

The Niagara Parks Commission – 2009 Operating Budget Message to Staff from General Manager John Kernahan

This past Friday, the Commission met to discuss and formally approve this season's operating budget. As a result, I would like to share with you some of the steps and measures we will be taking this season to withstand the economic downturn that has been affecting our global economy and in particular our tourism industry here at home.

As you all know, over the past several seasons, NPC and the Niagara tourism industry have been hit hard by issues and challenges outside of our control. A strong and fluctuating Canadian dollar, the new U.S. passport requirements scheduled for June 1st, rising fuel costs, border delays, inclement weather, world hostilities and the weakening U.S. economy have all had negative impacts on tourism visitations to Niagara, especially among our American visitors.

The outlook for the 2009 tourism season is not a positive one, as the world-wide economy continues to falter and talk of recession dominates the headlines. In a recent story from the *Toronto Star*, Premier Dalton McGuinty indicated the global financial crisis will leave Canada's biggest province facing some hard economic times over the next two years. The Ontario Budget announced on Thursday March 26th, reflected this viewpoint and is designed to help cushion the blow of the uncertain economy and its effect on provincial revenues and Ontario residents.

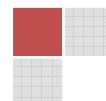
In the Ontario Budget, The Honourable Dwight Duncan, Minister of Finance announced the Province will be facing a deficit of up to \$18 billion over the next two years. Quite similar to what we are experiencing here in the Park, the Province is facing a future of lower revenues set against a backdrop of ever increasing costs. As a result, the Finance Minister has announced some steps the Province can and will take to help control growth in government spending; among these were pledges to:

- ❑ Identify \$1 billion in efficiencies in 2011-12
- ❑ Implement purchasing savings – by ensuring that collaborative purchasing takes place in the broader public service.
- ❑ The government will freeze MPP salaries, and
- ❑ The province will reduce the size of the public service by 5% over the next three years through attrition and other measures.

NPC is not immune to these economic factors. The vast majority of revenues we earn come as a result of visitation and spending within the Park. We have found over the past several years as these visitation numbers have decreased, our resulting revenues have gone down with it. Our recovery from this will not be quick, as Ministry forecasts indicate visitation to Ontario will be down this year and is not expected to improve in the immediate future.

Accordingly, we have to institute changes to meet this new reality. As costs continue to rise and revenues drop, NPC will need to enact its own expenditure control measures, very much like that those announced by the Provincial Government. Doing so will allow NPC to remain competitive, all while still carrying out the responsibilities and duties expected of it.

NPC can't ignore the overall general decline in the North American economy. The Commission has therefore approved its budget based on the best information and projections we currently have on hand. Many tough decisions were required and these final recommendations for action have been taken with the view to avoid impacts on jobs to the greatest extent possible. Short term pain will be inevitable, yet we will come through this economic downturn as we have done in the past, stronger and poised to take advantage of the opportunities the future will present.



SUMMARY OF NPC 2009 BUDGET MEASURES

- ❑ Regrettably, many initiatives will have to be postponed or delayed because of our financial situation – you will no doubt notice that maintenance projects have and will be delayed throughout many areas of the Park this season.
- ❑ Restructuring – departments have been reorganized to operate more efficiently. This has led to changes, either through retirements, attrition or other measures. While these changes have impacted both non-union and bargaining unit staff they are for the most part concentrated in the non-union areas.
- ❑ Discretionary spending is to be curtailed. Such things as training, travel, etc. are all to be limited to the greatest extent possible without limiting essential marketing efforts aimed at improving visitation. In addition, NPC will be reviewing all of its purchasing procedures and practices.
- ❑ There will be a reduction in the number of employee recognition programs – for example, there won't be a staff picnic this year, the student awards program will be deferred and the service star program will be cancelled.
- ❑ We will eliminate the student incentive – this was a program introduced several years ago to encourage students to stay the entire season up to and including Labour Day. Since market conditions have changed and the student minimum wage has increased substantially it is no longer a measure that is needed.
- ❑ The Management Compensation Option (MCO) has been altered. MCO is a program that recognizes management employees not eligible for overtime. This program allows employees the option of either a week's pay or a week's leave in recognition of not getting overtime. This year, NPC will be eliminating the pay option.
- ❑ A reduction in hours of work to a standardized 37.5 hours per week across the organization will now be put into effect for seasonal employees who normally work a 40 hour week or more. By reducing hours we can save jobs.
- ❑ Staggered recalls. With visitation down, there is an expectation there will be less work available. As a result, all departments have been delaying recalls until they are absolutely necessary.
- ❑ Identifying other operating efficiencies that will lead to an additional \$125,000 in savings (\$75,000 operating, \$50,000 in energy savings). These operating efficiencies are coming from suggestions made by staff from across the organization.

These are difficult times and the plans we have put forward were not taken lightly. Again, the focus of our decision making process has been to reduce costs, maintain our operations effectively, and do all of this while minimizing the direct impact on jobs. This plan is not perfect, plans never are, but we believe after having received input from all levels of employees, we are on the right track.

Like the Provincial Government, NPC will be looking for operating efficiencies for the remainder of 2009 and into the future. I encourage you to keep participating to help us find additional ways to generate cost savings. Please write to me via e-mail (jkernahan@niagaraparks.com) or inter-office mail with your ideas. We will continue to review the input received from employees and will report back on any additional measures that are to be taken. As always, I want to thank you for your commitment to the Parks.

