



Owen Sound Transportation Company Limited
2022-2023 Annual Report



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The Owen Sound Transportation Company Limited is An agency of the Government of Ontario. Services are financially supported by the Provincial Government through a Contribution Agreement with the Ministry of Transportation.

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Our Mandate

The Owen Sound Transportation Company Limited (OSTC) contributes to the provision of safe, efficient, and reliable ferry transportation in the Province of Ontario through the operation of seasonal vehicle/passenger ferry services between: Tobermory and South Baymouth, Manitoulin Island; Leamington and Kingsville to Pelee Island and Sandusky Ohio, and Moosonee to Moose Factory Island. It contributes to economic development in the regions by supporting the creation of a positive business climate, by providing key agriculture access, by providing essential services to island residents, and by enhancing and promoting the tourism sector through partnerships with local communities and regional stakeholders.

About the OSTC

OSTC was established under the *Ontario Business Corporation Act* on March 10, 1921 as a private sector business which, beginning in the war years, had been in receipt of both Federal and Provincial subsidies. In 1973, the Province of Ontario became the sole shareholder of the corporation and from 1973 until 2002 OSTC was operated by the Ontario Northland Transportation Commission (ONTC) under the *Ontario Northland Act*.

On April 1, 2002, OSTC was separated from ONTC and established as an Operational Enterprise Agency of Province of Ontario, with an administration office in Owen Sound, Ontario, under the direction of the Ministry of Energy, Northern Development and Mines. Oversight for OSTC transitioned to the Ministry of Transportation in 2019. OSTC is an integral part of Ontario's tourism and transportation system. During 2022-23, OSTC was responsible for the operation of five (5) ships, seven (7) terminal and dock facilities servicing four (4) ferry routes, and the oversight of a contracted seasonal air service between Pelee Island and the Windsor airport.

OSTC owns and operates the MS Chi-Cheemaun ferry which provides seasonal service to a largely tourism-based ridership between Manitoulin Island and the Bruce Peninsula on Lake Huron, and MV Niska I, a landing craft ferry providing essential vehicle, freight, and passenger transportation services between Moosonee and Moose Factory Island on the Moose River at the mouth of James Bay.

OSTC has been under contract to the Ministry of Transportation since 1992 for the management and operation of the Pelee Island Transportation Service. Three (3) vessels, MV Pelee Islander II, MV Pelee Islander, and MV Jiimaan (currently out of service), provide essential ferry services on Lake Erie between the Ontario ports of Kingsville and Leamington to Pelee Island from late March through early December, and a summer-only service between Pelee Island and Sandusky, Ohio. OSTC contracts a licensed air operator to provide essential winter air service between Pelee Island and Windsor, Ontario, when the ferry is not in service, from early December through late March.

During the peak operating season, OSTC's workforce consists of 25 full-time and seasonal management employees, 18 non-union naval officers, 18 unionized naval officers, 26 non-union seasonal staff, and 105 unionized seasonal employees. Chi-Cheemaun unlicensed and non-officer marine employees are members of the Seafarers International Union of Canada (SIU) under Collective Agreements through December 31, 2023. Pelee Island Transportation employees are represented by UNIFOR under Collective

Agreements through December 31, 2025.

Attraction and retention of competent and qualified personnel for ship operations and shore positions continued to be a challenge for OSTC through 2022-23 as the company is in competition with private shipping companies for marine personnel. OSTC continues to work with the province to resolve staffing and wage issues to ensure that sufficient crew are available to continue operations.

OSTC contracts the services of Complex RE Limited Partnership, a wholly-owned subsidiary company of the Moose Cree First Nation on Moose Factory Island, for the provision of Niska I crews and daily vessel operation from Moosonee to Moose Factory Island, from June through the end of October.

Ferry Vessels and Routes

Ship	Size	Capacity	Route	Season	Crossing Time
Chi-Cheemaun	106m	638 psgr/140 veh	Tobermory-South Baymouth	May - Oct	120min
Niska 1	27m	47 psgr/6 veh	Moosonee-Moose Factory Island	June - Oct	20min
Pelee Islander II	62m	388 psgr/35 veh	Kingsville/Leamington-Pelee Island	May - Nov	90min
Pelee Islander	42m	196 psgr/10 veh	Kingsville/Leamington-Pelee Island	Apr - Dec	90min
Pelee Islander	42m	196 psgr/10 veh	Pelee Island - Sandusky, OH	May - Sept	90min
Jiimaan	61m	385 psgr/35 veh	Under review for discontinuation	N/A	N/A

Corporate Governance

The Ontario Minister of Transportation, pursuant to a sole shareholder declaration in accordance with section 108 of the *Business Corporations Act* R.S.O. 1990, c. B.16, exercises control over the Directors who are responsible for the administration of the business of the OSTC.

The Board of Directors has a fiduciary responsibility to carry out their duties honestly and in good faith, in the best interests of the Corporation, and in accordance with the management principles and guidelines of the Government of Ontario. These principles include ethical behaviour, accountability, excellence in management, wise use of public funds, high-quality service to the public, and fairness in the marketplace.

The Board of Directors sets the standards of conduct for the Corporation and ensures the safety of its operations, supervising the conduct of the business through the President and CEO, to whom it delegates the responsibility of leadership and management of the Corporation. During the year, OSTC's Board of Directors did not receive any remuneration. Board Appointees are eligible to receive expenses.

During the 2022-23 fiscal year, the appointees were as follows:

Board of Directors

Chair, Vacant

Dr. Benson Lau, Director (Toronto)
16 July 2021 – 15 July 2024

Mr. Larry Miller, Vice Chair (Georgian Bluffs)
05 April 2022 – 04 Apr 2025

Mr. Brook Dyson, Director (Collingwood)
05 April 2022 – 04 Apr 2025

Mr. Jim Hepple, Director (Meaford)
16 July 2021 – 15 July 2024

Mr. Richard Stivrins, Director (North Bay)
05 April 2022 – 04 Apr 2025

Executive Officer

Mr. Carl Kuhnke, President & CEO
12 December 2022 - 11 December 2023

Preamble

The fiscal year 2022-23 was a challenging year for the agency, with changes occurring and vacancies in place, at both the board and senior management levels. This annual report was compiled from available information but does not align with all Agencies and Accountability Directive requirements, including reference to the Annual Letter of Direction priorities. The agency worked directly with the Ministry to address key government priorities, and conducted risk management activities throughout the 2022- 23 year. Further information on these areas is available, upon request.

Operational Overview – Key Accomplishments & Operational Performance

OSTC establishes short-term and long-term operational targets in its multi-year Business Plans and makes annual adjustments to those targets based on actual experience. Revenue targets are based on anticipated ferry ridership levels. Expense targets are based on the day-to-day cost required to support carriage of passengers and vehicles (largely labour, fuel, and non-renewable consumables), as well as mandatory machinery and equipment overhauls and surveys. Expense targets also provide for proactive preventative maintenance as the ferries Chi-Cheemaun and Niska 1 are the sole providers of ferry service in their areas of operation. OSTC does not have access to back-up ferries should either Chi-Cheemaun or Niska 1 be taken out of service for a mechanical repair during their operating seasons. As such, the vessels have been equipped with redundant propulsion and mechanical equipment to ensure the vessels can operate through mechanical repairs as much as is reasonably possible.

OSTC also operates the Pelee Island Transportation Service (PITS), under contract with MTO. This essential service is provided by the Pelee Islander and Pelee Islander II ferries from the mainland (Leamington and Kingsville) to Pelee Island, as well as a summer service provided by the Pelee Islander from Pelee Island to Sandusky, Ohio. During the winter months when ferry service is not operating, a contract air service is

provided from Pelee Island to Windsor airport.

Tobermory/Manitoulin Island - Chi-Cheemaun Ferry Traffic:

The Manitoulin Island ferry service began on Friday, May 6, 2022, and ended as scheduled on Sunday, October 16, 2022. Service began with some pandemic measures and controls in place, but otherwise represented the first opportunity for passengers to begin to return to their normal transportation and tourism activities. Although vehicle and passenger volumes increased significantly from the prior year, food and beverage sales and retail sales continued to be much lower than pre-pandemic.

MS Chi-Cheemaun Vehicle and Passenger Traffic 2018 to 2022

Vehicles	May	June	July	Aug	Sept	Oct	Annual Total	% change	# of trips
2022	5,124	8,883	15,025	14,037	10,773	4,264	58,106	21.19%	804
2021	0	6,372	13,228	13,434	9,976	4,936	47,946	14.96%	726
2020	0	4,407	12,415	14,049	7,331	3,505	41,707	-48.43%	748
2019	6,822	11,997	20,581	23,415	12,218	5,841	80,874	2.19%	1,016
2018	6,823	12,236	21,328	22,708	11,715	4,334	79,144	-2.03%	996
Passengers	May	June	July	Aug	Sept	Oct	Annual Total	% change	# of trips
2022	11,721	21,050	44,664	42,076	25,857	10,539	155,907	28.70%	804
2021	0	14,903	34,689	35,979	23,181	12,389	121,141	29.83%	726
2020	0	8,727	29,249	34,771	13,803	6,757	93,307	-53.87%	748
2019	13,931	27,158	55,748	66,268	26,306	12,877	202,288	1.20%	1,016
2018	13,931	26,953	58,119	64,974	26,554	9,365	199,896	-3.30%	996

Volumes for vehicles and passengers increased by 21% and 29% respectively, as there was a return to a full season, with an increase in trips of 11%. Some COVID restrictions still in place at the start of the season, and spending patterns, particularly regarding food and beverages, continued to be muted as a result of social distancing practices.

During the 2022-23 season, ten (10) cancellations occurred due to weather, while eighteen (18) cancellations occurred due to mechanical considerations (South Baymouth ramp malfunction, and steering issues).

Safety & Environment:

OSTC has maintained voluntary International Safety Management Code (ISM) compliance since receiving certification through Lloyd’s Classification Society in 1997. The Safety Management System provides policies and procedures in every area of the operation for the intended purpose of reducing safety and environmental incidents which have been proven to be predominantly the consequence of human error or behaviours. Through regular internal and external audits, the system maintains a state of constant improvement, and is used to evaluate and reduce the risk inherent in the operation of a marine transportation service. OSTC’s commitment to continuous improvement in 2022-23 continued to focus on identification, mitigation and reporting of near misses, and the review and improvement of comprehensive risk management strategies, policies and procedures.

OSTC enrolled in the Green Marine environmental certification program in 2014. Green Marine participants are committed to continuous reduction of the company’s environmental footprint. Each year,

participants benchmark their environmental performance through Green Marine’s detailed framework. OSTC entered Green Marine at a Level 2 on the 1-to-5 performance indicator scale. Given the age of the vessels, advancement beyond Level 3 is only possible through major structural changes such as converting to zero emission fuel products. Fuel conversion is not feasible for Chi-Cheemaun or Niska I, nor is LNG available in their regions of operation. A higher rating is expected for MV Pelee Islander 2, the newest addition to the Pelee Island Transportation fleet owned by the Ministry of Transportation. OSTC continues to work on environmental improvements in all areas of the operation that the company has the opportunity and ability to influence.

Occupational Safety and Health:

OSTC is accountable to the Ontario Ministry of Labour *Occupational Health and Safety Act* and regulations, specifically the Industrial regulations, and not the *Marine Occupational Safety and Health Regulations* (MOSH) that apply to most Marine Sector employers. The Province of Ontario has not entered into an agreement with the Government of Canada allowing the federal authority to assume responsibility for enforcement and inspection of Occupational Health and Safety on ships owned by the Province of Ontario. OSTC does however, maintain compliance with both Provincial Regulations and MOSH as the MOSH regulations are often more stringent and more applicable to the marine working environment.

Moosonee/Moose Factory Island - Niska I Ferry Traffic and Operational Performance:

Upon completion of the 2021-22 season, OSTC staff noted significant damage to the Niska I’s propellers and rudders. This was caused by six unreported incidents of the vessel touching the river bottom, due to the lack of regular dredging and maintenance of the river channel. As the Moose River was unnavigable at the start of the 2022-23 season, OSTC contracted with Riggs Engineering for oversight services and Ocean Dredging for dredging services to clear the channel. These services continued throughout 2022 and will complete by season’s end in 2023. During the dredging, alternate services were also contracted to ensure that passengers, vehicles and goods were shipped to and from Moose Factory Island during times when the Niska was not able to safely provide services.

The Niska I carried 1,970 passengers, and 1,485 vehicles during the season.

Pelee Island Transportation Service Traffic:

Pelee Island Transportation Service Vehicle and Passenger Traffic 2018 to 2022

Vehicles	To Jun 30	Jul – Aug	Sep-Dec	Annual Total	% Change	Sailings
2022	9,805	10,968	9,043	29,816	53.8%	1636
2021	4,273	7,137	7,982	19,392	-5.1%	1279
2020	3,017	8,537	8,872	20,426	-40.6%	1244
2019	9,849	14,479	10,071	34,399	-0.1%	1701
2018	10,046	14,690	9,691	34,427	-5.0%	1741

Passengers	To Jun 30	Jul - Aug	Sep-Dec	Annual Total	% Change	Sailings
2022	29,122	50,645	24,034	103,801	90.3%	1,636
2021	10,554	25,643	19,888	56,085	30.7%	1,279
2020	5,075	21,184	15,487	41,746	-57.4%	1,244
2019	27,310	47,917	22,664	97,891	1.1%	1,701
2018	27,028	49,351	20,479	96,858	-5.3%	1,741

Operational Overview – Financial Overview

OSTC – All Operations:

For the first time, the audited financial statements incorporate the revenues and expenses of PITS, operated under contract for MTO. Under PSAB standards, OSTC controls the operation of PITS, hires the employees delivering the service, and transacts with customers to deliver the services. PSAB standards for both expenses and revenues warrant their inclusion in OSTC statements at their gross amounts. The sole exception relates to amounts expended for MTO assets, which are referenced in the notes to the financial statements. The effects of the restatement are detailed in Note 4 to the financial statements, column b). There were also restatements to reflect the nature of the subsidy agreement between MTO and OSTC (Note 4 column a)) and the treatment of drydock costs as expenses (Note 4 column c)).

OSTC own-source revenues exceeded budget by \$0.9 million or 12% mainly due to increased ridership. OSTC own-source revenues exceeded prior year revenues by \$2.3 million or 66%, due to the increased ridership, while cafeteria and gift sales were close to budgeted values, as compared to minimal amounts during COVID restrictions.

Expenses (excluding amortization) are less than budget by \$3.1 million in aggregate, consisting of:

- Repairs and maintenance with a positive variance of \$2.5 million, representing dredging costs deferred of \$2.7 million less a negative variance of \$0.2 million for PITS,
- Salaries, wages and employee benefits with a negative variance of \$1.3 million, representing additional costs due to the UNIFOR collective agreement and additional staffing costs due to turnover and increasing head office resources,
- Fuel with a negative variance of \$0.9 million, as diesel costs were at all time highs in 2022,
- General and administrative with a positive variance of \$2.8 million, mainly from deferred capital costs,
- Services with a negative variance of \$0.5 million due to contract negotiation expenses and contractors hired to assist with the OSTC administrative changes, and
- Utility costs had a positive variance of \$0.3 million as costs were not properly budgeted.

Tobermory/Manitoulin Island - Chi-Cheemaun Operating Revenues and Expenses:

OSTC tracks specific key indicators – traffic volume, income per passenger, and cost to operate per passenger over a period of years as a means of measuring progress and/or issues in the annual operating result as compared to prior years, and the health of the overall operation.

Key Indicators - M.S. Chi-Cheemaun	2022-23	2021-22	2020-21	2019-20	2018-19
Income per passenger	\$43.90	\$41.20	\$42.40	\$40.50	\$38.95
Retail revenue per passenger	\$6.47	\$0.03	\$0.27	\$6.67	\$6.90
Fuel expense per one-way crossing	\$2,285.00	\$1,328.85	\$959.84	\$1,316.28	\$1,352.02
Annual total # of Passengers carried	155,907	121,141	93,307	202,288	199,896
Utilization as %age of capacity – Passengers	30.4%	26.2%	19.6%	31.2%	31.46%
Annual total # of Vehicles carried	58,106	47,946	41,707	80,874	79,144
Utilization as %age of capacity - Vehicles	74.1	n.a.	63.7	61.8	62.7%
Annual total # of departures	804	726	748	1,016	996
Average # of vehicles per departure	72.3	66.0	55.8	79.6	79.5
Average # of passengers per vehicle	2.7	2.5	2.2	2.5	2.5

Moosonee/Moose Factory Island - Niska I Operating Revenue and Expenses:

Revenue: As dredging operations occurred throughout the season, the Niska conducted fewer sailings, and was supplemented by an alternate, smaller service, which allowed for individual vehicles to be transported while dredging was disrupting the channel. The Moose River service operated from June 14 through October 31, 2022. Own-source revenue at \$98,500 was \$62,500 below budget as a result of the dredging and related service disruptions.

Expense: Dredging costs in 22-23 totaled \$10 million, versus a capital budget of \$12.75 million, as certain costs were deferred to 2023-24. Although budgeted as capital, dredging costs were expensed, as the dredged channel does not represent an asset to OSTC. Other expenses are in line with budget.

Pelee Island Transportation Services (PITS) – Operating Revenue and Expenses:

Revenue: PITS own-source revenues were \$1.56 million, just short of budget (\$1.63 million), and exceeding 2021-22 actuals of \$950,000, both variances due to COVID-19 measures, both travel restrictions, and distancing. The MTO operating subsidy was \$8.77 million in 2022-23 (2021-22: \$5.96 million).

Expenses: Salaries, wages and benefits totaled \$4.61 million, compared to a budget of \$3.77 million, and prior year of \$3.02 million. Increases related to increased sailings in 2022-23, (1,636 vs 1,279) as well as wage increases resulting from the new UNIFOR contract in effect from January 1, 2022. Fuel costs were \$2.41 million against a budget of \$1.91 million and prior year costs of \$1.06 million, due to increased sailings, and historically high costs of diesel. Services costs were \$610,000 versus a budget of \$346,000 and prior year actuals of \$424,000, mainly due to increases in food and the contract air service.

The following are key indicators for PITS:

Key Indicators – Pelee Island Transportation Service	2022-23	2021-22	2020-21	2019-20	2018-19
Income per passenger (ticket sales)	\$13.41	\$15.25	\$19.30	\$14.24	\$14.85
Expense per passenger (operating only)	\$95.00	\$109.05	\$150.08	\$75.89	\$69.10
Percentage of operating expenses recovered from income	10.0%	14.8%	13.1%	21.1%	25.3%
Fuel cost pre trip	\$1,472.51	\$826.73	\$633.71	\$815.03	\$653.05
Annual total # of Passengers carried	103,801	56,085	41,746	97,891	96,858
Annual total # of Vehicles carried	29,816	19,392	20,426	34,399	34,427
Annual total # of departures	1,636	1,279	1,244	1,701	1,741
Average # of vehicles per departure	18.2	15.2	16.4	20.2	19.8
Average # of passengers per vehicle per departure	3.5	2.9	2.0	2.8	2.8

Major Capital

Tobermory/Manitoulin Island Ferry Service:

During the year \$0.2 million was spent on preparation for the South Baymouth wave wall, scheduled for completion in 2024.

Moosonee/Moose Factory Island Ferry Service:

The Moose River dredge contracts were awarded in 2022-23 with dredging scheduled over the 2022 and 2023 sailing seasons. During 2022-23 work totaling \$10.0 million was completed, with an equivalent amount scheduled for next year. As noted in this report, although the dredge was capital funded, the costs are expensed in these financial statements as the dredged channel does not qualify as an asset.

Vessels:

During the year, \$0.7 million was spent on betterments to the Chi-Cheemaun, mainly for interior renovations.

Management's Responsibility

The Owen Sound Transportation Company Limited's management is responsible for the integrity and fair presentation of the financial statements and other information included in the annual report. The financial statements have been prepared in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involved the use of management's judgement and best estimates, particularly when transactions affecting the current accounting period are based on projections into the future. All financial information in this annual report is consistent with financial statements. The Company maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable, and that company assets and liabilities are adequately accounted for and assets safeguarded. The financial statements have been reviewed by the company's Audit Committee (Governing Board of Directors Committee of the Whole) and have been approved.

MIKE ST. AMANT
Interim Chief Financial Officer
7 January, 2025

[Appendix 1 – Audited Financial Statements for year ending March 31, 2023](#)