

Minister of Transport



Ministre des Transports

Ottawa, Canada K1A 0N5

MAR 29 2018

The Honorable Kevin Sorenson
Chair
Standing Committee on Public Accounts
House of Commons
Ottawa, Ontario,
K1A 0A6

Dear Colleague:

Pursuant to Standing Order 109 of the House of Commons, I am pleased to provide the Government of Canada's response to the 38th Report of the Standing Committee on Public Accounts entitled, *Report 6, Civil Aviation Infrastructure in the North, of the Spring 2017 Reports of the Auditor General of Canada*, which was presented in the House of Commons on December 13, 2017.

I would like to thank the members of the Committee for their time spent studying civil aviation infrastructure in our North. The Government agrees with the Committee that air transportation is essential for Canada's northern communities. The Report's recommendations are consistent with efforts Transport Canada (TC) is currently undertaking with regards to engagement with stakeholders, optimizing federal funding opportunities, and developing a strategy for northern airport infrastructure. However, while the Report focuses solely on civil aviation infrastructure, due to the multitude of transportation challenges in the North and their inter-dependencies, TC is taking a broader, multi-modal approach to developing a transportation policy framework that addresses the needs of Northerners and supports the safe and efficient flow of passengers and goods. This approach is reflective of our regular engagement with our territorial colleagues, who also provide leadership in addressing northern infrastructure challenges through a multi-modal lens.

TC has been engaging regularly with territorial and provincial counterparts, Indigenous groups, and stakeholders through a variety of formal and informal sessions. We are also closely involved in the development of the new federal Arctic Policy Framework (APF), jointly announced by Ministers Bennett and Freeland on November 15, 2017, and ensuring that the importance of transportation infrastructure in Canada's North is reflected appropriately in the overall framework. Through the APF development process, TC has been participating in the regional roundtables, which provide the opportunity to hear concerns from Indigenous groups, local governments, and the private sector about northern transportation needs.

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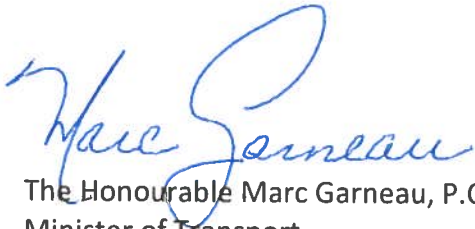
Addressing the unique needs of Canada's North has always been a priority for TC, and for me personally. During the consultations that supported the development of my department's national transportation strategy, Transportation 2030, launched in November 2016, I met with Arctic stakeholders in Iqaluit at a key roundtable held in July 2016 and heard their concerns first-hand with issues regarding transportation in the North. As a result, my department has allocated \$400 million through the National Trade Corridors Fund (NTCF) specifically to address transportation needs in the three northern territories. This is an unprecedented commitment with 20% of the \$2 billion fund going to address the needs of 0.3% of Canada's population (as per the 2016 Census). It should be noted that remote airports in the provinces have the added benefit of a proportionately much larger tax base that can be leveraged to fund infrastructure improvements, compared to the territories. Other sources of federal funding available to improve northern infrastructure beyond the NTCF, including in the provinces, are the Airports Capital Assistance Program, Infrastructure Canada's Northern and Rural Fund, and the Canada Infrastructure Bank.

Northern communities face a number of major issues including health, climate change, loss of culture, protecting the environment, and accessing natural resources for economic benefit. Therefore, efforts to address civil aviation infrastructure deficits need to fit within an overall northern solution. It should be noted that key findings from our consultations to date have demonstrated that the priorities of the territories have been focussed on surface transportation issues, namely bridges and roads connecting communities as well as accessing natural resources, including transforming seasonal roads into all-weather roads wherever possible to counter the effects of climate change.

Improving transportation systems is integral to promoting the social and economic development of the North. TC will continue to work with territorial and provincial governments, Indigenous groups, and northern communities to assess their transportation infrastructure needs and prioritize federal investments to improve northern transportation in all modes, including aviation. Enhancing the northern transportation system will support and promote economic growth and social development, offer job opportunities, and ensure greater connectivity for Northerners.

Once again, I thank the Committee for its time and dedication to this issue. We all agree that a safe and secure northern transportation system is necessary for the efficient and effective movement of people and as a critical enabler of the Canadian economy. I am committed to continuing to strengthen civil aviation infrastructure in the North, working in close collaboration with our partners, stakeholders, and the Canadian public, and I would be pleased to provide further details regarding our work to develop a new Arctic transportation policy framework this fall to the Committee.

Yours sincerely,

A handwritten signature in blue ink, reading "Marc Garneau". The signature is fluid and cursive, with the first name "Marc" and last name "Garneau" clearly distinguishable.

The Honourable Marc Garneau, P.C., M.P.
Minister of Transport

Enclosure

LIST OF RECOMMENDATIONS AND GOVERNMENT RESPONSE

#	Committee Recommendation	Government Response
1.	<p>That, by 31 October 2018, TC submit to the Committee 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 (OAG), and developed in consultation with the provinces and territories and other stakeholders such as Indigenous groups, local governments and private airport owners.</p>	<p>The Government agrees in principle with the recommendation.</p> <p>Following the extensive consultations undertaken for Transportation 2030, TC's new national transportation strategy launched in November 2016. Minister Garneau then launched the NTCF program on July 4, 2017, with the first call for proposals. The NTCF was set up as a merit-based funding program to invest in projects that strengthen the efficiency and resilience of trade and transportation corridors, including in the North. The Government of Canada allocated \$400 million of the NTCF's \$2 billion to address territorial transportation needs, including airport infrastructure.</p> <p>Applications submitted in the first NTCF call for proposals are being assessed against the program's objectives, and project selection should be completed in March 2018. In addition to this, an NTCF call for proposals specifically tailored to address needs in the territorial North is expected to be launched during the summer of 2018. A call for proposals dedicated to small National Airport System (NAS) airports may also be considered.</p> <p>As per TC's Deputy Minister's commitment to the Committee on October 3, 2017, TC is developing an Arctic transportation policy framework (ATPF), which will be made public by December 20, 2018.</p> <p>Due to the multitude of transportation challenges in the North and their inter-dependencies, TC is taking a multi-modal approach to the strategy, in close collaboration with its key stakeholders and partners, including provinces and territories, Indigenous groups, and industry.</p> <p>The framework will better articulate TC's approach to the unique transportation concerns in the territorial North. Once completed, the framework will support greater coherence in federal actions related to policy,</p>

		<p>investment, and regulatory measures that support improving social and economic opportunities in Canada's Arctic.</p> <p>TC's framework is being developed in close alignment with the new federal APF, led by Indigenous and Northern Affairs Canada. Through the APF development process, TC has also been participating in the regional roundtables, which provide the opportunity to hear concerns from Indigenous groups, local governments, and the private sector about northern transportation needs.</p>
2.	<p>That, within 120 days of the tabling of this report, TC submit to the Committee 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.</p>	<p>The Government agrees in principle with this recommendation. A report is attached below, detailing TC's initial consultations undertaken for the development of its ATPF, including a list of the civil aviation stakeholders consulted, and the key findings of these initial consultations.</p>
3.	<p>That, within 120 days of the tabling of this report, TC submit a report to the Committee 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.</p>	<p>The Government agrees in principle with this recommendation. A report is attached further below, outlining the various federal sources of funding available for northern civilian aviation infrastructure, as well as the consultations undertaken to highlight issues and work to address these needs through funding options.</p>

REPORT OF CONSULTATIONS IN RESPONSE TO RECOMMENDATION #2

Our response is primarily based on consultations and discussions held between TC officials and their northern counterparts with regards to civil aviation infrastructure. Additionally, TC intends to submit an engagement plan highlighting ongoing commitments leading up to both a North- and small NAS-specific NTCF calls for proposals along with the ATPF. The table below provides an overview of all consultations and discussions held to date, or to be held in the near future, along with a list of the associated stakeholders.

Topic	Stakeholders	Progress/Status of Consultations
NTCF	<ul style="list-style-type: none">• Territorial governments• Provincial governments• Municipalities• Western Transportation Advisory Council members• Crown corporations• Shared-governance corporations• Trade Corridors to Global Markets Roundtable attendees• Industry/private sector stakeholders	<p>In July 2017, TC officials conducted technical briefings on the NTCF and the application process, some of which target specific themes, such as the North. Invitations to these webinars were sent to over 300 departmental stakeholders and to over 2000 members of the Federation of Canadian Municipalities.</p> <p>TC conducted a second series of webinars in September 2017 for NTCF applicants who had been screened in at the expression of interest phase, to support their preparation of comprehensive project proposals.</p>
ATPF/APF	<ul style="list-style-type: none">• Territorial governments• Provincial governments• Municipalities	<p>Participating in APF roundtables (Fall 2017 through Winter 2018)</p> <p>Frequent meetings with territorial governments to discuss transportation priorities.</p> <p>Established regular teleconference sessions with territorial governments at the Director/Assistant Deputy Minister-level.</p> <p>Indigenous groups are also regularly engaged through their participation in</p>

		the APF roundtable discussions along with formal consultations expected to take place in Spring 2018.
Northern Transportation Adaptation Initiative (NTAI)	<ul style="list-style-type: none"> • Territorial governments • Provincial governments • Federal government • Academia • Industry experts 	<p>TC has ongoing bilateral discussions with territorial and provincial counterparts to discuss arctic transportation adaptation pressures and priorities, and to deliver projects that support adaptation innovation and capacity development.</p> <p>TC also engages regularly with the NTAI's two established networks of expertise (on permafrost and on arctic waters). The department organizes one meeting and workshop annually with each network.</p> <p>A joint meeting with both networks was held this year to discuss the NTAI as it moves into the next three year phase of program delivery (November 2017)</p>
Aviation Standing Committee	<ul style="list-style-type: none"> • Territorial government transport officials • Provincial government transport officials • Federal government transport officials 	The Committee convenes on a semi-annual basis (face-to-face in Ottawa or via teleconference) in the spring and fall to address aviation topics including, air cargo, regulations, funding options, and remote airport programs.
Regulatory Consultations for Civil Aviation	<ul style="list-style-type: none"> • Government of the Northwest Territories • Manitoba Infrastructure and Transportation • Ontario Ministry of Transportation, Remote Northern Transportation Office 	<p>Consultations with northern operators for the following regulatory files:</p> <ul style="list-style-type: none"> • Fatigue Crew and Fatigue Management • Runway End Safety Area • Emergency Locator Transmitters • CAR 306-Water Airports

	<ul style="list-style-type: none"> • Northern Air Operations, Saskatchewan Government • Canadian North Airlines • North Cariboo Air • Air Sprint • North Wright Airways, Northwest Territories • Wilderness North Air • Voyageur Airways Ltd. • North Bay Jack Garland Airport • Northern Air Transport Association (NATA) 	<ul style="list-style-type: none"> • Airport Winter Maintenance • Canadian Aviation Regulation Advisory Council <p>Civil Aviation attends the annual NATA conference to discuss aviation safety issues and oversight.</p> <p>Minister Garneau met with NATA in Yellowknife (August 2017).</p> <p>Director General of Civil Aviation met with NATA (December 2017).</p> <p>Minister Garneau intends to meet with NATA in Whitehorse (April 2018).</p>
TC Prairie and Northern Regional Office	<ul style="list-style-type: none"> • Territorial governments • Provincial governments • Northern airport officials 	<p>Regular consultations, meetings and phone calls to discuss status of Airports Capital Assistance Program (ACAP) applications along with possible future applications.</p> <p>TC has held frequent teleconferences, phone conversations, and email engagements with various northern stakeholders regarding the Contaminated Sites Program.</p> <p>TC holds quarterly meetings with the director of airport from each territorial government to discuss operation. For 2017, these meetings were held in March, May, and September.</p>
Transportation 2030	<ul style="list-style-type: none"> • Territorial governments • Provincial governments • Industry 	<p>Minister Garneau led a roundtable discussion in Iqaluit, Nunavut on "The North" to identify the most pressing transportation concerns and how to improve federal programs in carrying out activities to better account for unique northern realities (July 2016).</p>

		Indigenous groups were also consulted when devising the plan and themes for the initiative.
Infrastructure Canada (INFC)	<ul style="list-style-type: none"> • Provincial governments • Territorial governments • Municipalities • Indigenous organizations 	<p>In the course of developing the Investing in Canada plan, INFC engaged with provinces, territories, municipalities, and Indigenous communities at the senior official and Ministerial levels. Discussions at the senior official level are ongoing with provinces and territories in the run up to the signing of integrated bilateral agreements.</p> <p>As INFC implements the Investing in Canada plan over the next 10 years, it is seeking to further engage with the Assembly of First Nations, Inuit Tapiriit Kanatami, and Métis National Council on a regular basis to gauge how their priorities are being addressed.</p>

Broad Consultations

TC is continuing to consult extensively with its stakeholders through a number of fora, including the NATA; regular meetings with territorial colleagues to discuss transportation infrastructure priorities; roundtables in the territories and provinces with federal, territorial and provincial colleagues; and meetings with northern stakeholders.

Key Findings

1. Territorial government infrastructure priorities have a broader focus than civil aviation

Air transport, and by extension air infrastructure, are a central component to Canada's northern transportation network as many communities depend on it as their sole year-round means of transportation. However, discussions with territorial governments have revealed a tendency to prioritize the development and maintenance of surface infrastructure (e.g. roads and bridges).

2. High cost of air transportation

Northerners constantly reiterated, through various engagement fora, that shipping by air is extremely expensive and, while it is usually reserved for lighter or perishable cargo wherever possible, it results in a very high cost of living for Northerners, with the high cost of transportation of all modes affecting the cost of goods and economic activities in the North. The much higher cost of air travel across the North, compared to southern Canada, also impacts tourism and the ability of Northerners to travel to other northern communities, as well as to southern Canada.

3. Constant engagement is a continuing departmental priority

Upon analyzing the consultations undertaken by TC, it is evident that there is constant engagement with stakeholders, while encouraging open lines of communication between all parties. TC will ensure that engagement with its northern stakeholders remains a priority.

REPORT OF FUNDING SOURCES IN RESPONSE TO RECOMMENDATION #3

Below is a list of all available federal sources of funding which can be accessed for the improvement of northern civil aviation infrastructure. The majority of the initiatives are national in scope; however, due to the multitude of transportation challenges in the North, including harsh weather, limited construction season, vast distances between communities, funding can be specifically set aside to support northern projects.

Topic	Funding Opportunities
NTCF	<p>Within the \$2 billion NTCF allocation, up to \$400 million will support investments in Canada's three northern territories. Given the unique challenges of transportation in the territorial North, this funding is set aside exclusively to support projects based in the Yukon, Northwest Territories, and Nunavut. Airports in the northern regions of provinces are able to apply for the remaining \$1.6 billion.</p> <p>Air infrastructure is eligible for NTCF funding under different categories of investment, including projects that: improve the efficiency, fluidity and multi-modal connectivity for international trade; make critical safety improvements at small NAS airports, and address the needs of communities in the territorial North, including safety and economic development.</p> <p>A dedicated northern call for proposals will take place in summer 2018. Territorial governments will be responsible for prioritizing air investments among other priorities. Depending on the extent to which immediate needs are addressed in the first call for proposals, a dedicated call for proposals for small NAS airports may also be issued in 2018.</p>
National Airport Policy (NAP) and the ACAP	<p>The ACAP is a contribution program with an annual funding envelope of \$38 million. In order to be eligible for ACAP consideration, an airport must meet the following requirements:</p> <ul style="list-style-type: none">• not be owned by the federal government;• have year-round scheduled passenger service of 1,000 passengers/year or more; and• meet airport certification requirements. <p>Funding under the ACAP is provided on a cost-shared basis</p>

	<p>established according to passenger levels. Approved projects at eligible airports with less than 50,000 passengers per year are funded at 100% by the federal government. There is a five percent reduction in cost-sharing for every supplementary 25,000 passengers up to 524,999 passengers.</p> <p>However, in order to acknowledge the importance of northern airports that often provide the only means of year-round transportation to certain northern communities, projects approved for airports that are situated north of the 60th parallel receive at least 85% federal funding under the ACAP, regardless of their yearly scheduled passenger levels. Also, any airport that is designated as a remote airport under the NAP does not have to meet the minimum scheduled passenger threshold in order to maintain its eligibility.</p>
NTAI	<p>Renewed through Budget 2017, with \$6.9 million over three years (2018/19-2020/21). The renewed program will continue to make funding available through grants, contributions, and through contracts for eligible research and development projects. All three territorial governments (Northwest Territories, Yukon, Nunavut), as well as the Government of Quebec, are engaged in the initiative. Funded projects are required to have benefits for the North, and may include airports in the territories and northern regions of Quebec and Manitoba.</p>
INFC	<p>In Budget 2017, the Government of Canada announced a historic plan to invest more than \$180 billion in infrastructure over 12 years under the Investing in Canada plan. Because rural and northern communities have unique infrastructure needs that require a more targeted approach, the Government of Canada will invest \$2 billion to support a broad range of infrastructure projects. Projects could include those that improve transportation access, expand Internet connectivity, increase food security, or enhance energy efficiency and security.</p> <p>The Investing in Canada plan also includes the creation of the Canada Infrastructure Bank (CIB). The CIB will use various financing instruments including equity and debt to invest \$35 billion from the federal government, alongside private investment, into transformative infrastructure projects that have revenue-generating potential and are in the public interest. At least \$5 billion will be invested through the CIB to address trade and transportation priorities across the country, with an additional \$5 billion for green</p>

	infrastructure projects, including green energy transmission.
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