

REGULATORY SURVEILLANCE

Transport Canada's (TC) regulatory surveillance, which includes inspections to verify compliance and audits to assess whether operators are effectively managing risk, has not always been effective. Surveillance must both confirm compliance with regulations and ensure timely corrective action is taken whenever non-compliance issues are identified.

The situation

Transportation operators are responsible for managing safety risks, but their capability and commitment to do so vary. When operators fail to mitigate risks, it is up to the federal regulator to detect these gaps through surveillance and intervene.

Canadians expect that federally regulated transportation services are safe; that operators comply with regulatory requirements; and that when they do not, TC will act quickly to enforce compliance.

The call for change

Watchlist issues are complex and require coordinated action from operators, regulators and other stakeholders. While some progress has been made, much more is needed.

Effective regulatory surveillance requires a proactive, risk-based approach supported by timely and consistent enforcement. TC must demonstrate that its surveillance framework can reliably identify safety hazards and verify regulatory compliance through a balance of inspections and audits. It must also ensure that, when risks are identified, operators implement appropriate mitigations and that these mitigations are validated for effectiveness.

Until these conditions are met across Canada's air, marine, and rail sectors, regulatory surveillance will remain on the Watchlist.

Air sector

TC's surveillance has not consistently ensured compliance with rules and regulations, particularly among smaller commercial air operators. The Transportation Safety Board of Canada (TSB) has emphasized that surveillance must be risk-based and adaptable –matching the type, frequency, and focus of surveillance to each operator's ability to manage the risks present in their operations. When operators fail to address deficiencies identified through inspections and audits, TC must intervene promptly and apply enforcement measures. Enforcement can include a range of



measures including, but not limited to, warnings, fines and the suspension of the air operator certificate.

In March 2025, the TSB rated TC's response to Recommendation [A16-14](#) as Unsatisfactory, citing the lack of a clear framework to align surveillance with risk. Industry stakeholders continue to echo these concerns, pointing to inconsistencies in the application of regulations, limited inspector expertise and resources, unclear guidance, and a gap between regulatory expectations and operational realities. They continue to call for stronger resourcing, clearer national direction, and more collaborative engagement.

Action taken

TC has launched initiatives such as the Findings Review Committee pilot project and the Oversight Renewal Project. However, these efforts have yet to show how TC will ensure consistent identification of systemic hazards, verify compliance, and validate that an operator can effectively manage risk.

Action required

This issue will remain on the Watchlist until TC demonstrates that its surveillance framework can:

- identify when non-compliance exists;
- ensure timely corrective actions for both non-compliance and any identified safety deficiencies; and
- confirm that operators can effectively manage the safety of their operations.

Successfully addressing TSB Recommendation [A16-14](#) is key to achieving these objectives.

Marine sector

TSB investigations¹ continue to reveal persistent gaps in TC's surveillance: inconsistent inspection practices, limited follow-up on deficiencies, and inadequate verification of conditions imposed by the Marine Technical Review Board.

Small vessels under 15 GT, which make up the majority of the Canadian commercial fleet, are not subject to mandatory periodic inspections. Many may never be inspected unless issues are reported, allowing potentially unsafe conditions and practices to persist. For example, the tug *Ingenika* ([M21P0030](#)), which sank in 2021, had been in operation for over 50 years without any record of an inspection by TC.

¹ TSB marine transportation safety investigations [M21P0030](#), [M21A0065](#), [M22C0231](#), [M22A0258](#), [M22A0332](#), and [M23C0104](#)



For larger vessels, TC delegates most statutory inspections to recognized organizations and monitors their work. However, oversight of these organizations and verification of vessel compliance have been inconsistent.

Under the *Canada Shipping Act, 2001*, the authorized representative (AR)—typically the vessel owner—is legally responsible for all matters related to vessel safety. The AR must stay current with safety requirements and remains accountable even when delegating duties to others. However, with responsibilities spread across 30+ regulations, many ARs view the role as administrative. TSB investigations show that this misunderstanding leaves vessels operating without the basic safety defences regulatory compliance is meant to provide. In response, the TSB issued Recommendation [M25-01](#), calling on TC to provide comprehensive guidance for ARs.

Since 2023, the TSB has issued six recommendations and two safety concerns related to marine surveillance, including:

- Regular inspections of small tugs ([M23-01](#))
- Stronger occupational health and safety oversight for fishing vessels ([M23-09](#))
- Enhanced passenger safety measures ([M24-01](#), [M24-02](#) and [M24-03](#))
- Comprehensive guidance for ARs ([M25-01](#))

Action taken

In 2024, TC initiated several measures:

- A review of its domestic vessel oversight program as part of the Oceans Protection Plan 2.0, aiming to better align surveillance with vessel risk. Pilot projects are exploring changes to inspection intervals, the use of external resources for dry dock inspections, and dedicated small-vessel inspection teams.
- The creation of the *National Safe Manning Committee* to ensure consistent evaluation of new vessels, though existing vessels are excluded.
- The coming into force of the *Marine Safety Management Systems Regulations* (SOR/2024-133), requiring almost all Canadian vessels to develop, implement, and maintain a documented SMS. While this strengthens the regulatory framework, its success depends on TC's ability to audit SMS effectively.

Action required

Despite these initiatives, significant gaps remain. This issue will remain on the Watchlist until TC

- provides clear, comprehensive guidance so ARs understand and fulfill their responsibilities under the *Canada Shipping Act, 2001*.
- shows that inspections and audits effectively identify non-compliance and verify that ARs and recognized organizations are meeting their obligations; and
- expands proactive surveillance to detect and address safety risks.



Rail sector

TC oversees rail safety through risk-based inspections and audits of each railway's SMS. Since 2020, TC has expanded its audit program, launching a five-year cycle to evaluate SMS effectiveness. The current phase focuses on verifying implementation and effectiveness.

Despite these steps, TSB investigations continue to reveal gaps in regulatory surveillance:

- *Locomotive Voice and Video Recorder Regulations*: TC does not verify whether railways comply with requirements for installation, maintenance, and data management. Missing or inaccessible locomotive voice and video recorder (LVVR) data have hampered TSB investigations. In 2023, the TSB sent [Rail Safety Information Letter 01/23](#) to TC to confirm that LVVR systems function properly and capture all required parameters.
- *Railway Medical Rules for Positions Critical to Safe Railway Operations*: TC does not verify compliance, leaving safety-critical employees (e.g., locomotive engineers and conductors) without adequate oversight of medical fitness.

Action taken

In its latest response to [Recommendation R14-05](#), calling for audits of sufficient depth and frequency to confirm SMS effectiveness, TC:

- implemented the use of key performance indicators in its audits and revised them in April 2024 following stakeholder consultations and feedback
- indicated that it is advancing an in-depth review of the *Railway Safety Management System Regulations* to codify effectiveness principles, and
- established a targeted audit framework.

In response to TSB Recommendation [R22-03](#), calling for TC to require Canadian Pacific Railway (CP) to demonstrate that its SMS can effectively identify hazards, assess risks, and implement and validate mitigation measures, TC followed up with the operator to monitor progress, and identify and resolve non-compliances.

Action required

This issue will remain on the Watchlist until TC demonstrates it can

- verify that SMS processes effectively identify hazards, assess risks, implement mitigations, and validate the effectiveness of these mitigations;
- intervene decisively when operators cannot manage safety; and
- effectively enforce compliance with the *Locomotive Voice and Video Recorder Regulations* and *Railway Medical Rules for Positions Critical to Safe Railway Operations*.