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to the Parliament of Canada

National Trade Corridors Fund—Transport Canada

Report 4



Independent Auditor's Report | 2024



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

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- report both positive and negative findings
- conclude against the established audit objectives
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At a Glance



Overall message

Overall, Transport Canada did a good job of designing and implementing the National Trade Corridors Fund but did not track and report on its results well. Launched in 2017, the fund has the objective of improving the movement of goods across Canada through the strengthening of its network of roads, rails, airports, and seaports by 2028. These transportation corridors are important to foster trade through imports and exports and contribute to Canada's economic health.

We found that Transport Canada gathered and used evidence on the status and performance of trade corridors to identify bottlenecks and other fluidity constraints present in the infrastructure of the transportation system. This evidence informed how the department designed the fund and conducted its calls for infrastructure project proposals. For example, a call for project proposals targeted Canadian ports experiencing congestion issues, as shown in the available data. This evidence-based approach supported the selection of projects intended to tackle proven gaps in the infrastructure. The department assessed project proposals using a merit-based approach.

However, we found important weaknesses in how the department tracked and reported on performance. As a result, it was unclear whether projects were having the intended impact. The approach used to assess the success of the fund was not tied to the success of the projects it funded. For the remaining 5 years of the fund, Transport Canada needs to strengthen its results monitoring and reporting systems to properly assess the success of its projects and, ultimately, of the fund.

Key facts and findings



- International trade represents more than 60% of Canada's gross domestic product and relies on moving goods in and out of the country.
- Transport Canada had launched 7 calls for proposals since 2017, including 2 that targeted the Arctic and northern region.
- The department assessed project proposals using a merit-based approach but could not demonstrate on what basis it prioritized some meritorious projects over others.
- Transport Canada had approved \$3.8 billion to fund 181 transportation projects. About 20% (\$711 million) of the approved budget was spent between 2017 and 2023.
- Half of the funded projects had an incomplete performance measurement strategy to assess their results.

See **Recommendations and Responses** at the end of this report.

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Introduction

Background

Trade corridors in Canada

4.1 Canada's economic success is closely linked to the strength and competitiveness of its transportation system, which enables trade within the country and with other countries. International trade represents more than 60% of Canada's gross domestic product and relies on moving goods in and out of the country.

4.2 Goods are moved to, from, and through Canada using a network of roads, bridges, rails, airports, and seaports (Exhibit 4.1). **Gateways**¹ and **trade corridors**² are important components of this network and are part of the overall **supply chain**.³

4.3 Canada's multimodal transportation system enables trade, which is critical to Canadians' prosperity and quality of life. When this system does not perform well, Canadian exporters are less competitive in foreign markets, Canadian consumers pay higher prices for goods, and Canadian businesses pay more for raw materials, making their products less competitive at home and abroad.

4.4 To maintain and develop Canada's gateways and trade corridors, the Government of Canada has established various programs to provide funding to provincial, territorial, and municipal governments; airports or port authorities; and universities and private firms (such as railway companies) involved in the transportation industry. The most recent of these programs is the National Trade Corridors Fund, launched in 2017 and administered by Transport Canada.

1 **Gateway**—A multimodal entry and exit point through which goods move beyond local and regional markets (for example, the Port of Vancouver, which is an important gateway to the Asia-Pacific market).

2 **Trade corridor**—A linear system of freight flows that connects gateways to major markets (for example, the combination of road and rail bringing grain from the Prairies to the Port of Vancouver).

3 **Supply chain**—The series of processes involved in the production and supply of goods, from when they are first made or grown until they are sold (for example, when raw material such as iron ore is mined and used to construct the frame of a car, which is then assembled with other components into a car and sold as a consumer good).

Exhibit 4.1—Selected components of Canada’s trade-related transportation system



Source: Based on data from Transport Canada

National Trade Corridors Fund

4.5 The National Trade Corridors Fund supports infrastructure projects in Canada, such as work on airports, ports, railways, railyards and storage facilities, public highways, and access roads. The fund provides money for projects that aim to

- improve the flow of goods within Canada
- increase the flow of trade in and out of Canada
- help the transportation system to withstand the effects of climate change and better adapt to new technologies and innovations
- address the transportation needs of Arctic and northern communities

The National Trade Corridors Fund’s initial budget was \$1.9 billion over 11 years (2017–18 to 2027–28). The budget was expanded in subsequent years, and as of August 2023, it stands at \$4.6 billion.

Roles and responsibilities

4.6 **Transport Canada.** The department is responsible for developing and overseeing the Government of Canada’s transportation policies and programs so that Canadians can have access to a transportation system that is

- safe and secure
- green and innovative
- efficient

The department provides funding to public and private organizations that strengthen the transportation network. In particular, Transport Canada is responsible for designing, implementing, monitoring, and reporting on the performance of the National Trade Corridors Fund. Final decisions on which projects to fund under this program are made by the Minister of Transport or the Treasury Board.

United Nations’ Sustainable Development Goals

4.7 In September 2015, Canada committed to the United Nations’ 2030 Agenda for Sustainable Development. In 2017, the Office of the Auditor General of Canada committed to examining how federal organizations are contributing to the United Nations’ Sustainable Development Goals. The matters examined in this audit relate to Goal 9 (Industry, Innovation and Infrastructure) and Goal 13 (Climate Action).

Focus of the audit

4.8 This audit focused on whether Transport Canada designed, implemented, and monitored the National Trade Corridors Fund effectively to improve the fluidity and resiliency of transportation corridors.

4.9 This audit is important because improving Canada’s trade-related transportation infrastructure contributes to the country’s economic success, improving the quality of life for Canadians. The audit is also important because it examines whether the money from the National Trade Corridors Fund was allocated to recipients based on merit, fairness, and transparency.

4.10 More details about the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this report.

Findings and Recommendations

Transport Canada designed the National Trade Corridors Fund to address the main needs of Canada’s transportation system

Why this finding matters

4.11 This finding matters because the National Trade Corridors Fund needs to make investments in locations with capacity pressures or bottlenecks. Also, it is important for Transport Canada to be aware of the needs and opportunities in Canada’s transportation corridors to make informed decisions and demonstrate accountability.

Context

4.12 The purpose of the National Trade Corridors Fund is to provide federal funding for projects and activities that strengthen the **fluidity**⁴ and **resiliency**⁵ of national trade corridors, including those related to northern infrastructure. The department issues calls for proposals to solicit and select eligible projects that meet the objective of the fund. Funding for eligible expenses is provided for the selected projects as a federal contribution and is subject to reporting and performance conditions specified in a contribution agreement.

Design of the fund informed by evidence

Findings

4.13 We found that Transport Canada used relevant information on the state of Canada’s transportation corridors to inform the design of the National Trade Corridors Fund. The calls for proposals that the department designed for the fund aligned with this information and evolved to target transportation system needs (Exhibit 4.2).

4 **Fluidity**—The ability to move goods quickly and easily.

5 **Resiliency**—The ability to withstand changes and adapt to new opportunities, including the effects of climate change.

Exhibit 4.2—The calls for proposals for the National Trade Corridors Fund had specific objectives that evolved to target transportation system needs

Call for proposals (dates)	Objective	Targeted recipients	Funding approved (number of projects)*
Call 1: First national call (July to November 2017)	Support the fluidity of Canadian trade by alleviating capacity constraints and bottlenecks, and strengthen the connections between the various modes of transportation.	Open to all	\$890 million (39 projects)
Call 2: Northern call (November 2018 to March 2019)	Address the unique transportation needs and priorities of Canada's North.	Projects that target or are located in Yukon, the Northwest Territories, or Nunavut	\$316 million (11 projects)
Call 3: Continuous call for trade diversification (January 2019 to December 2021)	Diversify trade to overseas markets in support of the Government of Canada's Export Diversification Strategy.	Open to all	\$1.4 billion (62 projects)
Call 4: Arctic and northern call (October 2020 to March 2021)	Address the unique transportation needs and priorities of Canada's Arctic and northern communities.	Projects that target or are located in Yukon, the Northwest Territories, Nunavut, Nunatsiavut (northern Labrador), Nunavik (northern Quebec), or Churchill (northern Manitoba)	\$217 million (16 projects)
Call 5: Increase the fluidity of Canada's supply chains (December 2021 to June 2022)	Build supply chain capacity under 2 themes: "Strengthening Canada's Connections to Global Markets" and "Building Internal Trade Corridors."	Open to all	\$965 million (44 projects)
Call 6: Relieving supply chain congestion at Canadian ports (January to February 2022)	Immediately relieve supply chain congestion at certain Canadian ports.	Canadian port authorities and partners	\$28 million (9 projects)

Call for proposals (dates)	Objective	Targeted recipients	Funding approved (number of projects)*
Call 7: Advancing supply chain digitalization (February to April 2023)	Through industry-led projects, improve asset and operations management, coordination, planning, and optimization of supply chains; alleviate bottlenecks; and boost network fluidity.	Not-for-profit and for-profit organizations, Canadian port authorities, and the National Airport System airport authorities.	Decision pending

* For calls 1 to 6, the total approved funding was \$3.8 billion, and the total number of projects was 181 as of August 2023.

Note: See Exhibit 4.4 and Exhibit 4.5 for information about the status of projects and expenditures.

Source: Based on data from Transport Canada.

4.14 The fund was intended to be flexible in order to address the evolving needs of Canada's transportation corridors in the dynamic environment of global trade flows. We found that Transport Canada designed the calls for proposals in a way that was consistent with this flexible approach, with calls that had either broad or targeted objectives based on the evidence about fluidity and resiliency needs.

4.15 We found that the calls with broad objectives were designed using an evidence-based approach. For example, the department developed an internal tool to support investment decision making, which presented a list of eligible and recommended projects on a map, overlaid with information about known trade-corridor fluidity issues.

4.16 We also found that the department designed the targeted calls using an evidence-based approach. For example, call 6 targeted Canadian ports, which were experiencing congestion issues, as was shown in the available data at the time. Similarly, the department designed call 7 to address digital infrastructure challenges identified by research in this area.

The department assessed project proposals based on merit but could not demonstrate on what basis it prioritized some meritorious projects over others

Why this finding matters

4.17 This finding matters because assessing the project proposals based on merit and then selecting which ones are recommended for funding are essential steps in prioritizing limited funding and ensuring that transportation needs are met. These steps also support accountability, fairness, and transparency.

Context

4.18 The department issued calls for proposals to solicit and select projects that met the objective of the fund. According to Treasury Board policies and departmental guidance, once eligibility was confirmed, the proposals received should be assessed and selected based on merit and the strength of the business case. Eligibility requirements and the criteria against which applications would be assessed should be made available to applicants. After evaluating the merit of proposals, the department was responsible for providing a shortlist of funding recommendations to the Minister of Transport. Final funding decisions would be made either at the ministerial or Treasury Board level.

Merit-based approach for assessing eligible project proposals

Findings

4.19 Transport Canada's approach to assess eligible project proposals and select which ones to recommend for funding was a 2-stage process:

- Stage 1: The evaluation team assesses merit and makes preliminary recommendations for funding to committees.
- Stage 2: Committees review evaluations and finalize recommendations for funding.

4.20 In stage 1, a multidisciplinary team of department officials used evaluation grids to assess the merit of each eligible project. We examined the merit criteria in the evaluation grids and found that they aligned with the selection criteria principles of the fund and with the objectives of each call. We also found that this stage was implemented in a transparent manner using the merit criteria that were publicly available at the launch of each call.

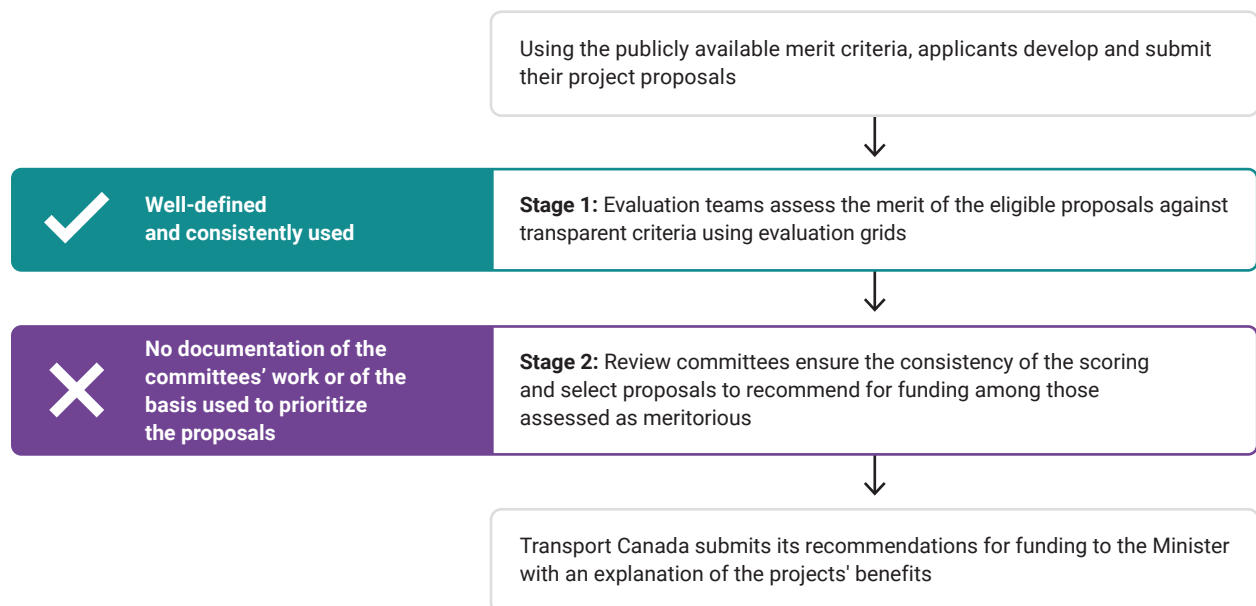
4.21 We looked at whether the proposals were evaluated in a consistent manner, with each criterion assessed by more than 1 person. Overall, we found that the merit criteria were assessed by a team using the evaluation grid as intended and that a preliminary recommendation was established in stage 1 for consideration in stage 2.

No documentation of the basis used for recommending some meritorious projects for funding over others

Findings

4.22 In stage 2 of the process for evaluating the proposals, Transport Canada set out to conduct various reviews in committees to ensure the consistency of the merit-based scoring from stage 1 and to finalize the list of recommended proposals. We compared recommendations by review committees in stage 2 against the results of merit evaluations from stage 1. We found that in 15% of cases, recommendations by review committees in stage 2 differed from stage 1 results. The department told us that the review committees discussed evaluations, scores, and other considerations before finalizing the list of recommended proposals. We found, however, that the department had no documentation of the rationale used by review committees in validating scores and prioritizing projects, or of the justifications for selecting which ones to recommend or not recommend for funding (Exhibit 4.3).

Exhibit 4.3—The department assessed the merits of eligible proposals using well-defined grids but could not demonstrate on what basis meritorious projects were recommended or not by review committees



Source: Assessment approach based on information from Transport Canada

4.23 We found that the department provided documentation to the Minister of Transport explaining the benefit of the individual projects being recommended for funding. However, this documentation was insufficient to support the review committees' additional considerations and ranking of the proposals.

4.24 The Minister or the Treasury Board ultimately makes the final funding decisions. We did not examine the Minister's reasons for exercising their discretion and whether it was properly exercised. We found no occurrence of funding being granted to ineligible recipients.

Recommendation

4.25 In support of the transparency and fairness of the project selection process, Transport Canada should document the review committees' work, including the rationale used when validating project evaluation scores and applying additional considerations for identifying which proposals to recommend for funding.

The department's response. *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

The department did not effectively monitor and report on results

Why this finding matters

4.26 This finding matters because monitoring and reporting on results help Transport Canada to determine whether the funding provided is being used to meet the intended outcomes of the National Trade Corridors Fund. Monitoring and reporting on these results are also important for identifying when to make adjustments to improve the performance of projects supported by the fund.

Context

4.27 Programs like the National Trade Corridors Fund require a performance measurement strategy for the ongoing management of the program. This strategy must identify the expected results of the program and have performance measures and indicators for monitoring and reporting.

4.28 Once a project is approved for funding, Transport Canada must develop a contribution agreement that states the terms and conditions under which the funding is provided. The agreement also includes a description of the results to be achieved by the recipient, including collecting and reporting on measurable performance indicators at the project level.

Lack of reporting on the outcomes of the program to improve transportation corridors

Findings

4.29 We found that Transport Canada’s original approach to measure the outcomes of the National Trade Corridors Fund was ineffective, as it used program-level performance indicators that were either not practical or that could not be measured. For example, one of the original performance indicators was as follows: “Capacity added to the transportation system measured at the project level.” This indicator did not have a target that specified how much capacity was to be added or by which date. It also did not include a method for tracking the relevant data at the project level, and it was never reported on by the department.

4.30 In 2021–22, the department developed a revised performance measurement strategy that included new performance indicators, such as “transit time of goods.” While the new indicators were more measurable and practical, we found that they showed the actual performance of the transportation system, rather than improvements to the fluidity of trade corridors that could be directly attributed to the projects completed under the fund. As a result, the department had limited ability to demonstrate project-level results and the impact of the fund on the fluidity and resiliency of transportation corridors.

4.31 Our recommendation in this area of examination appears at paragraph 4.43.

Ineffective monitoring of project results

Findings

4.32 As part of the funding agreement, each funded project was required to have a performance measurement strategy with performance indicators in place to demonstrate results. The performance measurement strategy and performance indicators were co-developed by the funding recipient and Transport Canada. We found that at the onset of the program, the department had not developed standard performance indicators to monitor and report on results of individual projects. This hindered the department’s ability to tabulate and roll up the results from individual funded projects to inform program-level performance.

4.33 As of August 2023, Transport Canada had selected and approved about \$3.8 billion in funding for a total of 181 eligible projects on the basis of their expected contributions to meeting the National Trade Corridors Fund’s objectives (Exhibit 4.4). As of that date, 30 projects had been completed and about \$711 million had been spent (Exhibit 4.5).

Exhibit 4.4—As of August 2023, there were a total of 181 approved projects and 30 completed projects

Call for proposals	Number of approved projects (completed projects)	Approved federal funding	Actual expenditure
Call 1	39 (22)	\$890 million	\$350 million
Call 2	11 (1)	\$316 million	\$76 million
Call 3	62 (7)	\$1.4 billion	\$262 million
Call 4	16 (0)	\$217 million	\$18 million
Call 5	44 (0)	\$965 million	\$0.3 million
Call 6	9 (0)	\$28 million	\$5 million
Total	181 (30)	\$3.8 billion	\$711 million

Notes:

- Funding decisions for call 7 were pending at the time of this audit.
- See Exhibit 4.2 for more information about the calls for proposals.

Source: Based on data from Transport Canada

Exhibit 4.5—As of August 2023, about 20% of the approved funding had been spent on completed and ongoing projects

Status of projects (all calls for proposals)	Number of approved projects	Approved federal funding	Actual expenditure
Projects completed	30	\$206 million	\$192 million
Projects underway	116	\$2.4 billion	\$519 million
Projects not started	35	\$1.2 billion	\$0
Total	181	\$3.8 billion	\$711 million

Source: Based on data from Transport Canada

4.34 We examined a representative sample of the signed contribution agreements for the 116 projects that were underway. Our sample contained projects that were dedicated to the Arctic and northern region and other national projects that were taking place elsewhere. We found that half of the projects (27 out of 54) had an incomplete performance measurement strategy in place. Of those, 19 were from the Arctic and northern region, representing 95% of the projects in our sample for that region. Other projects (3 out of 54) had no strategy at all (Exhibit 4.6).

Exhibit 4.6—Many projects had missing or incomplete performance measurement strategies

Status of performance measurement strategy	Number of national projects, excluding Arctic and northern projects (representative sample of 34 out of 86)	Number of Arctic and northern projects (representative sample of 20 out of 30)	Total (representative sample of 54 out of 116)
Complete performance measurement strategy was in place	23 out of 34 (68%)	1 out of 20 (5%)	24 out of 54 (44%)
Performance measurement strategy in place but incomplete because performance indicators missing either a target, a baseline, or a focus on results	8 out of 34 (24%)	19 out of 20 (95%)	27 out of 54 (50%)
No performance measurement strategy in place	3 out of 34 (9%)	0 out of 20 (0%)	3 out of 54 (6%)

Source: Based on data from Transport Canada

4.35 We also examined the final reports of the 30 completed projects. We found that half of them had incomplete performance reporting. Of the 30 final reports,

- 30% (9 of 30) had no results reported at all
- 20% (6 of 30) contained some reporting on results, but information was missing in order for them to be useful, such as a baseline, a target, or other information required in the performance measurement strategy
- 50% (15 of 30) had reporting against their targets (6 had met all their targets, 7 had met some targets, and 2 had met none)

4.36 In the cases where the results were not reported, we found that some funding recipients did not report them because those results would not become available until a future date. For example, an airport storage project had expansion work completed, but the expanded facility was not yet operational, and therefore, results on increased performance could not be reported. We found that the department had no concrete plans to follow up with recipients to obtain the missing results.

4.37 We found that in 2023, Transport Canada took steps to improve its monitoring of performance at the project level. The department developed new standard performance indicators (Exhibit 4.7) from which funding recipients could select those applicable to their projects. These new indicators were incorporated into the contribution agreement

template in June 2023. We found that 9 recently signed contribution agreements, representing \$84 million of federal funding, used the updated template.

Exhibit 4.7—The updated standard performance indicators were grouped under 5 themes

Theme	Performance indicators
Economic impacts	<ul style="list-style-type: none"> • Jobs created (direct) • Jobs created (indirect and induced) • Investment leveraged (dollars) • Impact on gross domestic product (dollars) • Value of additional goods moved (dollars)
Capacity	<ul style="list-style-type: none"> • Increase in throughput capacity (volume measured in megatonnes, twenty-foot equivalent units, rail cars, other applicable unit) • Maintained throughput capacity due to repair or rehabilitation (megatonnes, twenty-foot equivalent units, rail cars, other applicable unit) • Increase in storage capacity (square metres, twenty-foot equivalent units, rail cars, other applicable unit) • Maintained storage capacity due to repair or rehabilitation (square metres, twenty-foot equivalent units, rail cars, other applicable unit) • Length of rail or road constructed, repaired, or rehabilitated (miles, kilometres)
Efficiency	<ul style="list-style-type: none"> • Increased useful life of asset (years) • Length of rail with increased weight or speed capability (kilometres) • Cost savings for transporters or shippers (dollars) • Time savings; for example, reductions in travel time, transloading time, train marshalling time (minutes, hours, days)
Environmental	<ul style="list-style-type: none"> • Annual reduction of carbon dioxide (megatonnes) • Carbon dioxide equivalent (megatonnes)
Technology	<ul style="list-style-type: none"> • New participants accessing and using established digital platforms, as reported by recipients (number) • Partnerships established (number)

Source: Based on information from Transport Canada

4.38 However, we found that the performance monitoring improvements were not carried through to the other 107 projects out of the 116 already underway. These 107 projects amounted to over \$2 billion of investments under the fund. In our view, gathering performance results for all projects based on standard performance indicators would allow the department to evaluate and monitor both project- and program-level results.

4.39 Our recommendation in this area of examination appears at paragraph 4.43.

No reported results on the fund’s contribution to United Nations’ Sustainable Development Goal indicators

Findings

4.40 In terms of its contribution to the achievement of the United Nations’ Sustainable Development Goals and targets, Transport Canada identified the National Trade Corridors Fund as a program that contributes to the achievement of Goal 9 (Industry, Innovation and Infrastructure) and Goal 13 (Climate Action) and the following associated targets:



Build resilient infrastructure, promote sustainable industrialization and foster innovation

Source: United Nations



Take urgent action to combat climate change and its impacts

Source: United Nations

- **Target 9.1:** “Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.” This is measured by indicator 9.1.2: “Passenger and freight volumes, by mode of transport.”
- **Target 9.4:** “By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.” This is measured by indicator 9.4.1: “CO2 emission per unit of value added.”
- **Target 13.1:** “Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.”

4.41 The department incorporated the following activities into its sustainable development plans and reporting and into the delivery of the fund:

- strengthening the resilience of transportation networks to the impacts of climate change (targets 9.1 and 13.1)
- promoting sustainable transportation by reducing greenhouse gas emissions (target 9.4)
- increasing the efficiency of the transportation system (target 9.1)

4.42 Consistent with our findings on program-level performance reporting, we found that the department had not reported any concrete results on the contribution of the fund to achieving the sustainable development targets. We noted that the updated standard performance indicators included indicators that would allow direct reporting of the fund's contribution to the sustainable development targets.

Recommendation

4.43 Transport Canada should strengthen project-level performance evaluation and monitoring to allow the consistent and timely gathering of performance information for future projects and those underway and to allow the roll-up of results from individual funded projects to inform program-level performance and accountability.

The department's response. *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

Conclusion

4.44 We concluded that overall, Transport Canada designed and implemented the National Trade Corridors Fund effectively to improve the fluidity and resiliency of transportation corridors. However, the department did not effectively monitor the program's results.

About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the National Trade Corridors Fund. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs and to conclude on whether Transport Canada complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Management 1—Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

Audit objective

The objective of this audit was to determine whether Transport Canada designed, implemented, and monitored the National Trade Corridors Fund effectively to improve the fluidity and resiliency of transportation corridors.

Scope and approach

This audit focused on the National Trade Corridors Fund, an ongoing transfer payment program administered by Transport Canada. We examined

- how the fund and its associated 7 calls for proposals were designed and informed by research and analysis to ensure infrastructure investments were strategically aligned with the objectives of the fund

- how project applications were evaluated, selected, and recommended for funding to meet established processes and criteria for a fair and merit-based approach
- how Transport Canada developed and used its performance measurement strategy to track and report on the outcomes of the fund so far, including the spending and disbursements related to the fund

When applicable, we focused on the objectives of the fund related to the fluidity (ability to move goods quickly and easily) and the resiliency (ability to withstand changes and adapt to new opportunities) of trade corridors.

We gathered audit evidence through interviews with responsible Transport Canada officials and industry stakeholders, document reviews, data analysis, and on-site visits of 2 completed projects and 1 ongoing project funded under the program.

When auditing the selection and prioritization of projects under the National Trade Corridors Fund, our examination included a review of the design and application of the scoring grids used to assess the merits of individual proposals using representative sampling.

When auditing the monitoring and reporting of results under the National Trade Corridors Fund, our examination included a review of the contribution agreements and final reports for all 30 projects that were completed at the time of the audit. We also examined a representative sample of the 116 projects with signed contribution agreements that were not completed (ongoing projects). We looked at both the projects that were dedicated to the Arctic and northern region (with a sample of 20 out of 30 projects) and general projects elsewhere (with a sample of 34 out of 86 projects).

Where representative sampling was used, samples were sufficient in size to conclude on the sampled population with a confidence level of no less than 90% and a margin of error (confidence interval) of no greater than +10%.

The audit also examined whether Transport Canada identified activities and reported on results contributing to the achievement of the United Nations' Sustainable Development Goals and associated targets identified by the department as relevant to the National Trade Corridors Fund.

We did not examine

- the administration of other funds dedicated to general transportation infrastructure that are not targeting trade or transportation corridors, as their intended outcomes would differ—the National Trade Corridors Fund is Transport Canada's sole program related to corridors
- the final funding decision of each project, which is outside the control of department officials
- the broader supply chain aspects not related to transportation infrastructure
- the Canada Infrastructure Bank and its funding of infrastructure, as the projects funded by this recently created Crown corporation have a different revenue-generating objective

Criteria

We used the following criteria to conclude against our audit objective:

Criteria	Sources
Transport Canada designed an evidence-based program to improve the fluidity and resiliency of transportation corridors, including those related to northern infrastructure.	<ul style="list-style-type: none"> • Policy on Transfer Payments, Treasury Board • Directive on Transfer Payments, Treasury Board • Policy on Results, Treasury Board
Transport Canada selected and prioritized projects using merit-based, fair, transparent, and effective evaluation processes and criteria.	<ul style="list-style-type: none"> • Policy on Transfer Payments, Treasury Board • Directive on Transfer Payments, Treasury Board • Policy on Results, Treasury Board • Directive on Results, Treasury Board • National Trade Corridors Fund Program Terms and Conditions, Transport Canada
Transport Canada assessed whether the program is meeting its objectives and expected outcomes for transportation corridors and is contributing to the achievement of related United Nations' Sustainable Development Goals and targets.	<ul style="list-style-type: none"> • Policy on Results, Treasury Board • Directive on Results, Treasury Board • Policy on Transfer Payments, Treasury Board • Directive on Transfer Payments, Treasury Board • Guideline on Performance Measurement Strategy Under the Policy on Transfer Payments, Treasury Board of Canada Secretariat • Guidelines on the Reporting of Grants and Contributions Awards, Treasury Board of Canada Secretariat • Guide on Transport Canada's Transfer Payment Tools, Transport Canada • National Trade Corridors Fund Program Terms and Conditions, Transport Canada

Period covered by the audit

The audit covered the period from 1 January 2017 to 21 August 2023. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start date of this period.

Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 29 February 2024, in Ottawa, Canada.

Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by David Normand, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office’s policies and system of quality management.

Recommendations and Responses

Responses appear as they were received by the Office of the Auditor General of Canada.

In the following table, the paragraph number preceding the recommendation indicates the location of the recommendation in the report.

Recommendation	Response
<p>4.25 In support of the transparency and fairness of the project selection process, Transport Canada should document the review committees' work, including the rationale used when validating project evaluation scores and applying additional considerations for identifying which proposals to recommend for funding.</p>	<p>The department's response. Agreed. Transport Canada agrees with the audit recommendation and intends to address this recommendation through the following actions:</p> <ul style="list-style-type: none"> • Developing procedures and documentation instructions to ensure review committee discussions are formally captured. • Ensuring appropriate documentation is produced when a project is not recommended for funding. • Formally capturing and documenting the confirmation of proposal evaluation scores, calibration exercises and the application of additional considerations at the review committee. • These actions will be implemented in advance of next National Trade Corridors Fund call for proposals.
<p>4.43 Transport Canada should strengthen project-level performance evaluation and monitoring to allow the consistent and timely gathering of performance information for future projects and those underway and to allow the roll-up of results from individual funded projects to inform program-level performance and accountability.</p>	<p>The department's response. Agreed. Transport Canada agrees with the audit recommendation and intends to address this recommendation through the following actions:</p> <ul style="list-style-type: none"> • Ensuring all new contribution agreements continue to use project specific performance indicators. • Working with recipients with ongoing projects to determine if they can adopt the project specific performance indicators as part of the project's contribution agreement and/or final report. • Developing a common tool to ensure all project managers have a single source to input specific performance indicator information and data to allow for reporting of results at the project and program level. • These actions will be implemented by September 2025.

