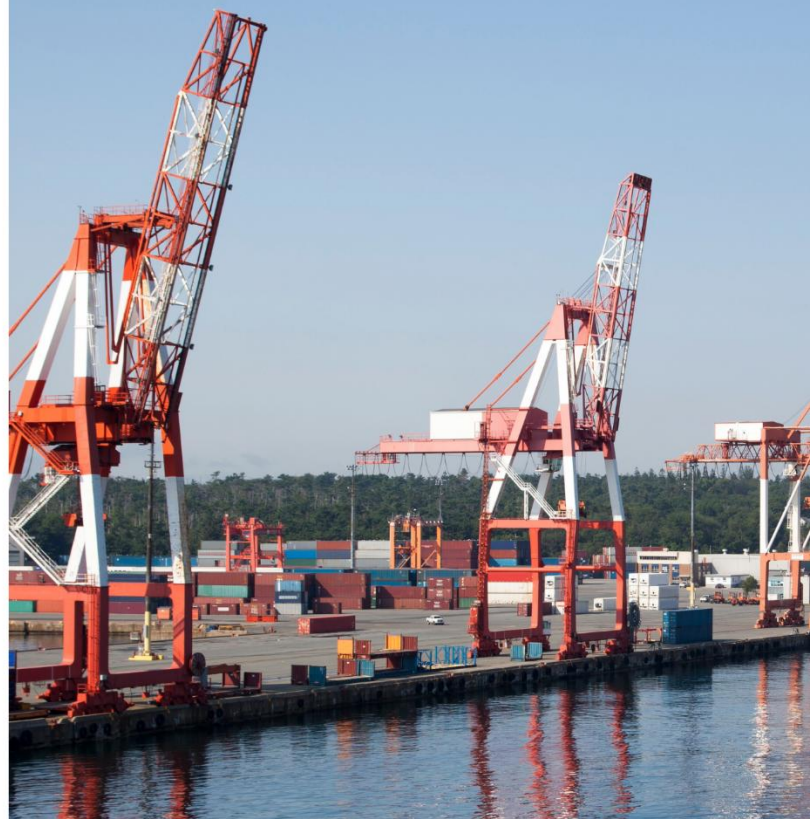




Transportation in Canada

Annual Report 2025



Transport
Canada

Transports
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Canada 

Transportation in Canada annual report 2025

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Cette publication est aussi disponible en français sous le titre Les transports au Canada 2025, Rapport annuel.

TP No. TP 15388E

Transport Canada No. Transport Canada-1006006

Catalogue No. T1-21E-PDF

ISSN 1920-0846

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Introduction

Minister's Message

I am pleased to present *Transportation in Canada 2025*, which offers an overview of how Canada's transportation network performed in a year marked by uncertainty and change.

For nearly 90 years, Transport Canada has supported the safe, secure, and efficient movement of people and goods across one of the world's largest and most complex transportation systems. In 2025, that mandate was tested by an environment shaped by uncertainty and change.

Persisting geopolitical instability, evolving trade relationships, and domestic disruptions, from wildfires to labour actions, created more volatile conditions for transportation networks. These pressures had tangible effects on demand, routing, and performance, underscoring how closely Canada's transportation system is linked to global economic and political factors. Trade patterns shifted as Canada traded less with the United States and more with overseas markets like Europe and Asia, partially offsetting the decrease. These changes altered where pressure was felt across the system. Passenger travel patterns also evolved, with Canadians travelling less to the United States and more to domestic and other international destinations.

Despite these changes, Canada's transportation system showed resilience. Freight volumes remained stable, operational performance improved, and networks adapted to new routes and demands. Targeted investments, improved coordination, and recovery from earlier disruptions helped strengthen system fluidity and reliability, even as structural challenges remained.

Looking ahead, we'll stay focused on supporting a resilient transportation system. New investments as part of the Trade Diversification Strategy announced in the 2026 Spring Economic Update, like the Trade Diversification Corridors Fund and the Arctic Infrastructure Fund, will support critical infrastructure and economic development across the country. The Government of Canada will continue to invest and collaborate with partners to ensure that our transportation system can adapt, support trade diversification, and sustain Canada's economic strength in a rapidly changing world.

Sincerely,



The Honourable Steven MacKinnon

Minister of Transport and Leader of the Government in the House of Commons

Report scope and purpose

This report provides an overview of how Canada's national transportation network is performing, evolving, and responding to current and emerging challenges. It gives a system-level view of transportation trends and results across all modes of transportation - air, marine, road, and rail. It focuses on safety, fluidity, accessibility, sustainability, and economic performance.

The report is published as required by subsection 52(1) of the *Canada Transportation Act*, which requires the Minister of Transport to provide to Parliament "a report providing a brief overview of the state of transportation in Canada."

A note to readers on the latest 2026 developments

This report provides a brief look back at the state of Canada's transportation system in 2025 along with an Outlook and Forecasts section previewing anticipated economic conditions, opportunities and risks impacting transportation in 2026. The retrospective and forecast information are based on available data, economic analysis, and transportation expertise as of May 2026 when the report was prepared.

Canada's transportation system operates in a dynamic and connected environment. Factors such as global trade instability, geopolitical tensions, domestic policy changes, supply chain disruptions, commodity demand shifts, extreme weather events, and fluctuating economic conditions could affect the future performance and outlook of the Canadian transportation system.

Over the first few months of 2026, global geopolitical conflicts emerged in Iran and the Middle East creating pressure on available service and transportation costs that have had an impact on Canadian transportation demand and capacity. These conflicts or other unforeseen events may continue to materially affect Canada's transportation system in the future.

Readers should consult Annex B of this report for sources of published Transport Canada information or seek other authoritative Government of Canada webpages

Executive summary

In 2025, Canada's transportation system operated in an environment shaped by uncertainty, shifting global trade dynamics, and ongoing domestic and international disruptions. While the global economy remained resilient, geopolitical tensions, evolving trade policies, and supply chain volatility continued to influence trade flows and transportation demand. Canada's economy grew modestly, with uneven performance across sectors reflecting changing trade relationships and market conditions.

Declining exports to the United States were partially offset by stronger growth in overseas markets, supported by demand for Canadian commodities and resources. These shifts changed freight flows across the transportation system, increasing reliance on marine, rail and air gateways and reinforcing the importance of trade diversification.

Passenger and freight movements reflected these broader trends. Freight volumes remained relatively stable overall, though activity shifted across modes and routes. Cross border trucking and rail activity weakened, while overseas shipments and air cargo increased. Passenger travel patterns also shifted, with lower transborder travel and stronger domestic and international demand.

Despite global volatility and uncertainty, the transportation system demonstrated resilience. Performance improved across several operational indicators as networks recovered from earlier disruptions. Marine activity remained strong, supported by commodity exports and new energy shipments. Although disruptions such as wildfires, labour actions, and global shipping challenges continued to affect operations, the system adapted through improved coordination, infrastructure use, and operational recovery.

At the same time, persistent structural challenges constrained system capacity and competitiveness. Canada's transportation sector has seen the lowest total factor productivity growth among G7 peers over the last 25 years, with stagnation expected to persist into the next decade. This is exacerbated by a significant innovation gap; while global competitors have moved toward port automation, Canada currently lacks meaningful automated capacity, hindering the efficiency of its global gateways. Furthermore, regulatory complexity - which has increased substantially since 2006 - continues to extend project timelines and raise compliance costs. These factors, alongside an aging workforce and infrastructure bottlenecks in key corridors limit Canada's ability to fully capitalize on trade diversification opportunities.

Looking ahead, uncertainty is expected to remain a defining feature of the economic and transportation outlook. Ongoing geopolitical tensions, trade policy uncertainty, and climate related disruptions are expected to continue shaping trade and transportation activity. Longer term trends point to the growing importance of overseas markets and the need for efficient and resilient transportation networks.

Strategic investments and policy initiatives are expected to support this transition by strengthening capacity, productivity, innovation and system resiliency. As global demand for Canadian resources evolves, the transportation system will continue to play a critical role in supporting trade, economic development, and market access.

Key 2025 drivers and developments

In 2025, the Canadian transportation sector was shaped by a combination of external shocks and domestic policy responses. Global trade shifts, supply chain disruptions, and changing government priorities affected how people and goods moved across the country and beyond.

U.S. policy partly reshapes trade and supply chain flows

Canadian merchandise trade in 2025 reflected both the pressures of U.S. trade policy and the early effects of diversification efforts. While the overall value of trade remained resilient, significant shifts occurred in the composition of trade, altering the demand for transportation services in all modes and regional transportation corridors.¹

Exports to the U.S. declined by about \$30 billion (5%) year-over-year, to \$566 billion. The largest drops were in goods affected by tariffs. Iron and steel exports fell 28%, aluminum fell 14%, and motor vehicles and parts declined 8%. These declines hurt manufacturing in Central Canada and resulted in lower road and rail

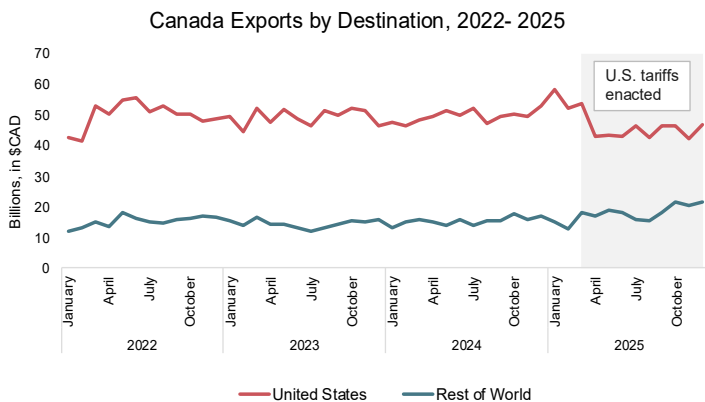
2025 Canadian Trade Highlights

Total exports were flat at \$780 billion, but shifts overseas occurred

- Exports to the U.S. declined 5%, to rest of the world increased 16%
- Manufactured goods and base metals fell, food and precious metals gained
- Exports by air and marine both rose, while surface mode exports fell

Imports increased 3% to \$789 billion

- Imports from the U.S. fell 4%, from rest of the world increased 10%
- Most commodities fell 2-10% from the U.S. and rose a few % from overseas
 - No significant import shifts, but U.S. share of total imports below 46%



Source: Canadian International Merchandise Trade (CIMT) Database

¹ Statistics Canada, Merchandise Trade Database, adapted by Transport Canada

shipments over the border. These declines were partially offset by growth in non-U.S. markets.

Canadian exports to the rest of the world rose from \$185 billion in 2024 to \$214 billion in 2025, a 16% increase. This created more freight demand through Canadian ports and airports. Exports to the United Kingdom (U.K.) rose 62% to \$47 billion because of higher global gold prices. Exports to Germany and the

Netherlands grew around 34% each. These

gains reflected increased flows of crude oil, metals, machinery, and soybeans through Atlantic shipping routes. China remained Canada's second-largest export market, with exports reaching \$34 billion, up 15%. Exports to the rest of Asia grew 17%.²

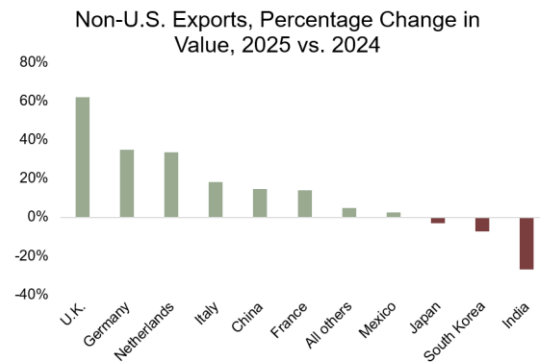
Record-level grain production and growing overseas demand for Canadian agricultural products helped support export volumes and transportation activity. Machinery and equipment exports grew modestly (+4%), while chemicals, plastics and forest products each declined 7%, the latter reflected weak U.S. housing demand, which reduced rail and truck movements in B.C. and Ontario.

As trade risks grew, companies changed their shipping plans. Many placed more focus on direct overseas shipping and Canadian gateways, instead of routing goods through the United States. This increased the importance of global trade corridors and supply chain resilience.

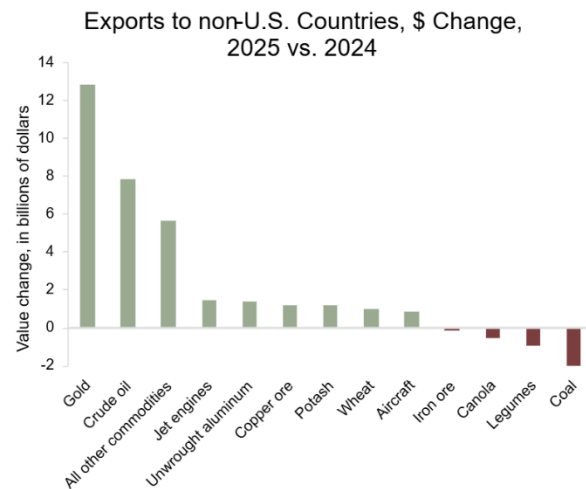
Passenger flow trends toward domestic and overseas destinations

Canadian passenger travel in 2025 was shaped by the evolving relationship with the United States. Transborder air and car travel between Canada and the U.S. weakened as tensions affected both business and leisure travel. Some Canadians opted to avoid U.S. destinations in favour of domestic, European and sun destinations.

Population growth, driven by higher immigration rates in recent years, continued to support demand for international travel. Routes connecting Canada to South Asia, the Middle East,



Source: Canadian International Merchandise Trade Database



Source: Canadian International Merchandise Trade Database

² Ibid

and Africa remained important. However, rising travel costs, including higher airfares driven by fuel prices and capacity constraints, reduced some discretionary travel.

Domestic and global disruptions strain transportation networks

Canada's transportation system faced several domestic and global disruptions in 2025. Domestically, labour and weather-related events continued to challenge network reliability. Canada experienced a severe wildfire season, with prolonged heat and drought driving widespread fires across Western Canada. These events led to temporary interruptions of regional airport operations and rail services, constraining the movement of goods.

Labour disruptions also affected transportation performance, particularly in aviation. While there were fewer major disruptions than in 2024, a short work stoppage at Air Canada reduced service reliability and caused many flight cancellations. It also reduced belly-hold air cargo capacity, requiring the rerouting of time-sensitive shipments. This showed how vulnerable supply chains can be to labour actions. Offsetting these challenges, binding arbitration for agreements covering Class I railways and West Coast ports helped provide improved labour stability in other critical parts of the network.

Global geopolitical tensions also affected Canadian transportation and supply chains. Security concerns in the Strait of Hormuz, the Red Sea, and the Suez Canal led some carriers to reroute vessels around the Cape of Good Hope. This increased transit times for goods originating from Asia and made schedules less reliable. These delays affected port operations and rail transfers, adding complexity to inland freight movements. Together, these disruptions showed how global conflicts could place more pressure on transportation and supply chains in 2026.

Policies focus on trade diversification and economic security

In 2025, the Government of Canada prioritized trade diversification and reducing internal trade barriers as key policy priorities, with direct effects on the transportation system. Measures like Bill C-5 and the establishment of the Major Projects Office aimed to accelerate the delivery of major infrastructure, energy, and transportation projects deemed in the national interest.

Budget 2025 further reinforced these objectives through targeted investments to strengthen trade corridors and improve market access. The Trade Diversification Corridors Fund is intended to expand capacity, reduce congestion, and address infrastructure bottlenecks across key gateways and corridors. The Arctic Infrastructure Fund is designed to support dual-use transportation infrastructure to enhance connectivity, resilience, and sovereignty in northern and Arctic regions.

Transportation performance

This section examines how Canada's transportation system performed in 2025 across freight and passenger movements, as well as safety and environmental outcomes. The results show how the system operated in an environment of heightened uncertainty; shaped by changing trade patterns, evolving travel preferences, and continued recovery from recent disruptions.

Overall, transportation networks demonstrated resilience and adaptability as freight and passenger volumes shifted across modes and corridors. Declining transborder activity with the United States was partially offset by longer-haul movements and greater reliance on intermodal connections, such as an 11% increase of bulk commodity shipments to Asia – notably crude oil and wheat – from the Port of Vancouver³, 25% more rail volume to Mexico⁴ driven by increased shipments of canola oil and automotive equipment, and 8% more air cargo moved with Europe, mainly gold and aircraft.⁵ These shifts influenced system efficiency, operational performance, and regional outcomes, while improvements in network fluidity supported reliability.

Freight volumes and performance

This section examines freight transportation performance in 2025 through two related views: mode-specific trends and trade corridor outcomes. The modal analysis highlights how volumes and operating performance changed across marine, rail, road, and air freight as trade patterns and routing decisions shifted. The trade corridor analysis then assesses how these modal changes affected volumes, system performance, and reliability across Canada's major trading regions. It also reflects the combined effects of demand, infrastructure capacity, weather, and connections between transportation networks.

Together, these perspectives provide an integrated view of how Canada's freight transportation system adapted to changing trade patterns, longer-haul movements, and ongoing uncertainty in 2025.

³ <https://www.portvancouver.com/media/documents/2023-2025-statistics-overview>

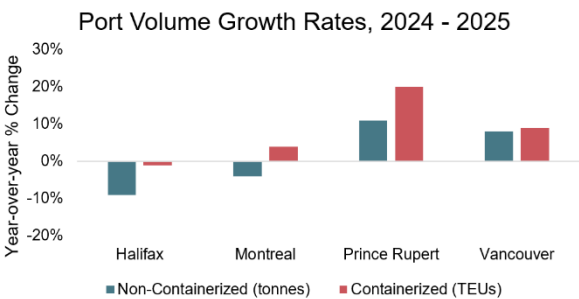
⁴ Transport Canada, Rail Traffic Database

⁵ IATA CargoIS

Modal freight performance

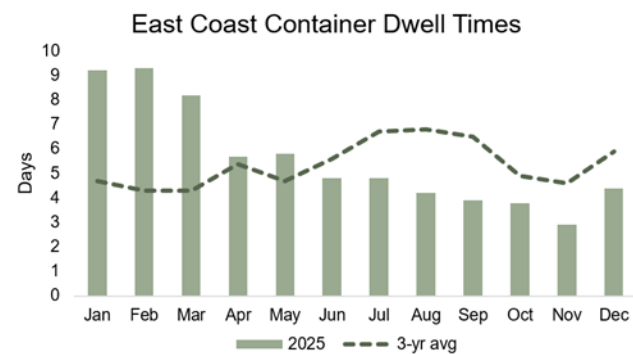
Marine freight: Diversification and energy exports support volumes amid shifting trade flows

Marine freight remained resilient despite trade policy uncertainty and shifting trade patterns. Containerized traffic increased at most major ports, led by West Coast gateways, while Eastern ports saw more mixed results.⁶ Non-containerized cargo volumes varied by region. Western ports benefited from bulk commodities such as grain, coal, fertilizer, and energy products. A major development in 2025 was the start of liquefied natural gas exports and higher crude oil shipments following expanded pipeline capacity. These changes drove strong growth in tanker traffic and strengthened Canada’s access to Asia-Pacific markets.

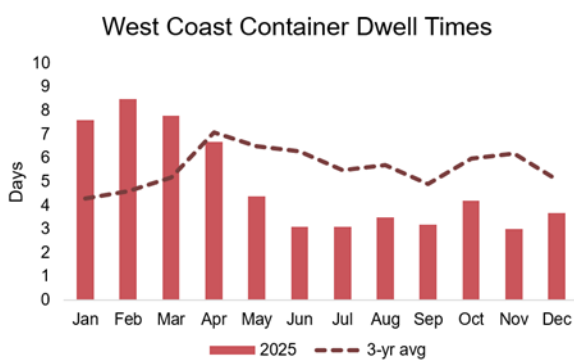


Source: Vancouver Fraser Port Authority, Prince Rupert Port Authority, Montreal Port Authority, Halifax Port Authority

Operational performance at ports improved steadily throughout the year. Following congestion and labour disruptions in late 2024, container dwell times declined from elevated levels early in 2025 to approximately three to four days by year-end, approaching pre-pandemic norms.⁷ While global shipping disruptions continued to affect schedules, ports improved terminal operations and strengthened coordination with inland rail services, which helped stabilize freight flows.



Source: Canadian Port Authorities



Source: Canadian Port Authorities

⁶ Canadian Port Authorities public websites

⁷ Canadian Port Authorities public reports

Rail freight: Stable volumes with strong bulk exports and shifting trade corridors

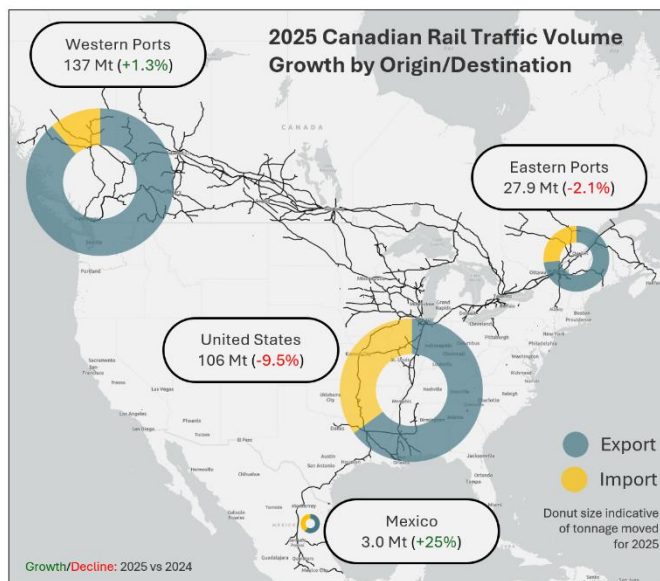
Rail freight volumes remained mostly stable, as small declines in some bulk commodities were offset by growth in intermodal container traffic. Railways increasingly moved goods through Canadian gateways and overseas markets, while shipments linked to the U.S. declined, particularly in automotive-related supply chains.⁸ Rail traffic to and from Mexico remained a small share of total rail traffic but still increased by about 25% in 2025.⁹

Grain shipments continued to drive rail demand. The 2025–26 crop year¹⁰

started with largest grain harvest in Canadian history, at about 107 million tonnes. This led to sustained pressure on western export corridors at the end of 2025.

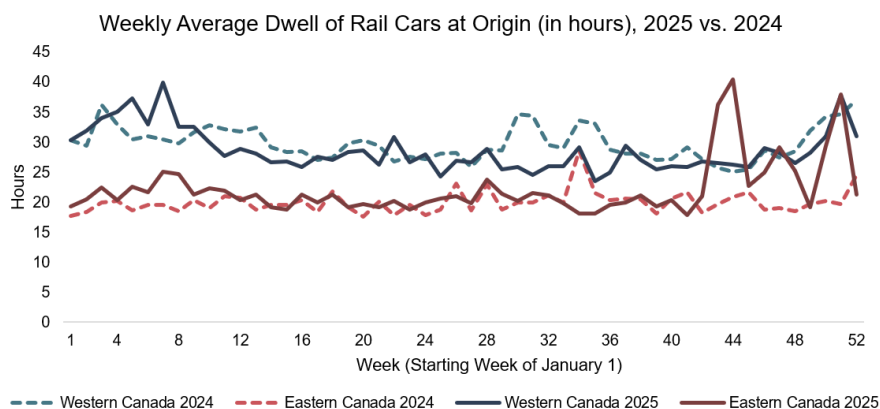
Despite the reorientation of traffic, rail performance improved throughout the year. Network fluidity strengthened as origin dwell times declined in several regions, although severe winter weather

occasionally disrupted operations. Overall, the rail system demonstrated improved reliability in supporting long-distance export shipments and inland freight distribution.



Source: Transport Canada Rail Traffic Database

Eastern Ports: Halifax, Montreal, Saint John, Thunder Bay
Western Ports: Vancouver, Prince Rupert



Source: Weekly Freight Rail Service and Performance Metrics, Transportation Data and Information Hub

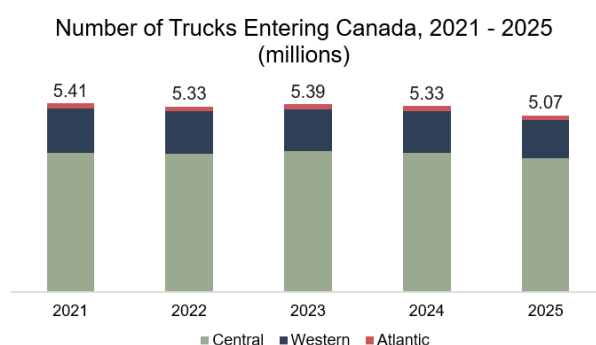
⁸ Transport Canada, Rail Traffic Database

⁹ Transport Canada, Rail Traffic Database

¹⁰ Crop years run from August 1 to July 31

Road freight: Integrated supply chains weaken cross-border trucking volumes

Cross-border truck volumes declined as trade in automotive products, machinery, forest products, and metals decreased. The highly integrated nature of North American supply chains amplified these effects, as lower vehicle output reduced the need for repeated cross-border shipments of semi-finished goods.



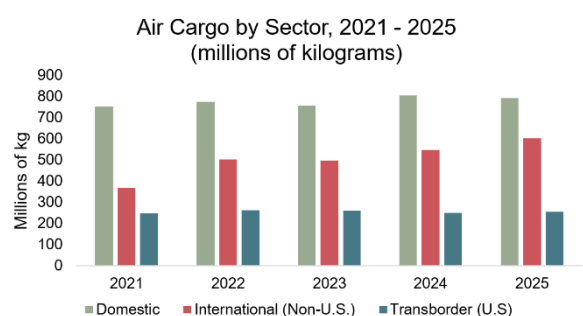
Source: Statistics Canada, Table 24-10-0052-01

Air freight: Cargo volumes rebound as trade diversifies beyond transborder markets

Air freight continued to rebound and diversify in 2025. Total air cargo volumes rose above pre-pandemic levels, driven almost entirely by overseas markets rather than transborder trade with the U.S. Non-U.S. volume reached 520,000 tonnes (+16%), with growth led by key air cargo markets including the U.K.

(+81%), Hong Kong (+26%), China (+18%),

and Germany (+12%) compared to 2024. High-value shipments, particularly precious metals, supported strong long-haul international flows, while transborder air cargo volumes declined modestly. In particular, total air cargo volume with Europe increased from nearly 190,000 tonnes in 2024 to just over 205,000 tonnes in 2025.¹¹



Source: ECATS

Revenue enplaned/deplaned air cargo

In value terms, Canada's air cargo trade reached about \$210 billion in 2025, a 16% year-over-year increase. Trade

remained concentrated among a small group of key partners, led by the United States, the U.K., China, and Germany. Growth was driven primarily by a sharp increase in the value of gold shipments to the U.K., which accounted for more than half of the rise in trade value.¹² Beyond gold, exports of aircraft and their parts rose 19% over 2024 to nearly \$11 billion, with markets spanning diverse major economies like France (+12%), Germany (+28%), Singapore (+29%), and Australia (+69%).

2025 Air Trade Highlights

Air is used to ship light-weight / high-value goods

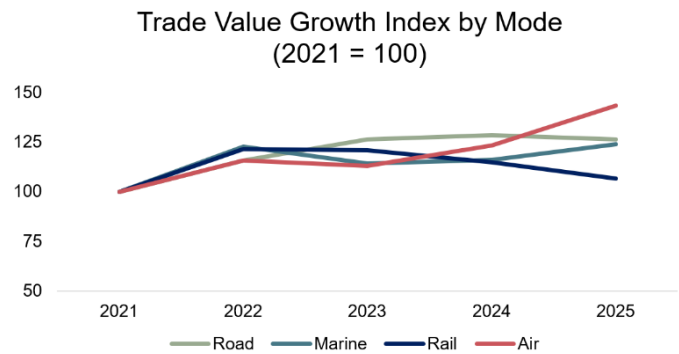
- The U.K. (22%) and the U.S. (21%) are major air cargo markets
- China (6%) and Germany (5%) are other key partners
- Precious metals account for 1/3rd (\$71b) of air trade by value

¹¹ IATA CargoIS

¹² Statistics Canada, Merchandise Trade Database, adapted by Transport Canada

Air transportation recorded the strongest growth in trade value of any mode in 2025, coinciding most prominently with higher prices of goods typically shipped by air, including gold, electronics, and seafood.

More broadly, changes in commodity prices and global demand affected both national growth regional performance. These effects were not uniform across the country given provincial resource or product specializations, modal dependencies and established trade flows, leading to varied impacts at the regional level.

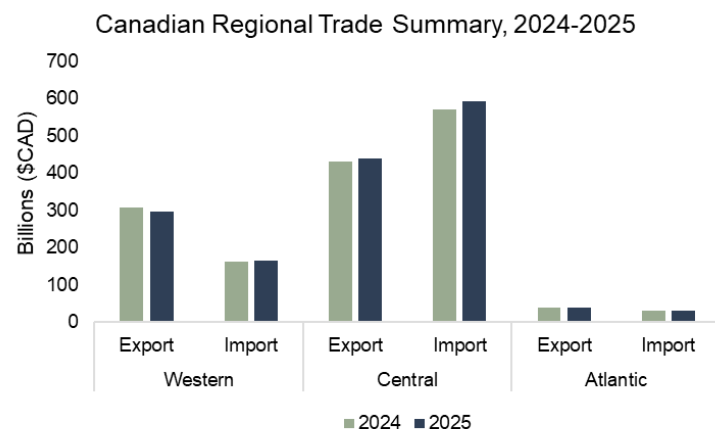


Source: Canadian International Merchandise Trade Database

Corridor-level freight performance

Western Canada: Overseas growth and improved bulk corridor operation

Western Canada saw a small decline in overall trade value in 2025, but this masked a significant shift in trade activity. Export volumes to the U.S. declined sharply, while overseas shipments expanded, increasing demand on west-to-east domestic corridors feeding export terminals. Energy and bulk commodities, particularly grain, continued to dominate freight volumes and drive demand across rail and marine networks.

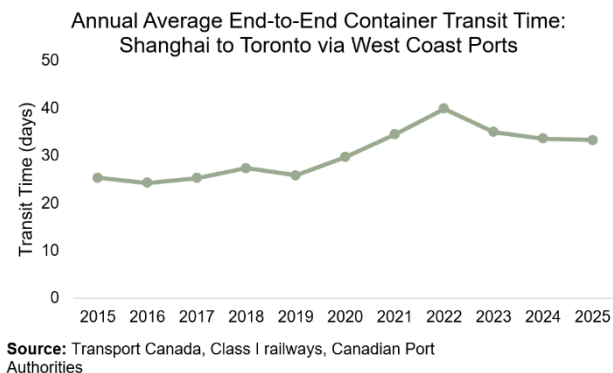


Source: Canadian International Merchandise Trade Database

Rail performance in the Western Corridor improved due to strong bulk volumes (+2% year-over-year¹³), better network coordination, and generally favourable operating conditions for much of the year (i.e., fewer network disruptions). Key performance indicators strengthened. Average rail car dwell time at origin fell by approximately 4% year-over-year, reflecting faster movement and more reliable departures. Winter conditions posed challenges early in 2025, but milder weather during the rest of the year supported more predictable rail operations.

¹³ Transport Canada, Rail Traffic Database

At West Coast ports, bulk exports, tanker traffic, and container volumes all increased, reinforcing the corridor's strong connection to global markets. The Port of Vancouver handled a record 170.4 million metric tonnes (MMT) of cargo in 2025, an 8% increase compared to 2024. Strong cargo volumes at Vancouver were driven by growth in the containerized freight (+6%) and bulk (+11%) sectors, supported by record exports of both grain (30.3 MMT) and crude oil (24.4 MMT). The Port of Prince Rupert also saw strong growth in 2025, with total cargo volumes increasing 14% to 26.3 MMT and intermodal container traffic rising 20% to 885,797 TEUs.¹⁴ Port performance improved steadily, with declining dwell times supporting stronger rail connections inland.



End-to-end transit times from Asia to Central Canada via the Western Corridor improved slightly. However, they remained above historical averages due to longer marine voyages and global shipping variability.

Central Canada: Stable volumes and high-value multimodal growth

Central Canada remained the country's primary inland freight hub in 2025. The region handled large volumes of containerized imports arriving by rail from Western ports and supported extensive domestic distribution networks. Overall freight volumes were resilient despite trade uncertainty affecting manufacturing-intensive sectors.

The biggest change was a sharp rise in high-value exports, particularly a 38% increase in the value of gold, which drove strong growth in air cargo activity at major hubs.¹⁵ This increase highlighted the importance of multimodal connections between airports, rail corridors, and logistics facilities. Rail flows into Central Canada - largely imported consumer goods from Asia like clothing, furniture, tools, and toys - remained generally stable, although winter weather later in the year increased dwell times in some areas.

Automotive-related freight declined by 7.8%, in line with reduced vehicle production and weaker cross-border demand, while machinery and aerospace shipments showed more stable performance. Iron and steel as well as aluminum were uniquely affected by U.S. trade policy in 2025, and exports of these products fell 28% and 5% respectively.

¹⁴ Vancouver Fraser Port Authority, Prince Rupert Port Authority websites

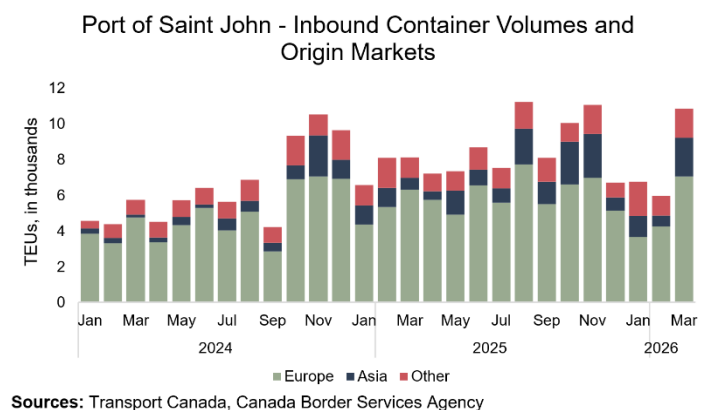
¹⁵ Statistics Canada, Merchandise Trade Database, adapted by Transport Canada

Overall, declines in the value of cross-border trade of manufactured goods and metals produced in Ontario and Quebec with deeply integrated North American supply chains moved goods away from road (-1%) and rail (-10%), while air (+23%) and marine (+4%) gained on the strength of additional trade with overseas markets.

Atlantic Canada: Lower energy volumes and uneven corridor outcomes

Atlantic Canada faced the most challenging freight conditions in 2025. Declining energy exports reduced volumes and weakened performance across marine, rail, and trucking networks, especially in New Brunswick, where energy trade makes up a large share of freight activity. As a result, overall freight volumes in the corridor weakened.

Despite these challenges, some sectors remained resilient. Seafood and agri-food exports supported steady outbound volumes, while mineral exports, including nickel from Newfoundland and Labrador, provided strength in the region. Overall marine freight volumes declined, but performance improved at the Port of Saint John, where recent terminal investments supported strong growth in containerized traffic and enhanced cargo handling efficiency, strengthening the port's role in regional and national freight networks.¹⁶



Passenger volumes and performance

Overall passenger travel continued to normalize following the pandemic, while significant shifts occurred in where Canadians travelled and how transportation networks were used. Lower demand for travel to the U.S. and record growth in overseas travel affected routing decisions, service patterns, and performance across modes.

Together, the modal analyses show how passenger transportation systems adapted to changing demand patterns. Travel preferences, capacity constraints, and operational resilience all influenced performance outcomes.

¹⁶ <https://www.sjport.com/news/psj-2025-container-traffic>

Air passenger travel: Shifting patterns and improving performance

Canadian air passenger travel activity remained stable in 2025 compared to 2024. However, travel preferences shifted noticeably, as many Canadians replaced trips to the U.S. with domestic and overseas travel. Passenger traffic between Canada and the U.S. declined by 6.4%, or about 930,000 fewer passengers, reflecting of heightened trade and geopolitical tensions. Despite this decline, the U.S. remained Canada's largest international air market.¹⁷

Domestic air travel grew in 2025, with passenger volumes rising by 4.6%, or nearly 1.5 million additional passengers. Most of this growth occurred at major hubs. Vancouver, Calgary, Toronto, Edmonton, and Ottawa accounted for almost 84% of the national increase.¹⁸ Travel to overseas destinations also expanded, increasing by 5.6% (about 1.1 million passengers), with the largest increases on routes to Asia and Europe, including China, Hong Kong, France, and South Korea.¹⁹

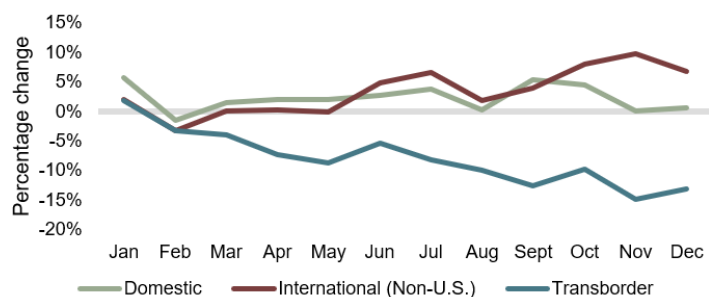
Operational performance in the air sector improved in 2025, continuing the recovery observed that began after the COVID-19 pandemic. Flight delays and cancellations declined compared with previous years, and passenger experience improved as security screening wait times became shorter at major airports.

2025 Air Passenger Travel Highlights

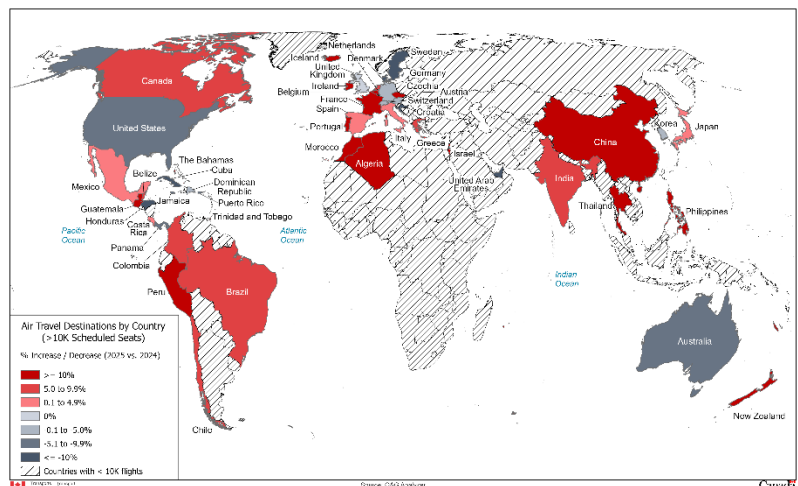
Canadian air travel was flat in 2025, but sector shifts occurred

- Domestic travel increased 4.6%
- Travel to the United States declined by 6.4%
- Overseas travel increased by 5.6%

Changes in Traffic at Canadian Airports, 2025 Compared to 2024



Source: CATSA



¹⁷ IATA AirportIS

¹⁸ Transport Canada ECATS

¹⁹ IATA AirportIS

The air sector also showed resilience in managing disruptions, including severe weather and isolated labour actions. Airlines typically restored normal operations within a few days.

Although ongoing shortages of air traffic controllers contributed to localized delays at major hubs, most operational challenges during the year resulted from temporary events, like severe weather, rather than broader system-wide issues. This highlighted the sector’s growing ability to adapt to disruptions.

Passenger rail: Strong ridership amid on-time performance pressures

Passenger rail demand continued to recover heading into 2025, with VIA Rail ridership and service frequencies approaching pre-pandemic levels by late 2024. Ridership reached about 4.4 million passengers, remaining largely unchanged from the previous year. Stable schedules in the Québec City–Windsor Corridor supported this performance. Passenger-miles increased by 2% year-over-year, mainly because ridership on the Canadian long-haul service between Vancouver and Toronto rose by 19% in 2025.²⁰

Although ridership was relatively flat, service reliability worsened over the year. VIA Rail’s on-time performance (OTP) fell to about 35% in 2025, down from roughly 51% in 2024. Operating restrictions affecting the new Venture fleet caused most of the decline, especially at grade crossings along the Corridor. These restrictions increased travel times and reduced schedule reliability. The situation highlighted ongoing challenges in balancing growing passenger demand with reliable service delivery on a shared rail network with freight traffic.

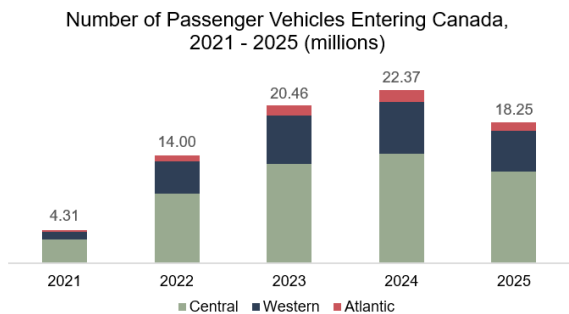
Road passenger: Lower volumes ease border congestion

Cross-border road passenger travel declined in 2025, improving operating conditions at Canada’s land border crossings.

2025 Cross-Border Traffic Highlights
The number of vehicles entering Canada fell in 2025

- Passenger vehicles decreased 18%
- Trucks decreased 5%

Passenger vehicle volumes entering Canada fell by about 18% compared with 2024. Lower traffic eased congestion and reduced border wait times across all regions. Median border wait times declined by about 15% in Central Canada, 8% in Western Canada, and 3% in Atlantic Canada, reflecting generally fluid conditions throughout the year. These



Source: Statistics Canada. Table 24-10-0052-01

²⁰ [VIA Rail 2025 Annual Report](#)

reductions improved the reliability and predictability of cross-border road travel, even as total road travel volumes moderated.

Safety performance

Long-term improvements in road safety continue

Road safety outcomes in Canada have improved steadily over the long term, reflecting ongoing progress in vehicle safety, infrastructure design, enforcement, and public awareness. Since motor vehicle fatalities peaked in the mid-1970s, deaths have declined by more than two-thirds, while serious injuries have fallen by over 60%. These improvements occurred even as the number of registered vehicles and total vehicle-kilometers travelled have increased substantially.

More recent trends also show continued progress. In 2023, fatalities from road collisions were about 25% lower than in 2003, despite continued growth in the number of licensed drivers, vehicles on the road, and overall travel activity. Canada’s motor vehicle fatality rate stood at 0.76 deaths per 10,000 registered vehicles. The rate has remained relatively stable in recent years and was about 10% lower than a decade earlier.²¹ These trends shows continued improvements in road safety performance, even as travel demand and vehicle ownership continue to rise.

Environmental performance

Transportation emissions rebound but remain below pre-pandemic levels

Transportation remained a major source of greenhouse gas (GHG) emissions in Canada. In 2024, the sector produced about

2025 Transportation Emissions Highlights
Transport was 22% (151 million tonnes CO₂e) of national GHG
- Emissions were 17 Mt lower than 2019 levels - Road vehicles accounted for 79% (120 Mt)

151 million tonnes of carbon dioxide equivalent (Mt CO₂e), representing 22% of Canada’s total emissions. As passenger travel and freight activity continued to recover from pandemic-related lows, transportation emissions increased. However, they have remained 17 Mt below 2019 levels, suggesting that transportation activity and emissions growth have become partly disconnected. Road transportation remained the largest source of transportation emissions. It produced 120 Mt CO₂e, accounting for 79% of sector emissions and 18% of Canada’s total emissions. Passenger vehicles generated most road emissions, accounting for 55% of the total, while freight vehicles accounted for 24%. Emissions from other domestic transportation modes, including aviation, marine, and rail,

²¹ [Canadian Motor Vehicle Traffic Collision Statistics: 2023](#)

totaled 17.7 Mt. Together they accounted for 12% of transportation emissions and 3% of Canada's emissions.²²

The difference between current emissions and pre-pandemic levels reflects continued progress in reducing emissions. Improvements in vehicle efficiency, increased adoption of zero-emission vehicles, and a gradual shift toward lower-carbon fuels across transportation modes all contributed to this progress. As travel demand continued to recover in 2024 and 2025, these structural changes helped limit emissions growth despite higher levels of vehicle use and freight activity.

Structural challenges facing the transportation sector

Canada's transportation sector showed adaptability and generally strong performance in 2025 as it responded to changing trade patterns, recovering passenger demand, and improving operational reliability across key networks. However, these short-term gains continued to hide long-standing structural challenges that limit productivity, competitiveness, and system resilience. Many of these issues existed before recent disruptions, but changing trade relationships, climate-related events, and evolving supply chain needs exposed them more clearly.

These structural constraints have major implications for Canada's long-term economic performance. Slower productivity growth, stronger global competition for trade and investment, aging and unevenly used infrastructure, labour shortages, regulatory complexity, and a more unstable risk environment continue to place pressure on transportation networks and service providers. Some developments in 2025, including a renewed focus on trade diversification, major infrastructure projects, and stronger internal market integration, began to address these issues. However, the many challenges remain significant and closely connected.

This section examines structural challenges through three lenses:

- sector-wide issues
- corridor-level constraints, and
- barriers to trade diversification

Sector-wide structural challenges

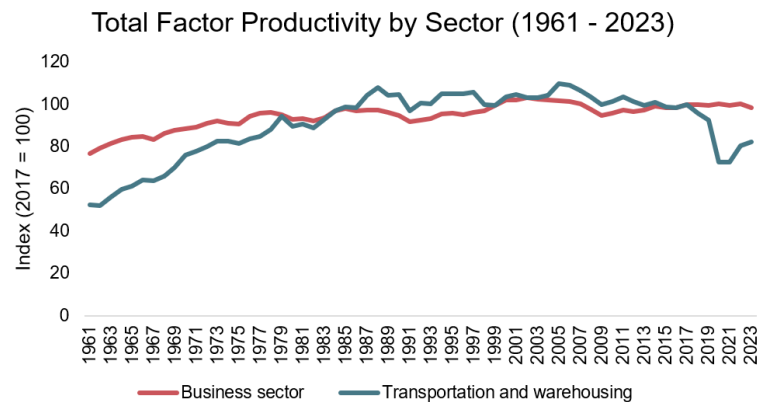
Across all modes, several common structural factors continue to shape transportation system performance.

²² [Canada's 2026 National Inventory Report](#)

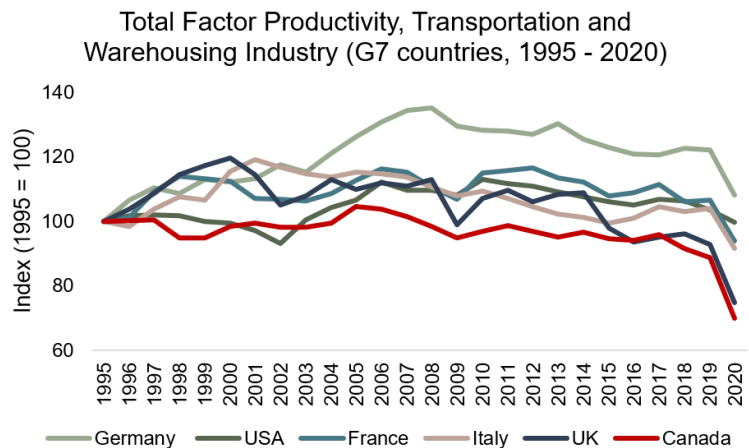
Stagnant productivity

After recording strong productivity gains in the 1960s and 1970s, the transportation sector's total factor productivity growth plateaued before seeing a sharp decline post-2017.²³

When compared to other G7 countries, the Canadian transportation sector had the worst total factor productivity performance in the last 25 years. Passenger transportation - including air, urban transit - was particularly affected by COVID-era travel restrictions and has not achieved full recovery by end of 2023. Looking forward, the Bank of Canada projected a stagnant total factor productivity growth in transportation over the next decade.²⁴



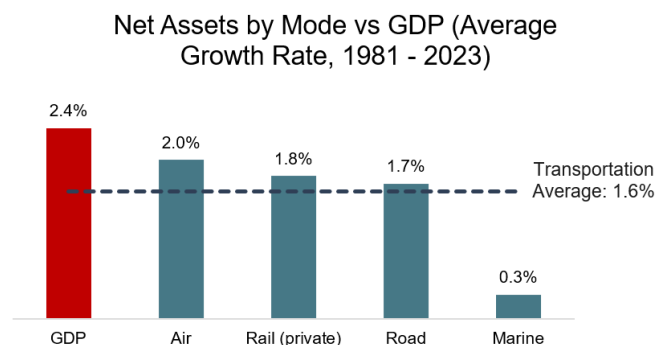
Source: Statistics Canada. Table 36-10-0208-01



Source: EUKLEMS & INTANPROD, Statistics Canada (Table 36-10-0208-01), & Bank of Canada

Capital investment

Since 1981, Canadian Gross Domestic Product (GDP) has grown nearly 1.5 times greater than the pace of investment (both private and public) in transportation infrastructure²⁵, though investment is concentrated in certain sectors (such as, rail and air). Furthermore, Canada's transportation sector compares poorly with peer



Source: Statistics Canada. Tables 36-10-0608-01 & 36-10-0222-01

²³ [Statistics Canada. Table 36-10-0208-01](#)

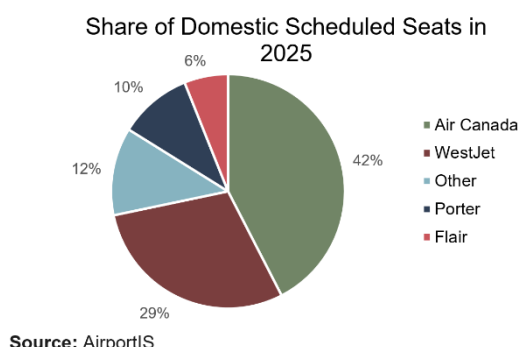
²⁴ <https://www.bankofcanada.ca/2024/05/staff-analytical-note-2024-12/>

²⁵ [Statistics Canada. Table 36-10-0608-01](#) and [Statistics Canada. Table 36-10-0222-01](#)

countries in relation to investments in research and development, technology adoption, and intellectual property (ex. new patents). Globally, investments in the automation of port terminals have increased as costs have declined. In 2025, approximately 8% of total global container terminal capacity is partially automated (72 out of 850 port terminals).²⁶ However, presently, Canada has no meaningful automated port capacity, representing a significant gap in capital investment resulting in a lack of ability to compete with high-efficiency global gateways.

Competition and connectivity

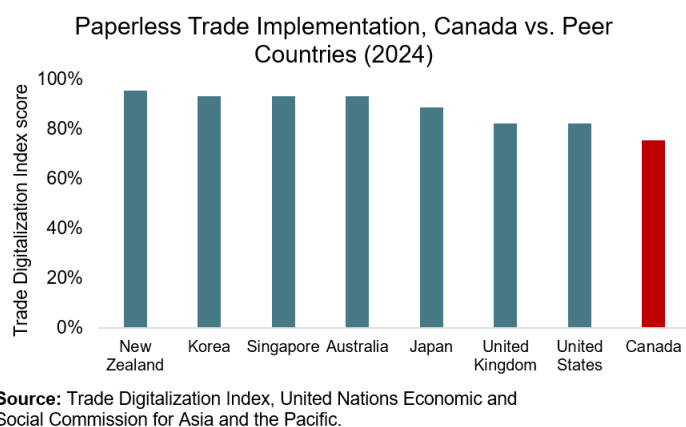
Market concentration and uneven access remain ongoing challenges. In aviation, two major airlines account for roughly 70% of passenger seats²⁷, while a small number of operators continue to dominate air cargo markets. Although service at major hubs has recovered and expanded, connectivity for rural and remote communities continues to lag. Many regions of Canada remain dependent on hub-and-spoke networks with limited competition.



Similar trends appear across surface and marine transportation. Freight rail coverage has declined significantly since the 1990s, reducing direct access for smaller shippers. Intercity bus services have also continued a long-term contraction, with scheduled route availability increasingly concentrated in dense corridors. Reduced direct marine connectivity has increased transit times and raised costs for certain trade routes. Together, these trends reduce affordability, limit access, and weaken regional economic integration.

Infrastructure and innovation

Transportation infrastructure investment has not kept pace with economic growth. Since the 1980s, the Canadian economy has grown has much faster than transportation investment, contributing to capacity constraints and bottlenecks across the system.²⁸ At the same time,



²⁶ <https://porteconomicsmanagement.org/pemp/contents/part6/terminal-automation/fully-semi-automated-container-terminals-total-hectares>

²⁷ IATA AirportIS

²⁸ Statistics Canada. Tables 36-10-0608-01 and 36-10-0222-01

Canada trails many peer countries in adopting advanced transportation technologies. Supply chains still rely on outdated digital systems and manual processes that increase costs and cause delays.

These infrastructure and innovation gaps reduce productivity and make it harder for Canada's to compete for global trade flows in an increasingly digital and automated transportation environment.

Demographics and labour availability

Workforce shortages remain a major challenge across the transportation sector.

Employers continue to face shortages in key occupations, including truck drivers, pilots, flight engineers, deck officers, and railway locomotive engineers. Labour market conditions improved

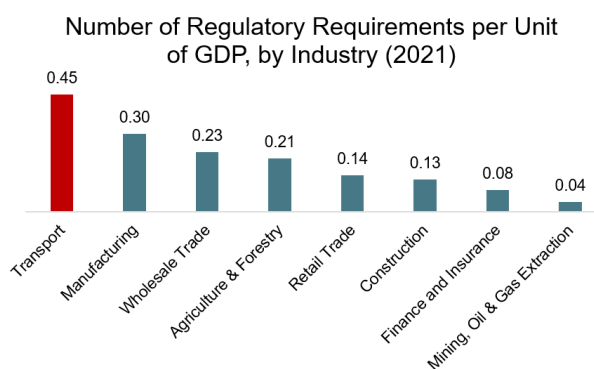


Source: Statistics Canada. Table 14-10-0372-01

somewhat in 2025, with job vacancies declining²⁹ and unemployment rising slightly.³⁰ However, long-term demographic pressures remain. An aging workforce, specialized training requirements, and competition from other industries continue to limit labour supply, especially in trucking and skilled technical roles.

Regulatory complexity

Transportation remains one of Canada's most heavily regulated sectors. Since 2006, regulatory requirements affecting transportation have increased significantly, raising compliance costs and extending project timelines.³¹ Coordinating across multiple jurisdictions remains a major challenge for large infrastructure projects. Measures introduced in 2025, such as Bill C-5 and the Major Projects Office, aim



Source: Statistics Canada, Table 36-10-0434-03 & Statistics Canada Paper: Regulatory Accumulation, Business Dynamism and Economic Growth in Canada

²⁹ [Statistics Canada. Table 14-10-0372-01](#)

³⁰ [Statistics Canada. Table 14-10-0287-03](#)

³¹ Statistic Canada, Catalogue no. 11F0019M, *Regulatory Accumulation, Business Dynamism and Economic Growth in Canada*

to improve timeliness and provide greater certainty for investors. However, balancing rigorous oversight with investment competitiveness remains a structural issue.

A more complex risk environment

Transportation systems now operate in an increasingly complex and unpredictable risk environment. Climate-related events, geopolitical tensions, and operational threats like cyber security system compromises are occurring more often and with greater severity. Although the transportation system showed resilience in 2025, these risks are becoming more connected and harder to predict. This trend highlights the need for infrastructure adaptation, system redundancy, and coordinated risk management.

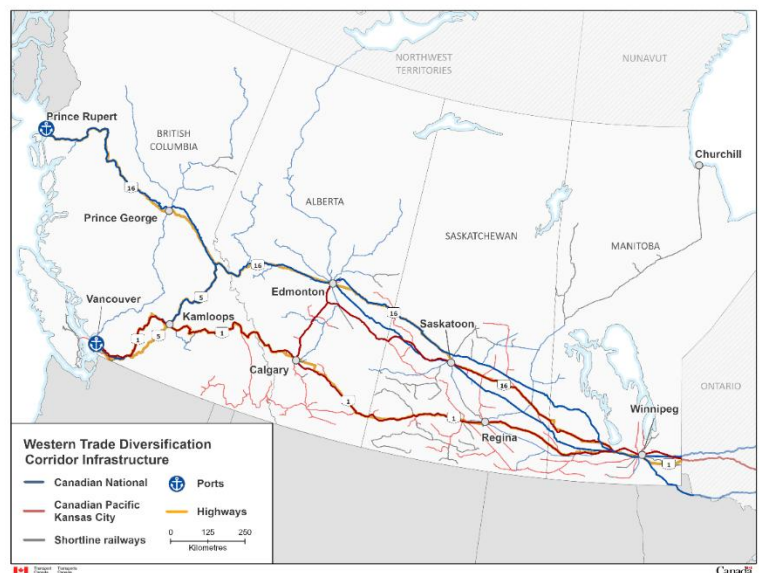
Corridor-level structural challenges

Structural constraints affect Canada's major freight corridors in different ways. Geography, commodity mix, infrastructure capacity, and exposure to climate and market risks all shape corridor performance.

Western Corridor: Coordinating growth and resilience

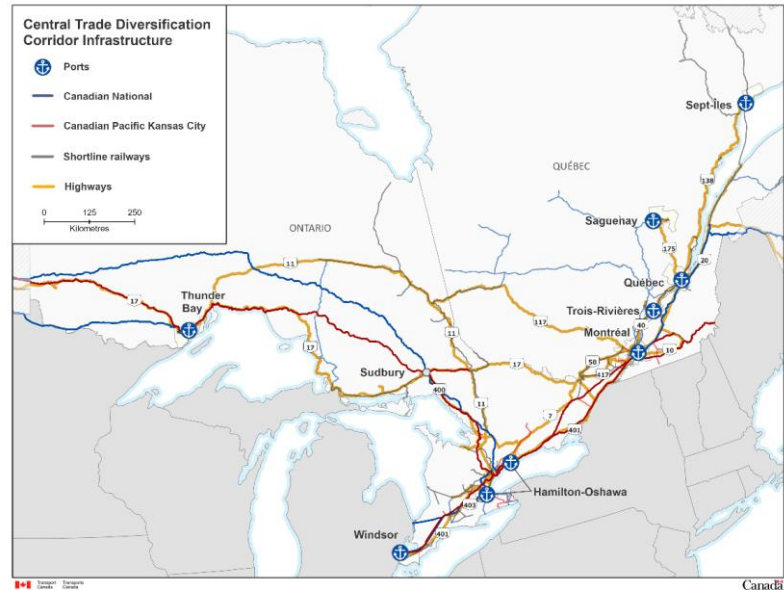
The Western Corridor is well positioned to support growing demand from Asia-Pacific markets for energy products, bulk commodities, and Prairie-origin exports such as grain and potash. However, several constraints limit growth. Congestion at terminals, limited rail and road access to ports, and insufficient coordination across modes continue to create bottlenecks. The corridor also relies more heavily on winter

operations, increasing the exposure to weather disruptions. At the same time, more frequent wildfires and floods are adding further risks. Congestion at west coast ports can also spread inland, affecting both time-sensitive shipments and bulk commodities.



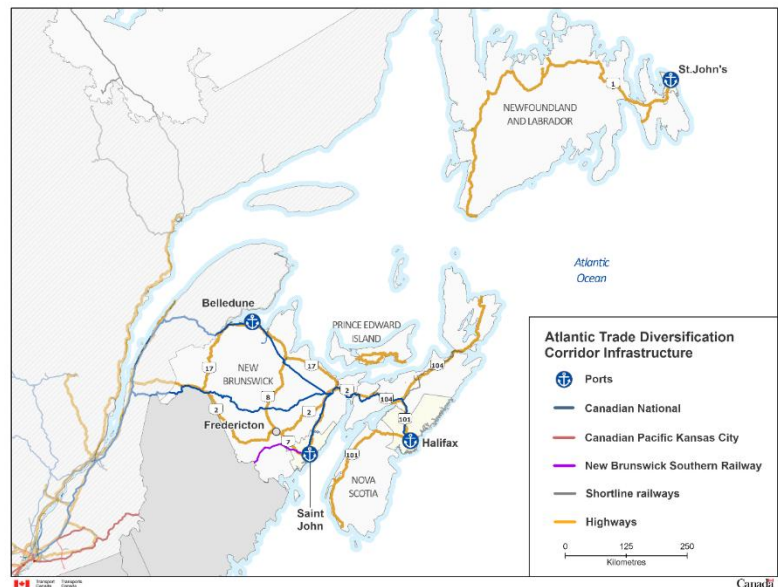
Central corridor: Marine capacity and urban constraints

Central Canada plays an important role in supporting trade diversification through exports of manufactured goods, metals, minerals, and potentially critical minerals. Despite these strengths, the corridor faces structural constraints. Seasonal closures of the St. Lawrence Seaway, limited terminal capacity, and chronic urban congestion, particularly in the Toronto and Montréal regions, restrict first- and last-mile connectivity. These challenges weaken multimodal efficiency and limit the corridor's ability to fully benefit from global trade opportunities.



Eastern Corridor: Connectivity and demographic pressures

Eastern Canada offers strategic advantages through underutilized deep-water ports and shorter shipping routes to Europe. However, limited rail routing flexibility, localized rail and road bottlenecks near ports, and critical infrastructure vulnerabilities, such as the Chignecto Isthmus, continue to constrain growth. Demographic pressures and labour shortages also reduce operational capacity, making it harder for the corridor to diversify trade beyond its traditional markets.

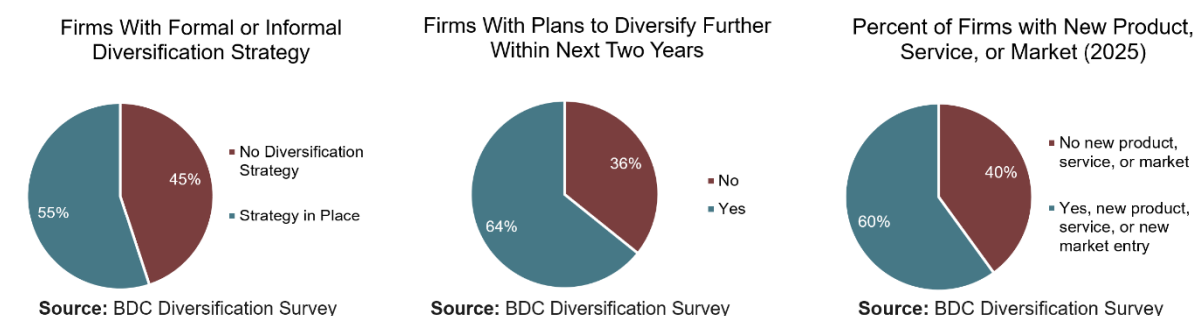


Trade diversification challenges: A business perspective

From a business perspective, trade diversification has increasingly become a strategic necessity rather than a long-term policy objective. While the U.S. remains Canada's main

export market, ongoing trade uncertainty and volatility has forced many firms to reassess their exposure. Survey evidence points to growing interest in trade diversification but also highlights persistent structural barriers that continue to limit progress in trading beyond North America.

The Bank of Canada’s Business Outlook Survey (January 2026) notes that exporters remain cautious, with trade policy uncertainty continuing to weigh on sales and investment expectations. Firms with higher exposure to non-U.S. markets reported comparatively stronger outlooks and greater resilience, but most exporters continue focusing on maintaining existing operations rather than expanding capacity or pursuing new markets. Similarly, survey results from the Business Development Bank of Canada (BDC) show that while roughly half of Canadian businesses have started diversifying their markets, and close to two-thirds plan to do so in the coming years, meaningful diversification remains concentrated among larger, better-capitalized businesses.³²



Businesses consistently cite three main barriers.

First, overseas markets create greater logistical complexity resulting in higher costs. Longer shipping distances, reliance on ports and intermodal transfers, and exposure to global scheduling disruptions reduce profit margins.

Second, regulatory and market access challenges raise compliance costs and operational risks. Businesses must adapt to unfamiliar standards, customs requirements, and customer expectations in foreign markets.

Third, limited access to capital makes it harder to invest in new equipment, perform product adaptations, and build long-term supply chain partnerships needed to compete globally.

Survey responses also highlight broader structural challenges. Slow productivity growth weakens Canada’s price competitiveness, while bottlenecks in rail, port and road networks reduce reliability for long-distance exports. Although overseas volumes increased in 2025,

³² [BDC Diversification Survey](#)

supported by strong commodity demand, expanded pipeline capacity, and high-value shipments, many businesses viewed these gains as temporary rather than as long-term structural changes.

Overall, businesses are showing more interest in trade diversification, but success will depend on improving productivity and strengthening the capacity and reliability of transportation corridors. Without sustained improvements in system performance and investment certainty, many firms will struggle to turn trade diversification plans into lasting export growth.

Outlook and forecasts for freight and passenger transportation

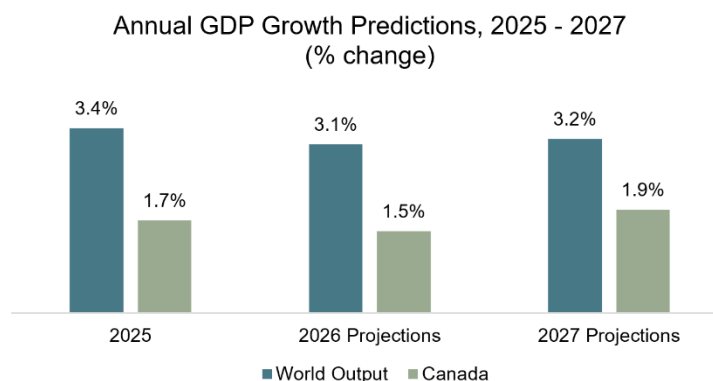
Building on the major developments and structural challenges discussed earlier, this section presents forward-looking perspectives on freight and passenger transportation demand, performance, and risks. Evolving global economic conditions, trade policy uncertainty, demographic trends, passenger preferences, and government priorities are expected to shape Canada’s transportation system over the short and medium-term. This section examines expected trends across air, marine, rail, and road transportation, with a focus on how economic and policy developments may affect volumes, routing patterns, and system performance.

Although near-term growth is expected to remain modest and uneven because of global uncertainty and slower domestic demand, longer-term trends point to a growing importance of overseas markets and diversified trade corridors. The passenger and freight outlooks therefore consider changing travel preferences, evolving supply chains, infrastructure capacity, and operational constraints.

Economic outlook and risks

Navigating uncertainty while supporting global market access

The global economy maintained steady growth of about 3% in 2025 and is projected to remain broadly resilient through 2026 and 2027, although downside risks remain elevated. The International Monetary Fund projects global GDP growth of approximately 3.1% in 2026 and 3.2% in 2027, supported by easing inflationary pressures and



Source: IMF World Economic Outlook, April 2026

continued growth in emerging markets, especially China and India.³³ However, ongoing geopolitical tensions and trade policy shifts continue to create risks for global trade and transportation, increasing uncertainty around energy prices, shipping costs, and supply chain reliability.

Trade policy developments will continue to shape Canada's short-term economic outlook. The 2026 review of the Canada–United States–Mexico Agreement (CUSMA) will allow the three partner countries to assess the agreement in light of changing economic conditions, technological change, and shifting global trade patterns. Canada's manufacturing, agriculture, and energy sectors remain highly integrated with the U.S. and Mexico, making the review an important source of uncertainty. The baseline expectation that the agreement will continue in its current form would support business confidence and help stabilize cross-border trade flows. For Canada's transportation system, this would support continued, though moderate, demand for freight services along key North American corridors.

Beyond North America, longer-term growth prospects increasingly point toward emerging markets because of growing populations and expanding manufacturing capacity. Rising incomes and industrial output in these economies are expected to sustain demand for food, energy, and raw materials, which are areas of Canadian export strength. This trend reinforces the importance of port, rail, and intermodal infrastructure in supporting access to overseas markets. China's planned reduction of canola trade barriers, effective March 2026, is expected to gradually increase exports of canola seed, oil, and meal later in the year. This change is likely to increase the demand for east-to-west rail movements from the Prairies to ports in British Columbia.

At the same time, the rapid advancement and spread of artificial intelligence (AI) creates both opportunities and risks for the global economy over the medium term. Increased adoption of AI could boost productivity, improve logistics planning, optimize asset utilization, and enhance forecasting across supply chains, supporting trade growth and transportation efficiency. However, uneven adoption across countries and sectors could widen productivity gaps, disrupt labour markets, and increase demand volatility. For Canada's transportation system, accelerated AI uptake may increase pressure to modernize digital infrastructure and workforce skills, while slower adoption could erode competitiveness in global logistics and trade-related sectors.

Geopolitical risks also remain high. Ongoing conflict in the Middle East continues to threaten trade and transportation outlooks. Disruptions in key energy-producing regions or

³³ [IMF World Economic Outlook \(Apr. 2026 edition\)](#)

strategic maritime routes, including the Strait of Hormuz, could affect global energy supplies and shipping flows, increasing fuel costs and transportation prices across all modes. These disruptions would add inflationary pressures, increase global supply chain volatility, and complicate export logistics for Canadian producers. They could also place additional pressure on ports and intermodal networks as shippers adjust their routing strategies.

Against this backdrop, Canada's economic growth is expected to remain modest in the short-term. Economic activity is likely to stay subdued in early 2026 before gradually improving as trade policy uncertainty recedes.³⁴ Over the medium term, Canada's potential economic growth is projected to slow through 2035 because of population aging and slower labour force expansion. After several years of strong immigration-driven growth, lower permanent resident targets are expected to slow growth in the supply of labour later in the decade. For the transportation sector, this suggests that domestic transportation demand, particularly trucking, will continue to grow, but at a slower pace than in earlier periods.

Over the longer term, structural shifts in global demand are expected to increase the importance of overseas markets. Budget 2025's objective of doubling Canada's overseas trade by 2035 would gradually shift transportation demand away from land border crossings and toward ports and airports serving global markets. Achieving this objective will require expanded capacity and improved performance at major gateways, as well as reliable rail and trucking connectivity linking inland producers with export infrastructure.

Overall, these trends point to a transportation outlook shaped by moderate domestic growth, growing importance of long-distance trade corridors, greater reliance on globally connected infrastructure, and growing exposure to technological and geopolitical risks.

Air transportation outlook

Growth driven by global markets amid capacity and cost pressures

Canada's air cargo volumes are expected to grow steadily through 2026, supported by trade diversification efforts and stronger links with overseas markets in Europe and Asia. Increased connectivity with these regions is expected to support long-distance air cargo flows, especially for high-value exports such as precious metals, aerospace products, and medical goods.

Toronto, Montréal, Vancouver, and Hamilton are expected to remain Canada's main air cargo hubs, with growth supported by expanding passenger capacity, improved refrigerated

³⁴ [Bank of Canada Business Outlook Survey - First Quarter of 2026](#)

storage for perishable goods, and wider use of digital logistics systems to improve cargo handling and traceability.

Passenger air travel is also expected to grow in 2026 in both domestic and international markets. Travel patterns are expected to continue shifting away from the United States, reflecting ongoing Canadian negative sentiment and perceived cost considerations, while demand for overseas travel is projected to rise.

Airlines have announced new or expanded routes to destinations in Europe, Latin America, the Caribbean, and the Asia-Pacific region, supporting international connectivity. Summer 2026 schedules show additional capacity for destinations like Mexico, Portugal, China, Hungary, United Kingdom, Costa Rica, Spain, Türkiye, Thailand, and Italy. Major events such as the 2026 FIFA World Cup may also increase short-term travel demand, along with Canada's growing appeal as an international tourism destination.

Changing consumer preferences are expected to further shape air travel demand. As travelers remain sensitive to inflation and affordability, value for money plays a larger role in destination choices. More Canadians are choosing destinations where purchasing power is stronger. At the same time, increasing use of AI-powered travel planning tools is enabling travellers to build customized, cost-effective trips. These trends are expected to support sustained demand while influencing route composition and seasonal travel patterns.

Despite these positive trends, the air sector faces several challenges that could temper growth. Ongoing geopolitical tensions could close or limit airspace, disrupt energy supplies and increase travel costs. Trade-related economic uncertainty may delay recovery of demand to the U.S. market. In addition, higher operating costs (including fuel, labour, and maintenance costs), as well as a weaker Canadian dollar could further reduce demand for air travel.

Structural and operational constraints may also limit growth. These include slot limitations at major airports, pressures on gate and terminal capacity, aircraft and parts shortages, and periodic labour disruptions. Declining Canada-U.S. connectivity at smaller airports also remains a concern, especially for regional access and competition.

Overall, major events and changing preferences are expected to continue shaping short-term air travel demand. Over the long term, demographic trends, rising living standards in emerging markets, and global trade diversification are expected to support steady growth in both air passenger and cargo activity.

Annex A - Significant Transport Canada initiatives

In addition to the major initiatives highlighted throughout this report, Transport Canada made progress on other initiatives in 2025 to support a safe, secure, environmentally responsible, reliable, and efficient transportation system. These actions also supported wider government priorities such as trade diversification and economic security.

Red tape review

In 2025, Transport Canada published its Progress Report on the Red Tape Review. The report describes the department's contribution to the Government of Canada's Red Tape Review, launched in July 2025. The review aims to reduce regulatory burden, lower costs for Canadians, and strengthen economic competitiveness, especially in federally regulated sectors.

As one of the federal government's largest regulators, Transport Canada is modernizing how transportation regulations are designed and administered across air, marine, rail, and road transportation. We're simplifying processes, speeding up approvals, aligning with international standards, expanding digital services, and using more risk-based and agile oversight.

The report identifies 34 specific action items based on stakeholder feedback. These include 14 actions already completed or targeted for completion by spring 2026, and 20 additional actions planned for the medium-to-long term. Together, these actions show Transport Canada's commitment to reducing administrative burden while maintaining strong safety, security, and environmental protections.³⁵

Creating a safe and secure transportation system

Transportation of dangerous goods

In 2025, inspectors from the Transportation of Dangerous Goods (TDG) Program³⁵ conducted 4,122 inspections across all modes of transport resulting in 5,772 enforcement actions to support compliance and address safety risks.

At the same time, progress on regulatory modernization continued. Work progressed on updates to the *Transportation of Dangerous Goods Regulations* to better align with evolving international codes and to update Canadian requirements. These amendments are targeted for publication in the Canada Gazette, Part II, in 2026. The program also strengthened the oversight of containment facilities by modernizing registration, using a

³⁵ [Transport Canada - Progress Report on the Red Tape Review](#)

risk-based inspection model, and increasing inspection capacity, while continuing to meet or exceed service standards.

Safety awareness efforts expanded through targeted engagement, updated guidance materials and frequently asked questions, refreshed web content, and new resources for first responders, including coordinated messaging on lithium battery safety. The program also continued to address emerging risks, including lithium batteries, infectious substances, and green technologies identified in the 2025–26 Environmental Scan.

Internationally and domestically, the TDG Program advanced regulatory priorities, strengthened processes following an ICAO audit, progressed drone-related regulatory changes, supported regulatory repeals, and conducted research to support evidence-based decision-making.

Intermodal safety and security

Transport Canada responded to several transportation disruptions in 2025 while continuing to advance security and system resilience. The department's 24/7 Operations Centres issued over 6,800 notifications providing awareness and coordinated response across the transportation network.

CANUTEC (Transport Canada's Canadian Transportation Emergency Centre) provided advice on hazardous materials and supported first responders during more than 1,520 incidents. CANUTEC handled 26,538 communications and participated in 414 simulations with first responders, public authorities, and industry.

Transport Canada also supported safe and secure transportation operations for the G7 Leaders' Summit and continued preparing for the 2026 FIFA World Cup.

The department also contributed to the security study of major transportation projects being managed by the Major Projects Office as part of Canada's national building initiative to protect Canadian interests.

In response to growing cyber security threats, Transport Canada continued working with the Canadian Centre for Cyber Security (CCCS) on threat briefings and solutions for industry.

Transport Canada also worked with Public Safety Canada on new *Preclearance in Canada Regulations*. These regulations created a screening process for people working in U.S. preclearance areas at Canadian transportation facilities. The changes strengthen border security, support cross-border transportation operations, and help Canada meet its commitments under the bilateral Land, Rail, Marine, and Air (LRMA) Preclearance Agreement.

Rail safety and security

In 2025–26, Transport Canada continued to support rail safety and security through inspections, oversight, and regulatory work.

Under its rail security programs, the department conducted over 1,000 oversight activities, including risk-based assessments of railway sites, stations, and facilities to improve security across the rail system

The Rail Safety Program completed more than 35,000 oversight activities, including inspections in key operating areas, and initiated 12 Safety Management Systems (SMS) audits to assess compliance and effectiveness. Work also continued on strengthening SMS regulations, including adding fatigue-related risk measures, and developing enhanced train control regulations.

Through the Rail Safety Improvement Program, Transport Canada supported projects at high-risk locations and continued investing in infrastructure, technology, research, and awareness initiatives to improve safety, strengthen climate resilience, and build public confidence in Canada's rail system.

Lac-Mégantic Rail Bypass

The Lac-Mégantic Rail Bypass Project upholds a commitment to the community's long-term recovery and safety by moving rail operations away from the downtown core. In September 2025, with support from Transport Canada, Canadian Pacific Kansas City (CPKC) submitted its application to the Canadian Transportation Agency (CTA). The Agency has since confirmed that the application is complete. Transport Canada and CPKC are now advancing preconstruction activities so that work can begin as soon as all regulatory authorizations are secured.

Aviation safety and security

In 2025, Transport Canada introduced several measures to improve aviation safety and security. The department updated the aviation safety regulatory framework through a series of amendments, including updates to how air navigation services are governed, changes to align regulations with ICAO standards following the 2023 audit, and improvements to licensing and training. These changes aim to enhance efficiency, resolve longstanding issues, reduce administrative burden, and strengthen safety outcomes.

Transport Canada also recently introduced an In-Flight Supplies Security (IFS) Program, which came into force in June 2025. The program helps Canada to meet ICAO standards that require states to ensure that catering, stores, and supplies, also known as IFS, intended for use, consumption or purchase on commercial flights are subjected to appropriate security measures.

New drone regulations now allow medium-sized drone operations and certain lower-risk beyond visual line-of-sight flights without certification. At the same time, Transport Canada worked with partners to improve readiness for drone-related risks through a national airport incident response protocol.

Transport Canada also strengthened air cargo security by making the Pre-Load Air Cargo Targeting (PACT) program mandatory as of April 1, 2025, for all air carriers bringing cargo into Canada. The program uses AI to identify high-risk shipments before loading, enabling targeted screening.

Transport Canada further expanded the Explosives Detection Dog and Handler Team Program by adding independent third-party certifiers to test dog and handler teams across the country.

Marine safety and security

Transport Canada continued the Domestic Vessel Oversight Review by launching pilot projects that test new oversight methods, focusing on higher-risk vessels.

The department also addressed the use of pleasure craft as commercial passenger vessels through education campaigns, awareness efforts, and targeted enforcement options like vessel detention and administrative monetary penalties.

New requirements now require seafarers to complete an online fatigue management course before Marine Emergency Duties training. Other initiatives included a new online course for Marine Medical Examiners and a new webpage for the National Pilotage Certificate Training Program. Updates to safe manning documents and improvements to the Marine Hub also simplified processes.

The Canadian Registered Vessels Open Data portal now provides daily updates, and a new seafarer exam scheduling system was introduced across the country. Updates to the *Vessel Operation Restriction Regulations* allow local boating restrictions to be introduced more quickly.

Transport Canada also strengthened marine security through threat coordination, intelligence sharing, and working with partners, including advancing at the International Maritime Organization (IMO) to develop a goal-based framework for managing cyber security risks in the marine sector.

Motor vehicle safety

In 2025, manufacturers issued 726 recalls affecting a total of 3.7 million vehicles, tires, and child car seats in Canada. Of these recalls, 40 (or 5.5%) were influenced by Transport Canada's interactions with manufacturers, affecting 27.5% (1,018,302) of the total recall

population. The department also received a record 4,307 defect complaints through Transport Canada's Defect Complaints and Recalls Hotline.

Since releasing the National Action Plan on Combatting Auto Theft in May 2024, Transport Canada has continued to advance its commitments. On December 27, 2025, the department published the proposed amendments to the *Motor Vehicle Safety Regulations* in the Canada Gazette, Part I and launched stakeholder consultations in March 2026.

Working with public safety partners, Transport Canada also helped select port operators update marine facility security plans based on identified risks. To address evolving vehicle theft methods, the department continued working with Innovation, Science and Economic Development Canada (ISED) and the Royal Canadian Mounted Police (RCMP) to support anti-theft technologies through the Innovative Solutions Canada program. Eight projects received up to \$150,000 each in 2025, with three projects moving forward to prototype development with \$1.6 million in funding planned for 2026.

The department also continued work on international regulatory alignment for automated driving systems and electric vehicle safety, supported testing at its Motor Vehicle Test Centre, and progressed its Vehicle Cyber Security Strategy through research, standards assessment, and industry engagement.

Reducing emissions and protecting the environment

Climate action and electric vehicle strategy

In 2025, Transport Canada continued working to reduce transportation emissions and strengthen long-term policies.

Internationally, Canada remained active at the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) to help reduce emissions from aviation and marine sectors and to advance towards net-zero carbon emissions by 2050.

Domestically, the Sustainable Aviation Task Force completed the *Sustainable Aviation Fuels Blueprint for Canada*, which provides guidance to support a domestic market.

The Federal Incentives for Zero-Emission Vehicles Program ended in March 2025. Combined with changes to provincial incentive programs, this contributed to a drop in the market share of new light-duty electric vehicle (EV) sales from 15.3% in 2024 to 10.3% in 2025.

In response, the Government of Canada announced a new national automotive strategy in February 2026. The strategy includes a \$2.3 billion, five-year Electric Vehicle Affordability Program that offers point-of-sale incentives for vehicles priced up to \$50,000.

The government is also developing a broader multimodal Clean Transportation Strategy. The strategy will align with Canada's Climate Competitiveness Strategy and will help to reduce emissions while supporting economic growth and system efficiency.

Marine conservation

Transport Canada is leading the development and implementation of policies both in Canada and internationally to reduce the impacts of vessel traffic, including acoustic, physical disturbance and vessel strikes, on at-risk whales, mainly the Southern Resident killer whale (West Coast) and the North Atlantic right whale (East Coast).

Supporting Canadian economic development and innovation

Air policy

The 42nd ICAO Assembly was held in Montreal from September 23 to October 3. As the organization's permanent host country since 1947, Canada welcomed delegates from 192 member states and was re-elected to the ICAO Council for the 2025–28 term.

The Government of Canada also released a policy statement on airport investment, highlighting flexibilities for Canadian airport authorities to attract investment.³⁶

Surface policy

Transport Canada hosted the Made in Canada Ferries and Rail Summit in September 2025 to support the long-term strength of ferry and railway services, steel and aluminum industries. The event brought together industry leaders, suppliers, and governments to discuss the use of Canadian steel and aluminum, barriers to domestic production, and potential government actions.

Building on these discussions, Transport Canada is considering next steps, including reviewing regulations, working with federal partners to support sectors affected by tariffs, and continuing engagement with stakeholders.

Improving passenger services

High-speed rail

On February 19, 2025, the Government of Canada selected Cadence as the preferred bidder for the High Frequency Rail project. The government also announced the project's strategic evolution into the High-Speed Rail (HSR) initiative, known as Alto.

³⁶ [Transport Canada - Policy statement on investment at National Airports System airports](#)

After a multi-year procurement process, Alto entered the co-development phase in March 2025. Work began on project design, stakeholder engagement, Indigenous consultations, and regulatory and environmental assessments.

On September 11, 2025, the Prime Minister identified Alto as a national priority project. Transport Canada is now speeding up engineering, regulatory, and permitting work to allow construction to begin by 2029.

Alto confirmed in December 2025 that the first segment will connect Ottawa and Montréal.

Air policy

Canada negotiated new and expanded air transport agreements with Ghana and Senegal in Africa, Albania in Europe and Saudi Arabia and the United Arab Emirates in the Middle East.

These agreements allow more flights and give airlines greater operational flexibility. They also support stronger connectivity, trade, and investment, in line with Canada's trade diversification goals.

Although the air sector faced weather and labour disruptions, Canadian airlines improved their on-time performance in 2025 compared to 2024.

Travel patterns also shifted, with lower demand for travel to the U.S., while domestic and international travel demand increased. These trends contributed to a record year for Canadian tourism.

Accessibility

In 2025, Transport Canada improved accessibility in air travel by supporting a standard medical intake form and improving data sharing. Accessibility was also integrated into policies, regulatory guidance, and major projects, including high-speed rail. Internationally, Canada contributed to developing a global aviation accessibility strategy through ICAO.

Annex B - Links to additional resources

If you would like more detailed or timely data, please visit the [Transportation Data and Information Hub \(TDIH\)](#), a partnership between Transport Canada and Statistics Canada. The hub provides interactive tools, datasets, and statistics that complement this report.

This report supports evidence-based decision-making by presenting analysis in a clear, accessible manner. Although it refers to federal actions where relevant, it is not a report on departmental performance.

More information on Transport Canada's programs, results, and spending is available in in the latest [Departmental Results Report \(DRR\)](#).

You may also be interested in:

- [Transport Canada 2026-2027 Departmental Plan](#)
- [GC InfoBase \(interactive visualization tool of federal data\)](#)