Transport Canada

Departmental Performance Report

For the period ending
March 31, 2003

Approved

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Minister of Transport

Table of Contents

Executive Summary

Strategic Direction	Performance Highlights
Marketplace Framework *(see Section 3.4.1)*	• During the last decades, the transportation system has undergone an enormous evolution, which has resulted in many positive results. Productivity gains in the transportation sector have outpaced those of the economy as a whole by two-to-one. • Federal spending on the transportation sector is seeing a general downward trend.
Infrastructure *(see Section 3.4.2)*	• The federal airport commercialization initiative is a major success. Canadian airports have been processing almost 90 million scheduled passengers annually. To accommodate this level of activity, more than $6 billion of private money has been invested in airport capital projects since 1992. • At the end of March 2003, Transport Canada had divested 448 of its original 549 ports, saving Canadian taxpayers more than $122 million.
Protection of the Environment *(see Section 3.4.3)*	• By the end of 2002-03, Transport Canada had identified 474 potentially contaminated sites, of which 447 sites have been assessed. Twenty-seven sites are suspected of being contaminated. • In the past year, Transport Canada completed 174 environmental assessments in accordance with the *Canadian Environment Assessment Act.* • In 2002, 24 of the 65 new vehicles purchased by Transport Canada were alternative fuel vehicles.
Safety and Security *(see Section 3.4.4)*	• Despite increases in traffic, record accident lows were recorded in the aviation and marine modes (the lowest annual totals in 25 years) and on the roads (the fewest casualty collisions in more than 50 years). In rail, reported accidents continued on a five-year downward trend.
Innovation and Skills *(see Section 3.4.5)*	• $30 million is dedicated to Intelligent Transportation Systems (ITS), of which $4 million has been either spent or committed on ITS innovations. • Transport Canada is upgrading equipment and facilities at the Motor Vehicle Test Centre in Blainville, Quebec.

Minister's Message

I am pleased to submit Transport Canada's *Departmental Performance Report* for the period ending March 31, 2003.

The past year was a busy one again for the department. Chief among our accomplishments was *Straight Ahead — A Vision for Transportation in Canada,* which I was proud to release in February 2003. The document contains broad-ranging recommendations on how to ensure Canada has the best transportation system possible over the next decade and beyond, as well as concrete actions to address immediate challenges facing the transportation system.

As you will see in this report, we are already seeing results in the key areas identified in *Straight Ahead.* We are establishing frameworks that foster an environment where competition can thrive, giving Canadians more transportation choices. We are investing in infrastructure to reduce congestion and to allow the transportation system to support the growing needs of the economy.

At the same time, we are making significant progress with the implementation of our second Sustainable Development Strategy, with the aim of mitigating the impact transportation has on the environment and our quality of life. And through smart regulation, harmonization and the promotion of a safety culture, as well as a number of initiatives aimed at enhancing security, we continue to have one of the safest and most secure transportation systems in the world. These results are made possible in large part due to innovative new approaches and technologies, as well as the skills of the workers in what is becoming more and more a knowledge-based sector.

Transportation affects all of us every day — from how long it takes us to get to work to what is available on the shelves of the local store — and it has a significant impact on our economy and our quality of life. I therefore encourage all Canadians to become engaged as we continue to implement our vision of the best transportation system for Canada and Canadians.

The Honourable David M. Collenette, P.C., M.P.
Minister of Transport

1.0   About Transport Canada

1.1   Who We Are

Transport Canada is the department responsible for the transportation policies, programs and goals set by the Government of Canada. The department works to ensure that all parts of the transportation system work effectively and in an integrated manner to provide Canadians with a sustainable system that is safe and secure, efficient, and environmentally responsible.

Our Vision . . .

The best transportation system for Canada and Canadians

Our Mission . . .

To develop and administer policies, regulations and programs
for a safe, efficient and environmentally responsible transportation system

1.2   Legislative Mandate

In Canada, all levels of government have some responsibility for the country's transportation system. Transport Canada delivers its programs and services under numerous legislative and constitutional authorities. Its focus is on developing a modern and relevant legislative framework that will enhance the safety, security, competitiveness and environmental sustainability of Canada's transportation system.

⌨ A full listing of the legislation administered by Transport Canada can be found on our Web site at www.tc.gc.ca/acts-regulations/listofacts/menu.htm.

> **Some of the legislation administered by Transport Canada:**
> - *Aeronautics Act*
> - *Canada Marine Act*
> - *Canada Shipping Act*
> - *Canada Transportation Act*
> - *Canadian Air Transport Security Act*
> - *Department of Transport Act*
> - *Marine Liability Act*
> - *Motor Vehicle Safety Act*
> - *Motor Vehicle Transport Act, 1987*
> - *Railway Safety Act*
> - *Transportation of Dangerous Goods Act, 1992*

1.3 Strategic Objectives

Transport Canada's strategic objectives are to:

- Ensure high standards for a safe and secure transportation system.
- Contribute to Canada's economic growth and social development.
- Protect the physical environment.

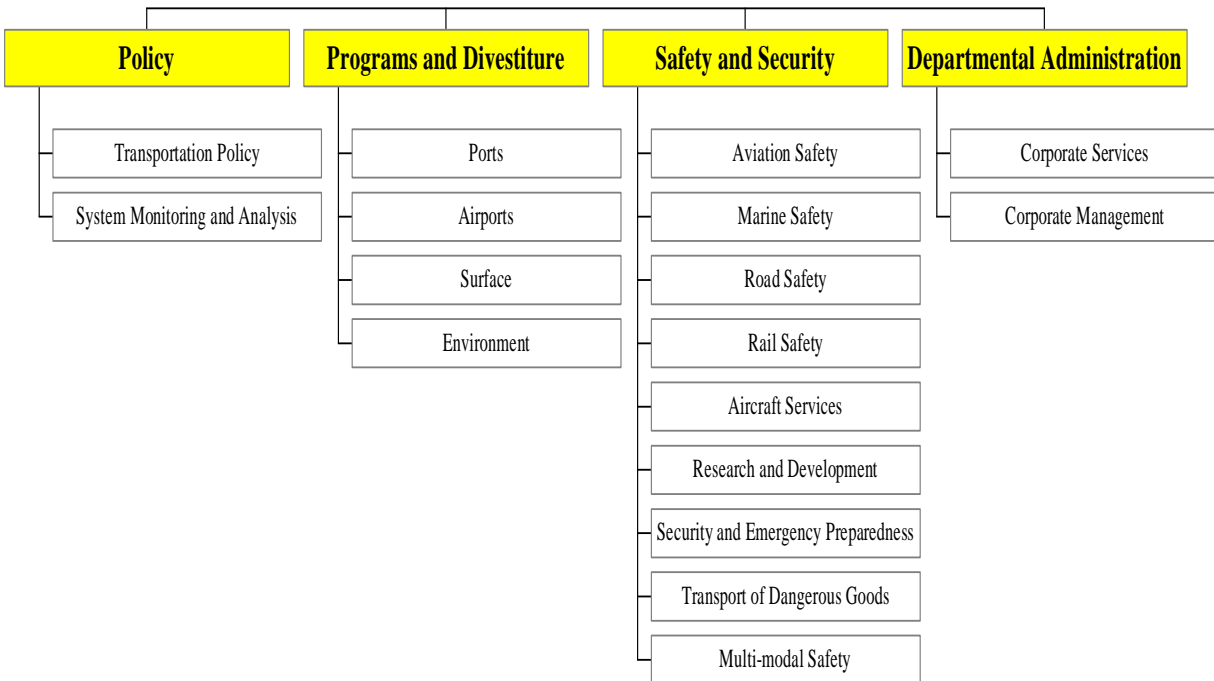## 1.4 A Results-Oriented Organizational Structure

Most issues today require a multi-disciplinary approach — one that considers a broad range of safety, economic and environmental factors. Furthermore, most issues require the partnership and collaborative efforts of many jurisdictions and stakeholders. Decisions must be carefully weighed and debated to ensure an optimum balance between competing interests. This is because actions required to achieve results in one area can have profound repercussions in other areas.

To respond to the complex national transportation agenda, Transport Canada uses a matrix approach to management. The matrix defines accountabilities for leadership on an organizational and functional basis. This approach ensures that results are the focus of departmental planning and reporting and that results are delivered in an integrated manner that still respects regional differences.

Organizationally, the department is divided into four headquarters groups led by Assistant Deputy Ministers, and five regions, led by Regional Directors General. Departmental headquarters also include Communications, General Counsel and the Offices of the Minister and Deputy Minister. The organizational leads are accountable for the management of their organizations and for the delivery of results as set out in national service line plans.

Functionally, Transport Canada is divided into four business lines, each of which comprises two or more service lines (see following chart). The business lines reflect the department's programs and services and do not mirror the organizational lines exactly. The four business lines cut across the regional organizations to ensure a multi-modal focus that concentrates on shared strategies and results. Business/service lines are the forums for setting national programs, policies and standards. They also provide functional leadership to the regional offices, which were established to help ensure that services are delivered as close as possible to clients and stakeholders.

Transport Canada Business Lines and Services Lines

Policy	Programs and Divestiture	Safety and Security	Departmental Administration
Transportation Policy	Ports	Aviation Safety	Corporate Services
System Monitoring and Analysis	Airports	Marine Safety	Corporate Management
	Surface	Road Safety	
	Environment	Rail Safety	
		Aircraft Services	
		Research and Development	
		Security and Emergency Preparedness	
		Transport of Dangerous Goods	
		Multi-modal Safety	

1.5 Our Co-delivery Partners

Transport Canada works in co-operation with hundreds of other organizations with an interest in transportation issues.

Other federal organizations — whose programs and services may be affected by transportation activities — Agriculture and Agri-Food Canada, Blue Water Bridge Authority, Canada Customs and Revenue Agency, Canada Port Authorities, Canadian Air Transport Security Authority, Canadian Food Inspection Agency, Canadian Nuclear Safety Commission, Canadian Security Intelligence Service, Canadian Transportation Agency, Civil Aviation Tribunal, Department of National Defence, Environment Canada, Federal Bridge Corporation Limited, Fisheries and Oceans Canada, Health Canada, Industry Canada, Infrastructure Canada, Justice Canada, Natural Resources Canada, pilotage authorities, Royal Canadian Mounted Police, Solicitor General of Canada, and the Transportation Safety Board.

Provincial, territorial and municipal governments — particularly concerning the maintenance of the highway system and promotion of road safety, as well as the co-delivery of the Transportation of Dangerous Goods program.

Transportation sector industries — all of which count on the fair application of regulations and the development of policies to enhance the efficiency of the transportation system, for example: Air Canada, Algoma Central Corporation, Association of

International Automobile Manufacturers of Canada, CP Rail, Canadian Equipment, Manufacturers of Aviation Equipment, Canadian National Railway, Canadian Steamship Lines, Canadian Vehicle Manufacturers Association, NAV CANADA, St. Lawrence Seaway Management Corporation, Upper Lakes Group Inc., VIA Rail, and WestJet.

Agencies and associations — with a vested interest in the transportation infrastructure, regulatory regime and safety: Association of Canadian Port Authorities, Air Transport Association of Canada, Association of Regional Railways of Canada, Association québécoise de transport et des routes, Canada Safety Council, Canadian Association of Petroleum Producers, Canadian Airports Council, Canadian Bus Association, Canadian Council of Motor Transport Administrators, Canadian Energy Pipeline Association, Canadian Ferry Operators Association, Canadian Marine Advisory Council, Canadian Ship Owners Association, Canadian Trucking Alliance, Canadian Urban Transit Association, Chamber of Maritime Commerce, Chamber of Shipping of British Columbia, Council of Marine Carriers, Federation of Canadian Municipalities, Motor Coach Canada, Operation Lifesaver, Railway Association of Canada, Shipping Federation of Canada, Transportation Association of Canada, Transport of Dangerous Goods General Policy Advisory Council, Federal-Provincial/Territorial TDG Task Force, unions, and vehicle manufacturers associations.

International organizations — to share information and harmonize transportation regulations — Asia-Pacific Economic Co-operation, European Joint Airworthiness Authorities, International Bridge Authorities, International Civil Aviation Organization, International Labour Organization, International Maritime Organization, International Organization for Standardization, North Atlantic Treaty Organization, National Highway Traffic Safety Administration, Society of Automotive Engineers, Organization for Economic Cooperation and Development, the Summit of the Americas, UN Committee of Experts on the Transportation of Dangerous Goods, UN Economic Commission of Europe Global, World Forum for Harmonization of Vehicle Regulations, International Atomic Energy Agency, U.S. Department of Transportation, U.S. Federal Emergency Management Agency, U.S. Transportation Security Administration, European Civil Aviation Conference, and World Road Association, among others.

2.0   Societal Context

2.1   Transportation's Impact

Transportation plays a fundamental role in our lives, both socially and economically. We rely on all transportation modes — planes, trains, ships, trucks, buses and cars — to take us where we want to go and also to deliver our goods. Did you know?

- In 2002, transportation industries accounted for 4 per cent of the gross domestic product (GDP). Investment in transportation made up 3.3 per cent of the GDP.

- In 2002, 41 per cent of Canada's GDP was directly linked to exports, much of it in merchandise that is transported between Canada and markets in the United States and around the world.

- Total Canada/U.S. merchandise trade in 2002 was $565 billion, or about $1.5 billion per day; of this, 65 per cent was by truck and 17 per cent was by rail.

- Total Canadian trade with all countries was $745 billion in 2002. Of this, 56 per cent ($417 billion) was by road, 14 per cent ($103 billion) was by rail, 14 per cent ($102 billion) was by marine and 10 per cent ($75 billion) was by air.

- Total energy consumption in the Canadian economy decreased by 0.4 per cent between 2000 and 2001, while energy demand in the transportation sector, which accounts for 34 per cent of the total, fell by 1 per cent.

- Spending on tourism in Canada totalled $51.8 billion in 2002, of which $19.9 billion was on transportation. Of the amount spent on transportation, more than one-half was on air travel and one-third was on vehicle transportation.

- The transportation sector is the single largest source of greenhouse gas (GHG) emissions in Canada, accounting for 25 per cent of the total. Of the transportation-related GHG emissions in 2000, road transportation accounted for almost 77 per cent, the aviation sector accounted for 10.3 per cent and rail and marine combined for less than 9.5 per cent.

- The Canadian aerospace industry employs about 90,000 people across the country. Since 1990, the Canadian aerospace industry sales have more than doubled, reaching $23.2 billion in 2001. This represents a 14 per cent increase over 2000 revenue levels ($20.3 billion).

📖   A wealth of information on the state of transportation is contained in the *Transportation in Canada 2002* report, which can be found at www.tc.gc.ca/pol/en/anre/transportation_annual_report.htm.

2.2 Linking to Government Priorities

Transportation contributes to a number of key government priorities, as announced in the 2002 Speech from the Throne:

Building competitive cities and healthy communities

Recognizing a fundamental relationship between economic success and quality of life, the Government of Canada has committed to ensuring that we have competitive cities and healthy communities — and transportation is a vital component. With 80 per cent of Canadians now living in urban areas, we are seeing increases in traffic volumes and the economic, environmental, social and safety implications associated with the resulting congestion. Effective and efficient transportation systems, including modern transportation infrastructure and public transit, will be important to the future vitality of our cities and communities.

Building a healthy environment and tackling the challenge of climate change

With the ratification of the Kyoto Protocol, the Government of Canada has made climate change a national priority and has committed to reducing greenhouse gas (GHG) emissions by 2012. The government is working closely with Canadians and the global community to meet this challenge. Transportation — the largest single contributor to GHG emissions in Canada, accounting for 25 per cent of all emissions — holds the promise of being a big part of the solution to climate change problems, through innovative technologies, strategic investments in infrastructure and changes in individual behaviour.

Making Canada a magnet for talent and investment — a world leader in innovation and learning

In February 2002, the Government of Canada released its Innovation Strategy, which challenges all sectors of the economy to become more innovative and to develop a highly skilled workforce to compete in the global marketplace. To do this, parts of the strategy focus on: improving our research and development performance and finding better ways to create knowledge and bring it to market; finding ways to develop, attract and retain the best and the brightest; and looking at ways to improve business and regulatory policies to support innovation. Transportation will have an important role to play on this agenda in two ways. First, the sector has moved away from its traditional role in the "bricks and mortar" of the old economy and is in many ways firmly entrenched in the new, high-tech economy. Second, as the sector moves $1 trillion worth of goods a year and employs more than 850,000 people, it is a key enabler of the economy. If we are going to realize this country's full potential in innovation — if we are going to attract capital investment or simply get new products to market — we need an efficient, modern transportation system, rooted in a skilled and innovative workforce.

Protecting the safety and security of Canadians

The Government of Canada has committed to continuing to work with its stakeholders to ensure the safety and security of Canadians, to remain vigilant and ready to protect Canadians from emerging threats, and to work with the United States and other international stakeholders to address our shared security needs. As we continue to move forward from the impact of the September 11, 2001 terrorist attacks, we need to continually work to ensure the transportation system is safe and secure, while balancing that requirement with our need for an open and efficient system in support of trade and our economic well-being.

These government priorities are reflected in the new vision for transportation document released by the Minister of Transport in 2003. The guiding principles and strategic directions outlined in the document are discussed in Section 2.3 below.

2.3 *Straight Ahead — A Vision for Transportation in Canada*

On February 25, 2003, the Minister of Transport released *Straight Ahead — A Vision for Transportation in Canada*. The document, which is the result of extensive consultations, sets out the policy framework that will allow the transportation system to successfully meet the economic, social and environmental needs of the next decade and beyond.

Straight Ahead provides the vision, the policy framework and principles that will guide the Government of Canada's transportation decisions in key areas such as marketplace policies, strategic infrastructure investments and initiatives in support of the broader government agenda on safety and security, competitive cities and healthy communities, climate change and innovation and skills.

The Government of Canada's vision of a sustainable transportation system for Canada is guided by the following principles:

- Highest practicable safety and security of life and property — guided by performance-based standards and regulations when necessary.
- Efficient movement of people and goods to support economic prosperity and a sustainable quality of life — based on competitive markets and targeted use of regulatory and spending interventions.
- Respect for the environmental legacy of future generations of Canadians — guided by environmental assessment and planning processes in transportation decisions and selective use of regulatory and spending interventions.
- User pricing that better reflects the full costs of transportation activity, and transportation infrastructure decisions that meet user needs — based on governance models that provide for stakeholder involvement and transparency.
- Reasonable access to the national transportation system by Canada's remote regions.
- Accessibility in the national network without undue obstacles for persons with disabilities.

- Co-ordinated and harmonized actions across all modes of transport in support of inter-modality and to achieve modal neutrality.
- Partnerships and collaboration among governments and with the private sector for an integrated, coherent transportation policy framework, taking into account the respective jurisdiction, role and responsibilities of all participants.

2.3.1. Strategic Directions

The five strategic directions laid out in *Straight Ahead* are described below.

Marketplace framework

Market competition is the foundation for the framework presented in *Straight Ahead*. Experience has shown over time that a reliance on market forces yields real and lasting benefits — for taxpayers, users, communities, and for the economy as a whole. Commercialization and privatization have proven their worth, as witnessed by the success of airports and ports, the St. Lawrence Seaway, air navigation services and the Canadian National Railway. Productivity has increased — by an average of 2.5 per cent per year in the 1990s — and costs have decreased — annual transport costs fell by more than $13 billion in the last two decades.

Building on this success, the Government of Canada proposes to fine-tune this policy approach to stimulate further competition and efficiency where needed, based on the belief that the transportation system of tomorrow should remain largely market-driven, where government sets a competitive framework and intervenes only as a last resort. We must also rethink the way we view the national transportation system. We can no longer look at it as a patchwork of parallel and competing modes, but as a single, interconnected network that links Canada's regions to each other and to world markets in a seamless, integrated manner.

Infrastructure

Since 1993, the Government of Canada has invested more than $8 billion to improve the country's infrastructure, much of it related to transportation. The government will continue to make strategic infrastructure investments in support of competitiveness, sustainable growth and inter-modality, particularly to reduce congestion in our cities and bottlenecks in our trade corridors. A strong emphasis will be placed on making these investments in partnership with other levels of government and the private sector. This will include initiatives addressing urban transportation needs, such as public transit, and trade and passenger corridors, while remaining sensitive to the needs of rural and remote areas.

Protection of the environment

The Government of Canada is committed to fostering better environmental performance from the transportation sector. The transportation sector will be expected to assume its share of the responsibility to meet Canada's international obligations on climate change. In collaboration with others, the government will continue to address the environmental impact of transportation. It will promote respect for the environment as a criterion in transportation planning, find ways to implement Canada's environmental obligations, and curb pollution in the transportation sector, such as through the adoption of advanced technology vehicles, the use of less greenhouse-gas intensive fuels and the finding ways to encourage increased efficiency of freight transportation.

Safety and security

With one of the safest and most secure transportation systems in the world, Canada will continue to maintain its leadership. Safety and security will remain the cornerstones of Canada's transportation policy. A safe and secure transportation system is an essential element of the Government of Canada's commitment to protect the health and well being of Canadians. It is also essential for the efficient flow of goods within Canada and with our trading partners. Starting from a position of strength, we enhanced our system with swift and effective action following the tragic events of September 11, 2001, to reinforce safety and security across all modes of transportation. We will continue to build on those efforts to further promote the safety and security culture within the transportation community.

Innovation and skills

To achieve the vision laid out in *Straight Ahead,* we will need a highly innovative sector, driven by a highly skilled workforce. There is demand in the transportation sector for people with diverse and complex skills, more than what has traditionally been associated with transportation. We need to find ways to let people know what opportunities are available in this sector, and to attract them to pursue careers in this field. The transportation sector needs to increase its commitment to research and development through partnership-based research and development projects. Innovation in the transportation sector, including the development of Intelligent Transportation Systems, is essential not only to maintain the sector's own growth and competitiveness but also to contribute to national priorities like greenhouse gas reduction, safety and security and improve the quality of life in cities.

⌨ *Straight Ahead — A Vision for Transportation in Canada* is available on our Web site at www.tc.gc.ca/aboutus/straightahead/menu.htm.

2.4   Transportation Amendment Act (Bill C-26)

As the first step to fulfilling a number of commitments set out in *Straight Ahead — A Vision for Transportation in Canada,* the Government of Canada introduced the Transportation Amendment Act (Bill C-26), which contains a series of amendments to the *Canada Transportation Act* (CTA), to fine-tune the legislation's provisions. The proposed amendments reflect broad consultations with industry, stakeholders, provinces and territories. They include responses to many of the recommendations that came out of reports of the Canada Transportation Act Review Panel and the Independent Transition Observer on Airline Restructuring.

For the air industry, the amendments focus on: improving transparency in advertising airfares; better public access to the terms and conditions associated with airfares; and enhancing competition without causing hardship to air carriers. The amendments extend an existing provision that gives the Canadian Transportation Agency authority to investigate and address unreasonable fares and cargo rates on monopoly air routes in Canada, and to create conditions to allow new and existing Canadian carriers to expand in the domestic market while protecting the public interest.

Amendments regarding railway transportation include: improving the existing shipper protection regime for rail customers; dealing with noise issues; modifying current provisions governing disposition of railway lines; improving the policy environment for passenger rail; and altering the conditions for applications for final offer arbitration. The amendments will also provide an approval mechanism for the construction or alteration of international bridges and tunnels.

As a clear signal of the new prominence that will be given to environmental issues in Canada's future transportation policies, Bill C-26 proposes to enshrine the Government of Canada's commitment to environmental responsibility in the National Transportation Policy declaration set out in the act. Finally, the bill would create a new VIA Rail Canada Act to put VIA Rail on the same legislative footing as most other Crown corporations, since separate legislation was not developed for the corporation when it was established in 1977.

Many of the key initiatives discussed in this report respond to the recommendations of the *Canada Transportation Act* Review Panel of 2001. The panel was comprehensive in its recommendations, as well as precise on the requirement for specific actions. The Government of Canada has analyzed the proposals and reviewed the perspectives of all stakeholders, including those of other governments. Conclusions reached following these consultations are reflected in the proposed actions.

⌨ More information on Bill C-26 is online at
www.parl.gc.ca/LEGISINFO/index.asp?Lang=E&Chamber=C&StartList=2&EndList=200 &Session=11&List=toc&query=3360&Type=0&Scope=I&query_2=N.
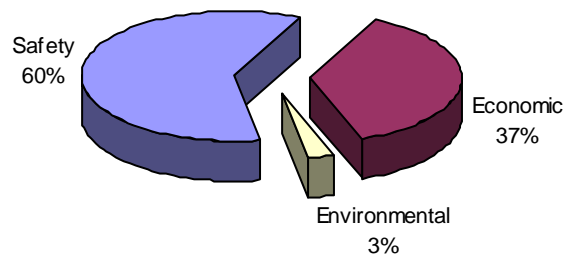
3.0   Departmental Performance

3.1   Contributing to our Strategic Objectives

Transport Canada's Strategic Objectives		
Ensure high standards for a safe and secure transportation system	*Contribute to Canada's economic growth and social development*	*Protect the physical environment*
2002-2003 Net Resource Spending by Strategic Objective[1]		
$750 million	$466 million	$36 million

⬆   ⬆   ⬆

Strategic Directions *Straight Ahead — A Vision for Transportation in Canada*		
Safety and Security *(see Section 3.4.4)*	**Marketplace Framework** *(see Section 3.4.1)*	**Protection of the Environment** *(see Section 3.4.3)*
	Infrastructure *(see Section 3.4.2)*	
	Innovation and Skills *(see Section 3.4.5)*	

1 The linking of our 2002-2003 net resource spending to the strategic objectives is based on a reasonable approximation, to provide the reader with a sense of the magnitude of spending devoted to the achievement of outcomes. Note that Crown corporations have been included in the economic objective.

Resources by Strategic Objective

Safety 60%

Economic 37%

Environmental 3%

3.2   A Model for Results-Based Performance

Transport Canada has adopted the Spheres of Influence performance logic model, which is illustrated below. The department's performance is based on three levels of results. Each level builds on the previous one, beginning with the operational and management activities and outputs, which lead to behavioural outcomes, and then to the high-level ultimate outcomes that impact Canadians.

By establishing a results chain that explains the department's contribution to outcomes, the model helps address the question of attribution. Because Transport Canada's strategic objectives — safety, economic, environmental — are not exclusively within the department's control, the logic model allows the identification of key behaviours the department can influence to achieve results.

Progress in developing and refining the performance measures and related data sources is considered a work in progress. The long-term policy framework laid out in the *Straight Ahead* document, as well as possible revisions to the Planning, Reporting and Accountability Structure (PRAS) framework from the Treasury Board Secretariat, may impact on the performance measurement regime that is currently in place at Transport Canada.
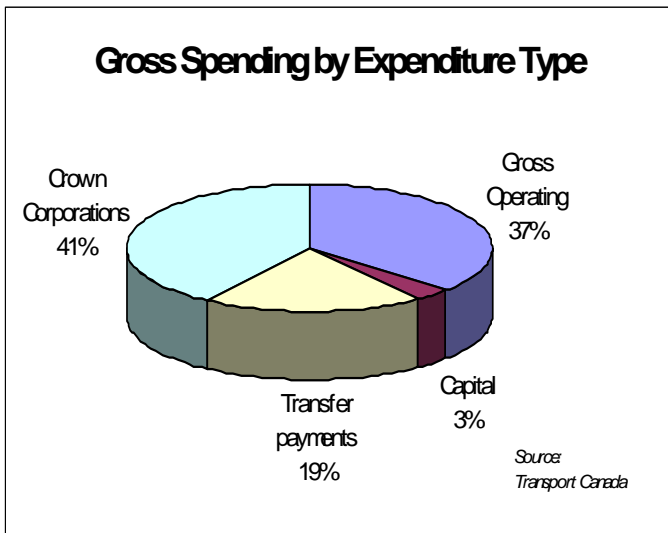
Spheres of Influence Model
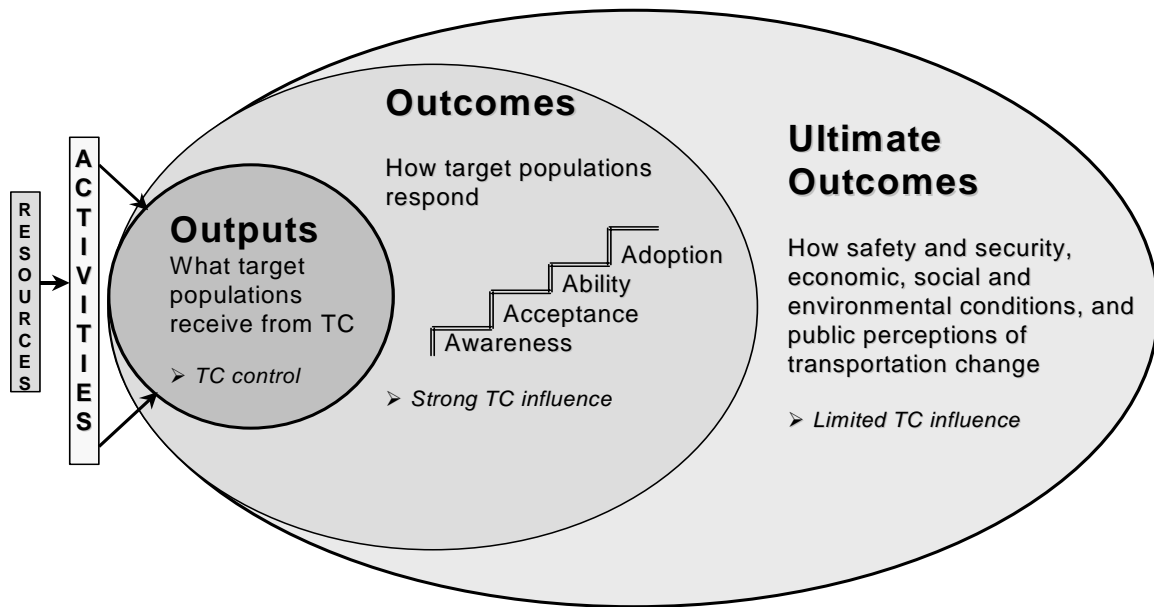
The following table provides the Ultimate Outcomes and a sample of the performance indicators associated with our strategic objectives:

Strategic Objective	Ultimate Outcome	Indicators of Progress[1]
Ensure high standards for a safe and secure transportation system	• Protection of life, health, environment and property. • High confidence in the safety and security of the transportation system.	• reduced accident rate • increased compliance rate • high public confidence in travel • stakeholder understanding of safety benefits and issues • reduced security risks • a regulated community that is engaged and well-informed
Contribute to Canada's economic growth and social development	An integrated and inter-modal transportation system that is: • efficient, effective, viable, affordable and accessible; • responsive to users and to communities; and • competitive and harmonized, both domestically and internationally.	• service and price levels • current and prospective viability of system components • trends in operational costs • cost to taxpayer • community and user satisfaction with price and service • benefits to industry and consumers from improved harmonization
Protect the physical environment	• Environmentally sustainable transportation system for Canadians. • Reduction of greenhouse gas emissions and pollution from the transportation sector. • Prevention and mitigation of environmental damage from transportation activities.	• increased public awareness of the environmental impact of transportation activities • increase in the use of more energy-efficient vehicles • reduction in annual vehicle kilometres • reduced GHG emissions and other air pollutants from transportation sources

[1] *This list is not intended to be an exhaustive list of all current and/or future indicators.*

3.3 An Overview of Departmental Spending

Transport Canada's gross spending for fiscal year 2002-2003 totalled $1.6 billion, as described below.

Gross Spending by Expenditure Type

Crown Corporations 41%

Gross Operating 37%

Transfer payments 19%

Capital 3%

Source: Transport Canada

The largest portion of spending — approximately $664 million or 41 per cent — was directed to Crown corporations. The Canadian Air Transport Security Authority received $259 million, VIA Rail $256 million, and the remaining amount was paid to Marine Atlantic Inc., the Queen's Quay West Corporation, the Old Port of Montreal Corporation Inc., and the Jacques Cartier and Champlain Bridges Inc.

Gross operating costs represented 37 per cent of total spending, with expenditures of $602 million. Of this amount, 61 per cent was spent on employee salaries and statutory benefits, while the balance was spent on other costs such as professional services related to informatics, training and education, and items such as travel, maintenance and utilities. Approximately 64 per cent of Transport Canada's operating costs were funded through the collection of respendable revenues.

A further $317 million, or 19 per cent, was spent on grants and contributions (transfer payments). Some of the more significant items included:

- $49 million for the Northumberland Strait Crossing subsidy payment;
- $41 million for contributions to provinces toward highway improvements;
- $32 million for the Airports Capital Assistance Program;
- $26 million for the Strategic Highway Infrastructure Program – Highway component;
- $25 million for contributions to airlines for security enhancements to aeroplane cockpits;
- a $23 million grant to the Province of British Columbia for freight and passenger ferry services; and
- $22 million for the Port Divestiture Fund.

Transport Canada's capital project spending involved $56 million, only 3 per cent of total gross spending, and involved various maintenance and environmental projects.

3.4 Performance Results by Strategic Direction

Transport Canada is contributing to the achievement of its strategic objectives through the pursuit of the policy objectives and strategic directions outlined in the recently released *Straight Ahead — A Vision for Transportation in Canada*. Accordingly, the performance results presented in this report are categorized according to the five *Straight Ahead* strategic directions:

- Marketplace Framework
- Infrastructure
- Protection of the Environment
- Safety and Security
- Innovation and Skills

3.4.1 Marketplace Framework

Transportation policy must provide market frameworks that allow carriers and infrastructure providers to adapt, innovate, remain competitive, and serve the public.

To contribute to Canada's economic growth and social development, Transport Canada believes that transportation policy must provide the market frameworks that allow carriers and infrastructure providers to adapt, innovate, remain competitive and serve the public.

During the last two decades, the transportation system has undergone an enormous evolution, and the changes in transportation policy have resulted in many positive spin offs. Productivity gains in the transportation sector have outpaced those of the economy as a whole by two-to-one. The result has been a decline in real costs to shippers and travellers of $10 billion. The privatization and commercialization of many of our largest and most important transportation facilities have been rewarded with unprecedented improvements in efficiency and the availability of market capital to expand and upgrade this infrastructure. Since 1992, $6 billion has been invested in airport capital improvements at national airports system (NAS) airports. And port authorities plan to invest almost $700 million on capital projects over the next five years.

In addition, Government of Canada spending on the transportation system is in a general downward trend. Direct subsidies, grants and contributions dropped to $789 million in 2002-03 — almost $120 million less than the year before (see Figure 1).

Figure 1 : Direct Federal Subsidies, Grants and Contributions by mode, 1997/98 to 2002/03
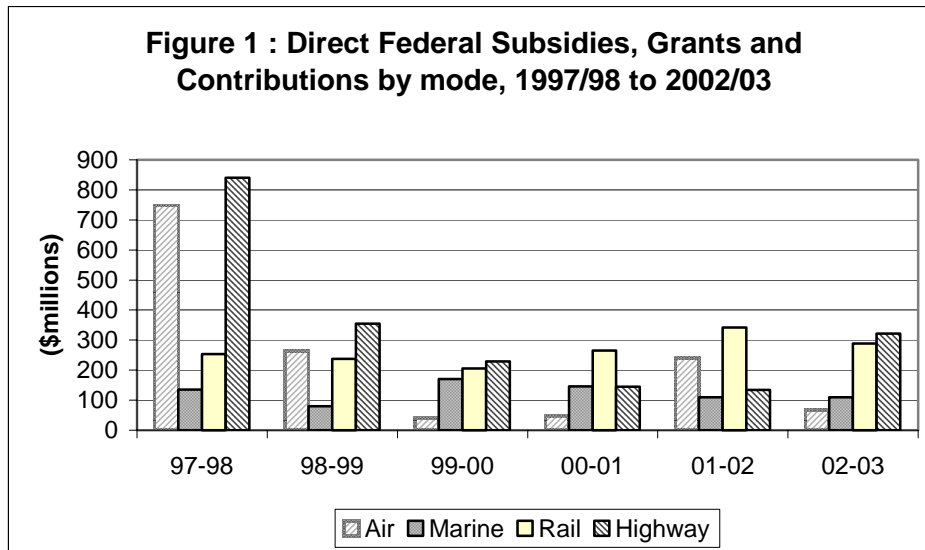

Source: Transportation in Canada 2002, Annual Report, TP 13198

At the same time, despite progress and advances in many areas, 2002-03 must be acknowledged as a difficult year for many parts of the transportation sector. Traffic was down in many areas, particularly in the air sector, which is still adapting to the new security imperatives resulting from the terrorist attacks of September 11, 2001. Yet the industries are showing a great deal of resiliency, and Transport Canada undertook a number of initiatives to contribute to the development of the sector, which are discussed below.

1. Air Industry

The Canadian airline industry continued in a state of flux following the events of September 11, 2001, which undoubtedly had the largest impact on the aviation industry in 2001 and 2002. Further uncertainty was created early in 2003 with the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome (SARS) in Toronto. The subsequent downturn in air traffic had a significant affect on the financial stability of Canada's airlines and on the air travel sector as a whole. The combination of decreasing traffic and revenues, high fuel prices, high costs and competition from low-fare airlines forced Air Canada in April 2003 to seek creditor protection under the *Companies' Creditors Arrangement Act*.

Figure 2 sets out the daily seat-kilometres, by month, for the domestic air sector for 2000-03. It shows the significant impact of September 11, 2001 on domestic traffic, with a steady recovery in 2002. However, the June 2003 figures show a decrease of two per cent in domestic capacity, mostly as a result of Air Canada's restructuring of its network, although generally other carriers are picking up the capacity Air Canada has cut back.

Figure 2 : Daily Scheduled Seat-Kilometres Domestic Sector
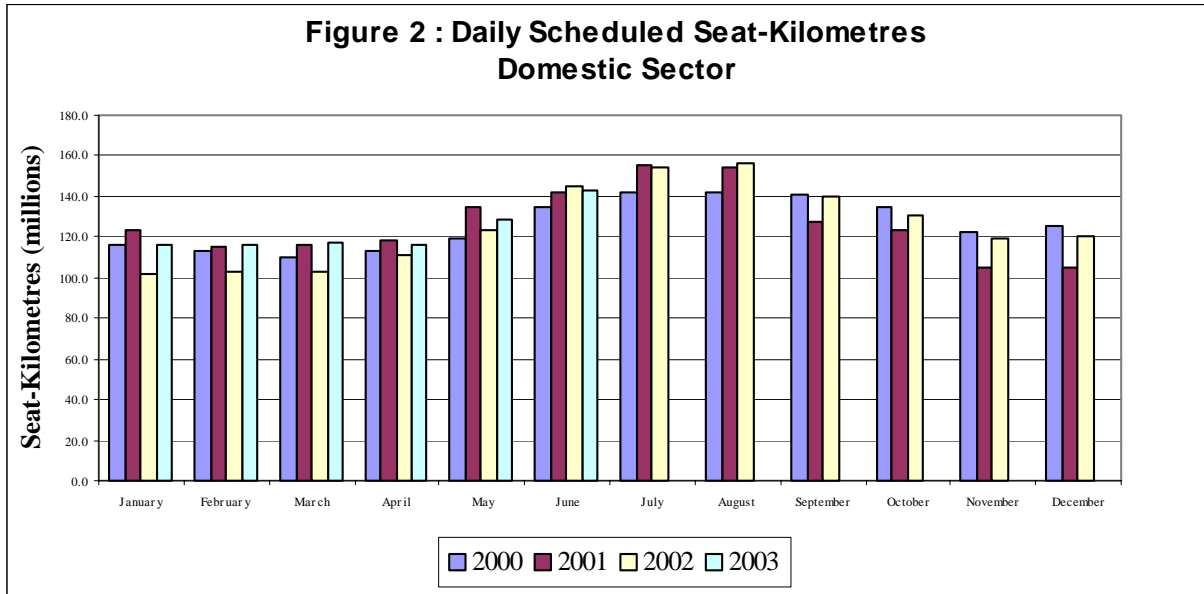
Source: *Back Associates Official Airline Guide* and airline timetables

On September 22, 2001, the Government of Canada assumed short-term indemnification for third-party war and terrorism liabilities for essential aviation service providers, including airlines, airports and NAV Canada. In June 2002, this was extended to new entrants on terms equivalent to those for existing essential air service operators in Canada, to facilitate diversification and further promote competition in the Canadian air industry. The indemnity continues to be in force, for renewable periods of sixty days, while the government continues to work with international insurers and the International Civil Aviation Organization to reach a more stable, longer-term solution. The government also wound down its program compensating Canadian air carriers and specialty air operators for the closure of airspace following the 2001 terrorist attacks. Payments totalling $99 million were completed by May 2002.

Air Canada's dominance of the domestic market, which had grown to 79 per cent of the domestic capacity following the failure of Canada 3000 in November 2001, has since decreased, reaching a level of 66 per cent by April 2003. Most of the decrease in Air Canada's share can be explained by the continued expansion of service by WestJet, the establishment of a domestic charter program by Skyservice Airlines, the reintroduction of service in Atlantic Canada by CanJet and the start-up of a new airline, Jetsgo. Air Canada's share of the domestic market is expected to decline further as the new entrants and other airlines continue to expand.

In international air transportation, Canadian and foreign operators struggled, but traffic had been returning to normal levels during 2002. International routes, however, particularly those serving Asia, were severely affected by the SARS outbreak, which began in February 2003. As a result, international travel has decreased by 15 per cent to 20 per cent below 2002 levels, and airlines have been

reporting sharply reduced advanced bookings for the summer months. Because of this, Transport Canada is currently forecasting that a recovery in traffic — in both the domestic and international sectors — will not occur until 2005 at the earliest.

In September 2002, the Minister of Transport released the final report of the Independent Transition Observer on Airline Restructuring, which included long- and short-term recommendations directed at the Government of Canada to promote a healthy, competitive airline industry. The observer had been appointed following Air Canada's acquisition of Canadian Airlines to examine the impact of airline restructuring on Canadian consumers, urban, rural and remote communities, travel agents and airports and airlines and their employees. ⌨ The final report is available online at
www.tc.gc.ca/pol/en/Airpolicy/restructuring/Airline_Restructuring_Menu_Page.htm.

In May 2002, a new air policy was announced for international scheduled air services, eliminating the traffic threshold of 300,000 one-way scheduled passenger trips per year, and allowing Canadian carriers to apply to operate scheduled international air services regardless of the size of air travel markets. The new policy encourages competition, innovation and growth in the Canadian airline industry and promotes international travel options for Canadian consumers. As a result of this change, during 2002, Air Transat received designations to serve Portugal, Belgium, the Netherlands, Ireland, Italy and Poland.

The Government of Canada has committed to continue the gradual liberalization of Canada's bilateral air agreements, using the 1995 Canada-United States Open Skies agreement as a guide. During 2002-03, Canada reached new bilateral air agreements with Hong Kong, Switzerland, Italy and the Czech Republic, providing greater freedom for airlines to serve these markets, which is expected to lead to increased services for travellers and shippers.

In May 2003, the Canada-U.S. Agreement on Air Transport Pre-clearance came into effect. The new agreement modernizes the regime under which pre-clearance is provided, and formalizes in-transit pre-clearance at Vancouver International Airport to allow Canada's airlines to market a more streamlined service to passengers, including foreign passengers. It also sets the stage for the introduction of in-transit pre-clearance at Calgary, Montreal and Toronto, although these airport authorities have no immediate plans to do so.

2. Surface Transportation

As illustrated in Figure 3, VIA Rail carried 3,981,000 passengers in 2002, more than in any year since 1988. At the same time, it reduced its requirement for government operating funding by $17 million, as illustrated in Figure 4. Since 1990, VIA Rail has consistently relied less on government funding for its operations, with 2002 representing a record low subsidy of $153.7 million.

Figure 3: VIA Rail - Total Passengers Carried 1990-2002

Figure 4 : Government Operating Funding to VIA Rail 1990-2002
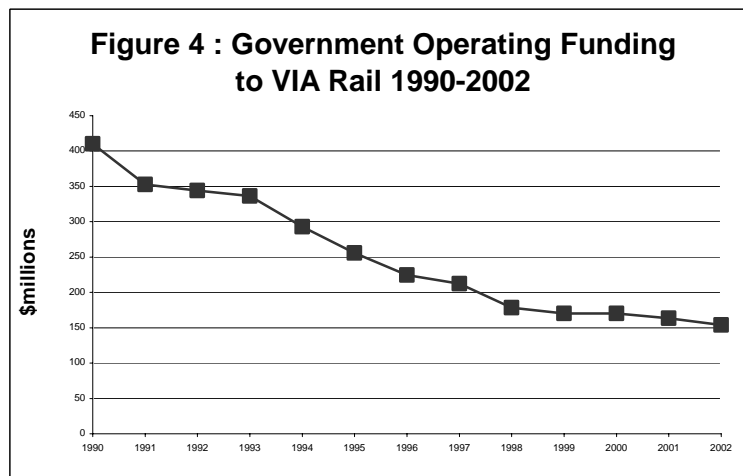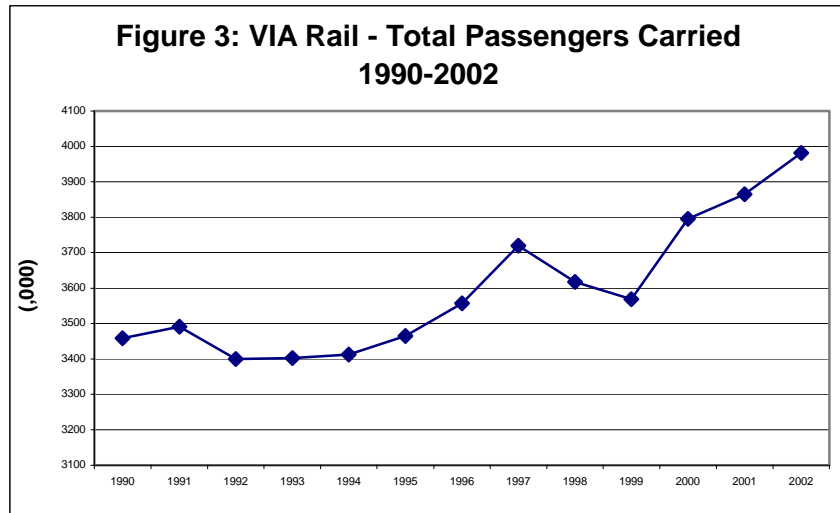
Track and signalling improvements between Ottawa and Montreal were completed in fall 2002 and are enabling VIA Rail to provide a much faster service, trimming up to 25 minutes for a best-trip time of one hour and 35 minutes. The corporation has also upgraded passenger stations and facilities in Moncton, Campbellton, Halifax, Kingston, Kitchener, Brantford Prince George, Thomson and Jasper, and built new stations in London and west Ottawa.

VIA Rail acquired 139 new Renaissance rail cars in 2000, which are being modified to improve their accessibility and safety, thereby expanding the fleet by one-third. The new cars were introduced on the overnight service between Toronto and Montreal in June 2002, and on the day service between Quebec City, Montreal and Ottawa in 2002. The cars will start service between Montreal and Halifax in summer 2003. In the Windsor-Quebec City corridor, VIA Rail completed the

refurbishment of the VIA-1 cars to help meet the strong and growing demand for this service, which increased by 10 per cent in 2002. VIA has completed the refurbishment of five self-propelled rail diesel cars, which are used in regional and remote services in British Columbia and Northern Ontario. VIA Rail also acquired five specialized passenger cars from B.C. Rail for use in Western Canada.

In response to commitments made in 2000, the Government of Canada hired an independent monitor to report on the performance of the grain handling and transportation system. The monitoring program is helping stakeholders track the performance of the system and providing vital information for government decision-making. The report for 2001-02, which was released in April 2003, contains highlights regarding:

- improvements to the Canadian Wheat Board's tendering program, which contributed to savings of $40.9 million in the 2001-02 crop year;
- efficiency gains in port operations, which reduced the time vessels spent in West Coast ports by 17 per cent, to 4.9 days; and
- continued elevator rationalization, with 500 licensed primary and process elevators operating in Western Canada, down 281 from the previous year.

⌨ The report is available online at www.tc.gc.ca/pol/en/rail/monitoring/menu.htm.

3. Marine Transportation

The National Marine Policy (1995) has resulted in streamlined ferry programs as the Government of Canada established a commercial framework for the provision of marine transportation services. The framework placed greater reliance on the private sector to operate ferry services, which resulted in efficiencies and a reduction in subsidies. Because there is still opportunity for further efficiencies and savings, the government will continue to explore options to reduce costs and to achieve greater efficiency through new ways of doing business.

Figure 5 shows that subsidies to Marine Atlantic Inc., the federal Crown corporation providing constitutionally mandated ferry services between Newfoundland and Labrador and Nova Scotia, have decreased to about $36 million in 2002-03, from almost $100 million in 1996-97. These reductions were possible because some routes were commercialized, transferred to Newfoundland and Labrador, or terminated as a result of the opening of the Confederation Bridge. Figure 5 also tracks subsidies to various private sector ferry operators, including Groupe CTMA Associés, Northumberland Ferries Ltd. and Bay Ferries Ltd. It shows that federal subsidies to private ferry operations in Atlantic Canada have decreased somewhat over this same period, largely due to the phasing out of operating subsidies to Bay Ferries in 2000-01 and capital subsidies in 2002-03. The B.C. Ferry Corporation continues to receive an indexed annual grant.

Figure 5 : Federal Subsidies to Ferry Operators
1996/97 - 2002/03
($millions)
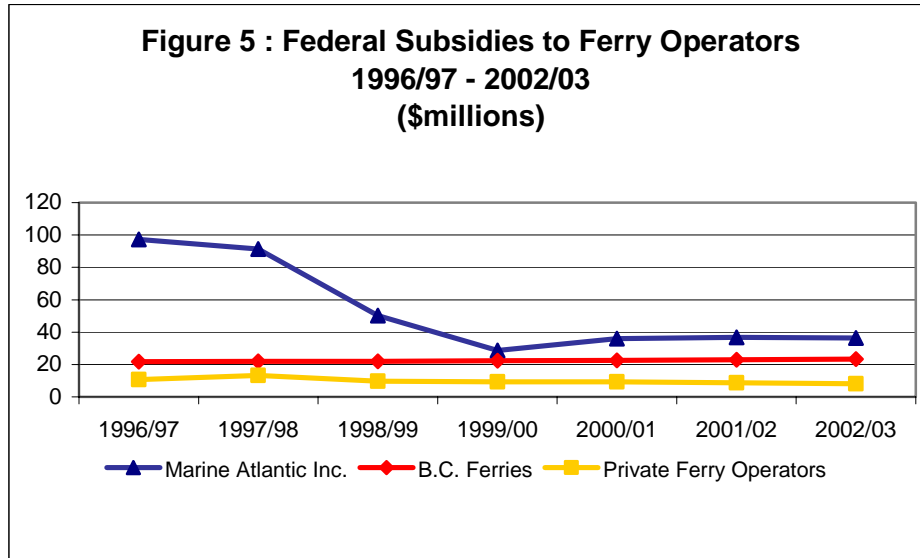
Source: CMA Review Guidance Document, Transport Canada

In September 2002, Canada signed the new International Convention on Civil Liability for Bunker Oil Pollution Damage. This new convention establishes a liability and compensation regime for oil spills when carried as fuel in ships' bunkers; current international regimes do not include spills from vessels other than tankers. The convention establishes the liability of the ship owner and requires the registered owner of any ship over 1,000 gross registered tonnes engaged in international voyages to maintain insurance or other financial security in the event of an oil spill from the ship's bunkers.

4. Accessibility

Federal transportation policy seeks to provide accessibility to the national transportation network without undue obstacles for persons with disabilities and unique needs, such as seniors. In 2002-03, Transport Canada continued to develop its Access to Travel web site by renewing and developing partnerships with provinces, territories and not-for-profit organizations. This has contributed significant data for the site on local and regional accessible transportation services across Canada. Statistics indicate an average of 1,350 hits per day.

An evaluation performed in 2001-02 found that awareness of the Intercity Bus Code of Practice, which pertains to accessible service, was low among the target population of seniors and persons with disabilities. As a result, under the lead of the Canadian Bus Association and in cooperation with bus companies and persons with disabilities, Transport Canada participated in the development of an advertising campaign to increase awareness of the code and to encourage and improve travel for seniors and persons with disabilities.

3.4.2 Infrastructure

Ensuring the necessary level of investment in Canada's transportation system is essential in a globalized world and in our increasingly urbanized society. The federal government plays a key role in creating an appropriate environment to encourage investments in transportation infrastructure that serve the national interest and enhance the quality of life in our communities.

The Government of Canada has commercialized many parts of the transportation system, including most ports and airports — a policy which has proven to be very successful. In *Straight Ahead,* the government reaffirmed its commitment to maintain a climate conducive to infrastructure investment. It also committed to completing the commercialization and divestiture of ports and airports wherever possible, and to fine-tune the governance regimes in which the commercialized entities conduct business. In addition, it recognized the necessity of continued selective and strategic investments in support of an efficient, safe and environmentally responsible transportation system.

1. Air

The federal airport commercialization initiative has been a major success. Canadian airports have been processing almost ninety million scheduled passengers annually. Each day, more than 233,000 passengers rely on Canadian airports for business and leisure travel. To accommodate this level of activity, more than $6 billion of private money has been invested in airport capital projects since 1992. The results speak for themselves — airports create $34 billion each year in total economic activity; airports generate over 304,000 jobs in Canada, with 143,000 jobs at airports and 161,000 jobs in local communities; and airports generate about $4 billion in tax benefits.

National Airports System Airports

At the end of March 2003, Prince George, British Columbia, was the last of the 26 National Airports Systems (NAS) airports to be transferred to local control. The divestiture of these airports has enabled communities to take greater control of their airports, reduce costs, and attract new and different types of business. As a result, airport facilities have been improved, airports are run in a more business-like manner and services to communities are better tailored to local requirements. Transport Canada continues to regulate the safe provision of air navigation facilities and services at these airports and other airports across the country.

In March 2003, the Minister of Transport introduced the proposed Canada Airports Act, the purpose of which is to enhance accountability through increased transparency and timely disclosure. The proposed act is the culmination of extensive studies and stakeholder consultations and is the government's response to numerous

recommendations for greater clarification of the roles and responsibilities of Canada's major airports and of the federal government. 🖥 Information on the proposed Canada Airports Act is available online at www.parl.gc.ca/LEGISINFO/index.asp?Lang=E&query=3366&Session=11&List=toc .

Some members of the airport and aviation communities are of the view that the amount of rent charged to NAS airport authorities threatens their long-term financial viability and impacts other areas of the air industry. On the other hand, the Auditor General in October 2003 expressed the view that the Government of Canada may not be collecting enough rent. As a result, Transport Canada is undertaking a review of the current rent policy for the leased NAS airports to examine: the impact of rent on the financial viability of both airports and the domestic airline industry; how best to determine that taxpayers are receiving fair value for the assets leased to airport authorities; and how the Canadian airport transfer experience compares to international initiatives. Stakeholder consultations have been conducted to ensure that the airport rent policy balances the interests of all involved, including the air industry, the Canadian taxpayer and the traveling public.

In 2003, the Toronto, Vancouver, Calgary, Montreal, Edmonton, Ottawa, Winnipeg, Halifax and Victoria airport authorities will be paying rent estimated at $250 million; of this, the first four authorities will pay 95 per cent. By the end of 2002, the Government of Canada had collected just under $1.4 billion from the transferred airport authorities. Of the transferred airports, Quebec, Thunder Bay, St. John's, Regina and Saskatoon are scheduled to begin paying rent between 2004 and 2006. London Airport is scheduled to begin paying rent between 2010 and 2014, and the remaining NAS airports are scheduled to pay rent after 2016.

To improve the oversight of NAS airports' compliance with leases, Transport Canada has undertaken a more rigorous monitoring approach and more consistent national treatment while at the same time remaining sensitive to airport-specific terms and conditions. This approach also serves to identify and resolve, at an early stage, issues and problems of both a local and national nature.

Non-National Airport System Airports

During 2002-03, the ownership of two airports (Rimouski, Québec and Rivière-du-Loup, Québec) was transferred, bringing the total number of airports transferred to 124 as at the end of March 2003. This represents 90 per cent of the non-NAS airports. Transport Canada continues to operate 13 remote airports. Approval has been obtained to extend the airports divestiture program to March 2005.

In August 2002, the department completed an evaluation of the Labrador Coast Airstrips restoration program, covering 13 coastal airstrips. The key findings are as follows:

- the program remains relevant in terms of federal and departmental priorities, serving essential community needs;
- program funding increases the life of airport assets and enables the level of safety to be maintained; and
- there are currently limited or no cost-effective alternatives to the Labrador Coast Airstrips Restoration Program.

Under the Airports Capital Assistance Program (ACAP), airports may apply for funding for capital projects related to safety, asset protection and operating cost reduction. To be eligible, an airport must receive regularly scheduled passenger service, meet airport certification requirements and not be owned by the Government of Canada. Airports that are required to provide aircraft emergency intervention services as the result of new regulations are now also eligible to apply for funding for appropriate capital projects. During 2002-03, there were 52 projects at forty airports approved for funding (total actual program expenditures totalled $32.9 million). In preparation for the renewal of ACAP, a program evaluation will be undertaken in 2003-04.

Transport Canada conducted a compliance audit of selected ACAP projects initiated between 1997 and 2000. In all the ACAP projects examined, both the applicant and the airport met the stipulated eligibility requirements. The contribution agreements also adhered to the policy governing cost-sharing arrangements. In addition, the recipients provided evidence of their inability to finance the proposed capital expenditures from operating revenues. The audit did note areas requiring improvement on certain projects relative to project justification and completeness of project files.

2. Marine

In May 2002, the Minister of Transport announced the appointment of a four-member panel of experts to undertake a review of the *Canada Marine Act* (CMA) to examine the issues that have arisen on its implementation and to assess the functioning of the marine sector under the new regime. The review also presented an opportunity for stakeholders in Canada to express their concerns regarding marine security and competitiveness in the changing environment since September 11, 2001. The panel travelled to 11 cities in seven provinces and received more than 140 written submissions; its report was tabled on June 4, 2003. ⌨ More information on the *Canada Marine Act* Review is online at www.tc.gc.ca/pol/en/marine/menu_e.htm.

Transport Canada is transferring the ownership and operation of regional/local ports and harbour beds to provincial or local interests. At the end of March 2003, the department had divested 448 of its original 549 ports, saving taxpayers more than $122 million that would otherwise have been spent to operate and maintain the ports.

The Government of Canada's commitment to completing the divestiture process was recently reiterated in *Straight Ahead*. On March 31, 2003, in support of this commitment, the government announced the extension of the program for three more years. Findings from the initial divestitures indicate that, in general, divested ports are prospering and operating more efficiently than they were under federal administration. Transport Canada continues to own and operate 70 regional/local ports and 31 designated remote ports.

In 2002-03, Transport Canada contributed $22.4 million from the Port Divestiture Fund (PDF) to facilitate the divestiture of its port facilities. In 2001, the department conducted an audit of the PDF to determine the effectiveness of the management control framework. The audit concluded that the overall program was well-managed and compliant with set policies and procedures. This general observation is based on the following:

- due care and diligence are apparent in every divestiture activity;
- adequate documentation supports the contributions;
- independent expert assistance is obtained to assist the department in its divestiture efforts;
- financial cash flow analyses are available to enable the department to make informed decisions;
- port values are assessed to provide a basis for informed decisions;
- payments are only made after agreements are signed and the port divestiture finalized; and
- financial controls and associated processes are adequate.

The audit noted certain areas requiring improvements such as:

- cost-sharing of feasibility studies;
- controls for expending contributions for eligible items only;
- application of the capital project portion of the fund;
- tenure for provincially owned port facilities; and
- contribution repayment provisions.

Under the *Canada Marine Act*, 19 ports deemed vital to Canada's economy operate at arm's length from the federal government as independently managed Canada Port Authorities (CPAs). This has allowed for greater commercial freedom and a quicker response time in reacting to business opportunities. Users and local interests now have a greater role in ports' day-to-day operations and future direction and development. Under the new operating framework, the port authorities have been successful in increasing competition and creating greater efficiency in the marine sector. In 2001, the CPAs handled almost 56 per cent of the total tonnage passing through Canadian ports. Between 2002 and 2006, there are plans for approximately $698 million in capital investments, of which 73 per cent will occur at ports in Vancouver, Montreal and Halifax.

The St. Lawrence Seaway Management Corporation (SLSMC), which operates and maintains the navigational aspects of the Canadian portion of the seaway, has been successful in promoting a more commercial orientation. It has met or exceeded cost targets for operations and asset renewal and developed a new five-year business plan for 2003-2008, which includes a 36 per cent increase in expenditure targets for asset renewal. Operating deficits during the first five years were met from existing reserve funds held by the SLSMC. It is expected that reserve funds will be sufficient to cover operating deficits for the next two or three years, after which time operating deficits will be paid by government appropriations.

Despite the success of its management framework, the seaway is facing challenges with regard to traffic levels. As illustrated in Figure 6, traffic has been declining since 1998. There was a drop of more than 10 per cent from 2000 to 2001, largely due to the economic slowdown; traffic in 2002 was unchanged from 2001. In March 2002, Transport Canada signed an agreement with the Canada Lands Company to proceed with the divestiture of 177 surplus seaway properties and, to this end, 34 properties have been sold to the company for eventual sale. In preparing this agreement, the department conducted a due diligence review of the proposed asset renewal plan, concluding that the plan would maintain the seaway's asset inventory as a viable, efficient, safe and reliable component of Canada's transportation infrastructure.

Figure 6 : St. Lawrence Seaway Traffic
Total Commodity Tonnes
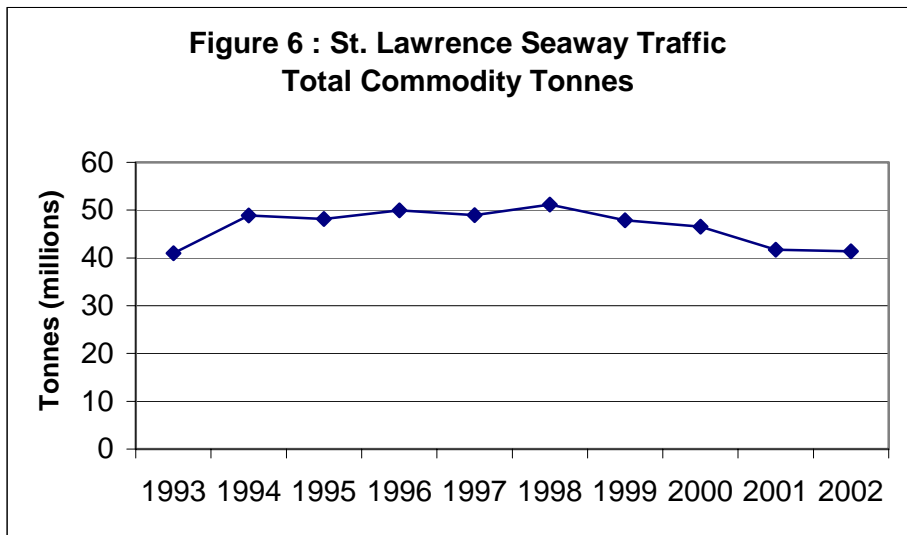
The Toronto Waterfront revitalization initiative is a $1.5 billion project shared equally between the Government of Canada, the Province of Ontario and the City of Toronto to begin the transformation of Toronto's waterfront. Transport Canada manages the initiative, including the federal allocation of $500 million, on behalf of the federal government, and is working with other levels of government and the Toronto Waterfront Revitalization Corporation (TWRC) to resolve issues such as

soil remediation, new roads and utilities, future park locations and continuing port activities. In May 2002, the TWRC was continued as an independent, non-share, capital corporation under its own legislation. This important milestone grants the TWRC the specific authorities and funding it requires to implement a comprehensive revitalization strategy.

3. Surface

The Government of Canada is working with the provinces and territories to identify those parts of the national highway system that, because of growing traffic and increasing trade, need immediate attention. The 2000 budget committed to improving the economy and the quality of life for Canadians by investing up to $600 million over four years in highway infrastructure across Canada. In April 2001, the Minister of Transport announced the Strategic Highway Infrastructure Program (SHIP), which comprises a $500 million highway construction component and a $100 million national system integration component, of which $65 million is dedicated to international borders under the Border Crossing Transportation Initiatives, $5 million for transportation planning and modal integration studies and $30 million for ITS initiatives.

Under the highway construction component of SHIP, an allocation formula has been developed to distribute funding to the provinces and territories. The formula consists of a minimum of $4 million per jurisdiction plus a share based on population and a 50-50 cost-sharing ratio. Funding is conditional on the results of an environment assessment that meets the requirements of the *Canadian Environmental Assessment Act*. Transport Canada will make available approximately $209 million for highway and border improvements; twelve of thirteen contribution agreements have been signed (Ontario not signed at time of printing). As of April 2003, thirty-eight projects were approved for a total value of $395 million ($168 million in federal funding).

Under the Border Crossing Transportation Initiative, the Government of Canada is involved in a number of initiatives concerning Canada's busiest commercial border crossing, Windsor, Ontario. These initiatives are aimed at addressing the significant congestion on the streets of Windsor that have come from high traffic volumes, combined with delays resulting from border inspection. These initiatives include:

- a planning study undertaken by the Canada-U.S.-Ontario-Michigan Border Transportation Partnership identified five potential corridors for a new or improved crossing to improve long-term traffic flows; and
- a joint investment (on a 50-50 basis) of $880,000 by Transport Canada and the Province of Ontario for immediate traffic management improvements on Huron Church Road, the main access road to the Ambassador Bridge.

To support improved efficiency at Canada's borders, the Government of Canada announced in the 2001 budget its intention to provide $600 million for border-related projects through the Border Infrastructure Fund. This program, under the direction of the Minister Responsible for Infrastructure, is being implemented in cooperation with provincial, territorial and municipal governments, academic and research institutes, and with partners from the public and private sectors on both sides of the border to form an integral component of the *Smart Borders Action Plan.* Transport Canada is working closely with Infrastructure Canada to identify projects for federal contribution under the Border Infrastructure Fund. As of March 2003, the following projects had been announced:

- up to $150 million over five years to upgrade existing infrastructure on the Ontario approaches to the Windsor-Detroit border crossing;
- $90 million in British Columbia for improved access to the Douglas, Pacific Highway and Huntington border crossings; and
- $5 million in Saskatchewan for the rehabilitation of Highway 39, near the North Portal border crossing.

The Canada Strategic Infrastructure Fund, announced in the 2001 budget, provides $2 billion in funding for large infrastructure including highways, rail, and local transportation. Transport Canada has worked closely with Infrastructure Canada to identify worthy projects for transportation infrastructure. Projects announced in 2002-03 (and their federal share of funding) include:

- up to $200 million for the twinning of the Trans-Canada Highway in New Brunswick;
- a $150 million commitment to complete Highway 30 south of Montreal;
- $262.5 million for twinning of Route 175 in Quebec;
- $435 million for improvements to the GO Transit and York Region transit networks;
- $62.5 million to replace the 10-Mile (Park) Bridge and construct over five kilometres of new four-lane highway in Kicking Horse Pass in British Columbia; and
- $65 million for highway twinning in Saskatchewan.

Transport Canada provides an ongoing annual subsidy of approximately $33 million for the operation and maintenance of the Montreal area bridges crossing the Seaway. These bridges are essential to the economy of Montreal and provide a key trade link for Atlantic Canada and Quebec to Ontario and U.S. markets. In the past two years, Transport Canada contributed $125 million for the re-decking of the Jacques Cartier Bridge. In addition, Transport Canada provides an annual subsidy of $48 million (indexed to the Consumer Price Index) for the operation of the Confederation Bridge, to honour Canada's constitutional obligation to Prince Edward Island.

3.4.3 Protection of the Environment

*The vital importance of transport activity requires policies that ensure
that economic efficiency, safety, security and environmental responsibility
are taken into account. The environmental impacts of transportation can
have serious implications for public health and our quality of life.*

Canadians have long recognized that a sound transportation system is critical to the
well-being of our society and economy. The challenge is to balance this need with
the environmental impacts of transportation activities, such as greenhouse gas
(GHG) emissions and loss of agricultural land and wildlife habitat. As Canada's
economy and population grow, so too does the demand for transportation, which
leads to the increased possibility of environmental impacts.

To promote a sustainable transportation system, Transport Canada continues to
develop and implement policies and programs that address sustainable development
and foster a safe, secure, efficient and environmentally sound transportation system.
In working towards this vision, the department faces a number of challenges in
protecting the physical environment and shaping the transportation agenda for years
to come. As sustainable transportation is a shared responsibility, Transport Canada
works with governmental organizations, other levels of government, industry and
other domestic and international stakeholders and the general public to implement
these initiatives.

There are many factors outside Transport Canada's direct influence that impact both
the sustainability of the transportation system and GHG emission levels from the
transportation sector. The number of cars and commercial vehicles on the road is
increasing and transportation continues to be the largest single source of GHG
emissions. Without further action, transport sector GHG emission levels are
expected to rise 32 per cent above 1990 baseline levels by 2010, and 53 per cent by
2020. Despite these challenges, progress has been made towards realizing the
department's long-term environmental goals.

Transport Canada's 2001-03 Sustainable Development Strategy (SDS) has been the main
document guiding the department's sustainable development initiatives since it was tabled
in February 2001. The SDS identifies seven challenges, including commitments, targets
and performance measures. Transport Canada's *Straight Ahead* document includes a
clear focus on environmental issues, with specific measures such as promoting
vehicles and fuels that produce fewer emissions, increased use of alternative modes
of transportation for passenger travel, and more efficient transportation of goods, to
support the government's Climate Change Plan. As a result of the new prominence
that will be given to environmental issues in Canada's transportation policies of the
future, the government introduced legislative amendments to enshrine our
commitment to environmental responsibility in the National Transportation Policy
declaration set out in the *Canada Transportation Act.*

The department is currently updating its SDS for tabling in Parliament by December 2003. As part of this process, the management framework of the 2001-03 Strategy was reviewed to assess the extent to which the goals, objectives and targets had been met. The review indicated that about 80 per cent of the SDS commitments and more than 70 per cent of the targets were either on track or complete.

⌨ For more detailed information on progress towards our SDS commitments, objectives and targets, please visit www.tc.gc.ca/programs/Environment/SD/menu.htm.

⌨ The Management Review for Transport Canada's 2001-2003 Sustainable Development Strategy is available at www.tc.gc.ca/programs/environment/sd/review03/menu.htm.

An overview of Transport Canada's key environmental outcomes, organized by the challenges outlined in the 2001-03 SDS, is presented below. Not all of the outcomes referred to below fall under SDS targets, but have been reported on as they contribute to Transport Canada's vision of sustainable transportation.

1. Improve Education and Awareness of Sustainable Transportation

For Canadians to adopt more environmentally sustainable transportation choices (e.g., active transportation, public transit, carpooling), they must first be aware of the environmental challenges of transportation and the means of addressing these challenges. The SDS includes the Moving on Sustainable Transportation Program (MOST) as a key departmental initiative for enhancing the awareness of sustainable transportation. In October 2002, Transport Canada announced $355,000 in funding for thirteen sustainable transportation projects under the MOST program.

Some of the results achieved through the MOST projects, specifically those related to increased awareness, behaviour change and environmental impacts, are as follows:

- A test project by the Alberta Clean Air Strategic Alliance to evaluate the effectiveness of diesel particulate filters (DPF) during Canada's winter months is being carried out on two retrofitted buses in Edmonton from January 2003 to February 2004. The results of this project will be shared with municipalities across Canada as well as the transportation industry. It is expected that this study will prove that the use of DPFs can result in a 50 per cent, or greater, reduction in PM, HC and CO on all tests.

- The Clean Air Champions – National Roll-Out project aims to reduce air pollution through the delivery of presentations promoting active transportation and public transit by participating athletes. To date, over 1,500 educators and 45,000 youth have been reached through education kit mailings.

⌨ Look for more information on the MOST program at
www.tc.gc.ca/programs/environment/most/menu.htm.

In 2002 Transport Canada published a guide entitled *Commuter Options: The Complete Guide for Canadian Employers*. The guide contains a wide assortment of information and examples from across Canada to help Canadian employers develop transportation demand management programs. ⌨ Look for more information at www.tc.gc.ca/programs/environment/commuter/menu.htm.

In June 2002, Transport Canada, Environment Canada, the Treasury Board of Canada, and Natural Resources Canada announced a one-year pilot project allowing Government of Canada employees working in four government departments in the National Capital Region to purchase a discounted annual transit pass through payroll deduction. The project will give federal workers an incentive to contribute to the government's strategy to reduce greenhouse gas and other air emissions. To date, approximately 422 Transport Canada employees have taken advantage of the program.

Other progress made by the department:

- Developed in partnership with the Federation of Canadian Municipalities, Health Canada and Environment Canada, *Moving Without Motors: A Guide to the Active Transportation Community*, a guide to implementing and promoting active modes of transportation, such as walking, cycling and in-line skating in Canadian communities.

- Raised awareness and understanding of sustainable transportation among Transport Canada employees through workshops, courses, information sessions, newsletters, kiosks and activities such as Environment Week.

2. Develop Tools for Better Decisions

Strategic Environmental Assessment (SEA) is a systematic process that evaluates and takes into consideration the environmental effects of programs, policies, and plans, enabling the department to make better decisions that reflect the goals of environmental and transportation sustainability. Since the March 2001 approval of its SEA Policy, Transport Canada has held five training sessions involving some 100 employees, resulting in an improved awareness of the policy and an improved ability to conduct the assessments. ⌨ Look for more information at www.tc.gc.ca/programs/environment/environmentalassessment/menu.htm.

In partnership with several other federal departments, Transport Canada sponsored the efforts of the Centre for Sustainable Transportation to identify an initial set of indicators that can be used to assess progress on sustainable transportation in

Canada. A final report on *Sustainable Transportation Performance Indicators* was prepared and released in December 2002. This report is a first step in the difficult task of measuring sustainable transportation and further work will be required. ⌨ Further information on the indicators project can be found at www.cstctd.org/CSTcurrentprojects.htm.

3.   Promote the Adoption of Sustainable Transportation Technology

Through an Advanced Technology Vehicles (ATV) program, Transport Canada promoted the introduction and use of advanced technology vehicles and increased public understanding of ATVs through inspections, vehicle testing, and awareness-raising events. During 2002-03, the department tested 65 ATV vehicles, conducted 91 vehicle evaluations, and held 41 public awareness events. It is estimated that at the end of the fiscal year, 3.8 million Canadians were made aware of ATVs through a comprehensive program of print media, television, radio, live Internet and major events such as auto shows, conferences and other public functions.

The Advanced Technology Vehicles Program works with manufacturers of new technology vehicles to identify the certification requirements that impede access for these vehicles to the Canadian market, and considers whether these requirements can be amended in ways that do not compromise safety. It is expected that as a result of this Program, a number of new highly fuel-efficient automobile models may soon be offered in the Canadian market. ⌨ Visit the ATV Web site at www.tc.gc.ca/roadsafety/atvpgm/menu.htm .

Transport Canada has been working closely with Natural Resources Canada to create a Green Vehicle program, with substantial progress having been made toward:

- laying the foundation for the creation of a green vehicle concept, and identifying top 'green' vehicles for sale in Canada;
- providing information to increase knowledge and promote behavioural changes with respect to vehicle maintenance and driving habits;
- developing campaigns with the goal of reducing greenhouse gas emissions (e.g., anti-idling campaign, tire pressure campaign); and
- developing a website that will link transportation information from various stakeholders in Canada.

During the preliminary research on the green vehicle concept, it was determined that more information on emissions was required. This has caused a delay in the progress of the green vehicle concept. Transport Canada is working with both Natural Resources Canada and Environment Canada to address this issue.

Over the past fiscal year, the department's Transportation Development Centre continued to undertake research and development (R&D) relevant to the goal of promoting a sustainable transportation system that is accessible, cost-effective and

environmentally friendly. 🖥 Information about our R&D projects can be found at
www.tc.gc.ca/tdc/ projects/menu.htm.

4. Improve Environmental Management for Transport Canada Operations and Lands

One of Transport Canada's challenges is to improve its own environmental practices and mitigate the environmental impacts of departmental operations. To this end, the Environmental Management System (EMS) manages environmental activities on sites owned and operated by Transport Canada. During 2002-03, the department's EMS manual was updated and rewritten to a web-based format so that employees are now able to view the document electronically to consult the most current information available. The revised manual clearly defines the roles and responsibilities of Transport Canada employees and is being used as a reference tool for the department's regions as they endeavour to update their regional EMS documentation. 🖥 For more information on EMS, see our annual report at www.tc.gc.ca/programs/environment/ems/menu.htm.

Transport Canada's target for its vehicle fleet is to ensure that 50 per cent of vehicles purchased between 2001 and 2003 are low-emission vehicles. Since 2001, 38 per cent of the vehicles purchased by Transport Canada have been low-emission, including hybrid vehicles, natural gas conversions and those running on ethanol blend fuel.

Transport Canada is committed to managing its contaminated sites in a responsible manner. Through its contaminated site management program, all contaminated sites on Transport Canada lands are identified, classified, managed and recorded in a consistent manner. In 2002-03, Transport Canada identified 474 potentially contaminated sites; of these, of which 447 sites have been assessed; of these, 27 sites are suspected of being contaminated. These sites are at facilities where Transport Canada has a liability or contingency, including sites at transferred facilities. At the end of 2002-03, 343 sites had been classified in accordance with the Canadian Council of Ministers of the Environment National Classification System (NCS). It should be noted that of the 474 known sites, NCS classification has been completed for those sites currently deemed to require it.

During 2002-03, the department completed clean-up efforts on twenty-seven air navigation sites. The total cost to remediate these sites, including expenditures before and during 2002-03, was $834,000. These sites are occupied by NAV Canada, having been leased to the corporation as part of the privatization of the air navigation system in 1996. In accordance with the Transfer Agreement, Transport Canada is responsible for contamination that occurred prior to the transfer.

In the past year, Transport Canada completed 174 environmental assessments in accordance with the *Canadian Environmental Assessment Act* (CEAA). These

assessments evaluate potential environmental impacts associated with a project and identify mitigation measures that will reduce or eliminate significant negative effects, before a decision is made on whether to proceed with a project. No environmental assessments were required in 2002 under the northern land claim agreements.

As part of Transport Canada's contribution to the five-year review of the CEAA, the department has been working closely with the Canadian Environmental Assessment Agency to close gaps in the act's application to Canada Port Authorities and airport authorities. Proposed amendments to the act, which were reviewed by the Standing Committee on Environment and Sustainable Development in December 2002, received Royal Assent in June 2003 and are expected to come into force in 2003-04.

⌨ For more information on environmental protection, visit www.tc.gc.ca/Programs/Environment/EnvironmentalProtection/menu.htm.

5.   Reduce Air Emissions

A significant challenge is the control or prevention of air pollution and other air emissions (e.g., GHG emissions, nitrogen oxides, volatile organic compounds, particulate matter) from transportation activity. In its Action Plan 2000 on Climate Change, Canada committed to a number of activities that will reduce GHG emissions by 65 mega-tonnes per year over the course of the Kyoto Protocol commitment period (between 2008 and 2012). This represents about one third of the Kyoto protocol target. The transportation component of the action plan addresses five areas — urban transportation; new vehicle fuel efficiency; ethanol production; fuel cell vehicle refuelling infrastructure; and freight transportation. Transport Canada has the lead on both the urban and freight transportation initiatives, and is participating actively in the new vehicle efficiency initiative. ⌨ To find out more about Action Plan 2000, visit www.climatechange.gc.ca/english/whats_new/action_plan.shtml.

During the past fiscal year, Transport Canada assisted in the background analysis and preparation of the *Climate Change Plan for Canada*, which was released in November 2002. The plan includes specific Transport Canada measures that address freight, transit and inter-modal transportation. To assess and better understand climate change impacts on transportation in Canada, the department contributed to the *Climate Change and Adaptation: A Canadian Perspective* report, hosted the National Workshop on the Impacts of Climate Change on Transportation, and assisted in the development of the implementation plan for the National Adaptation Framework. ⌨ To find out more about Transport Canada's Climate Change initiatives, visit www.tc.gc.ca/programs/environment/climatechange/menu.htm.

The third Smog Summit, held in 2002, was highlighted by the signing of the Toronto 2002 Inter-Governmental Declaration on Clean Air, which contains appendices listing new commitments made by each level of government. Transport Canada,

along with other federal departments, participated in the development of the federal government components of the summit, with two new commitments declared involving the Government of Canada Employee Transit Pass Pilot Project and the Transit Studies. 🖳 To find out more about the Transit Studies, visit www.tc.gc.ca/programs/environment/UrbanTransportation/transitstudies/menu.htm.

The Freight Efficiency and Technology Initiative (FETI) is a $14 million initiative designed to reduce the growth of greenhouse gas (GHG) emissions from freight transportation. It consists of three components: the Freight Sustainability Demonstration Program (FSDP); voluntary performance agreements between the federal government and modal industry associations; and training and awareness for freight operators. Over the course of 2002, six technology and best practice projects were selected for demonstrations, with a total value of $510,000. 🖳 For more information on the FETI program, visit www.tc.gc.ca/programs/environment/freighttransportation/menu.htm.

The Urban Transportation Showcase is a $40 million program that encourages Canadian municipalities to adopt more energy-efficient transportation and land-use plans and practices. The program will fund at least four showcases to demonstrate, evaluate and promote effective strategies to reduce GHG emissions and achieve related co-benefits from urban transportation. In 2002, the program contributed $420,000 to 15 short-listed finalists to help them develop and submit a detailed proposal for implementing sustainable urban transportation strategies. An announcement on the program's final recipients is expected in fall 2003. The program is also sponsoring learning events related to sustainable transportation as part of its information network. 🖳 For more information on the showcase, please visit www.tc.gc.ca/programs/Environment/UrbanTransportation/menu.htm.

6.   Reduce Pollution of Water

Preventing or controlling the discharge of effluents and wastes that contaminate rivers, lakes, oceans, harbours and beaches, and preventing the introduction of non-native aquatic species through the discharge of ships' ballast water, pose significant challenges for the department

With respect to public ports, Transport Canada has compiled an inventory of outfalls and other potential sources of contamination, and has identified over 1,500 outfalls. Outfalls are structures that extend into a body of water for the purpose of discharging sewage, storm run off or cooling water. In 2002-03, additional work was undertaken to validate the inventory at chosen sites where there was a higher potential for non-conformity because of industrial or municipal outfalls. As a first step, the on-site visits confirmed that additional outfalls existed; the majority of these are storm water outfalls, and no concerns have been identified. Quality samples taken from outfalls in industrial areas revealed that very few problems were found.

During 2002-03, Transport Canada completed an inventory of storm water outfalls, pipes, and drains that discharge into Victoria Harbour (British Columbia). Preliminary research, which included the review of existing analytical data collected by other jurisdictions, demonstrated that storm water outfalls, pipes and drains are a major contributor of contaminants to the harbour environment. As an initial effort to improve the harbour's water quality, the department reviewed potential effluent discharges from on-going operational activities at the port. As a result, sewage discharges from vessels and float houses were specifically prohibited under the Transport Canada Practices and Procedures for the Port of Victoria.

7. Promote Efficient Transportation

Transport Canada has undertaken initiatives to address the challenge of improving transportation efficiency for all modes, to reduce congestion, energy use and cost. Phase I of a study to provide a critical assessment of the limitations and shortcomings that impede modal integration and competitiveness of Canadian transportation systems in a North American context has been completed and was evaluated in 2002.

⌨ For more information on transportation and the environment, see Chapter 5 in our Annual Report, *Transportation in Canada 2002* or visit the Web site at www.tc.gc.ca/pol/en/anre/Transportation_Annual_Report.htm.

3.4.4 Safety and Security

> *The safety and security of Canada's transportation system continued to improve in 2002, as demonstrated by decreases in the number of accidents in all modes and by security enhancements implemented since the September 11, 2001, terrorist attacks. Public confidence in the safety and security of the transportation system returned to near pre-September 11, 2001, high levels.*

Canada has one of the safest and most secure transportation systems in the world, which Transport Canada continues to influence through its policy and regulatory role. As illustrated in the following two tables, continued improvement in transportation safety is reflected in the downward trend of the number of accidents in each of the main transportation modes. Record lows were recorded in the aviation and marine modes (the lowest annual totals in 25 years) and on the roads (the fewest casualty collisions in more than 50 years). In rail, reported accidents continued on a five-year downward trend.

As occurrence statistics, accidents provide indicators of the transportation system's safety performance and help focus efforts on initiatives and activities that will have high safety benefits. Since the principal source for these statistics is the Transportation Safety Board, a high degree of confidence can be placed on the quality of the performance data.

Transportation Accidents and Fatalities by Mode

	Aviation[1]	Marine[2]	Rail[3]	Road[4]	TDG[5]
Accidents					
2002	274	484	984		445
2001	296	518	1,060	151,835	436
Five-year average	340	559	1,089	154,060	441
Fatalities					
2002	47	28	96		1
2001	60	34	99	2,778	0
Five-year average	70	33	100	2,940	2

Source: Transportation Safety Board, Transport Canada and Statistics Canada
Data as of June 17, 2003 for aviation, marine and rail
Road data relates to 2001 (most recent statistics available) and the 1997-2001 five-year average

1. Canadian-registered aircraft, other than ultralights.
2. Marine figures refer to the sum total of shipping accidents and accidents aboard ship. Marine data includes foreign-flag vessel accidents in Canadian waters.
3. Railway data is based on railways under federal jurisdiction.
4. Road accidents are casualty collisions, which exclude collision in which only property is damaged.
5. (TDG) Transportation of Dangerous Goods, does not include dangerous goods transported in bulk on ships or by pipeline

Transportation Accident Rates by Mode

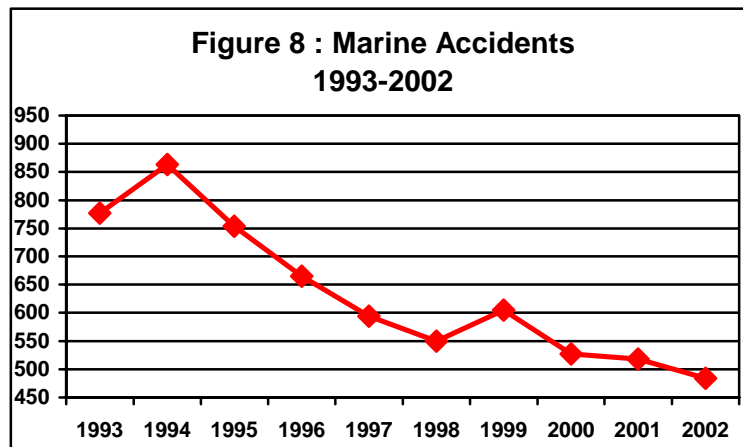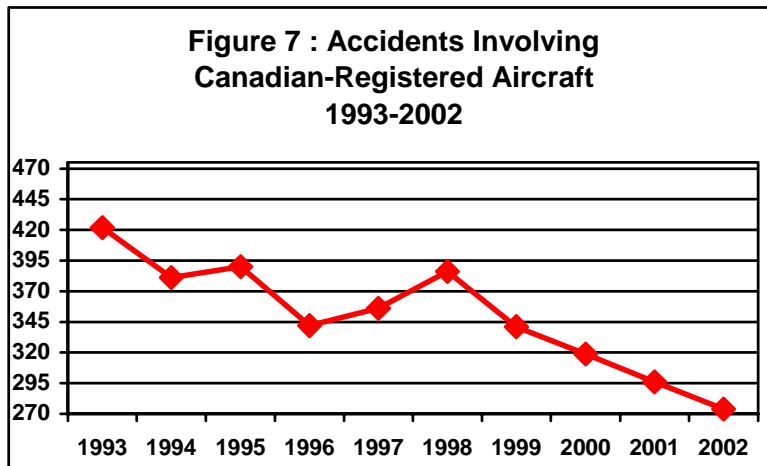|	Aviation[1]	Marine[2]	Rail[3]	Road[4]	TDG
2002	7.7	3.0	11.0		n/a
2001	8.8	2.8	11.8	49.0	n/a
Five-year average	7.3	3.7	12.2	n/a	n/a

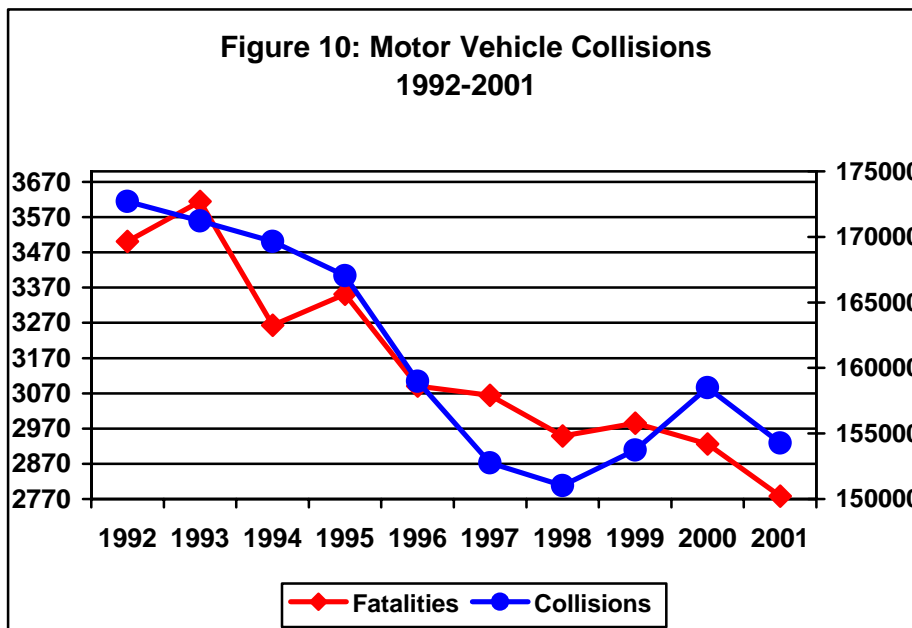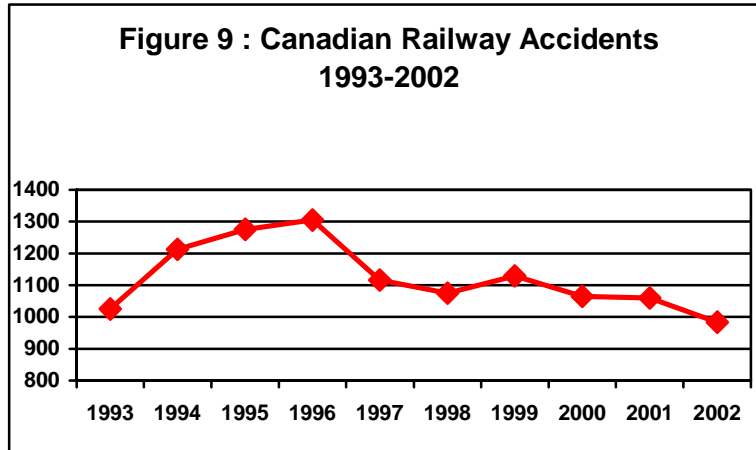*Source: Transportation Safety Board, Transport Canada and Statistics Canada*
Data as of June 17, 2003 for Aviation, Marine and Rail
Road data relates to 2001 (most recent statistics available)

1. Accident rates per 100,000 hours flown. (Canadian registered aircraft only). These figures differ from the Annual Report (7.3 for 2002, 8.2 for 2001 and 9 for five-year average).
2. Based on 1,000 commercial vessel trips.
3. Railways under federal jurisdiction. Rates per million train-miles.
4. Road accidents are casualty collisions, which exclude collisions in which only property is damaged. Rates per100 million vehicle-kilometres.

Figures 7 to 11 illustrate trends in accidents for all modes of transport over the last ten years.

Figure 7 : Accidents Involving Canadian-Registered Aircraft 1993-2002

Figure 8 : Marine Accidents 1993-2002

Figure 9 : Canadian Railway Accidents 1993-2002

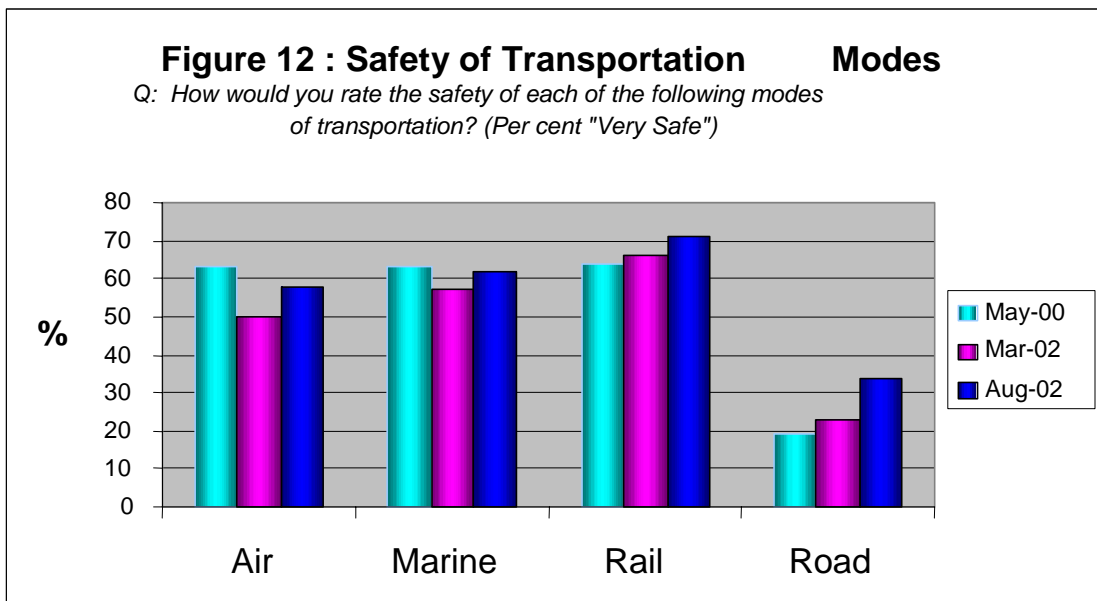**Figure 10: Motor Vehicle Collisions 1992-2001**

Source: 2001 Canadian Motor Vehicle Traffic Collisions Statistics (TP 3322). Road collisions are casualty collisions that exclude collisions in which only property is damaged.

Figure 11 : Dangerous Goods Reportable Accidents1993-2002

During 2002, a survey conducted by EKOS Research confirmed that a majority of Canadians have a high level of confidence in transportation safety. Survey data is illustrated in Figure 12, which covers three survey points in time. The data indicates that public confidence in transportation safety has nearly returned to — or exceeded — pre-September 11, 2001 levels in all transportation modes.

Figure 12 : Safety of Transportation   Modes

Q: How would you rate the safety of each of the following modes of transportation? (Per cent "Very Safe")

Mode	May-00	Mar-02	Aug-02
Air	63	50	58
Marine	63	57	62
Rail	64	66	71
Road	19	23	34

1.   Smart Regulation

Traditional approaches to regulation and enforcement are evolving into a more performance-based approach to safety and security. This approach recognizes that transportation service providers are primarily responsible for day-to-day implementation of safety measures and for demonstrating achievement of the required level of safety. Transport Canada intends to make greater use of the full range of compliance and enforcement tools available to promote safe practices and reduce risk.

Legislative and regulatory reform

The department has advanced the regulatory and safety agenda for small passenger vessels through the Marine Safety Regulatory Reform Project, the goal of which is to promote a safe and secure marine transportation system by consolidating and modernizing existing regulations. To this end, the department:

- Initiated a review of regulations and standards for small passenger vessels to address issues such as watertight integrity, weather tightness and down flooding.

- Amended Small Vessel Regulations and the Life Saving Equipment Regulations to require that passengers receive safety briefings before departure from any location in Canada.
- Changed Lifesaving Equipment Regulations for all vessels under 25 meters in length, to arrange for life rafts, if carried, to float free in the event of a vessel sinking.
- Implemented a training program for small passenger vessel inspections to instil a stronger safety culture within Canada's marine community.
- Improved the quality of inspections so that deficiencies and shortcomings are promptly identified, reported and corrected.

⌨ Look for information on small commercial vessels at
www.tc.gc.ca/MarineSafety/CES/Small-Commercial-Vessels/menu.htm

Improving safety at highway/railway crossings and along the railway right-of-way remains a top priority for Transport Canada and Canada's railways. Trespassing and crossing accidents account for 95 per cent of all rail-related fatalities, and continue to pose safety risks to both railways and the community. Road/Railway Grade Crossing Regulations and Access Control Regulations are being developed to establish more modern safety standards and provide clear direction and consistency in the construction and maintenance of crossings and rail line access control. Publication of the regulations in the *Canada Gazette Part I* has been delayed to ensure that stakeholders have a better understanding of the requirements of the proposed regulations and its associated cost.

A clear language version of the *Transportation of Dangerous Goods Regulations* took effect August 15, 2002. The new version clarifies, simplifies and modernizes the original regulations, which are designed to promote public safety; they set out requirements for testing, classification, labelling, containment, training, emergency response planning and documentation for dangerous goods.

The new *Transportation Appeal Tribunal of Canada Act* was enacted on June 30, 2003. The tribunal is modeled on and replaces the Civil Aviation Tribunal, and will provide the marine and rail communities with the same review and appeal rights on enforcement decisions previously available to the aviation community.

The Transport Canada Transportation Development Centre (TDC), which helps support regulatory reform and the development of new standards through a variety of research initiatives, has developed a proposed national performance standard for LED signal lights at highway-railway grade crossings. This development has demonstrated superiority over traditional incandescent lights and brings railway signal lights into conformance with high-speed, wide-angle traffic light specifications in North America and Europe. It allows the bar to be raised on light output specifications for railway crossing lights, thereby increasing driver safety. An example of where research has affected regulations is in Quebec, where the province

is moving forward with new regulations requiring school buses to be equipped with a four-light pre-stop warning system on school buses starting in September 2004.

Consultation

Transportation safety and security is a shared responsibility and requires the collaboration and buy-in of all stakeholders. A major development in the past decade has been the strengthening of Transport Canada's relationships with its provincial, territorial and municipal government partners, the people it regulates, and the Canadian public.

A recent evaluation of external consultation mechanisms within the department recognized strong positive support and satisfaction among stakeholders. The recommendations of this report will facilitate the ongoing development of tools and mechanisms that enable Transport Canada to remain sensitive to the interests of the general public.

On April 1, 2003, new Work/Rest rules for rail operations employees came into effect. The rules are comprehensive and enforceable, and allow railways to better manage fatigue factors in their operations. The Railway Association of Canada and its members, in consultation with railway unions, developed the rules; Transport Canada then reviewed them and consulted with industry and fatigue management experts. The development of Fatigue Management Plans by railways and their employees is expected to reduce fatigue and further promote safety.

Harmonization

Harmonizing safety standards with those in the national and international community not only enhances our ability to improve safety and security but also responds to efficiency requirements in a global economy.

Transport Canada publishes the *Emergency Response Guidebook* every four years. The book is available in English, French and Spanish and is distributed to emergency responders in Canada, the United States and Mexico. During 2002, efforts were made to help other countries translate the guidebook for use by their emergency responders. To date, the book has been translated in Hebrew, Turkish, Russian, Polish, Korean, Japanese, Hungarian, Dutch, German, and Chinese, and will soon be available in Italian. The book will be published again in 2004 and, to this end, review work was undertaken in early 2002 in a continuous effort to provide the best information to both police and fire emergency responders. It also reflects the modifications and additions agreed to at the United Nations by the Committee of Experts on the Transport of Dangerous Goods.

Through participation in the United Nations Sub-committee of Experts on the Transport of Dangerous Goods, Canada advanced work on infectious substances. At

the December 2000 meeting of the Committee, Canada suggested that a review of the transport requirements for certain infectious substances be undertaken. The Committee accepted this suggestion and new requirements have been adopted as a result of the work led by Canada. This effort has raised Canada's profile considerably in the international milieu.

Through participation in NAFTA-related initiatives, such as the North American Model Standard on Transportation of Dangerous Goods, Canada proposed the establishment of harmonized North American Model Standards for highway and rail tank cars. Agreement has been reached to undertake such work for both the manufacture and use of rail and truck tanks, with Canada leading the work on rail tanks. This work contributes to the prevention of accidental releases of dangerous goods.

The Globally Harmonized System (GHS) addresses classification of chemicals according to their hazards. This information is communicated through labels and safety data sheets. Transport Canada has been active in the development of the GHS since 1998 and has been instrumental in integrating the transport system. The ECOSOC of the United Nations officially adopted the GHS in December 2002.

In September 2002, the Ministers responsible for Transportation and Highway Safety endorsed a proposal from the Canadian Council of Motor Transport Administrators (CCMTA) to amend the National Safety Code (NSC) standard on hours of service for commercial vehicle drivers. Revisions to the National Safety Code standard governing truck and bus drivers have been proposed to reflect recent research and to simplify the regime. Transport Canada chaired the working group that developed the revised standard, which has been recommended as a basis for amendments to federal, provincial and territorial regulations. Proposed changes to the federal hours of service regulation were published in the *Canada Gazette* Part I on February 15, 2003. Technical adjustments will be made after a review of the comments and in consultation with the provincial and territorial governments with implementation expected in 2004.

Under its Port State Control Program, Transport Canada inspected 1,159 vessels in 2002, covering approximately 30 per cent of the vessels calling at Canadian ports. The program protects Canadian lives, property and the marine environment from substandard shipping by inspecting foreign vessels to ensure compliance with major international maritime conventions. Improved targeting and special inspection programs for bulk carriers and tankers have contributed to an improvement in the safety of foreign ships entering Canadian ports. The percentage of ships with deficiencies has decreased from 53 per cent in 2001 to 45 per cent in 2002, although nine per cent of those vessels were detained in 2002, compared to 8 per cent in 2001. Look for more information on the Port State Control program at www.tc.gc.ca/marinesafety/TP/TP13595/2001/menu.htm

Safety Culture

Establishing a safety culture is essential to building a safe and secure transportation system. The strategies described above constitute the elements of a collaborative partnership approach to safety and security. These separate, but linked, elements foster a comprehensive commitment to ensuring that Canadians have a safe and secure transportation system; the development of safety management systems is an integral element of this commitment.

The Railway Safety Management System (RSMS) Regulations, which came into effect on March 31, 2001, require all federally regulated railway companies to implement and maintain an RSMS. During 2002-03, Transport Canada firmly established its formal RSMS audit program, requiring companies to undergo an audit every three years, at minimum. To date, twenty-five companies have been audited. These audits have primarily focused on assessing company safety management systems documentation. As companies demonstrate the existence of documented safety processes and procedures, the emphasis of the audit program will shift to evaluate the implementation and effectiveness of these systems. Six companies have received RSMS verification audits; these audits show that railway companies are moving to more fully integrate safety into day-to-day operations and are taking a greater role in safety self-compliance and internal responsibility within the railway community.

In 1998, safety management systems were implemented on a worldwide basis for almost all tankers, bulk carriers and passenger ships in international trade. This was enhanced in 2002 by expanding the scope to almost all vessels trading internationally. In Canada, this is implemented by means of the Safety Management Regulations. The audits and certification required by the regulations are performed by a number of third parties (ship classification societies) on behalf of Transport Canada, in concert with a program for monitoring the performance of the third parties. Seventeen companies and forty vessels have undergone the required statutory certification. The department directly monitored three shore-side company audits and six shipboard audits. In addition, sample audit reports were obtained and reviewed for content and completeness. Companies that do not have ships in international trade are not required to comply with the regulations, but are encouraged to do so voluntarily. To this end, a significant number of larger companies have taken up the challenge to ensure that compliance and the safety culture is maintained.

Transport Canada has also implemented an alternate safety management compliance program for small passenger vessels, to better reflect the documentation and management realities of small companies. In this program, marine safety inspectors directly audit the vessel and organization in lieu of using a delegated organization.

In 2002, Transport Canada researched the possibility of expanding the role of safety management systems to vessels that trade only domestically. After reviewing the experience of a number of foreign countries with domestic safety management systems, it was recommended that consideration be given to an expanded two-tier program, which is currently being reviewed as part of the longer-term regulation review for implementation of the *Canada Shipping Act 2001*.

Implementation of aviation safety management systems is the cornerstone for improving the safety and economic performance of the aviation industry. The goals are to establish, through proactive management, more industry accountability and instil a consistent and positive safety culture throughout the aviation industry. This is being done through the regulation of safety performance, but leaving the means of achieving that performance in the hands of the industry.

In November 2001, Transport Canada launched a major education initiative on safety management systems concepts and principles. Since then, approximately 1,651 persons (951 external and 682 internal) have received various types of briefings. As well, Notices of Proposed Amendments for SMS have been developed and consulted through the Civil Aviation Regulation Advisory Council process. The proposed SMS rules are currently with the Ministry of Justice undergoing a legal review, and are expected to take effect April 2004. Some aviation organizations have proceeded to voluntarily introduce SMS to their organizations. These organizations have already indicated positive outcomes with increased safety awareness, as well as realizing financial savings.

2. Mode-Specific Strategic Initiatives

Road Safety Vision 2010

Road Safety Vision 2010 raises awareness of road safety issues among stakeholders across Canada, improves communication, cooperation and collaboration among road safety agencies, increases the level of enforcement and improves the quality of data to help make Canada's roads the safest in the world. Interventions introduced by Transport Canada, provincial/territorial governments, as well as other key public and private sector stakeholders, have moved the country closer to the goal. Since 1996, the number of road fatalities has decreased by 10 per cent, and the number of seriously injured by 16 per cent, despite steady increases in the road user population. In addition, the percentage of fatally injured drivers who had been drinking decreased by 16 per cent in 2001 from the 1990-1995 average. The seat belt usage rate has been measured for the first time in Canadian rural communities around the country in 2002 and stands at 85 per cent.

Under Vision 2010, Transport Canada and other government agencies partnered with police forces on a pilot project to help police better target their resources at the high-risk behaviours of road users. Its adoption into the business plans of the RCMP and

provincial and regional police forces is a significant achievement. By more closely aligning intervention efforts with the major target areas in Vision 2010, police services will use their resources more efficiently to target the areas of greatest risk to the motoring public.

In keeping with the initiative's objective to build public awareness, Transport Canada is taking the lead, or partnering with key stakeholders, on initiatives such as the National Occupant Restraint Program 2010 and the Strategy to Reduce Impaired Driving 2010. The department is also involved in campaigns promoting proper use of child restraints, school bus safety, intersection safety, rural road safety, vulnerable road user safety, young driver/rider safety and motor carrier safety. Under Vision 2010, Transport Canada participates in a pilot project with a number of provinces to develop a standardized, more comprehensive and timely electronic traffic collision and related data collection system.

⌨ Look for more information about Vision 2010 at www.tc.gc.ca/roadsafety/vision/2010/en/menu.htm.

Civil Aviation, Flight 2005

The implementation of *Flight 2005: A Civil Aviation Safety Framework for Canada* has resulted in two key successes: continued improvement on the high rate of aviation safety in Canada and a high level of public confidence in our civil aviation program. These successes are the result of initiatives that highlight our consultation efforts with the aviation industry and the importance placed on safety management.

Establishing a risk management policy and procedures has significantly bolstered Transport Canada's ability to contribute to improved aviation safety. Civil Aviation technical and other key personnel have been trained in risk assessment and management and, as a result, are now introducing these principles and tools into their daily activities and decision-making. The immediate outcome has been an improved capacity to manage resources on a risk-based approach, which has contributed to the improved delivery of the regulatory oversight programme.

Transport Canada regularly participates in EKOS surveys to gauge public opinion on air travel. Following the events of September 11, 2001, the public confidence rating was in the mid-40 per cent range, primarily because the public associated the security of air travel with the safety of air travel. As a result, the survey was modified to differentiate safety from security. To maintain the integrity of the data being used to measure progress against the public confidence target identified in *Flight 2005*, the 60 per cent rating resulting from the 2002 survey is being used as a baseline. The latest survey results indicate that public confidence is being restored.

⌨ Look for more information about Flight 2005 at www.tc.gc.ca/civilaviation/flight2005/tp13521/menu.htm.

Rail Safety, Direction 2006

Direction 2006 aims to reduce the number of highway-railway grade crossing collisions and trespassing incidents on railway property by 50 per cent by 2006. The program has successfully achieved 57 per cent of its target for grade crossing accident reductions, and 86 per cent of its target for trespassing incident reductions, despite the increase in licensed drivers, vehicles and the urban sprawl across Canada. It should be noted that trespassing incidents include suicides, which are believed to represent close to 50 per cent of the total number.

The program is a partnership between public and private sector stakeholders, including other governments, railways and their unions, police and other safety organizations. And the number of partners continues to increase. National organizations, such as Safe Kids Canada, have joined Direction 2006 in the past year, providing additional exposure to over 25 new youth-oriented organizations. First Nations and the First Nations law enforcement have joined Direction 2006 to address and deliver the safety message to Aboriginal populations while respecting their culture and history.

In 2001, Direction 2006 conducted a nation-wide Ipsos-Reid survey of more than 1,000 young Canadians aged 12-18, to measure their level of awareness of dangers associated with trespassing on railway right-of-way and their perception of the associated risks. The survey revealed that nearly one-quarter (21 per cent) of these youths were under the misconception that they would be able to hear a train coming for at least five minutes before it passed; more than one-third (35 per cent) believed that if a train was nearby they would hear the whistle. These results served as the basis for the development of initiatives and public service announcements targeted towards youths to address these misconceptions.

On the law enforcement side, several key initiatives were developed in cooperation with the Canadian Association of Chiefs of Police. An interactive CD was developed and distributed to all law enforcement agencies across Canada. A second initiative included the production of a poster calendar for all law enforcement agencies along railway lines across Canada. While delivering the calendars by hand, CN and CP police were able to discuss the negative impacts of trespassing and drivers not obeying grade crossing devices and signs with the local police.

Members of the Edmonton Eskimos, Calgary Stampeders, Calgary Flames and Edmonton Oilers joined Direction 2006 to produce audio and video public service announcements aired on television and radio over 600 times in 12 months. To reach the "risk taker", youth-oriented announcements were also produced with the world-class snowboard champion Mark Fawcett and aired on Much Music and the Youth Television Network. The nation wide campaign of high impact billboards and transit shelter posters co-sponsored by Viacom Outdoors and other campaign partners continued this year. The programs co-operative nature and emphasis on increasing

public awareness is key to its success in strengthening partnerships and promoting acceptance of safe practices among target audiences.

The Highway-Railway Grade Crossing Research Program is a major component of Direction 2006. The program researches innovative technologies designed to increase safety at grade crossings, improve cost-effectiveness of warning systems, and address the human factors that contribute to grade crossing collisions and trespassing incidents. It also plays a major role in gathering existing research from across Canada and the world to select the best solutions and efforts that can be adapted to Canada.

Another measurable success is the recognition of Direction 2006 by the international community. As Canada is one of the only nations in the world where trespassing incidents are on a decline, countries such as the United States, the United Kingdom, France, Finland and many others are seeking advice and guidance on Canada's achievements in this particular area. Direction 2006 staff members, on behalf of Transport Canada, were invited to participate on a planning committee for the upcoming International Grade Crossing and Trespassing Symposium in Sheffield, United Kingdom, in 2004.

A departmental audit conducted on the Grade Crossing Safety Program assessed the management of the program to identify opportunities for streamlining the current process. The audit noted the key strengths of the program which include:

- a clear program purpose and a clear link to Transport Canada's mandate;
- objectives and eligibility criteria well known by stakeholders;
- controls that help ensure the proper authority approves applications and approved applications meet the eligibility criteria; and
- the elements contained in the integrated railway information system provide sufficient information for monitoring.

A number of opportunities and recommendations to improve the effectiveness and efficiency of the program were also noted including the development of:

- a multi-year crossing improvement plan based on national safety risk assessment criteria;
- new/enhanced performance indicators to track safety risks, financial control risks and process timeliness and quality risks; and
- a quality assurance approach to monitor the regional verification process.

Marine Safety, The Way Ahead and The Next Wave

The safety culture of the marine transportation sector has been significantly enhanced by the overhauling of the marine legislative regime, including amending the *Canada Shipping Act* and developing new marine security regulations. The

continued focus on such initiatives as the implementation of safety management systems and the small vessels inspection program will enable the department to meet its responsibilities for public safety and building a strong safety culture with its stakeholders. The safety culture is further enhanced by the ability to report on performance indicators that are linked to the main activities of the program. The department has committed to achieving the following safety targets by 2010 (all reductions based on 1997-2001 five-year average):

- 20 per cent reduction in number of marine fatalities;
- 50 per cent reduction in number of reported marine injuries; and
- 30 per cent reduction in both the Canadian and Foreign Flag commercial accident rate (per 1,000 trips)*.

* The accident rate is the number of shipping accidents by Canadian or Foreign Flag commercial vessels involved in domestic and international trade as reported by the Transportation Safety Board.

Transportation of Dangerous Goods, Target 2010

Target 2010 aims for no fatalities, serious injuries or significant damage to property or to the environment as a result of accidental releases of dangerous goods. On an annual basis, there are more than 27 million shipments involving dangerous goods. In 2002, almost all these shipments arrived without incident at their destination, with the exception of 445 occurrences. Of this number, only two were caused by the dangerous good itself; the majority of deaths and injuries are caused by the accident or collision rather than contact with the dangerous good. In 2002, 11 fatalities and 73 injuries resulted from accidents involving dangerous goods. Of these, one death and 32 injuries resulted from the dangerous goods themselves.

Transport Canada promoted the effective implementation of the Clear Language TDG Regulations, which came into force in August 2002, through a major national public awareness campaign that offered 117 sessions across Canada to some 7,000 participants. In addition, 32 courses were delivered across Canada to 600 inspectors (220 federal and 380 provincial).
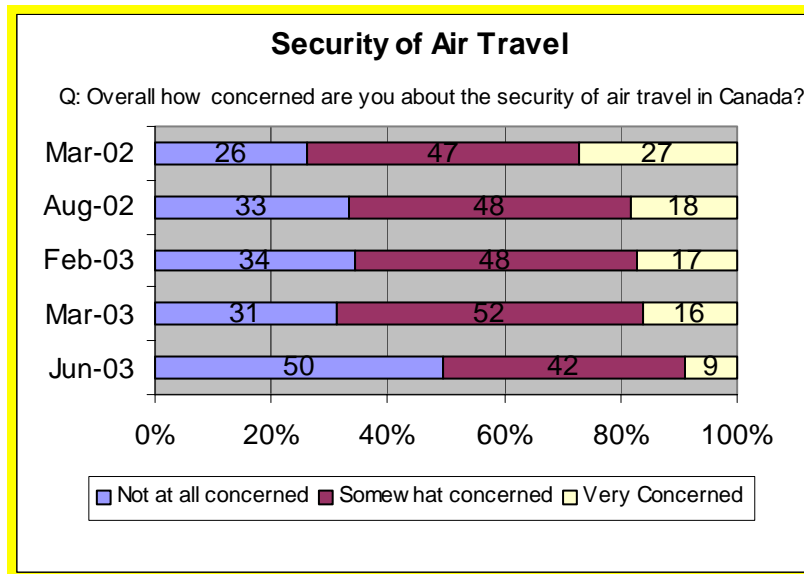
3. Transportation Security

Following the events of September 11, 2001, the Government of Canada launched a number of programs under the Public Security and Anti-Terrorism (PSAT) initiative. Under PSAT, about $2.2 billion over five years was approved in Budget 2001 for aviation, marine and other transportation security initiatives. Transport Canada is working with other government departments and agencies to implement its PSAT initiatives, as outlined in the side table.

Key PSAT initiatives to enhance transportation security
• Creation of the Canadian Air Transport Security Authority
• Cabin security enhancements
• Grant to Canadian airports for enhanced airport security and policing programs
• Grant to Canadian airlines for immediate improvements to pre-board screening
• Evaluation of advanced technologies for airport security
• Explosives Detection Systems priority deployment
• Enhanced regulatory and oversight capacity
• Regulatory development in support of new International Maritime Organization requirements
• Marine Facilities Restricted Area Access Clearance program
• Marine Security Oversight and Enforcement program
• Chemical Biological Radiological and Nuclear initiative
• National Critical Infrastructure Assurance Program

During 2002, Transport Canada introduced new security initiatives and continued to implement the security enhancements announced in 2001. Working in collaboration with other federal departments, industry stakeholders and union representatives, these efforts strengthened the security of the national transportation system and contributed to reinforcing the confidence of Canadians in transportation security in all modes. Public opinion surveys conducted by EKOS Research indicate that public confidence is being restored to near pre-September 11, 2001 levels, as illustrated in the following graph.

Security of Air Travel

Q: Overall how concerned are you about the security of air travel in Canada?

	Not at all concerned	Somewhat concerned	Very Concerned
Mar-02	26	47	27
Aug-02	33	48	18
Feb-03	34	48	17
Mar-03	31	52	16
Jun-03	50	42	9

A number of initiatives have been introduced to further enhance aviation security and advance commitments made in the department's Report on Plans and Priorities.

As part of these initiatives, the federal government created a new Crown Corporation, the Canadian Air Transport Security Authority (CATSA), which was established on April 1, 2002 with responsibility for several key aviation security services:

- Pre-board screening at 89 designated airports.
- Contracting with existing screening providers and providing upgraded training to 3,300 existing screening officers.
- Initiating a progressive program for selecting, training and certifying new screening officers to meet or exceed standards set by the federal government.
- Deployment and lifecycle management of the Explosives Detection Systems program.
- Funding airport policing.
- Funding the Canadian Air Carrier Protective Program (CACPP), which was established to place RCMP officers on selected domestic and international flights.
- Implementing an enhanced restricted area pass system and an expanded program to screen non-passengers who require access to restricted areas at airports.

To improve passenger confidence in air transportation and harmonize with our international partners, new regulations were announced to require the installation of internal locking devices to flight compartment doors by May 1, 2002 and new intrusion resistance requirements by April 2003.

Transport Canada's regulatory and oversight capacity was enhanced through the hiring of additional security inspectors and other employees to increase the inspection, monitoring and testing for the air transport security system and to oversee and enhance security requirements nationally. The department also increased its capacity to identify potential threats and the means to address them through strengthened intelligence networks with other departments, additional analysts, and more advanced communications and related technologies.

To enhance marine security, Transport Canada hired additional security inspectors and, in consultation with port facilities, operators, and associations, identified further enhancements to marine security. Further, the Government of Canada announced several new initiatives in January 2003, including:

- regulatory development in support of new International Maritime Organization (IMO) requirements;
- the Marine Facilities Restricted Area Access Clearance Program which will require marine facilities to establish restricted areas and to limit access to those who have been granted a security clearance by the Minister of Transport; and
- the Marine Security Oversight and Enforcement Program which will monitor and enforce compliance with amendments to the IMO Safety of Life at Sea

Convention, including the new International Ship and Port Facility Security Code.

To enhance rail security, Transport Canada worked with the Canada Customs and Revenue Agency (CCRA), Canadian railways and the U.S. Customs Services (now Border Protection under the new Department of Homeland Security) on a Declaration of Principles for southbound rail processing for security and contraband threats. The department has also met with the Railway Association of Canada and the Federal Railway Administration of the U.S. Department of Transportation to discuss the U.S. security clearance requirements for railway crews transporting explosives and dangerous goods into and within the United States. Further discussions are underway.

To enhance border security, Canada and the U.S. signed the Smart Border Declaration, a framework for the secure flow of people, goods and infrastructure, and the exchange of enforcement information. To implement the declaration, a thirty-point Action Plan was developed, for which Transport Canada is responsible for addressing several parts under the area of Secure Infrastructure. These responsibilities include infrastructure improvements, intelligent transportation systems, critical infrastructure protection, and aviation security.

In support of bridge security, Transport Canada adopted a proactive approach in coordinating the federal government's involvement in addressing security measures at Canada's international and domestic bridges. In cooperation with other federal departments and agencies, the department conducted an assessment of bridges owned by the federal government, which included the National Capital Region bridges, the Montreal bridges, the Confederation Bridge, and the Cornwall and Thousand Islands international bridges. The study recommended policies, procedures and security features to be implemented at each crossing to reduce or eliminate tangible security deficiencies through a risk assessment approach.

In January 2003, Transport Canada hosted a workshop on bridge security best practices with the New York Department of Transportation, Michigan Department of Transportation, the Bridge and Tunnel Operators Association, Office of Critical Infrastructure Protection and Emergency Preparedness, Ontario Terrorism Task Force, and the U.S. Federal Highway Administration. The work has resulted in a set of guidelines and best practices to enhance bridge infrastructure security. Individual operators are reviewing the recommendations and will be implementing those improvements they consider cost effective and necessary.

During the Iraqi War, Transport Canada took swift action and worked with industry and other stakeholders to enforce more stringent security measures. This included increased police surveillance and tighter access controls at key transportation facilities at a number of airports, ports and railway operations, and CATSA enhanced pre-board screening of passengers and baggage at airports.

3.4.5   Innovation and Skills

Our vision for a sustainable transportation system lies in the key areas presented in the preceding sections — marketplace frameworks, infrastructure, environment, and safety and security. Success in these areas will depend on the sector's ability to innovate and on the skills of its workers.

1.   Promoting an Innovative Transportation Sector

The transportation sector requires innovative approaches and highly skilled workers to help solve problems and develop knowledge and technology solutions. Transport Canada is actively involved in transportation research and development, enhancing the necessary skills and knowledge that will be required by transportation workers, and developing exceptional technologies to leverage highly developed skills in addressing the challenges ahead.

Research and development

Transport Canada has developed an ice navigation simulator as a tool to train entry-level ice navigators. This computer-based, low-cost simulator uses virtual reality, interactive techniques and multimedia hardware and software to facilitate training and reduce the requirements for onboard experience. The simulator is Canada's contribution to an international effort to improve ice navigation training, which is part of a larger effort to standardize rules for shipping in polar waters.

The first year of Transport Canada's project to upgrade equipment and facilities at the Motor Vehicle Test Centre in Blainville, Québec has materialized in the acquisition of state-of-the-art anthropomorphic testing devices, commonly known as crash test dummies, and data acquisition equipment. These improvements will enhance the department's research capabilities as well as regulatory development and compliance testing, which will lead to improved standards and a greater influence on harmonized standards on the international arena.

In its efforts to improve the efficiency of inter-modal operations, Transport Canada has developed an operational prototype that provides real-time identification and cataloguing of rail cars and containers entering or leaving the Port of Montreal by rail. The prototype uses a combination of an automatic equipment identification tag reader, a proven technology already in use at the port to identify rail cars, and a state-of-the-art optical character recognition system, which reads ISO 6346 standard container identification codes. The system offers a fast and efficient way to track containers and their contents in a busy port environment, and provides increased security through better management of freight traffic.

Conveying information to passengers with hearing or cognitive impairments in the busy environment of an airport presents special challenges to airlines and airport authorities. To ensure accessibility to the transportation system, Transport Canada tested a number of visual messaging technologies, including electronic reader boards, full-text monitors, and flight information displays. Electronic reader boards, which were found to be the most effective technology, have recently been deployed in most major airports in Canada, allowing air carriers to provide real-time information, especially at the gate.

2. Meeting the Skills Challenge

The National Marine Training Program is responsible for the development and administration of technical training courses for the marine inspection community. This program ensures inspectors are in compliance with changing rules and regulations and are knowledgeable of the acts and regulations impacting marine safety. The program has been successful, with twelve technical training courses developed to date, including an on-line handbook for new inspectors. Ongoing work includes a national policy for mandatory training of inspectors prior to appointment, continued emphasis on small vessel inspections, backup for regional inspectors when they are assisting with the delivery of training courses, and revision of existing course content to reflect new changes to the regulations.

Transport Canada has also initiated a study on amphibious passenger vehicles with respect to topics like an overview of the general design, the Canadian regulatory regime, other marine administration's requirements and safety issues. The study will be used as a base to expand knowledge and address future safety measures on amphibious passenger vehicles.

During 2002-03, work in the regulatory/inspection community was focused on retention, recruitment, community building and awareness building. To this end, an interdepartmental national conference was sponsored for federal inspectors, in which more than 225 participants from eight departments and agencies participated. The conference focus was on workshops that developed and made use of knowledge transfer methods within the community, in addition to regionally themed workshops, where participants discussed ways to implement local information sharing networks, methods and practices to encourage local development in the community.

Transport Canada has reaffirmed its commitment to promote intelligent transportation systems (ITS) and support the adoption of ITS technologies. Under the Strategic Highway Infrastructure Program, $30 million is dedicated to ITS and, to date, some $3.4 million has been expended on 16 cost-shared projects designed to accelerate the deployment of ITS technologies across Canada. Transport Canada also developed a plan for ITS research and development, called *Innovation Through Partnership*, which was released in May 2003. It serves both as the third strategic pillar of *En Route to Intelligent Mobility*, which is the government's ITS plan, and as

an important first step in meeting the ITS commitments made by the department. The objectives of the research and development plan are to accelerate the growth of knowledge and skills, and promote the uptake and commercialization of ITS technology. It contains a number of ITS research and development activities designed to foster innovation and sets out a mechanism for funding ITS research and development project proposals designed to meet Transport Canada's priorities as documented in *Straight Ahead*. ⌨ More information can on ITS can be found at www.its-sti.gc.ca/en/menu.htm.

3.5 Inside Transport Canada — The Management Agenda

1. Workforce Renewal

Diversity

In the wake of the successful Representation Census conducted in December 2001, Transport Canada's efforts during 2002 to improve representation in the minority-designated groups produced mixed results, with gains in some areas and slippages in others. Current employment shares of persons with disabilities and visible minorities, for all employment categories combined[1], are lower than labour market availability. Most of the representation gap is in the technical category[2]. Representation of women is good overall, and currently exceeds labour market availability in all but the operational category[3].

Transport Canada is implementing a Diversity Strategy that will provide a stimulating and attractive work environment for all employees, and will focus on improving representation to respond to the expectations of Canada's diverse population.

**Representation
January 2003**

Representation compared to Labour Market Availability

The January 2003 complement of 4,684 full-time equivalents comprised 3,421 Anglophones (73%) and 1,263 Francophones (27%), a ratio that has remained fairly stable over the last few years.
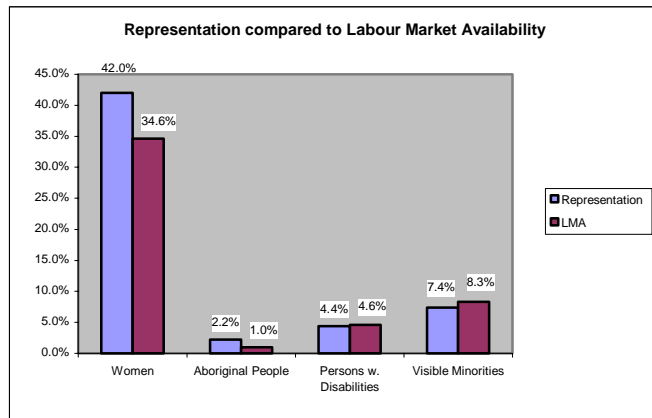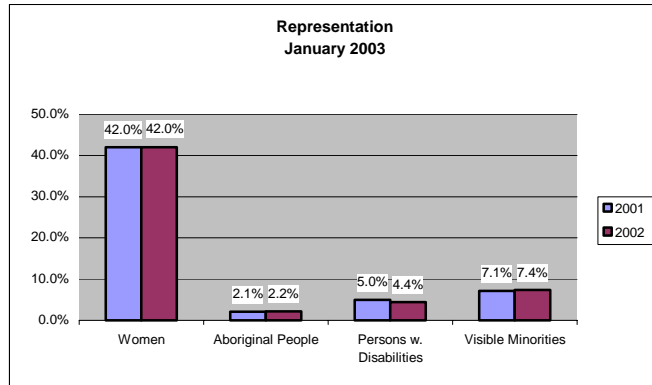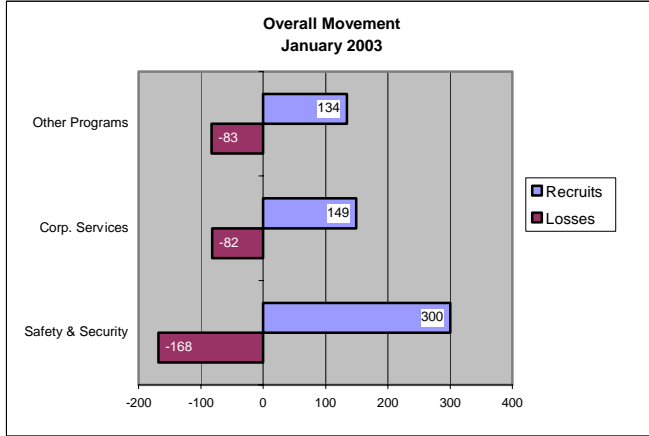
1. Employment categories include Executive, Scientific and Professional, Administrative and Foreign Services, Technical, Administrative Support, Operational
2. Technical Category includes Aircraft Operation, Engineering and Scientific support, Electronics, General Technicians, Social Science Support, Technical Inspection
3. Operational Category includes Firefighters, General Labour and Trades, General Services

Building Capacity

Transport Canada continued its efforts to ensure a sustainable and productive workforce given that two out of five indeterminate employees are eligible to retire by the year 2011.

After experiencing a slight growth in 2001 (66 employees, or 1.5 per cent), recruitment exceeded attrition right across the department in calendar year 2002. During that period, Transport Canada's workforce grew by 250 employees, or 5.6 per cent. The added focus on security matters resulting from the events of September 11, 2001 had much to do with the overall increase (the Safety and Security business line accounted for 53 per cent of the workforce growth).

Transfers to other federal departments (112) were the leading reason for separation over the last year, followed by retirements (82) and resignations (46). It is noted that the number of resignations dropped by 17 from the previous year. The department's total indeterminate attrition rate is calculated at 6.1 per cent (compared to 6.8 per cent in 2001).

Transport Canada has also made significant progress in reducing the risks associated with the loss of corporate memory. As of May 2003, succession and knowledge transfer plans have been completed for 64 critical subject matter experts who are eligible to retire within the next nine years. Treasury Board Secretariat has recognized the department's strategy as a best practice.
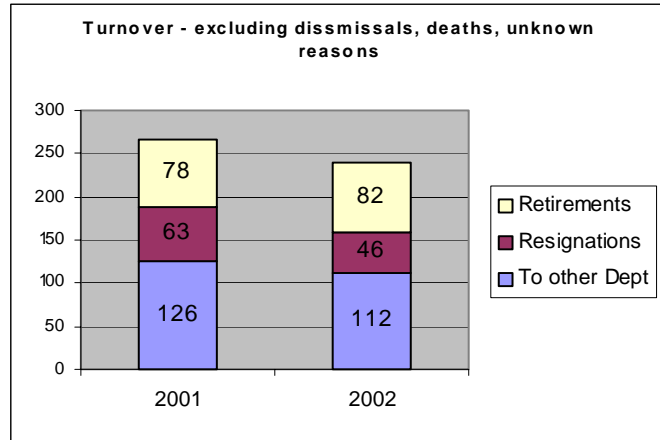
2. Modern Management and Reporting on Results

Transport Canada's response to critical and pressing security issues in the aftermath of September 11, 2001 resulted in the Modern Management agenda giving way somewhat to other competing and national priorities. However, this is not to say that efforts did not

continue on many fronts in support of the government's broader management agenda. In fact, much good effort continued throughout the department in such areas as risk management, building leadership capacity, ensuring a sound foundation for the integration of financial and operating information, stewardship of resources, and workforce renewal.

Modern management concepts are continually being embedded into orientation sessions, training courses, awareness sessions, and a variety of communication vehicles, as a means to remind managers and staff alike of their ongoing stewardship and accountability in managing public assets. Transport Canada is now renewing its efforts to implement modern management practices in support of the broader *Results for Canadians* agenda.

The department continues to make significant progress in the area of risk management. Within Civil Aviation, a policy of mandatory risk management training was adopted, and a training program establishes, for all personnel holding Ministerial Delegation of Authority. The department has also adopted a formal risk audit framework for transfer payments in accordance with Treasury Board policy. Risk management is also considered in project planning and development. For example, the department developed and obtained approval for a risk management plan for the Business Intelligence and Resource Management Project (Oracle 11*i*).

Performance Measurement

Much work has been achieved toward establishing results frameworks and defining activities as the department ensures that congruent linkages exist between resources, outputs and outcomes in support of the broader strategic objectives.

Transport Canada's integrated planning process and service line reviews both serve to reinforce the need to link financial and non-financial information in the context of budget allocation and reallocation. The recent introduction and evolution of these processes have further embedded or institutionalized the integration of performance information in the department. Furthermore, senior management values these processes as a useful tool to facilitate the consideration of competing proposals and priorities.

3. Access to Information

Transport Canada met the time requirements for response to 77 per cent of the requests completed under the *Access to Information and Privacy Acts* during 2002-03. The response time represents a decrease from the 81 per cent on-time response rate for the previous year, partly because of the significant and unpredictable increase (58 per cent) in the total workload. A factor that contributed to the increased workload was the ongoing public and media interest in transportation security post-September 11, 2001. In March 2003, Transport Canada commissioned a process review to ensure that internal processes were not hindering the effective handling of access to information and privacy (ATIP) requests. The review concluded that, despite the performance rating, there were no

major process problems. In fact, the review found that the department has initiated many improvements, and has kept pace with other departments in taking advantage of best practices and other efficiencies aimed at improving response times. The review also praised Transport Canada for its efforts in preserving quality in its ATIP process.

4.   Accessibility and Connectivity

Government On-line — Delivery of Electronic Services to External Stakeholders

The Government On-line (GOL) initiative at Transport Canada provides for the introduction of on-line transactional services and information to improve the effectiveness of the work it carries out with industry stakeholders for Canadians. Through this initiative, 32 projects totalling $3.4 million were funded and completed in 2002-03.

The 2002-03 investments in new on-line services have ensured that common standards are applied for easier access to electronic-based transportation-related information. Candidates now have the option to take on-line flight training and aviation examinations in a way that is more convenient for them. Authorized aircraft manufacturers can now be provided secure on-line access to update their data in minutes versus days. Inspectors have field tools and systems that minimize the time and effort it takes to inspect commercial vessels carrying out business in Canadian waters. The rail industry can now make on-line submissions to Transport Canada for Ministerial approvals under the *Railway Safety Act*, improving on the current manual process. Manufactures can now register their dangerous good on-line, reducing the time to process registrations from days to minutes.

The following examples demonstrate GOL achievements:

- The Access to Travel web site provides on-line travel information to travelers with disabilities and to the caregivers and families of persons with disabilities, seniors and other travelers with special needs, to alleviate the problems they face when traveling.

- The Marine Services Online web site offers custom subscription services to meet all the information needs of marine clients, partners, stakeholders and the general public. Transport Canada established this one-stop marine information site in partnership with Fisheries and Oceans Canada and Environment Canada.

- A web-based database application provides stakeholders with a means by which to ask questions and request clarification respecting the new Transportation of Dangerous Goods Clear Language Regulations. Where necessary, interpretations are posted to the database. The site also allows access to the database so that stakeholders may search for interpretations of particular interest to them.

In January 2003, a refocused GOL direction was adopted, one that embraces a more focused approach to meet the demands of external stakeholders, including industry and

citizens, by the December 2005 target date set by the Government of Canada. Plans are underway to evolve the current performance management framework to better demonstrate the value of the GOL investments and link to department and government priorities. In addition, funding for future GOL projects will favour increased multi-jurisdictional collaboration and horizontal service delivery opportunities, linked to the government's service delivery, modern management, and innovation agendas. 🖳 More information about Transport Canada's GOL initiative can be found at www.tc.gc.ca/gol/menu.htm .

Information Management and Information Technology

Transport Canada's 2002-03 information management/information technology (IM/IT) investments have enabled internal employees, citizens, and external stakeholders to conduct more business transactions electronically, in a timely, efficient and, where needed, secure manner, and have ensured easier access, sharing and exchange of information. The investments have also provided a foundation for high availability of regulatory, licensing, and safety management applications, and information services targeted to Canadians and industry.

External clients can electronically access a dynamic web site for one-stop marine information. Canadians and the transportation sector can now readily access and conduct research on-line through resources such as electronic journals, standards, books and documents. Transport Canada employees can better serve their clients through a visual system that helps identify and quantify risks associated with the transportation of dangerous goods to determine whether high-risk shipments are being adequately inspected.

A new records, document and information system was introduced for managing electronic information holdings, which allow staff to save and access information on-line to better serve clients by having more timely and complete information. Inspectors equipped with mobile tools and electronic reference manuals can complete inspections more effectively and efficiently while in the field, and instantly access all vital information needed to respond quickly to an urgent situation. From a security perspective, key IM/IT investments have contributed to enhancing personnel security checks of individuals accessing restricted areas in Canada's airports.

Transport Canada's 2003-06 IM/IT Strategic Plan was approved in April 2003, the key result of which will be the enhanced delivery of programs through more strategic IM/IT investments and implementation. The plan will evolve as necessary to meet departmental requirements, and will be driven by Transport Canada's business direction and priorities. 🖳 More information about our IM/IT strategy can be found at www.tc.gc.ca/gol/im-itstrategicplan.htm.

4.0 Financial Tables

Table A — Summary of Appropriations

		2002-2003		
Vote	*($000s)*	Planned Spending	Total Authorities	Actual Spending
1	Operating expenditures (net of revenues)	114,227	155,467	154,352
5	Capital expenditures	121,500	79,571	54,152
10	Grants and Contributions	376,347	400,006	264,393
15	Payments to the Jacques Cartier and Champlain Bridges Inc.	83.740	83,740	80,135
20	Payments to Marine Atlantic Inc.	32,949	46,381	46,381
25	Payments to VIA Rail Canada Inc.	255,701	255,701	255,701
35	Payment to the Queens Quay West Land Corporation	0	4,000	4,000
40	Payment to the Old Port of Montreal Corporation Inc.	0	18,400	18,400
(S)	Payment to the Canadian Air Transport Security Authority	0	259,477	259,477
(S)	Minister of Transport — Salary and motor car allowance	65	67	67
(S)	Payments to Canadian National for the Victoria Bridge in Montreal	3,300	3,300	3,300
(S)	Contributions to employee benefit plans	54,800	58,365	58,365
(S)	Payments in respect of St. Lawrence Seaway agreements	1,900	1,742	1,742
(S)	Northumberland Strait Crossing subsidy payment	49,900	48,956	48,956
(S)	Refunds of amounts credited to revenues in previous years	0	40	40
(S)	Spending proceeds from disposal of surplus Crown assets	0	5,144	3,092
	Total budgetary	1,094,429	1,420,357	**1,252,552**

Due to rounding, columns may not add to totals shown.

Table B — Comparison of Total Planned Spending to Actual Spending

2002-2003 Business Line ($000s)	FTEs	Gross Operating[1]	Capital	Transfer Payments[2]	Crown Corporations	Total Gross Spending	Less: Respendable Revenues	Total Net Spending
Policy	198	28,595	809	96,499	288,650	414,553	510	414,043
	223	*39,002*	*1,130*	*72,611*	*302,082*	*414,825*	*630*	*414,195*
	240	**37,727**	**1,076**	**64,438**	**302,082**	**405,323**	**734**	**404,589**
Programs and Divestiture	368	58,548	77,799	319,156	83,740	539,243	295,813	243,430
	428	*85,022*	*43,156*	*335,197*	*83,740*	*548,415*	*331,796*	*216,619*
	443	**84,777**	**22,295**	**212,388**	**80,135**	**399,595**	**330,311**	**69,284**
Safety and Security	2929	335,509	27,327	13,892	-	376,728	47,209	329,519
	3091	*363,217*	*20,895*	*44,355*	*259,477*	*687,944*	*51,301*	*636,643*
	3027	**363,843**	**17,422**	**39,723**	**259,477**	**680,465**	**52,479**	**627,986**
Departmental Administration	820	93,249	15,565	-	-	108,814	1,377	107,437
	909	*117,478*	*15,784*	*100*	*22,400*	*155,762*	*1,562*	*154,200*
	966	**115,204**	**14,753**	**100**	**22,400**	**152,457**	**1,765**	**150,692**
Total	4315	515,901	121,500	429,547	372,390	1,439,338	344,909	1,094,429
	4651	*606,019*	*80,965*	*452,263*	*667,699*	*1,806,946*	*385,289*	*1,420,357*
	4676	**601,551**	**55,546**	**316,649**	**664,094**	**1,637,840**	**385,289**	**1,252,552**

Other Revenues and Expenditures:

− Non-respendable revenues (☞ Table D)

	25,298
	15,000
	68,789

− Cost of services provided by other departments (authorities = actuals)

	56,117
	55,943

Net Cost of the Program

	1,125,248
	1,461,300
	1,239,706

Due to rounding, columns may not add to totals shown.

1. *Includes statutory payments for employee benefit plans, Minister's allowances, collection agency fees, previous years' refunds, payments in respect of St. Lawrence Seaway agreement, and proceeds from the disposal of surplus Crown assets.* 2. *Includes statutory payments for Victoria Bridge (Montreal) and the Northumberland Strait Crossing subsidy.*

Normal font denotes planned spending. *Italicized font* denotes total authorities. **Bold font** denotes actual expenditures/revenues.

Table C — Historical Comparison of Net Spending

Business Line ($000s)	Actual 2000-01	Actual 2001-2002	2002-2003		
			Planned Spending	Total Authorities	Actual Spending
Policy	381,290	539,459	414,043	414,195	**404,589**
Programs and Divestiture	123,132	155,647	243,430	215,319	**69,284**
Safety and Security	302,578	380,146	329,519	636,643	**627,987**
Departmental Administration	108,729	118,164	107,437	154,200	**150,692**
Total budgetary	**915,720**	**1,193,417**	**1,094,429**	**1,420,357**	**1,252,552**

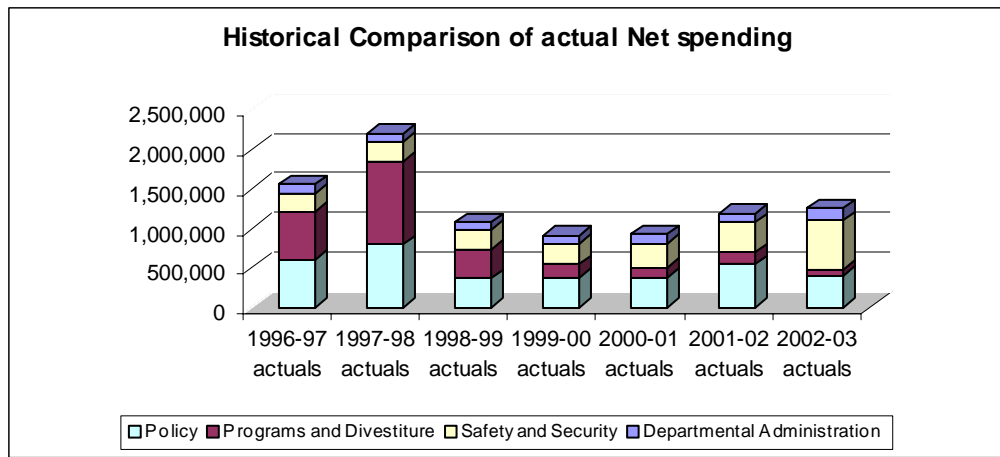Due to rounding, columns may not add to totals shown.

Historical Comparison of actual Net spending

Table D — Revenues

Business Line ($000s)	Actual 2000-01	Actual 2001-02	2002-2003		
			Planned Revenues	Total Authorities	Actual Revenues
Respendable Revenues					
Policy					
• Air Service Forecasts	322	262	-	-	**274**
• Internal revenues from Agriculture Canada for grain monitoring	60	202	460	-	**333**
• Rental revenue	119	117	-	-	**111**
• Miscellaneous internal and external revenues	117	-	50	630	**16**
	618	581	510	630	**734**
Programs and Divestiture					
• Harbours and ports revenues (net of commissions)	11,178	14,265	13,015	13,215	**11,535**
• Airports — Rentals	9,328	5,839	4,980	8,157	**8,167**
• Airports — Concessions	4,313	1693	738	1,734	**1,841**
• Airports — Landing fees	9,451	4439	2,632	5,211	**5,181**
• Airports — General terminal fees	5,625	2896	1,843	3,497	**3,700**
• Airports — Lease and chattel payments	219,273	248,271	272,130	299,517	**299,551**
• Miscellaneous	1,608	1,004	475	465	**336**
	260,776	278,406	295,813	331,796	**330,311**
Safety and Security					
• Internal and external aviation safety revenues	12,922	11,851	10,839	11,204	**12,810**
• Internal and external revenues for aircraft services	27,519	33,723	26,497	26,648	**26,026**
• Road safety fees	353	-	460	460	**-**
• Internal and external marine safety revenues	9,188	7,591	7,400	7,377	**8,464**
• Short line rail inspections and other rail safety revenues	131	135	63	50	**112**
• Internal and external revenues from research and development activities	2,444	5,204	1,925	5,071	**3,757**
• Miscellaneous internal and external revenues	1,442	1,333	25	491	**1,311**
	53,999	59,838	47,209	51,301	**52,479**

Due to rounding, columns may not add to totals shown.

Table D — Revenues *(continued)*

Business Line ($000s)	Actual 2000-01	Actual 2001-02	2002-2003		
			Planned Revenues	Total Authorities	Actual Revenues
Departmental Administration					
• Internal revenue for training and systems support	779	234	-	30	**124**
• Internal and external lease and concession revenues	913	927	788	645	**972**
• Miscellaneous internal and external revenues	249	182	589	887	**670**
	1,941	1,344	1,377	1,562	**1,765**
Total Respendable Revenues	**317,334**	**340,170**	**344,909**	**385,289**	**385,289**
Non-respendable revenues					
Tax revenues:					
• Goods and services tax	21,678	-	-	-	**-**
Non-tax revenues:					
• St. Lawrence Seaway Management Corporation	4,098	4,802	5,000	5,000	**4,856**
• Hopper car leases	13,577	13,936	10,000	10,000	**15,432**
• Canada Port Authority stipends	5,847	10,402	10,298	-	**9,765**
• Return on investments	36,517	32	-	-	**21,410**
• Refunds of previous years' expenditures	657	1,143	-	-	**1,057**
• Adjustments to previous years' payables	15,193	4,433	-	-	**5,323**
• Privileges, licences and permits	196	49	-	-	**60**
• Fines	626	1,169	-	-	**1,063**
• Proceeds from sales	49	1,826	-	-	**796**
• Proceeds from the disposal of surplus Crown assets	9,438	5,284	-	-	**4,108**
• Miscellaneous	609	396	-	-	**1,256**
• CTMA Traversier Ltée	-	-	-	-	**833**
• Old Port of Montreal	-	-	-	-	**2,315**
• Gulf War Compensation against Iraq	-	-	-	-	**420**
• Great West Life – Canada Ports Refund	-	-	-	-	**95**
Total Non-respendable Revenues	**108,486**	**43,473**	**25,298**	**15,000**	**68,789**

Due to rounding, columns may not add to totals shown.

Table E — Statutory Payments

Business Line ($000s)	Actual 2000-01	Actual 2001-02	2002-2003		
			Planned Spending	Total Authorities	Actual Spending
Policy					
• Employee benefit plans	2,776	2,738	2,774	3,126	**3,126**
• Proceeds from the sale of surplus Crown assets	9,453	-	-	-	**-**
	12,229	2,738	2,774	3,126	**3,126**
Programs and Divestiture					
• Employee benefit plans	5,982	4,552	4,374	4,928	**4,928**
• Payments to Canadian National — Victoria Bridge	11,709	3,072	3,300	3,300	**3,300**
• Northumberland Strait Crossing subsidy	46,934	48,325	49,900	48,956	**48,956**
• Proceeds from the sale of surplus Crown assets	-	25	-	-	**-**
• Payments in respect of St. Lawrence Seaway agreements	2,474	1,496	1,900	1,742	**1,742**
• Refunds of previous year's expenditures	-	-	-	40	**40**
	67,099	57,470	59,474	58,966	**58,966**
Safety and Security					
• Proceeds from the sale of surplus Crown assets	-	4,223	-	294	**294**
• Employee benefit plans	35,701	34,230	38,519	39,116	**39,116**
• Payments to the Canadian Air Transport Security Authority	-	-	-	259,477	**259,477**
	35,701	38,453	38,519	298,887	**298,887**
Departmental Administration					
• Employee benefit plans	9,858	8,992	9,133	11,194	**11,194**
• Minister's allowances	52	68	65	67	**67**
• Collection agency fees	4	-	-	-	**-**
• Proceeds from the sale of surplus Crown assets	-	2,094	-	4,850	**2,798**
	9,914	11,154	9,198	16,111	**14,059**
Total Statutory Payments	**124,942**	**109,814**	**109,965**	**377,091**	**375,039**

Due to rounding, columns may not add to totals shown.

Table F — Transfer Payments

Business Line ($000s)	Actual 2000-01	Actual 2001-02	2002-2003 Planned Spending	2002-2003 Total Authorities	2002-2003 Actual Spending
Grants					
Policy	22,548	122,272	23,539	23,539	**23,377**
Programs and Divestiture	36,300	19,800	-	-	**-**
Safety and Security	115	9,069	100	100	**100**
Departmental Administration	-	-	-	-	**-**
Total Grants	58,963	151,141	23,639	23,639	**23,477**
Contributions					
Policy	35,961	35,722	72,960	49,072	**41,061**
Programs and Divestiture[1]	181,273	194,168	319,156	335,197	**212,388**
Safety and Security	14,911	13,378	13,792	44,255	**39,624**
Departmental Administration	-	-	-	100	**100**
Total Contributions	232,145	243,269	405,908	428,624	**293,173**
Total Transfer Payments	**291,108**	**394,410**	**429,547**	**452,263**	**316,649**

Due to rounding, columns may not add to totals shown.

1. *Includes statutory payments for the Victoria Bridge in Montreal and the Northumberland Strait Crossing subsidy.*

Table G — Details on Transfer Payment Programs

The following table presents information concerning each of Transport Canada's transfer payment programs for which the total estimated cost (TEC) of the program exceeds $5 million. Spending is in thousands of dollars.

Program Name	2002-03 Spending	Our objective is to . . .	Expected results	Results achieved
Grant to the Province of British Columbia for ferry and coastal freight and passenger services (ongoing program).	$23,377	Assist the Province in providing ferry services in the waters of British Columbia.	Transportation links to the national surface transportation system from various regions and isolated areas of British Columbia.	Ongoing service by BC Ferries to coastal and remote areas of B.C.
Contribution for non-VIA Rail passenger services (TEC $37.8 M).	$6,774	Ensure the provision of transportation services to remote regions.	Continued access to rail service for Canadians in remote areas (between Sept-Îles and Labrador City/Schefferville; Sault Ste. Marie and Hearst; and Toronto and North Bay).	Passenger rail service continues to be provided to these remote areas.
Contribution for ferry and coastal passenger and freight services (ongoing program).	$8,027	Monitor ferry service operations with a view to reduce operators' dependence on federal subsidies by ensuring the commercial viability of the operation through services that effectively meet demand and rates that reflect market conditions.	Safe, reliable and affordable ferry services between Wood Island and Caribou; and Souris and Cap-aux-Meules.	Provision of safe, reliable and affordable services resulting in traffic growth and strengthened market share. Positive impact on regional economies and relief of remoteness.
Payment to the Canadian Wheat Board (CWB) for hopper cars for the transportation of grain in Western Canada (ongoing program).	$16,045	Assist the CWB with the acquisition and leasing of hopper cars.	Efficient transportation of grain in Western Canada.	CWB has sufficient leased hopper cars for the efficient transportation of grain in Western Canada.
Allowances to former employees of Newfoundland Railways, Steamships and Telecommunications Services transferred to Canadian National Railways (ongoing program).	$964	Assume responsibility for that portion of the pension costs not payable by the Government of Newfoundland or Canadian National Railways for the transferred employees.	Ensure a pension income equivalent to the provincial plans at the time of transfer is accessible for the former provincial employees.	Former provincial and railway employees are receiving a pension income equivalent to provincial plans.
Contribution toward the Quebec Bridge Restoration Program (TEC $6 M).	$600	Assist CN Rail with the restoration of the Quebec Bridge, which was originally built by the Government of Canada in 1918.	Continued safe operation of vehicle and train traffic on the bridge.	The restoration of the bridge is ongoing and vehicle and train traffic have continued in full operation throughout.

Transfer Payments *(continued)*

Program Name	2002-03 Spending	Our objective is to . . .	Expected results	Results achieved
Toronto Waterfront Revitalization Project, a project of collaboration among three levels of government (TEC $500M including $10.1 M) for the four priority projects and the development plan.)	$5,200	Enhance Toronto's economic vitality, social development, transportation system, housing development, and environmental sustainability.	A clean, green, vital, accessible and beautiful waterfront that will be enjoyed by city residents and welcome tourists and visitors from Canada and around the world.	In 2002-03 the interim Toronto Waterfront Revitalization Corporation was continued as a permanent corporation under provincial legislation and work was begun on four priority projects and the development plan.
Strategic Highway Infrastructure Program – Border Crossing (Planning and Integration) (TEC $68 M)	$330	Enhance the reliability and overall operating performance of the surface transportation system.	Improved mobility and transportation efficiencies and enhanced safety performance and sustainable transportation.	Three border projects worth a total of $108 million have been announced, 3 feasibility studies have been funded, including the study on a new or improved border crossing at Windsor. Funding of $350,000 granted for rapid transit studies in Vancouver and Ottawa.
Strategic Highway Infrastructure Program – Intelligent Transportation System (TEC $29 M)	$1,265	Enhance the reliability and overall operating performance of the surface transportation system.	Improved mobility and transportation efficiencies and enhanced safety performance and sustainable transportation.	17 contribution agreements have been successfully negotiated for the deployment and integration of ITS, at a total estimated cost of $3.7M. One project has been concluded, with the remainder having completion dates ranging from fall 2003 to spring 2004.
Contributions for the operation of non-National Airport System (NAS) airports (ongoing program).	$1,752	Provide operating subsidies to airport sites across Canada.	Safe operations at non-NAS airports not yet transferred (and not yet eligible for ACAP).	Various contributions were made to non –NAS airports to maintain an appropriate level of operations.

Transfer Payments *(continued)*

Program Name	2002-03 Spending	Our objective is to . . .	Expected results	Results achieved
Airports Capital Assistance Program (maximum of $190 million over five years).	$32,386	Assist eligible airports in financing capital projects.	Safe operations, protection of assets, and reduced costs at non-NAS airports.	Seventy-four airports received contributions towards various approved projects.
Port Divestiture Fund (TEC $115 M).	$22,102	Provide assistance/incentive to potential non-federal port encourage acceptance of the port and facilities with an undertaking to continue port operations and to assist in bringing the port property to a minimum safety and operating standard.	Facilitate the transfer/divestiture of regional/local ports to local groups (implementation of the National Marine Policy).	Twelve ports were successfully transferred to local groups.
Contributions to provinces toward highway improvements to enhance overall efficiency and promote safety while encouraging regional, industrial development and tourism which includes New Brunswick Highway Improvements and Outaouais Road Development Agreement (ongoing program).	$40,684	Participate in joint federal-provincial financing of the construction, strengthening and improvement of certain highway links and roads.	Improved transportation safety and efficiency and promotion of economic development.	Effective highway contributions were made to insure transportation safety and efficiency and promotion of economic development.
Trans-Canada Highway (TCH) Agreement — Newfoundland (TEC $388.5 M).	$16,303	Construct links of the TCH in Newfoundland and Labrador in exchange for the termination of rail operations in the province.	Strengthened and improved TCH in Newfoundland and Labrador.	TCH improvements were made as per agreement.
(S) Payments to CN Rail in respect of the termination of tolls on the Victoria Bridge in Montreal, and for the rehabilitation work on the roadway portion of the bridge (ongoing program).	$3,300	Compensate CN for the federal decision to remove tolls, and to contribute to a major rehabilitation of the roadway portion of the bridge.	Defray negative impact on CN's revenues of the removal of the tolls and support safe operation of vehicles on the bridge and approaches.	Payments were made to CN towards rehabilitation work on the roadway portion of the bridge.
(S) Northumberland Strait Crossing subsidy payment (ongoing program).	$48,956	Honour constitutional obligation to provide transportation link between Prince Edward Island and the mainland.	Continuous and efficient year-round transportation provided for people and goods between Prince Edward Island and the mainland.	Subsidy payments were made to insure continuous transportation between PEI and mainland.

Transfer payments *(continued)*

Program Name	2002-03 Spending	Our objective is to . . .	Expected results	Results achieved
Strategic Highway Infrastructure Program – Highway Component (TEC $485 M)	$25,802	Provide funding for provincial highway projects to address the needs of Canada's National Highway System.	Improved mobility and transportation efficiencies and enhanced safety performance and sustainable transportation.	Multiple improvements were made towards provincial highways.
Strategic Highway Infrastructure Program- Border Crossing (Planning and Integration) (TEC $68M).	$7,666	Enhance the reliability and overall operating performance of the surface transportation system.	Improved mobility and transportation efficiencies and enhanced safety performance.	Various projects toward the mobility, efficiency and safety of the surface transportation system.
Action Plan 2000 for Climate Change (TEC $40.2 M)	$40	Reduce the growth of greenhouse gas (GHG) emissions from the transportation sector.	Adoption of more energy-efficient transportation and land use, the capacity to reduce GHG emissions; innovative technologies and best practices	Different initiatives were taken to reduce the growth of GHG emissions in transportation.
Payments in support of crossing improvements approved under the *Railway Safety Act* (ongoing program).	$7,495	Provide assistance to railway companies and/or road authorities to carry out works to improve safety at public road/railway grade crossings.	Reduced risk of collisions and casualties at public road/railway grade crossings.	103 grade crossing improvements were made across Canada. Accidents at grade crossings have been reduced by 28% since 1996.
National Safety Code (TEC $17.8 M).	$6,290	Provide assistance to provinces and territories in support of the uniform application of the National Safety Code Standards to extra-provincial carriers.	Improved safety levels, safety monitoring capabilities, and national uniformity of standards.	Hours of Service and Safety Rating were revised and approved by the Council of Ministers in the fall of 2002. Regulatory activity is currently underway patterned after these standards.
Contribution to airlines for security enhancements to aeroplane cockpits (TEC $34M).	$25,369	Provide assistance to eligible applicants to help cover the cost of security modifications to existing passenger and cargo aircrafts.	Improved security levels and restoration of the public's confidence in the security of air travel and of pre-September 11th traffic levels and growth rates.	Initial door kit purchases and installation on majority of affected Canadian operators. New flight deck door operational regulations effective April 9, 2003.

Table H – Loans, Investments and Advances

($000s)	Actual 2000-2001	Actual 2001-2002	Actual 2002-2003
Investment in Ridley Terminals Inc.	90,000	90,000	**90,000**
Investment in Royal Canadian Mint	--	--	**40,000**
Loan to Saint John Harbour Bridge Authority	26,013	25,024	**24,152**
Canadian Airport Authorities	--	--	**19.221**
Loans assumed from the former St. Lawrence Seaway Authority	724	716	**692**
Total Outstanding Balances	116,737	115,740	**174,065**

Due to rounding, columns may not add to totals shown.

Table I– Contingent Liabilities

Type of Contingent Liabilities ($000s)	As at	
	March 31, 2002	March 31, 2003
Bond and loan guarantees	64,147	**63,000**
Injury or loss of life	7,865	**7,830**
Breach of contract	475	**25**
Total Contingent Liabilities	72,487	**70,855**

Due to rounding, columns may not add to totals shown.

Table J – Procurement and Contracting

Role played by Procurement and Contracting in Delivering Programs —

Procurement and contracting play a central role in Transport Canada's program delivery, allowing the department to obtain highly specialized research, advice and direct services in support of its policy and program delivery. Procurement allows the department to achieve operational requirements and to also spur economic growth within the Canadian economy.

Overview of how Transport Canada manages its contracting function —

Transport Canada operates in a decentralized environment, with designated procurement specialists at headquarters and in the regions who have full contracting authority. Low dollar value procurement authority has been delegated to responsibility centre managers throughout the department so they can meet most of their acquisition needs quickly and with minimal administrative burden. Some headquarters organizations also have specific limited contracting authority for specialized requirements, such as the purchase of aircraft parts, vehicles, informatics professional services, and pilot training. Transport Canada uses the services of Public Works and Government Services Canada (PWGSC) to procure goods exceeding $5,000 where these goods are not available under a standing offer, as well as certain types of services (e.g., research and development). Most responsibility centre managers have use of a departmental acquisition card for purchases up to $5,000.

Contracts are created using the department's automated contracting system. The department uses MERX, the federal government's electronic tendering system, to advertise most procurement opportunities exceeding $25,000. Contract Review Committees have been established across the department to review and challenge certain types of contracting situations, such as proposed sole source contracts exceeding $25,000, unauthorized contracting actions, and some amendments. Regional Contract Review Committees are limited to reviewing contracts that do not exceed $10,000. There is on-going monitoring of low dollar value contracts and periodic reviews of contracts arranged by organizations with specific limited contracting authority. In addition, the headquarters procurement organization conducts formal functional reviews in its own office and in the regional procurement offices about every three years. In calendar year 2002, Transport Canada awarded approximately 8,000 contracts valued at $31.5 million. These figures do not include call-ups against PWGSC standing offers, contracts arranged by PWGSC on behalf of Transport Canada, and acquisition card purchases.

Progress and new initiatives enabling effective and efficient procurement practices —

Transport Canada has developed a number of instruments to assist managers with their contracting requirements. These include *A Guide to Procurement and Materiel Management*, which takes managers through the entire contracting process from the planning stage to contract management, and materiel and contracting services bulletins on specific contracting issues. These are posted on the department's Intranet web site. The department has also developed a number of training courses for managers on contracting, developing terms of reference, and managing contracts. For the past few years, the department has exceeded its targets for contracting with Aboriginal suppliers pursuant to the Procurement Strategy for Aboriginal Business.

Table K – Reporting Template for External Charging Information							
Name of Fee Activity	**Fee Type**	**Fee Setting Authority (e.g., Legislative, Regulatory)**	**2002-03 Actual Revenue ($000)**	**Estimated Full Cost to provide good or service ($000)**	**Consultation and Analysis**	**Service Standard**	**Performance Results**
Programs & Divestiture							
Airports — Concessions	Lease and Use of Public Property	Federal Real Property and Federal Immovables Act	1,143	Not available (N/A)	Concession contracts are tendered.	N/A	N/A
Airports — Sales	Sales of goods and information products	Financial Administration Act	90	N/A	N/A	N/A	N/A
Airports — Rentals	Lease and use of Public property	Federal Real Property Act.	5,724	N/A	Land leases are negotiated based upon the PWGSC appraised value of the property, pursuant to the Real Property policy. Space leases are similarly established within terminal buildings.	N/A	N/A

Table K – Reporting Template for External Charging Information							
Name of Fee Activity	Fee Type	Fee Setting Authority (e.g., Legislative, Regulatory)	2002-03 Actual Revenue ($000)	Estimated Full Cost to provide good or service ($000)	Consultation and Analysis	Service Standard	Performance Results
Airports — General Terminal Fees, Landing Fees, Aircraft Parking Charges ASCR fees located at: www.tc.gc.ca/acts-regulations/General/A/aa/regulations/120/aa129a/aa129a.html	Services of a non-regulatory nature	Section 4.4 (2) of the Aeronautics Act, and Section 2 of the Ministerial Regulations Authorization Order - *Air Services Charges Regulations*	8,938	N/A	Associations representing industry are provided, through letters, information on department's proposal to change fees and are invited to comment. Airport staff also discusses proposal with clients at site-specific level. Proposal and Regulatory Impact Analysis Statement (RIAS) are pre-published in Part I of the Canada Gazette with request for stakeholders to comment within 30 days of publication. Follow-up letters are sent throughout the process – such as in reply to comments received; to inform industry of anticipated date of prepublication; and of Minister's decision on proposal.	N/A	N/A

Table K – Reporting Template for External Charging Information							
Name of Fee Activity	Fee Type	Fee Setting Authority (e.g., Legislative, Regulatory)	2002-03 Actual Revenue ($000)	Estimated Full Cost to provide good or service ($000)	Consultation and Analysis	Service Standard	Performance Results
Airports — Vehicle Parking Charges Fees located at: www.tc.gc.ca/acts-regulations/GENERAL/A/aa/regulations/130/aa131/aa131.html#COU40H.KENORP.84YVFE.2	Services of a non-regulatory nature	Section 4.4(2) of the Aeronautics Act and Section 2 of the Ministerial Regulations Authorization Order, *Airport Vehicle Parking Charges Regulations*	648	N/A	Fees and RIAS are pre-published in Part I of the Canada Gazette and stakeholders are requested to provide comments within 30 days of prepublication.	N/A	N/A
Airports — Airport Authority Payments	Lease and Use of Public Property	Federal Real Property Act	296,370	N/A	N/A	N/A	N/A
Airports — Airport Authority Chattel Payments	Sales of goods and information products	Financial Administration Act	3,181	N/A	N/A	N/A	N/A
Ports — Rental	Lease and Use of Public Property	Federal Real Property Act	2,621	N/A	Leases are negotiated based upon the PWGSC appraised value of the property, pursuant to the Real Property Policy.	N/A	N/A

		Table K – Reporting Template for External Charging Information						
Name of Fee Activity	**Fee Type**	**Fee Setting Authority (e.g., Legislative, Regulatory)**	**2002-03 Actual Revenue ($000)**	**Estimated Full Cost to provide good or service ($000)**	**Consultation and Analysis**	**Service Standard**	**Performance Results**
Ports — Public Port Revenues: Utility Charges, Wharfage, Berthage, Storage and Harbour Dues Public Ports Fees at: www.tc.gc.ca/programs/ports/menupublicportfees.htm	Services of a non-regulatory nature	Canada Marine Act. Fees charged at public ports are set out in 5 schedules:*Public Port Wharfage and Transfer Charges Tariff Notice; Public Port Facilities Berthage Charges Tariff Notice; Public Harbour Dues Tariff Notice; Public Port Facilities Storage Charges Tariff Notice; and Public Port Utilities and Other Service Charges Tariff Notice.*	11,004	N/A	Pursuant to the Canada Marine Act Section 67(1), the Minister of Transport may fix public port fees. Departmental officials notify users and stakeholders of any public port fee adjustments before any such changes are implemented. Notices to stakeholders can be found at www.tc.gc.ca/programs/ports/consultations.htm	N/A	N/A

Table K – Reporting Template for External Charging Information							
Name of Fee Activity	**Fee Type**	**Fee Setting Authority (e.g., Legislative, Regulatory)**	**2002-03 Actual Revenue ($000)**	**Estimated Full Cost to provide good or service ($000)**	**Consultation and Analysis**	**Service Standard**	**Performance Results**
Ports — Leases/ Licenses	Services of a regulatory nature	Canada Marine Act (Section 71(1) www.tc.gc.ca/acts-regulations/GENERAL/C/cma/act/cma-a.html#PART%202	89	N/A	N/A	N/A	N/A
Safety & Security							
Aviation Safety — Sales	Sales of goods and information products	Financial Administration Act	235	N/A	Website www.tc.gc.ca/CivilAviation/communications/publications.htm	Canadian Aviation Directive #35	N/A
Aviation Safety — Regulatory Fees	Services of a regulatory nature	Aeronautics Act, *Canadian Aviation Regulations* (CARs) CARS fees located at: www.tc.gc.ca/civilaviation/regserv/affairs/cars/avregs/menu.htm	9,196	N/A	Consultation through the Canadian Aviation Regulation Advisory Council (CARAC). Proposal and Regulatory Impact Analysis Statement (RIAS) are pre-published in Part I of the Canada Gazette with request for stakeholders to comment within a specified period (minimum 30 days)	Canadian Aviation Directive #35 Service Standards information at: www.tc.gc.ca/CivilAviation/LevelsOfService.htm	N/A

		Table K – Reporting Template for External Charging Information						
Name of Fee Activity	**Fee Type**	**Fee Setting Authority (e.g., Legislative, Regulatory)**	**2002-03 Actual Revenue ($000)**	**Estimated Full Cost to provide good or service ($000)**	**Consultation and Analysis**	**Service Standard**	**Performance Results**
Aviation Safety — Training	Sales of goods and information products	Civil Aviation Directive #3	104	N/A	Website www.tc.gc.ca/civilaviation/training/Courses/menu.htm	Canadian Aviation Directive #35	N/A
Aviation Safety — Inspections Cost Recovery	Services of a regulatory nature	Canadian Aviation Regulations 104 and Civil Aviation Directive #3	2,113	N/A	Gazette and Website www.tc.gc.ca/CivilAviation/directives/dir3.htm	Canadian Aviation Directive #35	N/A
Aircraft Services — Flight Training Services	Services of a non-regulatory nature	Ministerial contracting authority	2,123	N/A	According to Procurement and Materiel Management Contracting Guidelines	Service described in the contract	Service Standards, when available have either been met globally or on an individual basis.

Table K – Reporting Template for External Charging Information							
Name of Fee Activity	**Fee Type**	**Fee Setting Authority (e.g., Legislative, Regulatory)**	**2002-03 Actual Revenue ($000)**	**Estimated Full Cost to provide good or service ($000)**	**Consultation and Analysis**	**Service Standard**	**Performance Results**
Marine Safety — Fees for inspections, surveys, services, etc.	Services of a regulatory nature	Various regulations under the Canada Shipping Act including the *Board of Steamship Inspection Scale of Fees; Ships Registry and Licensing Fees Tariff; etc.* *For regulations and fees see:* *www.tc.gc.ca/acts-regulations/general/c/csa/menu.htm*	8,226	N/A	Consultations through the Canadian Marine Advisory Council (CMAC). Proposals and Regulatory Impact Analysis Statements (RIAS) are pre-published in Part I of the Canada Gazette with request for stakeholders to comment within specified time-frame of publication– minimum 30 days. Also follow-up letters where appropriate throughout the process – such as in reply to comments received; to inform industry of anticipated date of prepublication; and of Minister's/Governor in Council's decision on proposal.	Standards information at www.tc.gc.ca/marinesafety/NPD/Quality-Manual/menu.htm	N/A
Marine Safety — Inspections Cost Recovery	Services of a regulatory nature	Canada Shipping Act	57	N/A	N/A	N/A	N/A
Road Safety — Research and Development	Services of a non-regulatory nature	Research Agreements	632	N/A	N/A	N/A	N/A
Rail Safety — Inspection Fees	Services of a regulatory nature	Agreements	112	N/A	N/A	N/A	N/A

Table K – Reporting Template for External Charging Information							
Name of Fee Activity	**Fee Type**	**Fee Setting Authority (e.g., Legislative, Regulatory)**	**2002-03 Actual Revenue ($000)**	**Estimated Full Cost to provide good or service ($000)**	**Consultation and Analysis**	**Service Standard**	**Performance Results**
Research and Development	Services of a non-regulatory nature	User charges made under use of contracts	418	N/A	N/A	N/A	N/A
Policy							
Rentals	Lease and Use of Public Property	Federal Real Property Act	111	N/A	N/A	N/A	N/A
Air Services Forecasts	Services of a non-regulatory nature	Agreements	274	N/A	N/A	N/A	N/A
Departmental Administration							
Rentals	Lease and Use of Public Property	Federal Real Property Act	785	N/A	N/A	N/A	N/A
Sales	Sales of goods and information products	Financial Administration Act	97	N/A	N/A	N/A	N/A

Note: 2002-03 actual revenues include all sources of non-tax revenue from persons or organizations external to the federal government

Table L– Matériel Management

To ensure its readiness for the Financial Information Strategy (FIS), Transport Canada conducted a movable capital assets data review and physical count in 2001 to assess the completeness and validity of the department's assets inventory. The overall objective was to ensure that the opening balances for capital assets were as accurate as possible by the FIS implementation date of April 1, 2001.

The asset review and count consisted of the following actions:

- Reports were generated on the existing assets in the financial and material management system.
- A limited physical inventory was conducted to obtain assurance with respect to physical existence and ownership, including confirming the physical existence of high dollar value assets identified on the system-generated assets listing report.
- Where the limited verification produced a high error rate, a complete physical verification was conducted where required.

Since then, the asset inventory has been kept up to date. Acquisitions and disposals have been recorded, and random counts have been done on a cyclical basis.

The assessment was based on:

- 100 per cent physical verification of Transport Canada's operating fleet; and
- 100 per cent workbook review of all movable assets.

The department attained a high level of confidence based on the results of the assets data review, physical count and subsequent follow-ups.

Capital assets are all tracked in the departmental financial and materiel management system; none of these are identified as mission critical. As a result, no life cycle plan has been developed and no risk management assessments have been conducted.

5.0   Our Offices

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Index

T

W