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Evaluation of the Airports Operations and Maintenance Subsidy Program (O&MSP)

Evaluation & Advisory Services

Transport Canada

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EXECUTIVE SUMMARY

An evaluation of the Airports Operations and Maintenance Subsidy Program (O&MSP) was conducted by Transport Canada's Evaluation and Advisory Services to assess the program's relevance and performance, as required by the *Financial Administration Act* and the Treasury Board Policy on Evaluation.

The evaluation examined the period from 2010-11 to 2014-15. Given the O&MSP is a long-standing program that was the subject of an evaluation in 2009, evaluators adopted a streamlined approach, updating key information from the previous evaluation using administrative data and documents.

The O&MSP is a legacy program that dates back to the early 1970s, when the government made the decision to provide funding through a contribution program to cover operational deficits to remote airports. The O&MSP covers these deficits at specific airports to keep them safe and operational year round. As airports were divested, they became ineligible for the program.

Seven airports participated in the O&MSP from 2010-11 to 2012-13. As of April 2013, Transport Canada ended O&MSP support to three airports not owned by the department. Contribution funding provided by the program decreased from \$2.4 million in 2010-11 to \$1.6 million in 2014-15.

The program continues to be relevant and meet a need. Under the National Airports Policy (NAP), the federal government is required to continue to fund the operation of remote airports, which include those airports for which air transportation is the only reliable year-round mode of transportation available to the community it serves. Three of the four remaining airports are remote. The Natashquan airport was designated as a remote airport at the outset of the NAP but was subsequently changed by Transport Canada to "regional/local" following the construction of a gravel road linking the community to Havre St-Pierre in 1996. As noted in the 2009 evaluation, O&MSP funding to this airport does not align with the NAP.

If the O&MSP were to be terminated, Transport Canada would be required to operate the airports by having the department operate the airports, by operating the airport with a contract, or by finding another way to operate the airport. The program indicated that operating airports with contracts can be more resource/time intensive as, for contracted airports, the department has more responsibility and is the certificate holder, which is not the case with the O&MSP-funded airports.

The program achieved its expected outcomes. The participating airports had good safety records, were kept open year-round (subject to weather conditions), and consistently maintained their airport certification.

BACKGROUND

Transport Canada's Evaluation and Advisory Services conducted an evaluation of the Airports Operations and Maintenance Subsidy Program (O&MSP) in 2015. The evaluation was undertaken to assess the program's relevance and performance, as required by the *Financial Administration Act* and the Treasury Board Policy on Evaluation. The O&MSP was last evaluated in 2009.

Program Profile

The O&MSP was established in 1972¹ to assist airports in financing operations and maintenance deficits by subsidizing shortfalls between revenues and operating costs. The program was designed to maintain safe, year-round linkages to the national transportation network among remote communities.

O&MSP funding is provided through contributions to airport operators, including local governments and non-profit organizations. Allowable expenses paid under the O&MSP contribution funding include employee salaries and benefits, rent for land or equipment, utilities, insurance and other operating costs. Contribution payments are made to the airports on a quarterly or annual basis.

When first created, 32 airports were eligible for assistance from the program, including three airports Transport Canada did not own (Fort Chipewyan, Alberta; Moosonee, Ontario; and Norway House, Manitoba). Since that time, Transport Canada has supported a decreasing number of airports through the program due to divestiture of airports to other entities and termination of financial subsidies to airports it does not own. The O&MSP was most recently renewed in April 2011, when it provided funding to seven airports. Since April 2013, the O&MSP has only provided funding to four Transport Canada-owned airports, ceasing support for three airports not owned by the department.

Table 1 presents an overview of the airports funded under the O&MSP since 2010-11. The table includes each airport's owner, operator, and National Airports Policy (NAP) classification.

¹ The program was originally called the Municipality Operations and Maintenance Subsidy Program.

| Table 1: O&MSP Airports Overview | | | |
|-------------------------------------------------------------|---------------------------------------|-------------------------|---------------------------|
| Airport | Owner | Operator | NAP Classification |
| Airports supported by O&MSP – 2010-11 to 2012-13 | | | |
| Fort Chipewyan (AB) | Regional Municipality of Wood Buffalo | | Remote |
| Moosonee (ON) | City of Moosonee | | Remote |
| Norway House (MB) | Province of Manitoba | | Remote |
| Airports supported by O&MSP – 2010-11 to 2014-15 | | | |
| Chevery (QC) | Transport Canada | Local government | Remote |
| Kuujuuaq (QC) | Transport Canada | Local government | Remote |
| Natashquan (QC) | Transport Canada | Local government | Regional/local |
| Schefferville (QC) | Transport Canada | Non-profit organization | Remote |

Table 2 lists the O&MSP funding provided to each participating airport from 2010-11 to 2014-15. As shown, airports received annual funding amounts ranging from \$50,000 for Schefferville in 2011-2012, to \$1.1 million for Kuujuuaq in the same year. The average subsidy received by an airport each year was \$321,442. The total O&MSP subsidy for the five-year period was \$9.3 million.

The variations in subsidy amounts by year for individual airports were a result of varying airport traffic levels, which affect airport revenue levels. The program also noted that costs can increase in years where there is a need for airports to expend resources for emergency exercises and other administrative requirements.

| Table 2: O&MSP Subsidies by Airport by Year (\$) | | | | | |
|-------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Airport | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 |
| Chevery | 160,000 | 143,979 | 197,384 | 198,406 | 231,289 |
| Fort Chipewyan | 344,252 | 344,254 | 344,254 | -- | -- |
| Kuujuuaq | 1,055,000 | 1,055,000 | 800,449 | 855,381 | 648,790 |
| Moosonee | 200,000 | 200,000 | 102,415 | -- | -- |
| Natashquan | 180,000 | 210,476 | 238,750 | 222,700 | 266,111 |
| Norway House | 236,810 | 255,746 | 255,746 | -- | -- |
| Schefferville | 205,000 | 50,000 | 114,465 | 125,000 | 80,153 |
| Total Subsidies | 2,381,062 | 2,259,455 | 2,053,463 | 1,401,487 | 1,226,343 |

Overall program management of the O&MSP is the responsibility of Transport Canada's Air and Marine Programs Branch within Programs Group, at National Headquarters. Program delivery occurs in Transport Canada's regional offices, with regional officers responsible for the management and monitoring of contribution agreements. Three regional offices administered the program until April 2013, when Quebec became the sole region with O&MSP airports. At the time of renewal in 2011, two full-time equivalent (FTE) staff administered the program. This was

reduced in April 2013 to one FTE divided between National Headquarters and the Quebec regional office.

Table 3 presents the O&MSP logic model, showing activities, outputs, and expected outcomes of the program.

| Table 3: O&MSP Logic Model | | | |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|
| Activities | Outputs | Immediate and Intermediate Outcomes | Ultimate Outcomes |
| Review applications Calculate eligible subsidy Manage contribution agreement Assess program performance | Funding of operations and maintenance deficits | Safety level maintained & enhanced Airports open year-round | Funded airports certified as operational |

About the Evaluation

The evaluation examined the program between 2010-2011 and 2014-2015. The O&MSP has a relatively low materiality and complexity and, other than the reduction in the number of airports that it funds, there had been no changes in the program since the last evaluation in 2009. Thus, Evaluation and Advisory Services adopted a streamlined approach for the evaluation, updating key information on program relevance and performance using administrative documents and program performance information.

Kuujuuaq Airport



Schefferville Airport



FINDINGS

Relevance

To assess relevance, the evaluation examined the ongoing need for the program, as well as the alignment of the program with federal roles and responsibilities, priorities, and departmental Strategic Outcomes.

There is an ongoing need for the program.

At the time of the evaluation, Transport Canada owned 18 airports across Canada, only four of which received funding through the O&MSP. Of the other 14 Transport Canada-owned airports, eight were operated directly by Transport Canada, with their operations and maintenance costs funded directly by the department. The remaining six were operated via contracts. If the O&MSP were to be terminated, Transport Canada would be required to operate the airports by having the department operate the airports, by operating the airport with a contract, or by finding another way to operate the airport. The program indicated that operating airports with contracts can be more resource/time intensive as, for contracted airports, the department has more responsibility and is the certificate holder, which is not the case with the O&MSP funded airports.

The only other Transport Canada transfer payment program that supports airports is the Airports Capital Assistance Program (ACAP). There is no overlap between the two programs, however, as ACAP funds capital projects, which are not eligible costs under the O&MSP. Furthermore, airports owned by Transport Canada, which are the only type of airports eligible for O&MSP since 2013, are not eligible for ACAP.

The program aligns with the framework for funding airports outlined in the National Airports Policy, with the exception of the funding of the Natashquan airport. The O&MSP aligns with federal priorities and departmental Strategic Outcomes

The NAP identifies the federal government's role as it relates to airports. As previously concluded in the 2009 O&MSP evaluation, the funding of airports considered remote is aligned with the NAP. Transport Canada is obligated to fund the remote airports it owns. Funding these airports allows them to remain open year round, thereby affording community residents access to medical assistance, food supplies, mail and other services.

Of the seven airports funded by the O&MSP during the period evaluated, six were considered remote and are aligned with the federal roles set out in the NAP. Natashquan airport is classified as a regional/local airport, and, as noted in the 2009 evaluation, O&MSP funding to this airport does not conform to the NAP. Natashquan, was reclassified from remote to "regional/local" when a 300 kilometre gravel road was constructed linking the community to Havre St. Pierre in 1996.² However, the airport remains a significant transportation link to this community.

² Regional/local airports are defined under the NAP as those serving scheduled passenger traffic but handling less than 200,000 passengers each year.

The program is aligned with federal priorities and departmental Strategic Outcomes. The program helps to maintain transportation infrastructure for Canada to improve efficiency and ensure service, supports essential services to some remote communities, and supports Transport Canada’s mandate of having a transportation system in Canada that is recognized worldwide as safe and secure, efficient and environmentally sustainable.

Performance – Effectiveness

To assess performance, the evaluation examined the extent to which funded airports:

- were open year-round;
- maintained good safety records; and
- maintained their airport certification.

O&MSP-supported airports were open year-round.

The data from Statistics Canada in Table 4 shows airports supported by the program had recorded aircraft movements on between 308 and 365 days a year from 2009 to 2013.³

The number of days with recorded aircraft movements was not available for Fort Chipewyan, Schefferville and Kuujjuak airports. Other Statistics Canada data showed that Kuujjuak had more than 13,000 aircraft movements in 2013, suggesting that this airport was operational for much of the year.⁴

| Table 4: Number of Days With Recorded Aircraft Movements | | | | | |
|--------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Airport | 2009 | 2010 | 2011 | 2012 | 2013 |
| <i>Airports supported by O&MSP – 2010-11 to 2012-13</i> | | | | | |
| Fort Chipewyan | --- | --- | --- | --- | --- |
| Moosonee | 363 | 365 | 365 | 365 | 364 |
| Norway House | 362 | 365 | 351 | 364 | 358 |
| <i>Airports supported by O&MSP – 2010-11 to 2014-15</i> | | | | | |
| Chevery | 316 | 321 | 309 | 311 | 308 |
| Kuujjuak | --- | --- | --- | --- | --- |
| Natashquan | 310 | 331 | 317 | 317 | 326 |
| Schefferville | --- | --- | --- | --- | --- |

Source: Statistics Canada (2013) Aircraft Movement Statistics

³ Statistics Canada (2013), Aircraft Movement Statistics: Airports Without Air Traffic Control Towers: Annual Report (TP 577) – 2012. <http://www.statcan.gc.ca/pub/51-210-x/51-210-x2013001-eng.pdf>.

⁴ Statistics Canada (2014), Aircraft Movement Statistics: NAV CANADA Towers and Flight Service Stations: Annual Report (TP 577) 2013. <http://www.statcan.gc.ca/pub/51-209-x/51-209-x2014001-eng.pdf>

The airports supported through the O&MSP continue to have good safety records.

To assess airport safety, evaluators examined the number of accidents and incidents reported in Transport Canada's Civil Aviation Daily Occurrence Reporting System (CADORS). There were five accidents from 2005 to 2009 at O&MSP-supported airports, but only two accidents from 2010 to 2014. An analysis of the accident reports showed none of the accidents involved injuries and just one, in 2009, could be linked to airport operations and maintenance.

The CADORS data also showed a decline in the number of incidents between the two reporting periods, from 602 incidents in 2005-2009 to 528 incidents in 2010-2014. An incident is less severe than an accident, and includes an occurrence involving aircraft such as engine failure, declaration of an emergency by a crew member, runway incursions, or a bird strike.

| Airport | 2005-2009 | | 2010-2014 | |
|---------------------|-----------|------------|-----------|------------|
| | Accidents | Incidents | Accidents | Incidents |
| Chevery, QC | 0 | 9 | 0 | 4 |
| Fort Chipewyan, AB* | 1 | 21 | 0 | 20 |
| Kuujuuaq, QC | 2 | 381 | 1 | 245 |
| Moosonee, ON* | 1 | 68 | 0 | 97 |
| Natashquan, QC | 0 | 42 | 0 | 79 |
| Norway House, MB* | 1 | 69 | 0 | 69 |
| Schefferville, QC | 0 | 12 | 1 | 14 |
| Grand Total | 5 | 602 | 2 | 528 |

*O&MSP funding for these airports ceased in April 2013. However, data are shown for all airports for all years.

Source: <http://www.tc.gc.ca/civilaviation/systemsafety/cadors/menu.htm>

All airports receiving O&MSP funding maintained their airport certification.

The O&MSP is expected to contribute to subsidized airports maintaining their airport certification. A certified airport has been recognized as conforming to the standards and recommended practices required for airports under the Canadian Aviation Regulations. Certification requirements include paving, lighting, signage, snow and ice control and wildlife procedures. An airport losing its certification can result in its closure.

For the period examined in the evaluation, all airports receiving O&MSP continually maintained their airport certification.

CONCLUSION

The O&MSP continues to address a need, and, with the exception of the Natashquan airport, aligns with federal policy parameters for funding airports set out in the National Airports Policy.

The program achieved its expected outcomes: participating airports were open year-round, maintained good safety records, and kept their airport certification.