from railway technicians to bus operators across the organization that are not typically readily available in Northern Ontario. If the organization is unable to attract skilled professionals, services may be reduced. To ensure the company maintains a highly skilled workforce, Ontario Northland maintained apprenticeship programs and worked with local colleges to continue the Railway Car Technician program. New marketing campaigns for recruitment were launched.
Inflationary pressures	Ontario Northland continues to feel the impact of inflationary pressures in multiple facets of the organization's operations. These pressures may also impact the cost and schedule of projects for Ontario Northland, including the reinstatement of the Northeastern Passenger Rail. Vehicle manufacturing turned to high margin vehicles rather than low profit fleet vehicles due to production delays and increased prices for auto part costs, which in turn increased procurement costs. Rail and track materials are a large portion of the capital budget. Nearly 50% of the cost of track material consists of metal which experienced an increase in heavy melt iron costs of nearly triple in 2021. Infrastructure and construction projects had less competitive bids and an increase of costs in 2021. Contractor pricing increased due to their own contingencies for COVID-19, petroleum, metal, and employee shortages.

Key Performance Indicators (KPIs)

Ontario Northland has developed a suite of corporate performance measures, or key performance indicators (KPIs), and program-level operative type of measures. The KPIs are a measure of the organization's performance, efficiency, and health. The reported KPIs are only some of the indicators used. It is meant to convey key metrics, goals and demonstrate performance over time to the government and the public, particularly users and customers of Ontario Northland's services. The corporate KPIs have targets which are specified in the Business Plan. The Annual Report intends to show how well Ontario Northland is performing in each of the key areas, identify gaps and lessons learned for improvements. Ontario Northland continues to refine the performance measurement suite to reflect its mandate and key priorities in the business plan over time.

Key Performance Indicator	2021	2022	Year/Year Performance
Cost Recovery Ratio			
All ONTC	65%	68%	Improved
Excluding PBX	73%	77%	Improved
External Customers - Remanufacturing	111%	130%	Improved
Motor Coach Fleet Uptime	79%	91%	Improved
Ontime Performance			
PBX	94%	93%	Declined
Motor Coach	89%	81%	Declined
Customer Satisfaction			
Motor Coach	92%	86%	Declined
PBX	84%	88%	Improved
Corporate Services	88%	88%	Improved
Moving Goods			
Total Bus Parcels Carried	35,279	38,060	Improved
Railcars Handled	39,292	40,085	Improved
Rail Division - Slow Order Penalty Minutes	950	474	Improved
Freight Rail - Revenue Ton Mile (\$ 000s)	374,252	374,863	Improved
North Bay Rail Dwell Times (Days)	0.35	0.31	Improved
Cochrane Rail Dwell Times (Days)	2.06	1.81	Improved
Moving People			
PBX	13,450	26,299	Improved
Motor Coach	106,067	167,676	Improved
Cochrane Station Inn Occupancy	26%	37%	Improved
Corporate			
Percentage of Capital Budget Spent	101%	98%	Improved
Lost Time Frequency Ratio	2.56	5.22	Declined

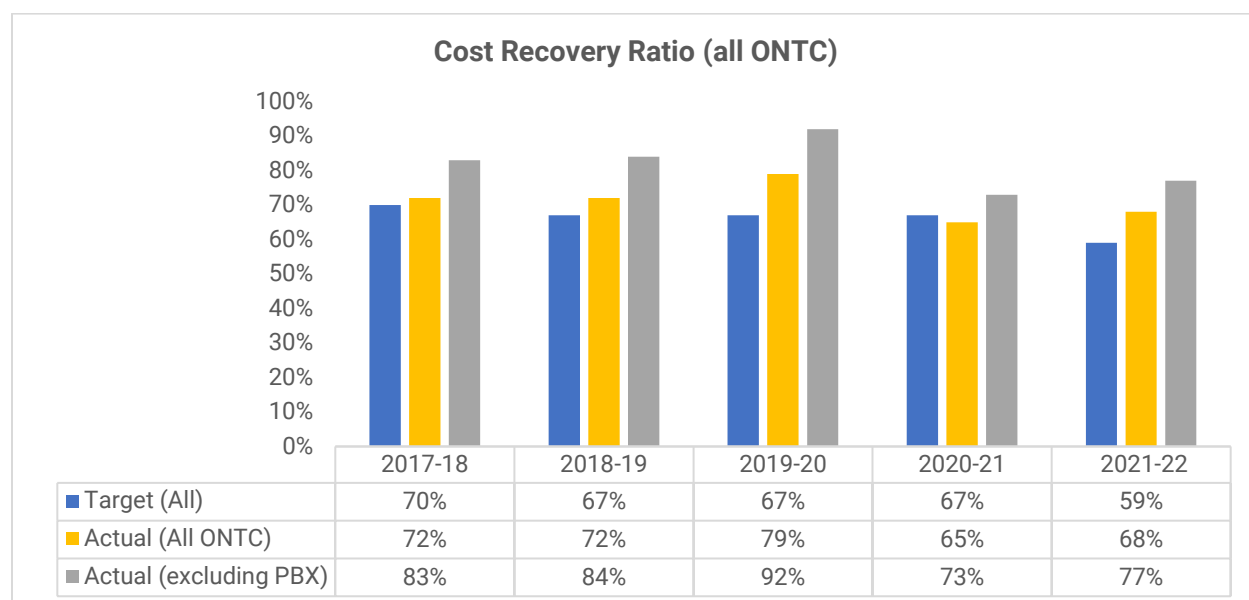
Cost Recovery Ratio

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

Ontario Northland has always had one of the best cost recovery ratios among its North American peers. The cost recovery ratio (including Polar Bear Express) in 2021-2022 was 68% for all services offered, which is an improvement over last year by 3% and 9% higher than target.

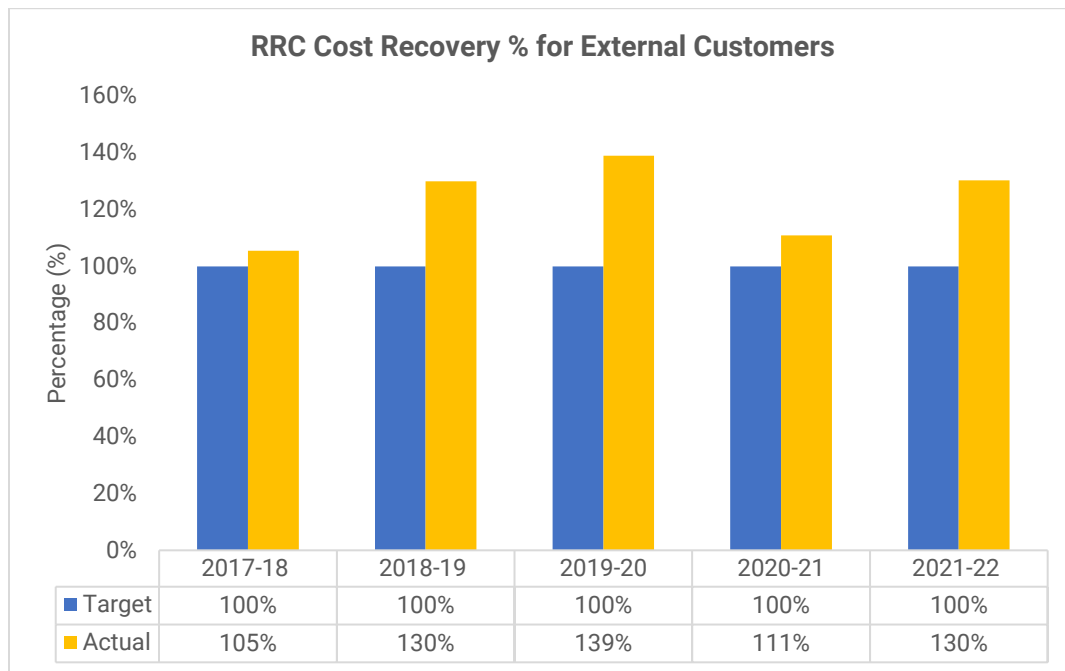
For comparison purposes, the cost recovery ratio is 77% if Polar Bear Express services are excluded. The Polar Bear Express services are heavily subsidized to provide essential connections between the communities of Cochrane and Moosonee, which is essential in providing the only Provincial land link to the James Bay coastal communities. As such, the cost recovery ratio with and without the Polar Bear Express services are considered alongside each other.

The agency continues to work through the pandemic recovery phase, and the year-on-year performance demonstrate that recovery from the pandemic has begun. Ontario Northland will continue to identify and pursue opportunities for revenue generation as it works through the pandemic recovery phase.



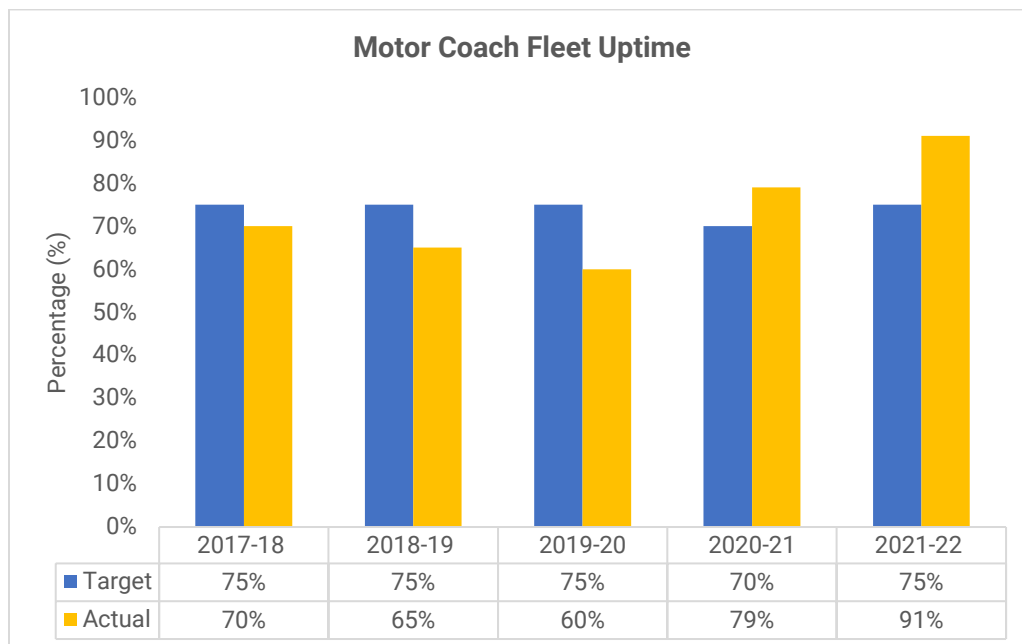
Cost Recovery Percentage for External Customers in the Remanufacturing and Repair Centre

The Remanufacturing and Repair Centre continued to generate revenue that exceeded its costs. The cost recovery ratio (revenues divided by operating expenses) stands at 130% which is 19% higher than the previous year and 30% greater than targeted. In-year increase in refurbishment contracts brought in more profits to the business line.



Motor Coach Fleet Uptime

This KPI represents the percentage of motor coaches that are available for routes or charters. This metric includes motor coaches that are sitting idle which are ready for active service. The current fleet uptime is 91%, this is an increase of 12% over the previous year and above target. This metric demonstrates an increase in Ontario Northland's service reliability. It is also the third year of continuous improvement in improving the fleet's readiness.

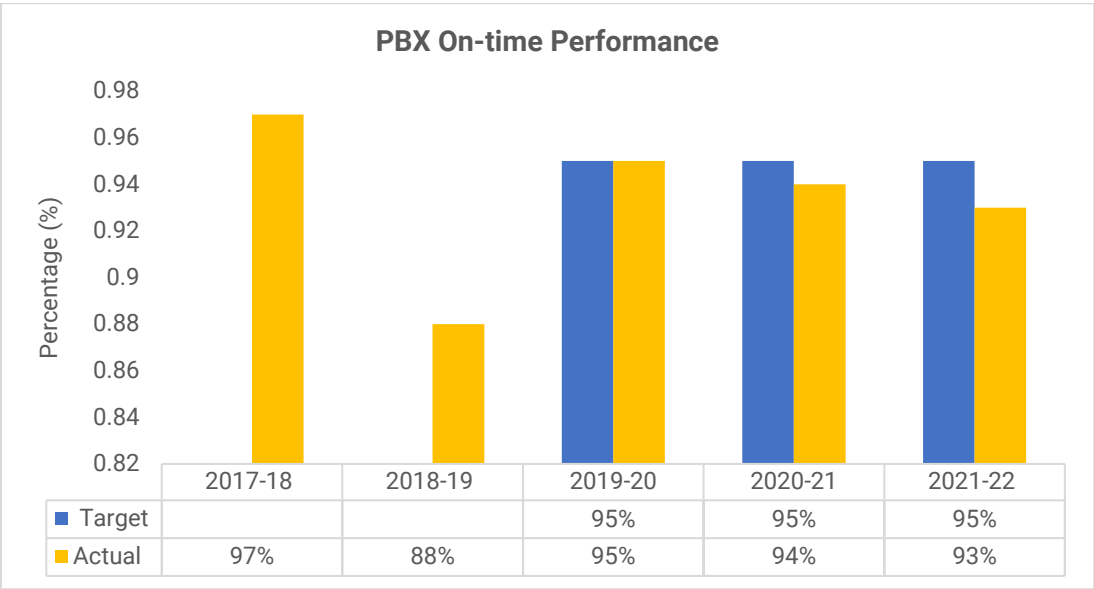


On-time Performance (OTP)

The on-time performance indicator measures are a service reliability measure that reports on on-time arrivals of scheduled PBX and bus trips. On-time is a trip that arrives within 15 minutes of scheduled arrival time for PBX trips; and within 15 minutes of departure time for motor coach, given that reliable departure time for long distance coach travelers is more important than arrival time.

The Polar Bear Express (PBX) On-time performance

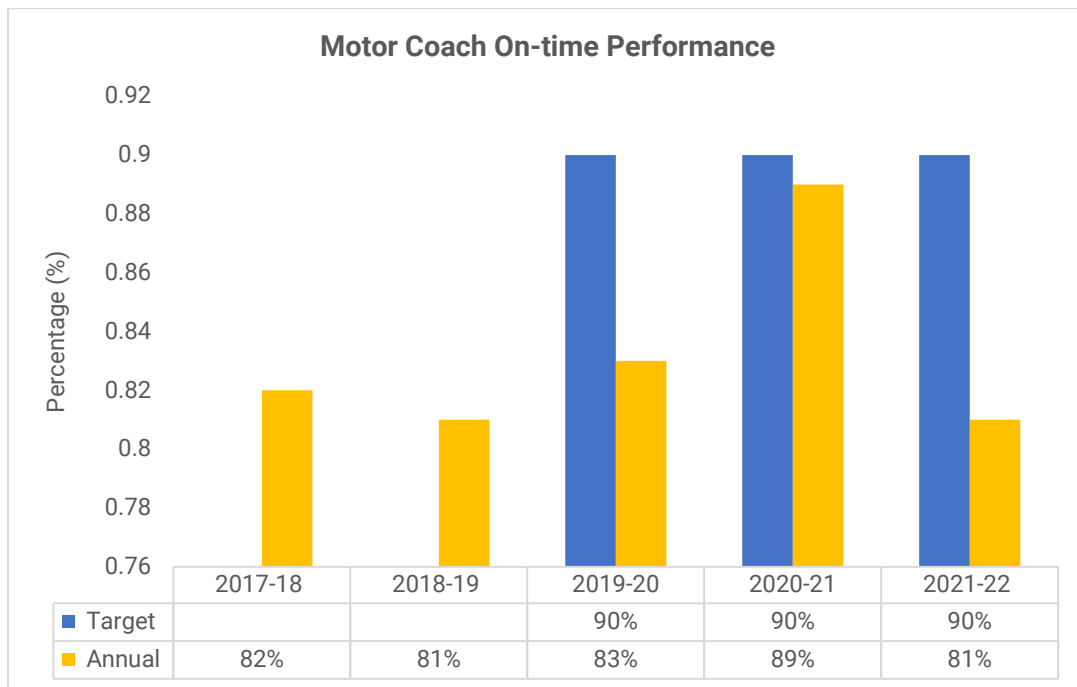
The on-time performance stands at 93% which represents a decline of 1% over the previous year and 2% below target. This decline was a result of cold weather issues which affected operations. January 11th to 20th were notably difficult times, and all scheduled departures from Cochrane were late. The average OTP for January was 76%. Additionally, in the summer months slow orders were in place as seasonal work on track infrastructure was carried out. The combined effects of these activities reduced the annual average on-time performance. However, these activities were necessary to ensure safety of customers and employees.



On-time Performance - Motor Coach (OTP)

The on-time performance for motor coaches is based on the departure from all station stop points within 15 minutes. Motor Coach on-time performance stands at 81% which is 8% less than the previous year and 9% less than the target.

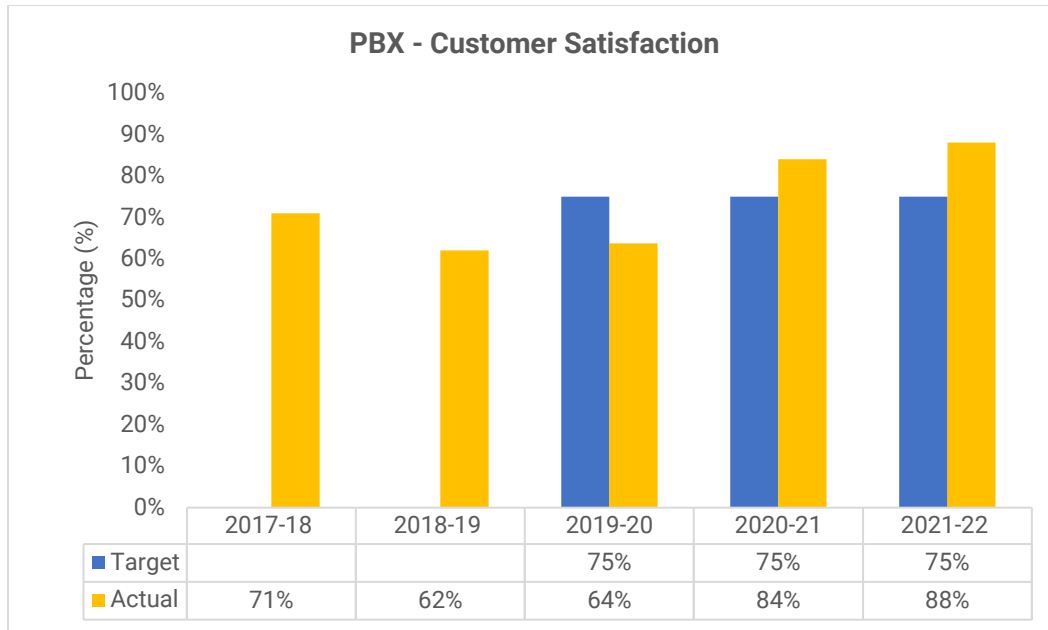
In 2020 at the height of the pandemic, the public health restrictions placed capacity limits on motor coaches. The reduced passenger numbers resulted in reduced boarding and loading times. At the same time, there was a significant reduction in the volume of vehicular traffic on roads and highways. These factors positively influenced the OTP Motor Coach performance in 2020-2021. However, as conditions return to pre-pandemic levels, there was a perceived drop in year-on-year performance.



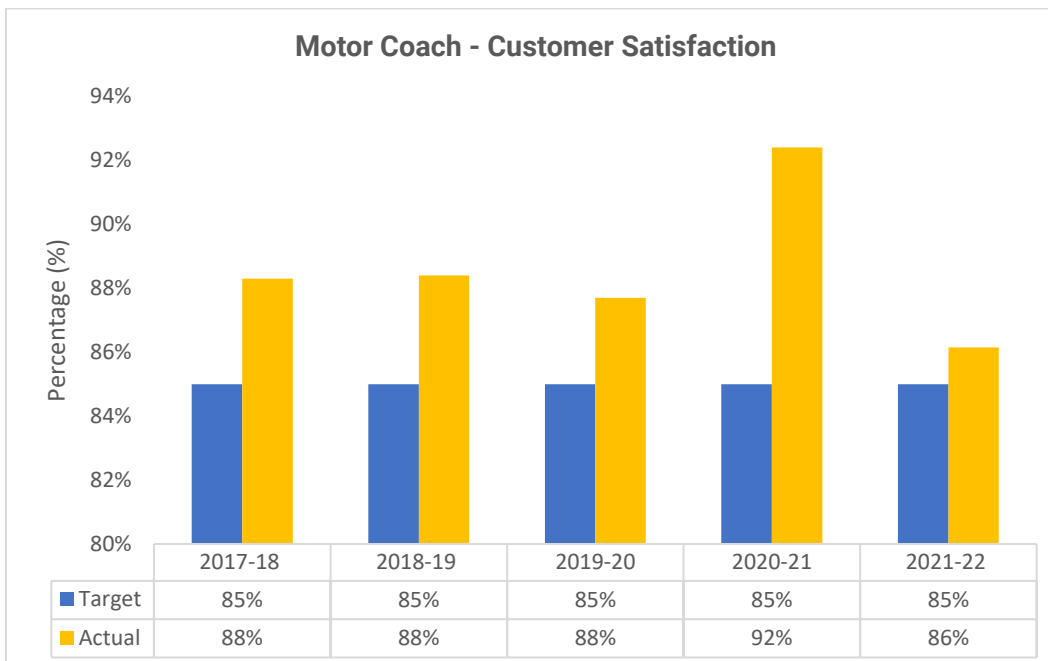
Customer Satisfaction

Ontario Northland conducts annual customer satisfaction surveys. Customer satisfaction is measured for the Polar Bear Express (PBX) passenger train, Motor Coach Service and Corporate Services. The agency has consistently exceeded its customer satisfaction targets across all areas.

The PBX percentage satisfaction rating was 88% which is 4% higher than the previous year's performance and 13% above set target. Some of the contributing factors to this increase could be the addition of security on the service and the company's COVID-19 safety measures and cleaning during the pandemic.



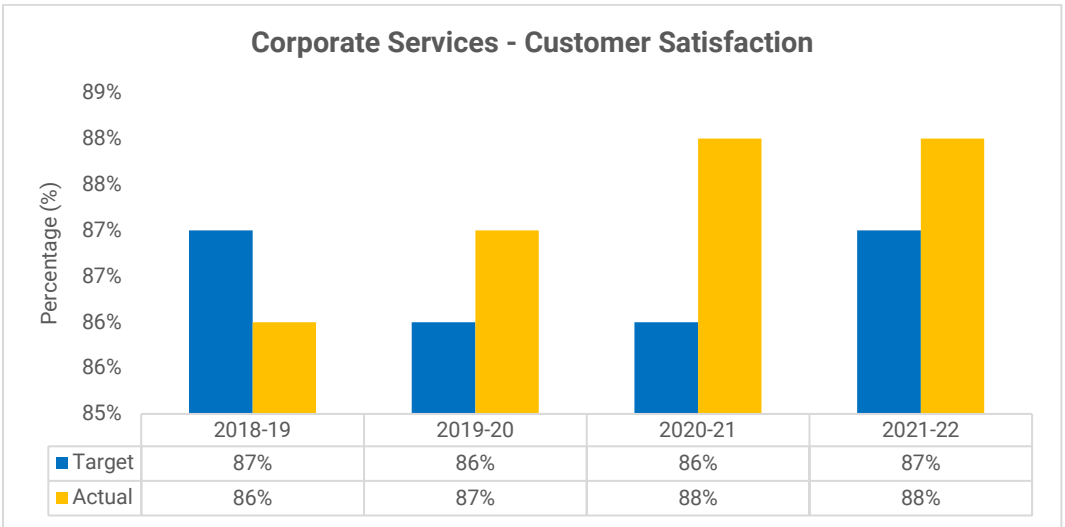
The Motor Coach satisfaction rating was 86%, 1% above target, but 6% less than 2020-21, as satisfaction scores during the height of the pandemic were increased, with many passengers very satisfied with the additional health and safety precautions implemented due to the pandemic.



Customer Satisfaction - Corporate Services

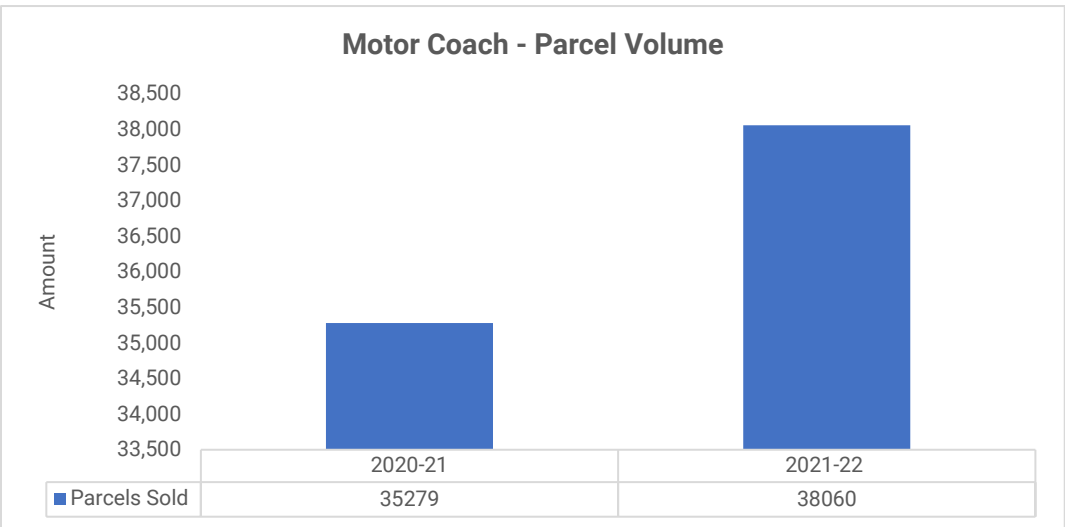
Corporate Services provides back-office support to the organization including facility support services, human resources, communications, procurement, project management, technology

support and much more. Each year, a survey is distributed to all employees to gauge the effectiveness of the services. Customer satisfaction improved slightly from 87% to 88%.



Number of Parcels Carried

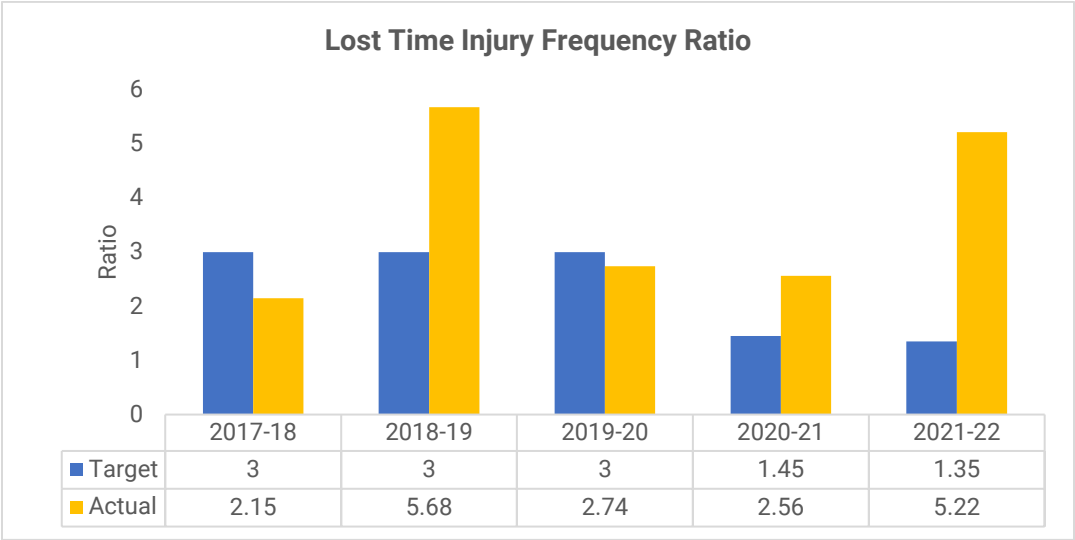
This metric was updated from the previous year as detailed in the business plan. To improve accuracy and better track parcel activity, the number of parcels carried will be reported as a single journey across the bus system, as opposed to counting parcels on each trip, as they (parcels) may be routed on many trips throughout the bus system to get to their final destination (potentially counting the same parcel more than once depending on its origin and destination). There was an 8% increase to the number of parcels carried over the previous year. During the initial COVID-19 stay-at-home orders in FY 2020-21, parcel volume decreased, and in FY 2021-22 parcel volume started to regain momentum as customers started to return to their regular patterns of shipping and receiving goods. Volume also increased in 2021-22 as new agencies were added in Northwestern Ontario (more parcel shipping locations).



Lost Time Injury Frequency Rate

Lost time injury frequency measures the number of lost time injuries occurring in the workplace per one million hours worked. This measure provides a picture of how safe the workplace is for workers.

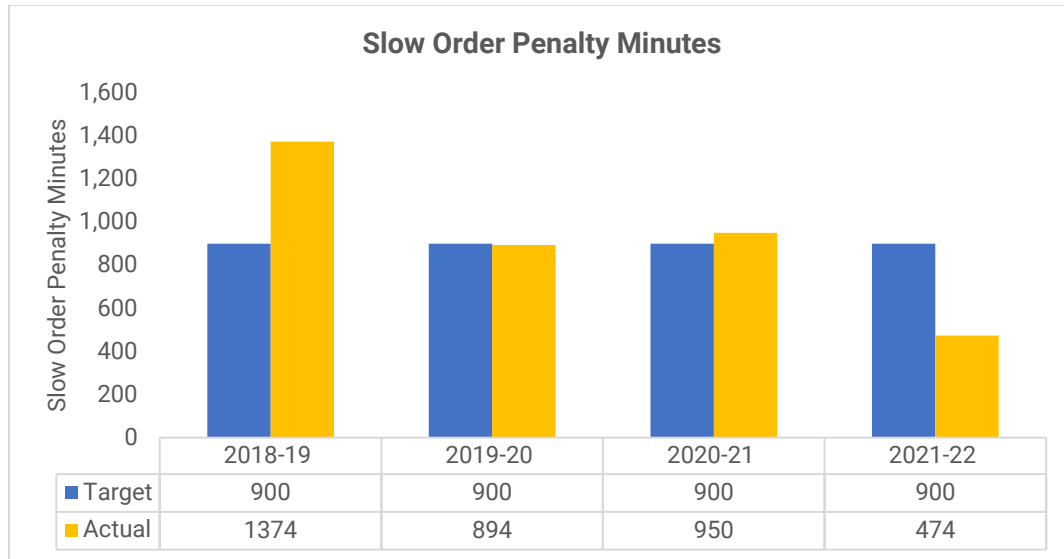
Despite Ontario Northland’s best efforts, the agency was unable to meet its targets with respect to lost time frequency ratio of 1.35. Root cause analysis of the injuries revealed that priority must be placed on safety ahead of efficiency—ensuring employees take sufficient time to access the right tools and equipment for the job at hand. Injuries occurred from overexertion in attempt to save time. Moving forward the agency will aggressively focus on accident investigation methods, accident avoidance, data recording, education, and communication to improve its risk management and mitigation strategies. Ontario Northland will continue to maintain its ambitious targets and create the foundation for achieving these goals going forward.



Rail Freight - Slow Order Penalty Minutes

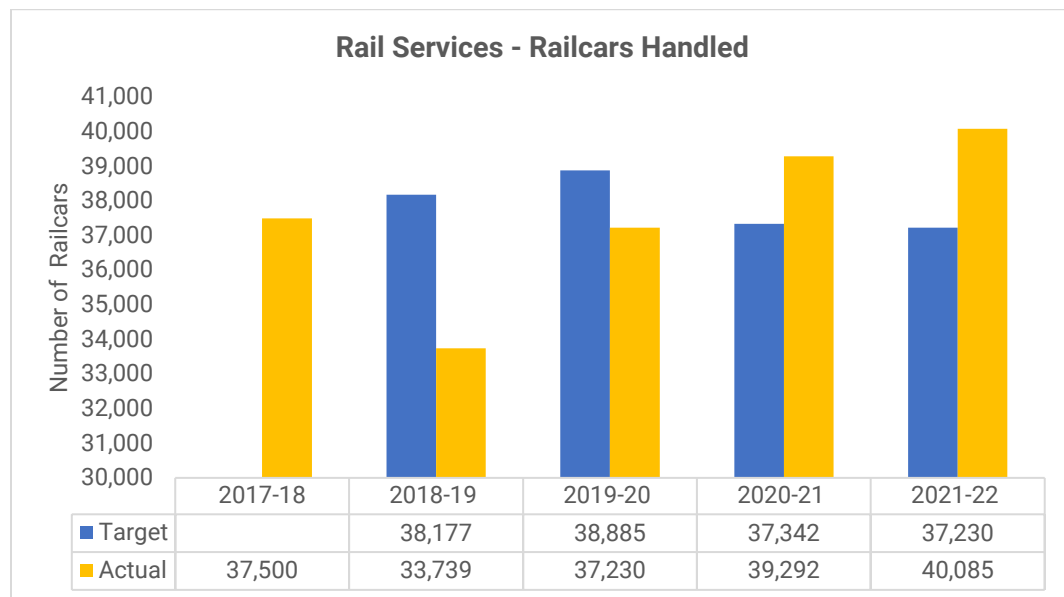
A slow order is a local speed restriction on the rail line which is below the track’s normal speed limit and usually imposed when there is a deficiency or maintenance being performed on a section of track or dependent of the grade and curvature of the track. This metric measures the amount of additional time that it takes a train to complete its journey as a result of a slow order.

Slow order penalty minutes stood at 474 minutes which represents 426 minutes below the initial target and a 50% reduction over the previous year. Slow order minutes are at the lowest recorded level in recent history as a result of the concentrated efforts of the Rail Infrastructure team.



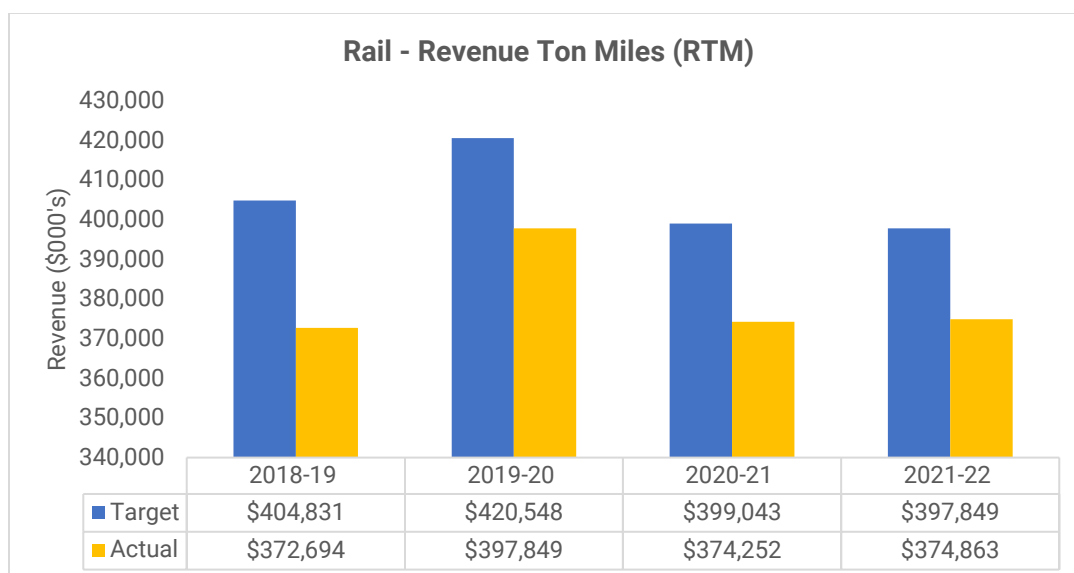
Rail Division - Cars Handled

Cars handled includes the following: linehaul freight, intermediate switching, outbound switching, inbound switching, and haulage. Cars handled for 2021-2022 was 40,085 which was a 2% increase over the previous year and 8% above target.



Rail Division Revenue Ton Mile (RTM)

Revenue Ton Mile (RTM) allows Ontario Northland to measure incremental performance. This measure tracks load versus distance. This metric is used in the rail industry to measure revenue gained by moving one ton of goods for a distance of one mile. Freight revenue includes carload freight revenue, carload freight USD, haulage revenue, switching and CN switching in North Bay to remain consistent with the cars handled measure. RTM is a quick reference to measure territory by territory or a time frame. This measures the productivity and indicates where adjustments may be required. There was no significant change (0.16%) over the previous year. Line haul freight revenue remained below the budgeted value. The agency continues to work with customers and promote services to increase carloads and associated revenue to reach RTM targets. Work continues to attract potential customers for new freight opportunities in the next fiscal year.

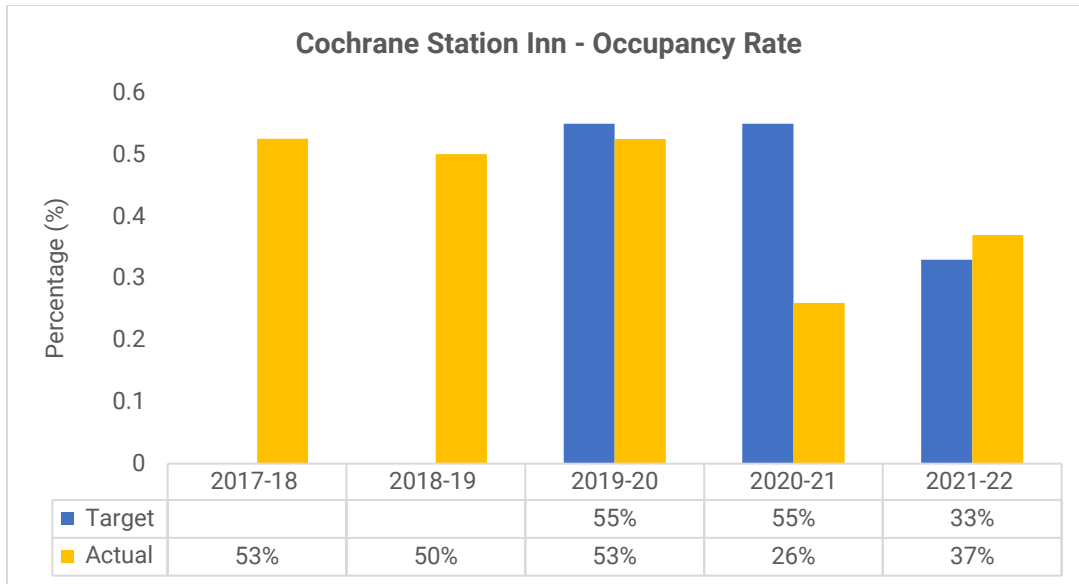


Cochrane Station Inn Occupancy Rate

Cochrane Station Inn Occupancy Rate is the number of rooms occupied over a set period (monthly basis) versus total number of available rooms over the same period.

The Cochrane Station Inn exceeded the target by 4% and performed 11% better than the previous year. The increase is in line with an anticipated return to pre-pandemic levels. The Cochrane Station Inn occupancy of 37% was in line with low occupancy throughout the province, averaging 44%.¹

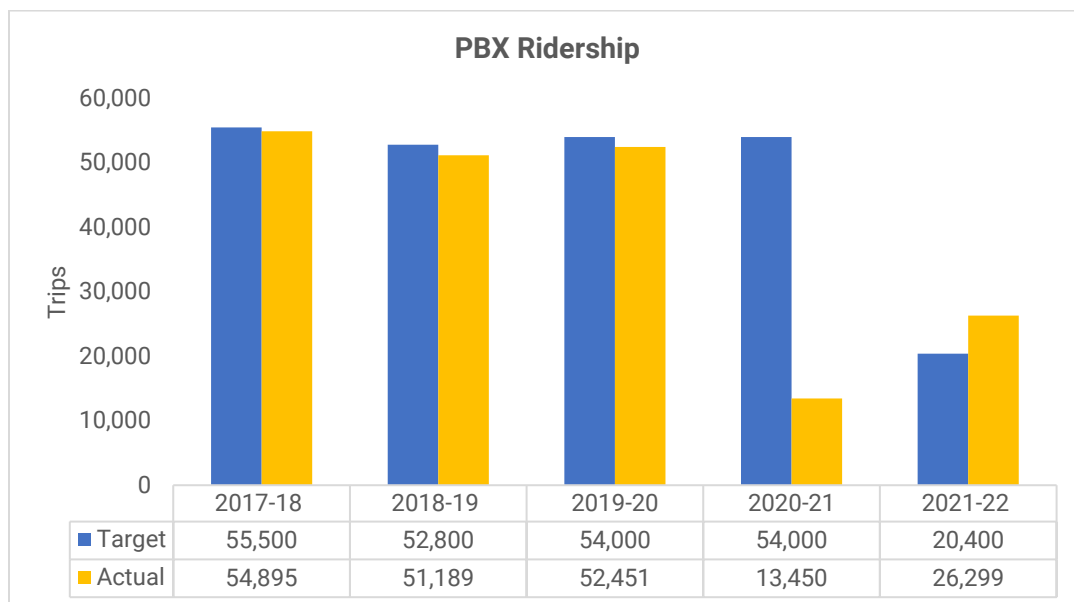
¹ source: <http://www.mtc-currentperformance.com/Hotel.aspx>



Ridership

Polar Bear Express (PBX) Ridership

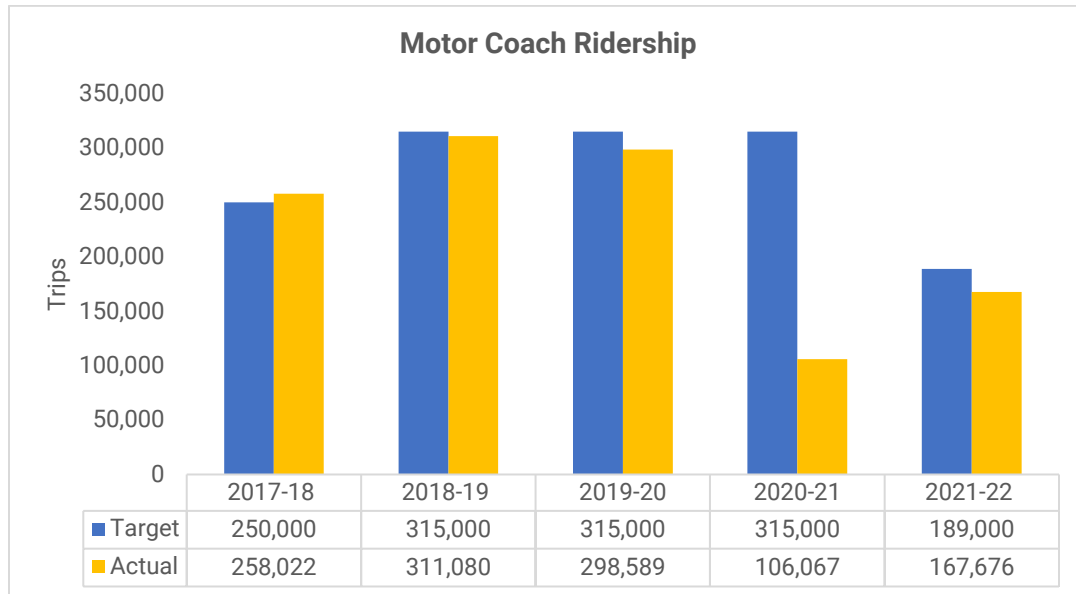
PBX ridership measures the number of person trips taken on the Polar Bear Express passenger train. At the end of 2021-2022 ridership stood at 26,299 which represented an increase of 96% over the previous year. Although ridership is currently at half of pre-pandemic levels, Ontario Northland surpassed targets by 29%.



The early data suggests that the agency has passed an inflection point and has started on a growth trajectory.

Motor Coach Ridership

Motor coach ridership tracks the number of person trips taken on Ontario Northland's buses. Ridership increased by 58% over the previous year, although it was still 11% less than targeted levels due to provincial health orders and travel restrictions.

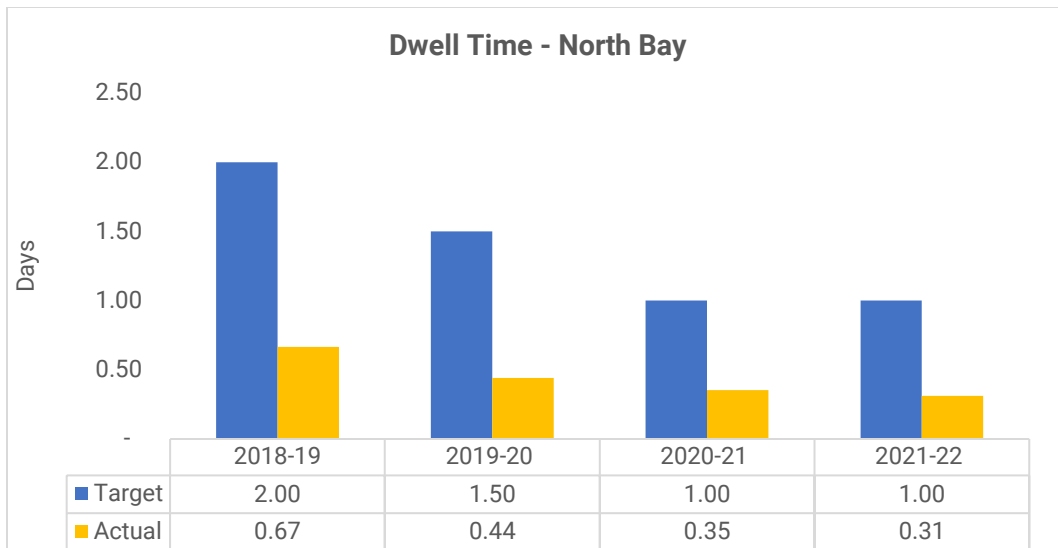


Rail Dwell Times

Rail dwell times are based on the time a car hits the repair in place (RIP) track to the time it is released back into service (internal and external). All rail cars must be inspected and repaired before they can be put into service. The dwell times is a measure of how efficient this service is.

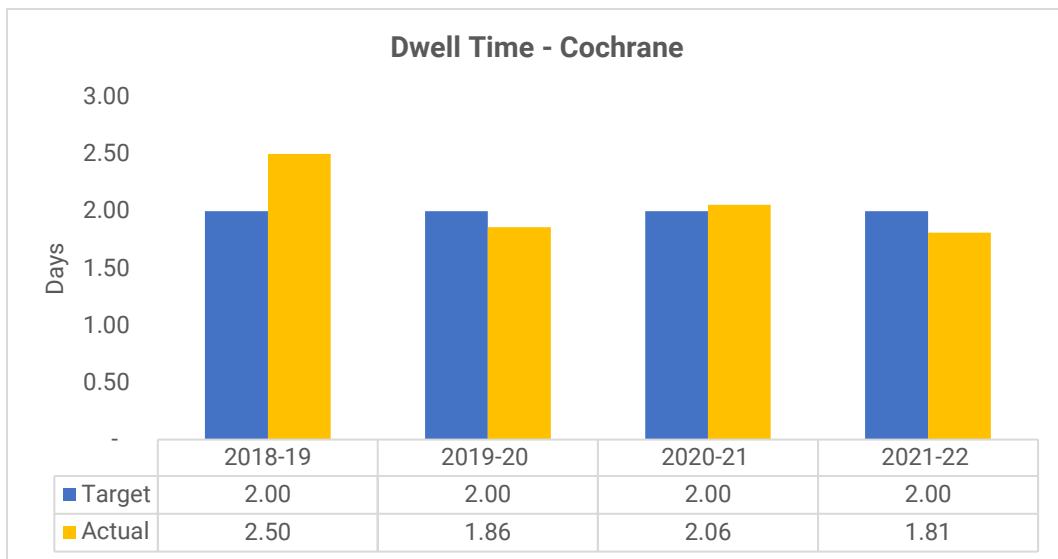
North Bay

Rail dwell times for the North Bay facilities continue to improve with an 11 reduction in dwell times from the previous year. It is currently 69% below targeted levels.



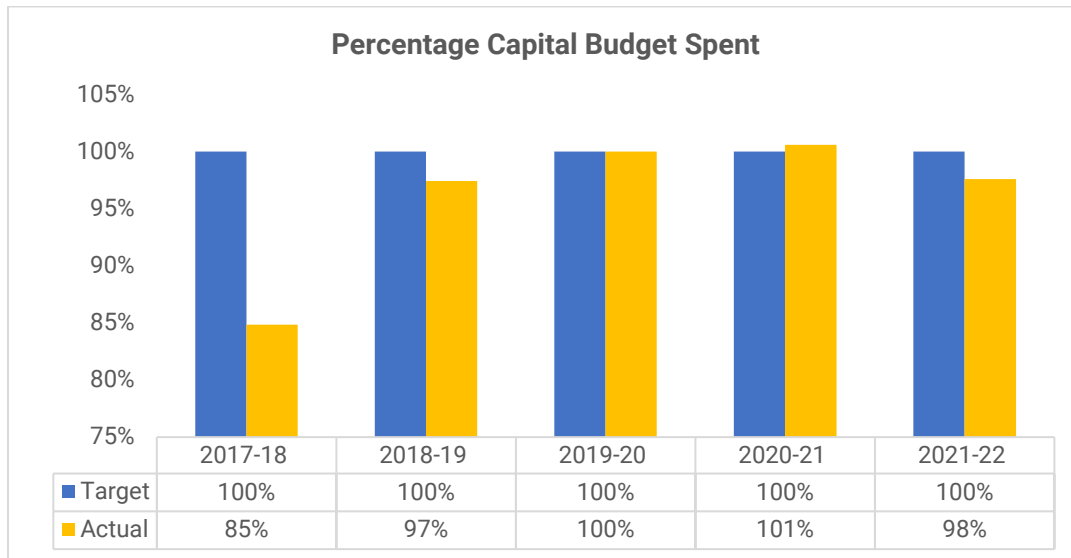
Cochrane

The rail dwell time at the Cochrane facility stood at 1.81 days. This is a 12% reduction in dwell times over the previous year and 10% below target levels.



Percentage of Capital Budget Spent

Ontario Northland has implemented an Enterprise Asset Management program and improved its current capital asset management plan. This metric measures the agency's ability to manage its budget and costs to deliver on capital projects.



Ontario Northland Transportation Commission
Consolidated Financial Statements
For the year ended March 31, 2022

Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended March 31, 2022

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Management's Responsibility

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

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

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

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



Corina Moore
President and CEO



Natalie Park
Director of Finance

North Bay, Ontario
June 28, 2022



INDEPENDENT AUDITOR'S REPORT

To the Ontario Northland Transportation Commission

Opinion

I have audited the consolidated financial statements of the Ontario Northland Transportation Commission (Commission), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and changes in net deficit and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Commission as at March 31, 2022 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

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

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

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



Toronto, Ontario
June 28, 2022

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

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

March 31	2022	2021
Assets		
Current		
Cash and cash equivalents	\$ 11,923	\$ 17,400
Accounts receivable (Net of allowance - \$95; 2021 - \$201)	53,650	14,359
Inventory	16,130	20,081
Prepaid expenses	1,695	1,274
	<u>83,398</u>	53,114
Restricted cash (Notes 3 and 7)	2,000	2,000
Capital assets (Note 4)	552,337	511,611
	<u>\$ 637,735</u>	\$ 566,725

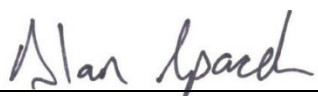
Liabilities and Net Deficit

Current		
Accounts payable and accrued liabilities	\$ 29,860	\$ 33,098
Current portion of long-term debt (Note 9)	107	101
Deferred revenue	42,756	7,257
	<u>72,723</u>	40,456
Deferred government contributions (Note 7)	2,000	2,000
Deferred government capital contributions (Note 8)	477,856	432,841
Long-term debt (Note 9)	1,037	1,144
Accrued non-pension benefit obligation (Note 5)	89,647	84,469
Liability for contaminated sites (Note 10)	6,675	6,675
	<u>649,938</u>	567,585
Net deficit		
Unrestricted	<u>(12,203)</u>	(860)
	<u>\$ 637,735</u>	\$ 566,725

Contingencies (Note 13)

Commitments (Note 14)

Approved on behalf of the Commission:




Chair Vice-Chair

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

For the year ended March 31	2022	2021
Revenues		
Sales and other (Note 12)	\$ 71,673	\$ 61,269
Expenses (Note 12)		
Labour and fringe benefits	58,409	53,069
Materials and parts	22,146	16,902
Services	10,520	8,292
Supplies and equipment	5,202	5,232
Other (Note 16)	9,715	11,272
Interest on long-term debt (Note 9)	59	58
Loss (gain) on sale of capital assets	(722)	(930)
Amortization of capital assets	21,273	20,696
Employee future benefits	14,755	7,809
	141,357	122,400
Deficiency of revenues over expenses before government funding	(69,684)	(61,131)
Government operating contributions (Note 11)	41,114	42,877
Amortization of deferred capital contributions (Note 8)	17,227	15,089
Deficiency of revenues over expenses for the year	\$ (11,343)	\$ (3,165)
Unrestricted net (deficit) asset, beginning of year	\$ (860)	\$ 2,305
Unrestricted net deficit, end of year	\$ (12,203)	\$ (860)

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

Year ended March 31	2022	2021
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	\$ (11,343)	\$ (3,165)
Items not affecting cash		
Amortization of capital assets	21,273	20,696
Amortization of deferred capital contributions	(17,227)	(15,089)
Loss (gain) on disposal of capital assets	(722)	(930)
Employee future benefit expense	14,755	7,809
	<u>6,736</u>	9,321
Changes in non-cash working capital balances		
Accounts receivable	(39,291)	1,573
Inventory	3,951	(6,119)
Prepaid expenses	(421)	(123)
Accounts payable and accrued liabilities	(3,238)	8,092
Deferred government contributions and deferred revenue	35,499	(73)
Pension contributions paid	(4,357)	(4,082)
Non-pension benefits paid	(5,220)	(4,399)
	<u>(6,341)</u>	4,190
Capital activities		
Purchase of capital assets	(61,914)	(59,752)
Proceeds from sale of capital assets	965	1,097
	<u>(60,949)</u>	(58,655)
Financing activities		
Principal repayment of long-term debt	(101)	(96)
Deferred capital contributions	61,914	59,752
	<u>61,813</u>	59,656
(Decrease) increase in cash and cash equivalents during the year	<u>(5,477)</u>	5,191
Cash and cash equivalents, beginning of year	<u>19,400</u>	14,209
Cash and cash equivalents, end of year	<u>\$ 13,923</u>	<u>\$ 19,400</u>
Represented by		
Cash and cash equivalents	\$ 11,923	\$ 17,400
Restricted cash (Note 3)	2,000	2,000
	<u>\$ 13,923</u>	<u>\$ 19,400</u>

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

1. Nature of Organization

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

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

The consolidated financial statements include the activities of the wholly owned subsidiary, Nipissing Central Railway Company, that leases all of its assets to ONTC.

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

2. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook, which sets out generally accepted accounting principles for government not for-profit organizations in Canada. The Organization has elected to use the standards for not-for-profit organizations that include PS 4200 to PS 4270. The consolidated financial statements include the following significant accounting policies:

Basis of Consolidation

The consolidated financial statements include the assets, liabilities and activities of Nipissing Central Railway Company, the wholly owned subsidiary. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

Cash and Cash Equivalents

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

Accounts Receivable

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

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

2. Significant Accounting Policies (continued)

Inventory

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

Capital Assets

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

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

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

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

Impairment of Capital Assets

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

Revenue Recognition

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

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

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

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

- Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.
- Externally restricted contributions related to operating expenditures are recognized as revenue when the related expenditures are incurred.
- The Province reimburses the Commission for the cost of certain capital assets purchased for use in operations. The Commission records the contributions as deferred capital contributions. Deferred capital contributions are amortized to revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Employee Future Benefits

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

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

Non-Pension Benefit Plans - The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the accrued benefit method prorated on service and best estimate assumptions. In addition, as a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB), the Commission recognizes workers compensation benefits on an accrual basis using actuarially determined costs.

Expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. These expenses are recorded in the year in which employees render services to the Commission.

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

2. Significant Accounting Policies (continued)

Foreign Currency Translation

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

Effective April 1, 2021, the Commission made an irrevocable election to recognize any unrealized exchange gains and losses arising from all financial assets or liabilities directly in the Consolidated Statement of Operations and Changes in Net Deficit.

Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

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

Financial Instruments

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

Fair value

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

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

Amortized cost

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

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

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

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

2. Significant Accounting Policies (continued)

Liabilities for Contaminated Sites

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

3. Restricted Cash

	2022	2021
Externally restricted – Deferred Contributions (Note 7)	\$ 2,000	\$ 2,000
	<u>\$ 2,000</u>	<u>\$ 2,000</u>

4. Capital Assets

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Rail Services				
Roadway	\$ 602,382	\$ 194,702	\$ 407,680	\$ 377,067
Buildings	70,822	32,259	38,563	37,866
Equipment	143,192	74,613	68,579	65,335
Under construction	18,847	-	18,847	13,207
Motor Coach Services				
Buildings	3,449	1,175	2,274	2,386
Coaches	24,766	10,370	14,396	15,506
Equipment	602	359	243	244
Under construction	1,755	-	1,755	-
	<u>\$ 865,815</u>	<u>\$ 313,478</u>	<u>\$ 552,337</u>	<u>\$ 511,611</u>

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

5. Employee Future Benefits

Pension Plan

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

The Commission's full time employees participate in the PSPP which is a defined benefit pension plans for employees of the Province and many provincial agencies. The Commission's annual payments are \$4,357 (2021 - \$4,082) and have been included in employee future benefits expenses.

Non-Pension Benefits Plans

The Commission provides three non-pension benefit plans to its employees where all benefit obligations and expenses are determined by independent actuaries, in accordance with accepted actuarial practices and Canadian public sector accounting standards, using management's best estimates. The discount rates used to determine the accrued benefit obligations were determined based on the Ontario provincial bond yields matched against the duration of the benefits.

The Commission requires an actuarial valuation of the post-employment benefits, such as group life and health care, be conducted every three years. The last valuation was completed for the year ended March 31, 2020 with extrapolations through to 2023 and updated on March 31, 2022.

The post-retirement benefits plan, such as long-term disability, as well as Workplace Safety & Insurance Board (WSIB) obligations and expenses are determined through annually valuations completed as of March 31, 2022.

Information about the Commission's non-pension benefit plans is presented in the following tables.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2022

5. Employee Future Benefits (continued):

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

	<u>2022</u>	<u>2021</u>
Accrued benefit obligation , end of year	\$ (70,808)	\$ (68,140)
Unamortized net actuarial (gain) loss	<u>(18,839)</u>	<u>(16,329)</u>
Accrued benefit liability , end of year	<u>\$ (89,647)</u>	<u>\$ (84,469)</u>
Accrued benefit liability , beginning of year	\$ (84,469)	\$ (85,141)
Benefit expense	(10,398)	(3,727)
Benefits paid	<u>5,220</u>	<u>4,399</u>
Accrued benefit liability , end of year	<u>\$ (89,647)</u>	<u>\$ (84,469)</u>

Components of Net Periodic Non-Pension Benefit Expense

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 3,055	\$ 3,352
Interest on accrued benefit obligation	2,044	1,409
Amortization and immediate recognition of net actuarial (gains) losses	<u>5,299</u>	<u>(1,034)</u>
	<u>\$ 10,398</u>	<u>\$ 3,727</u>

Weighted Average Assumptions

	<u>2022</u>	<u>2021</u>
Discount rate – post-retirement benefits	3.30%	2.82%
Discount rate – post-employment benefits	2.54%	1.89%
Discount rate - WSIB	3.15%	4.75%
Rate of compensation increase	2.00%	2.00%
Medical cost increases	5.37%	5.37%
Dental cost increases	3.00%	3.00%
Vision care cost increases	0.00%	0.00%

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

6. Credit Facilities

In August 2021, the Commission secured an operating line of credit with the Ministry of Transportation and Ontario Financing Authority (OFA) in the amount of \$5 million, of which zero was being utilized as of March 31, 2022. The line of credit bears interest at the Province of Ontario's cost of borrowing for a 30-day term plus 3.3 basis points.

7. Deferred Contributions

Deferred contributions are restricted funds received from the Province to be used only on future expenditures. As of March 31, 2022 the balance represents funds from the Ministry of Transportation (MTO) to be used as a self-insurance reserve based on approval by MTO in the event of a future derailment. There has been no change in the deferred contributions balance.

	<u>2022</u>	<u>2021</u>
Self-insurance reserve	\$ 2,000	\$ 2,000

8. Deferred Capital Contributions

Deferred capital contributions represent the unamortized capital contributions received from the Government to fund the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Consolidated Statement of Operations and Changes in Net Deficit using rates similar to those used to amortize the related assets acquired.

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 432,841	\$ 389,053
Contributions from the Province (Note 11)	61,914	59,752
Contributions from Transportation Canada (Note 11)	365	-
Amortization to revenue	(17,227)	(15,089)
Retirements, transfers and adjustments	(37)	(875)
Balance, end of year	\$ 477,856	\$ 432,841

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

9. Long-term Debt

	2022	2021
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of \$13 for 25 years beginning February 1, 2006.	\$ 1,144	\$ 1,245
	1,144	1,245
Less current portion	107	101
Long-term debt	\$ 1,037	\$ 1,144

Interest on long-term debt was \$59 (2021 - \$58).

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

2022-2023	\$ 107
2023-2024	111
2024-2025	117
2025-2026	123
2026-2027	129
Thereafter	557
	<u>\$ 1,144</u>

10. Contaminated sites

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

The Commission owns one site in Cobalt where contamination is present that exceeds the acceptable threshold, however no reasonable estimate of remediation can be made at this time therefore no liability has been accrued. The Ministry of Northern Development, Mines, Natural Resources and Forestry has engaged a consultant to complete Phase 1 Environmental Site Assessments (ESA) and mining assessments within 2022, which will identify Areas of Potential Environmental Contamination (APECs) and will determine if a phase 2 ESA is required. If a phase 2 is required, it will determine the extent of contamination.

	2022	2021
Former transloading property	\$ 3,500	\$ 3,500
Former tower sites	3,175	3,175
Contaminated sites liability	\$ 6,675	\$ 6,675

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

11. Government Contributions

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

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

	2022	2021
Ministry of Transportation:		
Commission operational funding	\$ 41,083	\$ 42,800
Special Funding – self-insurance reserve	-	2,000
Operational funding	41,083	44,800
Capital contributions	61,914	59,752
Total Ministry of Transportation contributions	\$ 102,997	\$ 104,552
Ministry of Northern Development, Mines, Natural Resources, and Forestry		
Special Funding – Pension/SERP settlement	-	22
Northern Ontario Heritage Fund Corporation	31	-
Operational Funding	31	22
Total Ministry of Northern Development, Mines, Natural Resources and Forestry contributions	\$ 31	\$ 22
National Transportation Agency of Canada		
Operating – Rail operations		55
Capital - Rail operations	365	-
Total government contributions	\$ 103,393	\$ 104,629
In summary:		
Commission operational funding	\$ 41,114	\$ 42,877
Capital contributions (Note 8)	62,279	59,752
Special funding	-	2,000
Total government contributions	\$ 103,393	\$ 104,629

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2022

12. Segmented Information Disclosures

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

Rail Services

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

Polar Bear Services

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

Motor Coach Services

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

Remanufacturing and Repair Services

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

Administration

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

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2022

12. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration Note i)	Provincial Government Operating Contributions	2022 Total
Revenues	44,502	5,867	9,427	11,698	179	-	71,673
Expenses							
Labour and fringe benefits	25,083	12,479	9,110	4,807	6,930	-	58,409
Materials and parts	11,162	3,340	3,638	3,732	274	-	22,146
Services	3,702	1,557	3,151	320	1,790	-	10,520
Supplies and equipment	2,567	1,373	885	114	263	-	5,202
Other	3,697	1,108	1,817	7	2,846	-	9,475
	46,211	19,857	18,601	8,980	12,103	-	105,752
Excess (deficiency) revenues over expenses before items below:	(1,709)	(13,990)	(9,174)	2,718	(11,924)	-	(34,079)
Derailments	760	-	-	-	-	-	760
Inventory write-offs	-	2,374	-	-	-	-	2,374
Payable forgiveness	-	(2,597)	-	-	-	-	(2,597)
Interest on long-term debt	-	-	59	-	-	-	59
Gain on sale of capital assets	(722)	-	-	-	-	-	(722)
Foreign exchange gain	(297)	-	-	-	-	-	(297)
Amortization of capital assets	8,356	9,743	2,187	-	987	-	21,273
Employee future benefits	5,551	2,964	2,076	1,407	2,757	-	14,755
Excess (deficiency) of revenues over expenses before government funding	(15,357)	(26,474)	(13,496)	1,311	(15,668)	-	(69,684)
Government operating contributions	-	-	-	-	-	41,114	41,114
Amortization of deferred capital contributions	5,117	9,104	2,131	-	875	-	17,227
Excess (deficiency) of revenues over expenses	(10,240)	(17,370)	(11,365)	1,311	(14,793)	41,114	(11,343)

Note i) Administration employee future benefits includes \$649 in long-term disability expenses for the entire organization.

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12. Segmented Information Disclosures (continued)

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

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

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13. Contingencies

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

14. Commitments

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

15. Economic Dependence

- i. Customers:
The Rail Services Division derives 76% (2021 – 77%) of its revenue from four major customers.
- ii. Province:
The Commission generates revenues from rail and motor coach services as well as remanufacturing and repair services. In addition, the Commission receives operating and capital grants from the Provincial government. The ability to continue to offer and grow its services and meet its obligations are dependent on the ongoing grants it receives from the Province of Ontario.

Ontario Northland Transportation Commission

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16. Other Expenses

- i. Regular operating expenses of \$9,475 (2021 - \$ 11,241) include items such as insurance, property taxes, software fees, rail freight car rental, travel and training.
 - ii. During the year the Commission incurred \$760 (2021 - \$55) related to derailments that occurred along its rail line. These costs include labour, benefits, materials and third party costs. The costs were incurred to clean up, do environmental testing, and perform track repairs.
 - iii. During the year the Commission expensed \$2,374 (2021 - \$284) for obsolete, slow moving and revalued inventory.
 - iv. During the year, the Ministry of Transportation forgave an amount payable to the Commission in the amount of \$2,597.
 - v. Foreign exchange gain of \$297 (2021 – gain of \$308) was experienced in the year.
-

17. Related Party Disclosures

The Commission receives government funding from the Province to support its investment in capital infrastructure to be used in the delivery of current and future transportation services and an annual operating subsidy to further support delivery of transportation services.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

During the normal course of operations, the Commission provides passenger car refurbishment services to Metrolinx, an Agency of the Province. The Consolidated Statement of Financial Position includes an accounts receivable balance of \$33,989 (2021 - \$685) and a deferred revenue balance of \$42,561 (2021 - \$7,134) and on the Consolidated Statement of Operations and Changes in Net Deficit includes revenue of \$7,611 (2021- \$3,067), all related to Metrolinx.

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18. Financial Instrument Classification

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

	2022		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 11,923	\$ -	\$ 11,923
Restricted cash	2,000	-	2,000
Accounts receivable	-	53,650	53,650
Accounts payable and accrued liabilities	-	29,860	29,860
Long-term debt	-	1,144	1,144
	\$ 13,923	\$ 84,654	\$ 96,577

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

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

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

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18. Financial Instrument Classification (continued)

	2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 11,923	\$ -	\$ -	\$ 11,923
Restricted cash	2,000	-	-	2,000
	\$ 13,923	-	-	\$ 13,923

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

There were no transfers between Level 1, 2 and 3 for the years ended March 31, 2022 and 2021.

19. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Commission if a debtor fails to make payments of interest and principal when due. The Commission is exposed to this risk relating to its cash and accounts receivable. The Commission holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Commission's cash accounts are insured up to \$400,000 (2021 - \$400,000).

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

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19. Financial Instrument Risk Management (continued)

March 31, 2022	Past Due				
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	\$ 44,727	\$ 44,726	\$ 1	\$ -	\$ -
Customer receivables	9,018	7,198	874	369	576
Gross receivables	53,745	51,924	875	369	576
Less: impairment allowances	(95)	-	-	-	(95)
Net receivables	\$ 53,650	\$ 51,924	\$ 875	\$ 369	\$ 481

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

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

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19. Financial Instrument Risk Management (continued)

Market risk

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

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

Currency risk

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

Interest rate risk

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

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

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

Equity risk

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

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

Liquidity risk

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

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Notes to Consolidated Financial Statements

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19. Financial Instrument Risk Management (continued)

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

	2022			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	\$ 29,860	\$ -	\$ -	\$ -
Long-term debt	52	54	616	422
Total	\$ 29,912	\$ 54	\$ 616	\$ 422

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

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

20. Comparative Figures

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