

Owen Sound Transportation Company Business Plan 2017/18 through 2019/20



If you require an alternative accessible format, please contact the Owen Sound Transportation Company at 519-376-8740. Note, throughout this document, a fiscal year (April 1 to March 31) will be referred to as, for example, 2017/18.

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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 2017/18 through 2019/20 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 – South Baymouth, and Moosonee – Moose Factory Island 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 services in the Province of Ontario.

In order to continue to provide the **Tobermory – South Baymouth ferry service**, OSTC will require annual operating subsidies in the amounts of \$2,160,000 for 2017/18, \$1,950,000 for 2018/19, and \$2,150,000 for 2019/20.

Capital funding requirements are \$1,734,000 (2017/18), \$ 705,000 (2018/19) and \$ 490,000 (2019/20) 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 \$ 430,000 (2017/18), \$ 400,000 (2018/19), and \$ 400,000 (2019/20).

Capital funding of \$1,500,000 for 2017/18 is required.

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: MS Chi-Cheemaun on the Tobermory – South Baymouth route, and MV Niska 1 on the Moosonee – Moose Factory route.

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

Annually, beginning in October 2017, agencies will receive Mandate Letters from the provincial government as a new accountability requirement. Letters will outline ministerial expectations for service and performance, and agencies will be required to address the expectations within their annual business plan and annual report.

3. Description

OSTC was incorporated through the Ontario Business Corporations Act in 1921 under private ownership. Following its purchase from the private company in 1974, OSTC was a solely owned subsidiary of the Ontario Northland Transportation Commission (ONTC) until 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 administration office is in Owen Sound, Ontario. The company owns and operates MS Chi-Cheemaun, a seasonal passenger, vehicle and commercial truck ferry between the ports of Tobermory and South Baymouth, Manitoulin Island, and MV 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, MV Pelee Islander and the MV Jiimaan, operating between Kingsville, Leamington, Pelee Island ON, 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, accessible, reliable, and environmentally responsible marine transportation services to the public.
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 served.

5. Implementation Plan

Strategic Goal #1: Provide safe, secure, regulatory compliant, accessible, reliable, and environmentally responsible marine transportation services.

Objective: Ensure Safety & Security

Implementation Tasks – Vessel Safety, Security & Regulatory Compliance:

- Continued compliance with International Safety Management Code (ISM).
- Continued compliance with International Ship and Port Security Code (ISPS) where applicable.
- Continued compliance with, and development of Company Security Plan.
- Continued position specific training for vessel crew members.
- Continued participation in joint security exercises with government and law-enforcement.
- Continued participation in sector association meetings with regulators.
- Develop and implement fair total compensation management plan, succession plan, and recruitment program.

Implementation Tasks – Passenger Safety, Security, Comfort and Accessibility:

- Continue crew training programs: First Aid, CPR, Automated External Defibrillator (AED), First Responder, Passenger Safety Management, Server's Intervention, Safe Food Handling, Security, and position specific training as required.
- Continue implementation of multi-year interior renovation plan for passenger and crew spaces on Chi-Cheemaun.
- Implement additional Ontarians with Disabilities Accessibility Standards as they come into effect; design renovations and modifications to vessels incorporating AODA built standards wherever possible.

Implementation Tasks – Employee Safety & Security:

- Continue employee training programs: OSH, Violence in the Workplace, Confined Space, Fall Arrest, Fork Lift Operation, Transportation of Dangerous Goods, WHMIS, and any other training that may be required.

Objective: Ensure Reliability and Environmental Responsibility

Implementation Tasks:

- Maintain vessels in accordance with Planned and Preventative Maintenance Programs.
- Monitor environmental management plan results for all vessels.
- Monitor and audit vessel discharge plans and records.
- Continue Oil Spill Response training for all ship and terminal facility employees.
- Maintain Green Marine Level 2 certification, and implement additional systems to elevate level wherever possible.

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

Objective: Increase Revenue

Implementation Tasks:

- Continue implementation of marketing study recommendations supported by an effective and strategic marketing initiative to reach new markets of potential passengers.
- Replace on-line reservation system with new total solution, customer focused system capable of supporting flex fares and other service purchase options.
- Continue to develop and implement on-board customer experiences (dining/entertainment cruises; 4hr round-trip excursions; August Star Gazing; Parks Canada Interpretations of National Marine Park; local crafts and story-telling; local brew makers tasting events).
- Continue to develop tourism experience packages with regional partners to provide an integrated experiential value chain for ferry users.
- Identify and remove barriers within current operations that deter customers from using the ferry.
- Develop and implement (via new on-line reservations system) a pricing strategy that maximizes revenues while also improving traffic levels (flex fare).

Objective: Reduce Expenses

Implementation Tasks:

- Develop Project Portfolio Management system to incorporate inventory and purchasing functions.
- Develop and monitor employee development and training plans for all management positions.
- Actively enforce the company purchasing policy to ensure all goods or services acquired are necessary and procured at best value for dollar expended.
- Complete a professional review of current operating schedule and season for purpose of evaluating cost/benefit of schedule modifications on the ferry service and regional economies.

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

Objective: Develop Community Partnerships

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

- Continue to support and develop regional tourism partnerships.
- Continue to participate in tourism development seminars and conferences.
- Identify and participate in strategic promotion & advertising partnerships.
- Continue to provide opportunities for public and user input through Ferry Service Community Advisory Committee meetings and customer surveys.
- Hold regular meetings with Moose Band and Complex RE (Moose Factory), and conduct Public Information Sessions to assess and modify ferry service to reflect and satisfy community need.

Objective: Develop Employment Opportunities

Implementation Tasks: (promote industry opportunities)

- Continue to provide on ship co-op opportunities for Great Lakes International Marine Training Centre (GLIMTC) navigation and engineering cadets (Georgian College Marine Cadet Program).
- Maintain visibility in secondary school system throughout Ontario.
- Provide co-op opportunities for High School students on MV Niska 1.

- Provide seasonal employment opportunities to post-secondary students (Owen Sound Reservations Department).
- Develop succession plan to identify future personnel needs.
- Complete comprehensive wage and benefit assessment for all positions (including requirements of Broader Public Sector Executive Compensation Framework).
- Implement recruitment plan (from succession and compensation plans).

6. Overview of Current and Future Programs and Activities

6.1 Ferry Service Contracts

Fiscal 2017/18 through 2019/20 anticipates that OSTC will generate approximately 6% of its revenue (exclusive of MNDM subsidy) through operating and management contracts with MTO's Pelee Island Transportation Service.

In addition to the day-to-day operation and management of the Pelee Island Transportation Service, MTO has contracted OSTC to supply management services specific to the vessel replacement and refurbishment program for the new vessel scheduled to be delivered in spring 2018.

6.2 Vessel Charters

MS Chi-Cheemaun can be chartered for up to four dinner cruises from the Owen Sound harbour during the month of April, weather permitting. Vessel Charters are also available during the sailing season at a premium rate and are operated outside the regular sailing schedule.

Shore side events on the ship during the winter months cannot be licensed, and are limited to events where alcohol is not served.

6.3 MS Chi-Cheemaun Food, Beverage & Retail Services

OSTC completed renovations to the dining and food service areas in winter 2015/16. Renovations were designed to optimize food service, improve accessibility and ambience within the dining room, and increase food sales. OSTC continues to update menu choices and monitor food service wait times to ensure continuous improvement in the quality of food and beverage services provided.

OSTC has produced Dining and Live Performance event evenings on select ferry departures since 2014, featuring award winning Canadian musicians. These events are well attended and attract a broad following through OSTC's social media campaigns.

In 2016/17, OSTC changed the type, variety and quality of retail items in the Gift Shop ("Boatique") to ensure that products sold on the ferry reflect the region of operation, are manufactured in Canada as much as is reasonably possible,

and commercialize components of the new marketing campaign for the purpose of adding value and recognition of the new ferry brand.

6.4 Website Development

OSTC's website was re-designed in 2015/16, and is now accessible and WCAG 2.0 Level AA compliant. OSTC continues to monitor web traffic trends, and makes site improvements on an on-going basis in response to customer's changing needs.

6.5 Fuel Consumption Reduction

OSTC's standard operating procedure is to run MS Chi-Cheemaun on only two of the four engines, alternating engine use on a weekly rotation basis. 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 through adherence to operating procedures, employee training, equipment maintenance and, real-time monitoring.

6.6 Lounge Deck Upgrades

OSTC's capital plan contains a multi-year interior renovation of MS Chi-Cheemaun that began in 2014/15 with public washroom renewal, followed by the 2015/16 renovation of the Dining Room. In 2016/17, OSTC renovated the Tourism Information area and Forward Lounge (Fathom Five Lounge). Lounge reconstruction incorporated lighting and sound equipment to better support production of on-board live performance events. In 2017/18, the Aft Lounge will be renovated, and in 2018/19, all remaining interior hallways and stairwells will be renovated.

6.7 Occupational Safety and Health

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

In 2007, Human Resources Services Development Canada (HRSDC) made a jurisdiction decision regarding Safety & Health for ships owned by the Province of Ontario. The decision stated that as 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 provincial “Industrial” regulations.

Transport Canada has agreed to work with OSTC and the provincial Health & Safety inspectors to ensure that the ships continue to be appropriately inspected.

6.8 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 MS Chi-Cheemaun to meet the Federal Code of Accessibility as is in place on the Pelee Island ferry service. The provincial regulations have since adopted the Federal Code as the provincial standard.

OSTC established and implemented policies, practices and procedures for the appropriate provision of goods and services to persons with disabilities effective January 1, 2010. This is referred to as the “Customer Service Standard” and has been closely followed by the Transportation, Employment, and Communications Standards with which the company is also required to comply.

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 onside 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 organizational chart is provided in section 16.0.

Currently, OSTC has a compliment of 37 full-time (Administration and Ships' Officers) and 166 seasonal and part-time employees (OSTC + Pelee Island Transportation Service). Part-time employees are hourly workers who work between 6 and 9 months of the year on board the ships, or on shore at the terminals while the ships are in operation. Part-time employees also include the additional crews hired for summer sailing schedules only.

Moose River ferry crew are employees of Complex RE Limited Partnership, owned by the Moose Cree Group of Companies Limited Partnership.

7.2 Facilities and Ship(s)

No new facilities are required in the life of this plan for the Tobermory to South Baymouth ferry route. AODA compliant ticket booths were installed at both Tobermory and South Baymouth terminal lots in 2016/17. The South Baymouth Terminal building was renovated and made to be AODA compliant in 2015/16, and the Tobermory Terminal followed suit in 2016/17.

While already compliant with AODA standards, OSTC's Administration office in Owen Sound will be renovated and enlarged to accommodate two additional full-time employees in 2017/18.

The Moose River ferry service will require the acquisition of a suitable, permanent winter haul-out and maintenance area within the life of this plan.

Pelee Island Transportation Service facilities and ships are owned by the Ontario Ministry of Transportation and are not included in this plan.

7.3 Technology

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

becomes available. In 2017/18, the OSTC Administration Office's internet service, currently supplied via radio tower, will be switched over to fibre optic lines.

OSTC contracts an external IT firm to provide IT support and security to OSTC's systems. The external firm provides OSTC 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 2017/18 replacing the in-house computerized (circa 1995) reservations system. The new system will allow customers improved information and reservation accessibility, and the opportunity to capitalize on a wider range of promotional and discount fares on underutilized ferry departures.

OSTC's new reservation system will also have the capacity to permit on-line reservations for Pelee Island Transportation Service customers, a commitment made by the Ministry of Transportation that such service would be available concurrent with the delivery of the new Pelee Island ferry in 2018.

6.4 Research Marketing and Promotion

The Manitoulin Island ferry service experienced a steady decline in traffic between 2007 and 2013. This decline was largely attributed to a perfect storm of economic change during the period – the net effect of increased fuel prices, thickening of the US and Canada border, North American economic recession, and OSTC being required to raise fares to support the operating budget. At the same time, the ferry service struggled to remain relevant while competing with improvements to Provincial Highways 400 and 69 on the east side of Georgian Bay. By 2012/13, highway improvements were providing travelers with an attractive transportation alternative to the ferry, potentially saving time and money, and offering unlimited capacity 24 hours per day; a choice more travelers were electing to take.

In 2012, OSTC undertook a professional market assessment study, the results of which provided the company and the Board of Directors with accurate and up-to-date information needed to make good decisions about the future of the ferry service, including but not limited to decisions about service levels, fare structures, reservations systems, subsidy levels, and the need for a major sales and marketing campaign.

OSTC's 2014/15 and 2015/16 Business Plans included increased marketing funds for the creation of a targeted marketing campaign designed to reach new customers, while the company continued to develop and implement enhanced on-board experiences. OSTC's marketing implementation plan anticipated a two to three year ramp up period before the overall project would begin to generate new traffic for the ferry service. Traffic carried in 2015 was 8% and 11% higher than traffic carried in 2014 for vehicles and passengers respectively. Traffic carried in 2016 increased by another 8% and 10% for both vehicles and passengers, clearly demonstrating that the Travel in Good Spirits marketing campaign was a success.

OSTC's 2017/18 Business Plan maintains increased marketing funds, though somewhat reduced from the 2014/15 and 2016/17 budgets, to continue to refine and develop the Travel in Good Spirits (also known as the "Feather Wake") marketing campaign.

Ferry Operating Schedule

OSTC's 2015/16 Business Plan contemplated a sailing schedule review and capacity analysis should ferry traffic levels plateau and show no further signs of increase. The review would include a cost/benefit analysis on any proposed changes to the schedule. OSTC has deferred the review until after the 2017 operating season following the significant increases to traffic experienced in the 2015 and 2016 seasons.

8. Risk Identification, Assessment and Mitigation Strategies

OSTC's primary focus while transporting people and goods on the ferry, is to ensure a safe, secure, environmentally responsible, reliable, and regulatory compliant operation.

OSTC does not have access to replacement vessels for either the Manitoulin Island or the Moose Factory Island ferry services; therefore, all probable failure scenarios have been assessed, and procedures established to mitigate the negative operational and/or safety effects of any type of failure to the system. Contingency planning is crucial to the smooth and uninterrupted operation of the 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		
1	Improbable	0% to 4%	1	Insignificant - negligible effects	0 - 5	Low
2	Unlikely	5% to 24%	2	Minor - Normal operational difficulties	6 - 11	Medium
3	Possible	25% to 54%	3	Significant - delay in accomplishing operational objectives	12 - 19	High
4	Likely	55% to 89%	4	Major - fundamental work required before objective can be met	20 - 25	Extreme
5	Certain	90% to 100%	5	Catastrophic - program irrevocably finished; objective will not be met.		

Further, the OSTC works regularly with the Ministry of Northern Development and Mine's Transportation and Infrastructure Unit to ensure all risk categories are well understood by the ministry. This ensures an open and transparent communications process for outlining and discussing risks and mitigation strategies. The OSTC and the ministry work extensively on various sections of the ministry's comprehensive risk assessment which is monitored regularly.

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 regulations are written in accordance with that principle, it is the

responsibility of the individual Classification Society surveyor (on behalf of Transport Canada) to determine if a company is applying regulation properly, and operating its vessels within the regulations.

OSTC reviews all new legislation and regulations, and implements changes as required by law. Those regulations include but are not exclusive to safety equipment, operating manuals, crew certification, fire protection, emergency evacuation, and training requirements.

OSTC operates all vessels in accordance with the Canada Shipping Act and 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 independently assesses safety, security and environmental risks that may not be managed within regulation, and incorporates appropriate procedures and training in OSTC's Safety Management Systems.

8.2 Insurance

OSTC carries insurance policies for Marine Hull, Marine P&L, Property, CGL, Auto, Boiler and Machinery, D&O, Fiduciary, Crime, EPL, Business Practices, Internet Security, and General Liability insurance coverage. Insurance coverage is reviewed annually to ensure there is adequate coverage in 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 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 in each year it operates. In addition to these benefits, the ferry service provides riders with benefits conservatively valued at \$7.0 million per year. It is clear that without the ferry, Manitoulin Island, Algoma District in Northern Ontario and the Bruce Peninsula would suffer a significant economic loss.

OSTC is requesting MNDM provide approximately \$6.0 million in ferry service operating subsidy over three years, in order to generate \$27.6 million - \$46.8 million in spin-off revenues for the region and generate between \$26.4 million - \$37.2 million in taxable employment income over the same period. Further, capital subsidies are also required to ensure appropriate asset maintenance takes place, and to continue to implement OSTC's marketing initiative to help increase ridership levels and therefore increase revenues.

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 provides immeasurable socio-economic benefits as without the ferry, the residents on Moose Factory Island would have very limited access to the mainland, goods and services. The ferry is the only vessel on the river that is certified by Transport Canada for the safe carriage of passengers, and is able to transport large commercial vehicles.

Competition

The MS 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.

In 2014/15, OSTC created a 4-hour excursion fare developed 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. Local tour boat operators in Tobermory are targeting the day-tripping tourists, creating competition for the ferry's walk-on return excursion traffic. 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 is promoting the 4-hour excursion through intense social media and transit marketing campaigns.

MV 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. The subsidy increased to \$1.0 million in 2011/12 in response to the sudden spike in fuel prices. From 2012/13 through 2014/15, OSTC requested \$1.3 million to \$2.0 million in annual operating subsidy to assist with closing the gap between declining revenues and increasing daily operating costs. In 2014/15, ferry traffic leveled off, and then in 2015/16, increased by 8% and 11% in vehicles and passengers respectively. In 2016/17, traffic again increased by 8% and 10%, the positive results due in part to the additional financial support for the new marketing campaign developed in 2014/15 and implemented in full in 2015/16.

With the request for marketing specific operating subsidies for fiscals 2017/18, 2018/19 and 2019/20, OSTC will continue to develop the marketing initiative in support of maintaining and increasing traffic with the goal of returning to traffic levels last experienced in the early 2000's.

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 the ferry customer's 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' trip. 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 MS 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, many of which are 100% subsidized.

OSTC has established the 2005 annual vehicle deck utilization rate of 67.67% as the short-term traffic improvement target for this plan. This target was based on the vessel's capacity and historical trends. Between 2014 and 2016, vehicle deck utilization rates improved by 12.54%, and is now only 5.96% below the target.

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

	May	June	July	Aug	Sept	Oct	Average	Total Vehicles	Total Passengers
2016	47	47	67	68	72	63	61.71	79191	203174
2015	42	45	61	65	63	58	57.15	73578	185712
2014	35	59	63	55	47	36	49.17	67699	167593
2013	40	45	55	64	59	49	52.00	66385	156224
2012	44	47	60	66	62	52	55.17	70951	178339
2011	40	47	64	64	62	55	55.33	71039	180768
*2010	47	52	65	69	61	55	58.17	74471	188396
2009	42	57	65	69	64	54	58.50	77020	198787
2008	46	55	66	74	68	60	61.50	80516	205289
2007	49	59	73	79	74	65	66.50	84774	221710
2006	48	55	71	80	70	62	64.33	81628	213852
2005	49	60	80	79	72	66	67.67	87677	231838
2004	48	60	75	78	71	66	66.33	85135	225580

* note: 2010 operating season was 7 days shorter than 2004 - 2009 seasons

Steps OSTC has taken to maximize ferry revenues:

- OSTC has modified the fare structure to arrive at prices that maximize the revenue per customer without being seen as unreasonable by travelers. This has included the introduction of Off-Peak (spring/fall) and Peak (summer) pricing, introduction of the 4hr excursion fare, and freezing the fares for the 2014, 2015, 2016 and 2017 operating seasons at 2013 levels.
- OSTC continues to offer additional services such as dinner cruises, live entertainment, craft brew tastings, artisan shows and sales, story-telling and interpretation, and vessel charters.

Given the recent rebound in ferry traffic, OSTC's operating budgets for 2017/18-16 through 2019/20 are based on 0% fare increase. OSTC's focus will be on generating more vehicle and passenger traffic to improve revenue levels through additional marketing and new ferry experience initiatives. An overhaul of the merchandise offered in the on-board "Boatique" began in 2014/15, focusing on locally and regionally produced product.

Labour & Fuel Costs

In 2017/18, Labour and Fuel costs will make up 57% of OSTC annual operating expenses.

OSTC management employees have not received any increase to salaries or benefits since 2009 as a consequence of the Public Sector Compensation Restraint to Protect Public Services Act, 2010. Unionized employees have received annual increases to both wages and benefit contributions of between 1.5 and 2% through arbitrated settlements during collective bargaining over the same period. On a compounded basis, unionized employees have seen their wages increase by 13% since 2010.

OSTC is already competing for certified and qualified ship's Officers in a market where there are far more jobs than people qualified to fill them. OSTC is not competitive on a wage basis with the other companies in the industry, and the compression of the wage gap between management employees and the unionized employees they supervise makes filling those positions extremely difficult.

In 2017/18, OSTC is undertaking a three-part total compensation review to determine appropriate salary ranges for all management positions in the company, to propose a compensation management and performance management plan, and to develop a succession management plan for the corporation. As OSTC is also subject to the Broader Public Sector Executive Compensation Act, 2014 for its three Senior Executive positions, the review will produce recommendations for compensation for those positions under the terms of the BPSECA.

Fuel costs are expected to increase 16% in 2017/18 and stabilize at a 5% increase in each 2018/19 and 2019/20.

9.2 Facilities required by company to operate service:

Ships:

MS Chi-Cheemaun was built in 1974 and is 105.61 meters long, 18.99 meters wide, and 6990.65 gross register tons. The steel ferry has two passenger levels containing a dining room, gift shop, tourism information centre and two seating lounges. The ship is able to accommodate up to 138 standard size automobiles in the multi-ramped vehicle deck, and 638 passengers per trip.

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

MS Chi-Cheemaun underwent a machinery mid-life refit in 2006 and 2007, and is currently in the last stages of a multi-year interior renovation project. The ship's fire-fighting and evacuation systems were replaced with newer technology and equipment in 2012/13 and 2013/14. The remaining projected life expectancy for the ship is 30 years.

MV Niska 1 was built in 2010 and is 27 meters long, 10.5 meters wide and 153.09 gross register tons. It is an open deck ferry with no interior passenger accommodation. The ferry can carry up to 10 standard automobiles and 47 passengers, or up to two full length transport trucks per 20-minute crossing.

MV Niska 1 was purchased by the Province of Ontario to replace MV Manitou Island II, a converted landing craft type ferry which had been in service since 1956. MV 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.

Both building interiors have been renovated (S. Baymouth in 2014/15, and Tobermory in 2016/17) and now conform to AODA requirements for persons with disabilities.

Vehicle loading lot ticket booths for both facilities were replaced in 2016/17 with new structures whose exterior cladding mirrors the stone and glass facades of the main buildings.

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.

Administrative functions for OSTC have increased exponentially over the last five years as a consequence of the Open Government Directives, and the company must hire additional administrative staff to ensure OSTC meets the requirements of the Directives in accordance with the time lines established therein. The OSTC building will need to be enlarged to accommodate the additional staff.

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 at Tobermory and South Baymouth.

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 MV 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 from 2011 through 2017. Plans for a more permanent solution are being investigated.

Navigable Route/Dredging

South Baymouth Channel: In 2013, lower than normal water levels threatened to reduce the safe navigational channel for MS 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 10 years.

OSTC follows and reviews weather patterns, ice formation and break-up, and water levels as the start of each sailing season approaches. Water level readings are observed and recorded by all Captains on all ships prior to taking a ship away from the dock on every crossing, to ensure safe passage.

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 as OSTC continues to monitor the navigable route situation.

Owen Sound Harbour: Owned by Transport Canada, the Owen Sound Harbour has been identified as an asset for divestment. To date, Transport Canada has had divestiture discussions with a number of parties. To OSTC's knowledge, discussions have not progressed. Any divestment will have an impact on OSTC operations as this is the MS Chi-Cheemaun's winter berth. Further, OSTC owns property that would require expropriation by Transport Canada before any divestment could proceed.

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. OSTC trained all existing staff in 2011. New crew members must receive the training within their first 6 months of employment in order to be eligible to work on board OSTC ships.

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.

Environmental

Emissions: Currently, OSTC ferry operations are in full compliance with all applicable environmental regulations, including impending emission standards. Beginning on August 1, 2012, all ships are 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. The cost of this is included in the operating budget.

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 operation in US waters. Cost cannot be determined at this time. OSTC operates under a Vessel General Permit (VGP) on the few occasions where MS Chi-Cheemaun is required to sail in US territorial 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. Improvements continue to be made to ensure the company website and information available to the public, including documents posted to the OSTC website, are accessible and available in various formats.

Security

There have been no changes to OSTC's obligations relative to the International Ship and Port Security Code, nor to the Domestic Vessel Security Regulations.

9.4 Passenger Demographics:

OSTC tracks Chi-Cheemaun passenger demographics (age, occupation, origin and destination, purpose of travel, etc.) through the annual customer survey. In the early years, the survey cards were distributed to customers during a two-week

period in August. Participation is voluntary, and the response rate has been traditionally low and statistically insignificant at a 2.02% response rate. OSTC stopped conducting customer surveys in 2013 to allow for the business development changes and marketing strategy to take effect. In 2016, a new on-line survey was created and is promoted through OSTC's website, ticket receipts and social media.

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. This demographic group challenges the ferry to ensure the service is comfortable, accessible and safe.

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. OSTC has not received sufficient data from the 2016 sailing season to determine the current customer base's sensitivity to fare levels.

9.5 Status of Labour Negotiations:

OSTC has three collective agreements with one Union, all of which expire on December 13, 2018.

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 and are now OSTC Management Employees.

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 company 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.

OSTC has outsourced the IT function to a professional firm able to provide 24-hour support. This has eliminated the requirement for an internal IT position.

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;
- All employees make decisions commensurate with their positions; most operating decisions are made in accordance with Policies & Procedures established in the International Safety Management (ISM) Manuals developed and certified for each ship and shore terminal;
- Distribution of duties and responsibilities are established in the ISM Manuals;
- 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.

10.2 Compensation Strategy:

OSTC is completing an overall compensation structure review and future strategy in 2017/18. From 2009 through 2017, the corporation has been compliant with the Province's directive to freeze compensation for all management employees including ships' officers.

Pension

OSTC management employees active on April 1, 2002, are members of the Ontario Northland Transportation Commission Pension Plan. OSTC management employees hired after April 1, 2002 are participants in the Public Service Pension 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	2017/18 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	2017/18 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	2017/18 Commitments
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Goals/Outcomes	Measures	Targets/Standards	2017/18 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 2017/8 through 2019/20 were developed assuming there will be no change to the level of service provided during the life of the plan. There will be no increase or, or reduction of the ferry sailing season schedule, and there will be no machinery failures causing a loss of service.

The 2017/18 through 2019/2- operating budget for MS Chi-Cheemaun requires no less than annual operating subsidies of \$2,160,000 for 2017/18, \$1,950,000 for 2018/19, and \$2,150,000 for 2019/20. The subsidy totals include the additional amount required to expand the existing marketing and promotion efforts, and includes matching pension plan contributions for the employees now enrolled in the Public Service Pension Plan. As is demonstrated in the proposed budget, the subsidy requests will fall short of the service's needs in the event that traffic levels do not increase as projected. If traffic levels do not increase over the 2016 level, the annual operating subsidy will require a top-up to break even.

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 funding requirements are \$1,134,000 for 2017/18, \$ 705,000 for 2018/19 and \$ 490,000 for 2019/20. All capital projects identified promote and preserve safety, efficiency and reliability of the MS 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	Actual 2014/15	Actual 2015/16	YE Forecast 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	
Revenue								+1%	+2%	+2%	+2%	+2%	
Chi-Cheemaun	6,982	6,786	6,826	6,507	6,486	7,211	7,732	7,809	7,965	8,124	8,287	8,452	1
Moosonee Mgmt Fee from ONTC	50	80	80	0	0	0	0	0	0	0	0	0	2
Ontario Tourism Marketing Partnership							42						
Pelee Island Transportation Mgmt Fee	417	431	495	435	435	466	466	470	479	489	510	515	3
Revenue Total	7,449	7,297	7,401	6,942	6,921	7,677	8,240	8,279	8,444	8,613	8,797	8,967	
Expenses													
Salaries and Wages	3,685	3,667	3,734	3,639	3,564	3,844	3,936	4,316	4,359	4,402	4,446	4,491	4&2
Benefits	740	819	774	780	779	992	945	1,036	1,046	1,057	1,067	1,078	5
Repair and Maintenance	452	339	560	662	672	800	784	636	508	523	1,343	433	6
Utilities	179	182	254	241	240	265	283	310	334	362	394	435	7
Fuel	1,161	1,513	1,248	1,354	1,486	1,141	1,105	1,282	1,346	1,414	1,484	1,559	8
Tools and Operating Supplies	140	124	114	100	113	131	155	140	145	148	150	152	
Services	657	645	628	638	605	684	761	1,046	1,054	1,062	1,070	1,078	9
General and Administrative	1,114	990	1,142	1,200	1,312	1,301	1,230	1,110	1,303	1,329	1,305	1,331	10
Expense Total	8,128	8,279	8,454	8,614	8,771	9,158	9,199	9,876	10,095	10,297	11,259	10,557	
Net Income (Loss) before Extraordinary and MNM Subsidy	-679	-982	-1,053	-1,672	-1,850	-1,481	-959	-1,597	-1,651	-1,684	-2,462	-1,590	
Extraordinary Items													
OSTC Pension Costs for new employees not in ONTC Plan	0	0	0	-69	0	0	0	0	0	0	0	0	
ONTC Pension Deficit Payment	-158	0	0	0	0	0	0	0	0	0	0	0	
Chi-Cheemaun Dry Dock	0	0	0	0	0	0	-3,000	0	0	0	0	-3,000	11
Marketing Study & Plan Implementation	0	0	-29	0	-486	-503	-505	-400	-350	-350	-350	-500	10A
Bow Vinyl wrap						-69	0	-160	0	0	0	-80	10B
Ontario Tourism Marketing Partnership							-63						
MTO Capital Building Project - Mgmt Fee	0	0	0	0	0	0	0	50	50	0	0	0	12
Extraordinary Items Total	-158	0	-29	-69	-486	-572	-3,568	-510	-300	-350	-350	-3,580	
Net Income(Loss) before MNM Subsidy	-837	-982	-1,082	-1,741	-2,336	-2,053	-4,527	-2,107	-1,951	-2,034	-2,812	-5,170	
MNM Subsidy													
MNM Operating Subsidy	800	1,000	1,350	1,831	1,985	1,628	1,475	1,600	1,600	1,800	2,500	1,600	13
MNM Marketing Subsidy	0	0	26	0	500	500	500	400	350	350	350	500	10A
MNM Pension Settlement Subsidy	0	0	0	69	0		0	0	0	0	0	0	5
MNM Vinyl Wrap Subsidy						69	0	160	0	0	0	80	10B
MNM Dry-Docking Fund	0	0	0	0	0	0	3,000	0	0	0	0	3,000	11
MNM Subsidy Total	800	1,000	1,376	1,900	2,485	2,197	4,975	2,160	1,950	2,150	2,850	5,180	
Net Income(Loss) after MNM Subsidy	-37	18	294	159	149	144	448	53	-1	116	38	10	

12.2 Notes to Statement of Revenue and Expense - Chi-Cheemaun

- 1** Chi-Cheemaun Revenue is based on a 1% increase in traffic or fares in 2017/18. and 2% increase in each year 2018/19-2021/22
- 2** OSTC allocates \$80K/year in salary expense to Niska 1 operation following ownership transfer from ONTC to OSTC in 2013/14; shown as reduction in OSTC salaries and expense on Niska 1 optg budget
- 3** Management Fee from Pelee Island Ferry Service to increase at max of 2% per year (per agreement) and includes capital mgmt fee not including new-build
- 4** Management Salaries anticipates a \$220K correction for Officers in 2017/18 and addition of 2 admin staff at annual cost\$110K, and 1.5% annual increase in union wages
- 5** Benefits cost at avg of 23% of total salaries and wages.
- 6** Repair & Maintenance Costs are based on best information available per maintenance schedules. Does not include contingency for unknowns or major break-downs.
- 7** Utilities have been budgeted to increase in cost at a rate of approx 9% per year
- 8** Fuel costs are volatile (either extreme increases or decreases in costs) and have been budgeted to increase by 16% (per US eia outlook) for 2017/18 and then 5% per year each year thereafter
- 9** Includes new fee of \$250K per year for Point-of-Sale (POS) and Reservations system off-site support and maintenance fees
- 10A** Note: Marketing and Advertising are included, though marketing funds have been removed and are shown as a one-line subsidy item at \$500K(17/18) & \$350K in each 18/19, 19/20 and 20/21 & \$500K in 21/22
- 10B** \$160K in 2017/18 for vinyl wrap on ship bow and \$80K for vinyl wrap in 2021/22 (to replace wrap of 2015/16
- 11** Chi-Cheemaun's mandatory 5-year out of water inspection and maintenance at \$3,000,000 (to be verified following receipt of quotation submissions)
- 12** OSTC's managment fee for services provided to MTO during project to construct and deliver new ferry to Pelee Island Ferry Service
- 13** MNMD annual operating subsidy (exclusive of extraordinary items: marketing, dry-dock, vinyl wrap for bow)

12.4 Niska 1 Financials:

Operating budgets for the years 2017/18 to 2019/20 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 2017/18 through 2019/20 operating budgets projects funding requirements of \$ 430,000 for 2017/18, \$ 400,000 for 2018/19, and \$ 400,000 for 2019/20 from provincial operating subsidies.

Capital funding of \$1,500,000 for 2017/18 is required.

All capital projects identified promote and preserve safety, efficiency, reliability and structural integrity of MV Niska 1, and make improvements to operations that will support preservation of the environment.

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

(in thousands of dollars)	Actual 2014/15	Actual 2015/16	Budget 2016/17	YE Forecast 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	
Revenue:										
Passenger	18,750	22,632	24,000	15,000	15,000	15,000	15,000	15,000	15,000	1
Vehicle/Charter	1,480	2,687	5,500	5,000	5,000	5,000	5,000	5,000	5,000	
Freight	157,051	189,104	173,000	135,000	150,000	150,000	150,000	150,000	150,000	
Misc Revenue (dock fees)		1,000	0	3,000	3,000	3,000	3,000	3,000	3,000	
MNDM Subsidy	325,000	375,366	387,500	387,500	400,000	400,000	400,000	400,000	400,000	
MNDM Subsidy drydock funding		52,341		0				175,000	0	
MNDM Subsidy to dispose of Manitou			100,000	250,000	0	0	0	0	0	4
	\$502,281	\$643,130	\$690,000	\$795,500	\$573,000	\$573,000	\$573,000	\$748,000	\$573,000	
Expenses:										
OSTC Salary Allocation	30,980	89,419	81,600	81,600	82,000	82,000	82,000	82,000	82,000	
Repairs & Maintenance	89,241	177,898	57,417	120,000	75,000	75,000	75,000	75,000	75,000	
Utilities	2,677	3,768	3,720	3,720	4,000	4,000	4,000	4,000	4,000	
Fuel	35,410	27,729	35,000	25,000	28,750	30,188	31,697	33,282	34,946	2
Tool & Operating Supplies	1,373	9,376	3,500	5,000	7,500	7,500	7,500	7,500	7,500	
Contract Services	183,000	231,144	190,000	180,000	198,000	201,000	204,000	207,000	210,000	3
General & Administrative	103,300	141,997	188,763	150,000	150,000	150,000	150,000	150,000	150,000	
5 yr out-of-water (dry dock)	78,866							175,000	0	
	\$524,847	\$681,331	\$560,000	\$565,320	\$545,250	\$549,688	\$554,197	\$733,782	\$563,446	
Extraordinary Items										
MV Manitou Island II Disposal	0	0	100,000	250,000	0	0	0	0	0	4
Removal, Storage & Launch - Niska 1	33,250	0	30,000	30,000	30,000	0	0	0	0	5
	\$29,014	\$0	\$130,000	\$280,000	\$0	\$0	\$0	\$0	\$0	
Net earnings (loss) for period	-\$51,580	-\$38,201	\$0	-\$49,820	\$27,750	\$23,313	\$18,803	\$14,218	\$9,554	

12.5 Notes to Statement of Revenue and Expense - Niska 1

- | | |
|--|---|
| 1 Revenue from ferry | 0% fare increase + 15% traffic increase (over 2016/17) |
| 2 Fuel | Fuel costs are volatile and cannot be predicted; have budgeted for 16% increase in 2017/18, and a 5% increase in each year thereafter |
| 3 Contracted Operator | The Moose Factory based contracted operator anticipates receiving annual increases of COLA to provide the service. |
| 4 Disposal of Manitou Island II | After 3rd call for tenders, OSTC got a single offer of \$250,000 for removal in 2016/17 |
| 5 Winter haul-out | OSTC is negotiating taking ownership of marine railway in Moosonee (see capital); OSTC pays for use of facility in the interim |

12.7 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				Full-Time			
	2016/17	2017/18	2018/19	2019/20	2016/17	2017/18	2018/19	2019/20
OSTC Office	6	6	6	6	9	9	9	9
MS Chi-Cheemaun	50	50	50	50	9	9	9	9
Tobermory	19	19	19	19	0	0	0	0
South Baymouth	17	17	17	17	0	0	0	0
Pelee Island	6	6	6	6	1	1	1	1
Kingsville/Leamington	10	10	10	10	1	1	1	1
student	1	1	1	1				
MV Jiimaan	26	26	26	26	9	9	9	9
MV Pelee Islander	13	13	13	13	3	3	3	3
MVPelee Islander 2								
TOTAL	148	148	148	148	32	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:	2 Captains, 2 Chief Mates, 2 Chief Engineers

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 Association, the Passenger Vessel Association in the USA, and Interferry. The CFA is made up of Canadian ferry operators who 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) and the Great Lakes Marine Advisory Board (GLMAB).

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's 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.

Also in 2013, OSTC developed a partnership with the Georgian Bay Folk Society and Summerfolk Music Festival. GBFS assists OSTC with the selection and attraction of known and award-winning musicians to perform on the ferry. In 2017, GBFS and OSTC will produce an Ontario150 supported project “A Month of Sundays”, Sunday afternoon workshop style musical performances on the ferry through the month of July.

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”.

OSTC and Parks Canada have worked together to develop a “Great Lakes Naturalists” on-board Parks interpretation program beginning in the 2018 season (deferred from 2017 due to the Canada 150 celebrations). 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 the area with emphasis on Fathom Five Underwater Marine Park.

14.3 Contracting Out:

Vessel and facility maintenance that exceeds the ability of the OSTC employees or is unique or specialized, is contracted out as required. All contractors are secured through 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 & online 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 the Manager of Customer and Media Relations share responsibility for coordination of public affairs, marketing, and communications.

French Language services required to produce print media and website content 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 MNDM 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. As of 2015, OSTC has provided 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
- OSTC Board of Directors, Ministries and the Agency's Employees
- Local Community and Business Leaders; Ferry Service Advisory Committee

15.3 Communication Vehicles:

- Radio and Television news and Website, Facebook, Twitter, Instagram, 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, Facebook, Twitter and Instagram for annual and on-going sales and advertising;
- Regular email messaging, meetings, conference calls, internal news communiqués for internal personnel communications.
- Social Media: Twitter, 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.

Separate from this budget is an additional \$400,000 in 2017/18 and \$350,000 in each 2018/19 and 2019/20 for continued development and implementation of new marketing plans designed to attract new customers to the ferry service.

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. At the end of 2016/17, OSTC was able to determine that the greatest proportion of new visits to the website originated from the Greater Toronto area, while new ferry reservations were made from addresses outside of the GTA, but on the GO Transit commuter lines. This data confirms that the Go Transit and TTC advertising was successful in attracting new visits to the website, and translated also into new ferry reservations.

15.4 Complaint Response Mechanism & Process

OSTC's procedure for handling of customer complaints regarding service includes:

On-site and in-person: Front line Managers are empowered to resolve customer complaints in the moment.

By Letter or email: Letters of complaint are responded to in writing, typically within five working days of receipt, depending on the complexity of the investigation into the complaint, or complaints.

By telephone: Complaint calls are referred to the appropriate Vice-President, or President for response. A follow-up letter is sent if the customer provides a mailing address.

Changes to procedures that arise from a complaint resolution are implemented. And employees trained accordingly at the earliest possible time, without causing disruption to the ferry services.

16. OSTC Organizational Chart

