



**FUND FOR RAILWAY
ACCIDENTS INVOLVING
DESIGNATED GOODS**



The Administrator's
Annual Report

2021-2022

About the Cover Image: *Photo by Tyler Kowalski*
November 17, 2020, Kamsack, Saskatchewan

Published by the Administrator of the

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The Honourable Omar Alhabra, P.C., M.P.
Minister of Transport
Ottawa, Ontario
K1A 0N5

Dear Minister:

Pursuant to section 155.93 of the *Canada Transportation Act*, I have the honour of presenting to you the Annual Report for the Fund for Railway Accidents Involving Designated Goods to be laid before each House of Parliament.

The report covers the fiscal year ending March 31, 2022.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anne Legars', with a horizontal flourish extending to the right.

Anne Legars, LL.M., CAE
Administrator
Fund for Railway Accidents Involving Designated Goods

TABLE OF CONTENTS

INTRODUCTION	1
1. ACTIVITY REPORT	3
1.1. Preparing for the assessment and payment of claims.....	3
Map of the Fund’s accident monitoring portfolio in 2021-2022.....	4
Action plan progress report.....	11
1.2. Assurance that records and systems are properly maintained.....	12
1.3. Reporting, outreach and communications.....	15
Five years of preparedness – new virtual interviews.....	19
2. FINANCIAL REPORT	22



INTRODUCTION

The Fund for Railway Accidents Involving Designated Goods (the Fund) is a specified purpose account in the accounts of Canada, established under section 153.4 of the *Canada Transportation Act* (the Act).



The Fund compensates victims of damages caused by a major crude-by-rail accident. Compensation starts after federally regulated railway companies have paid damages up to the amount required by law, and for which they must have

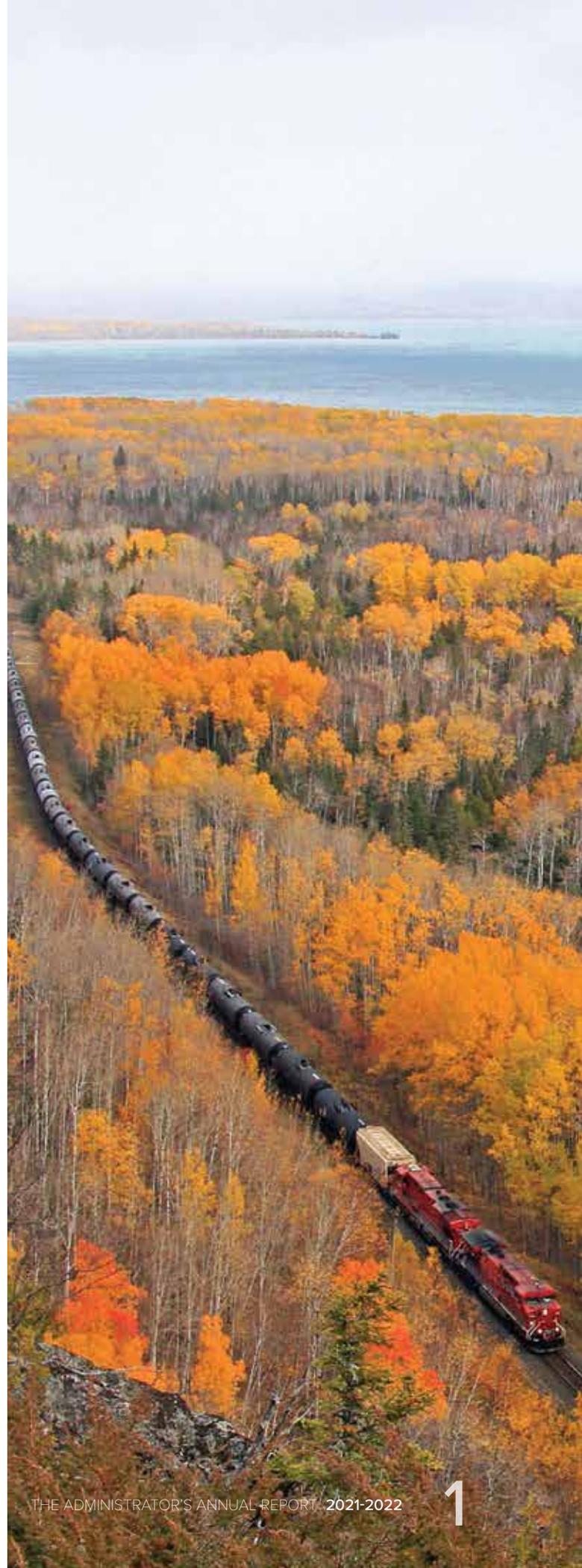
insurance coverage. This mandatory insurance coverage is based on the risk, type, and volume of crude oil they transport. It ranges from \$100 million to \$1 billion.

The Fund is financed through a levy, which is a per-tonne fee charged to shippers. The levy is collected and remitted by the first federally regulated railway company to carry the crude oil in Canada.

A railway company involved in a crude-by-rail accident is liable for damages without fault or negligence having to be proven. If more than one railway company is liable, the railway companies are jointly and severally liable.

In the event of a disaster, the Fund has no limit to how much it can compensate. The Fund also has access to additional federal money through the Consolidated Revenue Fund, should the balance available with the Fund be insufficient to pay all eligible claims.

This annual report covers the fiscal year from April 1, 2021 to March 31, 2022.



AT A GLANCE



2021 was a milestone year for the Fund, marking five years of ongoing preparedness.



As we continue our work towards key elements of preparedness, we have been coordinating with other payers of the regime. We developed processes for management and assessment of claims, and formalized our communications plan for key stakeholders and the public.



For the second year in a row marked by the COVID-19 pandemic, staff worked mostly remotely. We had to find new ways to interact and communicate with our stakeholders. The 5th year milestone was therefore carried essentially online, with the development and launch of a video series on how the Fund came to be and how it works.



We accomplished a critical step by signing a contract with a supplier for claims management and assessment services. The company, retained after a complex procurement process, would support our office in case of a major crude-by-rail accident activating the Fund.



We did not receive any claims for rail accidents involving crude oil. However, we continue monitoring a total of six past accidents for any potential compensation-related ramifications.



The Act requires the Fund to undergo a special examination every five years, with the first being conducted in 2021. External auditors found that there was reasonable assurance that the assets of the Fund were safeguarded and controlled. Additionally, they found that resources were managed economically and efficiently.



This year, the levy is set at \$1.80 per tonne. We also collected over \$10 million in levies, which represents 5.6 million tonnes of levied crude oil. At the end of the fiscal year, the Fund had an accumulated surplus of over \$94 million.

1. ACTIVITY REPORT

This activity report is structured along the core elements of the Administrator's mandate provided by the Act:

- ▶ *Establishing and paying out claims (sections 154.6 and 155);*
- ▶ *Ensuring records and systems are properly maintained (section 155.92);*
- ▶ *Submitting an annual report to the Minister of Transport for tabling in Parliament (section 155.93).*

1.1. PREPARING FOR THE ASSESSMENT AND PAYMENT OF CLAIMS



Receiving, investigating, assessing and paying claims in the case of a crude-by-rail accident where damages exceed the railway's limit of liability is at the heart of the Administrator's mandate. No accident has activated this process since the Fund was created in 2016.

Monitoring of crude-by-rail accidents. We continue monitoring and following up on railway accidents, based on incident notifications received from the Transportation Safety Board of Canada (TSB). No crude-by-rail accidents were reported in 2021-2022.

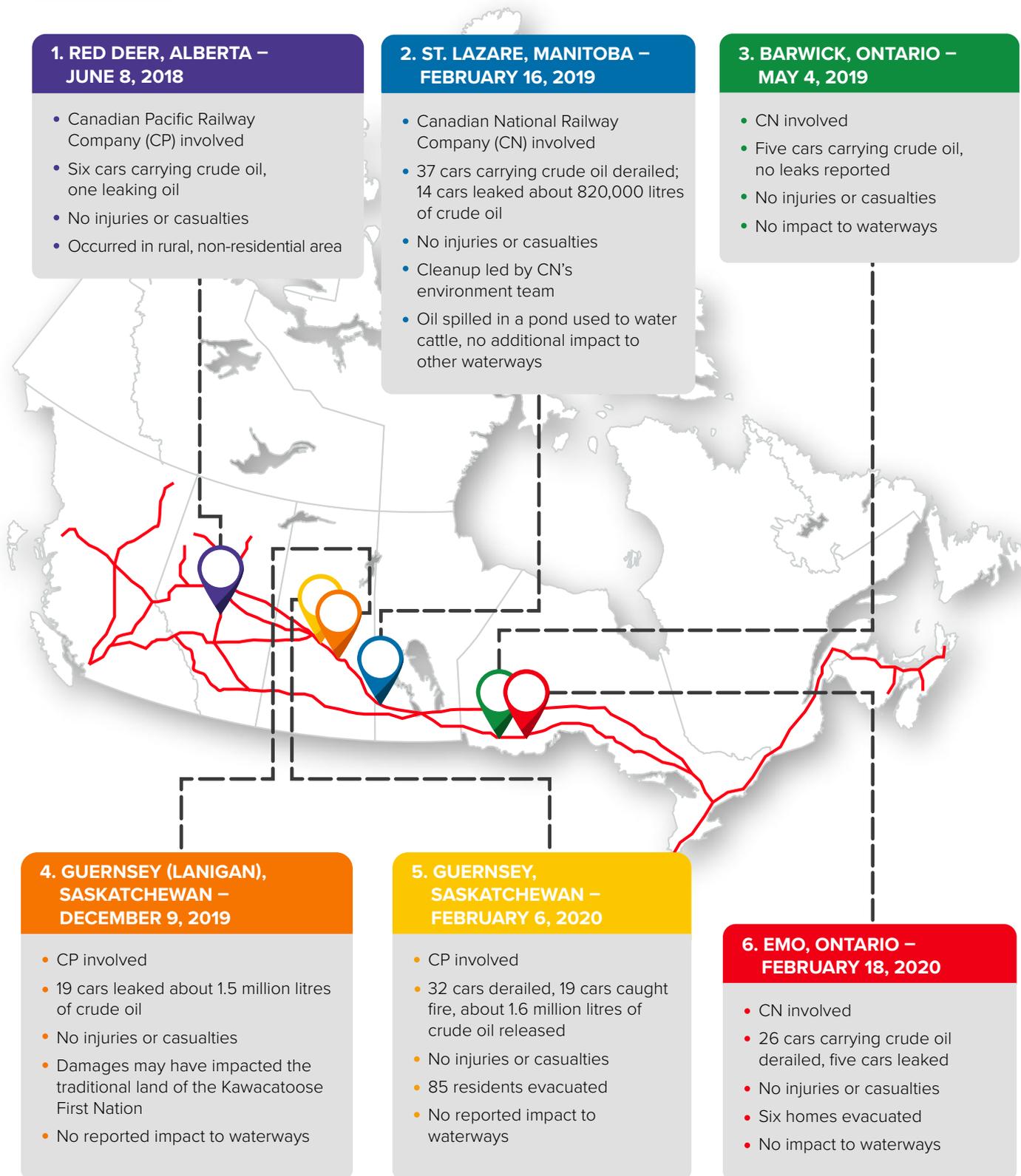
The six railway accidents involving crude oil that have happened since June 2016 and that are being monitored are described on page 4. It is unlikely that the Fund will be activated by any of these accidents. However, we continue to monitor them until the six-year time limit for claiming against the railway company has expired:

- ▶ If court proceedings are commenced against a federally regulated railway company for damages, the Administrator shall be named as party by statute. This has not occurred since the Fund's creation.
- ▶ If we are contacted by potential claimants, we will redirect them to the claims department of the relevant railway companies.

Source: TSB, Investigation R19W0050, St. Lazare, Manitoba



MAP OF THE FUND'S ACCIDENT MONITORING PORTFOLIO IN 2021-2022



The full accident summaries are available on the Fund's website under "Accident monitoring".



Selecting external services for claims management and assessment services.

Building on the work of last year, we completed this extensive process. This is a key element of preparedness. This year, staff and external experts established and completed the following steps of this procurement process:

- ▶ Drafting the Request for Standing Offer (RFSO), including the Statement of Work;
- ▶ Establishing the evaluation procedure of the RFSO;
- ▶ Preparing the online procurement platform for the RFSO using MERX Canada;
- ▶ Completing the bidding process and evaluation; and,
- ▶ Selecting and notifying the successful bidder.

We also engaged regularly with staff from Public Services and Procurement Canada (PSPC) on public procurement guidelines and practices.

In January 2022, we completed our procurement process by selecting the firm of Charles Taylor Adjusting. We had our first introductory meeting with the firm in March 2022. This standing offer is a constructive and significant step forward in our preparation to handle a high volume of claims.

Discussion with railway companies on transition of claims when their limit of liability has been reached.

This year, we facilitated four meetings with the Railway Association of Canada (RAC) and the railway companies carrying crude oil in Canada. We discussed the process we had proposed for a transition of claims once the railway companies' insurance limits are met. Their feedback, along with further discussions, will help formalize the transition process.

Engagement with all federally regulated railways prior to any accident.

In April 2021, we continued our annual Crude-by-Rail Update process. Its purpose is to capture relevant information, including:

- ▶ The railway's current crude-carrying capacity or intention;
- ▶ Key contacts within each railway;
- ▶ Other legal or policy topics.

This year, the update used an online survey form, allowing for easier access and ease of use. We saw a significant increase in responses and we received the information we were looking for.



Communications plan in case of an accident.

Significant progress has been made this year with the support of a firm specialized in crisis and media management. A Crisis and Media Management Process Guide was developed to support our communications efforts in response to a major railway accident involving crude oil (Box 1). Upon notification of a railway accident, the appropriate alert level will be determined. Each level will initiate a series of actions to prepare for the appropriate stage of readiness, including:

- ▶ Notifying the public;
- ▶ Informing the media;
- ▶ Launching the compensation process.

Box 1

A significant portion of our response to a rail accident will be communications. Major rail accidents, such as the one in Lac-Mégantic in 2013, resulted in local, national and international media interest. How well and effectively our team communicates with claimants and stakeholders is very important to achieve the “Access to Justice for victims” piece of the Administrator’s Strategic Orientations.

The Fund’s ultimate goal is to provide a clear compensation process to support claimants in their need to access justice, while remaining fair and reasonable for the payers. Timely and simple communications, through an efficient readiness plan, can play an essential role in achieving this goal.

We also prepared a list of stakeholders and their contacts, with whom we will have to coordinate in an emergency.

An internal crisis media training session was organized for relevant staff. The communications session prepared the team to deliver timely, relevant, and simple messages, while effectively dealing with questions from journalists and the general public.

A three-workshop simulation series is planned for 2022-2023. The first of the series will be an internal tabletop exercise to be held in April 2022. Two additional tabletop exercises will include external players:

- ▶ The second is intended for the key payers’ network, such as the railway and insurance industry, as well as relevant governmental organizations.
- ▶ The third is intended for groups representing potential claimants, such as provinces, local governments and response organizations.

These exercises will help solidify our processes and communications readiness in the event of a major accident.

Claims Manual review. This year, we began our review of the Claims Manual. The initial document was drafted for planning purposes, in case of a railway accident. This template will need to be tailored to the specific accident. We are reviewing the document to improve overall style and to provide necessary updates. The new version will be published in 2022. We will continue to address long-term considerations, including any plain language and accessibility requirements.

Monitoring of civil class action in the Superior Court of Québec for the Lac-Mégantic railway accident.

Monitoring the ongoing court process (Box 2) is part of our preparedness. This will help identify legal issues and potential solutions that are relevant to our claims and compensation process.

Identification of organizations providing similar compensation. This year, we looked into administrative decision-making institutions to find similarities and potential areas of collaboration. We found that the following programs and organizations provided useful comparisons for our preparedness purposes:

- ▶ Canada's Nuclear Liability Account, which pays claims for damages resulting from an incident at a nuclear facility that surpasses the operator's limit of liability.
- ▶ The Oil Spill Liability Trust Fund, which is administered by the US Coast Guard's National Pollution Funds Center.
- ▶ The long-term settlement program arising from the April 2010 explosion of the oil rig Deepwater Horizon in the Gulf of Mexico. As part of the court-supervised settlement program, over US\$3 billion was distributed by the Gulf Coast Ecosystem Restoration Council.

In July 2013, the Superior Court of Québec authorized a class action lawsuit against dozens of defendants, including two railway companies. Over the following years, all defendants, except CP, contributed to a settlement fund. The Quebec government and insurers have joined the class action, and the civil suit continues against CP. The trial began in September 2021. Plaintiffs finished presenting their case in February 2022. As of April 2022, CP will be presenting its defense over the spring of 2022.



CHALLENGES AND OPPORTUNITIES

The Administrator considers stakeholder engagement as the best way to ensure access to justice for claimants. For the Fund to be relevant, we must collaborate with key stakeholders for the development of the claims management process. To achieve this goal, we have carried out several outreach activities in 2021-2022. The list of our outreach activities is found on page 16.

Leveraging the 5th year of preparedness milestone to increase awareness. On June 18, 2021, the Fund reached a major milestone: five years of successful preparedness development. For the occasion, we unveiled our new logo and tagline. We also sent the first press release in the history of the Fund to national media and the members of the Canadian Parliamentary Press Gallery (Box 3).

Box 3



“Despite no railway accidents having triggered the Fund’s intervention yet, we have been implementing an action plan to facilitate access to justice and compensation for victims should it happen, while monitoring railway accidents”, said the Administrator, Anne Legars. “We have assembled a great team, which includes our new director, Dan Di Tota, to prepare for claims management deployment and develop a clear and swift process to support claimants, while remaining fair for the payers.”

FUND FOR RAILWAY ACCIDENTS INVOLVING
DESIGNATED GOODS PRESENTS

5 YEARS OF PREPAREDNESS

New Video Series

Learn about the **Lac-Mégantic rail disaster**, and the steps taken to better protect Canadians from bearing the cost of accidents involving the transportation of crude oil by rail.

Beginning December 1st 2021

As part of our constant efforts made to raise awareness and engage with stakeholders, we invited Canadians to mark this event with us. We sent out a survey to our key stakeholders to help shape this milestone. Due to the uncertainty caused by the COVID-19 pandemic, it was decided to use virtual options. To mark the 5th year of preparedness development, we launched a series of interviews in the fall 2021. A special insert can be found on page 19.

Simplifying outreach and education materials using plain language. We have taken steps to improve communications products by making them clear, accessible and written in plain language. We selected an external firm to help review and edit some communications products, including the website. We developed training plans for employees participating in the production of communications materials and engagement strategies with stakeholders. Several employees are new members of the Plain Language Community of Practice of the Government of Canada.

Rebuilding of our website to better serve Canadians and key stakeholders. The Fund's website is the main tool for reaching Canadians, especially in the event of an accident. It is also an important tool for all levels of government, railway companies, parliamentarians, and the media. In 2021, a firm conducted a website audit identifying several major issues and recommending a complete website rebuild. A work plan is underway to develop and launch a redesigned website by the end of 2022-2023. It will also include a new corporate visual identity.

Keeping our network of key stakeholders and payers engaged. Since the beginning of the ongoing COVID-19 pandemic, there has been a significant slowdown in our outreach activities due to event cancellations and travel restrictions.



One of the Administrator's Strategic Orientations is that the office is "supported by a professional and motivated team linked to a vast web of expertise".

In the past, conferences and other well-attended events helped expand and strengthen our networks. We were also present at several provincial and national trade shows with high foot traffic. In-person events allowed us to network, gain immediate feedback and receive recognition from participants across the country. It also helped to stay current in new trends by making new contacts in different sectors. Virtual networking or workshop options did not effectively replace in-person gatherings. We also recognize that some remote communities and organizations with connectivity issues might be prevented from participating in virtual events.

This year, our team has been working to get back to pre-pandemic engagement levels. Additional efforts were made to reconnect with key stakeholders and payers. Next year, we will continue our engagement, based on an engagement calendar with recurring annual check-in meetings.



Continuing effects of the COVID-19 pandemic.

This year, due to the ongoing health and safety restrictions, we continued to mainly work remotely. Technology helped ensure the continuity and effectiveness of operations. Telework agreements provided flexible work arrangements to staff.

Taking steps to make the Fund more accessible.

In 2019, the *Accessible Canada Act* became law. The purpose of this Act is to make Canada barrier-free by January 1, 2040. This involves identifying, removing and preventing barriers to accessibility in federal jurisdiction. It applies to organizations under federal responsibility. We will implement best practices and use accessibility standards in the new website launch. A training session will be organized for employees involved in the Fund's communications strategies.



ACTION PLAN PROGRESS REPORT

In 2021-2022, we continued to work on the action plan aimed at ensuring the Fund's readiness. The action plan includes:

	<p>Communications protocol and training</p> <p>Working with railway companies carrying crude oil, to develop communications protocols in case of spills. Working with a crisis communications firm, hosting tabletop exercises with key stakeholders to prepare the Fund's crisis response.</p>	IN PROGRESS
	<p>External claims assessment services</p> <p>Retaining, on a stand-by basis, resources specialized in claims assessment for different types of damages that can be compensated under the regime, so that the Fund can manage large volumes of claims, if needed. Completion of the procurement process to outsource to a claims management firm.</p>	COMPLETED
	<p>Network of key stakeholders and payers</p> <p>Ongoing engagement with key federal and national association of stakeholders, and consolidation of contacts within the key payers' network through the Crude-by-Rail Update surveys.</p>	ONGOING
	<p>Key payers' readiness plan</p> <p>Strengthening engagement with the key payers' network through the development of a readiness plan, including a number of best practices and tools related to the transition of claims management and processing.</p>	ONGOING
	<p>Claims policies and guidelines</p> <p>Reviewing the Claims Manual template to be used for filing claims with the Fund, preparing an updated version, and analyzing for any additional considerations to be implemented in the future.</p>	IN PROGRESS
	<p>Engagement with relevant federal entities and national associations</p> <p>Continuing work with federal entities and national associations who would be involved in the compensation of damages following an accident, such as the Canadian Transportation Agency (CTA) (who would be involved in assessing damages caused by fire), Public Safety (who focus on disaster prevention and mitigation) and the Insurance Bureau of Canada (IBC) (representing Canada's private home, auto and business insurers).</p>	IN PROGRESS
	<p>Discussions on new types of claims</p> <p>Performing a jurisdictional scan of other compensation funds (both domestic and international) to locate other tools, to research new types of claims and to review different interpretations of powers granted to compensation funds.</p>	IN PROGRESS
	<p>Research and consultation on new fields of law</p> <p>Continuing in-depth research and consultation on new fields of law relevant to the Fund's mandate.</p>	ONGOING
	<p>Scenario based training</p> <p>Holding periodic workshops, including ones that are dedicated to tabletop indemnification scenarios.</p>	IN PROGRESS

1.2. ASSURANCE THAT RECORDS AND SYSTEMS ARE PROPERLY MAINTAINED

On the corporate management side, the most notable developments during the year include:

- ▶ The first Special Examination of the Fund;
- ▶ The joint implementation of recommendations of the 2020 Special Examination of the sister Fund (the Ship-source Oil Pollution Fund (Ship Fund));
- ▶ The data verification of the levy.



Special Examination: the audit criteria are met. The Act provides that the Administrator shall cause a special examination to be carried out at least every five years. The first Special Examination of the

Fund was carried out in 2021. External auditors found that the Fund was being operated efficiently and in a cost-effective manner. The Special Examination report is posted on the Fund’s website (in the “Transparency” section) and the highlights are featured in Box 4.

Further to these recommendations, the Administrator initiated a number of improvements in key internal services:

- ▶ A new Procurement Policy and related procedures were implemented, including new contract requisition processes and the use of standard contract clauses adopted from PSPC;
- ▶ Financial systems were reviewed to identify efficiencies and to improve remote access;
- ▶ Quarterly payroll processing and reporting has been simplified;
- ▶ Options were developed for implementing project accounting and forecasting for 2022-2023.

BOX 4: highlights of the 2021 Special Examination Report

The examination was conducted in accordance with the Standards for assurance engagements set out by the Chartered Professional Accountants of Canada.

It answered the question: Do the Fund's systems and practices provide reasonable assurance that:

- ▶ Assets are safeguarded and controlled;
- ▶ Resources are managed economically and efficiently;
- ▶ Operations are carried out effectively?

It covered the following systems and practices selected for their relevance:

- ▶ Governance;
- ▶ Risks, internal management, performance measurement and reporting;
- ▶ Operations review.

It found that for the period under examination, there was reasonable assurance that there were no significant deficiencies in the Office of the Administrator's systems and practices examined.

It identified some opportunities for improvement and made recommendations accordingly to the Administrator on:

- ▶ Refining the procurement process;
- ▶ Exploring further efficiencies in the combined use of the financial systems of Transport Canada (TC) and the Fund respectively;
- ▶ Considering the advantages and disadvantages of an annual operating budget;
- ▶ Amending the Memorandum of Understanding with TC to include a description and an attestation of the processes and procedures in place at TC to ensure that the levies are received on time and are complete; and
- ▶ Performing a full simulation scenario once all the elements of readiness are in place.

The Administrator agreed with all of the recommendations.

Joint implementation of recommendations contained in the 2020 Special Examination of the Ship Fund. As reported in last year's annual report, the Special Examination of the Ship Fund, contained recommendations relevant to the Corporate Services that serve both Funds (Box 5). The two key recommendations were to:

1. Formalize the human resources (HR) plan
2. Upgrade information management and information technology (IM/IT)

Further to these recommendations, the Administrator implemented a number of measures, which were cost-shared between the two Funds.

On the IM/IT front:

- ▶ A comprehensive IM/IT needs assessment was completed in October 2021.
- ▶ To support completion of the office's cloud transition strategy:
 - A pilot Intranet site was developed for enhanced information sharing and remote access.
 - Planning was initiated to move the existing electronic records management information system to a cloud-based model in 2022.
 - Actions were taken to enhance security and related training.
 - New IT equipment was ordered for delivery in 2022.
 - The use of subscription-based software was enhanced.
- ▶ The number of land lines was reduced and the use of Business Voice was integrated with MS Teams.

Box 5: about the relationship between the two Funds

Both Funds share the same address and the same Administrator and Deputy Administrator. The Funds are managed using shared administrative resources to maximize efficiencies. A single Corporate Services group provides internal services to both Funds, and any audit or review of either Fund will necessarily involve the review of these shared administrative services and related internal controls.

The enabling legislation of each fund requires that a special examination be undertaken every five years.

The 2020 Ship Fund Special Examination reviewed the Administrator's business environment, risks, and internal control framework, and examined key functions of the Administrator's office which support the efficient operation of both Funds, specifically:

- ▶ Internal controls
- ▶ HR; and
- ▶ IM/IT

The report found that the Administrator has effective financial controls and systems in place, but identified opportunities for improving strategic human resource planning, as well as training and development programs for staff. The report also recommended the Administrator consider establishing an annual IT plan, and transitioning to a cloud-based, flexible, electronic business model.

On the HR management front:

- ▶ An employee survey was conducted.
- ▶ A comprehensive HR diagnostics report was commissioned to provide recommendations;
- ▶ A new 2022-2024 HR Plan was finalized in February 2022.
- ▶ A new telework guide and policy for remote work was implemented.
- ▶ HR policies and sections of the employee handbook were updated.
- ▶ New HR information systems were either implemented (payroll, and leave and attendance tracking systems) or are being evaluated for future implementation.
- ▶ New training initiatives were undertaken.

The Fund's student program's most active year to date. A total of five students worked for the Fund during the year. Two of these students worked on outreach and communications projects. Three of these were law students helping with legal research.

Verification of the levy payment for the transport of crude-by-rail. This year, we led a research project with the goal of ensuring proper verification of collected levies on crude-by-rail. We worked with a consultant to locate publicly available data on crude-by-rail movements, such as points of origin, and volumes. We also worked closely with TC data analysts to find additional information, which proved helpful. We expanded our research on the production of crude oil, definitions and signage standards.

1.3. REPORTING, OUTREACH AND COMMUNICATIONS

The Act provides that the Administrator shall submit an annual report for the activities in that year to the Minister, including financial matters. The financial report is submitted under Part 2 of this annual report.

We consider transparency, communications and outreach as integrally linked to our core mandate. This is in addition to our reporting obligations under the Act and under the *Access to Information Act*.



OUTREACH ACTIVITIES IN 2021-2022

ENGAGEMENT HIGHLIGHTS:

14 meetings with
key stakeholders

Launch of two virtual
interviews on YouTube
and the Fund website

5 newsletters sent
to our 361 contacts

Legend for the type of stakeholders



Federal government



Claims and insurance specialists



Railway companies and
related associations



Emergency responders

*Recurring meetings (5) with TC are not listed below
All meetings were held virtually, using online platforms

Meeting with the Canadian Transportation Agency (CTA)

Independent, quasi-judicial tribunal and regulator who ensures the efficiency of the transportation system in Canada, including the rail system.

Topic discussed:

- ▶ Introduction of the Fund's new team



APRIL

Meeting with Public Services and Procurement Canada (PSPC)

Key provider of services for federal departments and agencies as a central purchasing agent.

Topics discussed:

- ▶ Procurement of claims services through PSPC,
 - including a component of transition of rail accident claims



MAY

2021



Marking the Fund's 5 years of successful preparedness development

JUNE

Meeting with the CTA

Topics discussed:

- ▶ Railway insurance and limit of liability
- ▶ Designated goods and crude oil



Meeting with the Railway Association of Canada (RAC)

Association representing close to 60 freight and passenger railway companies within Canada.

Topic discussed:

- ▶ Transition of rail accident claims



JULY

Event cancelled – Canadian Crude Logistics Conference 2021

Brings together key players of the Canadian oil & gas industry

A spokesperson from the Fund was scheduled to present during the second day of the conference.

OCTOBER

2021

Meeting with the RAC

Four RAC members participated in the meeting:

1. CN
2. CP
3. Genesee & Wyoming Inc. (G&W)
4. CSX Transportation (CSX)

Topics discussed:

- ▶ Transition of rail accident claims
- ▶ Emergency response and Crisis management
- ▶ Railway insurance and limit of liability



NOVEMBER

	<p>Launch of Episode 1 – Lac-Mégantic Rail Disaster: Discussion with Lisa Raitt, Former Transport Minister</p> <p>Launch of Episode 2 – Lessons Learned and Changes to Rail Transportation: An Expert Panel Discussion</p> <p>A special insert can be found on page 19.</p>		DECEMBER	2021
	<p>Meeting with the RAC</p> <p><u>Topic discussed:</u></p> <ul style="list-style-type: none"> ▶ Transition of rail accident claims 			
	<p>Meeting with the Insurance Bureau of Canada</p> <p><i>National industry association representing Canada's private home, auto and business insurers.</i></p> <p><u>Topics discussed:</u></p> <ul style="list-style-type: none"> ▶ Types of damages ▶ Railway insurance and limit of liability ▶ Emergency response and Crisis management ▶ Designated goods and crude oil ▶ Tabletop exercises (TTX) or workshops 		JANUARY	
	<p>Meeting with the Canadian Red Cross</p> <p><i>Not-for-profit organization involved in emergency response, disaster response, and disaster assistance.</i></p> <p><u>Topics discussed:</u></p> <ul style="list-style-type: none"> ▶ Emergency response and Crisis management ▶ Claims process ▶ Crisis Communications Plan ▶ Tabletop exercises (TTX) or workshops 		FEBRUARY	2022
	<p>Meeting with the RAC</p> <p><u>Topic discussed:</u></p> <ul style="list-style-type: none"> ▶ Transition of rail accident claims 			

FIVE YEARS OF PREPAREDNESS – NEW VIRTUAL INTERVIEWS

The first two episodes of the video series were launched in 2021. Viewers can learn about the Lac-Mégantic rail disaster, and the steps taken to better protect Canadians from bearing the cost of accidents involving the transportation of crude oil by rail. The third episode will be released in 2022.

The 2013 Lac-Mégantic railway accident resulted in the deaths of 47 people, the destruction of the downtown core area, the release of about six million litres of crude oil, and the evacuation of 2,000 people. Close to 4,300 claims were submitted, representing \$1.5 billion in damages.

We invite you to watch these videos under the “New Video Series” section of our website. The video series has already generated over 180 views on the Fund’s new YouTube channel.

The launch was shared broadly with key stakeholders and municipal associations through which crude oil is transported. The following organizations included it in their newsletter, social media or shared it with their network:

- ▶ Union of the Municipalities of New Brunswick
- ▶ Canadian Association of Municipal Administrators
- ▶ RAC
- ▶ Assembly of First Nations
- ▶ Union des Municipalités du Québec, and
- ▶ CTA

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS PRESENTS

5 YEARS OF PREPAREDNESS

New Video Series

Learn about the Lac-Mégantic rail disaster, and the steps taken to better protect Canadians from bearing the cost of accidents in the transport of crude oil by rail.

- EPISODE 1
Lac-Mégantic Rail Disaster: Discussion with Lisa Raitt, Former Minister of Transport
- EPISODE 2
Lessons Learned and Changes to Rail Transportation: An Expert Panel Discussion
- EPISODE 3
About the Fund for Railway Accidents Involving Designated Goods (FRAIDG)
- EPISODE 4
How FRAIDG Works for You

With Guest Speakers



THE HONOURABLE
Lisa Raitt
Former Transport Minister



Luc Chamberland
Canadian Transportation
Agency



Andy Ash
Railway Association
of Canada



Donald Roussel
Associate Assistant Deputy
Minister, Transport Canada

Beginning December 1st
at www.fraidg.gc.ca




EPISODE 1 – LAC-MÉGANTIC RAIL DISASTER



Lac-Mégantic Rail Disaster

Discussion with the Honorable Lisa Raitt,
Former Transport Minister

01:26

33:14



The Fund's Director interviews Lisa Raitt, as she talks about her first few weeks dealing with the Lac-Mégantic railway accident. The fires from the accident were still burning when she was sworn in as Transport Minister.

They also discuss the law that was introduced in Parliament. Viewers can learn how this law, which led to the creation of the Fund, improves accountability and liability:

“The creation of the Fund was a step towards improving accountability for crude oil spills. The Fund ensures that if something did happen, it

wasn't going to be on the backs of those dealing with the tragedy to try and figure out how they are going to be compensated”.

Ms. Raitt also stresses the importance of the Fund having a crisis communications plan:

“That's the most important piece to be flowing the information as soon as you possibly can, and having somebody who can speak to it in a thoughtful, empathetic way.”

Source: TSB,
Report R13D0054, Lac-Mégantic, Quebec

EPISODE 2 – LESSONS LEARNED AND CHANGES TO RAIL TRANSPORTATION



Lessons Learned and Changes to Rail Transportation

An Expert Panel Discussion



We look at the lessons learned from the Lac-Mégantic accident with three railway experts. We explore recent changes in the transportation of crude-by-rail. The panel answers and discusses a variety of questions, such as:

- ▶ What is crude oil?
- ▶ What are the characteristics of the TC-117 tank cars used to carry crude oil?

- ▶ What is required for railway companies to carry dangerous goods?
- ▶ How much liability insurance must they carry?
- ▶ How have railway companies adjusted to these legal changes since 2016?

Our expert guests draw upon their experiences within the CTA, TC and the RAC.

COMING SOON

EPISODE 3 – PRESENTATION “ABOUT THE FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS”

In this episode, we will answer commonly asked questions and explain how the Fund works. It was designed as an introductory video for the general public. The following topics will be covered:

- ▶ The Fund and its creation
- ▶ Designated goods

- ▶ How the Fund works
- ▶ Readiness activities

The content of this episode will also be used as a foundation for the website rebuild.

2. FINANCIAL REPORT

During the fiscal year, the Fund collected \$10,127,730 in levies (compared to \$9,555,289 in 2020-2021). The Fund also earned \$1,039,040 in interest in 2021-2022 (compared to \$261,854 in 2020-2021).

Revenues increased by \$1,349,627 in 2021-2022 compared to the previous year. Decreased volumes of crude oil shipped by rail were slightly offset by a 0.6%

increase in the 2021 rail levy (an increase of \$0.01 to \$1.80 per tonne). Interest revenues increased by \$777,186 as a result of an increase in average interest rates, which were 1.31% in 2021-2022 compared to 0.47% in 2020-2021.

Crude-by-Rail Volumes Per Quarter

This graph below shows the volume of levied crude oil transported by federally regulated railways in Canada. We have also included points showing the crude-by-rail accidents that we currently monitor.



1 Red Deer, Alberta

2 St. Lazare, Manitoba

3 Barwick, Ontario

4 Guernsey (Lanigan), Saskatchewan

5 Guernsey, Saskatchewan

6 Emo, Ontario

Note: The data is an estimate. It was calculated using the total levy amount collected per quarter and divided by the levy rate of that quarter.

Operating expenses amounted to \$1,373,284 for the fiscal year (compared to \$942,752 the previous year), including fees of \$65,895 paid to the Administrator and Deputy Administrator (compared to \$77,179 in 2020-2021).

Operating Expenses increased by \$430,532 due to:

- ▶ An increase in administrative services, salaries, and office expenses of \$456,000 including:
 - Increased salary and benefits costs of \$395,000 for additional staff required to implement Fund program and the resulting increase of the share of Corporate Services staff salaries and benefits;
 - Increased legal costs of approximately \$61,000 for assistance in the preparation of tender packages, and

- ▶ A \$6,000 increase in Rent.
- ▶ A decrease of \$20,000 in Consulting fees, including:
 - A decrease of \$82,000 in executive staffing and program development costs;
 - An increase of \$62,000 for the cost of a Special Examination of the Fund as required every five years under the legislation; and
- ▶ A decrease of \$12,000 in Administrators' fees.

The percentage of shared expenses allocated to the Fund decreased from 46% at the end of 2020-2021 to 29% at the end of 2021-2022 due to changes in the Fund's overall cost base.

At the end of the fiscal year, the Fund had an accumulated surplus of \$94,046,685 (compared to \$84,253,199 on March 31, 2021).

The Auditor's Report is included in the attached Financial Statements.

**FUND FOR RAILWAY ACCIDENTS INVOLVING
DESIGNATED GOODS**

FINANCIAL STATEMENTS

MARCH 31, 2022

**FUND FOR RAILWAY ACCIDENTS INVOLVING
DESIGNATED GOODS**

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Operations	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Administrator of
The Fund for Railway Accidents involving Designated Goods

Opinion

We have audited the financial statements of the Fund for Railway Accidents involving Designated Goods ("the Fund"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations and its cashflows for the year then ended, in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Budget figures

As explained in Note 7 to the financial statements, budget figures are not disclosed in the financial statements, although it is required according to Public Sector Accounting Standards. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Chartered Professional Accountants

Cabinet indépendant affilié à
Independent firm affiliated to



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 2, 2022

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022

3

	2022	2021
FINANCIAL ASSETS		
Balance of the account with Receiver General for Canada (Note 3)	\$ 92,478,668	\$ 81,004,030
Accounts receivable	1,546,616	3,310,765
Accrued interest receivable	175,459	57,949
TOTAL FINANCIAL ASSETS	94,200,743	84,372,744
LIABILITIES		
Accounts payable and accrued liabilities	29,993	30,182
Due to Ship-Source Oil Pollution Fund	174,612	164,285
	204,605	194,467
NET FINANCIAL ASSETS	93,996,138	84,178,277
NON-FINANCIAL ASSETS		
Capital assets (Note 4)	50,547	74,922
ACCUMULATED SURPLUS	\$ 94,046,685	\$ 84,253,199

Original signed by:

Anne Legars, Administrator

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2022

4

	2022	2021
REVENUES		
Levy	\$ 10,127,730	\$ 9,555,289
Interest	1,039,040	261,854
	11,166,770	9,817,143
OPERATING EXPENSES		
Administrative services, salaries and office expenses	821,071	365,029
Consulting fees	384,264	404,274
Rent	68,130	61,904
Administrator and deputy administrator's fees	65,895	77,719
Travel	-	128
Audit fees	9,549	9,323
Amortization of capital assets	24,375	24,375
	1,373,284	942,752
EXCESS OF REVENUES OVER EXPENSES	9,793,486	8,874,391
ACCUMULATED SURPLUS, BEGINNING OF YEAR	84,253,199	75,378,808
ACCUMULATED SURPLUS, END OF YEAR	\$ 94,046,685	\$ 84,253,199

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2022

5

	2022	2021
EXCESS OF REVENUES OVER EXPENSES	\$ 9,793,486	\$ 8,874,391
Amortization of capital assets	24,375	24,375
INCREASE IN NET FINANCIAL ASSETS	9,817,861	8,898,766
NET FINANCIAL ASSETS, BEGINNING OF YEAR	84,178,277	75,279,511
NET FINANCIAL ASSETS, END OF YEAR	\$ 93,996,138	\$ 84,178,277

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2022

6

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 9,793,486	\$ 8,874,391
Adjustment for:		
Amortization of capital assets	24,375	24,375
	9,817,861	8,898,766
Net change in non-cash items related to operating activities:		
Accounts receivable	1,764,149	5,498,336
Accrued interest receivable	(117,510)	(21,918)
Accounts payable and accrued liabilities	(189)	(99,483)
Due to Ship-Source Oil Pollution Fund	10,327	119,134
	1,656,777	5,496,069
INCREASE IN THE BALANCE OF ACCOUNT WITH RECEIVER GENERAL FOR CANADA	11,474,638	14,394,835
BALANCE, BEGINNING OF YEAR	81,004,030	66,609,195
BALANCE, END OF YEAR	\$ 92,478,668	\$ 81,004,030

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

7

1. GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Fund for Railway Accidents involving Designated Goods (the Fund) was created on June 18, 2016 under the *Safe and Accountable Rail Act* (the Act). The Act amends the *Canada Transportation Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with Treasury Board accounting policies which are consistent with Public Sector Accounting Standards.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. Actual results may differ from these estimates. The primary estimate relates to the valuation of provision for claims under review when such claims are received.

Revenue recognition

The levy income is recognized when earned as per the volume of crude oil carried in Canada declared by railway companies.

Capital assets

Capital assets are recorded at cost. Capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

Computer equipment	3 years
Furniture and equipment	10 years
Leasehold improvements	Remaining term of lease

3. BALANCE OF THE ACCOUNT WITH RECEIVER GENERAL FOR CANADA

The cash balance of the Fund is held within the Consolidated Specified Purpose Accounts of the Government of Canada. Public Works and Government Services Canada acts as the custodian of this cash balance and Transport Canada records the various transactions on behalf of the Fund. Interest is credited to the account in accordance with the provisions of the agreement signed on April 20, 2018 between Transport Canada and the Department of Finance at a rate based on a 5-year Government of Canada bond interest rate, calculated monthly. The interest rates varied between 0.78% and 2.42% during the year (2021: 0.32% and 0.99%). The average interest rate for the year ended March 31, 2022 was 1.31% (2021: 0.47%).

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

8

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2022	2021
Computer equipment	\$ 5,141	\$ 5,141	\$ -	\$ 1,714
Furniture and equipment	10,448	3,134	7,314	8,358
Leasehold improvements	108,083	64,850	43,233	64,850
	\$ 123,672	\$ 73,125	\$ 50,547	\$ 74,922

5. RELATED PARTY TRANSACTIONS

The Fund is related, as a component of the accounting framework of the Government of Canada, to all Government of Canada departments, agencies and Crown Corporations.

Accounting services

During the year, the Fund paid \$14,364 to Transport Canada for accounting services. Previously, accounting services were billed to the Ship-Source Oil Pollution Fund and included as part of administrative services paid by the Fund.

Other

During the year, the Fund paid to the Ship-Source Oil Pollution Fund an amount of \$821,466 (2021: \$420,075) for its share of the following operating expenses:

	2022	2021
Administrative services, salaries and office expenses	\$ 753,336	\$ 358,171
Rent	68,130	61,904
	\$ 821,466	\$ 420,075

6. CONTINGENCIES

In the normal course of its operations, the Fund may receive information about incidents that have occurred but for which no claims have been received. It is not possible for the Fund to determine the likelihood of a claim for any of these reported incidents, if any. The Fund is also not able to assess the financial value of any such claims should they materialize. No provision related to such incidents is recognized in the financial statements. A provision is recognized when a claim is effectively received.

As of April 1, 2022, the Minister of Transport has the statutory power to impose a levy of \$1.86 (2021: \$1.80) per metric tonne of crude oil carried by a federally regulated railway in Canada. The levy is indexed annually based on the Inflation and Consumer Price Index.

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

9

7. BUDGET

The Fund for Railway Accidents involving Designated Goods does not prepare an annual budget due to the nature of its operations.