HOUSE OF COMMONS
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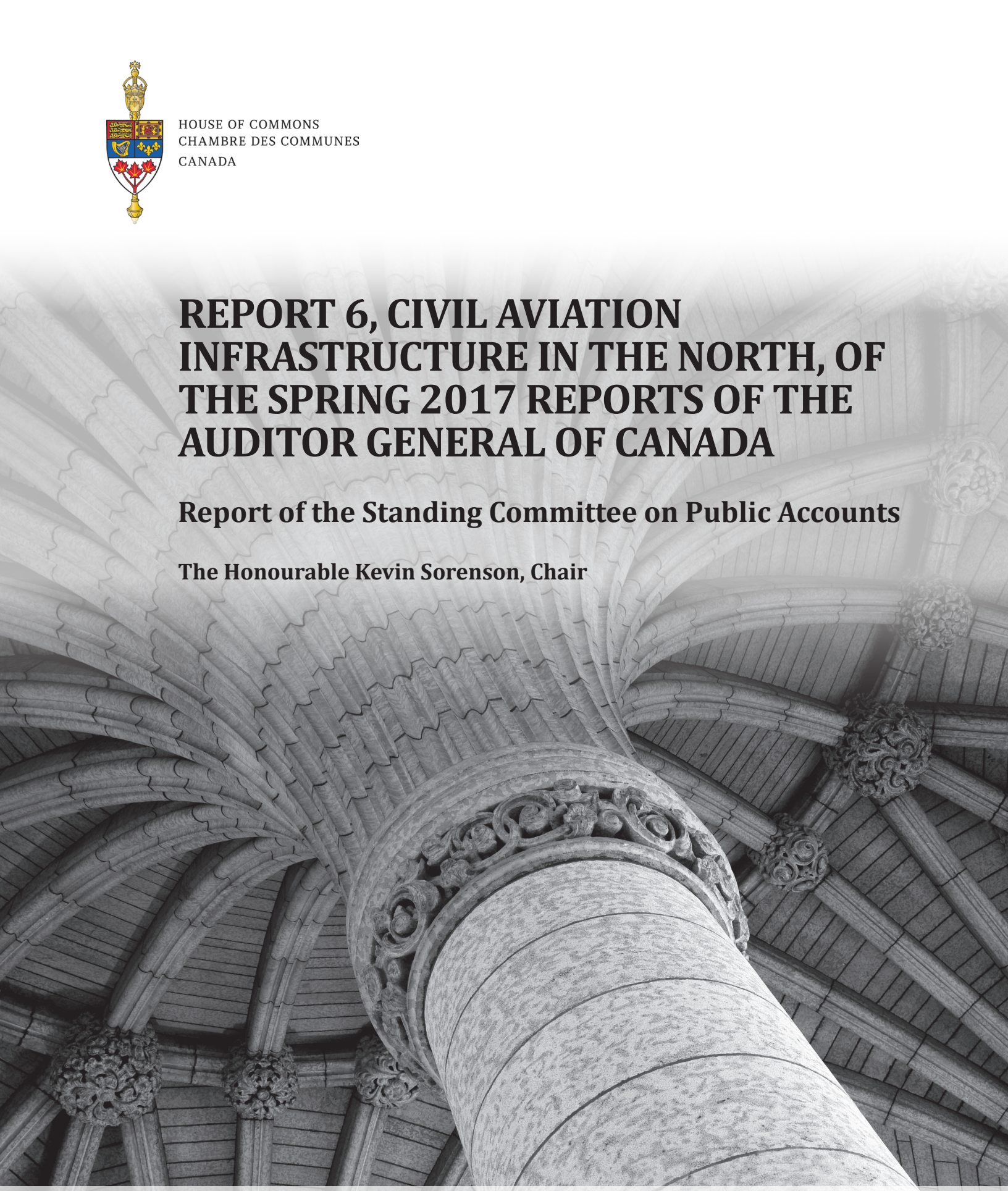
CANADA

REPORT 6, CIVIL AVIATION INFRASTRUCTURE IN THE NORTH, OF THE SPRING 2017 REPORTS OF THE AUDITOR GENERAL OF CANADA

Report of the Standing Committee on Public Accounts

The Honourable Kevin Sorenson, Chair



DECEMBER 2017
42nd PARLIAMENT, 1st SESSION

Published under the authority of the Speaker of the House of Commons

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Chair

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NOTICE TO READER

Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

THIRTY-EIGHTH REPORT

Pursuant to its mandate under Standing Order 108(3)(*g*), the Committee has studied Report 6, Civil Aviation Infrastructure in the North, of the Spring 2017 Reports of the Auditor General of Canada and has agreed to report the following:

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REPORT 6 – CIVIL AVIATION INFRASTRUCTURE IN THE NORTH, OF THE 2017 SPRING REPORTS OF THE AUDITOR GENERAL OF CANADA

INTRODUCTION

According to the Office of the Auditor General of Canada (OAG), air transportation is a safe and essential means of supplying fresh food, medicine, and other goods; supporting tourism and providing medical emergency evacuations for many of Canada's northern communities.[1] However, the north "presents inherent challenges and risks to air transportation because the northern population is spread out in small communities over vast stretches of inhospitable terrain. Air operations are subject to extreme weather, including cold temperatures, and to extended periods of darkness."[2]

Also according to the OAG, "Transport Canada is responsible for promoting safe and secure transportation systems for three modes of transportation: civil aviation, marine, and surface (rail and roads). The Department also conducts transportation oversight through legislative, regulatory, surveillance, and enforcement activities for all three modes of transportation."[3]

Additionally, Transport Canada "plays a leadership role in ensuring that all parts of the transportation system across Canada (and worldwide) work together effectively and efficiently."[4] That is why Transport Canada "establishes the regulatory framework for the safety of airports and related air transportation infrastructure. The Department certifies airport operations and performs inspections to assess compliance with regulations. Airport operators are responsible for ensuring that their airports comply with Transport Canada regulations."[5]

According to the OAG, NAV CANADA "is a private, not-for-profit organization that operates Canada's civil air navigation system. The organization provides a range of services to aircraft owners and airport operators, such as air navigation and aviation weather information

1 Office of the Auditor General of Canada (OAG), Civil Aviation Infrastructure in the North, Report 6 of the 2017 Spring Reports of the Auditor General of Canada, para. 6.1.

2 Ibid., para. 6.2.

3 Ibid., para. 6.4.

4 Ibid., para. 6.5.

5 Ibid., para. 6.6.

services. Transport Canada regulates NAV CANADA's civil aviation services according to the *Canadian Aviation Regulations*."[6]

Furthermore, "Transport Canada established the Airports Capital Assistance Program in 1995 because the Department recognized that Canada's smaller airports may not be able to earn sufficient revenue to finance operating and capital costs to maintain the required level of safety. The program provides funding for the following types of safety-related capital projects:

- rehabilitating runways, runway lighting, and visual aids;
- acquiring heavy mobile equipment, such as runway snow plows and blowers; and
- installing sprinkler systems in terminal buildings."[7]

Between 1 April 2013 and 30 November 2016, the OAG conducted a performance audit that was made public in the spring of 2017, and "focused on whether Transport Canada assessed and addressed civil aviation infrastructure needs in Canada's north to ensure a safe and efficient civil aviation system."[8]

The OAG identified 117 airports that serve remote northern communities, defined as "communities for which the only reliable year-round mode of transportation was by air."[9] The 117 remote northern airports examined were identified as one of two types:

- **107 certified airports**, which "have regularly scheduled passenger service[10] and "are required to maintain and operate the airport in accordance with applicable Transport Canada regulations and safety standards"[11] and are regularly inspected by Transport Canada staff; and

6 Ibid., para. 6.7.

7 Ibid., para. 6.8.

8 Ibid., para. 6.9, and About the Audit.

9 Ibid., para. 6.3.

10 Ibid., para. 6.9.

11 Ibid.

- **10 registered aerodromes**, which "do not have regularly scheduled passenger service, and […] are subject to Transport Canada inspections only when safety issues are raised."[12]

It should be noted that for this audit, the OAG did not examine "military aviation, private-use aviation, or airports owned by the federal government."[13]

The House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on 3 October 2017 to discuss the audit.[14] In attendance: from the OAG, Michael Ferguson, Auditor General of Canada, and James McKenzie, Principal; from Transport Canada, Michael Keenan, Deputy Minister, Ross Ezzeddin, Director General, Air and Marine Programs, Craig Hutton, Director General, Strategic Policy, and Sara Wiebe, Director General, Air Policy.[15]

OBSERVATIONS AND RECOMMENDATIONS

A. Transport Canada's leadership role

The OAG found that "while Transport Canada knew about the infrastructure needs of remote northern airports, it did not lead coordinated efforts to address the unique challenges these airports faced. In 2016, the Department released Transportation 2030—A Strategic Plan for the Future of Transportation in Canada, which sets out the federal government's intention to invest in the north. Transportation 2030 gives the Department an opportunity to take the lead in developing a different approach to addressing these infrastructure needs."[16]

The report also stated that despite "having a leadership role, Transport Canada officials told [the OAG] that the Department was not responsible for assessing and addressing airport infrastructure needs. Officials told [the OAG] that individual airport owners and operators were responsible for assessing and addressing these needs."[17]

12 Ibid.

13 Ibid., About the Audit.

14 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 3 October 2017, Meeting 68.

15 Ibid.

16 OAG, Civil Aviation Infrastructure in the North, Report 6 of the 2017 Spring Reports of the Auditor General of Canada, para. 6.39.

17 Ibid., para. 6.45.

The Transportation 2030 strategic plan "set out the federal government's intention to invest in infrastructure in the north, which the Minister described as limited and, in some cases, antiquated. Transportation 2030 noted that Transport Canada would work with territorial governments, Indigenous people, and communities in the north to address their basic transportation infrastructure needs. However, Transport Canada had not yet announced concrete information, such as the role that it would play, timeframes, specific actions to be taken, and the role and involvement of other federal departments."[18]

Therefore, the OAG recommended that "Transport Canada, in collaboration with stakeholders, should lead the development of a long-term strategy for northern airport infrastructure. The strategy should clearly outline the role that Transport Canada will play in addressing the infrastructure needs of remote northern airports."[19]

The Department accepted this recommendation, and stated that to "address northern community needs, Transport Canada will work with territorial governments and other federal government departments and stakeholders to identify shared priorities for northern transportation infrastructure, including, but not limited to, northern airports."[20]

In its action plan, Transport Canada indicated that consultations were being held in Iqaluit, Yellowknife and Whitehorse in September and October 2017 and planned to continue its dialogue with the territories.[21] The Department also plans to collaborate with Indigenous and Northern Affairs Canada in drafting the Arctic Policy Framework and preparing an Arctic transportation policy framework. Both of these frameworks should be ready by autumn 2018.[22]

The OAG's recommendation includes drafting a strategic plan to support "the infrastructure needs of remote northern airports."[23] During its audit, the OAG identified 117 airports that service remote northern communities, which are defined as "those communities for which the only reliable year-round mode of transportation was by air."[24] According to Michael Keenan, Deputy Minister, Transport Canada, many of these airports "were owned

18 Ibid., para. 6.47.

19 Ibid., para. 6.51.

20 Ibid.

21 Transport Canada, Detailed Action Plan, p. 1.

22 Ibid.

23 OAG, Civil Aviation Infrastructure in the North, Report 6 of the 2017 Spring Reports of the Auditor General of Canada, para. 6.19.

24 Ibid., para. 6.3.

by the Government of Nunavut, the Government of the Northwest Territories, the Province of Ontario, or the Province of Quebec."[25]

Therefore, the Committee recommends:

RECOMMENDATION 1

That, by 31 October 2018, *Transport Canada* submit to the Standing Committee on Public Accounts a specific strategy for northern airport infrastructure, based on the definition of northern airports (including those in the provinces) adopted by the Office of the Auditor General, and developed in consultation with the provinces and territories and other stakeholders such as Indigenous groups, local governments and private airport owners.

When asked about the 15- to 18-month delay between the tabling of the OAG's report (16 May 2017) and the drafting of the Arctic transportation policy framework (autumn 2018), Michael Keenan added:

> I think a much more effective strategy that would generate results is one that is built on partnership with the territorial governments, the local jurisdictions, and the indigenous groups. The process of engagement, consultation, and defining shared objectives and shared priorities that align to community needs does take a bit of time.[26]

Therefore, the Committee recommends:

RECOMMENDATION 2

That, within 120 days of the tabling of this report, *Transport Canada* submit to the House of Commons Standing Committee on Public Accounts a report outlining the progress made in developing its northern airport infrastructure strategy, including a list of the stakeholders consulted and the key findings of these initial consultations.

B. Airports Capital Assistance Program

According to the OAG, the Airports Capital Assistance Program was established in 1995.[27] The "program's annual budget has remained at $38 million for the past 17 years."[28] In 2016,

25 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 3 October 2017, Meeting 68, 0855.

26 Ibid., 0940.

27 OAG, Civil Aviation Infrastructure in the North, Report 6 of the 2017 Spring Reports of the Auditor General of Canada, para. 6.8.

200 small airports were eligible for program funding, including 105 of the remote northern airports identified in the OAG's audit.[29]

According to the audit, airport operators ran into problems, such as the difficulty and cost of completing an application or the perception that Transport Canada did not have the funding needed to approve their applications.[30]

The Committee is concerned about the obstacles encountered by those applying for funding under the Airports Capital Assistance Program. Michael Keenan provided the following explanation regarding these obstacles:

> To try to address the challenges [mentioned in the audit], we have done the following. First, we've built into the structure of both the airports capital assistance program and the national trade corridors fund specific provisions to make it easier for northern and remote airports. The cost-sharing ratios are higher. Some of the specific requirements are less onerous.
>
> Second, we've done extensive engagement and partnership building. We're reaching out and we're working with people so they understand how the programs work and they understand the cycles. We're trying to help them line up their planning and their needs with the new programming that we're putting in place to meet those needs.[31]

According to the OAG, since 1995, "Transport Canada approved 67 remote northern airports for funding representing about 19 [%] ($140 million) of all program funding ($737 million). Furthermore, over the 2014–15 to 2016–17 fiscal years, Transport Canada approved 10 remote northern airports for funding representing about 12 [%] ($15 million) of the $128 million approved."[32]

According to the OAG, in "2016, Transport Canada asked all 200 airports eligible for program funding to identify their safety-related projects over the next three years. Of these airports, 67 [%] responded and identified projects totalling $792 million. Of the 105 eligible remote northern airports, 41 responded with an estimated total of $101 million for safety-related projects, including the rehabilitation of runways and lighting systems. Given that this is a national program, [the OAG] found that the available funding would not be

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28 Ibid., para. 6.52.

29 Ibid.

30 Ibid., para. 6.54.

31 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 3 October 2017, Meeting 68, 0920.

32 OAG, Civil Aviation Infrastructure in the North, Report 6 of the 2017 Spring Reports of the Auditor General of Canada, para. 6.53.

sufficient to meet the needs identified by remote northern airports, as the demand significantly exceeds the program's annual funding of $38 million."[33]

The OAG found that although there were other available sources of infrastructure funding, such as Infrastructure Canada and the provinces and territories, "they did not offer reliable, consistent funding for remote northern airports."[34]

As a result, the OAG recommended that "Transport Canada should work with stakeholders to determine what sources of funding would meet the infrastructure needs of remote northern airports."[35]

The Department accepted the recommendation, noting that: "Transport Canada will continue to work with the territories and provinces to determine the priority investments that address the infrastructure needs of remote northern airports. Budget 2017 identified areas for infrastructure investments that could align with these priorities."[36]

In that regard, Michael Keenan added that the "National Trade Corridors Fund was announced on July 4. Of its $2 billion over 11 years, up to $400 million has been targeted to specifically address the unique transportation needs of Canada's territorial north. Expressions of interest have already been received, including several submissions for improving northern airport infrastructure."[37]

In its action plan, Transport Canada indicated that, by autumn 2018, it expects to have created a territorial working group led by the Department, completed a call for expressions of interest for the National Trade Corridors Fund (NTCF), organized teleconferences with interested parties to explain how to submit applications, organized monthly teleconferences with the territories, and assessed the projects submitted under the NTCF.[38]

While the Committee generally agrees with these actions, it is of the view that Transport Canada should be more compliant with the OAG's recommendation. Thus, rather than just evaluating projects under a program framework, Transport Canada should identify the sources of funding available to improve northern airport infrastructure.

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33 Ibid., para. 6.55.

34 Ibid., para. 6.58.

35 Ibid., para. 6.60.

36 Ibid.

37 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 3 October 2017, Meeting 68, 0850.

38 Transport Canada, Detailed Action Plan, p. 2

Therefore, the Committee recommends:

RECOMMENDATION 3

That, within 120 days of the tabling of this report, *Transport Canada* submit a report to the House of Commons Standing Committee on Public Accounts outlining the various sources of funding available to improve northern civilian airport infrastructure, following consultation not only with the territories, but also with the provinces and other stakeholders such as Indigenous groups, local governments and the private sector.

ADDITIONAL COMMENT

Additionally, the OAG found that the infrastructure needs of remote northern airports have been a long-standing issue:

> [The OAG] found that since 2005, provincial and territorial governments, the Senate of Canada, the 2016 Canada Transportation Act Review, and Transport Canada identified the need to invest in infrastructure at northern airports. The needs identified included what was required to enhance safety and improve accessibility and efficiency at these airports.[39]
>
> This finding matters because airport infrastructure in the north is expensive to build, operate, and maintain. If the infrastructure is not maintained, it becomes more costly to repair and upgrade.[40]

However, the OAG made no recommendation in this area.

CONCLUSION

The Committee concludes that "Transport Canada was aware of information documented since 2005 about remote northern airports' safety- and efficiency-related infrastructure needs, such as the need for improved runway lighting and navigational aids. However, the Department had not taken a leadership role in addressing these needs by leading efforts and working collaboratively with its provincial, territorial, and industry partners to enhance the safety and improve the accessibility and efficiency of remote northern airports."[41]

39 OAG, Civil Aviation Infrastructure in the North, Report 6 of the 2017 Spring Reports of the Auditor General of Canada, para. 6.18.

40 Ibid., para. 6.20.

41 Ibid., para. 6.14.

Consequently, the Committee is making three recommendations to Transport Canada to ensure that the Department more effectively assesses and addresses civil aviation infrastructure needs in Canada's north to ensure a safe and efficient civil aviation system for some of Canada's most isolated communities.

SUMMARY OF RECOMMENDED ACTIONS AND ASSOCIATED DEADLINES

Table 1 – Summary of Recommended Actions and Associated Deadlines

Recommendation	Recommended Action	Deadline
Recommendation 1	*Transport Canada* needs to provide the Committee with a strategy for northern airport infrastructure (including those in the northern parts of the provinces) developed in consultation with various stakeholders, including the provinces.	31 October 2018
Recommendation 2	*Transport Canada* needs to provide the Committee with a report outlining the progress made in developing its northern airport infrastructure strategy.	120 days after the tabling of this report in the House of Commons
Recommendation 3	*Transport Canada* needs to provide the Committee with a report various sources of funding available to improve northern civilian airport infrastructure, including those in the northern parts of the provinces.	120 days after the tabling of this report in the House of Commons

APPENDIX A
LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
Office of the Auditor General	2017/10/03	68
Michael Ferguson, Auditor General of Canada		
James McKenzie, Principal		
Department of Transport		
Ross Ezzeddin, Director General, Air and Marine Programs		
Craig Hutton, Director General, Strategic Policy		
Michael Keenan, Deputy Minister		
Sara Wiebe, Director General, Air Policy		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 68 and 83) is tabled.

Respectfully submitted,

Hon. Kevin Sorenson
Chair