

**FUND FOR RAILWAY ACCIDENTS
INVOLVING DESIGNATED GOODS**

The Administrator's
Annual Report
2018-2019

Canada 

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Fund for Railway Accidents Involving Designated Goods

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The Honourable Marc Garneau, 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, 2019.

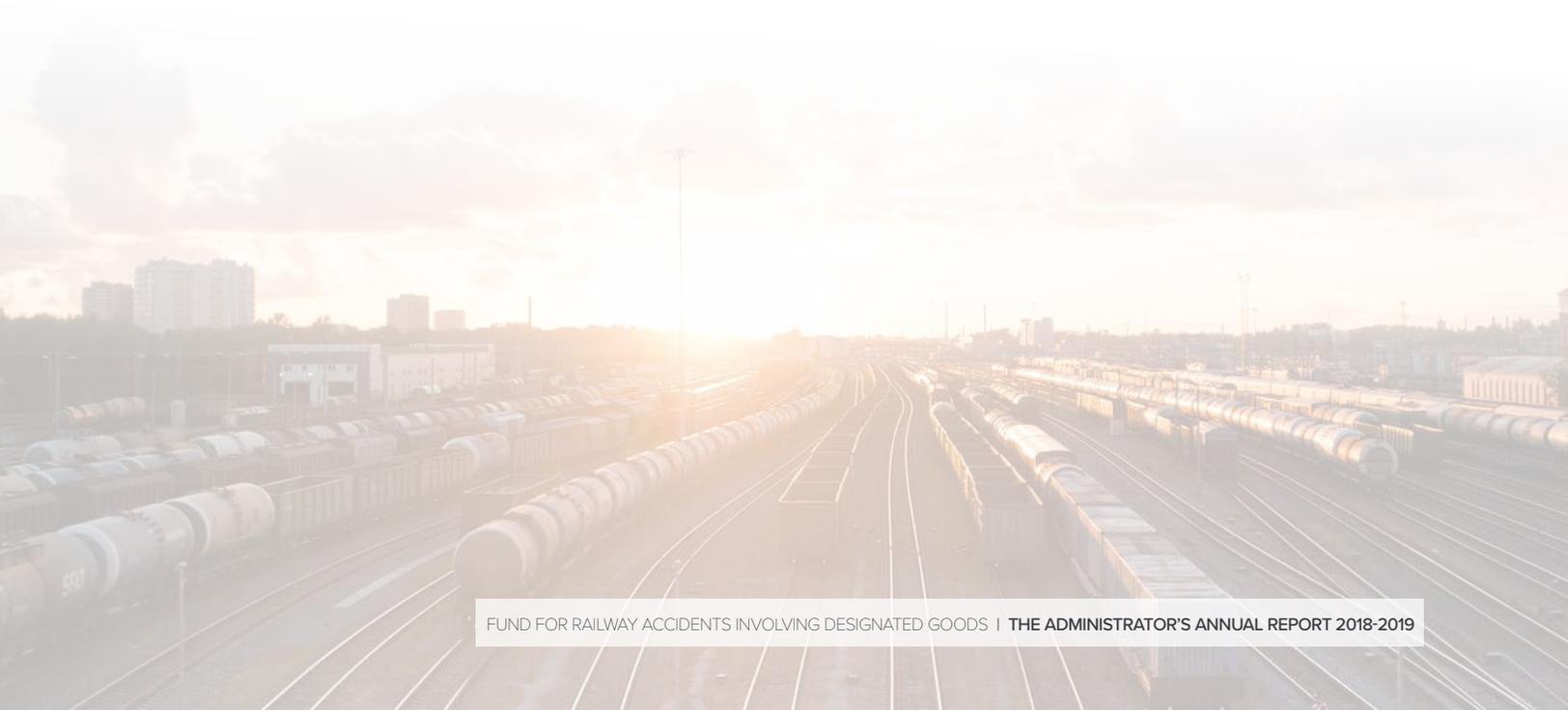
Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anne Legars', with a long horizontal flourish extending from the bottom of the 's'.

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

TABLE OF CONTENTS

INTRODUCTION	4
ACTIVITY REPORT	5
Readiness for the assessment and payment of claims	6
Assurance that records and systems are properly maintained	10
Annual report to the Minister of Transport for tabling in Parliament and outreach activities	11
FINANCIAL REPORT	14



INTRODUCTION

The Fund for Railway Accidents Involving Designated Goods (Fund or Rail Fund) is a specified purpose account in the accounts of Canada, established under section 153.4 of the *Canada Transportation Act* (the Act). It provides compensation to third parties, for losses, damages, costs and expenses, from a federally regulated railway involved in a railway accident for damages involving crude oil when such damages exceed the railway's legislated minimum liability insurance coverage. The Fund is financed through a levy paid by the first railway to carry the crude oil. The levy is assessed on a rate per tonne of crude oil loaded. The Fund compensation regime is based on the principle that the liability of federally regulated railways does not depend on proof of fault or negligence for damages caused by crude oil carried with or on their assets, up to the amount of the minimum liability insurance coverage that the company is required to maintain. If more than one railway company is liable, the railway companies are jointly and severally liable each up to the amount of the minimum liability insurance coverage that applies to it.

The Fund compensation regime should normally only be triggered in the case of large accidents. There is no limit on claims to the Fund. Should the funds available with the Rail Fund be insufficient to pay all the claims, the Minister of Finance may, subject to terms and conditions, direct a sum equal to the amount required to be paid, be charged to the Consolidated Revenue Fund.

This is the third annual report on the operations of the Fund, and it covers the fiscal year ending March 31, 2019.

2018-2019 AT A GLANCE

No accidents involving the Fund

Appointment of a Deputy Administrator for a **5-year term**

Emphasis on **engagement with key stakeholders**

Outreach to **Indigenous communities**

Readiness to **provide compensation**

Workshop with key stakeholders

\$1.72 per tonne
collected from shippers

Over \$22 M
collected in levies this year

Over \$44 M
in the Fund at the end
of the fiscal year

ACTIVITY REPORT

THE FUND'S 2018-2019 FISCAL YEAR WAS MARKED BY THE FOLLOWING EVENTS:

- ▶ **Indexation of levy.** On April 1, 2018, the levy was adjusted from \$1.69 to \$1.72 per tonne for the 2018-2019 fiscal year, a 1.02% increase.
- ▶ **Appointments.** On April 4, 2018, Mark A. M. Gauthier was appointed Deputy Administrator for a five-year term. This appointment was extremely welcome, as the new Deputy Administrator brings with him a wealth of experience in law and the liability regime, having practiced law in the Legal Services Unit of Transport Canada as Counsel and Senior Counsel until 2005, and thereafter as the General Counsel of the Maritime Law Secretariat, until he retired from the public service in 2011. In March 2012, he was appointed to the Transportation Appeal Tribunal of Canada where he served as a member until April 2018, when he was appointed Deputy Administrator of the Fund. The Administrator was reappointed for a five-year term a few days before the start of fiscal year 2018-2019.
- ▶ **Strategic plan.** These two five-year term appointments at the helm of the organization have provided the Administrator with the opportunity to plan and undertake a number of strategic initiatives aimed at ensuring that the Office of the Administrator: (1) provides an effective means of access to justice; (2) is supported by a professional and motivated team linked to a vast network of expertise; and (3) is an efficient and transparent organization, both agile and structured.
- ▶ **Increasing the Fund's readiness.** Again this year, there were no railway accidents involving crude oil that could have triggered the Fund's intervention. The Administrator and her team therefore continued their efforts to ensure the

EVENTS & ACTIVITIES

Indexation of levy

Appointments

Strategic plan

Increasing the Fund's readiness

Engagement with key stakeholders

Outreach to Indigenous communities

Recruitment of additional resources

Fund's readiness to receive and handle claims in case of a railway accident. A one-day simulation exercise was held in Ottawa on June 12, 2018, at the request of a number of stakeholders.

- ▶ **Engagement with key stakeholders.** Outreach efforts initiated in 2017-2018 were systemized and shouldered by all members of the Administrator's Office, with the goal, for the 3rd anniversary year of the Fund, of reaching all provincial governments, provincial federations of municipalities, provincial federations of municipal administrators, response organizations, Indigenous groups, transportation lawyers and other federal agencies, while continuing to engage with other key stakeholders who were contacted the previous year. Key stakeholder engagement is an essential prerequisite for a meaningful involvement and discussion.
- ▶ **Outreach to Indigenous communities.** As indicated in the previous annual report, the Administrator reached out to Indigenous groups, seeking their engagement in the development of the claims management process. However, this initial outreach was insufficient to generate Indigenous groups' engagement during the previous fiscal year. Additional outreach and

engagement efforts were deployed in 2018-2019, in order to ensure that the claims management process is relevant to Indigenous claimants for all types of damages provided under the Act, including claims for the loss of fishing, hunting and gathering opportunities.

- ▶ **Recruitment of additional resources to fulfill the Fund's mandate.** The Administrator made use of the staff exchange program between federal organizations to recruit a railway industry specialist for a period of six months, in order to speed up the implementation of a number of projects and processes. The Administrator also recruited a consultant to structure outreach initiatives aimed at Indigenous communities.

The Act provides that the Administrator is responsible for:

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

This annual report is therefore structured along these core elements of the Administrator's statutory mandate.

READINESS

- Follow-up of railway incidents
- Publication of the draft Claims Manual on the Fund's website
- Intensification and systematization of efforts to engage the Fund's key stakeholders
- Table-top simulation exercise held with the Fund's key stakeholders
- Information webinars

READINESS FOR THE ASSESSMENT AND PAYMENT OF CLAIMS

In 2018-2019, there were no railway accidents involving crude oil that could have led to the Fund's involvement. However, the Administrator must ensure that the Fund is ready to respond to claims, should a serious accident trigger its jurisdiction. In addition to the Fund's ability to deal with a volume and variety of claims similar to what occurred following the Lac-Mégantic tragedy, the Fund should also assess and pay new types of claims that are now provided for in the Act (such as pure environmental loss, and Aboriginal peoples' loss of hunting, fishing or gathering opportunities), when applicable.

In her previous annual report, the Administrator outlined as follows her action plan aimed at ensuring the Fund's readiness to manage and assess claims:

1. Work with railway companies carrying crude oil to develop communication protocols in case of spills.
2. Retain, 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.
3. Consolidate the key stakeholders' network and the key payers' network.
4. Develop a key payers' network readiness plan, including a number of best practices and tools.
5. Develop claims management policies and assessment guidelines, and circulate them for comments.
6. Work with other federal entities who would be involved in the compensation of damages following an accident, such as the Canadian Transportation Agency (who would be involved in assessing damages caused by fire) and the Federal Courts administration (who would be involved in reviewing the Administrator's assessment decisions).
7. Hold discussions with federal and provincial entities who also have a mandate to assess (1) pure environmental losses or a loss of non-use value relating to a public resource, or (2) Aboriginal peoples' claims for loss of fishing, hunting or gathering opportunities.
8. Conduct additional research and consultation on these new fields of law.
9. Hold periodic workshops, including workshops dedicated to table-top indemnification scenarios.

2018-2019 RAILWAY ACCIDENTS INVOLVING CRUDE OIL

Red Deer, Alberta – June 8, 2018

On June 8, 2018, a Canadian Pacific (CP) train heading south, derailed near Red Deer, Alberta. Seven cars came off the track, six of which were carrying crude oil. Out of the six cars carrying crude, one train car was leaking oil. The derailment occurred in a rural, non-residential area. There were no injuries reported. The damages will not exceed the railways limit of liability; therefore, the Fund will not be triggered for compensation purposes.

St. Lazare, Manitoba – February 16, 2019

On February 16, 2019, a Canadian National (CN) train derailed near St. Lazare, Manitoba, in the rural municipality of Ellice-Archie. The train had 108 cars carrying crude oil, out of which 37 cars derailed. At least 14 out of these 37 derailed cars leaked approximately 820,000 litres of oil. CN's environmental team led the cleanup. There was no fire, no injuries, or evacuation. The derailment occurred on property owned by a rancher. Oil spilled in a small area on top of deep ice and snow covering a pond which is used to water cattle in the summer. Officials assured there was no danger of oil contaminating the nearby Assiniboine River. Although the scope of the damage is unknown, it is most unlikely that it could reach the railway's \$1 billion limit of liability. Therefore, the Fund will not be triggered for compensation purposes.

To this end, the Administrator has taken the following measures:

- ▶ **Follow-up of railway incidents.** The Office of the Administrator receives incident notifications from the Transportation Safety Board and determines if railway accidents involving crude oil are likely to have caused damages exceeding the limits of liability of the railway company (companies) involved. Two railway incidents involving crude oil occurred during the fiscal year (see box on the left), but neither of those was likely to trigger the Fund's involvement. If the Fund had been contacted by potential claimants in relation to one of those accidents, they would have been directed to contact persons within the relevant railway companies who are responsible for the compensation of damages.
- ▶ **Continued developing the draft claims manual and posted a new version with changes received** based on feedback received from railway companies, response organizations, insurance brokers, and other stakeholders and partners. The Administrator will continue to develop the draft manual as needed, based on on-going feedback and developments. Note that the draft claims manual is a draft that will be finalized after an accident triggering the Fund's authority happens as only then can the Administrator consider any particularities.
- ▶ **Intensification and systematization of efforts to engage the Fund's key stakeholders.** Last fiscal year, initial efforts to identify and engage key stakeholders led to the creation of a discussion group representing a cross-section of all segments of the Fund's stakeholders, except for Indigenous groups. This discussion group was helpful in validating and revising certain approaches proposed by the Administrator with respect to claims management, in the context of access to justice and effective

resource management. In view of the up-coming circulation of discussion papers on new types of compensation provided in the Act and claims management policies, the Administrator wanted to ensure that all key stakeholders who would need to be involved in the discussions were contacted beforehand in order to be made aware of the existence of the regime. These outreach efforts are detailed in section 3 of this chapter. As stated in the previous annual report, the Administrator considers stakeholder engagement in the development of the claims management process as the best way to ensure that this process will be efficient and that the Fund will be relevant.

- ▶ **Table-top simulation exercise held with the Fund's key stakeholders.** On June 12, 2018, the Administrator's Office hosted a table-top simulation exercise with industry and government stakeholders in Ottawa. This gathering gave the Administrators an opportunity to obtain information and reflect on issues related to claims, liability and compensation which can arise as a result of a railway accident involving crude oil. It also gave the Administrator a chance to reflect on the Fund's current ability to actively respond to the many potential areas of compensation following a railway accident, and to better identify areas in which the Fund must be further prepared. The table-top simulation exercise also gave stakeholders a valuable opportunity to become better acquainted in a non-conflictual context.

The table-top simulation exercise was focused, among other subjects, on practical ways in which railway companies, insurers and others can work with the Administrator to demonstrate that the full minimum liability insurance coverage has been disbursed, in the case where a railway accident exceeds the minimum liability insurance coverage, in order to enable the Fund to pay claims. Issues related to the unique considerations of Canada's Indigenous communities were also explored.

Take-aways from these discussions are being incorporated in the development of various tools by the Office of the Administrator, including draft guidelines and procedures.

- ▶ **Triggering of the Fund.** The Office of the Administrator has developed a decision chart document aimed at identifying the necessary steps required to assess its potential involvement in any adverse rail event. It will assist in determining whether the provisions of the Act providing for the triggering of the Fund have been met. During the 2019-2020 fiscal year, the Administrator plans to discuss this approach with stakeholders, along with a communications protocol between stakeholders and the Office of the Administrator, as the first installment in the development of claims management policies and procedures.
- ▶ **Further developed knowledge of liability in case of a railway accident involving designated goods.** The Administrator began analysis of two questions: when is a railway company *involved* in a railway accident; when is the actual loss or damage a *result* of the railway accident (see subsections 152.7(1) and 153(1) of the Act). The answers to both questions are important to the triggering of the Fund's liability.
- ▶ **Further developed knowledge of compensation in case of a railway accident involving designated goods.** The Administrator continued examining the scope and method for assessing and compensating certain losses and damages: 'loss of non-use value relating to a public resource' (aka pure environmental loss) and 'actual loss/damage from loss of hunting, fishing and gathering opportunities with respect to any Aboriginal peoples of Canada' (see section 153 of the Act). In addition to on-going research, the Administrator has engaged in discussions with entities who have legislation on such losses/damages or on related matters (e.g. National Energy Board, Environment and Climate Change Canada).

- ▶ **Post-railway accident collaboration amongst liable parties.** The Administrator is interested in collaborating with the compensation community after a railway accident to ease the payment of claims. In that regard, the Administrator is looking at possibilities for collaboration (e.g. joint claims office) and potential impediments (e.g. competition issues).

ASSURANCE THAT RECORDS AND SYSTEMS ARE PROPERLY MAINTAINED

To this end, the Administrator has taken the following measures:

- ▶ **Validation of the revenue side.** The Administrator, the Fund's auditor and representatives of Transport Canada's financial services held a phone meeting with representatives of a railway company that has contributed to the Fund very marginally and sporadically. Similar and separate meetings had been held with other contributors, shortly after the Fund was established, in order to understand how to audit and validate the revenue side of the Fund.
- ▶ **Monitoring compliance of railway levy reporting.** Section 155.7(1) of the Act, states that every railway company that is the first to carry crude oil must (in most circumstances) pay the levy to the Receiver General of Canada. In order to ensure compliance with this requirement, the Administrator initiated an assessment of the methodology used by federal railways to pay the levy on the movement of crude oil.

The Office of the Administrator is currently working with the railways that have been reporting their levy collections to better understand whether the information being reported represents all the crude oil movement subject to the levy. During the year this has taken the form of research and analysis, and meetings.

- ▶ **Enforcement Regime.** Section 155.85(1) of the Act provides the Minister with the right to designate persons or classes of persons for the purposes of administration and enforcement of the levy requirements and of the record keeping obligations. The Office of the Administrator has met with Transport Canada during the fiscal year in support of this initiative.

- ▶ **Accrued interest to be credited to the Fund.** Section 153.5 of the Act provides that the Minister of Finance shall cause to be credited to the Fund interest, calculated in the manner and at the rate determined by the Governor in Council, on the balance of the Fund. Due to coordination delays between the Department of Transport and the Department of Finance, the required Order in Council had still not been adopted at the end of the 2017-2018 fiscal year, and interests had therefore not been credited to the Fund, despite the Administrator's follow-up actions during the two previous fiscal years. The required Order in Council was finally adopted on April 20, 2018, allowing for accrued interest to be credited to the Fund retroactively for the first two years of its operation.

- ▶ **Fine-tuning of the allocation of expenses between the Rail Fund and the Ship Fund under the Rail Fund-Ship Fund Memorandum of Understanding (MOU).** The Ship-source Oil Pollution Fund (Ship Fund) has been hosting the Fund for Railway Accidents Involving Designated Goods (Rail Fund) since its inception in 2016. Part of the premises rented by the Ship Fund and the staff hired by the Ship Fund are shared with the Rail Fund, and an MOU signed between the two Funds itemizes the resources shared and the financial conditions under which they are shared.

One of the key elements of the calculation is the proportion of staff time spent on each fund over the relevant fiscal year. In order to be able to establish this proportion, the Administrator of the Ship Fund had implemented the requirement for

staff to allocate their time worked in either fund through the use of time sheets. This fiscal year was the third year of application of the MOU. With the increased level of activity in both Funds, the turnover of staff, consultants and students and the related work space allocation, the MOU became an administrative burden to apply.

As a consequence, a revised MOU was developed and reviewed by the organizations' auditors and will replace the original MOU beginning April 1, 2019. The revised MOU limits the need for timesheets to individuals directly supporting either program and uses an allocation methodology to costing indirect staff. The revised MOU will allow for greater accuracy in cost allocation while reducing the administrative burden of its application.

ANNUAL REPORT TO THE MINISTER OF TRANSPORT FOR TABLING IN PARLIAMENT AND OUTREACH ACTIVITIES

The Act provides that the Administrator shall submit an annual report on his activities in that year to the Minister, including financial matters set out at paragraph 155.93(2) of the Act. The financial report is submitted under part 2 of this annual report.

In addition to the Administrator's activities in 2018-2019 that have been already reported above, the Office of the Administrator also carried out a number of outreach activities – sometimes jointly with the Ship Fund – most of which were aimed at further engaging stakeholders (see boxes).



RAIL FUND OUTREACH ACTIVITIES IN 2018-2019

Federal Government, through meetings and communications at various levels with Transport Canada, Environment and Climate Change Canada, and the National Energy Board.

Provincial Governments, through meetings with various provincial departments and ministries across Canada, including the Farmers' Advocate Office of Alberta, the Governments of Alberta, New Brunswick, Nova Scotia, Quebec, Ontario, and British Columbia.

Indigenous Communities, through meetings with Indigenous Services Canada (ISC), the Inuvialuit Regional Corporation (IRC), and through an informative webinar delivered in December 2018.

Emergency Responders, through attendance at various industry events including the Dangerous Goods Emergency Management Conference in Alberta, through a webinar presented to emergency response organizations in June 2018 and a meeting with Indigenous Services Canada Emergency Response Coordinators in January 2019.

Legal Communities, through various industry events across Canada, including attendance at the Canadian Transport Lawyers Association in October 2018.

Municipalities and Municipal Associations, through attending industry events, and through introductory meetings with province specific municipal associations, including Alberta Urban Municipalities Association, and Rural Municipalities of Alberta.

Railway Companies and Related Associations, through meetings with Canadian Pacific Railway (October 2018), BNSF Railway (October 2018), Canadian National Railway, and VIA Rail (February 2019), through attendance at the Railway Association of Canada (RAC): Government Interface Conference, and a subsequent presentation to RAC Short-line Committee (May 2018).

Oil & Gas Industry, through meetings with the Canadian Association of Petroleum Producers, and through a webinar presented to Petroleum Companies (October 2018).

RAIL FUND AND SHIP FUND JOINT OUTREACH ACTIVITIES IN 2018-2019

May 2018 – Halifax, Nova Scotia

- Exhibition at Federation of Canadian Municipalities (FCM) Annual Conference and Trade Show
- Meetings & presentations to several Nova Scotia provincial government departments, Nova Scotia Offshore Petroleum Board, and the Port of Halifax

June 2018 – Newfoundland and Labrador

- Introductory meeting with St. John's Port Authority
- Familiarization meeting with several Newfoundland and Labrador provincial government departments
- Presentation to Newfoundland and Labrador Offshore Petroleum Board

Corunna, Ontario

- Attendance at Eastern Canada Response Corporation (ECRC) on ICS "Inland Response" Conference

September 2018 – Saint John, New Brunswick

- Attendance and exhibition at Association of Canadian Port Authorities (ACPA) 2018 Annual Conference
- Familiarization meetings with Port of Saint John, Atlantic Environmental Response Team (ALERT), Irving Oil, Canadian Association of Municipal Administrators (CAMA), and several New Brunswick provincial government departments

October 2018 – Edmonton, Alberta

- Familiarization meetings with several Alberta provincial government departments, Alberta municipal associations, and municipal administration associations

February 2019 – Montreal, Québec

- Meetings with Montréal Port Authority

Québec City, Québec

- Familiarization meetings with the Fédération québécoise des municipalités (FQM), Corporation des officiers municipaux agréés Québec (COMAQ), and Société de développement économique du Saint-Laurent (SODES)

Toronto, Ontario

- Familiarization meetings with Ontario provincial government departments and Ontario municipal associations

March 2019 – Québec City, Québec

- Familiarization meeting with Transports Québec

Montreal, Québec

- Familiarization meeting with Union des municipalités du Québec (UMQ)

Abbotsford, BC

- Attendance at the 2nd Annual Multi-Industry Preparedness and Response Symposium

FINANCIAL REPORT

During the fiscal year, the Fund collected \$22,780,995 in levies (\$13,301,632 in 2017-2018). The Fund was also credited with \$711,085 in accrued interest, which included \$513,245 for this fiscal year and \$197,840 for the two previous fiscal years. The Order in Council required to calculate and credit interest on the balance of the Fund (in accordance with section 153.5 of the Act) was passed on April 20, 2018, and accrued interest was credited to the Fund retroactively for the first two years of its operation.

The Fund's expenses amounted to \$579,716 for the fiscal year (compared to \$372,851 the previous year), including fees of \$38,494 paid to the Administrator and Deputy Administrator (compared to \$31,900). These expenses are related to the hiring of additional in-house resources and outside consultants, an

increased use of resources shared by the two Funds (\$243,163 compared to \$117,043), increased travel and communication expenses, translation costs, and the costs of hosting a one-day table-top simulation exercise held in Ottawa on June 12, 2018.

At the end of the fiscal year, the Fund had an accumulated surplus of \$44,124,706 (compared to \$21,410,182 on March 31, 2018).

The Auditor's Report is included in the attached Financial Statements. The Fund has not yet been billed for the preparation of the report, but the cost should not exceed \$8,250 (plus taxes), according to the Service Agreement concluded in early 2019.

**FUND FOR RAILWAY ACCIDENTS
INVOLVING DESIGNATED GOODS**

FINANCIAL STATEMENTS

MARCH 31, 2019

**FUND FOR RAILWAY ACCIDENTS
INVOLVING DESIGNATED GOODS**

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Financial Statements	
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, 2019, 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, 2019, 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.

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

MOORE STEPHENS

Emphasis of Matter

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.

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

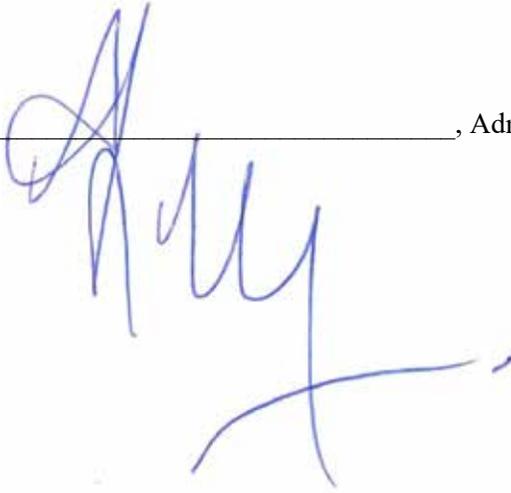
Ottawa, Ontario
May 21, 2019

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

	2019	2018
FINANCIAL ASSETS		
Balance of the account with Receiver General for Canada (Note 3)	\$ 39,568,124	\$ 17,853,431
Accounts receivable	4,517,528	3,377,468
Accrued interest receivable	42,750	197,840
TOTAL FINANCIAL ASSETS	44,128,402	21,428,739
LIABILITIES		
Accounts payable and accrued liabilities	3,696	18,557
NET FINANCIAL ASSETS	44,124,706	21,410,182
ACCUMULATED SURPLUS	\$ 44,124,706	\$ 21,410,182


_____, Administrator

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019

4

	2019	2018
REVENUE		
Levy	\$ 22,780,995	\$ 13,301,632
Interest	513,245	197,840
	23,294,240	13,499,472
OPERATING EXPENSES		
Consulting fees	251,169	169,413
Administrative services, salaries and office expenses	212,810	131,346
Rent	57,601	26,223
Administrator's and deputy administrator's fees	38,494	31,900
Travel	10,602	4,929
Audit fees	9,040	9,040
	579,716	372,851
EXCESS OF REVENUE OVER EXPENSES	22,714,524	13,126,621
ACCUMULATED SURPLUS, BEGINNING OF YEAR	21,410,182	8,283,561
ACCUMULATED SURPLUS, END OF YEAR	\$ 44,124,706	\$ 21,410,182

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2019

5

	2019	2018
EXCESS OF REVENUE OVER EXPENSES	\$ 22,714,524	\$ 13,126,621
NET FINANCIAL ASSETS, BEGINNING OF YEAR	21,410,182	8,283,561
NET FINANCIAL ASSETS, END OF YEAR	\$ 44,124,706	\$ 21,410,182

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

6

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 22,714,524	\$ 13,126,621
Net change in non-cash working capital items:		
Accounts receivable	(1,140,060)	(7,168)
Accrued interest receivable	155,090	(197,840)
Accounts payable and accrued liabilities	(14,861)	10,820
Due to the Ship-source Oil Pollution Fund	-	(32,531)
INCREASE IN THE BALANCE OF ACCOUNT WITH RECEIVER GENERAL FOR CANADA	21,714,693	12,899,902
BALANCE, BEGINNING OF YEAR	17,853,431	4,953,529
BALANCE, END OF YEAR	\$ 39,568,124	\$ 17,853,431

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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.

Accounting estimates

The preparation of financial statements in accordance with Treasury Board Secretariat accounting policies, which are consistent with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses for the periods covered. The primary estimate relate to the valuation of provision for claims under review when such claims are received. Actual amounts could differ from the estimates.

Revenue recognition

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

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 1.43% and 2.42% during the year (2018: 0.94% and 2.08%). The average interest rate for the year ended March 31, 2019 was 2.06% (2018: 1.62%).

4. FINANCIAL INSTRUMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund's main credit risks relate to its accounts receivable.

The Fund continuously reviews the financial situation of its clients and establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation. The totality of the accounts receivable is to be received from two important railway companies. The Fund considers that no risk arises from that situation.

FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

8

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.

During the year, the Fund paid to the Ship-Source Oil Pollution Fund an amount of \$243,163 (2018: \$117,043) for its share of the following operating expenses:

	2019	2018
Rent	\$ 57,601	\$ 26,223
Administrative services, salaries and office expenses	179,085	88,585
Consulting fees	6,477	2,235
	\$ 243,163	\$ 117,043

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, 2019, the Minister of Transport has the statutory power to impose a levy of \$1.76 (2018: \$1.72) 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.

7. BUDGET

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