

Owen Sound Transportation Company Business Plan 2015-16 through 2017-18



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Table of Contents

1. Executive Summary.....	3
2. Mandate.....	5
3. Description.....	5
4. Strategic Direction	6
5. Implementation Plan.....	6
6. Overview of Current and Future Programs and Activities.....	9
7. Resources Needed to Meet Goals and Objectives.....	12
8. Risk Identification, Assessment and Mitigation Strategies	13
9. Environmental Scan	15
10. Human Resources.....	24
11. Performance Measures	25
12. Financial Budget and Staffing	27
13. Information Technology (IT)/Electronic Service Delivery (ESD) Plan.....	32
14. Initiatives Involving Third Parties.....	32
15. Communication Plan	34
16. OSTC Organizational Chart	36

1. Executive Summary

The Owen Sound Transportation Company, Limited (OSTC) was incorporated under the Ontario Business Corporations Act in 1921 and conforms to the legal requirements of the Act.

OSTC's three-year plan has been developed in conformation with the requirements of an Operational Enterprise Agency as specified in the February 2015 Agencies and Appointments Directive (AAD) of Management Board of Cabinet, all Provincial Directives to which the agency is accountable, and the Memorandum of Understanding (MOU) between the Ministry of Northern Development and Mines and the OSTC.

OSTC has developed the 2015-16 through 2017-18 Business Plan, based on the following high level understanding derived from the MOU between MNDM and OSTC:

1. The Ministry of Northern Development and Mines has an interest in the continued operation of the Tobermory to South Baymouth and Moosonee ferry services.
2. The Province of Ontario does not have a policy regarding how levels of annual operating subsidies are determined for provincially owned ferry services.
3. OSTC's current \$2.0 million operating line of credit is solely for the purpose of providing cash flow for the ferry service during the non-revenue producing portion of the fiscal year and is paid off annually with operating revenue.
4. OSTC's Accumulated General Surplus provides necessary working capital and as such, should not fall below \$1.0 million or 10% of annual operating expenses.
5. The OSTC has no authority to incur debt as a means of financing the ferry service either on its own, or on behalf of the Province of Ontario.
6. OSTC will continue to provide safe, efficient and reliable ferry service in the Province of Ontario.

In order to continue to provide the Tobermory to South Baymouth ferry service, OSTC will require annual operating subsidies in the amounts of \$2,555,800 for 2015-16, \$4,500,000 for 2016-17, and \$2,289,000 for 2017-18.

Capital funding requirements of \$2,404,000 for 2015-16, \$ 701,000 for 2016-17 and \$1,792,000 for 2017-18 for capital repairs and upgrades.

In order to continue to provide the Moosonee/Moose Factory Island ferry service, OSTC will require annual operating subsidies in the amounts of \$327,000 for 2015-16, \$314,000 for 2016-17, and \$325,000 for 2017-8.

Capital funding of \$1,660,000 for 2015-16 is required. River dredging may be required in 2017-18 and 2018-19 (2-year project).

2. Mandate

The Owen Sound Transportation Company (OSTC) contributes to the provision of safe, efficient and reliable ferry transportation in the Province of Ontario primarily through the operation of two seasonal passenger, vehicle and commercial vehicle ferry services: M.S. Chi-Cheemaun on the Tobermory to South Baymouth route, and M.V. Niska 1 on the Moosonee/Moose Factory route.

OSTC promotes and contributes to economic development in the Tobermory and South Baymouth region by supporting a positive business climate and by enhancing and promoting the tourism sector through partnerships with local communities and regional stakeholders.

3. Description

OSTC was incorporated under the Ontario Business Corporations Act in 1921 under private ownership. Following its purchase from the private company, OSTC was a solely owned subsidiary of the Ontario Northland Transportation Commission (ONTC) from 1974 to March 31, 2002. On April 1 2002, OSTC's sole share was transferred from ONTC to the Minister of Northern Development and Mines who established OSTC as an Operational Enterprise Agency of the Province of Ontario.

OSTC's central office is in Owen Sound, Ontario. The company owns and operates the M.S. Chi-Cheemaun, a seasonal passenger, vehicle and commercial truck ferry between the ports of Tobermory and South Baymouth, Manitoulin Island, and M.V. Niska 1, a passenger, vehicle and commercial truck ferry on the Moose River between Moosonee and Moose Factory Island, at the southern end of James Bay.

OSTC also provides vessel management and operations services for the Ontario Ministry of Transportation for two vessels, the M.V. Pelee Islander and the M.V. Jiimaan, operating between Kingsville and Leamington, Pelee Island and Sandusky, Ohio on Lake Erie.

There are no other ferry services in competition with the provincially funded ferry services listed above, and there is no immediate potential for private operators to develop competing services. In the case of the Lake Huron and Lake Erie

services, the vessels are the largest Canadian owned conventional vehicle and passenger ferries being operated on the Great lakes.

4. Strategic Direction

OSTC's strategic goals are developed to support and carry out the mandate of the company as established by the Province of Ontario.

OSTC's Strategic Goals are:

1. To provide safe, secure, regulatory compliant, comfortable, accessible and environmentally responsible marine transportation services on the Tobermory to Manitoulin Island ferry route.
2. To improve the company's financial performance through increasing revenue and reducing expenses wherever possible.
3. To build and maintain strong, mutually beneficial relationships with the communities and regions that it serves.

5. Implementation Plan

Strategic Goal #1: Provide safe, secure, and accessible marine transportation services.

Objective: Ensure Safety & Security

Implementation Tasks – Vessel Safety, Security & Regulatory Compliance:

- Continued monitoring and auditing of International Safety Management System
- Continued monitoring and auditing of International Ship and Port Security Code where applicable
- Continued monitoring and auditing of Company Security Plan

Implementation Tasks – Passenger Safety, Security & Comfort:

- Continue crew training programs: First Aid, CPR, Automated External Defibrillator (AED), First Responder, Passenger Safety Management, Server's Intervention, Safe Food Handling, and Security
- Replace Cafeteria Food Service Counters
- Implement additional Ontarians with Disabilities Accessibility Standards as they come into effect

Implementation Tasks – Crew Safety & Security:

- Continue employee training programs: OSH, Violence in the Workplace, Confined Space, Fall Arrest, Fork Lift Operation, Transportation of Dangerous Goods, and WHMIS
- Continue training offered by Classification Society

Objective: Ensure Environmental Responsibility

Implementation Tasks:

- Develop, implement and monitor an environmental management plan for M.S. Chi-Cheemaun
- Monitor & audit vessel discharge plans and records
- Continue Oil Spill Response training for all ship and terminal facility employees
- Evaluate cost benefit of installing wheelhouse fuel monitoring system
- Achieve and maintain Green Marine status

Strategic Goal #2: Improve financial performance through increasing revenue and reducing expenses.

Objective: Increase Revenue

Implementation Tasks:

Implement Professional Market assessment recommendations for the Tobermory to Manitoulin Island Ferry Service.

Objective: Reduce Expenses

Implementation Tasks:

- Develop Project Portfolio Management system to incorporate inventory and purchasing
- Evaluate cost benefit of installing wheelhouse fuel monitoring system
- Develop and monitor employee development and training plans for all management positions
- Tender fuel contract every three years to ensure favourable fuel rates are obtained
- Actively enforce the company purchasing policy to ensure all goods or services acquired are necessary

Strategic Goal #3: Build and maintain strong relationships with communities and regions we serve.

Objective: Develop Community Partnerships

Implementation Tasks: (on-going participation and support of or in)

- Regional Tourism Partnerships
- Promotion & Advertising Partnerships
- Ferry Service Community Advisory Committee meetings

- Meetings with Moose Band and Complex RE (Moose Factory)

Objective: Develop Employment Opportunities

Implementation Tasks: (promote industry opportunities)

- Provide co-op opportunities for Great Lakes International Marine Training Centre (GLIMTC) cadets (Georgian College Marine Cadet Program)
- Maintain visibility in secondary school system (partially through hosting Science Fair)
- Provide co-op opportunities for High School students on M.V. Niska 1

6. Overview of Current and Future Programs and Activities

6.1 Ferry Service Contracts

OSTC will generate 7% of its revenue through outside operating and management contracts with MTO's Pelee Island Ferry Service. MTO has contracted OSTC to supply management services specific to the vessel replacement and refurbishment program for the Pelee Island Ferry Service, over and above the day-to-day operational management of the active ferry service. OSTC and MTO have agreed to compensate OSTC on an hourly basis until the vessel construction yard has been selected, and OSTC's role in the process can be more clearly defined.

6.2 Off-season Event and Charters

The M.S. Chi-Cheemaun is chartered for up to four dinner and dance cruises from the Owen Sound harbour during the month of April, each year, weather permitting. Charter events are also offered during the sailing season at a premium rate and operate outside the regular sailing schedule.

Shore side events cannot be licensed and are limited to events where alcohol is not served.

6.3 M.S. Chi-Cheemaun Food Services

Food services provided on the ship have outgrown the forty-year old food service infrastructure and counter configuration. OSTC has received proposals for a new galley lay-out that will allow the operation to optimize food services, improve on the existing accessibility of the cafeteria and increase food sales by serving customers faster.

6.4 Website Development

OSTC has recently improved the existing www.ontarioferries.com website with the addition of a live Twitter feed, Facebook links and an updated landing page to facilitate visitors with finding the reservations page. OSTC has also changed internet providers to assist with improving the load time of the website. Despite these improvements, the website still requires a complete overhaul. With more people visiting the site each year it is becoming very important to have all of the company information available on the site in a manner that is easy to navigate. All new websites designed after January 1, 2014, will be accessible and WCAG 2.0 Level A compliant.

6.5 Fuel Consumption Reduction

OSTC operates M.S. Chi-Cheemaun on only two of the four engines as standard operating procedure. This allows OSTC to optimize fuel consumption, and keep the operating hours on the equipment as low as possible to lengthen the service life of the machinery.

Fuel consumption reduction targets have been established and should be attainable with the proper application of operating procedures, employee training, equipment maintenance and, real-time monitoring. Engine Room ventilation improvements will also reduce fuel consumption, and prolong machinery life.

6.6 Occupational Safety and Health

Prior to 2007, Marine Occupational Safety and Health (MOSH) inspections were conducted by TC aboard OSTC owned or operated ships.

In 2007, Human Resources Development Services Canada (HRDSC) made a jurisdictional decision regarding Safety & Health for ships owned by the Province of Ontario. The decision stated that because the Province of Ontario has not abdicated any of its Health and Safety enforcement responsibilities to the Federal Government, provincially owned ships

are subject to Provincial Health & Safety Jurisdiction, not Federal. Ontario Occupational Safety & Health regulations do not have a category for ships and as such, ships fall under “Industrial” regulations, few of which can be properly applied.

TC has agreed to work with OSTC and the Provincial Health & Safety inspectors to ensure that the ships continue to be properly inspected without jeopardizing the safety of the workers and the safety of the Provincial Safety Inspector.

6.7 Federal Code for Ferry Accessibility and AODA (2005)

Subsequent to the Accessibility for Ontarians with Disabilities Act (AODA), regulations were introduced by the Province requiring existing and new public transportation vehicles to become accessible. OSTC had already begun the process of upgrading accessibility on the M.S. Chi-Cheemaun to meet the Federal Code of Accessibility as is in place on the Pelee Island ferry service. The provincial regulations have also adopted the Federal Code as the provincial standard.

OSTC established and implemented Policies, Practices and Procedures regarding providing goods and services to persons with disabilities effective January 1, 2010. This is referred to as the “Customer Service Standard” and will be closely followed by the Transportation, Employment, and Communications Standards to which the company will also be required to comply.

In fiscal 2012-13, OSTC was selected for a File Review under the AODA. Upon completion of the file review, OSTC identified approximately \$25,000 in upgrades required on-board the M.S. Chi-Cheemaun to be 100% compliant with the Ferry Accessibility for Persons with Disabilities Code of Practice. These upgrades were made before the end of the year and the file review was closed.

In fiscal 2013-14, OSTC developed and posted its multi-year accessibility plan that the organization will follow to remove accessibility barriers in the organization. This plan details the steps that will be taken to ensure the organization is inside all of the AODA requirements up to 2021.

OSTC management is committed to meeting all the required standards and has demonstrated this commitment by attending Accessibility Information Sessions provided by the Ministry of Community and Social Services to ensure they are up to date on current requirements.

7. Resources Needed to Meet Goals and Objectives

7.1 Human Resources:

OSTC's outside contract business has grown over the past few years and has the potential to expand further afield in the coming years. This growth required a re-organization of upper management which was completed in fiscal 2011 and 2012. The new positions created during the re-organization were developed to ensure that all work could be undertaken without sacrificing quality, while continuing to operate OSTC's own M.S. Chi-Cheemaun, and ensure continued compliance with federal and provincial legislation, and the Province of Ontario's Directives issued to Ministries, Agencies, Boards and Commissions.

The current organizational chart is provided in section 16.0.

No additional facilities are required to be built in order for the Tobermory to South Baymouth & Moosonee to Moose Factory Island ferry services to continue.

7.2 Technology:

OSTC reviews the Information Technology Policies, Systems and Equipment on an annual basis. Hardware and software are maintained, upgraded or replaced when the technology becomes unreliable.

OSTC previously housed all IT services support in-house, but in fiscal 2013-14 the services were moved to an external IT consulting firm. The external firm provides the organization with 24-hour support coverage and a broader range of skills and specialties than could have been found with a single internal employee.

OSTC will be implementing a new reservations and flex fare system for 2015-16 to replace the in-house (circa 1995) reservations system that is outdated and limited in its capabilities. The new system will be introduced in conjunction with an improved website and will allow customers better access, and opportunities to take advantage of promotional and discount fares on underutilized ferry departures, simply by making their own reservation through the on-line system.

7.3 Research:

Ferry service between Tobermory and South Baymouth, Manitoulin Island has experienced a steady decline in traffic since 2007. This is the net effect of increased fuel prices, the thickening of the US and Canada border, the economic recession, and OSTC being required to raise fares to support the operating budget. Over the same period, Provincial Highways 400 and 69 on the east side of Georgian Bay have been significantly improved, and now provide travelers with an attractive alternative (saves time, money & operates 24 hours per day), a choice more travelers are electing to take.

After 37 years of service, 30 of which were during a time when Highway 69 was not a preferred method of reaching Northern Ontario, the service needed to have a thorough professional market assessment study completed to provide the company and the Board of Directors with accurate and up-to-date information in order to make good decisions about the future of the ferry service, including but not limited to decisions about an appropriate level of service, fare structure, reservations systems, subsidy levels, and sales and marketing campaigns. This study was completed in fiscal 2012-13 and preliminary recommendations were implemented where possible.

In line with the assumption that there is a potential market that OSTC has not reached yet, the Business Plan includes increased marketing funds to create a targeted marketing plan to reach this customer base. OSTC anticipates it will take two to three years to complete the process, make the operational changes, and measure the failure or success.

8. Risk Identification, Assessment and Mitigation Strategies

OSTC's primary concern while transporting people and goods on the ferry is to ensure a safe, secure and environmentally responsible operation. Significant costs associated with the service are solely for the purpose of ensuring safety, security and environmental protection, and do not provide any other benefit, i.e. increased revenues. On a cost and benefit basis, failure to operate a vessel in accordance with all applicable legislation will cause the vessel to lose the certificates required to operate.

Underfunding of the service is the biggest risk currently facing the company. Underfunding undermines the company's ability to provide a reliable, safe, secure, environmentally responsible, and customer friendly ferry service.

In accordance with the “Guide to Developing Business Plans for Classified Agencies” MGS, July 2011, OSTC has adopted a standard Risk Assessment Matrix to assess Risk and develop mitigation measures where required and are practicable.

Likelihood = Probability of the risk event actually occurring			Impact = Degree of severity of the consequence		Overall Score	Likelihood x Impact
Score	Description	Approximate probabilities	Score	Description	0 - 5	Low
1	Improbable	0% to 4%	1	Insignificant - negligible effects	6 - 11	Medium
2	Unlikely	5% to 24%	2	Minor - Normal operational difficulties	12 - 19	High
3	Possible	25% to 54%	3	Significant - delay in accomplishing operational objectives	20 - 25	Extreme
4	Likely	55% to 89%	4	Major - fundamental work required before objective can be met		
5	Certain	90% to 100%	5	Catastrophic - program irrevocably finished; objective will not be met.		

8.1 Preventive Measures:

OSTC is highly regulated for the purpose of assessing and managing risks. Transport Canada – Marine Safety’s policy is that there is no price too high to save one life. While most of the regulations are written in accordance with that principle, it is up to the individual Classification Society surveyor (on behalf of Transport Canada) to determine if a vessel is operating within the regulations.

OSTC reviews all new legislation and regulations and implements any changes as required by law. Those regulations include safety equipment, operating manuals, crew certification, and training requirements, among others.

OSTC operates in accordance with the Canada Shipping Act and all of its ancillary regulations; and all other relevant Provincial and Federal regulations including but not limited to Pollution Prevention and control, Workplace Health and Safety, and Marine Transportation of Dangerous Goods.

OSTC also independently assesses safety, security and environmental risks which are not managed within regulation.

8.2 Insurance:

OSTC currently has Marine Hull, Marine P&L, Property, CGL, Auto, Boiler and Machinery, D&O, Fiduciary, Crime, EPL and General Liability insurance coverage. Insurance coverage is reviewed annually to ensure there is adequate coverage to all areas of the organization.

9. Environmental Scan

9.1 Economic Conditions/Business Climate

Economic Impact of Ferry service on Manitoulin Island and the Bruce Peninsula

In 2012-13, OSTC completed a Benefits Case for the M.S. Chi-Cheemaun to obtain an estimate of the economic impact the ferry has on the communities it services. The report estimated that annually the ferry creates between 159 and 255 full time jobs, between \$9.2 million and \$15.6 million in economic activity (as measured by GDP) and between \$8.8 million and \$12.4 million in labour income each year it operates. In addition to these benefits, the service provided by the ferry provides riders with benefits conservatively valued at \$7.0 million per year.

The Moosonee ferry is a necessary means of transportation to Moose Factory Island and at this time no business case is required for these operations. Vehicle and passenger traffic has not fluctuated greatly over the past few years. This operation is a necessity and without it the residents on Moose Factory Island would have very limited ways to access the mainland. The ferry is the only vessel on the river that is certified by Transport Canada for the safe carriage of passengers.

Competition

The M.S. Chi-Cheemaun ferry service is an optional mode of transportation for customers to reach their destination. Persons traveling to Manitoulin Island and northern Ontario, as well as from northern Ontario travelling to southern Ontario, can travel by Provincial Highways 400 & 69, and bypass the ferry entirely.

Loss of traffic to Highways 400 & 69 is high risk for the ferry service as a large proportion of customers are not using the ferry service to visit Manitoulin Island, but are using it as a means to reach Northern Ontario beyond Manitoulin Island. Past customer surveys indicate that only 30% of ferry traffic identifies Manitoulin Island as their destination.

Other boat tour operators in Tobermory are also creating competition by targeting the tourists who have travelled to the area for a day excursion. Many tourists opt to take the glass bottom boat tours for the experience and are not aware of the experience that the Chi-Cheemaun can offer. OSTC created a 4-hour excursion fare in 2014-15, to attract travelers looking for a one-day activity to enjoy with their family or friends. This day cruise experience is intended to improve the volume of walk-on traffic on the ferry that has slowly been declining.

The M.V. Niska 1 is the only means of transporting vehicles between Moosonee and Moose Factory and as such there is minimal to no competition for this operation.

Ministry of Northern Development and Mines Annual Operating Subsidy

Prior to 2010-11, OSTC received \$800,000 in operating subsidy annually. This increased in 2011-12 to \$1.0 million to acknowledge the spike in fuel prices. Since then and moving forward, OSTC has requested \$1.3 million to \$2.0 million in operating subsidy annually. This increase was required as all daily operating costs continue to increase for utilities, fuel, employee benefits, wages etc. While costs have been increasing, OSTC has continued to experience decreasing traffic which has resulted in lower revenue generation.

With the request for additional operating subsidies of \$500,000 for fiscals 2015-16 through 2016-17, and \$200,000 in 2017-18, OSTC plans to make major strides towards rebounding the ferry traffic and returning the traffic levels experienced in the early 2000's. This turnaround will benefit both the ferry and MNDM in the long-term as the more ferry revenue generated the less operating subsidy that will be required.

M.S. Chi-Cheemaun ferry traffic & fares

OSTC undertakes an annual cost and benefit exercise using origin and destination information gathered through the customer survey, to determine whether it is time, cost or distance that influences ferry customers' choice between taking the ferry, and driving around Georgian Bay. OSTC found that for the majority of routes, taking the ferry increases travel time and expense to the customers' trips. If customers can reach their destination in less time and for less cost than taking the ferry, a high percentage of customers will do so.

OSTC also performs an annual comparison of OSTC's fare structure to other Canadian ferry services operating vessels of similar size to the M.S. Chi-Cheemaun on routes of comparable distance. OSTC's fares are well aligned across the country, but are exorbitantly high in comparison to other ferry services owned by the Province of Ontario.

Vehicle deck utilization is measured as the percentage of usable vehicle deck space occupied per departure. There are eight vehicle categories which have been assigned average vehicle lengths. Total footage for each load is calculated by multiplying the number of vehicles per category by the assigned average length. Due to the averaging in the calculation and, the variables introduced by overweight pieces, a “full” load can be anywhere in the range between 78% and 85% of total available footage.

M.S. Chi-Cheemaun Vehicle Deck Utilization in % of Total Available Space

Blank	May	June	July	August	September	October	Average
Year 2014	35	59	63	55	47	36	49.17
Year 2013	40	45	55	64	59	49	52.00
Year 2012	44	47	60	66	62	52	55.17
Year 2011	40	47	64	64	62	55	55.33
Year 2010	47	52	65	69	61	55	58.17
Year 2009	42	57	65	69	64	54	58.50
Year 2008	46	55	66	74	68	60	61.50
Year 2007	49	59	73	79	74	65	66.50
Year 2006	48	55	71	80	70	62	64.33
Year 2005	49	60	80	79	72	66	67.67
Year 2004	48	60	75	78	71	66	66.33
Year 2003	43	55	75	84	72	60	64.83

Steps OSTC has taken to maximize ferry revenues:

1. In the past 5 years OSTC has increased and modified the fare structure to arrive at prices that maximize the revenue per customer without being seen as unreasonable by travelers.
2. OSTC continues to offer additional services such as dinner cruises and charters.

Given the pattern of decline in ferry usage, and the high probability that a further increase to fares will drive away even more traffic, OSTC's operating budgets for 2015-16 through 2017-18 are based on 0% fare increase.

Labour & Fuel Costs

In 2015-16, Labour and Fuel costs will make up 69% of OSTC annual operating expenses.

In 2015-16, OSTC plans to hire an Customer Experience Manager to take on responsibility for merchandising, booking and coordinating entertainment for the ferry, new menu development and implementation, food and customer service training, social media and website support, group tour sales, regional tourism association liaison, and will work with the VP Operations in management of direct customer service interfaces at terminals and on board the ship.

Fuel costs are expected to increase 1% in 2015-16 and stabilize at a 3% increase in each 2016-17 and 2017-18.

9.2 Facilities required by company to operate service:

Marine Vessels

M.S. Chi-Cheemaun

The M.S. Chi-Cheemaun was built by the Province of Ontario and the Government of Canada in 1974 to replace the smaller ferries, S.S. Norisle and M.V. Norgoma, operating on the route between Tobermory and South Baymouth, Manitoulin Island, Ontario.

M.S. Chi-Cheemaun underwent a mid-life refit in 2006 and 2007. Projected life expectancy for the ship is 30 years.

M.V. Niska 1

The M.V. Niska 1 was built by the Province of Ontario in 2010 and 2011 to replace the Manitou Island 2 which had been in service since 1956. The Niska 1 operates the route between Moosonee and Moose Factory Island, Ontario.

Buildings & Properties

Terminal Buildings and Properties

The Tobermory and South Baymouth Ferry Terminal Buildings are of stone and brick construction with a combination of flat and peaked roofs. Originally built in 1973, the buildings have only required roof and window repairs over the last 30 years. In 2013 and 2014, the terminals underwent some significant interior renovations and many existing issues with the buildings were addressed.

OSTC Main Office Building

OSTC's main office is located at the intersection of Ontario Provincial Highways 6 and 21 in Owen Sound. The property is owned by the Ontario Ministry of Natural Resources, controlled by the Grey Sauble Conservation Authority and leased to OSTC until 2052. OSTC owns the office building.

The building houses the ferry company administration offices, reservations centre, and a tourism information centre for the Bruce Peninsula and Manitoulin Island. The building was designed and constructed to conform to the requirements of the Accessibility of Ontarians with Disabilities Act.

Tobermory, South Baymouth & Owen Sound wharf facilities

Transport Canada is the owner of the Tobermory and South Baymouth dock walls, and the Owen Sound harbour wall used exclusively by OSTC, all adjacent to OSTC owned properties.

In 2007, Transport Canada and OSTC entered into a Memorandum of Understanding that specifies the terms of OSTC's occupation as well as the responsibilities of each party for maintenance and upkeep on the walls and ferry ramp facilities.

OSTC owns a small piece of riverfront property and water lot on the west wall of the Owen Sound inner harbour where the M.S. Chi-Cheemaun is berthed in the winter months. At present, the City of Owen Sound provides landscaping services and the property is considered a green space open for public use. Transport Canada owns the harbour wall.

All of the above wharfs (Tobermory, South Baymouth, and Owen Sound) are on Transport Canada's list for divestiture. Any future discussions regarding the transfer of facility ownership will be conducted between MNM and Transport Canada.

Moosonee Winter Storage Haul-Out Facility

In 2011, Ontario Northland Transportation Commission (ONTC) began construction of a marine railway at the M.V. Niska 1 loading ramp. Construction was stopped when excavation of the piece of land revealed that it was predominantly marine clay, and unsuitable to provide the stability required for the railway. As an interim measure, while other options were being investigated, M.V. Niska 1 was hauled out on the Moosonee Transportation Limited (MTL) marine railway on an adjacent property. The vessel has wintered on the MTL marine railway in 2011, 2012, 2013 and 2014.

Navigable Route/Dredging

South Baymouth Channel

Lower than normal water levels, experienced in 2013, threatened to reduce the safe navigational channel for M.S. Chi-Cheemaun's approach into the South Baymouth dock. Water levels rebounded in 2014, but with no certainty of sustained higher water levels over the long term, discussion with Transport Canada must begin to plan for a probable deepening and widening of the South Baymouth channel in the next 5 to 10 years.

Moose River

Lower than normal water levels have reduced the safe navigational route for the M.V. Niska 1 to Moose Factory Island. With no apparent increase in water levels forecast in the foreseeable future, investigation into the possibility of dredging needs to be done. Currently, sailings are dependent on the tide and higher water levels.

Owen Sound Harbour

The Owen Sound Harbour, where the M.S. Chi-Cheemaun docks over winter, is on TC's list of federally owned port facilities up for divestiture. The harbour will require dredging in the future.

The Chi-Cheemaun has had difficulty getting away from her berth in spring during low water.

9.3 Regulatory Change affecting service:

Safety

Passenger Safety Management Training: All passenger vessels over 500GRT (Gross Registered Tonnage) are required to have all crew members trained in Passenger Safety Management, and in possession of a Transport Canada issued PSM certificate.

Maritime Occupational Health & Safety Regulations: OSTC is continuing to work with HRSDC to reduce the gap between the Provincial OSH regulations and the Federal MOSH regulations, to ensure that the OSTC employees on ships are as well protected as their counterparts on all other Canadian ships. OSTC is also waiting for HRSDC to conclude another jurisdiction review of the vessel OSTC operates between Canada and the United States.

Environmental

Emissions: Currently, OSTC ferry operations are in full compliance with all applicable environmental regulations, including impending emission standards. Beginning August 1, 2012, all ships will be required to conform to a graduated program of sulphur emission reduction, through changing the type of fuel used by the ships to low and ultra-low sulphur, or through engine add-ons or stack scrubbers. OSTC currently burns low sulphur fuel and will meet the proposed regulatory requirements until 2018. After 2018, it is predicted that ultra-low sulphur fuel will be available.

OSTC will be required to provide an emissions monitoring plan to Transport Canada, which necessitates the purchase and installation of emissions monitoring equipment.

Ballast Water: OSTC will be required to comply with Canadian Ballast Water regulations for domestic transportation, as well as those imposed by individual US states for any operations in US waters.

Accessibility

OSTC is periodically reviewed by the Accessibility Directorate of Ontario to ensure the organization is in compliance with the Accessibility for Ontarians with Disabilities Act, 2005. In fiscal 2012-13, OSTC underwent a review and identified minor capital upgrades that would be required in order to be in conformance with all the AODA requirements. Those upgrades were made and the file review was completed.

In fiscal 2013-14, OSTC developed and posted a multi-year accessibility plan and filed the required accessibility report indicating that the organization was onside all regulatory requirements. In future years OSTC will be required to ensure all staff have been adequately trained on Ontario's accessibility laws, update the company website and public information available to be more accessible and available in various formats and make company employment practices more accessible.

The only additional capital that may be required in the future will be making the website more accessible by 2014-15. However, as technology advances and accessibility issues become more prominent, making such changes are not expected to have a significant cost attached to them.

9.4 Passenger Demographics:

OSTC tracks Chi-Cheemaun passenger demographics (age, occupation, origin and destination, purpose of travel, etc.) through the annual customer survey.

Age: Over the last several years, the ferry service has experienced an increase in middle-aged to older customers. Currently, approximately 67% of customers are 46 years of age and older.

Principal Residence: The professional compilation of traveler information collected over 8 years during the market feasibility study showed that 38% of passengers travel to the ferry from Southwestern Ontario (bordered by Toronto on the east and Windsor on the west). Customers from Manitoulin Island, Bruce Peninsula and the Greater Toronto Area (GTA) made up 37% of the respondent base.

Purpose of travel: Survey results consistently show that 40 to 50% of travelers take the ferry for Recreation and Vacation and 30 to 40% uses the ferry because it is the shortest route to their destination.

Sensitivity to Fare Structure: In 2008, 62% of passengers felt that the fare structure was “just right”, and 31% felt it was “high”. In 2009, there was a shift to 53% who felt it was “just right” and 40% who felt it was “high”. The 2010 response was identical to 2009. In 2011, 47% of passengers felt the fare structure was “just right”, 45% felt it was “high”, and 7% felt it was “very high”. In 2012, 44% of passengers felt the fare structure was “just right”, 43% felt it was “high” and 13% felt it was “very high” despite no fare increases from 2011’s sailing season to 2012.

9.5 Status of Labour Negotiations:

OSTC has three collective agreements with one Union. These agreements all expired on December 31, 2013.

The three collective agreements are:

- Seafarers’ International Union of Canada with the Owen Sound Transportation Company – Pelee Island Division, Unlicensed employees (M.V. Jiimaan, M.V. Pelee Islander, dock, reservations and ticket agents).
- Seafarers’ International Union of Canada with the Owen Sound Transportation Company – Dock Workers (Tobermory and South Baymouth).
- Seafarers’ International Union of Canada with the Owen Sound Transportation Company – Unlicensed employees (M.S. Chi-Cheemaun).

The M.S. Chi-Cheemaun Engineer Officers represented by the Canadian Marine Officers Union (now the Steelworkers) de-certified in March 2011.

OSTC will continue to subcontract with the Complex RE (previously known as Moose Band Development Corporation) to handle the day-to-day operations of the M.V Niska 1.

10. Human Resources

OSTC's organizational structure was revised in 2012 with the re-structuring of key management positions to ensure all employees have clear lines of authority identified. The structure was further refined in 2014 to ensure that the corporation maintains in compliance with all existing and future Provincial and Ministry Directives, and to provide OSTC with the human resources necessary to pursue additional outside contracts to increase revenue.

10.1 Guiding Principles respecting the authorities of the Organizational Structure:

- The hierarchical nature of the Marine Industry forces the operation to be plan driven;
- Two crews are utilized on board the M.S. Chi-Cheemaun to accommodate an 18-hour day and 7 days a week operating schedule during the peak summer season;
- Seasonal employment limits the full application of performance management and training and development opportunities for the majority of employees.

OSTC was identified in Sept 2014 as not having a pay equity evaluation and maintenance plan in place. OSTC was evaluated for pay equity in 1994 as part of Ontario Northland Transportation Commission, but as the records are not separate for the two companies, OSTC is required to perform the evaluation and develop a pay-equity maintenance plan in 2015. OSTC does not have the internal resources to complete the task and will be engaging an outside contractor for this purpose.

10.2 OSTC Management Pension and Health Benefits:

Pension

The more significant financial impact to OSTC will be the determination and payment of OSTC's portion of the ONTC Pension deficit, if such a payment is included in ONTC's approved deficit reduction plan. That information has not been provided to OSTC to date and has therefore not been included in the operating budgets accompanying this plan.

Health Benefits

OSTC Management employees are members of the ONTC group health benefit plan. OSTC pays ONTC the actual cost of health benefits used by its employees on a monthly basis.

11. Performance Measures

Performance Measures and Targets have been established only for those areas on which the company and its personnel can have an influence. The company cannot influence the weather however the weather can have an influence on the company's performance.

11.1 Public Performance Measures:

Customer Satisfaction

Goals/Outcomes	Measures	Targets/Standards	2015-16 Commitments
Customers are satisfied with the quality of service provided on the ship and on the dock.	Annual customer survey	95% satisfaction level as minimum standard	Conduct annual survey and, maintain a minimum customer satisfaction level of 95%.

Customer Complaint Resolution

Goals/Outcomes	Measures	Targets/Standards	2015-16 Commitments
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Goals/Outcomes	Measures	Targets/Standards	2015-16 Commitments
Customer complaints are responded to in writing, within five working days of the complaint.	Average response time for complaint resolution.	Average response time of no more than 5 working days	Investigate and respond to customer complaints in writing, within 5 working days.
Mechanical Downtime Goals/Outcomes	Measures	Targets/Standards	2015-16 Commitments
No lost operating time resulting from preventable mechanical failures	Vessel Log Sheets	Zero lost days resulting from preventable mechanical problems	Adhere to preventative maintenance program to ensure service is not disrupted due to mechanical failure.

12. Financial Budget and Staffing

12.1 Chi-Cheemaun Financials

Operating budgets for the years 2015-16 through 2017-18 were developed assuming there will be no change to the level of service provided during the life of the plan.

The 2015-16 through 2017-18 operating budget for Chi-Cheemaun requires no less than annual operating subsidies of \$2.0 million per year, respectively. These subsidy totals include the additional amount required to expand the existing market and promotion efforts, and to settle the outstanding pension matter for management employees who are currently unable to participate in a pension plan. As is demonstrated in the proposed budgets, \$2.0 million still falls short of the service's needs in the event that traffic levels do not increase in the same period. If traffic levels do not increase over 2014-15 levels, the annual operating subsidies will be \$2,558,000 (2015-16), \$4,500,000 (2016-17), and \$2,289,000 (2017-18).

The company had an accumulated surplus of \$13,063,038 (only \$1,273,485 is general surplus) at March 31, 2014 and \$46,900 in cash. There is insufficient cash available during any point of each fiscal year to cover any funding shortfalls.

OSTC has a \$2.0 million line of credit that is fully drawn on during the first quarter of the fiscal year, prior to the revenue producing ferry season. OSTC enters the line of credit during the first quarter and exits prior to or during the first month of the second quarter annually.

Capital budgets for 2015-16, 2016-17 and 2017-18 total \$2,404,000, \$701,000 and \$1,792,000 respectively. All capital projects identified promote and preserve safety, efficiency and reliability of the M.S. Chi-Cheemaun, and make improvements to operations that will support preservation of the environment.

12.2 OSTC Financial Projections – Statement of Revenue and Expense – Chi-Cheemaun

(in thousands of dollars)	Actual 2010/11	Actual 2011/12	Actual 2012/13	Actual 2013/14	Budget 2014/15	Forecast 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18
Revenue									
Chi-Cheemaun	6,982	6,786	6,826	6,507	6,785	6,492	6,500	6,500	6,500
Moosonee Mgmt Fee from ONTC	50	80	80	0	0	0	0	0	0
Pelee Island Transportation Mgmt Fee	417	431	495	435	466	451	450	459	470
Revenue Total	7,449	7,297	7,401	6,942	7,251	6,943	6,950	6,959	6,970
Expenses									
Salaries and Wages	3,685	3,667	3,734	3,639	3,775	3,670	3,789	3,804	3,819
Benefits	740	819	774	780	824	988	834	837	840
Repair and Maintenance	452	339	560	662	650	672	670	670	670
Utilities	179	182	254	241	215	215	225	236	248
Fuel	1,161	1,513	1,248	1,354	1,418	1,424	1,488	1,533	1,564
Tools and Operating Supplies	140	124	114	100	120	120	125	125	125
Services	657	645	628	638	651	636	658	665	678
General and Administrative	1,114	990	1,142	1,200	1,122	1,176	1,144	1,167	1,190
Expense Total	8,128	8,279	8,454	8,614	8,775	8,901	8,933	9,037	9,134
Net Income (Loss) before Extraordinary and MNM Subsidy	-679	-982	-1,053	-1,672	-1,524	-1,958	-1,983	-2,078	-2,164
Extraordinary Items									
OSTC Pension Costs for new employees not in ONTC Plan	0	0	0	-69	-221	0	-150	0	0
ONTC Pension Deficit Payment	-158	0	0	0	0	0	0	0	0
Chi-Cheemaun Dry Dock	0	0	0	0	0	0	0	-2,000	0
Marketing Study & Plan Implementation	0	0	-29	0	-500	-500	-500	-500	-200
MTO Capital Building Project - Mgmt Fee	0	0	0	0	250	0	75	75	75
Extraordinary Items Total	-158	0	-29	-69	-471	-500	-575	-2,425	-125
Net Income(Loss) before MNM Subsidy	-837	-982	-1,082	-1,741	-1,995	-2,458	-2,558	-4,503	-2,289
MNDM Subsidy									
MNDM Operating Subsidy	800	1,000	1,350	1,831	1,300	1,300	1,908	2,000	2,089
MNDM Marketing Subsidy	0	0	26	0	500	500	500	500	200
MNDM Pension Settlement Subsidy	0	0	0	69	200	200	150	0	0
MNDM Dry-Docking Fund	0	0	0	0	0	0	0	2,000	0
MNDM Subsidy Total	800	1,000	1,376	1,900	2,000	2,000	2,558	4,500	2,289
Net Income(Loss) after MNM Subsidy	-37	18	294	159	5	-458	0	-3	0

12.3 Niska 1 Financials:

Operating budgets for the years 2015-16 to 2017-18 were developed assuming there will be limited change to the level of service provided during the life of the plan. There will be no increase to, or reduction of the ferry sailing season schedule, and there will be no machinery failures causing a loss of service.

The 2015-16 through 2017-18 operating budgets projects funding requirements of \$327,000 in 2015 and 2016, \$314,000 in 2016-17 and \$325,000 in 2017-18 from provincial operating subsidies.

The capital budgets for 2015-16 totals \$1,660,000 with no other major capital projects budgeted for 2016-17 or 2017-18, apart from navigation channel dredging. All capital projects identified promote and preserve safety, efficiency, reliability and structural integrity of M.V. Niska 1, and make improvements to operations that will support preservation of the environment. A detailed account of the 2015-16 through 2017-18 proposed capital projects is provided.

12.4 OSTC Financial Projections – Statement of Revenue and Expense – Niska 1:

(in thousands of dollars)	Actual** 2011/12	Actual** 2012/13	Actual 2013/14	Budget 2014/15	Forecast 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18
<u>Revenue</u>								
Moosonee Operating Revenue	153	180	155	164	170	170	170	170
MNDM Subsidy	41	41						
Revenue Total	194	221	155	164	170	170	170	170
<u>Expenses</u>								
Contracts	111	190	149	183	183	187	194	198
Repairs and Maintenance	0	32	36	35	70	35	35	35
Utilities	2	2	2	1	2	3	3	3
Fuel	27	27	33	35	45	50	55	60
Tools and Operating Supplies	4	17	2	2	2	2	3	3
Insurance	135	54	22	48	48	48	48	48
OSTC Management Salary Allocation	80	80	80	80	80	80	80	80
General and Administrative	59	100	43	45	60	63	66	68
Expense Total	418	502	367	429	490	468	484	495
Net Income (Loss) before Extraordinary Items and MNDM Subsidy	-224	-281	-212	-265	-320	-298	-314	-325
<u>Extraordinary Items</u>								
Disposal of MV Manitou Island II			0	0	0	0	0	0
Winter Storage, Launch and Removal of Niska 1			29	29	29	29	0	0
Extraordinary Items Total			29	29	29	29	0	0
Net Income (Loss) before MNDM Subsidy			-241	-294	-349	-327	-314	-325
MNDM Subsidy			261	265	265	327	314	325
Net Income (Loss) after MNDM Subsidy	-224	-281	20	-29	-84	0	0	0

** As reported by ONTC

12.5 Staffing:

OSTC ships are staffed in accordance with Transport Canada's Minimum Safe Manning Document (Crewing Regulations) and arrangements made through the Collective Agreements.

	Seasonal 2013/14	2014/15	2015/16	2016/17	Full-Time 2013/14	2014/15	2015/16	2016/17
OSTC office	6	6	6	6	8	9	9	9
M.S. Chi-Cheemaun	58	50	50	50	9	9	9	9
Tobermory	19	19	19	19		0	0	0
South Baymouth	17	17	17	17		0	0	0
Pelee Island	7	6	6	6	1	1	1	1
Kingsville/Leamington	9	10 / 1 student	10 / 1 student	10 / 1 student	1	1	1	1
M.V. Jiimaan	25	26	26	26	8	9	9	9
M.V. Pelee Islander	9	13	13	13	4	3	3	3
TOTAL	150	137	137	137	31	32	32	32

Ship's Officers are management employees and work on board for an average 6 months per year and are paid an annual salary. Those Officers include:

M.S. Chi-Cheemaun: 2 Captains, 2 Chief Mates, 2 Second Mates, 2 Chief Engineers, 2 Stewards
M.V. Jiimaan: 2 Captains, 2 Chief Mates, 2 Chief Engineers
M.V. Pelee Islander: 1 Captain, 1 Chief Mate, 1 Chief Engineer

Most employees are eligible to retire after 65 years of age but are not mandatorily required to retire provided they are able to continue to perform their duties and responsibilities.

13. Information Technology (IT)/Electronic Service Delivery (ESD) Plan

OSTC has contracted an outside service provider to supply maintenance, support and security for the IT platform.

14. Initiatives Involving Third Parties

14.1 Strategic Alliances:

OSTC is a member of the Canadian Ferry Operators Association, the Canadian Passenger Vessel Association, the Passenger Vessel Association in the USA, and Interferry. The first two groups are solely Canadian and work with Transport Canada Marine Safety regarding application of regulatory reform in the passenger ship industry. OSTC also actively participates in Regulator and Industry forums such as CMAC (Canadian Marine Advisory Council).

OSTC is a supporter of the Great Lakes International Marine Training Centre at Georgian College in Owen Sound, Ontario. OSTC employs cadets of GLIMTC on the M.S. Chi-Cheemaun and the Pelee Island Ferry Service Ferries.

14.2 Partnerships:

Through the ferry service community advisory committees and regional tourism partnerships, OSTC partners with the communities on each end of the ferry route to jointly promote the opportunities of each region, using the ferry for access.

OSTC is an engaged member of the communities it serves. In Tobermory, OSTC is a major financial partner in the community's water and sewage systems; sponsors "Big Canoe Weekend" and provides sponsorship for items such as the highway speed reminder sign and permanent Christmas light fixtures and Canada Day celebrations. In South Baymouth, OSTC houses the water intake and treatment facility for the Township of Tehkummah and is a sponsor of community association projects including outdoor benches. OSTC is a major opening night participant in the Festival of Northern Lights and provides the ship to the Blue Water Regional Science and Technology Fair committee to use for special events during the School Board Wide Regional Science Fair.

In 2013, OSTC formed a partnership called Destination Manitoulin with participating businesses on Manitoulin Island. This partnership provides joint discounts to travelers using the ferry and staying at a local hotel or motel or resort.

OSTC also developed a partnership with Summerfolk in 2013. This partnership assists OSTC with attracting well known artists and bands to the ferry.

In 2014, OSTC developed a partnership with the Tom Thompson Art Gallery. This partnership provides cross promotion for both the ferry and the gallery through lobby displays at the gallery for the ferry, and on-board displays for the gallery. Tom Thompson giftware and “Home Grown” products were featured in the Chi-Cheemaun Boatique, and was a high volume sales item for the ferry.

OSTC and Parks Canada are working together to develop a “Great Lakes Naturalists” on-board Parks interpretation program for 2015. The program will incorporate the existing Guided Tours of the Night Skies offered in the month of August, and will provide a day program featuring the unique biology and geography of Lake Huron, the Peninsula and Manitoulin Island.

14.3 Contracting Out:

Vessel and facility maintenance that exceeds the ability of the OSTC employees and-or is unique or specialized is contracted out as required. All contractors are secured through the application of the approved purchasing and tendering policy.

14.4 Internal Customers:

OSTC does not currently have any internal customers.

14.5 External Customers:

OSTC’s external customers include contract clients (MTO), the communities on Manitoulin Island and the Bruce Peninsula, the communities of Moosonee and Moose Factory Island, and all users of the ferry services.

OSTC obtains operational feedback from all user groups either through public forum (community advisory groups), customer survey cards and, verbal or written correspondence. OSTC provides operational and financial reports to contract clients in compliance with the schedules contained within the agreements.

15. Communication Plan

Media relations are handled by the President & CEO. OSTC's communications protocol has been established with designated Ministry personnel. The President & CEO, and Vice President of Finance share responsibility for coordination of public affairs, marketing, and communications.

French Language services required to produce print media are contracted out. Spoken French Language Services are provided on the reservations and information telephone lines during the ferry operating seasons. OSTC will ensure that French language services are supplied in accordance with the Province's Directives. Usual reporting will be done through the MNM French Language Service Coordinator.

Communications assistance for persons with disabilities is in compliance with the Accessibility for Ontarians with Disabilities Act, 2005, and is upgraded as new technologies become available. By 2015, OSTC will provide all of its publicly available information in an accessible format when requested.

15.1 Communications to be managed:

- Ferry service change; cancelled or delayed sailings – external users of the service
- Safety messages on board the vessel and at the terminal facilities
- Sales and Marketing messages – external users of the service
- Decision making and recommendations – internal operations personnel
- Accidents that result in material damage or injury to persons

15.2 Target markets:

- Reserved and non-reserved customers (general traveling public)
- All potential customers

- Board of Directors and Ministries and Agency Employees
- Local Community and Business Leaders; Ferry Service Advisory Committee

15.3 Communication Vehicles:

- Radio and Television news and Website, Facebook, Twitter, Newspaper, Telephone, Highway signs for change to service, cancelled or delayed sailings;
- Radio and Television, Website, Newspaper, Travel Guides, Highway signs, Direct Sales literature, Travel shows, Travel agencies for annual and on-going sales and advertising;
- Regular email messaging, meetings, conference calls, internal news communiqués for internal personnel communications.
- Social Media: Twitter and Facebook and Instagram for promotion of special events.

15.4 Communications Budget and Evaluation Plan:

OSTC has an annual sales and marketing and communications budget of \$150,000 allocated for the purchase of radio, print media, billboard advertising, website development, and the production of the annual report. In an average season, the service transports 180,000 passengers with an average cost of advertising per passenger of \$0.90. This represents only the cost to retain a passenger and does not necessarily generate new business.

The effectiveness of the communications spending is measured through the annual customer survey as well as through reports generated by the automated call distribution telephone system and the reservations department. Using this information, OSTC is able to work with the advertising placement agencies to determine appropriate placements and spending levels for each target market.

In 2014-15, OSTC included Google Analytics on its company website to get a better understanding of where the online traffic is originating from. In addition, OSTC can determine if there is any correlation between ads run in the Toronto Star or other key publications and website traffic.

A new full-service web site scheduled for 2014, 2015, and 2016 implementation will increase accessibility to the service as well as reduce the amount of printed materials required to promote the service.

16. OSTC Organizational Chart

