Ontario Northland Transportation Commission

2008 – 2009 Annual Report

Ontario Northland

Ontario Northland Transportation Commission
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The Ontario Northland Transportation Commission (Ontario Northland; ONTC), an operational enterprise of the Province of Ontario, was established in 1902 and is a recognized leader in promoting sustainable economic growth by establishing and operating transportation and telecommunication links throughout northern Ontario.

Our Services

Headquartered in North Bay and operating primarily in northeastern Ontario, Ontario Northland's non-commercial (provincially-mandated) services include:

- the Northlander (passenger train service between Cochrane and Toronto);
- the Polar Bear Express (passenger train service between Cochrane and Moosonee, with tourist excursion packages offered during the summer months);
- rail freight services between Cochrane and Moosonee; and
- the Moosonee barge (freight transportation between Moosonee and the island of Moose Factory).

Commercial services include:

- Ontera telecommunications services;
- Rail freight services;
- Refurbishment services;
- Scheduled and charter motor coach services and Bus Parcel Express; and
- the Dream Catcher Express (fall excursion train travelling between North Bay and Temagami).

Our Company boasts more than 1,100 employees, who live and work in northern Ontario and northwestern Quebec.

Ontario Northland at a Glance

Ontario Northland provides **transportation and telecommunications** services and solutions to the residents and businesses of northern Ontario

$143 million in revenue

1,100+ employees live and work in northern Ontario

Contribute to the **economic and social prosperity** of more than **50** northern and central Ontario communities

Play an **important role** in a region that has a declining population base and a declining forestry-based economy

Our Vision

Connected communities; a prosperous North.

We have chosen the vision statement: "Connected communities; a prosperous North" as it summarizes what Ontario Northland does and the reason for our existence. We connect the communities we serve in many ways and, through these efforts, we empower the people of the North to improve the quality of their lives and increase the prosperity of the region. The role we play is as important now, and into the foreseeable future, as it has ever been.

Our Mission

We will achieve our vision of connected communities and a prosperous North by partnering with the Province, communities, and business to deliver a high standard of safe, reliable, and environmentally-responsible transportation and telecommunications services. With our dedicated and skilled workforce, we will deliver on our mandate and provincial commitment to create value through economic development, financial return, and superior service.

Our Values

• Customer Focus • Positive Team/Work Environment •
• Safety • Continuous Learning (Innovation) •

By choosing to live these values, Ontario Northland employees share accountability for helping to connect communities and build a prosperous North.


1804
O.N. Rail
1804

In early 2007, the Commission recognized the importance of charting a course forward for Ontario Northland that would allow us to respond to the opportunities and challenges inherent in operating our businesses in northern Ontario. Following consultation with community members, our senior management team, our union representatives, and employees throughout the organization, a strategic plan was developed. This plan reinforced our vision, mission and values.

In the course of steering Ontario Northland through the difficult and tumultuous times of the past year, this plan has been especially important as it has enabled us to remain focused in the delivery of our services, thus ensuring that the people of the North stay connected with each other and the rest of the world through our telecommunication and transportation services.

To further support and reinforce our role in the North, we have commenced a long-term sustainability review. This review encompasses all of Ontario Northland's businesses, both commercial and non-commercial, for the purpose of assessing asset and infrastructure renewal costs. The scope of the review also includes an assessment of all operational elements of Ontario Northland, including organizational structure, operational governance, and mandate. This review, which is an extension of the strategic plan, will provide the framework under which the plan will be implemented and is expected to be complete in 2009-2010.

These efforts to effectively plan for the future of our Company have never been as important as we continue to face extremely challenging business times. In 2008-2009, we faced a labour disruption by the employees of one of our largest rail freight customers and the continued downturn in the forestry sector. Efforts to offset the impact on revenues included reduced service levels in some areas and temporary staff reduction.

Ontario Northland incurred a loss of $14.9 million for the year yet, despite the global economic crisis, and its significant impact on rail freight revenues, the financial results for Motor Coach Services, Refurbishment and Ontera showed improvement over the prior year.

Investment in infrastructure continued, with support from the Province, as nearly $30 million was spent on major projects. These included the refurbishment of passenger rail cars, the construction of new fibre optic cable routes to develop a 'ring' network throughout much of northeastern Ontario and, the continuation of a program to upgrade the Moose River bridge.

We, at Ontario Northland, remain committed to our vision of "Connected communities; a prosperous North" and will continue to work on long-term planning, sustainability and enhancements to our operations, which will benefit all of the communities we serve.

Sincerely,

Ted Hargreaves
Chair


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Ontario Northland is an operational enterprise of the Government of Ontario. An operational enterprise is characterized as a government agency that "sells goods or services to the public in a commercial manner (including, but not necessarily, in competition with the private sector)."

Ontario Northland operates under the Ontario Northland Transportation Commission Act and the Minister of Northern Development and Mines is responsible for administration of the Act. The Act was established in 1902, and was most recently revised in 2006.

Ontario Northland is also governed by a Memorandum of Understanding (MOU) that was most recently updated in 2007. The purpose of this MOU is to set the accountability relationship between the Ontario Northland Transportation Commission and the Ministry of Northern Development and Mines (MNDM). Specifically, the responsibilities of the Minister, Deputy Minister, Chair of the Ontario Northland Transportation Commission, the Board, and the CEO are outlined within the MOU.

Our Mandate

Our mandate is to provide efficient transportation and telecommunications services in northern Ontario as directed by the Government of Ontario, through the Minister of Northern Development and Mines:

a) To support and promote, through the services delivered by Ontario Northland, northeastern Ontario economic development, job creation and community sustainability;

b) Through its services, to support, promote and enhance linkages and clustering between communities within the region and between northeastern Ontario and other regions;

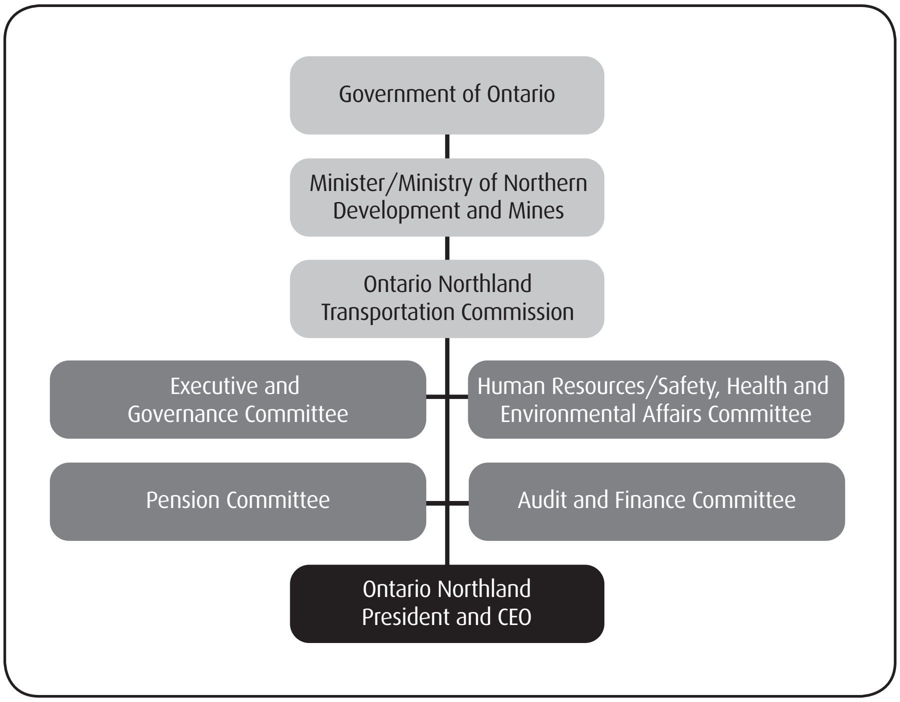
c) To deliver price-competitive transportation and telecommunications services that are safe, reliable and responsive to customers, residents and businesses in northeastern Ontario; and

d) To deliver services in a financially efficient and effective manner with an objective of improved cost recovery and self-sustainability.

Reporting Structure

The President and CEO of the Company reports to the Ontario Northland Transportation Commission, comprised of a Chair and Commission members, each of whom have been appointed by the Province of Ontario.

The Commission, in turn, reports to the Ministry of Northern Development and Mines and its Minister, who are responsible for overseeing the Company on behalf of the Province of Ontario.



Commission Members

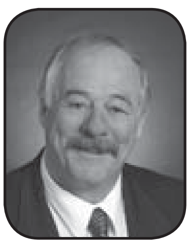
Chair

Ted Hargreaves, North Bay

(April 27, 2004 to April 26, 2007; April 21, 2007 to April 20, 2009; April 21, 2009 to April 20, 2010)

Mr. Hargreaves is the Ontario Lakeland Regional Managing Partner with BDO Dunwoody LLP. In addition, he is Finance Chair for the Pro Cathedral Parish as well as Founding Treasurer for the North Bay Soup Kitchen. He is also a Member of the Campaign Cabinet and Co-Chair of the Special Request Hospital Fundraising Committee for the North Bay General Hospital. Mr. Hargreaves has also served on many other professional and community boards and committees and has recently completed his term as a member of the Canadore College Board of Governors. Mr. Hargreaves is Chair of the Commission, Chair of the Executive and Governance Committee and is also an active member of the Audit and Finance Committee.

Commissioners



Carson Fougère, North Bay

(July 5, 2004 to July 4, 2007; July 5, 2007 to July 4, 2010)

Mr. Fougère is the retired Chief Superintendent - Regional Commander for the Ontario Provincial Police - Northeast Region Headquarters in North Bay. He is involved with the Air Cadet League of Canada as Director - Ontario Provincial Committee, and is the Director of the Northern Ontario Gliding Centre in North Bay. He is Chair of the Board of Directors of the Northeastern Ontario D.A.R.E. (Drug Alcohol Resistance Education) and also teaches part-time as an Adjunct Professor in the Honours Criminal Justice Program at Nipissing University. Mr. Fougère is currently Chair of the Commission's Pension Committee and is an active member of the Executive and Governance Committee.

Mathilde Gravelle Bazinet, North Bay

(July 5, 2004 to July 4, 2007; July 5, 2007 to July 4, 2010)

Mathilde Gravelle Bazinet, a member of the Law Society of Ontario, entered the law profession after a successful 20-year career in the field of Nursing Education and Health Care Administration at the community college and university level within the Provincial and Federal Public Sector. Ms. Bazinet has served on numerous professional committees, boards, and commissions and, in June 2005, she was appointed the Founding Chair of the North East Local Health Integration Network for the Ministry of Health and Long-Term Care. Ms. Bazinet is the author of several publications in the field of conflict resolution, health care administration, and emergency services. Ms. Bazinet is an active member of the Commission's Pension Committee.

Margaret Hague, Spring Bay

(July 5, 2004 to July 4, 2007; July 5, 2007 to July 4, 2010)

Ms. Hague has taught in schools in Ontario, Germany and British Columbia. She was General Manager of LAMBAC, a Community Futures Development Corporation. She has been a founding member of several organizations throughout Ontario including the Northeast Development Network, Manitoulin Trade Fair Association and numerous committees throughout the LaCloche Manitoulin area. In addition, Ms. Hague is a councillor for the Town of Gore Bay and Chair of Gore Bay Non-Profit Housing. She currently serves as Chair of the Commission's Human Resources/Safety, Health and Environmental Affairs Committee and is an active member of the Executive and Governance Committee.

Randy Kapashesit, Moose Factory

(November 3, 2004 to November 2, 2007; November 3, 2007 to November 2, 2008; November 3, 2008 to November 2, 2010)

Mr. Kapashesit has been Chief of the MoCreebec Council of the Cree Nation since 1987. Mr. Kapashesit has held positions as Coordinator of the Cree Village Ecolodge, Program Coordinator of the Queen's University Weeneebayko Program, and Consultant of the Traditional Medicine Study at the Weeneebayko General Hospital. His community involvement includes serving as President of the Weeneebayko Eeyou Association (a charitable organization) and acting as Board Chair of the Cree Village Ecolodge. In addition, he sits on the Board of the North East Local Health Integration Network (NE LHIN) for the Ministry of Health and Long-Term Care. Mr. Kapashesit is an active member of the Commission's Human Resources/Safety, Health and Environmental Affairs Committee.

Jean-Pierre Ouellette, Cochrane

(October 1, 2008 to September 30, 2011)

Mr. Ouellette is the Chief Administrative Officer and Clerk for the Town of Cochrane and started his career in municipal government as a Councillor for the former Township of Glackmeyer. He is a Business graduate of Canadore College in North Bay and has recently completed his accreditation for the designation of Certified Municipal Officer. He is a member of the Marketing and Communications Committee for the Association of Municipal Managers, Clerks and Treasurers of Ontario. He has also served on numerous other Boards and Committees including: the Ontario Tourism Marketing Partnership – Outdoor Products Committee as Vice-Chair; the Ontario Trillium Foundation – Local Grant Review Team; the Ontario Federation of Snowmobile Clubs as Treasurer and Governor; was the founding President of the Polar Bear Riders Snowmobile Club; and was also a member of the MNR Regional Advisory Committee. Mr. Ouellette is an active member of the Audit and Finance Committee and of the Pension Committee.

David Plourde, Kapuskasing

(July 5, 2004 to July 4, 2007; July 5, 2007 to July 4, 2010)

Mr. Plourde is a self-employed owner/operator of an upholstery, furniture repair and marine fabricating business. He has served on the Kapuskasing Council for the last 15 years and currently holds the position of Chair of the Recreation and Culture Standing Committee and is a member of the Public Works Standing Committee. He is also Chair of the Kapuskasing Citizens Recreation Committee, Beautification Committee, Cochrane District Social Services Administration Board Housing Authority, Kapuskasing-Moonbeam Landfill Site Management Board, Kapuskasing Public Library Board, Library and Public Works Construction Committees. Mr. Plourde is also President of the Agrium AAA Flyers midget hockey club and Vice Chair of the Northern Corridor Children's Foundation. In addition, he has served as president and founding member for several other organizations. Mr. Plourde is currently Chair of the Commission's Audit and Finance Committee and an active member of the Executive and Governance Committee and the Human Resources/Safety, Health and Environmental Affairs Committee.

Donavon Porter, Haileybury

(August 11, 2004 to August 10, 2007; August 11, 2007 to August 10, 2010)

Mr. Porter is a retired Principal from the District School Board Ontario North East. Prior to retirement, he was Principal of Cobalt Public School. He has previously served as Principal at Temagami Public School, Vice-Principal at New Liskeard Public School and taught a variety of grades and special assignments at schools in the southern region of the Board. He is a member of the Ontario Principals' Council and has served on its local executive, is a member of the Ontario College of teachers and has been a member of the Ontario Public School Teachers' Federation and Elementary Teachers' Federation of Ontario. He is an avid outdoor enthusiast and fisherman who volunteers at the local museum and by helping seniors solve computer software problems and teaching new computer applications. Mr. Porter is an active member of the Commission's Human Resources/Safety, Health and Environmental Affairs Committee and Pension Committee.

Lad Shaba, Kirkland Lake

(July 5, 2004 to July 4, 2007; July 5, 2007 to July 4, 2010)

Mr. Shaba is a professor of Civil Engineering Technology at Northern College in Timmins. He is also the coordinator of Civil Construction Management and Building Inspection programs at the College. Mr. Shaba served for six years as a faculty representative on Northern College Board of Governors and is currently the President of the faculty union. He has also served as a board member and the Chair of the Temiskaming Housing Authority. He was a member of the Provincial Committee on Standards and Accreditation for Civil Engineering Technology and Construction Engineering, Survey Technology and Technician programs (Ministry of Training, Colleges and Universities). He is a co-founder of the Kirkland Lake Minor Soccer Club, and was the President of Soccer North District. He is a professional engineer licenced in the province of Ontario with specialty in geotechnical and structural designs. He is the owner/CEO of Shaba Engineering & Materials Testing Services in Kirkland Lake, Ontario. Mr. Shaba is currently an active member of the Commission's Audit and Finance Committee.

Commission Committees

The Commission has four standing committees:

- **Audit and Finance Committee**

  The Audit and Finance Committee is responsible for ensuring that appropriate controls and accountabilities exist within the Commission with respect to audit, finance and areas of material risk.

  Chair: David Plourde

  Members: Ted Hargreaves, Jean-Pierre Ouellette, Lad Shaba

- **Executive and Governance Committee**

  The Executive and Governance Committee has the authority to provide policy assistance and make recommendations, on behalf of the Commission, on matters relating to ensuring that the Commission is comprised of suitable members, including succession planning, proposing new commission candidates, making recommendations with respect to remuneration, and leading governance initiatives.

  Chair: Ted Hargreaves

  Members: Carson Fougère, Margaret Hague, David Plourde

- **Human Resources / Safety, Health and Environmental Affairs Committee**

  The Human Resources/Safety, Health and Environmental Affairs Committee is responsible for providing policy assistance and making recommendations, on behalf of the Commission, on matters relating to human resources, safety, health and environmental affairs.

  Chair: Margaret Hague

  Members: Randy Kapashesit, David Plourde, Donavon Porter

- **Pension Committee**

  The Pension Committee has the authority to govern, manage and operate, on behalf of the Commission, the Contributory Pension Plan of the Ontario Northland Transportation Commission and any associated assets.

  Chair: Carson Fougère

  Members: Mathilde Bazinet, Jean-Pierre Ouellette, Donavon Porter

Principal Officers

Steve Carmichael – President and Chief Executive Officer

Paul Goulet – Chief Operating Officer and Vice President and General Manager of Ontera

Kevin Donnelly – Vice President of Finance and Administration

Randy Evers – Vice President of Rail

Cheryl Sutton – Vice President of Passenger Services

Russ Thompson – Counsel


PRODUCT OF CANADA

Ontario Northland's Corporate Services Division is comprised of various departments which provide centralized services and support to the Company, including both internal and external stakeholders, in the areas of:

Corporate Realty	Legal	Purchasing
Finance	Marketing	Risk Management
Health and Safety	Operations Management	Strategic Planning
Human Resources	Property Management	
Information Technology	Public Relations	

Accomplishments

- **Operations Management** (Office of the Chief Operating Officer)

  To streamline and focus operating efforts, an Operations Management role was established in May 2008. The primary goal of Operations Management (OM) is to improve operations; OM includes the development, design, operation and improvement of the resources, systems and processes that create and deliver a company's products and services.

- **Health and Safety**

  We continued to proactively promote health and safety in the workplace this year and focused heavily on education and training as key components of our program. In addition, our workplace health and safety committees, which play an integral role in our program, received updates on changes to our safety management system and focused their efforts on risk assessment and hazard identification and prevention.

- **Benefits Provider**

  A new benefits provider was engaged in 2008 to manage and administer Ontario Northland's employee benefits program. This project was undertaken with an aim to improve service to employees and streamline processes and reduce costs for the company.

- **Internal Communication**

  Good communication and positive employee morale are vital to the smooth operation and success of our company and thus, a regular "President's Update", to provide employees with more information relating to our Company and its current operational and financial results was issued several times throughout the year.

- **Information Technology**

  In early 2008, an enterprise IT department was established to serve the needs of all of Ontario Northland through centralization of divisional operations in order to achieve efficiencies, realize economies of scale and establish consistency in systems.

- **Facilities Management**

  A facilities management department was created under the Operations Management office to further improve operational effectiveness through process improvement and cost reduction. The facilities management department is responsible for real estate management, property and building management, energy management, space management, facilities engineering and contracts and life cycle planning.

Challenges

- **Cash Flow Concerns**

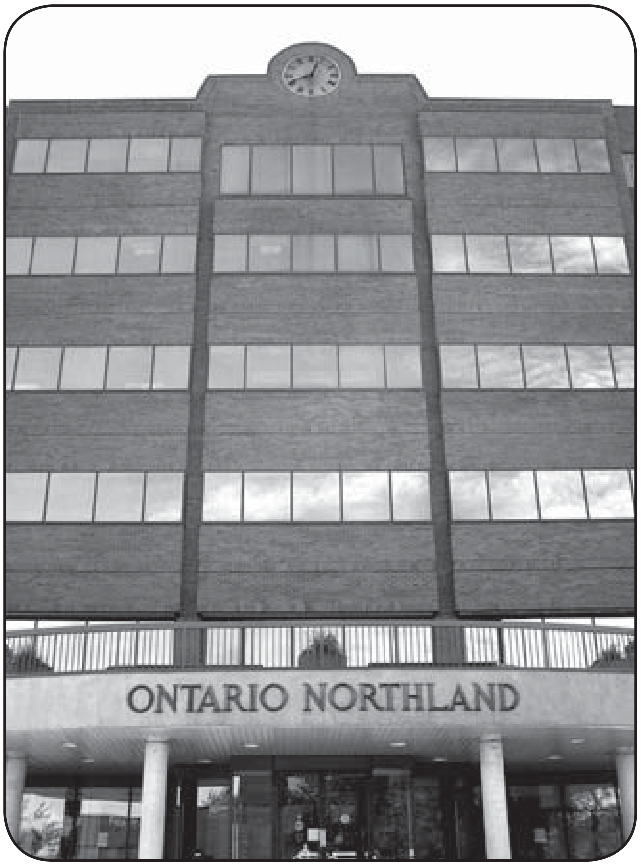
  Ontario Northland continued to face significant cash flow challenges in 2008-2009. As a result, capital spending was restricted.

- **Cost-Saving Measures**

  As the result of a labour disruption by employees at one of our largest rail freight customers and the continued downturn in the forestry industry, many of the mills we serve in northeastern Ontario have temporarily ceased operation or, have reduced their production. Our rail freight revenues were significantly affected by this crisis and fell short of budget. Cost-saving measures were implemented throughout the organization to offset the reduced revenue stream.

- **Increased Efficiencies**

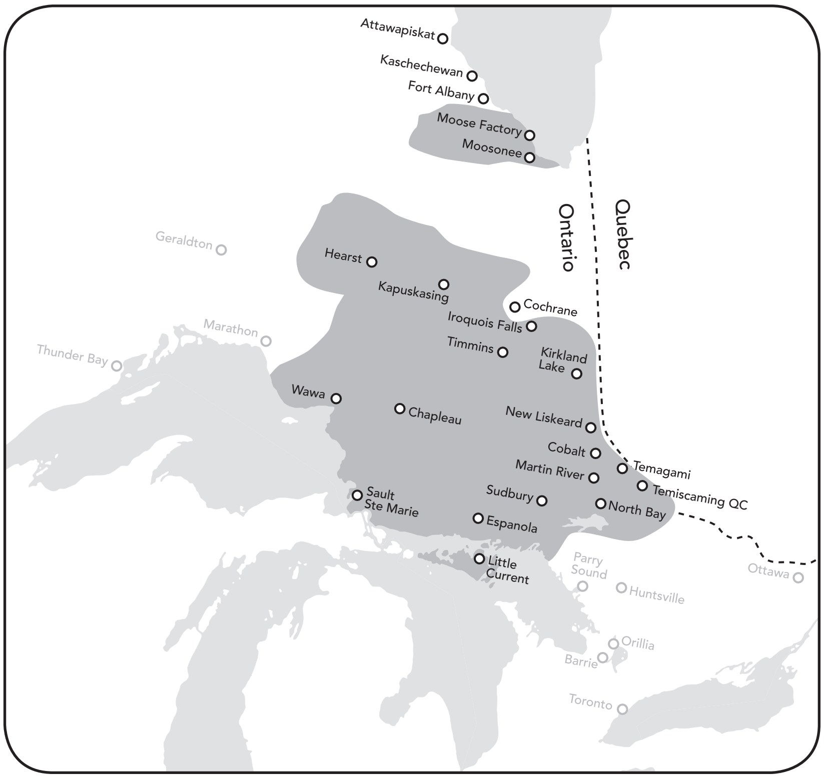
  We continue to search for increased efficiencies within our operations and as well, to provide support to our operating divisions in their efforts to service the needs of our northern customers.



Ontera, a fully integrated telecommunications company, offers a wide range of telecommunications and IP-based (Internet Protocol-based) solutions including Internet, long distance, voice, data and information technology services in northern Ontario.

Over the last several years, we have refocused our efforts on engineering in order to provide a solid telecommunications infrastructure for the benefit of residents, businesses, public sector and carrier customers in the north.

Accomplishments



- **30,000 Northern Ontario Telecommunications Customers**

  Ontera provides northern-based telecommunications services and solutions to more than 30,000 residential, business, public sector and carrier customers in communities throughout northern Ontario.

- **Investing in Infrastructure**

  In 2008-2009, we have focused significantly on investing in our infrastructure. The major projects focused on during the year were the construction of a fibre optic network 'ring', the implementation of softswitch and partnership projects for service delivery to SmartSystems for Health and the Government of Ontario. The fibre optic 'ring' will provide enhanced telecommunication services and reliability. This ring will protect communities and users from the kinds of outages that many northern communities have experienced over the years. In the case of a cable cut, traffic is instantly re-routed in the opposite direction without interruption to the users.

- **Public Sector Solutions**

  Ontera is the service provider of choice for eight municipalities, eight regional school boards and six post-secondary institutions. In addition, we have successfully completed the implementation of 140 core telecommunications sites in northeastern Ontario for Telus, as part of its partnership with the Government of Ontario for the Ontario Public Service Network Access Service (OPS NAS) project. Ontera's core network is being further enhanced to provide full carrier class capabilities for this important wide area network (WAN) project. These state-of-the-art enhancements will benefit future projects and all of northern Ontario as Ontera increasingly becomes the digital gateway to the north.

- **Health Care**

  Smart Systems for Health Agency (SSHA), Hydro One Telecom (HOT) and Ontera, which are all operational enterprises of the Government of Ontario, have joined together in a unique agency-to-agency procurement model to meet the telecommunications needs of SSHA and the medical community of Ontario. Ontera currently provides connectivity to over 45 sites in northeastern Ontario's Local Health Integration Network (NE LHIN).

- **Broadband Access**

  Ontera was one of the first Internet service providers in northeastern Ontario and our legacy continues with the expansion of fixed wireless service and DSL (Digital Subscriber Line) in conjunction with our community-based network partners, NEOnet and the Blue Sky Economic Growth Corporation. Ontera will offer both retail and wholesale access to the expanded network footprint enabling a choice of service providers for all customers. Ontera is capable of providing services to residential and small business with a technology agnostic approach that best meets their individual requirements.

- **Voice Services**

  Ontera has implemented a softswitch telecommunications technology system that will enable us to offer local telephone services to residential, business and other carrier markets in a traditional fashion or over an IP-based (Internet Protocol) services platform. This investment will also allow us to offer customers advanced voice services with improved quality and efficiency, at a lower cost.

- **Keewaytinool Olimakanak (K-Net Services)**

  K-Net Services and Ontera have worked to expand network services into many First Nation communities and health centres. Our partnership continues to grow as new sites are added on a quarterly basis for Telehealth and Internet access.

- **Internal Structure and Processes**

  Over the last few years, we have been working to strengthen our internal structure and processes. Most recently, we have focused on ensuring that the right people, with the right skills, are in the right positions and, to this extent, have reorganized to capitalize on the strengths of Ontera's team members. In addition, we have created an area of significant strength with the introduction of our Project Management Office (PMO), which is now fully operational and oversees a current load of more than 50 projects and major orders. Following the methodologies prescribed in the Project Management Body of Knowledge (PMBoK), Ontera's PMO involvement spans from planning through to the closing of projects and orders in order to ensure the best possible use of resources within the constraints of cost, scope, time and quality.

Challenges

- **Ageing Infrastructure**

  The telecommunications industry is quickly evolving and new technologies are emerging everyday. Much of Ontera's infrastructure is ageing and is no longer cutting edge.

- **Achieving Profitability**

  To ensure our long-term success and viability, it is essential that we regain profitability. In the 2008-2009 fiscal year, we have recorded positive financial gains measured on an EBIDA basis. As we progress and major project activity is matched by ongoing, responsive cost containment measures and internal transformation activities focused on achieving a greater balance of carrier and wholesale revenues, profitability we anticipate achieving in 2010-2011.

- **Technology Substitution**

  Ontera is confronted with increasing cross-platform competition as customers replace traditional services with new technologies. These new alternatives to legacy services also result in lower revenues and seriously impact the economies of scale of the products they displace. Examples of this market trend are instant messaging replacing long distance calls and Ethernet access and DSL-based services replacing private line and frame relay services.

- **Economic Conditions**

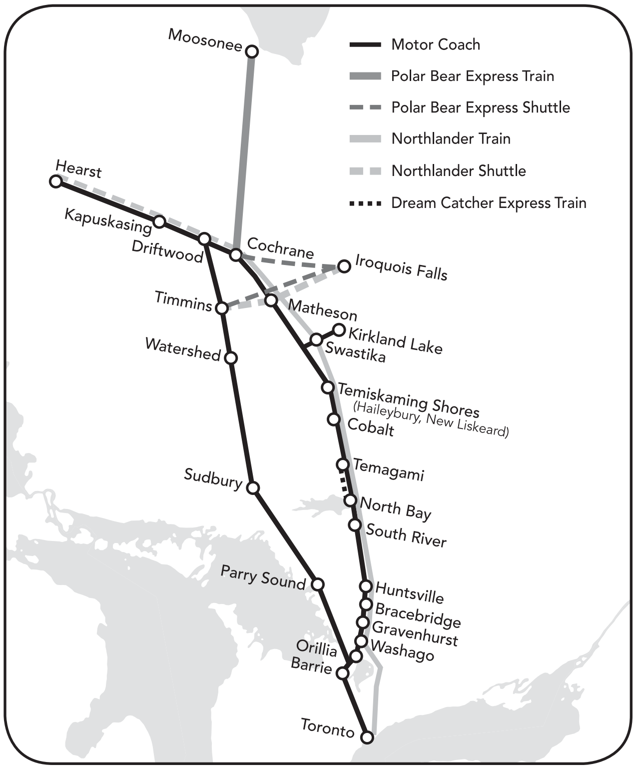
  A sustained downturn in the economy could prompt residential and business customers to defer new services, reduce use, discontinue or seek lower priced alternatives. Combined with the systemic risk associated with the single industry and resource-based business environments, Ontera may face reduced market and demand for our products and services.

Ontario Northland's Passenger Services Division serves the needs of all of our passengers and encompasses both our Motor Coach Services and Rail Passenger Services Departments.

Motor Coach Services

Our Motor Coach Services Department operates a fleet of 25 highway motor coaches that provide scheduled service between Hearst and Toronto, along the Highway 11 corridor which passes through Cochrane and North Bay, and along the Highway 69 corridor, which passes through Timmins and Sudbury. Our scheduled bus service is an affordable and reliable way to travel to and from northeastern Ontario.

We also offer charter and tour services for groups travelling throughout Canada, along with Bus Parcel Express (BPX) services. BPX is a shipping service which offers station-to-station delivery of envelopes and parcels, often on the same day. The transportation of these parcels is handled through scheduled motor coach service routes, with connections across the continent offered through partnerships with other carriers.

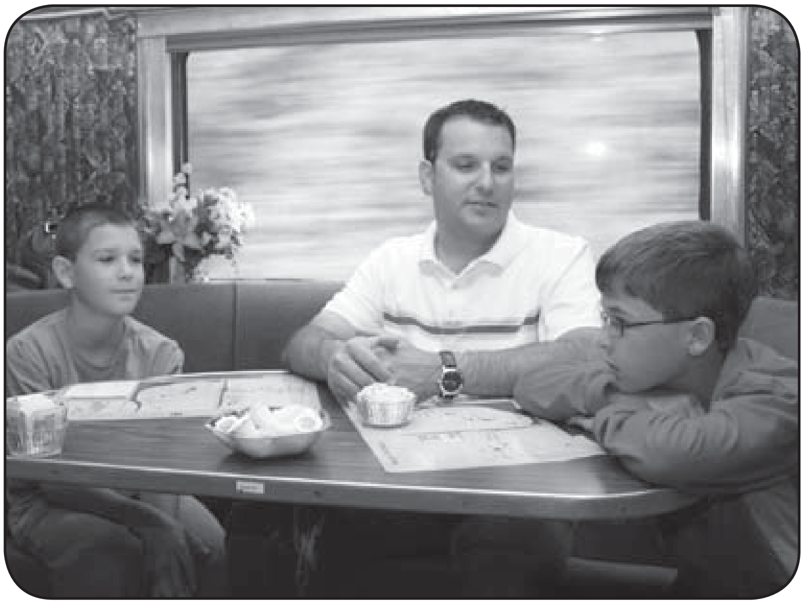


Rail Passenger Services

Our Rail Passenger Services Department is responsible for the operation of our three passenger trains:

- The Northlander is a passenger train which offers service between Cochrane and Toronto, with connections to Hearst, Iroquois Falls and Timmins. The train operates six days per week (Sunday to Friday) and receives funding from both the provincial and federal governments.
- The Polar Bear Express is a passenger train which offers service between Cochrane and Moosonee, with connections to Iroquois Falls, South Porcupine and Timmins. The train operates five days a week (Monday to Friday) in the fall, winter and spring, and six days a week (Sunday to Friday) during the summer, when tourist excursion packages are also available. The Polar Bear Express is funded by the provincial government.
- The Dream Catcher Express is an excursion train travelling between North Bay and Temagami, which operates six days each fall.
- The Polar Bear Express and Northlander are operated as non-commercial (provincially-mandated) services.

Accomplishments



- **More Than 324,000 Passengers Each Year**

  In 2008-2009, more than 324,000 passengers travelled aboard either one of Ontario Northland's 25 highway motor coaches or on one of our three passenger trains.

- **Increase in Motor Coach Ridership**

  Ridership on our motor coaches increased by over 11 percent in 2008-2009, in part due to a ten week strike by our motor coach operators in the fall of 2007 which affected ridership in that year.

- **Improvements in Customer Service**

  Over the last several years, we have been working to continually improve the levels of customer service offered to our motor coach and train passengers. We have refreshed existing policies and have established several new ones, with a focus on excellence in service. We have also been working to enhance our communication with customers.

- **On-Time Performance**

  We continue to maintain a high level of on-time performance in our motor coach services department. This contributes to high customer satisfaction as we are able to provide a convenient and reliable service.

- **Dream Catcher Express**

  The Dream Catcher Express is an exciting train excursion between North Bay and Temagami. In partnership with local hospitality operators, the Dream Catcher Express offers passengers a variety of unique experiences including the romance of rail travel, vibrant fall colours and a sampling of aboriginal culture. The train was enthusiastically received by travellers throughout the province and beyond. Ninety-eight percent of the train's passengers indicated that they would recommend the excursion to a friend and 88 percent indicated that they would ride the train again.

- **Santa Claus Express**

  More than 2,000 children from 16 northeastern Ontario and northwestern Quebec communities enjoyed their ride to the North Pole and visit with Santa Claus on Ontario Northland's Santa Claus Express. The train, which has operated in northern communities for more than 20 years, was once again generously supported by our employee and community volunteers, unions, and the Ontario Northland Employees Benefits Association.

- **Accessibility for Ontarians With Disabilities Act**

  In fulfilling our mission of "Connected communities; a prosperous north", Ontario Northland strives at all times to provide its goods and services in a way that respects the dignity and independence of people with disabilities. The Passenger Services Division has provided a leadership role in preparing for upcoming Accessibility Standards for Customer Service Regulations, which come into effect on January 1, 2010.

- **Passenger Station Upgrades**

  The Passenger Services Division undertook several projects to upgrade our passenger stations. Construction on the Moosonee Station and Cochrane Station Restaurant began in 2008-2009 to improve customer service and comfort.

- **Polar Bear Express Audio Tour**

  In response to feedback received from our passengers, and in conjunction with Antenna Audio and Discovery Channel, an audio tour describing the history, culture and nature of the James Bay Coast was developed. Audio headsets will be offered to tourists who will enjoy a commentary about the train, the geography and history of the region through which the Polar Bear Express travels and the communities of Cochrane, Moosonee and Moose Factory.

Challenges

- **Decrease in Ridership on Passenger Trains**

  Ridership on our Northlander train decreased by 23.0 percent and traffic on our Polar Bear Express train decreased by 5.0 percent in 2008-2009. The significant decrease in Northlander ridership is largely the result of an anomaly in the previous year when more people rode the train during the motor coach labour dispute.

- **Fuel Costs**

  Fuel prices have escalated significantly in recent years and represent a significant portion of our rising operational costs. As a result, we have continued to apply fare increases to our passenger services in order to generate additional revenues to counter these rising costs.

- **Passenger Equipment**

  Our passenger equipment is ageing. Our rail passenger equipment requires refurbishment in order to improve the comfort level of our passengers, enhance accessibility and make additional upgrades. We will be looking more closely at our passenger equipment and planning for its renewal in the near future.

  Our Motor Coach Services Department continues to be challenged to maintain our ageing fleet of motor coaches. We have, however, been able to maximize the useful life of our coaches though our proactive, preventative maintenance program. The demand for coaches continues to exceed their availability and as such, our scheduling has become increasingly important as we work to use our resources efficiently and effectively.

- **Economic Downturn**

  Northeastern Ontario has been particularly hard hit by the recent global economic downturn which has negatively affected ridership on all of our services.

- **Attracting Tourists**

  We continue to face challenges in attracting tourists to ride our Polar Bear Express train, in the face of increasingly affordable and accessible travel options.

Ontario Northland's Rail Services Division has a fleet of 26 locomotives and provides both passenger and freight train service. We operate a 700 mile rail system which spans from Moosonee in the north to North Bay in the south, from Calstock (just west of Hearst) in the west to Rouyn-Noranda, Quebec in the east. This system encompasses more than 2.5 million railway ties, 602 crossings, 90 railway bridges, underpasses and overpasses, 2,247 culverts and 115 buildings.

Our rail system connects with Canada's two transcontinental rail carriers (CN and CP) at various locations, allowing us to provide seamless transportation solutions throughout North America in cooperation with our industry partners.

All freight operations between Cochrane and North Bay are commercial in nature, while the Northlander passenger train and all operations between Cochrane and Moosonee are non-commercial (provincially-mandated) and receive provincial government funding.

Passenger Trains

Our Rail Services Division is responsible for the maintenance and physical operation of our three passenger trains, the Polar Bear Express, the Northlander and the Dream Catcher Express.

Freight Services

The Rail Services Division is primarily engaged in providing rail freight services for the transportation of mineral and forest products, chemicals, petroleum and other products to and from northeastern Ontario and northwestern Quebec. We also provide carload rail freight and express freight services between Cochrane and Moosonee, as a non-commercial operation.

Most carload freight shipments are moved on regularly scheduled freight trains connecting with other Canadian railways. Ontario Northland is part of a North American network of railways providing freight services to and from locations throughout North America, including import/export traffic from seaports. Special train movements for heavy or dimensional loads are also handled by Ontario Northland.

Our experienced employees ensure quality transportation of both passengers and freight and are responsible for the maintenance of both our track and equipment. Beyond providing maintenance to our own equipment, our contract shops in North Bay and Cochrane also provide service to external customers.

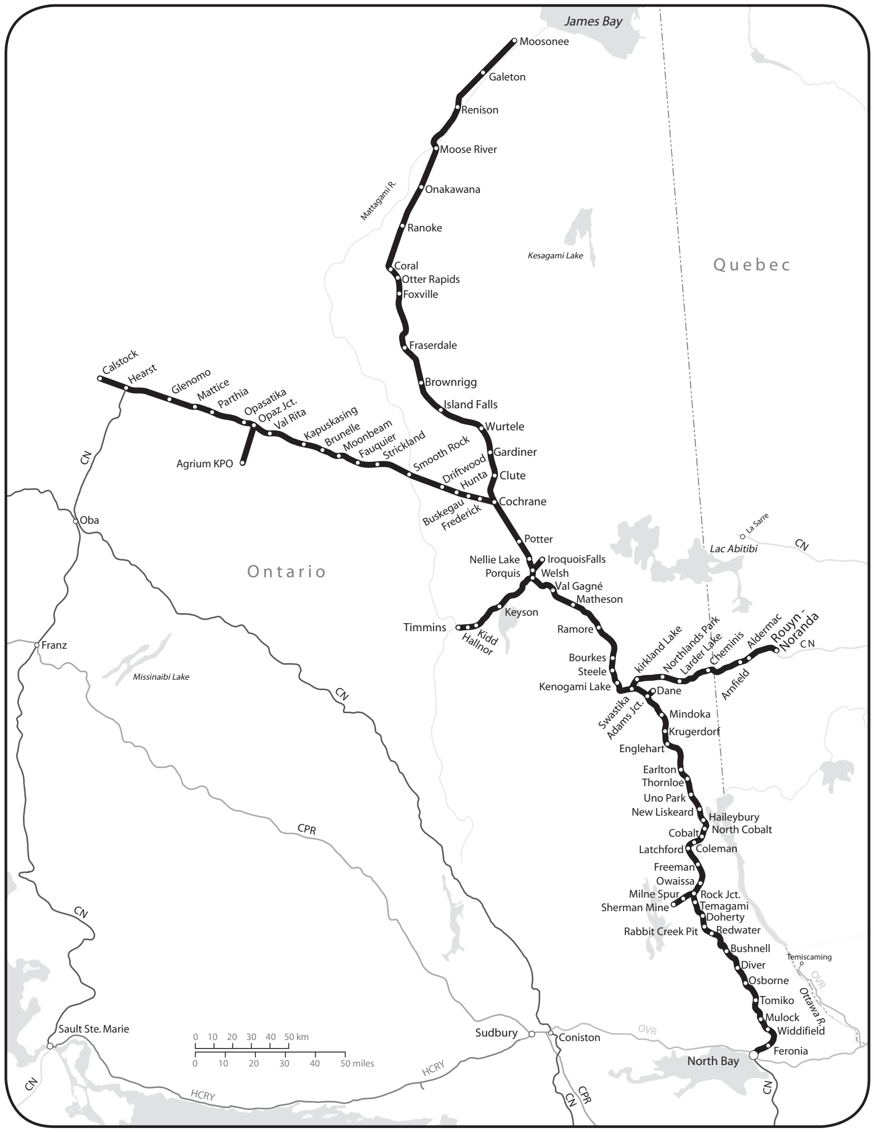
Accomplishments

- **Supporting Northern Ontario Businesses**

  Some of the region's largest employers are dependent on our rail freight operations. We are primarily engaged in providing rail freight services for the transportation of mineral and forest products, chemicals, petroleum and other products to and from northeastern Ontario and northwestern Quebec. The majority of the freight carried each year has destination points well beyond our rail system.

- **Customer Service**

  Over the last few years, we have implemented automated systems to enhance the levels of service that we offer to our rail freight customers. Our RailConnect system has introduced a greater level of electronic communication for moving and managing our client's shipments. It has enhanced our customer interaction, operating and revenue settlement processes, allowing us to offer more accurate and timely shipping information to our clients so that they may react in the face of an increasingly competitive marketplace.



- **Passenger Equipment**

  We are looking at our options for the refurbishment and/or replacement of our ageing passenger equipment, as we strive to meet the needs and expectations of our customers.

- **Enhancements Within the Rail Infrastructure Department**

  This Department also oversees the integrity of our rail line, including all rail beds, bridges, crossings, culverts and buildings. In order to ensure adherence to safe and efficient operating practices, a full review of our own policies and procedures is periodically conducted.

  The development and implementation of our own “Manual of Track Requirements” is now complete. Introductory training for all appropriate employees began in early April and will be incorporated within the orientation program of all new department members. Employees responsible for the supervision, operation, maintenance and record keeping of all departmental commercial vehicles have been provided with a Defensive Driving and Hours of Service Training Course.

- **Moose River Bridge**

  The Moose River bridge is located on our Island Falls subdivision between Cochrane and Moosonee. We have begun a significant long term work program to upgrade this 1,836 foot bridge and therefore ensure the future safety of this key structure. Routine safety inspections are conducted according to our rigid policies and performed by qualified personnel.

- **Apprenticeship Opportunities**

  Skilled trades people are essential to the success of Ontario Northland. We recognize the value of apprenticeship programs and regularly work with the Ministry of Training Colleges and Universities (MTCU), along with community organizations, to promote apprenticeships and the skilled trades. Ontario Northland, which has offered apprenticeship training opportunities for more than 50 years, currently employs 29 apprentices who work in North Bay (20), Cochrane (8) and Hearst (1). Ontario Northland received the MTCU’s 2004 Provincial Apprenticeship Employer Award for Excellence in Apprenticeship Training.

- **Rail Safety**

  We continue to work with Operation Lifesaver, a national public education program sponsored by the Railway Association of Canada (RAC) and Transport Canada, which works in cooperation with various other stakeholders to create safety-conscious attitudes toward railways with a goal of fewer collisions, fatalities and injuries. We frequently make presentations at schools and to emergency services personnel, initiate public safety advertising campaigns throughout our region and hold mock incidents to better prepare both emergency services and our own personnel in the event of an emergency.

Challenges

- **Challenging Northeastern Ontario Economy**

  The industrial landscape of northeastern Ontario provides for a limited number of significant rail freight clients for Ontario Northland and therefore, we are highly susceptible to the booms and slumps of our customers, who are predominantly rooted in resource extraction industries. In addition, there are few opportunities to expand our customer base.

- **Downturn in Forestry and Mining Sectors**

  The economic downturn in the forestry and mining sectors has resulted in a considerable reduction in our rail freight traffic. Several forestry-based clients have either terminated, suspended or greatly reduced operations within their mills, which has negatively affected our freight tonnage. This haulage reduction, along with reductions in the transporation of mining-related products, has resulted in a substantial decline in revenues.

- **Fuel Costs**

  Fuel costs significantly affect our bottom line and represent a significant portion of our growing operating expenses. Although an ancillary fuel charge is applied to our rates in order to offset these increases, we are cognizant that such fees may result in the possible curtailment of some of our freight shipments.

- **Capital Investment Requirements**

  Lower revenues along with rising operational costs make it increasingly challenging to internally finance key capital investments. Although we remain focused on cost containment, financing some of our infrastructure investments is required.

- **On-Time Performance**

  The implementation of a significant track maintenance program earlier this year, contributed to a substantial improvement in the on-time performance (OTP) of the Polar Bear Express between Cochrane and Moosonee. As well, we continue to work to achieve improved OTP on our Northlander train. Ageing equipment and significant traffic on the CN line, between North Bay and Toronto, present ongoing challenges.

- **Equipment**

  The Rail Division continues to be challenged in maintaining our ageing passenger car fleet. We are evaluating our renewal (refurbishment) and/or replacement options.

Ontario Northland offers refurbishment services to the passenger and freight car industry and, in 2006, the Refurbishment Division was created to reflect the expertise that we have developed and our intent to grow this area of business.

We boast highly-skilled and experienced personnel, as well as outstanding resources and facilities that include a 61,050 ft^2 car shop and a state-of-the- art paint facility. In addition, we have a proven track record for an exceptional level of quality of workmanship.

Our capabilities span from the complete disassembly of cars, to rebuilding them from the frame up. We have expertise in upgrading both electrical and mechanical systems, completing truck overhauls, and also offer interior design and layout services.

Accomplishments

- **GO Transit Contract Grows**

  In February 2004, Ontario Northland was awarded a GO Transit contract to completely refurbish 71 commuter cars. The first completely refurbished car was delivered to GO Transit in November 2005 and, 63 completed cars had been delivered as of the end of March 2009. We are currently on schedule and are delivering a completed car of exceptional quality every two weeks. In April 2008, we secured a contract extension for the refurbishment of an additional 50 cars. This brings the totals to 121 cars and $81 million.

- **Internal Processes**

  Over the last year, we have been working to refine our assembly-line processes to achieve greater efficiencies and ensure our ability to deliver refurbished cars on schedule to GO Transit.

- **Refurbishment Resource Planning System**

  In 2006-2007, we introduced a proprietary, computer-based refurbishment resource planning system that allows us to track parts, tasks, drawings and work procedures. This system also automatically creates day-to-day scheduling to ensure that personnel, equipment, work facilities and parts resources are utilized in a most effective and efficient manner. This system is dynamic and continues to be frequently updated as new and changing requirements emerge.

Challenges

- **Achieving Profitability**

  We have not yet turned the corner towards achieving profitability and continue to work on changes and improvements that will allow us to obtain this milestone.

- **Capacity of Paint Facility**

  Our current painting facility does not provide adequate capacity for the painting of GO Transit project parts and rolling stock not associated with the current GO Transit project. We are evaluating various options which would allow us to overcome this obstacle and in the interim, have taken measures to ensure that this does not affect our ability to meet our deadlines.

- **Maintaining Production Schedule**

  The production schedule for the refurbishment of GO Transit cars is extremely tight and we remain challenged to ensure that production requirements are met. As noted, we have worked to realize efficiencies in the last two years in order to alleviate this concern.

- **Enhancing Productivity**

  As we work to achieve profitability, we are necessarily challenged to identify areas for improved efficiency and opportunities to enhance our production line process. By continuing to enhance our systems, we will also better position ourselves to pursue future refurbishment project opportunities.

ONTC sustained a loss for the year ended March 31, 2009 of $14.9 million, compared to a loss of $15.6 million for the preceding fiscal period.

Total revenues increased by approximately $2.6 million year over year. Declines in Rail Services of $1.3 million coupled with increases in Motor Coach and Refurbishment of $0.6 million and $2.0 million, respectively, contributed to the overall increase. Rail revenues declined as a result of continued weak demand in the forestry sector and growing weakness in mining coupled with reduced haulage as a result of a labour interruption with a major customer. The Motor Coach revenue increase was as a result of a 2 month long labour dispute experienced in the prior fiscal period. Refurbishment maintained full production during the year which resulted in the year over year increase. Ontera revenues remained relatively constant compared to the prior year.

Total operating expenses increased by $5.9 million over the prior year. Rail Services costs increased $2.4 million driven primarily by fuel expense increases of $1.1 million and increased equipment maintenance costs of $1.0 million. Refurbishment expenses tracked in line with full production output and increased by $1.8M. Motor Coach showed an increase from the prior year of $1.6 million again, as a result of the impact of the labour dispute in 2007-2008. Operating expenses in the other operating divisions overall remained relatively constant.

Non-operating expenses declined year over year by approximately $3.9 million, primarily as a result of lower interest and pension/non pension accounting costs.

On the balance sheet, total assets increased by approximately $10.0 million. Current assets decreased by about $3.4 million with a combination of lower cash, accounts receivable and inventory. Increases in Property, Plant and Equipment of $16.0 million were offset by declines in the Accrued Pension Benefit Asset of $2.6 million. Current liabilities declined slightly from $48.0 million to slightly over $47.0 million while long term debt increased as a result of Ontera capital asset financing and the accrued non pension benefit obligation increased with the current year's pension/non pension accounting. Increased Province of Ontario equity resulted from financing of certain commercial capital assets as well as contributions toward the capital cost of assets used in non-commercial operations.

Additionally, retained earnings declined as a result of the loss from operations during the fiscal period.

Kevin Donnelly
Vice President of Finance and Administration

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

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

The consolidated financial statements have been reviewed by the Commission's Audit and Finance Committee and have been approved by its Governing Board of commissioners. In addition, the consolidated financial statements have been audited by the Auditor General of Ontario, whose report follows.

T. Hargreaves
Chair

S. Carmichael
President and CEO

North Bay, Ontario
May 29, 2009

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Ontario Northland Transportation Commission
and the Minister of Northern Development and Mines

I have audited the consolidated balance sheet of the Ontario Northland Transportation Commission as at March 31, 2009 and the consolidated statements of investment by the Province of Ontario, operations and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 29, 2009

Jim McCarter, CA
Auditor General
Licensed Public Accountant

Consolidated Balance Sheet

(dollars in thousands)

		March 31 2009		March 31 2008
Assets				
Current				
Cash and cash equivalents	$	**2,983**	$	4,467
Accounts receivable (Net of allowance - $3,172; 2008 - $1,526)		**17,156**		18,976
Inventory		**17,624**		18,000
Prepaid expenses		**1,164**		960
		38,927		42,403
Intangible assets (Note 1)		**4,584**		5,178
Self-Insurance Fund (Note 2)				
- Market value $4,488; (2008 - $4,288)		**4,488**		4,288
Investment in property, plant and equipment (Schedule 1)		**280,271**		263,793
Accrued pension benefit asset (Note 4)		**70,475**		73,167
	$	**398,745**	$	388,829
Liabilities and Province of Ontario Equity				
Current				
Operating line of credit (Note 3)	$	**11,870**	$	15,000
Accounts payable and accrued liabilities		**28,565**		25,779
Current portion of long-term debt (Note 5a)		**5,806**		4,712
Current portion of capital lease obligations (Note 5b)		**72**		195
Current portion of deferred revenue		**806**		2,315
		47,119		48,001
Deferred revenue (Note 6)		**897**		1,346
Provision for Self-Insurance (Note 2)		**4,488**		4,288
Long-term debt (Note 5a)		**33,172**		28,979
Capital lease obligations (Note 5b)		**35**		107
Accrued Non-Pension Benefit Obligation (Note 4)		**61,821**		61,177
		147,532		143,898
Contingencies (Note 10) / **Commitments** (Note 11)				
Province of Ontario Equity				
Investment by the Province of Ontario		**153,426**		132,202
Retained earnings		**97,787**		112,729
		251,213		244,931
	$	**398,745**	$	388,829

Approved on behalf of the Commission:

______________ Chair

______________ President and CEO

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Consolidated Statement of Investment by the Province of Ontario

(dollars in thousands)

For the year ended March 31	**2009**	2008
Balance, beginning of period		
Net investment in property, plant and equipment	**$ 45,576**	$ 40,357
Net investment other than share capital	**86,626**	69,226
	132,202	109,583
Net changes during the period		
Investment from Province of Ontario	**-**	17,400
Contributions from Province of Ontario	**23,573**	7,995
Retirements	**(48)**	(362)
Amortization	**(2,301)**	(2,414)
	21,224	22,619
Balance, end of period		
Net investment in property, plant and equipment	**66,800**	45,576
Net investment other than share capital	**86,626**	86,626
	$ 153,426	$ 132,202

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Consolidated Statement of Operations and Retained Earnings

(dollars in thousands)

For the year ended March 31	2009	2008
Revenues (Schedule 2)	**$ 142,982**	$ 140,347
Expenses (Schedule 2)	**138,648**	134,657
Income from operations, before other revenues and expenses	**4,334**	5,690
Other revenues and expenses		
Amortization (Schedule 2)	**11,982**	12,409
Pension/non-pension expense (Schedule 2 and Note 4)	**5,946**	6,627
Interest expense (Schedule 2)	**2,104**	2,851
Investment and other income	**(3)**	(2)
Gain on sale of property, plant and equipment (Schedule 2)	**(753)**	(568)
Net expenses	**19,276**	21,317
Net loss for the period	**(14,942)**	(15,627)
Retained earnings, beginning of period	**112,729**	128,356
Retained earnings, end of period	**$ 97,787**	$ 112,729

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(dollars in thousands)

For the year ended March 31	2009	2008
Cash provided by (used in)		
Operating activities		
Loss	$ (14,942)	$ (15,627)
Items not affecting cash		
Amortization (Schedule 2)	11,982	12,409
Gain on disposal of property, plant and equipment	(753)	(568)
Amortization of intangible assets	594	471
Deferred revenue	122	(239)
Pension/non-pension expense (Note 4)	5,946	6,627
	2,949	3,073
Changes in non-cash working capital balances		
Accounts receivable	1,820	(1,145)
Inventory	376	876
Prepaid expenses	(204)	259
Accounts payable and accrued liabilities	2,786	(3,640)
Deferred revenue	(2,080)	(1,765)
	5,647	(2,342)
Investing activities		
Investment in property, plant and equipment	(30,809)	(17,618)
Proceeds from sale of property, plant and equipment	753	633
Funding contribution to accrued pension benefit asset	(191)	(187)
	(30,247)	(17,172)
Financing activities		
Bank indebtedness	-	(505)
Operating lines of credit	(3,130)	-
Long-term debt (Note 5a)	5,287	1,413
Capital lease obligations (Note 5b)	(195)	(266)
Contributions from the Province of Ontario	23,573	25,395
Funding contribution to accrued non-pension benefit obligation	(2,419)	(2,056)
	23,116	23,981
Change in cash and cash equivalents during the period	(1,484)	4,467
Cash and cash equivalents, beginning of period	4,467	-
Cash and cash equivalents, end of period	$ 2,983	$ 4,467
Supplemental disclosure of cash flow information:		
Interest paid during the period and included in net loss	$ 2,104	$ 2,851

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Consolidated Schedule of Investment in Property, Plant and Equipment

Schedule 1

(dollars in thousands)

For the year ended March 31			**2009**	2008
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Rail Services				
Roadway	$ 258,362	$ 108,107	**$ 150,255**	$ 144,354
Buildings	42,089	17,842	**24,247**	23,396
Equipment	75,942	46,913	**29,029**	28,468
Equipment under capital lease	1,022	148	**874**	924
Under construction	11,482	-	**11,482**	7,675
Telecommunications (Ontera)				
Equipment	150,389	111,358	**39,031**	37,088
Buildings	5,750	3,985	**1,765**	1,843
Under construction	10,298	-	**10,298**	7,764
Motor Coach Services				
Coaches	9,650	5,850	**3,800**	4,338
Buildings	2,696	148	**2,548**	2,599
Refurbishment				
Equipment	585	64	**521**	513
Buildings	3,306	282	**3,024**	3,089
Marine Services (Moosonee)				
Vessels	385	357	**28**	38
Under construction	1,794	-	**1,794**	92
Development				
Land and buildings	2,851	1,276	**1,575**	1,612
	$ 576,601	$ 296,330	**$ 280,271**	$ 263,793

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Consolidated Schedule of Operating Revenues and Expenses

Schedule 2

(dollars in thousands)

For the year ended March 31	2009	2008
Rail Services		
Sales revenue (Notes 9 and 15)	**$ 60,155**	$ 63,057
Government reimbursement (Note 7)	**23,760**	22,123
Operating revenue	**83,915**	85,180
Operating expense	**77,393**	75,987
Operating income	**6,522**	9,193
Amortization	**7,659**	7,626
Pension/non-pension expense (Note 4)	**3,498**	4,001
Gain on sale of property, plant and equipment	**(615)**	(585)
Interest expense	**957**	1,112
Loss from operations	**(4,977)**	(2,961)
Telecommunications (Ontera)		
Sales revenue (Note 8)	**31,365**	31,253
Operating expense	**26,641**	27,416
Operating income	**4,724**	3,837
Amortization	**3,379**	3,778
Pension/non-pension expense (Note 4)	**1,015**	1,089
Interest expense	**464**	195
Loss from operations	**(134)**	(1,225)
Motor Coach Services		
Sales revenue	**11,313**	9,452
Operating expense	**10,641**	9,148
Operating income	**672**	304
Amortization	**589**	651
Pension/non-pension expense (Note 4)	**378**	363
Loss on sale of property, plant and equipment	**-**	57
Interest expense	**106**	183
Loss from operations	**(401)**	(950)
Refurbishment		
Sales revenue	**15,708**	13,780
Operating expense	**17,025**	15,495
Operating loss	**(1,317)**	(1,715)
Amortization	**85**	84
Pension/non-pension expense (Note 4)	**653**	704
Interest expense	**311**	456
Loss from operations	**(2,366)**	(2,959)

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

(dollars in thousands)

For the year ended March 31	2009	2008
Marine Services (Moosonee)		
Sales revenue	**129**	129
Government reimbursement (Note 7)	**40**	44
Operating revenue	**169**	173
Operating expense	**205**	208
Loss from operations	**(36)**	(35)
Rental Properties		
Sales revenue	**512**	509
Operating expense	**323**	306
Operating income	**189**	203
Amortization	**37**	37
Gain on sale of property, plant and equipment	**(138)**	(40)
Income from operations	**290**	206
Administration		
Operating revenue	**-**	-
Operating expense	**6,420**	6,097
Operating loss	**(6,420)**	(6,097)
Amortization	**233**	233
Pension/non-pension expense (Note 4)	**402**	470
Interest expense	**266**	905
Loss from operations	**(7,321)**	(7,705)
Total Operations		
Sales revenue	**119,182**	118,180
Government reimbursement (Note 7)	**23,800**	22,167
Total revenues	**142,982**	140,347
Expenses	**138,648**	134,657
Income from operations	**4,334**	5,690
Amortization	**11,982**	12,409
Pension/non-pension expense (Note 4)	**5,946**	6,627
Interest expense	**2,104**	2,851
Gain on sale of property, plant and equipment	**(753)**	(568)
Loss from operations	**$ (14,945)**	$ (15,629)

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

March 31, 2009

Nature of Business	The Ontario Northland Transportation Commission, an Operational Enterprise of the Ontario government, delivers a variety of commercial and non-commercial services, including rail freight, passenger rail, motor coach and telecommunications primarily in the northeastern portion of Northern Ontario.
Basis of Accounting	These consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Ontario Northland International Consulting Services Inc, O.N.Tel Inc. (o/a Ontera), Air-Dale Limited and Nipissing Central Railway Company.
Inventory	With the exception of used rail, all materials and supplies are valued at the lower of average cost or net realizable value. Used rail is shown at unamortized book value determined at the time of retirement.
Investment in Property, Plant and Equipment and Amortization	Property, plant and equipment are stated at acquisition cost. Amortization is calculated using the straight-line method over the estimated service lives of the assets.

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

Roadway - main line and branches	20 to 50 years
Railway diesel locomotives	25 years
Railway cars	33 years
Buildings	50 years
Telecommunications equipment	15 to 25 years
Vehicles	3 years
Computer equipment	5 years
Coaches	12 years

The Province of Ontario reimburses the Commission for the cost of certain property, plant and equipment purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Net Investment in Property, Plant and Equipment (Province of Ontario). Annual amortization on these property, plant and equipment is recorded as a reduction of the Net Investment in Property, Plant and Equipment (see page 32).

March 31, 2009

Employee Future Benefits

Pension Plans

The Commission maintains a defined benefit pension plan for its employees. It provides for pensions based on years of service and average pensionable earnings and is generally applicable from the first day of the month following employment. The plan is not indexed; however, there have been a variety of ad hoc increases made to pensioners.

The obligations under the plan are determined using the accrued benefit method reflecting projected benefits for services rendered to date. Pension fund assets are valued using current market values. The Accrued Pension Benefit Asset or Obligation and expenses are determined annually by independent actuaries in accordance with accepted actuarial practice using management's best estimates. The date of the last actuarial valuation for funding purposes was January 1, 2007. The date of the next actuarial valuation for funding purposes is expected to be January 1, 2010.

Non-Pension Benefit Plans

The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. In addition, as a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB), the Commission recognizes workers compensation benefits on an accrual basis using actuarial calculations provided by the WSIB for benefits in force, benefits not yet awarded and administrative loading costs.

Both Pension and Non-Pension expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and experience gains or losses. Experience gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered by the plans. These expenses are recorded in the year in which employees render services to the Commission (see Note 4).

Intangible Assets

Intangible assets represent the value attributed to the development (internally generated) of new processes for a new line of business (Refurbishment) in 2006. Intangible assets that meet generally accepted criteria, including reasonable assurance regarding future benefits, are deferred and amortized on a completed-unit basis over the life of the expected benefit.

Revenue Recognition

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Contract revenues are generally recorded on a percentage of completion basis. Revenues from other sources including Government reimbursement are recognized when earned. Telecommunications toll revenue adjustments are recognized when measurement can be reasonably estimated (see Note 8).

Income Taxes

As an Operational Enterprise of the Province of Ontario, the Commission is exempt from income taxes. This exemption extends to its wholly-owned subsidiaries, and accordingly no tax provision is recorded in these financial statements.

Foreign Currency Translation

Revenues and expenses arising from foreign currency transactions are translated to their Canadian equivalent at the rates of exchange in effect at the transaction date. Resulting gains or losses on settlement or translation are included in the determination of net income for the current period. Included in Rail revenue is a foreign currency gain of $1,258,000 (2008 - $290,000) arising mainly from Rail traffic settlements between Canada and the U.S.A.

Accounting Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of assets for amortization. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in the financial statements are intangible assets, property, plant and equipment, accrued pension benefit asset, accrued liabilities and non-pension benefit obligation.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net earnings.

March 31, 2009

Financial Instruments (Continued)

Financial assets classified as held-to-maturity, loans and receivables and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized costs using the effective interest method of amortization.

Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost.

The Commission has implemented the following classification:

- Cash and cash equivalents and Self Insurance Fund are classified as held-for-trading.
- Accounts receivables are classified as loans and receivables.
- Accounts payable and accrued liabilities, operating lines of credit, long-term debt and capital lease obligations are classified as other liabilities.

Comprehensive Income

Comprehensive income is defined as the change in equity for transactions and other events from non-owner sources. Other Comprehensive Income refers to items recognized in comprehensive income that are excluded from net earnings. The Commission does not have any transactions that would affect comprehensive income thus no impact on financial statements.

New Accounting Policies

Financial Instruments and Capital Disclosures – The CICA issued the following accounting standards effective for fiscal periods beginning in 2008: Section 3862 "Financial Instruments – Disclosures", Section 3863 "Financial Instruments – Presentation", and Section 1535 "Capital Disclosures".

Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" revise disclosure requirements related to financial instruments, including hedging instruments.

Section 1535 "Capital Disclosures" requires the Company to provide disclosures about the Company's capital and how it is managed.

These new accounting standards have not impacted the amounts reported in the Commission's financial statements; however, they have resulted in expanded note disclosure (see Note 12 and Note 13).

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New Accounting Policies (Continued)

Inventories – The CICA issued accounting standard Section 3031 "Inventories" which became effective January 1, 2008. Section 3031 "Inventories" provides guidance on the method of determining the cost of the Commission's materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 "Inventories" did not impact the Commission's financial statements.

Future Accounting Changes

An exposure draft has been issued to replace Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (IFRS) for most publicly accountable enterprises. The exposure draft proposes that IFRS be effective for fiscal years commencing on or after January 1, 2011. In February 2009, the Public Sector Accounting Board issued an Invitation to Comment on the financial reporting to be used by government organizations. It is anticipated that the results of the Invitation to Comment will determine whether or not the Commission will be considered a publicly accountable enterprise and be required to adopt IFRS standards.

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1. Intangible Assets

	2009	2008
Intangible assets - beginning of year	**$ 5,178,000**	$ 5,649,000
Amortization	**594,000**	471,000
Intangible assets - end of year	**$ 4,584,000**	$ 5,178,000

2. Self-Insurance Fund

	2009	2008
Self Insurance Fund - beginning of year	**$ 4,288,000**	$ 6,294,000
Interest earned	**100,000**	300,000
Annual premium	**100,000**	100,000
Claims	**-**	(2,406,000)
Self Insurance Fund - end of year	**$ 4,488,000**	$ 4,288,000

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Fund assets include cash in the amount of $4,388,000 (2008 - $4,288,000) plus $100,000 (2008 - $NIL) receivable from the Commission.

Periodically, the Commission borrows cash from the fund for its temporary use. The Commission pays interest to the Fund at the bank's prime rate less 1.75% on these temporary borrowings.

The claims in the prior year were incurred for costs associated with the March 30, 2007 derailment of one of the Commission's freight trains in a remote area of Northeastern Ontario.

3. Operating Line of Credit

The Commission currently holds an operating line of credit with the Ontario Financing Authority (OFA) in the amount of $8,000,000, of which $8,000,000 was being utilized as at March 31, 2009 (2008 - $8,000,000) which bears interest at the Province of Ontario's cost of borrowing plus 5 basis points on the date of each advance. In addition, the Commission has a revolving operating line of credit with the OFA in the amount of $7,000,000, of which $3,870,000 was being utilized as at March 31, 2009 (2008 - $7,000,000) which bears interest at the Province of Ontario's cost of borrowing plus 40 basis points based on the date of each advance.

The Commission also holds a demand operating line of credit with the Canadian Imperial Bank of Commerce in the amount of $1,500,000 which is available for letters of guarantee and is secured by the Commission's accounts receivable. As of March 31, 2009, two letters of guarantee totalling $1,428,000 (2008 - $1,428,000) have been issued with an annual renewal commission of 0.375%.

4. Employee Future Benefits

The Commission is the administrator of its contributory pension plan which covers all permanent staff. The pension fund assets primarily include marketable securities, real estate and corporate and government bonds, which are invested by professional investment managers. The ONTC pension plan has an annual measurement date of December 31st.

The pension fund's target percentage allocation and average asset allocations as at March 31, 2009 and March 31, 2008, by asset category are as follows:

	Target	2009	2008
Equity securities – Domestic	20% - 30%	**19.7%**	27.2%
– Foreign	10% - 30%	**17.4%**	23.1%
Debt securities	35% - 55%	**60.5%**	47%
Real estate	0% - 15%	**1.6%**	1.3%
Short term and other	0% - 15%	**.8%**	1.4%
Total		**100%**	100%

a. Reconciliation of Accrued Benefit Asset to Accrued Benefit Liability

	Pension	SERP	2009	2008
Accrued benefit obligation – end of year	**$(416,284,000)**	**$(2,515,000)**	**$ (418,799,000)**	$ (459,634,000)
Plan assets at fair value – end of year	**409,139,000**	**-**	**409,139,000**	503,660,000
Funded status – plan (deficit) surplus	**(7,145,000)**	**(2,515,000)**	**(9,660,000)**	44,026,000
Unamortized initial liability	**-**	**590,000**	**590,000**	787,000
Unamortized past service costs	**14,398,000**	**79,000**	**14,477,000**	13,323,000
Unamortized net actuarial (gain) loss	**65,758,000**	**(690,000)**	**65,068,000**	15,031,000
Accrued benefit asset (liability) net of valuation allowance – end of year	**$ 73,011,000**	**$(2,536,000)**	**$ 70,475,000**	$ 73,167,000

	Pension	SERP	2009	2008
Accrued benefit asset – beginning of year	**$ 75,526,000**	**$(2,359,000)**	**$ 73,167,000**	$ 74,343,000
Expense	**(2,515,000)**	**(368,000)**	**(2,883,000)**	(1,363,000)
Funding contributions (by employees)	**-**	**191,000**	**191,000**	187,000
Accrued benefit asset – beginning of year	**$ 73,011,000**	**$(2,536,000)**	**$ 70,475,000**	$ 73,167,000

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4. Employee Future Benefits (continued)

b. Accrued Non-Pension Benefit Obligation

	2009	2008
Accrued benefit obligation - beginning of year	**$ (55,839,000)**	$ (60,856,000)
Unamortized net actuarial (gain)	**(5,982,000)**	(321,000)
Accrued benefit obligation - end of year	**$ (61,821,000)**	$ (61,177,000)
Accrued benefit obligation - beginning of year	**$ (61,177,000)**	$ (57,969,000)
Expense – Non-WSIB	**(3,770,000)**	(3,636,000)
Expense (recovery) – WSIB	**707,000**	(1,628,000)
Funding contributions – Non-WSIB	**2,419,000**	2,056,000
Accrued benefit obligation - end of year	**$ (61,821,000)**	$ (61,177,000)

Included in the accrued non-pension benefit liability are workers' compensation benefits in the amount of $12,227,000 (2008 - $12,934,000). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board as at December 31, 2008.

c. Components of Net Periodic Pension Benefit Expense

	2009	2008
Current service cost less employee contributions	**$ 8,778,000**	$ 9,520,000
Interest cost on accrued benefit obligation	**26,252,000**	24,689,000
Expected return on plan assets	**(34,219,000)**	(34,681,000)
Amortization of initial obligation	**197,000**	197,000
Amortization of past service costs	**1,892,000**	1,638,000
Amortization of net actuarial gain	**(17,000)**	-
	$ 2,883,000	$ 1,363,000

d. Components of Net Periodic Non-Pension Benefit Expense

	2009	2008
Current service cost	**$ 318,000**	$ 2,665,000
Interest on accrued benefit obligation	**2,745,000**	2,595,000
Amortization of net actuarial gain	**-**	4,000
	$ 3,063,000	$ 5,264,000

e. Weighted Average Assumptions

	2009	2008
Discount rate - pension	**6.75**	5.75
Discount rate - non pension	**6.75**	5.75
Expected long-term rate of return on plan assets	**7.00**	7.00
Rate of compensation increase	**4.00**	4.00
Medical cost increases	**4.5% to 8.5%**	4.5% to 9.0%

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5. Long-term Debt and Capital Lease Obligations

	2009	2008
a. Loan from Ontario Financing Authority, bearing interest at 5.22% per annum, blended monthly payments of $30,000 for 15 years beginning February 1, 2005.	**$ 3,022,000**	3,224,000
Loan from Ontario Financing Authority, bearing interest at 5.64% per annum, blended monthly payments of $43,000 for 10 years beginning May 1, 1998.	**-**	43,000
Loan from Ontario Financing Authority, bearing interest at 5.60% per annum, blended monthly payments of $156,000 for 15 years beginning January 1, 2000.	**9,184,000**	10,505,000
Loan from Ontario Financing Authority, bearing interest at 6.37% per annum, blended monthly payments of $109,000 for 15 years beginning September 1, 1999.	**6,000,000**	6,901,000
Loan from Ontario Financing Authority, bearing interest at 4.717% per annum, blended annual payments of $1,681,000 for 4 years beginning March 31, 2007.	**1,605,000**	3,138,000
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, blended monthly payments of $13,000 for 25 years beginning February 1, 2006.	**2,139,000**	2,193,000
Loan from Bank of Montreal, bearing interest at 5.11% per annum, blended monthly payments of $64,000 for 10 years beginning April 30, 2008. Secured by assets of Ontera.	**5,528,000**	6,000,000
Construction advance from the Bank of Montreal, bearing interest at the bank's prime rate less .75%. Further advances will be made up to $17,000,000 then converted to a fixed term loan, term not to exceed 10 years, bearing interest at bank cost of funds plus 40 basis points. Secured by assets of Ontera.	**11,500,000**	1,500,000
Vendor take back loan on an asset purchase that bears 0% interest, repayable over 8 years in accordance with the terms of the purchase agreement beginning December 1, 2000.	**-**	187,000
	38,978,000	33,691,000
Less current portion	**5,806,000**	4,712,000
	$ 33,172,000	$ 28,979,000

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

2009 - 2010	**$ 5,806,000**
2010 - 2011	**4,383,000**
2011 - 2012	**4,574,000**
2012 - 2013	**4,778,000**
2013 - 2014	**4,994,000**
Thereafter	**14,443,000**
	$ 38,978,000

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5. Long-term Debt and Capital Lease Obligations (continued)

	2009	2008
b. Capital lease bearing interest at 5.93% per annum, blended monthly payments of $7,000 for 4 years beginning January 24, 2006	$ **61,000**	139,000
Capital lease bearing interest at 7% per annum, blended monthly payments of $1,000 for 5 years beginning September 22, 2006.	**46,000**	55,000
Capital lease bearing interest at 5% per annum, blended monthly payments of $10,000 for 3 years beginning March 1, 2006.	**-**	108,000
	107,000	302,000
Less current portion	**72,000**	195,000
	$ **35,000**	107,000

Payments under capital leases included above are as follows:

2009 - 2010	$ **76,000**
2010 - 2011	**13,000**
2011 - 2012	**25,000**
Total minimum payments	**114,000**
Less: amount representing interest	**7,000**
Obligations under capital lease	$ **107,000**

6. Deferred Revenue

Included in Deferred Revenue are the following two significant items:

In 2004, the Commission entered into a multi-year contract to refurbish commuter cars. Under the terms of the contract, the Commission received an advance from the customer of $4,030,000 in 2005-2006 in addition to the $2,627,000 received in 2004 to defray contract costs. An amount of $254,000 (2008 - $2,265,000) has been included as deferred revenue, of which $NIL relates to periods after March 31, 2010. The deferred revenue will be recognized based on the percentage of completion method. During 2009, $2,011,000 (2008 - $1,696,000) of the advance was recognized as revenue.

Hydro One has entered into a 20-year agreement for the use of the Commission's fibre optic cable, expiring in March, 2022. The total contract value is $1,380,000. The remaining balance of $966,000 has been included as deferred revenue, of which $897,000 relates to periods after March 31, 2010. The deferred revenue will be recognized on a straight line basis over the life of the agreement. During 2009, $69,000 (2008 - $69,000) was included as revenue.

7. Government Reimbursement

In accordance with a Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission have been designated as non-commercial. The Commission and the Ministry have entered into annual contribution agreements which define the amount of compensation which the Province of Ontario would provide in each fiscal year.

A portion of the operating loss of the weekday passenger train service between North Bay and Toronto is reimbursed by the National Transportation Agency of Canada under Section 270 of the Railway Act. The federal government revoked the Railway Act during 1996 and replaced it with the Canada Transportation Act. A reimbursement of $2,500,000 was received for the year ended March 31, 2009.

Details of Government reimbursement are as follows:

	2009	2008
From Province of Ontario:		
Rail - Passenger Service and Moosonee Branch	**$ 21,260,000**	$ 19,623,000
Marine Services (Moosonee)	**40,000**	44,000
	21,300,000	19,667,000
From Transport Canada:		
Current period's operations	**2,500,000**	2,500,000
	$ 23,800,000	$ 22,167,000

The Commission is dependent on these reimbursements to carry out its non-commercial operations.

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8. Telecommunications Revenue

The Commission's Telecommunications Division has telecommunications interconnection and traffic settlement agreements with Bell Canada that permits the two companies to exchange and settle on toll traffic and data circuits that traverse their respective networks. The Access Tariffs charged by Local Exchange Carriers are regularly reviewed by the CRTC and are not subject to any retroactive adjustments. In keeping with the Commission's accounting policy, any revenue or cost adjustments whether positive or negative are recognized in the year in which they become known and estimable.

9. Passenger Revenue

In compliance with the Travel Industry Act, the 2009 gross retail sales were $216,000 (2008 - $766,000) and the 2009 gross wholesale sales were $83,000 (2008 - $41,000).

10. Contingencies

a. Ontera Assets

O.N.Tel Inc. (operating as Ontera) has sustained losses from operations over the current and the past six periods (see Schedule 2). In response to the situation, management developed a business plan in 2007 that required a significant investment in Ontera's property, plant and equipment along with associated financing. The Province approved the plan in 2007 including the underlying capital investment component. Financing of $23,000,000 from the Bank of Montreal to support the plan was obtained in 2008; of which, $17,500,000 has been drawn by March 31, 2009 (see Note 5a).

b. Statement of Claim

Various statements of claim have been issued against the Commission claiming damages. Damages, if any, cannot be estimated at this time and in any event the Commission is of the opinion that these claims would be unfounded or covered by insurance after application of a $2,000,000 deductible. Should any loss result, it would be charged to operations when the amount is ascertained.

11. Commitments

The Commission has contractual obligations on a number of operating leases for such items as rail cars, computer equipment, automotive equipment and other. It is management's opinion that in aggregate the annual cost of these leases is not significant to the Commission as a whole.

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

12. Financial Instruments

The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, Self Insurance Fund, operating line of credit, accounts payable and accrued liabilities, long-term debt and, capital lease obligations.

Fair Value

The fair value of cash and cash equivalents, accounts receivable, Self Insurance Fund, operating line of credit, and accounts payable and accrued liabilities, are comparable to their carrying value due to their short-term maturity date. The fair value of long-term debt and capital lease obligations is approximately equal to its carrying value since the applicable interest rates are comparable to the market rates.

Financial Risk Management

In the normal course of operations, the Commission is exposed to various risks such as commodity risk, credit risk, currency risk, interest rate risk and liquidity risk. To manage these risks, the Commission follows a financial risk management framework, which is monitored and approved by senior management with a goal of maintaining a strong balance sheet and optimizing free cash flow.

Commodity Risk

The Commission is exposed to commodity risk related to purchases of diesel fuel and the potential reduction in net income due to increase in the price of diesel. Because fuel expense constitutes a large portion of the Commission's operating costs, volatility in diesel fuel prices can have significant impact on the Commission's income. Items affecting volatility in diesel fuel include, but are not limited to, fluctuations in world markets for crude oil and distillate fuels, which can be affected by supply disruptions and geopolitical events. The impact of variable fuel expense is mitigated substantially through a fuel surcharge program which apportions incremental changes in fuel prices to shippers within agreed upon guidelines.

Credit Risk

The Commission is exposed to credit risk due to the concentration of large customers (see Economic Dependence - Note 15 for further details). Management performs on a continuing basis credit checks on its customers, sets credit limits, monitors collectibilty, and maintains provisions for contingent credit losses which, once they materialize, are accounted for based on management's estimates.

Currency Risk

The Commission undertakes transactions denominated in United States dollars and as such is exposed to fluctuations in foreign exchange rates. The Commission generates revenues and incurs expenses in Canadian and United States dollars. The Commission does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate Risk

The Commission manages its cash according to its operational needs. The Commission is exposed to interest rate cash flow risk to the extent that the operating lines of credit and construction advances have a floating rate of interest.

The Commission's long-term debts and capital lease obligations have fixed interest rates. Also, the Commission will repay its long-term debts and capital lease obligations at maturity. As a result, management is of the opinion that the risks associated with long-term debt and capital lease obligations are minimal.

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12. Financial Instruments (continued)

Liquidity Risk

The Commission monitors its liquidity risk to ensure access to sufficient funds to meet operational requirements. The Commission manages liquidity risk by monitoring forecasts and actual cash flows and by managing maturity profiles of financial assets and financial liabilities. Management provides these reports to the Commission and the Province on a regular basis. The Commission does not use derivative instruments to reduce its exposure to liquidity risk.

13. Capital Disclosures

The Commission defines its capital as follows:

- Investment by the Province of Ontario;
- Long term debt and capital leases, including the current portion thereof; and
- Short term borrowing.

Management's objectives when managing capital are to safeguard the Commission's ability to continue as a going concern, so that it can continue to provide benefits to the Province of Ontario and to maintain an optimal capital structure to reduce the cost of capital.

The Commission manages its capital structure through approvals from the Province. The Commission is not subject to any externally imposed capital requirements.

14. Related Party Transactions

During the period, the Commission charged the ONTC Contributory Pension Fund $142,000 (2008 - $166,000) for financial and administrative support.

15. Economic Dependence

During 2009, the Rail Services Division derived 44% (2008 - 44%) of its revenue from three major customers.

16. Comparative Figures

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