Transport Canada Transports Canada

EVALUATION OF THE REMOTE PASSENGER RAIL PROGRAM

Evaluation and Advisory Services

Transport Canada

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Executive Summary

The evaluation of the Remote Passenger Rail Program (RPRP) assesses the relevance, effectiveness and efficiency of the two remote railways receiving funding through the RPRP – Tshiuetin Rail Transportation (TRT) in Quebec and Labrador, and the Keewatin Railway Company (KRC) in Northern Manitoba. The evaluation was conducted by completing document and literature reviews, key informant interviews, a media and information scan, as well as analyses of railway performance data, financial data, and safety data.

The RPRP was designed to ensure that safe, reliable, viable, and sustainable passenger rail services are provided to remote communities. Overall, evaluation findings indicate that the RPRP continues to address the ongoing need of providing a surface transportation link to Canadians who live in remote communities so that they can access the national transportation system. Both KRC and TRT meet the terms and conditions of their funding agreements, in terms of the number of trips made and the number of passenger transported per fiscal year. In fact, Keewatin Railway Company has experienced a strong increase in demand for their passenger rail service, which has at times exceeded the capacity of their passenger cars.

Currently, there is a clear rationale for Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada (CIRNA & ISC) to play a role in the administration of the RPRP, given that the composition of RPRP funding recipients has changed over time and now only includes First Nations groups. There is strong alignment between the objectives of the RPRP and CIRNA & ISC's core responsibilities and ongoing departmental activities. Additionally, in a statement made in late August 2017, the Prime Minister of Canada announced changes to the structure of the former Indigenous and Northern Affairs Canada (which resulted in the creation of CIRNA & ISC) and indicated that once those changes were complete that "services currently delivered to Indigenous Peoples by other departments shall be considered for transfer…" (Prime Minister's Office; August 28, 2017). If the RPRP were transferred to CIRNA & ISC, administrative benefits would likely be realized without negatively impacting railway operations and safety.

The RPRP was found to be administered in an efficient manner. When assessing the cost-effectiveness of the funding recipients, it was clear that both railways require substantial per passenger subsidies to remain operational. Even though the economics of this program appear tenuous, most passenger rail services in the Western world require financial subsidies from their respective governments (CTA Review, 2016; p. 177).

Evaluation of the Remote Passenger Rail Program (RPRP)

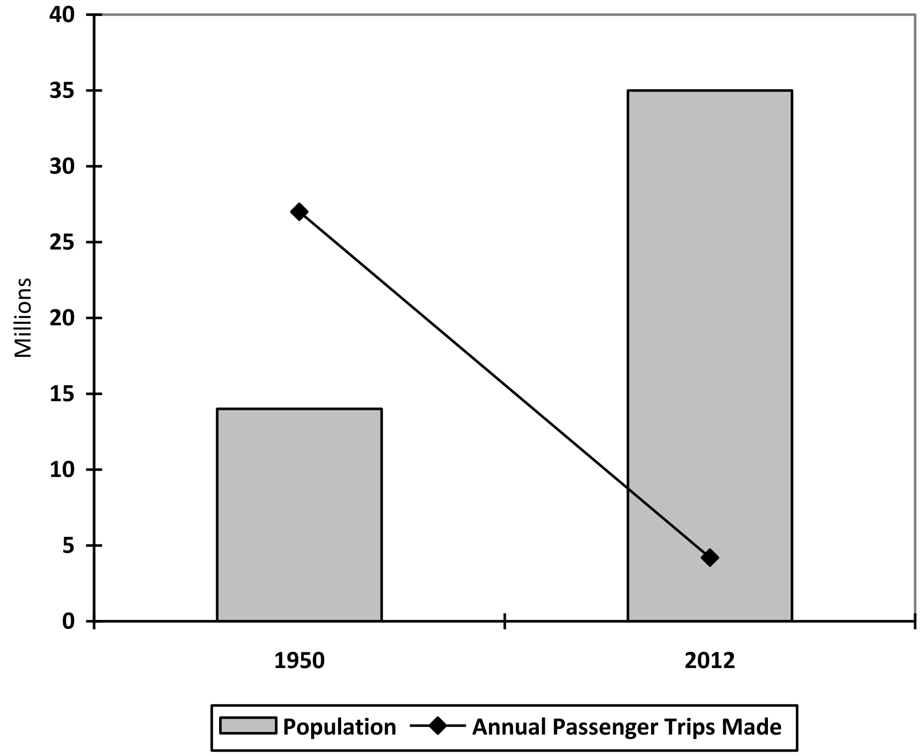
The contribution funding provided by Transport Canada through the Remote Passenger Rail Program (RPRP) will expire at the end of fiscal year 2017/18. This evaluation is being conducted to inform the preparation of the RPRP program renewal documents, to address the commitments made in Transport Canada's annual five-year evaluation plan, and to address the coverage requirements outlined in the *Policy on Results* (2016) and section 42.1 of the *Financial Administration Act*.

Introduction

In the year of Canada's 150th birthday (or sesquicentennial anniversary) it is fitting to be reviewing Transport Canada's program activities as they relate to remote passenger rail. Historically, rail transportation has played a central role in the development and prosperity of our country. During the Confederation conferences in 1864, delegates from Nova Scotia and New Brunswick made it clear that their joining Canada was dependant on the building of the Intercolonial Railway (Historica Canada). Similarly, after Confederation the British colony on the West Coast (presently known as the Province of British Columbia) debated whether it should join the eastern provinces known as Canada. In 1871 the non-Indigenous residents of modern day BC agreed to enter the Dominion of Canada on the condition that the federal government build a transcontinental railway linking it to the eastern provinces (Historica Canada). The construction of these railways was essential to the creation of Canada and its early successes - by greatly enhancing national transportation, communication, defences, and the economy (Historica Canada). To this day *freight* rail remains a vital form of transportation for the national economy and serves many of the same purposes that it did 150 years ago, by linking ports, towns, and provinces.

Intercity *passenger* rail, however, has followed a different trajectory. Initially, after the completion of the Intercolonial Railway in eastern Canada in the mid-1870s and the transcontinental railway in 1885, passenger rail flourished and became the predominant mode of domestic transportation for over 50 years (Internal Policy Document). However, beginning in the 1950s, affordable automobiles became an increasingly popular mode of transportation, which initiated a steady and enduring decline in passenger rail ridership. Rail's market share declined further with the development and expansion of the passenger air network. In 1950, for example, intercity passenger rail ridership accounted for 27 million annual trips, by 2012 that number had declined to 4.2 million (Internal Policy Document). For context, the population of Canada in 1950 was approximately 14 million people, in 2012 it was approximately 35 million people (Statistics Canada). Therefore, in 1950, for every 10 Canadians, approximately 20 passenger rail trips would have been made annually. In 2012, for every 10 Canadians, approximately one passenger rail trip would have been made annually (see Figure 1). At the time of writing this evaluation, intercity passenger rail was reported to account for less than 1% of total intercity passenger trips (automobiles account for 92%, air carriers 4%, and bus services 3%; Internal Policy Document).

Figure 1. **Population of Canada and Annual Rail Passenger Trips**



This context is important to consider when discussing modern day intercity passenger rail, and in particular remote passenger rail, because it continues to be the overarching condition. Due to declining ridership and significant capital and operating costs, intercity passenger rail services struggle financially. This challenge is not specific to Canada alone; it is a pervasive predicament. Most passenger rail services in the Western world require financial subsidies from their respective governments (CTA Review, 2016; p. 177). The need for subsidies for remote passenger rail is amplified given the reduced pool of potential riders, the tenuous prospects of ridership growth, and the geographic and environmental conditions that increase operating and capital costs. It is within this context that the relevance, effectiveness, and efficiency of the two remote railways receiving funding through the RPRP is examined.

Program Profile

Historically, the federal government has recognized that it has a responsibility to ensure that remote communities have reasonable access to the national transportation system (i.e., highways and roads). The recognition of this responsibility has been demonstrated in a variety of ways: through historic governmental decisions (e.g., the creation of VIA Rail in 1977), findings from parliamentary reviews, and internal policy documents that articulate and rationalize passenger rail services. Communities are considered to be remote if they do not have access to a year-round, all weather road access link to the surface national transportation system (Internal funding document). In 1998, the *House of Commons Standing Committee on Transport* published *The Renaissance of Passenger Rail in Canada* report and made clear that a continued subsidy for rail service to remote communities was essential to ensure that individuals residing in those communities could access Canada’s surface transportation network.

In 2004 and 2005, owners of rail lines in Manitoba and Quebec announced plans to divest and possibly close their government subsidized rail lines. First Nations groups in those areas expressed interest in purchasing the lines and taking over the passenger rail services. This resulted in the creation of Tshiuetin Rail Transportation (TRT) in Quebec and Labrador (from Sept-Iles to Schefferville) and Keewatin Railway Company (KRC) in Northern Manitoba (from The Pas to Pukatawagan). In response to these developments (and to continue support to two other services – which have since been discontinued) a federal contribution program was designed, which is currently known as the Remote Passenger Rail Program (RPRP). This contribution program was designed in an effort to ensure that safe, reliable, viable, and sustainable passenger rail services were provided to remote communities (Internal funding document) and is currently administered by the Transportation Infrastructure Programs branch of Transport Canada's Programs Group.

Tshiuetin Rail Transportation (TRT) receives both capital and operating funding through the RPRP while KRC receives capital funding through the RPRP and operating funding through VIA Rail (Table 1).

***Table 1*. RPRP Funding Disbursements Made**

Railway	Funding Type	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
TRT	Operating	$6,500,000	$7,000,000	$7,479,177	$7,500,000	$7,500,000	$35,979,177
	Capital	$1,334,615	$1,107,086	$1,374,942	$1,944,779	$2,014,952	$7,776,374
	Sub-Total	$7,834,615	$8,107,086	$8,854,119	$9,444,779	$9,514,952	$43,755,551
KRC	Operating (VIA Rail)	$2,683,417	$2,684,598	$2,619,915	$2,967,919	$2,916,249	$13,872,098
	Capital	$1,992,925	$2,071,713	$1,734,263	$1,699,796	$1,650,000	$9,148,697
	Sub-Total	$4,676,342	$4,756,311	$4,354,178	$4,667,715	$4,566,249	$23,020,795
	GRAND TOTAL	**$12,510,957**	**$12,863,397**	**$13,208,297**	**$14,112,494**	**$14,081,201**	**$66,776,346**

Although TRT and KRC began their rail operations in 2005 and 2006, respectively, the federal government has been providing subsidies to these remote rail lines since 1972, when the Canadian Transport Commission (CTC) was given the authority to order unprofitable passenger rail services to remain operational if it was deemed to be in the public interest (Internal Policy Document). The CTC was able to do this by providing funding to the unprofitable railways; this funding ultimately ended up subsidizing 100% of the losses incurred (Internal Policy Document). This arrangement was imposed when, in the 1960s, Canada's two main passenger rail providers, Canadian National Railway (CN) and Canadian Pacific Railway (CP) expressed their interest in abandoning intercity passenger rail services altogether in order to focus their business on freight rail (Internal Policy Document). In response, the federal government amended the *Railway Act* in 1967 and modified the authorities of the CTC. Therefore, since the 1970s, and later through VIA Rail as well, the Canadian government has been subsidizing intercity passenger rail, which includes remote passenger rail.

Evaluation Approach and Scope

In accordance with the *Policy on Results* (2016) this evaluation addresses the key evaluation issues of relevance, effectiveness, and efficiency for both the TRT and KRC. Specifically, questions surrounding the continuing need for the RPRP, the alignment of the RPRP with federal and departmental priorities, the Program's alignment with federal responsibilities, the achievement of outcomes, and an assessment of efficiency, were completed. This analysis covers the previous five fiscal years, from 2011/2012 to 2016/17.

Evaluation Methods

A variety of evaluation methods were employed to address the key evaluation issues of relevance, effectiveness, and efficiency. These methods included conducting: a document/literature review, interviews, media/information scan, and data analysis.

Document/literature review. Pertinent internal and external documents were reviewed to inform the various sections of the evaluation. Governmental documents, policy documents, federal budgets and official speeches (e.g., the Speech from the Throne), along with planning documents and official reviews (e.g., CTA Review) were consulted.

Interviews. Interviews were conducted with key informants who were able to provide detailed information about the RPRP. Evaluation and Advisory Services drafted various interview guides depending on the interviewee's area of expertise to address the main evaluation issues and topics. The total number of people interviewed was 12. With six coming from within TC, one from the former Indigenous and Northern Affairs Canada, three from VIA Rail, and one each from TRT and KRC. The interviews were conducted between June and July 2017 and, on average, took about an hour to complete.

Media/information scan. A scan of pertinent web content and news articles relating to the railways, remote rail infrastructure, and economic developments in the regions where the railways operate was undertaken to uncover sources of information that were not retrieved during the document/literature review.

Data analysis. Analyses of railway performance data (e.g., number of trips and passengers), financial data, and safety data were conducted to inform the evaluation questions relating to the effectiveness and efficiency of the Program and the railways.

EVALUATION FINDINGS

Evaluation findings are discussed by first exploring the topic of program relevance followed by an examination of program effectiveness, and efficiency and economy.

Relevance

The relevance of the RPRP was assessed by examining: 1) the continued need for the Program 2) the Program's alignment with federal roles and responsibilities, and 3) the Program's alignment to federal priorities.

Continuing Need for the RPRP

FINDING 1: The RPRP continues to be relevant by addressing the ongoing need of enabling Canadians who live in remote communities to access the national transportation system.

Based on the evidence presented in a variety of documents and through speaking with people familiar with the geography of the areas served by KRC and TRT, it was determined that the RPRP continues to be relevant by addressing the need of enabling Canadians who live in remote communities to access the national transportation system.

In 2009 two comprehensive reports were completed on behalf of Transport Canada to A) profile and confirm the remoteness of communities and First Nations served by the passenger railways funded by the RPRP (Genivar report) and to B) explore the feasibility of linking the remote communities along the rail lines to the national transportation system by constructing new roads (AECOM report).

One important aspect of the Genivar report (2009) was the examination and confirmation of the remote status of the communities along the rail lines served by TRT and KRC. The Genivar report was an update to a similar report conducted in 1991. This update proved to be important because, in some instances, communities that were found to be remote in 1991 were no longer remote by the time the follow-up study had been completed. In terms of the current status of the communities along the TRT rail line, the Genivar report confirmed the existence of a permanent remote community (Schefferville) and three remote First Nations surrounding Schefferville. Many remote seasonal communities and rail points were also identified along the TRT line. Similarly, along the KRC rail line, the community of Pukatawagan was confirmed to be a permanent remote community while four other seasonal communities/rail points were also identified.

Given that the Genivar report was eight years old at the time of writing this evaluation, updated information relating to the transportation infrastructure within these communities was explored through document review and key informant interviews. An update to the 2009 Genivar was completed on behalf of Transport Canada by WSP Canada Inc. in January 2017; however, this report focused exclusively on the remote communities served by VIA Rail and did not include the communities served by the RPRP, as the previous report by Genivar had done. In general, however, the updated 2017 report provided useful context for the RPRP program by demonstrating that the remote status of the majority of communities examined in 2009 had not changed during the intervening eight years for the VIA remote routes.

To build on this finding and relate it specifically to the railways funded through the RPRP, during the key informant interviews, individuals with current and first-hand knowledge of the permanent remote communities along the TRT and KRC rail lines (e.g., railway operators and TC program staff) were asked about any new roads (or other transportation infrastructure) that had been constructed since the publication of Genivar's 2009 report. All interviewees confirmed that no roads linking the permanent remote communities to the national transportation system had been constructed since 2009, supporting the conclusion that the funding provided through the RPRP continues to address an ongoing need.

Building roads connecting the remote communities served by TRT and KRC to the national transportation system was deemed to be cost prohibitive, according to a report published by AECOM in 2009. In their report exploring the feasibility of building roads that would connect Schefferville (TRT) and Pukatawagan (KRC) to the national transportation system, AECOM (2009) estimated that to connect Schefferville to Emeril Junction (the nearest location with access to the national transportation system) it would require a road 232 kilometers in length and would cost $224.3 million to build (in 2009 dollars). Similarly, to build a road connecting Pukatawagan to Sherridon (the nearest location with access to the national transportation system) it would require a road 118 kilometers in length and would cost $153.3 million to construct (in 2009 dollars). As Table 2 demonstrates, it would take many decades, at current funding levels, for the contributions made to these railways to equal the upfront costs of constructing these roads. Moreover, this calculation does not account for the routine maintenance costs that would also be required to keep the roads serviceable, making this proposition even less cost-effective and practical.

***Table 2*. Costs of Road Construction and Years to Match Initial Capital Costs**

ROAD DISTANCE AND FINANCIAL COSTS	TRT	KRC
Road distance	232 km	118 km
Initial capital cost	$224.3 M	$153.3 M
Average yearly funding to railway (2011/12 – 2015/16)	$8.76 M	$4.6 M
Years to match initial capital cost	**30 years**	**70 years**

Note. These calculations do not account for the ongoing maintenance costs of the hypothetical roads.

It should be noted that both Schefferville and Pukatawagan have airports within their communities that are capable of transporting residents to non-remote locations. However, through confirming ticket prices with air carriers and speaking with key informants, it is clear that routine air travel is not a feasible option - especially given the nature of the trips typically made on the trains (e.g., routine shopping trips, accessing governmental services, educational services, etc.) and the socio-economic status of the people in the remote communities. For example, as of February 2015, a round trip train ticket from The Pas to Pukatawagan was $80 while a plane ticket between the same locations was $458 (Missinippi Airways). Considering that in 2006, unemployment in Pukatawagan was about three times higher than the national average and that the median annual individual income was approximately $9,500 (Genivar, 2009, p. 113), it would not be practical for the average resident to fly routinely in and out of Pukatawagan. The story is similar for travelling between Sept-Iles and Schefferville, where as of February 2015, a round trip on the train was $175 compared to $1,250 for a round trip flight (Air Inuit).

Transportation Issues in Churchill, MB. Recent events affecting rail transportation to the remote community of Churchill, Manitoba help to further demonstrate the relevance and need of the RPRP by revealing what could happen if passenger rail services were inoperable. Nineteen locations along the rail tracks to Churchill (between Gillam, MB and Churchill, MB) were washed out due to spring flooding in late May 2017. This predicament has provided a natural example of the difficulties that a remote community faces when their only surface link to the national transportation system is not functional. There have been many media reports on this subject and the problems and misfortunes that residents have faced and continue to face as of fall 2017. For example, business owners in the service/accommodation industry have had to lay off workers as tourists cancel trips. The price of food has become much higher due to the increased expense of shipping supplies by air rather than rail. In addition, owners of Churchill's Home and Building Centre indicate that without supplies, their store will be forced to shut down (CBC; June 10, 2017). Overall, it is clear that Churchill, just like the RPRP remote communities, greatly relies on rail transportation and without it, the economic balance of the entire community is destabilized, which has cascading effects that are felt across all sectors and facets of the community.

Alignment with Federal Roles, Responsibilities, and Departmental Results

FINDING 2: **Currently, there is a clear rationale for Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada (CIRNA & ISC) to play a role in the administration of the RPRP, given the narrowing and homogeneity of the type of recipients (i.e., First Nations), the strong alignment with CIRNA & ISC's core responsibilities and previous transportation infrastructure projects, and the recent changes made to the CIRNA & ISC organizational structure.**

FINDING 3: **The former department of Indigenous and Northern Affairs Canada is transforming and the new structure (i.e., CIRNA & ISC) should be receptive to transferring the RPRP from Transport Canada.**

FINDING 4: **Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada's involvement in the administration of RPRP should result in administrative benefits (e.g., alignment with the advice of the Blue Ribbon Panel and CIRNA & ISC's philosophy toward modernizing grants and contributions) without negatively impacting railway operations and safety.**

The RPRP has changed since its inception in 2005 in terms of the number and type of its recipients. This development has raised key questions relating to the Program's alignment with Transport Canada's (TC) core responsibilities versus the core responsibilities of other federal departments. When the RPRP was first created in 2005, it provided contribution funding to four railways: TRT, KRC, the Algoma Central Railway (owned by CN Rail), and the Ontario Northland passenger rail service (owned by the Government of Ontario). Since the previous evaluation in 2009, both the Algoma Central Railway and Ontario Northland rail services have been discontinued (for various reasons) and no longer receive federal funding. This development has resulted in TRT and KRC, both owned by collections of First Nations groups, being the sole recipients of RPRP funding and has narrowed the scope of the Program. The resulting narrowing and homogeneity of recipient-type has raised key questions about how the Program is administered and if other federal departments could play a larger role in program delivery.

Responsibility for Administering RPRP. As previously discussed, the rationale for providing remote rail services has been documented through various governmental decisions, reviews, and policy documents. However, what is not explicitly documented is who is responsible for enabling these services. For remote passenger rail, and the RPRP in particular, historically TC has played this role which was logical. New questions have been raised, however, with the recent changes to the composition of the RPRP funding recipients. On the surface, the demarcation between the responsibilities and departmental objectives of Transport Canada and CIRNA & ISC are clear. In general terms, TC's mandate and outcomes are focused on promoting a safe and secure, efficient, and environmentally responsible transportation system. Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada, on the other hand, is focused on achieving outcomes relating to supporting Indigenous and northern peoples in their effort to: improve social well-being and economic prosperity, to develop healthier, more sustainable communities, and to participate more fully in Canada's political and social development.

In its current form, the RPRP has elements that straddle some of the general objectives of TC and CIRNA & ISC. However, given that the main objective of the RPRP centres around enabling the residents living in remote communities to access the national transportation system by utilizing an all-year, all-weather, surface link and that the recipients of the funding program and the residents living in the remote communities are First Nations, there are some compelling arguments to be made that this contribution funding would benefit from increased involvement from CIRNA & ISC – to better align with their ongoing work, their departmental responsibilities, and to better leverage their expertise and pre-existing relationships with these First Nations.

Recent and Significant Organizational Changes at CIRNA & ISC. In late August 2017, the Prime Ministerof Canada announced that significant changes would be made to the organizational structure of the former Indigenous and Northern Affairs Canada (INAC) in an effort to build a "true nation-to-nation, Inuit-Crown, and government-to-government relationship with First Nations, Inuit, and Métis peoples in Canada" (Prime Minister of Canada Office; August 28, 2017). In the Prime Minister's announcement it is explicitly stated that once all of the transformative activities have been completed and the former INAC is transformed into two new ministries (i.e., CIRNA & ISC) that "services currently delivered to Indigenous Peoples by other departments shall be considered for transfer into the new department (e.g., health delivery)." Clearly, the RPRP would be a prime candidate to consider transferring and is well aligned with the message of the Prime Minister.

Examination of TC Core Responsibilities. Presently, the TC core responsibility that best aligns with the RPRP relates to monitoring the safety of the KRC and the TRT railways.[1] This is most directly accomplished through TC's ongoing rail safety oversight activities and not through administering the RPRP contribution funding. It is clear that the capital projects completed by TRT and KRC also help to enhance safety, but this type of work does not rely on the expertise of Transport Canada per se, it relies on the provision of capital funding, regardless of which department administers the funding. In other words, for the RPRP, Transport Canada's safety oversight activities are independent from the contribution funding that it provides and TC's safety oversight would continue even if the administration of the RPRP were to change departments. The potential for a conflict of interest arising from TC administering funding while also conducting the safety inspections of the railways is minimized given that KRC and TRT's rail safety inspections are carried out by TC's regional offices (while the funding is administered centrally, from TC headquarters in Ottawa). The segregation of these roles helps to minimize the risk of a conflict of interest; however, these distinctions may not be readily apparent to the general public.

The recipients of RPRP funding and the majority of the passengers served by the railways belong to First Nations groups. If CIRNA & ISC were to become more involved in the administration of the RPRP contribution funding, it could offer more experience and capacity in working with the funding recipients and could work to incorporate these funding activities within the framework of other funding initiatives with these recipients (see the First Nations Profiles Interactive Map on CIRNA & ISC's website),[2] as desired by overarching governmental advice like the report of the independent Blue Ribbon Panel (2006), and CIRNA & ISC's own philosophy towards modernizing grants and contributions (2013). This would have a number of benefits, including: enhancing and simplifying the delivery system by contributing to a single-stream or common approach – which would benefit both CIRNA & ISC and the recipients – and it would be more efficient given the capacity and expertise that CIRNA & ISC has developed, which would leverage the pre-existing working relationship that it has with these First Nations.

Examination of CIRNA & ISC Core Responsibilities and Previous Infrastructure Projects. The strategic outcomes of CIRNA & ISC are outlined in their 2016-17 *Report on Plans and Priorities*. By examining these strategic outcomes, strong linkages to the RPRP can be identified.

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[1] Officially, the RPRP is listed under TC's efficient transportation system core responsibility; however, the justification for aligning the program under efficiency rather than the safe and secure core responsibility is questionable. The various RPRP Treasury Board submissions state that the RPRP was designed to "ensure that safe, reliable, viable and sustainable passenger rail services" would be provided to remote communities. In official documents, the way in which the Program is described aligns more closely with the safety core responsibility than it does with the efficiency responsibility.

[2] First Nations Profiles Interactive Map: http://cippn-fnpim.aadnc-aandc.gc.ca/index-eng.html. Accessed: Dec. 1, 2017

Information on project based funding provided by Government Canada through the Aboriginal Representative Organisations can be found at the following links: https://www.aadnc-aandc.gc.ca/eng/1453214709509/1453214872890 and https://www.aadnc-aandc.gc.ca/eng/1418245126471/1418245256197

CIRNA & ISC has also provided information on transfer payments by the Government of Canada to First Nations, Tribal Councils, Inuit and Métis communities, Northerners and other recipients for delivering programs and services that would ordinarily be provided by various levels of government: https://www.aadnc-aandc.gc.ca/eng/1100100010035/1100100010036

For example, CIRNA & ISC's strategic outcome relating to the land and economy aims for "full participation of First Nations, Métis, Non-Status Indians and Inuit individuals and communities in the economy" (p. 40). This outcome is meant to be achieved by a variety of programs, including the Indigenous Entrepreneurship Program, the Community Economic Development Program, and the Infrastructure and Capacity Program. In terms of Indigenous entrepreneurship, both railways funded through the RPRP are owned and operated by First Nations. Both KRC and TRT are fundamental economic drivers for their respective communities; both railways employ community members, help to transport goods to the communities to enable other economic activities, and in the case of TRT, support other economic activities in the area, such as mining, by transporting raw materials. These activities also have a strong link to CIRNA & ISC's Community Economic Development Program, which "promotes greater self-reliance and participation in the mainstream economy and community well-being" (CIRNA & ISC 2016-17 RPP; p. 42).

In terms of the Community Infrastructure Program, it should be noted that many of these activities are meant to support services specifically on reserves (e.g., water and wastewater, housing, education facilities). In the past, CIRNA & ISC has supported transportation infrastructure projects on reserves (roads and bridges), but also projects that stretch off-reserve, like the construction of the Shoal Lake No. 40 First Nation's Freedom Road, which connects the remote Shoal Lake No. 40 reserve to the Trans-Canada Highway. This road was built using the same rationale and justifications used to provide remote rail services and funding. In a press release on June 30, 2017, the then Minister of Indigenous and Northern Affairs Canada mentions the importance of the Freedom Road in providing a year-round, unrestricted road access link to the national transportation system that will "drastically improve the well-being of community members, allowing them to benefit from medical services, social programing, and other necessities of life." Furthermore, enabling travel from a remote community to the national transportation system was said to be a "step toward unlocking economic opportunities for the community and advancing reconciliation" by the Minister. These statements help to demonstrate that the rationale for providing funding to allow for transportation between a remote community and the national transportation system, as the RPRP does, helps to serve a larger purpose, like advancing reconciliation, and goes beyond the core responsibilities of only Transport Canada (e.g., a safe and secure transportation system) and aligns very clearly with the departmental results of CIRNA & ISC.

The information gathered through interviews with program representatives indicates that RPRP recipients also have ongoing questions relating to why Transport Canada administers this funding and why the general terms and conditions of their rail funding differs from the types of funding that they receive from other federal departments, like CIRNA & ISC and Health Canada. These differences could be minimized if a more consistent approach to providing funding was taken.

Summary of Alignment, Roles, Responsibilities, and Results. In sum, the rationale for providing remote passenger rail services is clear, as demonstrated by governmental decisions, reviews, and policy documents. However, what is less clear and not explicitly recorded in the documents reviewed, is who is responsible for enabling these services. Traditionally, Transport Canada has played this role, but with the recent changes to the composition of the RPRP funding recipients, the ongoing transformation of the department of CIRNA & ISC – where services provided to Indigenous Peoples by other departments will be considered for transfer – and the strong alignment of RPRP's objectives with CIRNA & ISC's core responsibilities and previous transportation infrastructure work, it is an ideal time for TC to engage with CIRNA & ISC to collaborate on a renewed way forward.

RECOMMENDATION #1: Determine a plan of action to assess the feasibility of transferring the RPRP to CIRNA & ISC. If the transfer of the RPRP is deemed to be feasible, engage and collaborate with CIRNA & ISC to outline the rationale for requesting the transfer.

Transfer Payment Options

FINDING 5: **The terms and conditions, funding instrument, and reporting requirements used for the RPRP have not been updated to reflect the current composition of funding recipients (i.e., First Nations) and the differing operational contexts.**

Insights gained from the interviews with TC employees revealed that the terms and conditions associated with the contribution agreements used for the RPRP are modeled after standard departmental agreements, which are normally used for funding agreements between TC and large enterprises, provinces, and municipalities. The *Directive on Transfer Payments* has specific provisions aimed at providing monetary transfers to Aboriginal recipients. In the Requirements section of the *Directive*, where transfer payments to Aboriginal recipients are explicitly discussed, there is a provision that states that work should be done towards "consistent approaches that are more reflective of the needs of Aboriginal people" (s. 6.9.1). As listed in section 6.9.1, the areas that could benefit from enhanced consistency include: A) the standardization of administrative processes, B) the reduction of administrative requirements, C) the use of single funding agreements to cover transfer payments from multiple programs, D) the use of multi-year funding agreements, and E) the harmonization of transfer payment programs. Furthermore, it is recommended that, where applicable, the Treasury Board of Canada Secretariat be consulted to facilitate the collaboration between departments on these issues. Given the RPRP has changed since its inception in 2005, in terms of the number and type of its recipients, many of the aforementioned issues have been elevated in importance. A detailed examination of these issues, starting with internal TC discussions with the Centre of Expertise on Transfer Payments group, could lead to avenues to enhance the RPRP program by critically examining the current Terms and Conditions and Contribution Agreements and ultimately enhancing the delivery of funding through harmonization and collaboration across implicated departments.

Grants and alternative types of contributions. Other funding instruments could be examined in an effort to enhance the efficiency of the RPRP. Grants, for example, differ from contributions in the requirements and demands that they impose on recipients. As defined in the Directive on Transfer Payments (Appendix B), a grant is appropriate when the amount of funding can be determined in advance and when there are assurances that the grant will be used for the purposes that it was provided. A contribution, on the other hand, is more appropriate when the department deems it necessary to monitor the progress and results that the funding has enabled and also ensures that the funding department receives an accounting of the use of funds and permits the department to carry out a recipient audit, as required.

Appendix K of the *Directive on Transfer Payments* specifically articulates additional contribution funding approaches for transfer payments made to Aboriginal recipients. These additional approaches are meant to provide additional flexibility to Aboriginal recipients and to be more responsive to their unique needs. The three types of contribution funding described, which could be examined by TC to determine their appropriateness for the RPRP, are: 1) fixed contribution funding, 2) flexible contribution funding, and 3) block contribution funding. Transport Canada has identified various areas of concern with TRT's operations that could make it challenging to provide a more flexible funding arrangement. However, critically examining the appropriateness of alternative funding arrangements and methods would help the RPRP to rationalize and justify its current approach and better align the terms and conditions to the First Nation recipients and their operational contexts.

RECOMMENDATION #2: Consult internally with the Centre of Expertise on Transfer Payments to critically examine the current terms and conditions of the RPRP, including the funding instrument, in order to determine the applicability of the guidance in the *Directive of Transfer Payments*, given that the recipients are First Nations and their operating contexts are different.

RECOMMENDATION #3: Consult with the Treasury Board of Canada Secretariat to facilitate collaboration between other government departments (e.g., CIRNA & ISC) to explore the feasibility of harmonizing transfer payment programs, to the extent possible, as stated in the *Directive on Transfer Payments*.

Effectiveness (Performance)

The effectiveness of the RPRP was assessed by examining whether 1) the funding recipients are meeting the terms and conditions of their agreements, 2) whether capital projects have been completed according to plan, and 3) the extent to which the railways were operating safety.

Meeting Terms and Conditions of Agreements

FINDING 6: **Both TRT and KRC have met the terms and conditions of their funding agreements, as substantiated by the number of trips made per fiscal year and the number of passengers transported.**

FINDING 7: **The strong increase in demand for KRC's passenger rail services occasionally exceeds the seating capacity of their current fleet of passenger cars, forcing some passengers to stand or ride in non-passenger coaches.**

In the most recent contribution agreements that TC has in placed with the KRC and TRT, minimum service standards are established. Both railways must operate a minimum of 52 round trips per year. In terms of the number of trips made per year, both railways have easily met the minimum requirements set out in their contribution agreements. Broken down by fiscal year, on average, from 2011/12 to 2015/16 TRT has made approximately 100 round trips and KRC 104. As can be seen in Table 3, the variance of the number of trips made by TRT is quite small from year to year. Table 3 provides the specific number of trips made by fiscal year.

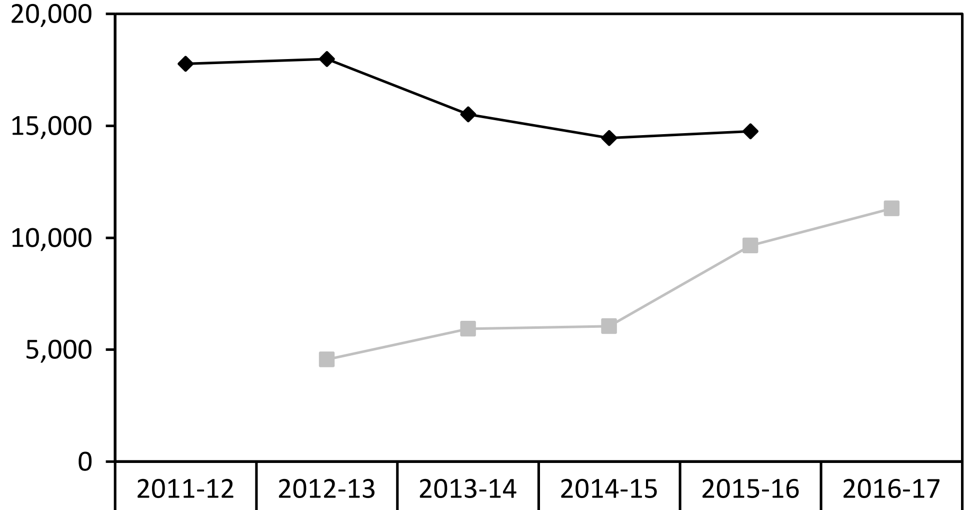
***Table 3*. Number of One-way and Round Trips per Fiscal Year**

Railway Company	Number Of One-Way Trips (Number of Round Trips)					
	2011/12	2012/13	2013/14	2014/15	2015/16	Total
TRT	208 (104)	200 (100)	196 (98)	196 (98)	203 (101)	1003 (501)
KRC*	208 (104)	208 (104)	208	208	208 (104)	1040 (520)

*KRC self-reported the number of trips made per year informally to a RPRP Program representative and did not submit a tracking sheet, raising some questions about the reliability of the data.

In terms of passenger numbers, the trends of the two railways are divergent, with KRC demonstrating strong ridership growth and TRT showing a decreasing trend in ridership numbers. Figure 2 outlines the magnitude of ridership changes for both TRT and KRC.

Figure 2. **Passenger Numbers/Ridership (2011/12 – 2016/17)**



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
TRT	17,772	17,983	15,508	14,449	14,757	
KRC		4,565	5,926	6,049	9,654	11,311

No concrete reasons were identified through interviews that accounted for the decreasing trend in ridership for TRT. Conversely, the ridership growth for KRC is striking for a community of 1,724 people (Statistics Canada, 2016). During the key informant interview with a representative from KRC, it was mentioned that the community of Pukatawagan was steadily growing, which is supported by the increased ridership numbers, even though Statistics Canada shows the population growth for the community to be slightly decreasing from 2011 to 2016. However, when consulting the First Nation-specific profiles hosted on CIRNA & ISC's website,[3] it is demonstrated that the population of the Mathias Colomb Nation, one of the groups who owns KRC and who also lives on the Pukatawagan reserve, was higher, with 2,367 people living on the reserve and on Crown land affiliated with self-governance. An additional 1,288 members of the Mathias Colomb Nation were reported to live off-reserve. These numbers are larger than the population statistics reported by Statistics Canada and may help to account for the passenger growth rate. There are many Mathias Colomb Nation members who do not live on the Pukatawagan reserve, but this does not necessarily mean that they do not utilize the train service to travel to the reserve periodically. Overall, the ridership numbers for KRC demonstrate that there is a need and an increasing demand for the intercity passenger rail services that it provides.

The increased demand for KRC passenger rail services highlights a key point that was made during the key informant interviews. Keewatin's fleet of passenger train cars has not been expanded over the five fiscal years examined, but as can be seen in Figure 1, the total number of passengers transported has increased significantly. During the interview with the KRC

[3] *Registered Indian Population by Sex and Residence* report (2014) describing the Indian Registration System (IRS) population as recorded at December 31, 2014 indicates a population of 2,367 of the Mathias Colomb First Nation, who reside on the Pukatawagan reserve; a slight increase from the 2011 recorded population of 2,249 (Registered Indian Population by Sex and Residence, 2011).

representative, the capital funding provided by TC was said to be adequate for track maintenance; however, it was emphasized that the greatest hurdle faced by KRC was the passenger coaches, which are very old (leased from VIA Rail) and cannot meet the seating capacity required to satisfy customer demand. Keewatin's ridership doubled within the past five years while existing coach capacity remained at 194 passengers per trip. Sporadic passenger influx exceeds capacity by 5 to 10 passengers at least once a month. This overflow is a result of additional passengers boarding at a number of remote stops/rail points along the route. Trains have the obligation to accommodate everyone along the way without leaving people behind. The passengers are therefore invited to stand up or sit on their luggage in the box cars. Keewatin Railway Company has also recorded health and safety complaints from the community concerning this issue.

KRC contacted VIA Rail to obtain additional passenger cars but none are available at this time. The purchase of additional passenger cars could be funded under the RPRP as it links directly with the objectives of the program and falls under eligible capital assets.

Clearly, allowing passengers to ride the train in a box car or utility car is not ideal. However, in general, the circumstances surrounding a remote rail service are unique (when compared to a large provider like VIA) and if the railway is the only practical way to travel in and out of the community, and the railway has an obligation to accept passengers boarding at remote rail points, situations like these could arise.

RECOMMENDATION #4: Transport Canada should engage KRC to address the rail safety issues related to exceeding passenger seating capacity.

Capital and Operating Plans – Recipient Audits

FINDING 8: **As identified by the recipient audit and the interview responses with RPRP program staff, KRC has been meeting the terms and conditions of their capital plan with minimal issues.**

FINDING 9: **Through TRT's recipient audit and the interviews conducted with RPRP program staff, it is clear that there have been a variety of concerns with TRT's project administration and financial management procedures. These issues have been incorporated into an administrative action plan that will be monitored by Transport Canada on an ongoing basis.**

As part of the contribution agreements that are in place with the two railways, recipient audits are conducted routinely. Recipient audits are meant to complement other departmental monitoring activities to ensure that the recipients have complied with the obligations and objectives of their funding agreements. The most recent recipient audits of KRC and TRT were completed in May 2016 and April 2017, respectively.

For KRC, the most recent audit covered the activities for the fiscal year ending March 31, 2016. The audit assessed whether the eligible expenditures listed in Schedule A of the funding agreement had been complied with and whether the projects listed in Schedule B had been completed. Overall, the conclusion of the audit stated that the "Keewatin Railway Company Ltd.

is in compliance, in all material respects, with the requirements related to eligible expenditures as established in Schedule A ” of the contribution agreement. On the third page of the KRC audit, there is verification that all of the projects and their associated costs had been completed and accounted for. The results of this audit were further supported by the interview responses with RPRP Program representatives.

The recipient audit for TRT accounts for the capital and operating projects conducted in fiscal years 2014/15 and 2015/16. The TRT audit is more complex than the KRC audit given that TRT operations are more convoluted, in that they provide passenger rail services as well as freight services related to mining activities. These services are provided through another company/limited partnership known as “la société en commandite Tshiuetin” (SEC). Overall, the recipient audit made 10 substantial recommendations to TRT related to the themes of project administration, financial management, and accountability procedures. Of the 10 recommendations made, the majority (n = 6) relate to TRT’s financial management and the interplay between Tshiuetin’s passenger and freight rail services, given that the RPRP is only intended to fund passenger rail services. The issues affecting TRT were all substantiated by the interviews conducted with RPRP program representatives.

Overall, the auditors could not clearly separate the shared expenses between the two railway operations because TRT does not have a costing method in place that clearly defines the breakdown of revenues and costs between the passenger and freight operations because both services operate on the same/shared track. Adding to the confusion is the fact that TRT’s employees, who work for both companies, do not track their activities and the time it takes to complete them, which makes it impossible to determine the amount of work that was conducted as it relates to the passenger and freight rails services.

The audit makes recommendations to address and mitigate these financial management shortcomings by proposing that a robust costing method be developed and that time tracking sheets for employees be implemented. In terms of the accountability audit theme, the audit recommends that TRT only claim eligible expenses from the RPRP, which can only be done with certainty if there is a detailed breakdown of the costs and revenues for each railway operation (passenger versus freight), which would also require the implementation of activity and time tracking for employees.

Given the results of the recipient audit, Transport Canada has requested, through an administrative action plan, that TRT specifically address all of the areas of concern outlined. The administrative action plan developed by TC lists all of the recommendations made in the audit, the intervention to be taken and the documentation to be provided, the forecasted date of completion, and the current status. As of October 2017, the implementation status for most of the recommendations are pending, but the procedures are in place for TC’s continued oversight which provides a measure of assurance that the audit recommendations will ultimately be addressed.

Further Links to CIRNA & ISC

FINDING 10: **Overall, from the perspective of the federal government, subsidizing/encouraging the economic development of First Nations is encouraged (as demonstrated by the strategic objectives and core responsibilities of CIRNA & ISC). or TC, however, a challenge arises when RPRP funds are diverted to subsidize the operations of freight rail (as is the case with TRT) instead of passenger services, given that the terms and conditions do not allow for this.**

Links from the recipient audit can be made back to the previous discussion concerning the role of CIRNA & ISC in the administration of the RPRP. For TC, a challenge arises when RPRP funds help to subsidize the operations of freight rail, given that the RPRP is focused on passenger rail only. However, in the larger picture, supporting the economic development of First Nations is not out of scope for the federal government, especially when considering the strategic objectives and core responsibilities of CIRNA & ISC. Although the recommendations in the recipient audit are important and will contribute to sound business practices, if CIRNA & ISC were to be involved in administering the RPRP, there would be greater acceptance, and possibly encouragement, of TRT's freight rail business (potentially under CIRNA & ISC's Community Economic Development Program), which could also help to contribute to enhancing the quality of TRT operations (given that the recipient would not feel pressure to obfuscate their freight rail operations, as is currently the case – see p. 9 of TRT's recipient audit) and could also lessen the administrative burden of TC if the recipient's activities were more transparent.

Safety of Railways

FINDING 11: **The safety of TRT's rail operations is comparable to the safety of VIA Rail, with less than 1% of trips made resulting in an accident or incident.**

The Transportation Safety Board of Canada (TSB) collects safety statistics for pipelines and the air, marine, and rail modes of transportation. There are mandatory reporting requirements across all of these modes should any safety occurrences (i.e., an accident or an incident) transpire. In general terms, an accident is more serious than an incident and occurs when a person sustains a serious injury or is killed, or the rolling stock is involved in a collision, derailment, or sustains damage from a fire or explosion. An incident, on the other hand, can generally be characterized as an undesirable or potentially dangerous event that does not result in significant personal injury or an objective decrease in safety.

The number of rail occurrences (accidents and incidents) is publicly available on TSB's website. These statistics include information on TRT, but not KRC. For this report, KRC was asked to provide incident and accident data on a few different occasions, but failed to provide this data to TC's RPRP program staff. Keewatin's occurrence data does not appear in TSB's table because the TSB table only includes occurrence data for federally regulated railways and not provincially regulated ones.

As can be seen in Table 4, TRT has had more accidents (n = 7) than incidents (n = 5) across the most recent five years of TSB data. When comparing the total number of one-way trips (N = 1003; see Table 3) made between 2011/12 to 2015/16 to the total number of accidents from 2010 - 2014, it is observed that less than one percent (0.69%) of TRT's trips have resulted in an accident. This proportion is further reduced (0.49%) when considering the total number of incidents and one-way trips over a five year period.

For context, and because of the affiliation of KRC with VIA, VIA Rail's incidents and accidents are also reported in Table 4. In VIA's most recent *Sustainable Mobility Report* (2016), it is reported that VIA operates up to 494 train departures per week. Converted to an annual figure, 494 trips equates to 25,688 train departures (one-way trips) per year (494 * 52 weeks). When comparing the approximate number of the annual trips made by VIA with their accident and incident numbers, similar proportions to those of TRT are observed. For example, less than one percent of VIA's approximate trips (0.82%) resulted in an accident while an even a smaller proportion resulted in an incident (0.16%). The same pattern, relating to a higher number of accidents as compared to incidents, is observed in both VIA Rail's and TRT's occurrence data.

***Table 4*. Railway Incidents and Accidents by Type and Year**

Railway	Type	2010	2011	2012	2013	2014	TOTAL
TRT	Incident	0	1	1	3	0	5
	Accident	2	1	1	1	2	7
KRC	Incident	-	-	-	-	-	-
	Accident	-	-	-	-	-	-
VIA Rail	Incident	11	9	6	3	14	43
	Accident	47	53	34	30	48	212

Note. Although multiple requests were made by the Program on behalf of Evaluation and Advisory Services, KRC did not submit incident or accident data for inclusion in this report.

Efficiency & Economy

Two analyses were used to examine the efficiency and economy of the RPRP. First, the administrative costs to deliver the RPRP were used to compare to the amount of funding disbursements made, as a measure of administrative effectiveness. Secondly, the overall cost-effectiveness of the railways was examined by comparing the total amount of funding provided to the number of passengers transported per year.

Program Efficiency

FINDING 12: **The RPRP has been administered in an efficient manner, as demonstrated by comparing the proportion of administrative costs to the contribution disbursements made in relation to the internal benchmark identified by the Transportation Infrastructure Programs Directorate.**

When looking at the total amount of Transport Canada's administration costs (i.e., salary and non-salary spending or Operations and Maintenance costs; O&M) as a proportion of the total amount of contribution disbursements made, it is clear that the RPRP has been administered in an efficient manner. Overall, when including all O&M spending, the range in the proportion of administration costs (i.e., salary and non-salary spending) to the contributions disbursed spans from a high of 0.61% to a low of 0.41% (see Table 5).

Transport Canada's Transportation Infrastructure Programs Directorate (TIP) has done some work on identifying a benchmark for the optimal proportion of O&M costs to the contribution funding disbursed. Ultimately, the proportion that was determined to be ideal was for O&M spending to be 0.814% of grant or contribution disbursements. This proportion was utilized in the departmental Treasury Board submissions used to secure funding for two other transportation infrastructure transfer payment programs (i.e., the Asia-Pacific Gateway and Corridor Initiative, Gateways and Border Crossings Fund) in the spring of 2012. As demonstrated in Table 5, the proportions obtained for the RPRP fall below Transportation Infrastructure's internal benchmark of 0.814%.

***Table 5*. Proportion of Salaries and Non-Salaries to Contributions Made ($)**

Type of Expenditure	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Grand Total
SALARIED	54,365	47,405	73,266	85,209	64,864	325,109
NON-SALARIED (OOC)	3,324	4,734	2,153	149	625	10,985
Sub Total	57,689	52,139	75,419	85,358	65,489	336,094
Contributions Disbursed	12,510,957	12,863,397	13,208,297	14,112,494	14,081,201	66,776,346
% of Contribution	**0.46%**	**0.41%**	**0.57%**	**0.61%**	**0.47%**	**0.5%**

Railway Cost Effectiveness

FINDING 13: **Both of the remote railways have large per passenger subsidies. Tshiuetin's subsidy has been increasing over the past five fiscal years while KRC's has been decreasing.**

When comparing the total funding disbursements made to TRT and KRC with the number of passengers trips, a cost-per passenger metric is derived. As can be seen in Table 6, the trend in the amount of the cost per passenger subsidy is increasing for TRT, but decreasing for KRC. This can largely be explained by the fact that TRT's funding has been increasing over time while their ridership numbers (see Figure 2) have been decreasing. The opposite is true for KRC, whose funding has remained stable while ridership numbers have increased – resulting in a lower cost-per passenger subsidy. For example, the passenger subsidy for TRT was $441 in 2011/12, but $645 in 2015/16. For KRC, in 2012/13 their passenger subsidy was $1,042, but was reduced to $473 by 2015/16. As described by RPRP program representatives, one factor that has contributed to the increased funding for TRT (as compared to KRC) relates to the imprecision of their financial planning and the weaknesses associated with their corporate management practices, as highlighted in their most recent recipient audit (see pages 20-21).

***Table 6*. Cost per Passenger**

Railway	Fiscal Year	Operating Funding	Capital Funding	TOTAL Yearly Funding	Number of Passengers	Cost/Passenger
TRT	2011/12	$6,500,000	$1,334,615	$7,834,615	17,772	$441
	2012/13	$7,000,000	$1,107,086	$8,107,086	17,983	$451
	2013/14	$7,479,177	$1,374,942	$8,854,119	15,508	$571
	2014/15	$7,500,000	$1,944,779	$9,444,779	14,449	$654
	2015/16	$7,500,000	$2,014,952	$9,514,952	14,757	$645
KRC	2011/12	$2,683,417	$1,992,925	$4,676,342	-	-
	2012/13	$2,684,598	$2,071,713	$4,756,311	4,565	$1,042
	2013/14	$2,619,915	$1,734,263	$4,354,178	5,926	$735
	2014/15	$2,967,919	$1,699,796	$4,667,715	6,049	$772
	2015/16	$2,916,249	$1,650,000	$4,566,249	9,654	$473
VIA	2012	279,100,000	167,200,000	$446,300,000	-	-
	2013	307,600,000	90,800,000	$398,400,000	3,891,000	$102
	2014	317,100,000	80,900,000	$398,000,000	3,800,000	$105
	2015	280,000,000	97,900,000	$377,900,000	3,818,000	$99
	2016	267,500,000	86,300,000	$353,800,000	3,974,000	$89

Note 1. VIA Rail's passenger numbers taken from Sustainable Mobility Report (2016 & 2015)

Note 2. VIA Rail's operating and capital funding taken from VIA's Annual Report (2016)

VIA Rail's cost per passenger ratio has been included for context, given that they are the main passenger rail service provider in Canada. As was discussed at the beginning of this report, VIA (and other passenger railways across the world) require operating and capital subsidies in order to maintain their services. The passenger subsidies for VIA have remained stable over time, with a slight decreasing trend, indicating that VIA have become slightly more efficient over the previous five years. The range in VIA's cost per passenger ratio is narrow, from a peak of $105 to a low of $89.

SUMMARY AND CONCLUSIONS

The Remote Passenger Rail Program (RPRP) continues to be relevant by addressing the ongoing need of enabling Canadians who live in remote communities to access the national transportation system. This access is vital in helping to improve the well-being of community members and allows them to benefit from medical services, social programing, and other necessities of life. The current situation in Churchill, MB provides some context relating to the gravity of the consequences that result from losing access to the only surface link to the national transportation system.

There is a clear rationale for Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada (CIRNA & ISC) to play a role in the administration of the RPRP given that: both RPRP railways are owned by First Nations groups, there is strong alignment between the objectives of the RPRP and CIRNA & ISC's core responsibilities, and CIRNA & ISC has previous experiences working with these First Nations and aims to modernize and standardize transfer payments with Indigenous Peoples. Further supporting this position is the fact that, as of fall 2017, the former department of Indigenous and Northern Affairs Canada (INAC) is undergoing a significant organizational transformation where two separate ministries (i.e., CIRNA & ISC) will ultimately be created. During the Prime Minister's announcement of these changes, it was explicitly stated that "services currently delivered to Indigenous Peoples by other departments shall be considered for transfer into the new department (e.g., health delivery)" once the departmental transformation is complete. In the meantime, Transport Canada (TC) can work internally to update the terms and conditions of the RPRP contribution agreement to be more responsive to the current composition of funding recipients and in an effort to reduce administrative burden internally.

In terms of performance, it is clear that both Tshiuetin Rail Transportation (TRT) and Keewatin Railway Company (KRC) are meeting the performance requirements of their terms and conditions as demonstrated by the number of trips made and the number of passengers transported per year. In fact, there has been a strong increase in the demand for KRC's rail service, to the point where TC should engage KRC to further understand the issue of exceeding passenger capacity on train trips, discuss the possible safety implications, and work collaboratively in an attempt to ameliorate the situation.

There have been issues raised with TRT in the past, in terms of their project administration and financial management procedures. These issues have been presented to TC through a recipient audit and there is an administrative action plan currently in place that will allow TC to monitor this situation on an ongoing basis. The situation with TRT is challenging for TC in terms of how the RPRP funds are ultimately used to help subsidize TRT's freight rail service; however, when thinking of the bigger picture, supporting the economic development of First Nations is not out of scope for the federal government, especially when considering the strategic objectives and core responsibilities of CIRNA & ISC. If CIRNA & ISC were to be involved in administering the RPRP, there would surely be greater comfort, and possibly encouragement, of TRT's freight rail business, which could also help to contribute to enhancing the quality of TRT operations (given that the recipient would not feel pressure to obfuscate their freight rail operations).

The RPRP has been administered in an efficient manner, as demonstrated by comparing the proportion of administrative costs to the contribution disbursements made and comparing that proportion to the internal benchmark identified by the Transportation Infrastructure Programs Directorate. Given the nature of their operations, both KRC and TRT require sizable per passenger subsidies. However, TRT's per passenger subsidy has increased over the previous five fiscal years, while KRC's has decreased, due to the divergent trends in terms of passenger numbers and total funding amounts.

Overall, the aspirations for the RPRP go beyond a simple transport program. The program is contributing to lofty, government-wide ambitions, like reconciliation. Even though the economics of this program appear disconcerting at a glance, it aligns with the general condition that many passenger rail services experience. The RPRP enables a vital transportation service for the members of these remote communities and is helping to touch upon and contribute to the attainment of various governmental results and core responsibilities.

APPENDIX A: REFERENCES

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APPENDIX B: LISTING OF RECOMMENDATIONS

RECOMMENDATION #1: Determine a plan of action to assess the feasibility of transferring the RPRP to CIRNA & ISC. If the transfer of the RPRP is deemed to be feasible, engage and collaborate with CIRNA & ISC to outline the rationale for requesting the transfer.

RECOMMENDATION #2: Consult internally with the Centre of Expertise on Transfer Payments to critically examine the current terms and conditions of the RPRP, including the funding instrument, in order to determine the applicability of the guidance in the *Directive of Transfer Payments*, given that the recipients are First Nations and their operating contexts are different.

RECOMMENDATION #3: Consult with the Treasury Board of Canada Secretariat to facilitate collaboration between other government departments (e.g., CIRNA & ISC) to explore the feasibility of harmonizing transfer payment programs, to the extent possible, as stated in the *Directive on Transfer Payments*.

RECOMMENDATION #4: Transport Canada should engage KRC to address the rail safety issues related to exceeding passenger seating capacity.

APPENDIX C: LIST OF FINDINGS

FINDING 1: The RPRP continues to be relevant by addressing the ongoing need of enabling Canadians who live in remote communities to access the national transportation system.

FINDING 2: Currently, there is a clear rationale for Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada (CIRNA & ISC) to play a role in the administration of the RPRP, given the narrowing and homogeneity of the type of recipients (i.e., First Nations), the strong alignment with CIRNA & ISC's core responsibilities and previous transportation infrastructure projects, and the recent changes made to the CIRNA & ISC organizational structure.

FINDING 3: The former department of Indigenous and Northern Affairs Canada is transforming and the new structure (i.e., CIRNA & ISC) should be receptive to transferring the RPRP from Transport Canada.

FINDING 4: Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada's involvement in the administration of RPRP should result in administrative benefits (e.g., alignment with the advice of the Blue Ribbon Panel and CIRNA & ISC's philosophy toward modernizing grants and contributions) without negatively impacting railway operations and safety.

FINDING 5: The terms and conditions and reporting requirements used in the contribution agreements for the RPRP were deemed to be complicated and burdensome for recipients, given the railways' internal administrative and management capacities, which in turn has led to additional administrative burden for TC.

FINDING 6: Both TRT and KRC have met the terms and conditions of their funding agreements, as substantiated by the number of trips made per fiscal year and the number of passengers transported.

FINDING 7: The strong increase in demand for KRC's passenger rail services occasionally exceeds the seating capacity of their current fleet of passenger cars, forcing some passengers to stand or ride in non-passenger coaches.

FINDING 8: As identified by the recipient audit and the interview responses with RPRP program staff, KRC has been meeting the terms and conditions of their capital plan with minimal issues.

FINDING 9: Through TRT's recipient audit and the interviews conducted with RPRP program staff, it is clear that there have been a variety of concerns with TRT's project administration and financial management procedures. These issues have been incorporated into an administrative action plan that will be monitored by Transport Canada on an ongoing basis.

FINDING 10: Overall, from the perspective of the federal government, subsidizing/encouraging the economic development of First Nations is encouraged (as demonstrated by the strategic objectives and core responsibilities of CIRNA & ISC). For TC, however, a conflict arises when RPRP funds help to subsidize the operations of freight rail (as is the case with TRT), given that the RPRP is focused solely on passenger rail. If CIRNA & ISC were involved in the administration of the RPRP, the significance of this issue would likely diminish**.**

FINDING 11: The safety of TRT's rail operations is comparable to the safety of VIA Rail, with less than 1% of trips made resulting in an accident or incident.

FINDING 12: The RPRP has been administered in an efficient manner, as demonstrated by comparing the proportion of administrative costs to the contribution disbursements made in relation to the internal benchmark identified by the Transportation Infrastructure Programs Directorate.

FINDING 13: Both of the remote railways have large per passenger subsidies. Tshiuetin's subsidy has been increasing over the past five fiscal years while KRC's has been decreasing.

APPENDIX D: MANAGEMENT ACTION PLAN

RECOMMENDATION	MANAGEMENT RESPONSE & ACTION PLAN	TARGET DATE	RESPONSIBLE LEADS
RECOMMENDATION #1: Determine a plan of action to assess the feasibility of transferring the RPRP to CIRNA & ISC. If the transfer of the RPRP is deemed to be feasible, engage and collaborate with CIRNA & ISC to outline the rationale for requesting the transfer.	• Discussions will be initiated with CIRNA & ISC to explore the possibility of transferring the RPRP to CIRNA & ISC.	Complete Discussions initiated with CIRNA & ISC on May 1st	Transportation Infrastructure Program
	• TC will work with CIRNA & ISC to develop options to assess the feasibility of transferring the program to CIRNA & ISC.	September 2018	
RECOMMENDATION #2: Consult internally with the Centre of Expertise on Transfer Payments to critically examine the current terms and conditions of the RPRP, including the funding instrument, in order to determine the applicability of the guidance in the *Directive of Transfer Payments*, given that the recipients are First Nations and their operating contexts are different.	• IF CIRNA & ISC accept the transfer of the RPRP, AHS will work with them and TBS to examine the current terms and conditions and other funding approaches for transfer payments. • If CIRNA & ISC do not accept the transfer of the RPRP, AHS will engage conversations with the COE and TBS to review the funding instrument as well as the current terms and conditions of the RPRP to determine an appropriate level of financial control.	June 2018	Transportation Infrastructure Program

RECOMMENDATION	MANAGEMENT RESPONSE & ACTION PLAN	TARGET DATE	RESPONSIBLE LEADS
RECOMMENDATION #3: Consult with the Treasury Board of Canada Secretariat to facilitate collaboration between other government departments (e.g., CIRNA & ISC) to explore the feasibility of harmonizing transfer payment programs, to the extent possible, as stated in the *Directive on Transfer Payments*.	• IF CIRNA & ISC accept the transfer of the RPRP, AHS will work with them and TBS to examine the current terms and conditions and other funding approaches for transfer payments. • If CIRNA & ISC do not accept the transfer of the RPRP, AHS will engage conversations with the Center Of Expertise and TBS to review the funding instrument as well as the current terms and conditions of the RPRP to determine an appropriate level of financial control.	June 2018	Transportation Infrastructure Program
RECOMMENDATION #4: Transport Canada should engage KRC to address rail safety issues.	• AHS to approach KRC to better understand the issue. • AHS will contact Rail Safety to inform them of the situation.	Complete	Transportation Infrastructure Program
	• Rail Safety will approach the province of Manitoba to follow-up on the issue if deemed necessary.	Complete TC's Prairie and Northern Region will raise the complaints with the Province of Manitoba. No further action needed (not a federally regulated issue).	Rail Safety