



Canadian
Transportation
Agency

Office
des transports
du Canada

CANADIAN TRANSPORTATION AGENCY

Performance Report

**For the
period ending
March 31, 2006**

The Honourable Lawrence Cannon, P.C., M.P.
Minister of Transport, Infrastructure and Communities

Canada

Table of Contents

SECTION I – OVERVIEW

1.1 Chairman’s Message	1
1.2 Management Representation Statement	2
1.3 Summary Information	3
1.3.1 Raison d’être	3
1.3.2 Mandate and Mission	3
1.3.3 Strategic Outcome and Agency Spending	4
1.4 Overall Agency Performance	6
1.4.1 Operating Environment and Context	6
1.4.2 Narrative Summary of Performance	9
1.4.3 Key Partners	11

SECTION II – ANALYSIS OF PROGRAM

ACTIVITY BY STRATEGIC OUTCOME

2.1 Analysis by Program Activity	15
2.1.1 Financial Resources	15
2.2 Program Activity	15
2.3 Performance by Expected Results	16
2.3.1 Overall Report on Number and Timeliness of Agency Decisions Issued	16
2.3.2 Fair, Effective and Efficient Resolution of Federal Transportation Issues	18
2.3.3 Removal of Undue Obstacles for Persons with Disabilities from Federally-Regulated Transportation	23
2.3.4 Protection of the Economic and Other Interests of Transportation Users, Carriers and Other Affected Parties	26
2.4 Performance by Management Priorities	32
2.4.1 Addressing Agency Workload and Resources Challenges	32
2.4.2 Participating in the Process Under way to Amend Key Legislation and Implementing New or Modified Requirements that fall under the Agency’s Jurisdiction	34
2.4.3 Succession Planning	35

SECTION III – SUPPLEMENTARY INFORMATION

3.1 Organizational Information	39
3.2 Financial Performance Overview	39

SECTION IV – OTHER ITEMS OF INTEREST

4.1 Annual Reports	67
4.2 Contacts for Further Information	67
4.3 Legislation and Regulations Administered	68
4.4 Canadian Transportation Agency Results Chain	70

SECTION I – OVERVIEW

1.1 Chairman's Message

I am pleased to present this report on the Canadian Transportation Agency's performance for the period ending March 31, 2006. This Departmental Performance Report demonstrates the contribution of the Canadian Transportation Agency to a regulatory environment that is fair, transparent and results in a viable and accessible transportation system for all Canadians. The report also presents the operating context of the organization and challenges and achievements in resolving disputes, aligning resources in accordance with shifts in workload, responding to legislative change and succession planning.

The transportation industry has evolved into one of the most dynamic sectors of the economy. With that evolution has come a greater emphasis on responsiveness, both for the players in the industry and for its regulator. As the economic regulator of the federal transportation sector, the Agency is required to respond to issues that arise between participants in that sector. This past year, the Agency rendered decisions on questions that were increasingly complex and touched upon all areas of its mandate in air, rail and marine transportation.

In addition to responding to issues faced by participants in the transportation sector, the Agency has focussed its attention on being responsive. It works pro-actively with transportation providers to ensure that the services they provide are accessible to persons with disabilities. This interaction is helping to avoid accessibility problems and eliminate obstacles to the mobility of persons with disabilities before they arise. When problems do arise, the Agency offers the option of mediation as an alternative to its formal processes in order to assist parties in resolving disputes faster and in a less resource intense manner. During the past year, the Agency's mediation service has had a high success rate in resolving disputes between shippers, travellers and service providers.

An organization cannot claim to be responsive by simply addressing issues raised by its stakeholders. It also needs to resolve issues as efficiently as possible. To that end, the Agency has implemented several important measures to improve its efficiency and has established a management priority to improve its dispute resolution system.

As transportation plays an increasingly important role in our economy and in our everyday lives, the Canadian Transportation Agency will continue to respond to its environment and achieve its mission to administer transportation legislation and government policies to help achieve an efficient and accessible transportation system.

Gilles Dufault
A/Chairman

1.2 Management Representation Statement

I submit for tabling in Parliament, the 2005-2006 Departmental Performance Report for the Canadian Transportation Agency.

This report has been prepared based on the reporting principles contained in the *Guide for the preparation of Part III of the 2005-2006 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's approved Program Activity Architecture structure as reflected in its Management, Resources and Results Structure;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Gilles Dufault
A/Chairman
September 15, 2006

1.3 Summary Information

1.3.1 Raison d'être

The Canadian Transportation Agency is responsible for the economic regulation of air, rail and marine transportation in Canada. It is an independent, quasi-judicial, administrative tribunal that makes decisions about these modes of transport. In its administration of the Government of Canada's transportation legislation and policies, the Agency helps ensure that the federal transportation system is efficient and accessible for the benefit of all Canadians.

1.3.2 Mandate and Mission

The Agency performs the functions vested in it by the *Canada Transportation Act* and related legislation (refer to section 4.3 for a list of legislation and regulations that the Agency administers in whole or in part). The Agency licenses air and rail carriers, resolves transportation rate and service disputes, handles complaints, issues Codes of Practice and makes regulations when necessary. It also has the authority to order the removal of undue obstacles to the mobility of persons with disabilities who use the federally-regulated transportation network. As Canada's designated aeronautical authority, the Agency is also directly responsible for the economic regulation of international air transport to and from Canada. The Agency has all the powers, rights and privileges of a Superior Court to exercise its jurisdiction and to issue decisions and orders.

Our mission is to administer transportation legislation and government policies to help achieve an efficient and accessible transportation system by education, consultation and essential regulation.

Education and consultation are integral to the Agency's effectiveness in carrying out its mandate. The Agency works closely with those who use and provide transportation services in Canada and others directly affected by them. It helps travellers, shippers, carriers, municipalities and others to fully understand not only their rights and obligations under the *Canada Transportation Act*, but also the Agency's roles and responsibilities. When appropriate, the Agency encourages parties to resolve disputes informally before issues escalate and affect the efficient functioning of the transportation system. The Agency consults as widely as possible on issues that are important to the transportation industry. By remaining open and by listening to all affected parties, the Agency strives to ensure that its decisions are both responsive and responsible.

More information about the Agency can be found on its Web site at www.cta.gc.ca. More specifically, information about the Agency's structure, its mission, its values and how it operates can be found at www.cta.gc.ca/about-nous/index_e.html.

1.3.3 Strategic Outcome and Agency Spending

The Agency's performance and financial tables presented in this report were prepared on the basis of a single program activity, the economic regulation of the federal transportation system, focussed on realizing one strategic outcome:

Strategic Outcome

A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system.

The resources used in working towards achieving this outcome for fiscal year 2005-2006 are summarized in the following tables:

Total Financial Resources (thousands of dollars)

Planned	Authorities	Actual
24,363	28,511	27,633

Total Human Resources (full-time equivalents/FTE)

Planned	Actual	Difference
257	269	12

Agency Priorities (thousands of dollars)

Program Activity: The economic regulation of the federal transportation system Strategic outcome: A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system Alignment to Government of Canada Outcomes: Economic Sector – A fair and secure marketplace		2005-2006	
		Planned Spending	Actual Spending
		24,363	27,633
Results of ongoing activities:			
Result 1. Fair, effective and efficient resolution of federal transportation issues	Partially attained and ongoing (section 2.3.2)	24,170	27,352
Result 2. Removal of undue obstacles for persons with disabilities from federally-regulated transportation	Attained and ongoing (section 2.3.3)		
Result 3. Protection of the economic and other interests of transportation users, carriers and other affected parties	Attained and ongoing (section 2.3.4)		
Management priorities: *			
Priority 1. Addressing Agency workload and resources challenges	Partially attained and on-going (section 2.4.1)	94	101
Priority 2. Participating in the process underway to amend key legislation and implementing new or modified requirements that fall under the Agency's jurisdiction	Partially attained and on-going (section 2.4.2)	35	25
Priority 3. Succession planning	Partially attained and on-going (section 2.4.3)	64	155

* Spending by priority only includes incremental operating expenses that are directly related to the identified management priorities. In addition to these expenses, the organization devoted time and effort for which the cost is included under "Results of ongoing activities".

Spending and contribution to results by program area

Program areas	Spending (\$000's) 2005-2006	Fair, effective and efficient resolution of federal transportation issues	Removal of undue obstacles from federally-regulated transportation for persons with disabilities	Protection of economic and other interests of transportation users, carriers and other affected parties
Air Transportation	7,100 (85 FTEs)	√		√
Rail Transportation	5,036 (50 FTEs)	√		√
Marine Transportation	797 (8 FTEs)	√		√
Accessible Transportation	2,114 (18 FTEs)		√	
Members and Regulatory Support	5,579 (43 FTEs)	√	√	√
Corporate Services	7,007 (65 FTEs)	√	√	√
Total	27,633 (269 FTEs)			

1.4 Overall Agency Performance

1.4.1 Operating Environment and Context

The Agency's program is funded by Parliament through an operating expenditures vote. It operates within the context of the very large and complex Canadian transportation system (for details, refer to Transport Canada's Web site at www.tc.gc.ca).

The strategic outcome that the Agency pursues is directly aligned with one of the broader Government of Canada outcomes of assuring *A Fair and Secure Marketplace* as reported in *Canada's Performance*. It also helps improve the quality of life of all Canadians because an efficient and accessible transportation system benefits everyone.

As an independent, quasi-judicial tribunal, the Agency makes decisions on a wide range of matters involving federally-regulated modes of transportation (air, rail and marine). Most of the Agency's activities and workload are generated by demand from users and operators of the federal transportation system. The tribunal's decisions are rendered by Agency Members who are appointed by the Governor in Council. This includes the Chairman, who also acts as the Chief Executive Officer, and the Vice-Chairman, who are both members of the Executive Committee. The Agency's tribunal

decision-making process is governed by its General Rules, entrenching the rules of fairness, which ensure that all parties to a complaint or an application are dealt with fairly and equitably. More information about this process can be found at www.cta.gc.ca/about-nous/decision_process_e.html.

During 2005-2006, a number of factors have influenced the delivery of the Agency's activities and services, notably:

Legislative changes

In 2000 and 2001, the Canada Transportation Act Review Panel conducted a statutory review of the *Canada Transportation Act*. In 2001, the Minister of Transport initiated a Blueprint exercise to establish a framework for transportation policy for the future.

As a result of these two initiatives, Bill C-26, an act to amend the *Canada Transportation Act*, was introduced but not passed by Parliament in February 2003. On March 24, 2005, Bill C-44, an act to amend the *Canada Transportation Act* and to make consequential amendments to other acts was introduced in Parliament. The Bill did not receive Royal Assent before the election in November 2005. A revised proposal, Bill C-11, was introduced in Parliament in early 2006-2007.

Complaint backlog due to Court-ordered Stay on matters affecting Air Canada

Air Canada operated under court protection from its creditors from April 1, 2003 until September 30, 2004. Because of a Stay Order imposed by the Ontario Superior Court of Justice, the Agency could not process accessibility and other complaints against Air Canada during fiscal year 2003-2004 and the first half of 2004-2005. Within this period, the Agency agreed that a reduced volume of outstanding complaints (affected complaints) should eventually be considered.

Late in 2004, Air Canada filed a submission with the Agency stating its position that all affected complaints that pertain to incidents that occurred on or before April 1, 2003, were extinguished when the Stay Order was lifted by the Court and the complaints should no longer be addressed by the Agency.

The Agency disagreed with Air Canada's position and, in January 2005, indicated it had taken action to have the issue resolved by the Ontario Superior Court as expeditiously as possible, by seeking an interpretation of the Sanction Order as to whether the affected applications are extinguished, as argued by Air Canada. In the meantime, Air Canada requested that the Agency stay all affected applications pending the outcome of this matter, which the Agency granted given its intention to seek an interpretation of the Sanction Order.

The Agency subsequently determined the best way to deal with the affected applications was to proceed with its consideration of the applications and withdrew its

motion before the Ontario Superior Court on June 30, 2005. Consequently, the Agency lifted the stay of all of the affected applications previously put on hold.

Rail Policy Initiatives

Agency staff continued to assist Transport Canada in assessing the implications of government policy initiatives and proposed legislative amendments by providing, on request, information or studies on matters within the Agency's areas of expertise. For example, early in 2005 the Canadian Government announced it would open negotiations with the Farmer Rail Car Coalition (FRCC), a group of western grain producers, concerning the possible transfer of the federal hopper car fleet to the coalition.

In June, Transport Canada asked Agency staff to develop a methodology to be used to adjust the railway revenue caps in the event the Government transferred the fleet to the FRCC. Following extensive consultations with western grain participants in the fall of 2005, the Agency submitted its report to Transport Canada, providing for the removal of hopper car maintenance costs to be embedded in the revenue caps at the time of the fleet transfer. It also provided for the inclusion of lease costs to be incurred by the railways in a subsequent deal with the FRCC.

Expenditure Review

The Agency's reductions under the Expenditure Review exercise relate to the Air Travel Complaints program, which has been funded on a temporary basis through annual transfers from Transport Canada since the program's introduction in July 2000. With the proposed elimination of the Office of the Air Travel Complaints Commissioner under Bill C-44 and, more recently, Bill C-11, Transport Canada began phasing out its transfer to the Agency as part of its expenditure review commitments. However, the Agency would retain the mandate for the program itself. As a result, the Agency must absorb reductions of approximately \$2,645,000 over the three-year implementation horizon which began in 2005-2006.

To implement the first year's reduction commitment, the position of Air Travel Complaints Commissioner and its office staff have remained vacant. In addition, the Agency closed a satellite office to reduce space requirements and accommodation costs.

The Agency continues to focus significant effort on identifying ways to absorb the considerable reductions in future years, despite its ongoing and increasingly complex workload. This is addressed under a key management priority: to address the Agency workload and resource issues (further discussed under section 2.4.1).

Human Resources Management Reform

The implementation of the *Public Service Modernization Act* (PSMA) and related reforms was a significant undertaking for all organizations and for functional specialists

in human resources. The challenge for small departments and agencies was particularly daunting given the very limited resources available to effect significant change, while maintaining ongoing human resource management and operations.

Despite the challenge, the Agency met the readiness requirements for implementation of the legislative provisions, particularly in relation to:

- the implementation of the new *Public Service Employment Act* by December 31, 2005;
- the implementation of the new *Public Service Labour Relations Act* and modifications to the *Financial Administration Act* by March 31, 2005; and
- the related reform initiatives supporting PSMA implementation, including the requirement for an integrated business and human resources planning process.

1.4.2 Narrative Summary of Performance

Like other government bodies mandated to administer laws, the Agency's priorities and the actions it can take are dictated to a large degree by its statutes. During 2005-2006, the Agency's activities continued to be focussed on the attainment of one strategic outcome:

A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system.

The Agency continued to be committed to the attainment of this strategic outcome through the delivery of its ongoing activities which are focussed on:

- the fair, effective and efficient resolution of federal transportation issues;
- the removal of undue obstacles for persons with disabilities from federally-regulated transportation; and
- the protection of the economic and other interests of the federal transportation users, carriers and other affected parties.

Below is a brief summary of the Agency's achievements:

Overall report on number and timeliness of Agency decisions issued (refer to section 2.3.1 for detailed discussion) and the **fair, effective and efficient resolution of federal transportation issues** (refer to section 2.3.2 for detailed discussion)

- more than 3,200 Agency rulings were issued;
- the average processing times of charter permits and coasting trade applications were 10 and 12 days respectively;
- resolution of complaints within the 120-day statutory deadline continued to be a significant challenge, but measures will be put in place starting in 2006-2007 to improve service levels; and

- in addition to formal decisions, many transportation complaints affecting air, rail and marine transportation were resolved through mediation and informal facilitation by Agency staff.

The removal of undue obstacles for persons with disabilities from federally-regulated transportation (refer to section 2.3.3 for detailed discussion)

- the Agency required transportation service providers to take corrective measures regarding 33 undue obstacles to the mobility of persons with disabilities;
- forty-eight accessibility complaints were resolved through mediation and formal rulings;
- important accessibility complaints were investigated; and
- accessible transportation and uniform service standards for Canadians with disabilities travelling within Canada and abroad were promoted, and assistance was provided to facilitate their implementation.

The protection of the economic and other interests of the federal transportation users, carriers and other affected parties (refer to section 2.3.4 for detailed discussion)

- the review of compliance with the air licensing requirements resulted in 1,431 air licensing applications being processed, including applications for new licences as well as suspensions, cancellations and reinstatements;
- 1,730 charter permits were issued;
- negotiations for new or amended bilateral air agreements were held with eight countries;
- investigations into suspected illegal air operations identified 14 contraventions;
- upon assessment that adequate liability insurance was in place, one new railway company received a certificate of fitness while two other rail certificates were amended;
- after having assessed its environmental impact, one railway construction project was allowed to proceed, and 15 other projects continued to be monitored for their potential effect on the environment;
- the Agency determined that the Canadian National Railway Company exceeded its revenue entitlements under the revenue cap regime for Western grain and ordered the carrier to pay a penalty of \$124,650 to the Western Grains Research Foundation;
- the Agency's expertise in rail transportation matters was provided to Transport Canada to deal with complex transportation issues; and
- the interests of the Canadian marine industry were protected in the consideration of 100 coasting trade applications.

During 2005-2006, the Agency also pursued three management priorities:

- addressing Agency workload and resources challenges;

- participating in the process under way to amend key legislation and implementing new or modified requirements that fall under the Agency's jurisdiction; and
- succession planning.

Below is a brief summary outlining the Agency's achievements in meeting these priorities.

Addressing Agency workload and resources challenges (refer to section 2.4.1 for detailed discussion)

- work processes were improved;
- better performance information was developed and used to decide on priorities;
- operational planning and resource allocation processes were better integrated; and
- the first year reductions from the government expenditure review exercise were implemented.

Participating in the process under way to amend key legislation and implementing new or modified requirements that fall under the Agency's jurisdiction (refer to section 2.4.2 for detailed discussion)

- assistance was provided to Transport Canada to develop legislative proposals; and
- while Bill C-44 had not passed before Parliament was prorogued for the 2005 election, new legislative processes are under way to reintroduce most of the provisions under the new government.

Succession planning (refer to section 2.4.3 for detailed discussion)

- candidates in the Management Development Assignment Program were provided with leadership and priority language training;
- an in-house language training program was put in place to strengthen second language skills to support career advancement; and
- the integrated human resource planning strategy was improved.

1.4.3 Key Partners

The Agency is one of many players involved in transportation and maintains close ties with its various co-delivery partners, primarily Transport Canada, Foreign Affairs and International Trade Canada, the Canada Border Services Agency and the Canadian Human Rights Commission. Refer to the Agency's Web site for details on these relationships at: www.cta.gc.ca/about-nous/partners_e.html.

**SECTION II – ANALYSIS OF PROGRAM
ACTIVITY BY STRATEGIC OUTCOME**

2.1 Analysis by Program Activity

The Canadian Transportation Agency's program activity architecture reflects the pursuit of **one strategic outcome**:

A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system.

The architecture contains **one program activity**:

The economic regulation of the federal transportation system.

2.1.1 Financial Resources (thousands of dollars)

	2005-2006		
	Planned Spending	Total Authorities	Actual Spending
Air Transportation	5,200	7,200	7,100
Rail Transportation	4,646	5,170	5,036
Marine Transportation	843	915	797
Accessible Transportation	1,799	1,972	2,114
Members and regulatory support	5,537	5,709	5,579
Corporate Services	6,338	7,545	7,007
Total Program Activity	24,363	28,511	27,633

2.2 Program Activity

The Agency manages the economic regulation of air, rail and marine transportation through the administration of laws, regulations, voluntary Codes of Practice, educational and outreach programs and through the resolution of disputes. As an independent quasi-judicial administrative tribunal reporting to the Parliament of Canada through the Minister of Transport, Infrastructure and Communities, the Agency makes its decisions independently, on a wide range of matters affecting Canadian transportation.

All decisions on matters before the Agency, whether they relate to air, rail, marine or accessible transportation matters, are made by Agency members appointed by the Governor in Council.

2.3 Performance by Expected Results

The three results expected from the Agency's ongoing activities are:

1. The fair, effective and efficient resolution of federal transportation issues.
2. The removal of undue obstacles for persons with disabilities from federally-regulated transportation.
3. The protection of the economic and other interests of transportation users, carriers and other affected parties.

The "Accessible Transportation" sub-activity contributes to one expected result: "The removal of undue obstacles for persons with disabilities from federally-regulated transportation". The Air, Rail and Marine Transportation sub-activities each support the other two expected results. The "Members and regulatory support" sub-activity contributes to all three expected results.

All three expected results directly contribute to the Agency's ongoing business priority to deliver its mandate, the key element of which is to make sound decisions within the time frames established in the legislation on issues and disputes affecting the transportation system and on matters specified in the legislation under the Agency's responsibility.

To do so, the Agency applies a decision-making process that is governed by the rules of fairness and the legislation, regulations and legal principles applicable to the case. The Agency also ensures that Agency members and staff maintain a high level of expertise in the transportation field and keep abreast of the constant evolution of the industry and its players. More information on the process can be obtained from the Agency's Web site at www.cta.gc.ca/about-nous/decision_process_e.html.

Where possible, the Agency offers facilitation and mediation as alternatives to its formal process. These alternatives allow parties to resolve their issues in an informal manner that is simple, rapid, less litigious and less costly than the Agency's traditional hearing process. The mediator and the disputing parties work together to develop solutions and produce collaborative outcomes resulting in better understanding between the parties and in agreements that inspire high levels of satisfaction and commitment.

2.3.1 Overall Report on Number and Timeliness of Agency Decisions Issued

This section provides an overall report on decisions rendered during 2005-2006. The following sections provide more details regarding decisions and other Agency activities that contributed to the three results expected from the Agency's ongoing activities.

Agency decisions cover a wide range of issues affecting all modes of transportation in the federal transportation network: air, rail and marine. During 2005-2006, the Agency issued a total of 3,238 rulings (3,381 in 2004-2005), made up of 1,730 decisions granting charter permits, 779 formal decisions, 669 orders, and 60 final letter decisions. The Agency also issued 380 interim decisions. All formal decisions and orders are posted on the Agency's Web site at www.cta.gc.ca/rulings-decisions/index_e.html. In addition, the Agency's Annual Report describes key decisions that were issued in 2005. It can be found on the Web site at www.cta.gc.ca/publications/ann-rpt/2005/index_e.html.

The *Canada Transportation Act* specifies that the Agency must issue a decision within 120 days of receipt of an application or complaint. However, the legislation anticipates that more complex cases may require more time to consider and provides for an extension if the parties agree. The Agency monitors performance through a comprehensive case management system that provides information on all applications received and processed, including the number, type and processing times (i.e. the time between receiving an application and rendering an Agency decision). The processing time of cases varies depending on the nature and complexity of the matters raised, the number and interests of parties involved, and the amount of evidence to be analysed.

To meet the needs of the transportation industry, the Agency renders most of its decisions within very short time frames. For example, the Agency deals expeditiously with many applications for air charter permits – often within a few hours of receipt of the application – and offers a 24-hour telephone service to deal with urgent cases outside normal business hours. Similarly, many urgent coasting trade applications are handled within a few days of receipt. During 2005-2006, the Agency processed air charter permit applications on average within 10 days of receipt and coasting trade applications within 12 days.

For matters other than air charter permits, during 2005-2006 the Agency rendered its decisions on average within 121 days of receipt of the application or complaint (compared to 127 days in 2004-2005).

The resolution of transportation complaints within the 120-day deadline continued to be a significant challenge for the Agency. While the parties often request and agree to extend the deadline, as provided for in the legislation, the Agency is committed to improve the time-lines with which it resolves disputes. As such, as reported in its 2006-2007 Report on Plans and Priorities, the Agency will seek ways to improve its dispute resolution system. During 2006-2007, the Agency will undertake a thorough analysis and develop a plan to improve its service levels including:

- establishing baseline data;
- identifying changes that can be made to improve the time-lines to resolve disputes both informally (through facilitation and mediation) and formally (through quasi-judicial decisions); and

- identifying performance targets for upcoming years and developing and implementing a plan to attain them.

The Agency's progress in developing and implementing this plan will be reported in future Performance Reports.

2.3.2 Fair, Effective and Efficient Resolution of Federal Transportation Issues

Part of the Agency's mandate is to resolve transportation issues affecting all modes of transportation under the federal transportation network: air, rail and marine transportation. It does so either by investigating and making formal tribunal decisions on complaints and ordering corrective measures as required, or by assisting parties in resolving their issues through mediation or other alternative dispute resolution processes. Issues addressed by the Agency include:

Air Transportation

- complaints related to carriers' application of their tariff provisions and on prices applied by air carriers on non-competitive routes within Canada (to ensure that air carriers licensed to operate in Canada meet the legislative requirements in place to protect Canadians); and
- appeals of increases in air navigational charges imposed by NAV CANADA (to ensure that principles used to establish the charges are in compliance with the legislation).

Rail Transportation

- disputes between shippers and rail carriers regarding issues such as: interswitching, competitive or single line rates; joint rates; running rights; joint track usage; level of service; and
- disputes between railway companies and municipalities, road authorities, landowners and others that interact with them.

Marine Transportation

- complaints about user fees charged by Canadian port authorities and the St. Lawrence Seaway Management Corporation (to determine if they are unjustly discriminatory);
- opposition to proposed pilotage charges (to determine whether the pilotage authority has based its fees to continue operations on a self-sustaining financial basis, and if the proposed user charges are fair, reasonable and in the public interest); and
- complaints about agreements between shipping conferences or actions by a member of a cartel of shipping lines (to ensure that no such agreement or action reduces competition or results in an unreasonable increase in price or reduction in service).

a) Air Transportation

Air carriers operating publicly available air services in Canada are required to publish a tariff, setting out their terms and conditions of carriage, fares, rates and charges. These tariffs must be made available to the public on request. With certain exceptions, tariffs for international services to and from Canada must be filed with the Agency.

Most complaints received by the Agency from individuals centre on whether an air carrier has properly applied its tariff. If the Agency finds that it did not, the Agency can order the carrier to properly apply its tariff and to reimburse out of pocket expenses that the passenger may have incurred due to the incident. While a few of these complaints are resolved using the quasi-judicial process, the large majority are addressed using an informal process where Agency staff who investigate the complaints determine their validity and, where appropriate, negotiate settlements between carriers and complainants. This process was instituted in 2000 with the creation of the Air Travel Complaints Commissioner position. The government announced, in early 2005, its intention to eliminate the Office of the Air Travel Complaints Commissioner while retaining the Air Travel Complaints Program. During fiscal year 2005-2006, 560 cases were closed (740 in 2004-2005) using this informal process.

The Agency also deals with complaints related to whether a tariff is just and reasonable. In such cases, if the Agency determines that a particular provision of a tariff is either unjust or unreasonable, it may order the carrier to amend its tariff. No compensation is payable under such circumstances.

A key decision issued in June 2005 related to a tariff complaint against Lufthansa German Airlines. The Agency concluded that the carrier had failed to comply with its tariff by refusing to provide refunds for tickets purchased through a travel agency, which unexpectedly closed its business. The Agency found that the tickets held by the complainant were valid and that an overriding consideration in the case was an air carrier's obligation to oversee and control the sale of its tickets, and to ensure that persons purchasing tickets in good faith not be penalized because of the failure by the carrier to properly manage its ticket distribution network. As a result, it directed Lufthansa to refund the tickets. Lufthansa has subsequently appealed this decision to the Federal Court of Appeal, where it is currently pending. This decision is available on the Agency's Web site at www.cta.gc.ca/rulings-decisions/decisions/2005/A/C/388-C-A-2005_e.html.

The Agency is also responsible for formal investigations into complaints against a carrier that a fare or a cargo rate published or offered in respect of a route on which there is little or no competition is unreasonable. The Agency issued decisions in three such complaints in 2005-2006.

The Agency reviews appeals of new or revised charges for air navigation services implemented by NAV CANADA. Appeals can only be filed if it is established that NAV CANADA does not observe the statutory notice, announcement requirements, and/or the

charging principles set out in the *Civil Air Navigation Services Commercialization Act*. During 2005-2006, the Agency did not receive any appeals.

b) Rail Transportation

With respect to rail transportation, some of the provisions of the *Canada Transportation Act* administered by the Agency are intended to ensure that shippers have access to alternative railways, an adequate level of service and reasonable rates. The Agency can consider applications or complaints related to interswitching, competitive or single line rates, joint rates, running rights and level of service. During the year, the Agency dismissed one level of service complaint arising from equipment unloading procedures and received three others. The new applications under consideration by the Agency at year-end include issues such as the refusal to provide rail service, the possible elimination of trackage to a shipper's facility and difficulties in obtaining rail cars.

Shippers are also protected through access to a final offer arbitration process administered by the Agency. Final offer arbitration is a confidential method of settling a matter through an independent arbitrator. During the fiscal period, the Agency administered four final offer arbitrations. One appeal to the Federal Court of Appeal on an arbitration matter was discontinued while another was pending at year end.

The Agency also has a mandate to resolve disputes between railways and other parties. During fiscal year 2005-2006, the Agency resolved seven formal and numerous informal disputes between railways and municipalities, road authorities, utility companies, landowners and private citizens. Issues under dispute included apportionment of costs for grade separations and for grade crossing protective devices, rights to private crossings, terms and conditions of utility crossings and the designation of railway track for the purpose of transfer or discontinuance. This function ensures a balance between parties of varying economic stature, allows for judicial remedies where parties of different jurisdictions may be in conflict and provides a lower-cost, more efficient process to resolve disputes than potentially lengthy and costly court proceedings. A successful appeal to the Federal Court of Appeal during the year further defined the Agency's jurisdiction relative to private crossings.

The Agency further assisted parties by initiating a full review to update the *Guide to Railway Charges for Crossing Maintenance and Construction*. The Agency maintains this guide, which sets a nation-wide rate structure for work performed by railway companies for crossings and similar projects. The guide serves to reduce or eliminate disputes involving invoicing matters between Canadian municipalities or road authorities and railways, while reducing the administrative burden on the parties. Consultations were undertaken during the year with Canadian National Railway Company (CN) and Canadian Pacific Railway Company (CP) to ensure that the upcoming revision to the guide (expected in mid-2006) will incorporate the most accurate, up-to-date railway costing and operational information.

c) Marine Transportation

Pursuant to the *Canada Marine Act*, the Agency may investigate complaints about fees set by the port authorities, which manage operations at major ports across the country. Also under this act, the Agency may investigate complaints regarding tolls set by the St. Lawrence Seaway Management Corporation and the Federal Bridge Corporation.

In June 2005 for example, Adventure Tours Inc., a tour boat operator, filed a complaint against the St. John's Port Authority that the per-passenger fee charged to tour boat operators was unjustly discriminatory, unfair and posed undue hardship. In October, 2005 the Agency concluded by majority decision, that there was no unjust discrimination and dismissed the complaint.

In October 2005, the Agency received the first of 53 complaints filed by individuals and companies against the Nanaimo Port Authority in British Columbia. The complaints alleged that the port authority had instituted an unjustly discriminatory per-passenger fee. At year end, the Agency had informed the parties that it would conduct a hearing in Nanaimo in 2006 as part of its investigation. The Agency will issue its decision later in 2006.

Under the *Pilotage Act*, most ships entering or leaving major Canadian ports or traversing Canadian waterways must have a qualified Canadian marine pilot on board to navigate. Four pilotage authorities (Atlantic, Laurentian, Great Lakes and Pacific) are responsible for pilotage services in their respective regions and set the tariffs for these services. The Agency has the mandate, upon objection, to investigate whether any proposed tariff increase is in the public interest.

In March 2005, the Laurentian Pilotage Authority (LPA) published a proposed tariff increase with an effective date of July 1, 2005. Based on the evidence, the Agency was unable to conclude in its decision in the fall of 2005, that the proposed tariff increases were in the public interest. The Agency was informed at the end of November 2005, that the LPA had appealed the decision to the Governor in Council. Also in November, the LPA published a new tariff increase proposal. In this case, the Agency considered the objections filed by the Shipping Federation of Canada and a joint filing by the Canadian Shipowners Association and the Chamber of Maritime Commerce, and concluded in its decision in March 2006, that the proposed tariff was not prejudicial to the public interest and may be implemented.

Another proposal by the Great Lakes Pilotage Authority in November 2005, prompted an objection by the Shipping Federation of Canada which was later withdrawn, while another from the Great Lakes Pilotage Authority and one from the Atlantic Pilotage Authority were published in the *Canada Gazette* without objection.

Under the *Shipping Conferences Exemption Act*, a complaint may be filed with the Agency if a person believes that a conference agreement or an action by a member line

reduces competition and results in an unreasonable increase in price or a reduction in service. In July 2005, the complaint that had been filed by Pangea Logistics against a shipping conference in October 2004 was withdrawn, so the Agency closed the file on that case. No new complaints under this act were filed in 2005-2006.

d) Alternate Dispute Resolution

Since 2000, the Agency has offered mediation as an alternative to its formal complaint resolution process. Voluntary and informal, mediation is confidential and relatively non-confrontational, allowing disputing parties to understand other perspectives, identify facts, check assumptions, recognize common ground and test possible solutions. The process allows disputing parties to develop creative solutions that may not be available through formal adjudication.

In 2005-2006 mediation continued as a viable option, reaffirming the Agency's belief in voluntary dispute resolution as one of its core processes. A diverse range of accessible transportation issues, commercial disputes and infrastructure matters were referred to mediation. The number of new requests in 2005-2006 was 29, as compared to the six received in the program's inaugural year, 2000-2001. This was less, however, than the 44 requests received in 2004-2005 when the Stay Order involving Air Canada was lifted, activating an unprecedented number of complaint cases, including a number referred to mediation.

In addition to the 29 new requests in 2005-2006, there were 20 mediation cases carried over from the previous year:

- 13 cases were settled in pre-mediation discussions
- 17 cases went to mediation (20 in 2004-2005)
- 77 per cent (13 out of 17) resulted in a full settlement
- 9 cases did not proceed
- 10 cases were pending at year-end

Interest in mediation as a method of resolving disputes has grown among users and providers of transportation services. In fact, it is now considered the first alternative for dispute resolution by one of the country's largest rail carriers. The Agency found that an increasing number of service providers demonstrated a positive, cooperative and collaborative approach toward the program. The Agency will continue to encourage mediation for all transportation-related disputes in 2006-2007, with additional emphasis on accessible transportation.

Amendments to the *Canada Transportation Act* currently before Parliament will formally establish mediation as a dispute resolution process available to parties involved in a matter within the jurisdiction of the Agency. The amendments address such issues as

the appointment of the mediator; the effect of mediation on any proceedings before the Agency; the confidentiality of mediation; and the time limit of 60 days for completion of mediation.

2.3.3 Removal of Undue Obstacles for Persons with Disabilities from Federally-Regulated Transportation

The Agency contributes to improving access to the federal transportation system for persons with disabilities through the resolution of complaints, the development and implementation of Codes of Practice, guidelines and essential regulations, and through education. These measures benefit all Canadian travellers and, since the incidence of disability increases with age, the demand for accessible transportation will be even greater as Canada's population ages.

The Agency does this in two ways:

- on a **case-by-case** basis by resolving individual complaints formally and ordering remedial actions as required, or through mediation or other informal processes; and
- on a **systemic** basis by developing regulations, Codes of Practice and standards concerning the level of accessibility in all modes of transport under federal jurisdiction.

The case-by-case approach

When travellers with disabilities believe they have encountered an undue obstacle, they may contact the Agency for help. In cases where the parties do not agree to resolve the complaint through mediation or facilitation services, the Agency will investigate the complaint to determine if an obstacle exists and whether it is undue.

Through the years, the Agency has received several complex applications that raise significant issues which, due to their importance to the air industry and to persons with disabilities, have required the holding of oral hearings, including the gathering of expert evidence, and extensive analysis. This has included obesity-related issues, as well as allergies, both of which being "grey area" disabilities require a case-by-case analysis to assess whether a particular individual is a person with a disability in the context of the federal transportation network. The Agency is also involved in hearing proceedings in other complex cases which raise equally significant issues such as the cost for additional seating needed by persons with disabilities and matters involving medical oxygen on board aircraft. The hearing in the former case is scheduled to begin in November 2006. The Agency also intends to hold a hearing in 2007 to hear and test evidence of undueness regarding the obstacles faced by persons requiring medical oxygen to travel. The Agency decisions in these matters can be significant for both the air industry and the community of persons with disabilities.

In addition to addressing these complex issues, the Agency received 50 new complaints last year involving travellers with disabilities (50 in 2004-2005) as well as two requests for a review of the Agency's previous decisions. Of the 69 complaints closed during the year, which included some cases outstanding from the previous year, 26 were closed through the issuance of an Agency ruling, 22 were settled through mediation, and eight complaints were withdrawn as a result of facilitation by Agency staff. The other complaints were closed either because the applicant failed to provide information necessary to complete the application, the matter was outside the Agency's jurisdiction or the complaint was withdrawn. In addition, the Agency acted as facilitator in six cases to resolve matters prior to travel, thus avoiding potential complaints.

From time to time, the Agency receives comments about its services from transportation providers and users. After the Agency issued a ruling on an accessibility complaint the complainant wrote: "... I believe the Agency conducted itself in a very professional manner from day one and had it not ruled in my favour, I believe too that I would have accepted its decision because of the fairness with which it weighted its arguments ... It feels so good to know that, given the evidence, someone cared to listen."

Approximately 48 per cent of the issues that were found to constitute undue obstacles involved services (e.g. assistance in boarding/disembarking and related to mobility aids) and 11 per cent involved the communication of information (e.g. TTY and signage). The remainder of the issues included seating, personnel training and condition of acceptance of travel. In order to address these undue obstacles, the Agency ordered 33 corrective measures including: changing/developing policies and procedures; following up with personnel; amending a training program or tariff provisions; and modifying equipment.

In response to several complaints regarding TTY services (telephone-teletype device for persons who are deaf or hard of hearing) provided by foreign air carriers and ferry operators, the Agency determined that the lack of TTY services constituted undue obstacles and required the foreign air carriers and ferry operators to install a TTY and include the TTY number in all publications, advertisements and on Web sites. The Agency found that although telecommunication relay services, which involve the use of a telephone operator, provide a method for persons who are deaf or hard of hearing to communicate with all others, they do not provide an independent means of communication nor do they afford users any privacy in their conversations.

The Agency also received complaints against Air Canada regarding the lack of wheelchair assistance provided at airports in Canada. In two cases, electric cart assistance was offered as an alternative. However, the Agency found that carriers cannot assume that transportation by cart within the terminal will be adequate for all persons with disabilities who require wheelchair assistance. The Agency found undue obstacles and required, among other matters, changes to policies.

In 2005-2006, the Federal Court of Appeal rendered two judgments on appeals of Accessibility decisions filed in the previous year, both of which were granted. One of the appeals that was allowed by the Court during that period, regarding VIA Rail's meal distribution policy, has since been referred to the Supreme Court of Canada. As well, shortly after year end, the Supreme Court of Canada heard an appeal of the Federal Court of Appeal judgment relating to VIA Rail's renaissance cars. The Supreme Court has not rendered its judgment in that matter yet.

More information can be found in the Annual Report for 2005, available on the Agency's Web site at www.cta.gc.ca/publications/ann-rpt/2005/index_e.html.

The systemic approach

In a shift from the regulatory regime to that of voluntary compliance, the Agency has developed Codes of Practice to make public transportation via air, rail and ferry more accessible for persons with disabilities. These codes were developed in consultation with associations of and for persons with disabilities, seniors, manufacturers, carriers and service providers. They are available on the Agency's Web site at www.cta.gc.ca/access/codes/index_e.html.

To assess the level of industry compliance with the Agency's Codes of Practice, the Agency periodically conducts surveys. Carriers and terminal operators provide written reports on their measures to meet the code requirements. This self-reporting is verified through on-site visits by Agency investigators. These provide transportation service providers with an opportunity to exchange information and obtain guidance that will help them implement accessibility improvements more quickly.

While no such surveys were completed in 2005-2006, the Agency met a number of transportation service providers to facilitate the implementation of the Communication Code, which was issued in June 2004. The Agency also issued a bulletin to those subject to the code about accessible design standards, telephone-teletype devices for the deaf and hard of hearing in public pay phone installations and training for accessible Web site design. The Agency assisted service providers in drafting their multiple format policies, as required by the code, to provide passengers with disabilities formats that complement or replace conventional print or video products.

In 2005-2006, the Agency continued its work on the development of a passenger terminal accessibility code applicable to the air, rail and ferry modes of transportation. The Agency visited six transportation terminals (one rail terminal, one ferry terminal and four airports) to identify best practices in barrier-free design to assist in developing a terminal accessibility standard. The Agency also consulted its Accessibility Advisory Committee on a first draft of the Terminal Accessibility Code in the fall of 2005. Work on this project will continue in 2006-2007. In addition to further consultations on this code, the Agency will develop an accompanying guide which will include practical

information to assist transportation service providers in implementing the new code. The code is expected to be released in June 2007.

As part of its outreach program, the Agency also undertakes liaison and monitoring activities that directly support its mandate to remove undue obstacles.

In 2005-2006, more than 50 training programs were examined as part of the Agency's enforcement work to ensure that carriers and terminal operators in the air, rail and ferry modes that are required to comply with the Agency's *Personnel Training for the Assistance of Persons with Disabilities Regulations* are doing so. This monitoring and the resulting changes ensure that the training provided to transportation service personnel is comprehensive and appropriate, thereby helping to prevent obstacles from occurring in the first place.

The Agency also monitors service providers' tariffs, public information (including that contained on Web sites), and procedural and flight manuals to ensure that these are consistent with the Agency's regulations regarding the carriage of persons with disabilities.

Education is an essential element of the Agency's outreach program, which is especially important when there are new entrants to the federal transportation network and when service providers introduce changes to the way they do business and as they respond to market force changes. Agency staff lend their expertise on a continuous basis to respond to requests for guidance from service providers as they prepare their policies, set their terms and conditions of carriage, design their training programs, and address specific problems faced by their passengers regarding accommodation. Agency staff also educate persons with disabilities about what they can expect as they access the transportation network and how best to prepare for their travel in order to avoid obstacles.

In 2005-2006, Agency staff resolved 14 cases where persons with disabilities expressed concerns with respect to future travel, by facilitating solutions directly with transportation service providers. These efforts often resulted in changes to service providers' policies and procedures to the larger benefit of all travellers with disabilities and to the benefit of the service providers themselves by providing practicable solutions, thereby avoiding complaints.

2.3.4 Protection of the Economic and Other Interests of Transportation Users, Carriers and Other Affected Parties

Although the Government's transportation policy favours competition and market forces, it also recognizes that certain measures are required to protect consumers, shippers and Canadian carriers and aircraft operators. As such, the Agency's activities include:

Air Transportation

- licensing air carriers that provide domestic or international publicly available air transportation services (to ensure that carriers hold liability insurance, a valid Canadian aviation document and that Canadian carriers are owned and controlled by Canadian citizens);
- administering a permit system for international charter operations (to protect international passenger charter flight advance payments); and
- participating in bilateral air transport negotiations and implementing agreements and arrangements (to ensure that bilateral agreements are implemented fairly, balancing the interests of all parties).

Rail Transportation

- making an independent and fair assessment of the annual revenue caps for CN and CP for the movement of Western grain and determining if the railway companies have exceeded their revenue entitlement for the movement of Western grain;
- issuing rail certificates of fitness to federally-regulated rail carriers (to ensure that they hold adequate liability insurance); and
- assessing the environmental impacts of proposed railway construction projects and ordering corrective measures as required.

Marine Transportation

- determining if Canadian ships are available to operate commercial services proposed to be provided by foreign ships in Canadian waters (to ensure that no foreign ships will be allowed to operate commercial services in Canadian waters if a suitable Canadian ship is available to carry out the services).

a) Air Transportation

As the Canadian licensing authority for publicly available air services, the Agency licenses Canadian air carriers to transport passengers and cargo within Canada. It also licenses Canadian and foreign applicants to operate scheduled and non-scheduled (charter) international air services to and from Canada. A licence applicant must have adequate liability insurance and must hold a Canadian aviation document issued by Transport Canada. If an applicant proposes to operate commercial air services as a Canadian air carrier, it must prove that it is Canadian-owned and controlled. Also, if a Canadian applicant proposes to use medium-sized or large passenger aircraft, it must meet certain financial requirements. To maintain their licences, Canadian and foreign licence holders must file declarations attesting that they continue to have the qualifications necessary for the issuance of their licences.

During fiscal year 2005-2006, the Agency processed 1,431 air-licensing applications, which included applications for new licences, suspensions, cancellations and reinstatements.

In February 2006, the Agency issued a decision approving an application filed by Air Canada for a licence to operate a domestic service using all-cargo aircraft. The Agency issued this decision after addressing an allegation made by Cargojet Airways Ltd. (a Canadian licensed carrier) that Air Canada had offered and sold domestic all-cargo service in Canada before obtaining a licence for that service. The Agency found that Air Canada had sold, caused to be sold or publicly offered for sale in Canada, a domestic all-cargo service before obtaining a licence for that service. In this decision, the Agency considered the contraventions to be serious, reprimanded the carrier, and stated that it will take punitive action should any such contraventions occur in the future. Nevertheless, the Agency issued the licence as Air Canada met the requirements for licence issuance. This decision is available on the Agency's Web site at www.cta.gc.ca/rulings-decisions/decisions/2006/A/88-A-2006_e.html.

After examining the restructuring of WestJet Airlines' share capital, a company which wholly owns the air carrier WestJet, the Agency issued a decision finding that WestJet would continue to meet the Canadian ownership and control requirements as defined in the *Canada Transportation Act*. The Agency also reviewed the proposed corporate restructuring of the air carrier Jazz Air LP pursuant to which the air carrier would be held indirectly by Jazz Air Income Fund while ACE Aviation Holdings Inc. would hold the remaining majority interest of the outstanding units in the air carrier. In January 2006, the Agency determined that it was satisfied that the air carrier would be Canadian as defined in the *Canada Transportation Act*.

Charter permits are granted to Canadian carriers to transport Canadian-originating passengers and cargo to foreign countries, and to foreign carriers to transport passengers and cargo from Canada to their home country. In the case of international passenger charter flights originating in Canada, the Agency also ensures that advance payments are protected by way of a letter of credit or agreement of guarantee that requires the prompt refund of all advance payments received from tour operators and charterers should the air carrier fail to perform the flights. The Agency also receives applications from foreign carriers to transport passengers and cargo between Canada and countries other than their home country. In its review of these applications, the Agency balances the interests of Canadian travellers and shippers with the interests of affected Canadian carriers.

During 2005-2006, the Agency issued 1,730 charter permits and denied 37 permit requests.

The Agency helps to protect the interests of the travelling public, shippers and Canadian air carriers by ensuring that carriers abide by the terms and conditions of carriage, fares, rates and charges set out in their published tariffs; that proposed fares, rates, charges and terms and conditions of carriage are clear, just and reasonable and not unduly discriminatory; and that they are consistent with Canadian legislation and regulations, and with the relevant bilateral agreements.

The *Canada Transportation Act* requires air carriers to give notice of intention to discontinue or reduce domestic air services in certain circumstances. The Act also requires them to provide an opportunity for elected officials of the municipality or local government of the affected communities to meet and discuss with the air carrier the possible impact this may have. During fiscal year 2005-2006, the Agency handled five applications for reductions or exemptions to the notice requirements.

Detailed statistics and further information on licensing, charter and tariff activities can be found in the Agency's Annual Report for 2005 (refer to the Air Transportation chapter), which is available on its Web site at www.cta.gc.ca/publications/ann-rpt/2005/index_e.html.

As the Canadian aeronautical authority, the Agency participates in bilateral air negotiations, in cooperation with Foreign Affairs and International Trade Canada and Transport Canada. The Agency is also responsible for the timely implementation and administration of bilateral air agreements and arrangements to which Canada is a party. This can involve issuing scheduled international licences and helping air carriers maximize the benefits of negotiated air traffic rights, for example, by authorizing code share services. Successful negotiation and timely implementation of air agreements and arrangements contribute to the development of efficient, competitive and economic air services for shippers and travellers and enable Canadian air carriers to compete internationally under fair and reasonable terms.

During fiscal year 2005-2006, Canada had 73 bilateral air agreements and arrangements, which provide the legal basis for regulating international air services with other governments and establish traffic rights for each country. During the year, Agency staff participated in eight negotiations with eight different countries and territories as well as one informal consultation meeting. In addition to issuing 31 new scheduled international licences, the Agency addressed 135 applications relating to bilateral air agreements and arrangements involving such matters as code sharing, leasing of aircraft with flight crews and extra-bilateral authorities.

To ensure regulatory compliance with Canadian law, Agency enforcement staff located in field offices in six cities across Canada conduct periodic inspections of Canadian-based licensees and of passenger terminals that fall under the Agency's purview. Staff members also investigate allegations that companies and individuals are operating in contravention of the *Canada Transportation Act* and related regulations. Sanctions for non-compliance range from the assessment of an administrative monetary penalty, to cease and desist orders and formal reprimands. During fiscal year 2005-2006, the Agency completed 295 on-site inspections of Canadian-based air carriers and passenger terminal operators. The Agency also concluded 28 investigations of carriers or individuals suspected of operating illegal air services in Canada, and identified 14 contraventions.

b) Rail Transportation

The Agency issues certificates of fitness when it is satisfied that a company proposing to construct or operate a railway under federal jurisdiction has adequate liability insurance. Certified companies are then monitored for continued compliance. During 2005-2006, one new certificate was issued to a new company starting business in Canada (Tshiuetin Rail Transportation Inc.) and two certificates for existing companies were amended. One other was suspended and another cancelled when the Agency determined that railway operations were not being performed and that adequate liability insurance was no longer in place. All 34 existing federal railways are monitored for continual compliance with the Agency's insurance requirements.

The Agency is also responsible for assessing the economic, operational, social and other impacts of railway line construction in Canada. In 2005-2006, the Agency had notification of two rail line construction projects that would require the Agency to take into account the requirements for railway operations and services, the interests of the localities that would be affected by the proposed lines, as well as the requirements of the *Canadian Environmental Assessment Act* (CEAA). In addition, one railway crossing project was allowed to proceed under the CEAA once the Agency was assured there would be no significant adverse environmental effects. Fifteen other projects that will likely require Agency approval in future (such as the Pearson Airport Rail Link and the Ottawa Light Rail Transit Project) continued to be assessed or monitored for their potential effect on the environment.

The Agency is responsible for regulating the amount of revenue earned for the movement of statutory grain by rail in Western Canada in each crop year ending July 31. The revenue cap program provides a flexible pricing regime for Western grain rail transportation while safeguarding grain shippers and farmers from excessive rail rate increases. This includes the annual determination by the Agency of the maximum revenue entitlement (also known as the revenue cap) for CN and CP for the movement of this grain. The Agency then determines the actual revenues earned by CN and CP and compares that with the revenue cap. This was the Agency's fifth year for revenue cap determinations.

In 2005-2006, the Agency found that, for the crop year 2004-2005, CN's actual revenue exceeded its revenue cap while CP's revenues did not. As a result of exceeding its cap, CN was required to pay the amount that the actual revenues exceeded its revenue cap plus a 5-per-cent penalty to the Western Grains Research Foundation, a total of \$124,650. This decision is available on the Agency's Web site at www.cta.gc.ca/rulings-decisions/decisions/2005/R/755-R-2005_e.html. A portion of this ruling was appealed to the Federal Court of Appeal by CP and this appeal was pending at year end.

The Agency's administrative responsibilities regarding the revenue cap program include determining an annual inflation index (known as the volume-related composite

price index), which is factored into each railway's revenue cap. To determine the inflation index, the Agency consults with parties in the grain-handling and transportation industry, including producer representatives, shipper organizations, railway companies, grain companies, and federal, provincial and municipal governments as well as verifying and auditing detailed information contained in railway submissions.

The Agency evaluates its performance during the consultation by periodically requesting feedback from organizations that participate in the consultation process. At the end of the latest consultation, which was conducted in March 2005, eight out of 17 participants completed an evaluation form. It showed that almost 90% of the respondents were satisfied with the consultation process and all plan to participate again in the future. Most of the respondents believed that the invited parties represented fairly the grain industry. Further, they were satisfied that the issues were clearly addressed and explained and that the Agency's methodology was reasonable. Generally, the feedback showed an improvement in the respondents' level of satisfaction from the previous assessment conducted in 2002.

Agency staff continued to work with Transport Canada to assess the impact on the revenue cap of the disposal of the Government of Canada's grain hopper car fleet. Transport Canada had asked the Agency to develop a methodology to adjust the railway revenue caps should the fleet be transferred to the Farmer Rail Car Coalition. The Agency found that any such transfer would result in a slight (0.4 per cent) decrease in the railway revenue caps for 2006-2007.

The Agency was also required to make an adjustment to the revenue caps for CN and CP to include the leasing costs of approximately 3,500 hopper cars owned by the Canadian Wheat Board which were previously provided free-of-charge to the railways. The determination is expected early in the next fiscal year.

The Agency's role as economic regulator of railways under federal jurisdiction expanded considerably in 2005 with CN's acquisition of BC Rail in the previous year. The purchase of BC Rail, the third largest railway in Canada with 2,300 kilometres of track, increased the size of the federal railway system subject to the jurisdiction of the Agency and also gave the Agency a new monitoring responsibility.

In response to concerns from shippers, the Competition Tribunal, in approving the purchase, set a requirement that the Agency monitor the transit times for CN to deliver railway cars along the former BC Rail lines from northern British Columbia to Vancouver interchanges, when shippers are using only CN service to deliver their goods and when their loads are being switched to competing railways. The Agency must carry out comparative analysis of CN transit times and benchmark BC Rail times from five zones in Northern BC to the Vancouver area and it must submit reports on a regular basis to CN, connecting carriers in Vancouver and the Competition Bureau. In 2005-2006, the Agency issued its first three Transit Time Reports covering the first three quarters of

2005. Some interline traffic in certain zones was under the benchmark while some exceeded the benchmark, but not at a level significant enough to indicate any operational difficulties.

Details of the Agency's rail transportation activities can be found in the Agency's Annual Report for 2005 (refer to the Rail Transportation chapter), which is available on the Agency's Web site at www.cta.gc.ca/publications/ann-rpt/2005/index_e.html as well as in the Web site's rail section.

c) Marine Transportation

Under the *Coasting Trade Act*, the transport of goods, passengers and any other commercial activity in Canadian waters, including the continental shelf area, is reserved for Canadian-registered vessels, except where no suitable Canadian vessels are available to carry out an activity. Before an applicant can get a coasting trade licence to bring a foreign vessel into Canadian waters for a commercial activity, the Agency must determine that no suitable vessel in the Canadian marine industry is available. In 2005-2006, the Agency completed 100 coasting trade applications (121 in 2004-2005). Of these, 95 were approved, two were denied and three were withdrawn.

In most cases, upon consideration of the pleadings, the Agency determined that the proposed foreign vessel could carry out the activity. Most of these applications were for large tankers to move crude oil on the East Coast. Another 46 were for other situations, such as the importation of drill ships, seismic research vessels or passenger vessels for commercial cruises. All the decisions were issued within an average time of 12 days.

Details of the Agency's marine transportation activities can be found in the Annual Report for 2005 (refer to the Marine Transportation chapter), which is available on the Agency's Web site at www.cta.gc.ca/publications/ann-rpt/2005/index_e.html and in the marine section of the Web site.

2.4 Performance by Management Priorities

While the Agency's activities during 2005-2006 continued to be focussed on the attainment of its strategic outcome, it also pursued three management priorities:

1. Addressing Agency workload and resource challenges;
2. Participating in the process under way to amend key legislation and implementing new or modified requirements that fall under the Agency's jurisdiction; and
3. Succession planning.

2.4.1 Addressing Agency Workload and Resources Challenges

The Agency continued to take important steps to ensure that it uses the funds allocated from Parliament in a way that allows it to attain better results for Canadians.

Resources are allocated annually following an internal review process where requests for existing and new resources are challenged and where risk principles are used as a key basis for resource allocation decision.

Below is a summary of the measures taken during 2005-2006 to improve the Agency's efficiency and to address its resource challenges.

Improved work processes:

During 2005-2006, the Agency pursued initiatives undertaken in the fall of 2003 to further improve its organizational effectiveness. Following the work undertaken during 2004-2005 by a management committee, which reviewed in detail the processes used to deal with Agency cases, several opportunities for streamlining were recommended, most of which were implemented during 2005-2006. The Agency is confident that these measures will contribute to improve the organizational effectiveness and better use of its resources.

Improved performance information:

Over the last few years, the Agency has developed a flexible and comprehensive integrated case and correspondence management system which provides tribunal members and staff with a wide range of information on Agency activities, clients and projects. The system also provides comprehensive reports on case status, disposition and workload statistics. During 2005-2006, the system was further improved to provide better information, including the timelines to resolve cases by process types. This improved performance information has been very useful in assisting Agency management to assess the organization's performance in delivering its services to Canadians. As a result of this assessment, Agency management established that the timelines to resolve disputes needed to be improved. Consequently, one of the Agency's program priorities starting in fiscal year 2006-2007 will be to improve its dispute resolution system.

A newly integrated time recording feature was developed during 2005-2006 and is being piloted since January 2006. It is expected to allow the Agency to better integrate its financial and non-financial information such as the actual time spent on a case. Once fully implemented, we anticipate that this new management tool will allow the Agency to better determine the costs of delivering its various activities and of each of the results that it strives to achieve. It will also provide better management information for better decisions.

Integration of operational planning and resource allocation process:

The forms used to complete operational plans are also used to make decisions on resource allocation. They integrate specific program information, including performance indicators, targeted and actual results, resources used in previous years and required in the future. They also integrate human resources planning as well as requirements of each area

in terms of information technology and communications. While the human resources planning element had been integrated several years ago, significant improvements were made in fiscal year 2005-2006 in response to the *Public Service Modernization Act*.

Reallocation of resources during temporary workload pressures:

Reassignment of staff to deal with key files continued, but on a limited basis due to demands throughout the organization.

Implementation of the government expenditure review exercise:

The reductions implemented during fiscal year 2005-2006 were not significant and mostly related to the costs associated with the Office of the Air Travel Complaints Commissioner and the Agency's accommodation costs.

To implement the reductions in future years, mainly those to be implemented in fiscal year 2007-2008, resources will need to be reallocated and priorities will need to be revised to ensure that the Agency can continue to deliver its parliamentary mandate and maintain the necessary stewardship and comptrollership capacity to meet central agency and legislative requirements. This represents a significant reduction for the Agency and will be especially challenging given the critical need to manage retirements over the planning period.

2.4.2 Participating in the Process Under way to Amend Key Legislation and Implementing New or Modified Requirements that fall under the Agency's Jurisdiction

Since its inception, the Agency has contributed to the continual review and improvement of transportation legislation. Each year, the Agency, through its Annual report, assesses the administration of the *Canada Transportation Act*. Furthermore, the Agency and its staff participated in the statutory review of the Act in 2000 and consulted extensively with Transport Canada on the resulting report *Vision and Balance*. As a result, Bill C-44 was tabled in Parliament in March 2005 to amend not only the *Canada Transportation Act*, the *Railway Safety Act* and others, but also to enact the *VIA Rail Canada Act*. This Bill proposed a number of changes in the Agency's mandate and administration. Throughout 2005 the Agency was very active as it continued to assess, through research and analysis as well as numerous consultations with Transport Canada, the impact the proposed amendments may have on the industry as well as the Agency itself. This Bill reached Second Reading in the House of Commons but had not passed when Parliament was prorogued for the 2005 election. Late in the fiscal year, the new government initiated the process to reintroduce most of the provisions of Bill C-44. The impacts relating to new responsibilities are still expected although somewhat delayed.

The Agency must continue to assess the impact any amendments would have not only on its operations, but on its resource levels as well. The addition of new responsibilities

without corresponding new resources or the continuation of certain responsibilities (e.g. the Air Travel Complaints Program) without the continuation of related funding, requires a sustained effort to modify programs and operations and to reallocate resources where possible to fulfill the mandate established by Parliament. Consultations were held with both Officials from Transport Canada and Treasury Board Secretariat in order to clarify the resource implications on the Agency of proposed policy decisions. At year end there had been no final resolution to the Agency's resource challenges.

2.4.3 Succession Planning

The Agency's 5-Year Succession Plan remains a corporate strategic priority with the goal of sustaining leadership capacity and retaining expertise. As anticipated, a number of key executives and managers retired in 2005-2006, with even stronger expectations for key retirements in 2006-2007. To address this important issue, the Agency has been focussing on initiatives to support succession planning at all levels of the organization. In particular, the Agency has invested in leadership training and priority language training for succession candidates in the Agency's Management Development Assignment Program (MDAP), which is designed to support the relève requirements of the EX and EX minus 1 levels. Similarly, an in-house language training program is strengthening second language skills to support career advancement at the staff level to meet the needs for succession at the manager level. A comprehensive evaluation of the first-year performance results of the in-house language training program is under way to establish the return-on-investment of the program and make adjustments, as necessary.

With the implementation of the new *Public Service Modernization Act* and a more adaptable staffing regime, the Agency has been focussing on improving its integrated HR planning strategy to optimize the flexibility to develop pools of candidates for key business sectors. With the implementation of Agency-specific ES, CO and PM competency profiles, work has started on identifying collective staffing processes to create partially-qualified pools based on business competencies. This approach supports the Agency's long-term planning through selective staffing and developmental initiatives that will generate greater depth in its pool of qualified candidates at all levels.

SECTION III – SUPPLEMENTARY INFORMATION

3.1 Organizational Information

The Agency exercises its powers through its seven Members, appointed by the Governor in Council: a Chairman, a Vice-Chairman and five full-time Members. The Minister can also appoint up to three temporary Members.

The Chairman is accountable for the Agency's single program. All appointed Agency Members are accountable for making quasi-judicial decisions on individual matters before the Agency. Agency employees advise and support Members with these proceedings.

The Agency's organizational structure comprises four branches: the Rail and Marine Transportation Branch, the Air and Accessible Transportation Branch, the Legal Services and Secretariat Branch, and the Corporate Management Branch. The head of each branch as well as Communications and Internal Audit report to the Chairman.

The two program branches, the Rail and Marine Transportation Branch and the Air and Accessible Transportation Branch, relate to the Agency's regulatory functions. The Legal Services and Secretariat Branch performs regulatory activities and the Corporate Management Branch provides administrative support.

The Agency's headquarters are located in the National Capital Region. Agency personnel working in field offices in six cities across Canada carry out air and accessibility enforcement activities. More information about the role and the structure of the Agency can be found at its Web site at www.cta.gc.ca/about-nous/index_e.html.

3.2 Financial Performance Overview

As with most administrative tribunals, approximately 84 per cent of the Agency's expenditures are related to personnel costs. The Agency does not have any major capital projects. Other operating expenditures relate to the delivery of Agency activities and range from the costs associated with holding public hearings to the cost of ensuring that Agency employees have the proper electronic tools to do their jobs.

Financial Summary Tables

The Agency has one program activity – the economic regulation of the federal transportation system.

Table 1 Comparison of Planned to Actual Spending (including FTE)

(thousands of dollars)	2003-04	2004-05	2005-2006			Actual
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	
Economic regulation of the federal transportation system *	27,367	27,176	24,383	24,363	28,511	27,633
Less: Non-Respendable revenue	(87)	(80)	0	0	(129)	(129)
Plus: Cost of services received without charge	3,656	3,715	3,616	3,616	3,710	3,710
Total Agency Spending	30,936	30,811	27,999	27,979	32,092	31,214

Full-time Equivalents	282	270	257	257	279	269
------------------------------	------------	------------	------------	------------	------------	------------

* Includes contributions to employee benefit plans.

Explanation of variances

The variance between Planned and Actual Spending relates to increases in personnel costs because of collective agreement compensation and the Air Travel Complaints mandate for which funding is provided through temporary transfers from Transport Canada. As discussed under section 1.4.1 of this report, the Government has announced its intention to eliminate this funding over a three year period starting in 2005-2006 as part of the Government Expenditure Review exercise.

Table 2 Resources by Program Activity

(thousands of dollars)						
2005-2006						
Budgetary						
Program Activity:	Economic regulation of the federal transportation system					
	Operating	Contributions and other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Total
Main Estimates	20,971	3,412	24,383	0	24,383	24,383
Planned Spending	20,951	3,412	24,363	0	24,363	24,363
Total Authorities	24,737	3,774	28,511	0	28,511	28,511
Actual Spending	23,924	3,709	27,633	0	27,633	27,633

Table 3 Voted and Statutory Items

(thousands of dollars)		2005-2006			
Vote	Truncated Vote or Statutory Wording	Main Estimates	Planned Spending	Total Authorities	Totals Actual
Canadian Transportation Agency					
35	Operating expenditures	20,971	20,951	24,737	23,924
(S)	Spending of proceeds from the disposal of surplus Crown assets	0	0	132	67
(S)	Contributions to employee benefit plans	3,412	3,412	3,642	3,642
	Total	24,383	24,363	28,511	27,633

Table 4 Services Received Without Charge

(thousands of dollars)	2005-2006
Accommodation provided by Public Works and Government Services Canada (PWGSC) *	2,080
Contributions covering employer's share of employees' insurance premiums and expenditures paid by Treasury Board of Canada Secretariat (TBS) (excluding revolving funds). Employer's contribution to employees' insured benefits plans and associated expenditures paid by TBS	1,603
Worker's compensation coverage provided by Human Resources and Social Development Canada	26
Salary and associated expenditures of legal services provided by the Department of Justice Canada	1
Total 2005-2006 Services received without charge	3,710

* Does not include parking costs.

Table 5 Sources of Non-respensible Revenue**Non-respensible Revenue**

(thousands of dollars)	Actual	Actual	2005-2006			
	2003-04	2004-05	Main Estimates	Planned Revenue	Total Authorities	Actual
Refunds of previous years' expenditures	60.1	28.2	0.0	0.0	104.7	104.7
Administrative Monetary Penalties	13.5	50.8	0.0	0.0	24.0	24.0
Sales of Goods and Services	12.9	1.4	0.0	0.0	0.1	0.1
Total Non-respensible revenue	86.5	80.4	0.0	0.0	128.8	128.8

Table 6 Resource Requirements by Branch (thousands of dollars)

Branches	2005-2006	
	Planned Spending	Actual Spending
Chairman's Office	3,531	3,570
Corporate Management	5,316	5,859
Rail and Marine Transportation	5,538	6,094
Air and Accessible Transportation	6,950	8,950
Legal Services and Secretariat	3,028	3,160
Total	24,363	27,633

Table 7-A 2005-2006 User Fee Reporting - User Fees Act

A. User Fee	Fee Type	Fee Setting Authority	Date Last Modified	2005-2006					Planning Years		
				Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
Fees charged for copies of licences and permits *	O	<i>Canada Transportation Act</i>	1998	< 1	< 1	< 1	nil *	nil *	06-07 07-08 08-09	0 0 0	0 0 0
Fees charged for copies of orders and decisions *	O	<i>Canada Transportation Act</i>	1999	< 1	< 1	< 1	nil *	nil *	06-07 07-08 08-09	0 0 0	0 0 0
Fees charged for the processing of access requests filed under the <i>Access to Information Act</i> (ATIA)	Other products and services (O)	<i>Access to Information Act</i>	1992	< 1	< 1	9	Responses provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request The <i>Access to Information Act</i> provides fuller details: http://laws.justice.gc.ca/en/A-1/218072.html	60-day processing standard met 100% of the time.	06-07 07-08 08-09	< 1 < 1 < 1	9 9 9
			Total (O)	1	< 1	9		Total	06-07 07-08 08-09	< 1 < 1 < 1	9 9 9

B. Date Last Modified: n/a

C. Other Information: * User fees charged for the provision of copies of Agency licences, permits, orders and decisions were abolished in August 2005. Since the Agency will no longer report on these user fees, no service standards were developed.

O = Other Products and Services

Table 7-B Policy on Service Standards for External Fees

A. External Fee	Service Standard	Performance Result	Stakeholder Consultation
Fees charged for copies of licences and permits *	nil *	nil *	nil *
Fees charged for copies of orders and decisions *	nil *	nil *	nil *
Fees charged for the processing of access requests filed under the <i>Access to Information Act</i> (ATIA)	<p>Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request.</p> <p>The <i>Access to Information Act</i> provides fuller details: http://laws.justice.gc.ca/en/A-1/218072.html.</p>	60-day processing standard met 100% of the time.	<p>The service standard is established by the <i>Access to Information Act</i> and the <i>Access to Information Regulations</i>. Consultations with stakeholders were undertaken by the Department of Justice and the Treasury Board Secretariat for amendments done in 1986 and 1992.</p>
<p>B. Other Information:</p> <p>* User fees charged for the provision of copies of Agency licences, permits, orders and decisions were abolished in August 2005. Since the Agency will no longer report on these user fees, no service standards or performance results were developed, nor consultations held.</p>			

Table 8 Financial Statements

Financial Statements are prepared in accordance with accrual accounting principles. The unaudited supplementary information presented in the financial tables in the Departmental Performance Report is prepared on a modified cash basis of accounting in order to be consistent with appropriations-based reporting. Note 3 of the financial statements reconciles these two accounting methods.

CANADIAN TRANSPORTATION AGENCY Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006 and all information contained in these statements rests with Agency management. These financial statements have been prepared by management in accordance with Treasury Board Accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Agency.

The Agency has established an internal audit infrastructure that is effective, independent and objective, consistent with Treasury Board policy, managed by a dedicated resource reporting directly to the Deputy Head. The Agency's Audit Committee is chaired by the Deputy Head, with two other Agency Members, who are independent of operational functions. The Audit Committee approves the annual risk-based internal audit plan, budgets and reports.

The financial statements of the Agency have not been audited.

Marian Robson, Chairman
Gatineau, Canada
June 30th, 2006

Sue Stimpson, Senior Financial Officer

**Canadian Transportation Agency
Statement of Operations (unaudited)
for the year ended March 31st**

	2006	2005
(in dollars)		
Operating Expenses		
Salaries and employee benefits	25,535,362	24,298,368
Accommodation	2,080,128	2,103,943
Professional and special services	1,274,736	1,332,753
Transportation and telecommunication	930,094	1,094,728
Amortization of tangible capital assets	726,644	787,958
Repair and maintenance	408,760	330,085
Rentals	307,452	166,334
Utilities	202,843	200,094
Information	169,059	351,491
Materials & supplies	64,565	61,604
Loss on disposal of tangible capital assets	46,198	31,739
Loss on write-down of tangible capital assets	2,959	3,650
Other	2,407	1,650
	31,751,207	30,764,397
Revenues		
Revenue from fines	24,000	44,748
Gains on disposal of tangible capital assets	3,036	0
Sales of goods and services	116	1,435
	27,152	46,183
	31,724,055	30,718,214

The accompanying notes form an integral part of these financial statements.

**Canadian Transportation Agency
Statement of Financial Position (unaudited)
at March 31st**

	2006	2005
(in dollars)		
ASSETS		
Financial Assets		
Accounts receivable from external parties	39,233	0
Receivables from other Federal Government departments and agencies	97,972	106,431
Employee advances	16,060	15,958
Total financial assets	153,265	122,389
Non-Financial Assets		
Prepaid Expenses	200,435	178,084
Inventory	92,292	92,192
Tangible capital assets (Note 4)	2,514,552	2,772,975
Total non-financial assets	2,807,279	3,043,251
TOTAL	2,960,544	3,165,640
LIABILITIES		
Accounts payable & accrued liabilities to external parties	1,184,951	1,797,169
Accounts payable to other Federal Government departments and agencies	341,842	106,397
Vacation pay and compensatory leave	1,072,306	1,099,284
Employee severance benefits (Note 5)	4,128,421	3,696,372
	6,727,520	6,699,222
Equity of Canada	(3,766,976)	(3,533,582)
TOTAL	2,960,544	3,165,640

The accompanying notes form an integral part of these financial statements.

**Canadian Transportation Agency
Statement of Equity of Canada (unaudited)
at March 31st**

	2006	2005
	(in dollars)	
Equity of Canada, beginning of the year	(3,533,582)	(2,908,738)
Net Cost of Operations	(31,724,055)	(30,718,214)
Current year appropriations used (Note 3(a))	27,633,407	27,175,661
Revenue not available for spending	(27,152)	(46,183)
Change in net position in the Consolidated Revenue Fund (Note 3(c))	174,827	(751,591)
Services provided without charge by other Federal Government departments and agencies (Note 6)	3,709,579	3,715,483
Equity of Canada, end of year	(3,766,976)	(3,533,582)

The accompanying notes and schedules form part of this Statement.

**Canadian Transportation Agency
Statement of Cash Flow (unaudited)
for the year ended March 31st**

	2006	2005
(in dollars)		
Operating Activities		
Net cost of operations	31,724,055	30,718,214
Non-cash items:		
Amortization of tangible capital assets	(726,644)	(787,958)
Loss on disposal and write-down of tangible capital assets	(49,157)	(35,389)
Services provided without charge by other Federal Government departments and agencies	(3,709,579)	(3,715,483)
Variations in Statement of Financial Position:		
Increase in accounts receivable	30,774	24,768
Increase (decrease) in employee advances	102	(1,892)
Increase in pre-paids	22,351	65,490
Decrease (increase) in accounts payable and accrued liabilities	376,773	(743,897)
Decrease (increase) in vacation pay and compensatory leave	26,978	(86,738)
(Increase) decrease in employee severance benefits	(432,049)	1,054
Increase in inventory	100	2,925
Cash used by operating activities	27,263,704	25,441,094
Capital investment activities		
Net acquisitions of tangible capital assets	645,956	936,793
Proceeds from disposal of tangible capital assets	(128,578)	0
Cash used by capital investment activities	517,378	936,793
Financing activities		
Net Cash provided by Government of Canada	27,781,082	26,377,887

The accompanying notes and schedules form part of this Statement.

Canadian Transportation Agency
Notes to the Financial Statements (unaudited)
Year ended March 31

1. Authority and Objectives

The Canadian Transportation Agency (the Agency) was established on July 1, 1996, under the *Canada Transportation Act*, (S.C. 1996, c. 10) (the Act), as the continuation of the National Transportation Agency. As a quasi-judicial body, the Agency has a multi-faceted role. It is an economic regulator, licensing authority, accessibility facilitator and aeronautical authority. It has the power of a superior court to issue decisions and order on matters within its jurisdiction. Under the Act and related legislation, it has various powers to help implement the federal government's transportation policy.

The objective of the Agency is to contribute to the attainment of an efficient and accessible Canadian transportation system that serves the needs of shippers, carriers, travellers and other users.

The Agency's mission is to administer transportation legislation and government policies to help achieve an efficient and accessible transportation system by education, consultation and essential regulation.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

- (a) Parliamentary appropriations – the Agency is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Agency do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.
- (b) Net Cash Provided by Government - The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments.

- (c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by government and appropriations used in a year, excluding the amount of non spendable revenue recorded by the Agency. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- (d) Revenues:
- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- (e) Expenses – Expenses are recorded on the accrual basis:
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation, the employer’s contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.
- (f) Employee future benefits
- (i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The Agency’s contributions to the Plan are charged to expenses in the year incurred and represent the total Agency obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.
- (ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- (g) Receivables – these are stated at amounts expected to be ultimately realized. A provision is made for receivables where recovery is considered uncertain.
- (h) Contingent liabilities - Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense

recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

- (i) Inventories not for re-sale – These comprise of brochures that are held for future program delivery and are not intended for re-sale. They are valued at cost. If they no longer have service potential, they are written-off.
- (j) Tangible capital assets – All tangible capital assets and leasehold improvements are recorded at their acquisition cost (refer to the following table for the initial cost threshold). The capitalization of software and leasehold improvements has been done on a prospective basis from April 1, 2001. Amortization of capital assets is done on a straight-line basis over the estimated useful life of the capital asset as identified in the table.

Agency Asset Categories	Agency Useful Life		Threshold (initial cost equal/or more than)	
	Non-LAN	LAN	Non-LAN	LAN
Informatics Hardware	3–5 years	3-10 years	\$1	\$1
Printers	5 years	5 years	\$1	\$1
Software	3 years	Based on business case	\$500	\$1
Furniture	15 years	10 years	\$1,000	\$1
Accommodation improvements	Assessed on a case by case basis	Assessed on a case by case basis	\$10,000	\$1
Car	7 years	N/A	\$10,000	N/A
Assets under construction	Not amortized until in service. Once in service, in accordance with asset category.			

- (k) Measurement uncertainty - The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and

the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Agency receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used

	<u>2006</u>	<u>2005</u>
	(in dollars)	
Net cost of operations	31,724,055	30,718,214
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less) :		
Services provided without charge by other Federal Government departments and agencies	(3,709,579)	(3,715,483)
Amortization of tangible capital assets	(726,644)	(787,958)
Prepaid expenses	(246,513)	(233,763)
Vacation pay and compensatory leave adjustment	26,978	(180,271)
Severance pay adjustment	(432,049)	1,054
Revenue not available for spending	27,152	46,183
Loss on disposals and write-offs of tangible capital assets	(49,157)	(35,389)
Adjustments to accounts payable previously charged to appropriations	25,855	22,953
Refunds of previous years expenditures	78,827	5,230
Other	48,563	(708)
	<u>(4,956,567)</u>	<u>(4,878,152)</u>
Adjustments for items not affecting net cost of operations but affecting appropriations		
Add		
(Less) :		
Acquisitions of tangible capital assets (Note 4)	597,054	942,813
Prepaid expenses	268,865	299,252
Unused vacation paid out	0	93,534
	<u>27,633,407</u>	<u>27,175,661</u>
Current year appropriations used		

(b) Appropriations provided and used

	<u>2006</u>	<u>2005</u>
	(in dollars)	
Operating expenditures (Vote 35 and 35a)	24,736,760	24,781,600
Statutory amounts	3,773,869	3,433,125
Less:		
Appropriations available for future years	(64,624)	0
Lapsed appropriations - Operating	<u>(812,598)</u>	<u>(1,039,064)</u>
Current year appropriations used	<u><u>27,633,407</u></u>	<u><u>27,175,661</u></u>

(c) Reconciliation of net cash provided by Government to current year appropriations used

	<u>2006</u>	<u>2005</u>
	(in dollars)	
Net cash provided by Government	27,781,082	26,377,887
Revenue not available for spending	27,152	46,183
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(30,774)	(24,768)
Variation in employee advances	(102)	1,892
Variation in accounts payable and accrued liabilities	(376,773)	743,897
Pre-paid expenses	246,513	233,763
Refund of previous years expenditures	(78,827)	(5,230)
Adjustments to accounts payable previously charged to appropriations	(25,855)	(22,953)
Other adjustments	117,969	(261,748)
Variations in vacation and compensatory time liability	(26,978)	86,738
	<u>(174,827)</u>	<u>751,591</u>
Current year appropriations used	<u><u>27,633,407</u></u>	<u><u>27,175,661</u></u>

4. Tangible Capital Assets
(in dollars)

	Capital asset class					
	Informatics Hardware	Software	Furniture	Car	Assets under construction	Total
Cost						
Opening Balance	3,716,784	1,700,404	1,269,248	22,157	2,386	6,710,979
Acquisitions	122,985	282,686	108,460		443,550	957,681
Disposals and write-offs	922,238	2,216	168,663		311,725	1,404,842
Closing balance	2,917,532	1,980,874	1,209,045	22,157	134,210	6,263,818
Accumulated amortization						
Opening balance	2,800,840	616,395	520,546	222		3,938,003
Amortization	383,661	243,286	97,032	2,665		726,644
Disposals and write-offs	871,205	2,216	41,960			915,381
Closing balance	2,313,296	857,466	575,617	2,887		3,749,266
2006						
Net book value	604,236	1,123,408	633,428	19,270	134,210	2,514,552
2005						
Net book value	915,944	1,084,008	748,702	21,935	2,386	2,772,975

Amortization expense for the year ended March 31, 2006 is \$ 726,644 (2005 - \$787,958). During the year, \$311,725 of assets under construction was transferred to software and to furniture. The net acquisition of tangible capital assets is therefore, \$645,956.

Adjustments to previous years for assets under construction amount to \$48,902, therefore, the acquisitions of tangible capital assets affecting appropriations for 2005-2006 is \$597,054.

5. Employee Benefits

(a) Pension benefits: The Agency's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2005-06 expense amounts to \$3,642,256 (\$3,430,288 in 2004-2005), which represents approximately 2.6 times the contributions by employees.

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2006	2005
	(in dollars)	
Accrued benefit obligation, beginning of year	3,696,372	3,697,426
Expense for the year	974,538	291,682
Benefits paid during the year	(542,489)	(292,736)
Accrued benefit obligation, end of year	<u>4,128,421</u>	<u>3,696,372</u>

6. Related party transactions

The Agency is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Agency received services which were obtained without charge from other Government departments as presented hereafter.

Services provided without charge:

During the year the Agency received without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans,

workman's compensation coverage, and legal services. These services without charge have been recognized in the Agency's Statement of Operations as follows:

	<u>2006</u>	<u>2005</u>
	(in dollars)	
Accommodation	2,080,128	2,103,943
Employer's contribution to the health and dental insurance plans	1,602,670	1,547,587
Workman's compensation coverage	25,825	37,240
Legal services	<u>956</u>	<u>26,713</u>
Total	<u><u>3,709,579</u></u>	<u><u>3,715,483</u></u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the Agency's Statement of Operations.

Table 9 Response to Parliamentary Committees, and Audits and Evaluations for Fiscal Year 2005-2006

Response to Parliamentary Committees
During the reporting period, there were no Parliamentary Committee recommendations on which the Agency was asked to respond.
Response to the Auditor General including to the Commissioner of the Environment and Sustainable Development (CESD)
During the reporting period, no recommendation of the Auditor General nor the CESD was addressed specifically to the Agency.
External Audits (note: These refer to other external audits conducted by the Public Service Commission of Canada or the Office of the Commissioner of the Official Languages).
No external audits were done during fiscal year 2005-2006.
Internal Audits or Evaluations
During 2005-2006, three internal audits were conducted and the report on four follow-up audits conducted during 2004-2005 issued. Internal audits were conducted on: <ul style="list-style-type: none">• the Air Tariffs division: recommendations, all of which management accepted, concerned the need to formalize procedures to analyse tariff filings and responses to public enquiries and to enhance case management to include periodic reviews of cases not active for a specified time period.• the Classification function: as recommended, management agreed to strengthen the supporting documentation kept on file, to take measures to enhance the quality assurance process for classification actions and to establish time-frames for follow-up on classification activities where there is outstanding activity such as an information request.

Internal Audits or Evaluations (cont'd)

- the Communications Directorate, including Client Services: recommendations, all of which management accepted, concerned the need to develop competency profiles and to establish designated backup staff, the retention of approval records for the Directorate's work processes and the need to assess the frequency of monitoring the content of the Agency's Web site.

As reported in the 2004-2005 Performance Report, the report for four follow-up audits conducted in 2004-2005 issued in 2005-2006, namely:

- the Financial Information Strategy;
- the Contracting for Services and Credit Card Usage;
- the Legal Services Directorate; and
- the Air Travel Complaints Commissioner's Office.

These audits were conducted in order to provide senior management with assurance that prior recommendations had been acted upon by those responsible for the areas selected for follow-up. All recommendations in the original audit reports were agreed to and implemented except for a few relatively minor instances where management provided adequate explanations as to why those particular recommendations were not implemented as suggested.

More information concerning the audits is available at the following Web site:
www.tbs-sct.gc.ca/rma/database/newdeptview_e.asp?id=29.

Table 10 Service Improvement

Providing quality service to Canadians is a core value of the Agency in achieving its mission. The Agency strives to provide the highest level of expertise and to reach decisions through an impartial, transparent and fair process. While the Agency has limited capacity to conduct broad, ongoing surveys, periodic formal and informal feedback has been received from shippers, producers, carriers and consumers. Further, all participants in the Agency's mediation process are asked to provide feedback on the process. This feedback has been a valuable tool in identifying priority areas for improvement.

The Agency will continue its steady progress towards improving the way it delivers programs and services, as well as identifying opportunities to seek meaningful feedback from stakeholders. In fact, the Agency has established improving the dispute resolution system as a new program priority for fiscal year 2006-2007.

Table 11 Travel Policies

The Agency follows the Treasury Board of Canada Secretariat (TBS) Special Travel Authorities and the TBS Travel Directive, Rates and Allowances.

SECTION IV – OTHER ITEMS OF INTEREST

4.1 Annual Reports

Annual Reports for 1997 to 2005 (each covering the calendar year) are available on the Agency's Web site at www.cta.gc.ca/publications/ann-rpt/index_e.html.

4.2 Contacts for Further Information

Postal address: Canadian Transportation Agency
Ottawa, Ontario, Canada K1A 0N9

Web site: www.cta.gc.ca

Performance Area	Contact Name	Title	Telephone Number and E-mail Address
Legal Services and Secretariat	Claude Jacques	General Counsel and Secretary	(819) 997-9323 claud.jacques@cta-otc.gc.ca
Air and Accessible Transportation	Joan MacDonald	Director General	(819) 953-5074 joan.macdonald@cta-otc.gc.ca
Rail and Marine	Seymour Isenberg	Director General	(819) 953-4657 seymour.isenberg@cta-otc.gc.ca
Corporate Activities	Sue Stimpson	Director General	(819) 997-6764 sue.stimpson@cta-otc.gc.ca
Planning		Director	(819) 953-2829
Communications	Jacqueline Bannister	Director	(819) 953-7666 jacqueline.bannister@cta-otc.gc.ca

4.3 Legislation and Regulations Administered

A. The Agency has primary responsibility for the following Act:

<i>Canada Transportation Act</i>	<i>S.C. 1996, c. 10</i>
----------------------------------	-------------------------

B. The Agency shares responsibility for the following Acts:

<i>Access to Information Act</i>	<i>R.S.C. 1985, c. A-1</i>
<i>Canada Marine Act</i>	<i>S.C. 1998, c. 10</i>
<i>Canadian Environmental Assessment Act</i>	<i>S.C. 1992, c. 37</i>
<i>Civil Air Navigation Services Commercialization Act</i>	<i>S.C. 1996, c. 20</i>
<i>Coasting Trade Act</i>	<i>S.C. 1992, c. 31</i>
<i>Energy Supplies Emergency Act</i>	<i>R.S.C. 1985, c. E-9</i>
<i>Financial Administration Act</i>	<i>R.S.C. 1985, c. F-11</i>
<i>Official Languages Act</i>	<i>R.S.C. 1985, c. 31 (4th Supp.)</i>
<i>Pilotage Act</i>	<i>R.S.C. 1985, c. P-14</i>
<i>Privacy Act</i>	<i>R.S.C. 1985, c. P-21.</i>
<i>Public Service Modernization Act</i>	<i>S.C. 2003, c. 22</i>
<i>Railway Relocation and Crossing Act</i>	<i>R.S.C. 1985, c. R-4</i>
<i>Railway Safety Act</i>	<i>R.S.C. 1985, c. 32 (4th Supp.)</i>
<i>Shipping Conferences Exemption Act, 1987</i>	<i>R.S.C. 1985, c. 17 (3rd Supp.)</i>

C. The Agency has sole responsibility for the following regulations and other statutory instruments:

Air Transportation Regulations

Canadian Transportation Agency Designated Provisions Regulations

Canadian Transportation Agency General Rules

Personnel Training for the Assistance of Persons with Disabilities Regulations

Railway Costing Regulations

Railway Interswitching Regulations

Railway Third Party Liability Insurance Coverage Regulations

Railway Traffic and Passenger Tariffs Regulations

Railway Traffic Liability Regulations

Uniform Classification of Accounts and Related Railway Records

D. The Agency shares responsibility for the following regulations:

Carriers and Transportation and Grain Handling Undertakings Information Regulations

The Jacques-Cartier and Champlain Bridges Inc. Regulations

The Seaway International Bridge Corporation, Ltd. Regulations

These Acts and Regulations are available in the “Legislation” section of the Agency’s Web site www.cta.gc.ca/legislation/index_e.html.

4.4 Canadian Transportation Agency Results Chain

Strategic Outcome

A fair and transparent economic regulatory regime that helps achieve a viable and accessible national transportation system



Intermediate Outcomes

- Federal transportation issues are resolved fairly, effectively and efficiently
- Undue obstacles for persons with disabilities are removed from federally-regulated transportation
- Economic and other interests of transportation users, carriers and other affected parties are protected



Outputs

- Decisions and orders
- Licences, permits, certificates of fitness and other determinations
- Codes of Practice, tools and regulations
- Educational materials
- Revenue cap for Western grain by rail
- Processed and resolved complaints
- Advice concerning administration of the *Canada Transportation Act*
- Administrative monetary penalties issued
- Reports



Activities

- Conduct hearings
- Mediate disputes
- Process air travel complaints
- Communication activities, including speeches, presentations, publication and dissemination of information, etc.
- Monitoring and investigation activities to ensure compliance with regulations, legislation and international agreements
- Issue licences, permits, certificates, recommendations and other determinations
- Administrative determinations
- Develop and implement regulations
- Develop Codes of Practice, guidelines and similar tools
- Consultations with key stakeholders