

Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2020

TRANSPORT CANADA

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2020, and all information contained in these financial statements rests with the management of Transport Canada. These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Transport Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Transport Canada's Departmental Results Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout Transport Canada and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2020 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of Transport Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Transport Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of Transport Canada.

The financial statements of Transport Canada have not been audited.

Original signed by

Original signed by

Michael Keenan
Deputy Minister
Ottawa, Canada

Ryan Pilgrim, CPA, CA
Chief Financial Officer
Ottawa, Canada

TRANSPORT CANADA
Statement of Financial Position (Unaudited)
As at March 31
(in thousands of dollars)

	2020	2019
Liabilities		
Accounts payable and accrued liabilities (Note 4)	566,812	456,827
Vacation pay and compensatory leave	42,473	35,740
Environmental liabilities (Note 5)	250,208	228,298
Deferred revenue (Note 6)	40,630	6,879
Lease obligation for tangible capital assets (Note 7)	414,846	439,989
Employee future benefits (Note 8)	23,108	23,219
Contingent liabilities (Note 15)	6,496	8,105
Total net liabilities	1,344,573	1,199,057
Financial assets		
Due from Consolidated Revenue Fund	380,755	380,694
Accounts receivable and advances (Note 9)	64,501	34,267
Loans receivable (Note 10)	1,930	1,886
Total gross financial assets	447,186	416,847
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(28,746)	(20,606)
Loans receivable (Note 10)	(1,930)	(1,886)
Total financial assets held on behalf of Government	(30,676)	(22,492)
Total net financial assets	416,510	394,355
Departmental net debt	928,063	804,702
Non-financial assets		
Prepaid expenses	750	1,306
Consumable parts (Note 11)	14,120	14,095
Tangible capital assets (Note 12)	2,802,893	2,805,556
Total non-financial assets	2,817,763	2,820,957
Departmental net financial position (Note 13)	1,889,700	2,016,255

Contractual obligations and contractual rights (Note 14)

Contingent liabilities and contingent assets (Note 15)

The accompanying notes form an integral part of these financial statements.

Original signed by

Original signed by

Michael Keenan
Deputy Minister
Ottawa, Canada

Ryan Pilgrim, CPA, CA
Chief Financial Officer
Ottawa, Canada

TRANSPORT CANADA

Statement of Operations and Departmental Net Financial Position *(Unaudited)*

For the Year Ended March 31

(in thousands of dollars)

	2020	2020	2019
	Planned Results		
Expenses (Note 18)			
An Efficient Transportation System	932,787	683,281	482,357
A Safe and Secure Transportation System	474,762	562,109	484,507
A Green and Innovative Transportation System	247,420	404,085	231,993
Internal Services	206,411	228,324	206,883
Specified purpose accounts (Note 13)	10,981	6,479	11,117
Expenses incurred on behalf of Government	(10,981)	(6,479)	(11,117)
Total expenses	1,861,380	1,877,799	1,405,740
Revenues			
Leases of property	412,889	381,368	403,322
Monitoring and enforcement revenues	54,026	46,629	48,918
Aircraft maintenance and flying services	31,741	35,839	31,493
Specified purpose accounts (Note 13)	28,372	34,089	32,111
Rentals and concessions	7,192	27,915	25,937
Transport facilities user fees	14,545	14,155	14,123
Other	3,981	762	1,848
Revenues earned on behalf of Government	(474,794)	(459,012)	(481,341)
Total revenues	77,952	81,745	76,411
Net cost of operations	1,783,428	1,796,054	1,329,329
Government funding and transfers			
Net cash provided by Government of Canada		1,564,783	1,341,465
Change in due from Consolidated Revenue Fund		61	(119,936)
Services provided without charge by other government departments (Note 16)		105,081	96,778
Transfer of the transition payments for implementing salary payments in arrears		-	(2)
Transfer of assets (to)/from other government departments (Note 12 and Note 17)		(426)	(1)
Net cost of operations after government funding and transfers		126,555	11,025
Departmental net financial position – Beginning of year		2,016,255	2,027,280
Departmental net financial position – End of year		1,889,700	2,016,255

Segmented information (Note 18)

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	2020	2019
Net cost of operations after government funding and transfers	126,555	11,025
Change due to tangible capital assets		
Acquisition of tangible capital assets (Note 12)	175,094	155,497
Amortization of tangible capital assets (Note 12)	(139,652)	(138,822)
Proceeds from disposal of tangible capital assets	(16,841)	(9,866)
Net gain (loss) on disposal of tangible capital assets (Note 18)	(24,265)	7,321
Adjustments to capital assets (Note 12(a))	3,427	2,403
Transfer (to)/from other government departments (Note 17)	(426)	(1)
Total change due to tangible capital assets	(2,663)	16,532
Change due to consumable parts (Note 11)	25	755
Change due to prepaid expenses	(556)	(2,308)
Net increase in departmental net debt	123,361	26,004
Departmental net debt – Beginning of year	804,702	778,698
Departmental net debt – End of year	928,063	804,702

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA
Statement of Cash Flows (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	2020	2019
Operating activities		
Net cost of operations	1,796,054	1,329,329
Non-cash items:		
Amortization of tangible capital assets (Note 12)	(139,652)	(138,822)
Adjustments to capital assets (Note 12(a))	3,427	2,403
Services provided without charge by other government departments (Note 16)	(105,081)	(96,778)
Gain (loss) on disposal of tangible capital assets (Note 18)	(24,265)	7,321
Transition payments for implementing salary payments in arrears	-	2
Variations in Statement of Financial Position:		
Increase in accounts receivable and advances (Note 9)	22,094	105
Decrease in prepaid expenses	(556)	(2,308)
Increase in consumable parts (Note 11)	25	755
Decrease (increase) in accounts payable and accrued liabilities (Note 4)	(109,985)	127,902
Increase in vacation pay and compensatory leave	(6,733)	(2,570)
Increase in environmental liabilities (Note 5)	(21,910)	(57,260)
Increase in deferred revenue (Note 6)	(33,751)	(958)
Decrease in employee future benefits (Note 8)	111	1,020
Decrease in contingent liabilities (Note 15)	1,609	1,645
Cash used in operating activities	1,381,387	1,171,786
Capital investing activities		
Acquisition of tangible capital assets (Note 12)	175,094	155,497
Proceeds from disposal of tangible capital assets	(16,841)	(9,866)
Cash used in capital investing activities	158,253	145,631
Financing activities		
Decrease in lease obligation for tangible capital assets (Note 7)	25,143	24,048
Cash used in financing activities	25,143	24,048
Net cash provided by Government of Canada	1,564,783	1,341,465

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

1. Authority and objectives

Transport Canada is a department of the Government of Canada named in Schedule 1 of the *Financial Administration Act* and reports to Parliament through the Minister of Transport.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental core responsibilities:

- *A Safe and Secure Transportation System*: ensures a safe and secure transportation system in Canada by enacting, updating and enforcing all laws, regulations, policies and oversight activities (e.g., inspections) related to transportation safety and security.
- *An Efficient Transportation System*: supports efficient market access to products through investments in Canada's trade corridors, adopts rules to ensure Canadian air travellers have sufficient choice and increasing levels of service, and manages transportation assets to ensure value for Canadians.
- *A Green and Innovative Transportation System*: advances the Government of Canada's environmental and innovation agendas within the transportation sector by aiming to reduce harmful air emissions, protecting Canada's ocean and marine environments by reducing the environmental impacts of marine shipping, and promoting and encouraging innovation within the transportation sector.
- *Internal Services*: consists of groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the ten distinct services that support program delivery in the organization, regardless of the Internal Services delivery model in the Department. These services are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including *Department of Transport Act*, *Canada Transportation Act*, *Aeronautics Act*, *Canada Marine Act*, *Marine Liability Act*, *Canada Shipping Act*, *Navigation Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act*, *Marine Transportation Security Act* and *Safe and Accountable Rail Act*.

2. Summary of significant accounting policies

These financial statements are prepared using Transport Canada's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

Transport Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Transport Canada do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2019-2020 Departmental Plan. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2019-2020 Departmental Plan.

(b) Net cash provided by Government

Transport Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Transport Canada is deposited to the CRF, and all cash disbursements made by Transport Canada are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

(c) Amounts due from or to the CRF

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that Transport Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year. Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenues are then recognized in the period in which the related expenses are incurred.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-respendable are not available to discharge Transport Canada's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

(e) Expenses

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their carrying value.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

(f) Employee future benefits

- i. Pension benefits – Eligible employees participate in the Public Service Pension Plan (the Plan), a multi-employer pension plan administered by the Government of Canada. Transport Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ii. Severance benefits – The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts and loans receivable

Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

(h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 12. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost.

Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collections and Crown land to which no acquisition cost is attributable, and intangible assets.

Consumable parts are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Consumable parts that no longer have service potential are valued at the lower of cost or net realizable value.

(i) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(j) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes of the financial statements.

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

(k) Environmental liabilities

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for their use prior to contamination. When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated statements.

(l) Transactions involving foreign currencies

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at March 31. Gains and losses resulting from foreign currency transactions are reported on the Statement of Operations and Departmental Net Financial Position according to the activities to which they relate.

(m) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits and the useful life of capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Environmental liabilities are subject to measurement uncertainty as discussed in Note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation. Changes to underlying assumptions, the timing of the expenditures, the technology employed, the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.

(n) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

3. Parliamentary authorities

Transport Canada receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, Transport Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

3. Parliamentary authorities (cont'd)

(a) Reconciliation of net cost of operations to current year authorities used

	2020	2019
	(in thousands of dollars)	
Net cost of operations	1,796,054	1,329,329
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 12)	(139,652)	(138,822)
Services provided without charge by other government departments (Note 16)	(105,081)	(96,778)
Gain (loss) on disposal of tangible capital assets (Note 18)	(24,265)	7,321
Adjustments to capital assets (Note 12(a))	3,427	2,403
Increase in vacation pay and compensatory leave	(6,733)	(2,570)
Increase in environmental liabilities (Note 5)	(21,910)	(57,260)
Decrease in employee future benefits (Note 8)	111	1,020
Decrease in contingent liabilities (Note 15)	1,609	1,645
Decrease (increase) in accrued liabilities not charged to authorities	(3,698)	1,125
Refund of prior years' expenditures	3,332	2,898
Adjustments of previous years accounts payable	1,799	1,484
Bad debt expense	(61)	19
Other expenditures not affecting authorities	(476)	(1,757)
Total items affecting net cost of operations but not affecting authorities	(291,598)	(279,272)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets (Note 12)	175,094	155,497
Decrease in lease obligations for tangible capital assets (Note 7)	25,143	24,048
Increase in consumable parts (Note 11)	25	755
Decrease in prepaid expenses	(556)	(2,308)
Other	1,060	882
Total items not affecting net cost of operations but affecting authorities	200,766	178,874
Current year authorities used	1,705,222	1,228,931

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used ⁽¹⁾

	2020	2019
	(in thousands of dollars)	
Authorities provided:		
Vote 1 – Operating expenditures	781,591	759,448
Vote 5 – Capital expenditures	171,193	184,365
Vote 10 – Grants and contributions – An Efficient Transportation System	614,974	486,869
Vote 15 – Grants and contributions – A Green and Innovative Transportation System	332,948	45,033
Vote 20 – Grants and contributions – A Safe and Secure Transportation System	48,990	38,323
Budget Implementation Votes	15,608	-
Statutory amounts	210,375	134,859
Total authorities provided	<u>2,175,679</u>	<u>1,648,897</u>
Less:		
Authorities available for future years	(1,347)	(5)
Lapsed: Operating expenditures	(27,791)	(46,915)
Lapsed: Capital expenditures	(38,591)	(78,744)
Lapsed: Grants and contributions – An Efficient Transportation System	(243,433)	(244,297)
Lapsed: Grants and contributions – A Green and Innovative Transportation System	(118,965)	(34,237)
Lapsed: Grants and contributions – A Safe and Secure Transportation System	(24,718)	(15,589)
Lapsed: Other lapsed amounts	(15,612)	(179)
Current year authorities used	<u>1,705,222</u>	<u>1,228,931</u>

⁽¹⁾ Lapsed authorities represents the surpluses at year-end as well as frozen allotments that will be reprofiled to future years.

4. Accounts payable and accrued liabilities

The following table presents details of Transport Canada's accounts payable and accrued liabilities.

	2020	2019
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	83,260	41,722
Accounts payable – External parties	377,340	336,616
Total accounts payable	<u>460,600</u>	<u>378,338</u>
Accrued liabilities	<u>106,212</u>	<u>78,489</u>
Total accounts payable and accrued liabilities	<u>566,812</u>	<u>456,827</u>

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

5. Environmental liabilities

Remediation of contaminated sites

The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

Transport Canada has identified approximately 303 sites (290 sites in 2018-2019) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has identified approximately 132 sites (109 sites in 2018-2019) where action is required and for which a gross liability of \$235,273 thousand (\$207,718 thousand in 2018-2019) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model is applied to a group of unassessed sites in order to estimate both the number of sites that are likely to be remediated, and the associated expense based on consideration of current and historical costs. Of the 57 unassessed sites considered (74 sites in 2018-2019), the model predicted that 30 sites (41 sites in 2018-2019) would ultimately be remediated at an estimated cost of \$14,935 thousand (\$20,580 thousand in 2018-2019).

These two liability estimates combined, totalling \$250,208 thousand (\$228,298 thousand in 2018-2019) represent management's best estimate of the costs required to remediate the sites to the current minimum standard for their use prior to contamination, based on information available at the financial statement date.

For the remaining 141 sites (140 sites in 2018-2019), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, Transport Canada does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2020, and March 31, 2019. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast Consumer Price Index (CPI) rate of 2.0% (2.2% in 2019). Inflation is included in the undiscounted amount. The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2020 rates range from 0.45% (1.55% in 2018-2019) for a 2 year term to 1.37% (1.92% in 2018-2019) for a 30 or greater year term.

Also, 28 sites were closed during the year (36 sites in 2018-2019) as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

5. Environmental liabilities (cont'd)

Nature and Source of Liability								
Nature & Source	2020				2019			
	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures
			(in thousands of dollars)				(in thousands of dollars)	
Military & Former Military Sites ⁽¹⁾	10	3	329	339	10	5	528	541
Fuel Related Practices ⁽²⁾	71	31	18,361	20,616	70	25	20,675	22,125
Landfill/Waste Sites ⁽³⁾	20	14	16,678	19,744	20	11	31,029	33,907
Engineered Asset/Air & Land Transportation ⁽⁴⁾	67	56	45,357	47,612	64	55	38,281	39,701
Marine Facilities/Aquatic Sites ⁽⁵⁾	62	30	162,533	175,560	60	33	134,200	145,184
Office ⁽⁶⁾	5	1	1,086	1,155	-	-	-	-
Other ⁽⁷⁾	68	27	5,864	6,148	66	21	3,585	3,903
Totals	303	162	250,208	271,174	290	150	228,298	245,361

1. Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.

2. Contamination primarily associated with fuel storage and handling. E.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).

3. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

4. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

5. Contamination associated with the operations of marine assets, e.g. port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g. on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

6. Contamination associated with the operations of office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.

7. Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites, use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

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6. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties that are restricted in order to fund the expenditures related to specific research projects, as well as from amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or service is performed. Details of the transactions related to this account are as follows:

	2020	2019
	(in thousands of dollars)	
Shared-cost agreements*		
Opening balance	3,384	2,586
Amounts received	1,060	2,945
Revenue recognized	(408)	(2,147)
Closing balance	4,036	3,384
Other		
Opening balance	3,495	3,334
Amounts received**	36,345	3,141
Revenue recognized	(3,246)	(2,980)
Closing balance	36,594	3,495
Net closing balance	40,630	6,879

*A shared-cost agreement is a common undertaking whereby the parties involved agree to participate in carrying out a project. This may involve the sharing of resources and the purchase of goods or services. Transport Canada utilizes joint cost sharing agreements with private and other government organizations.

** In response to the COVID-19 and to support the air transportation sector, the government waived ground lease rents from March 2020 through to December 2020 for the 21 airport authorities that pay rent to the federal government. Amounts received for this period as of March 31, 2020 are included in the deferred revenue and will be applied to rent due for January 2021 (see note 19).

7. Lease obligation for tangible capital assets

Under the *Northumberland Strait Crossing Act*, the Government of Canada entered into a long-term capital lease arrangement in 1992 and is obligated to pay an annual subsidy of \$41,900 thousand indexed to the annual inflation rate to the Strait Crossing Finance Inc., a wholly owned corporation of the Province of New Brunswick, for the construction of the Confederation Bridge.

The annual payments made by Transport Canada are due on April 1 and will be used to retire \$661,543 thousand of 4.5% real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge. Annual payments made by Transport Canada began in 1997 and will continue until 2033. At such time, the ownership of the bridge will be transferred to the Government of Canada.

On April 1, 2019, an annual payment in the amount of \$66,999 thousand (\$66,045 thousand in 2018-2019) was made. This payment represents a payment of principal in the amount of \$25,143 thousand (\$24,048 thousand in 2018-2019), interest of \$20,031 thousand (\$21,126 thousand in 2018-2019), and an amount of \$21,825 thousand (\$20,872 thousand in 2018-2019) representing the indexing of the payment to the annual inflation rate.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
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7. Lease obligation for tangible capital assets (cont'd)

The interest expense and indexing adjustment accrued at March 31, 2020 amounts to \$18,887 thousand (\$20,031 thousand in 2018-2019) and \$23,429 thousand (\$21,825 thousand in 2018-2019), respectively.

Transport Canada has a capital lease obligation of \$414,846 thousand at March 31, 2020 (\$439,989 thousand in 2018-2019), based on the present value for the future payments using an implicit interest rate of 6.06% at the time of signing the contract.

The obligations related to the upcoming years include the following:

	<u>2020</u>
	(in thousands of dollars)
2021	64,836
2022	65,815
2023	66,809
2024	67,819
2025	68,844
2026 and thereafter	<u>448,032</u>
Total future minimum lease payments	782,155
Less: imputed interest (6.06%)	<u>(367,309)</u>
Balance of obligations under leased tangible capital assets	<u>414,846</u>

8. Employee future benefits

(a) Pension benefits

Transport Canada's employees participate in the Public Service Pension Plan (the Plan), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and Transport Canada contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2019-2020 expense amounts to \$72,536 thousand (\$68,511 thousand in 2018-2019). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2018-2019) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018-2019) the employee contributions.

Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

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8. Employee future benefits (cont'd)

(b) Severance benefits

Severance benefits provided to Transport Canada's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2020, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	2020	2019
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	23,219	24,239
Expense for the year	2,035	1,760
Benefits paid during the year	(2,146)	(2,780)
Accrued benefit obligation - End of year	23,108	23,219

9. Accounts receivable and advances

The following table presents details of Transport Canada's accounts receivable and advances balances:

	2020	2019
	(in thousands of dollars)	
Receivables – Other government departments and agencies	31,925	9,232
Receivables – External parties	28,971	22,285
Employee advances	4,232	3,321
Subtotal	65,128	34,838
Allowance for doubtful accounts on receivables from external parties	(627)	(571)
Gross accounts receivable	64,501	34,267
Accounts receivable held on behalf of Government	(28,746)	(20,606)
Net accounts receivable	35,755	13,661

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10. Loans receivable

The following table presents details of Transport Canada's loans receivable:

	2020	2019
	(in thousands of dollars)	
Loans receivable – Victoria Harbour	1,937	1,980
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,111	2,154
Less: Unamortized discount	(7)	(94)
Subtotal	2,104	2,060
Less: Allowance for uncollectibility	(174)	(174)
Gross loans receivable	1,930	1,886
Loans receivable held on behalf of Government	(1,930)	(1,886)
Net loans receivable	-	-

(a) Loans receivable from Victoria Harbour

The Victoria Harbour loan receivable relates to the sale of a parcel of Victoria Harbour land for \$2,578 thousand. A discount of \$7 thousand (\$94 thousand in 2018-2019) is recorded to reflect the concessionary nature of the loan. A payment of \$43 thousand (\$43 thousand in 2018-2019) was received in fiscal year 2019-2020. The loan expires in 2020-2021 and the discount will be revalued.

(b) Loans receivable from St. Lawrence Seaway Management Corporation

The St. Lawrence Seaway Management Corporation loan portfolio account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between Transport Canada and the Corporation. The repayments of these loans are recorded in this account. An allowance for uncollectibility has been recorded for the balance of the loans receivable as there is uncertainty of recovering the monies owed.

11. Inventory

	2020	2019
	(in thousands of dollars)	
Consumable parts	14,120	14,095
Total inventory	14,120	14,095

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$6,729 thousand in 2019-2020 (\$3,028 thousand in 2018-2019).

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Notes to the Financial Statements (Unaudited)
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12. Tangible capital assets

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

Asset Class	Amortization Period
Confederation Bridge*	100 years
Assets under capital leases	Lease term
Buildings	20 to 40 years
Works and Infrastructure	10 to 60 years
Leasehold improvements	Lease term
Machinery and Equipment	5 to 30 years
Informatics Hardware	3 to 5 years
Informatics Software	3 years
Ships and Boats	10 to 35 years
Aircraft	6 to 20 years
Motor Vehicles	6 to 35 years

*The Confederation Bridge is capitalized because its ownership will be transferred to the Government of Canada following the end of the long term capital lease arrangement in 2033. Refer to Note 7 for further information regarding the capital lease agreement.

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

TRANSPORT CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

12. Tangible capital assets (cont'd)

Capital Asset Class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (a)	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (a)	Disposals and Write-Offs	Closing Balance	2020	2019
(in thousands of dollars)												
Land ^{(1) (6)}	205,471	-	-	(569)	204,902	-	-	-	-	-	204,902	205,471
Confederation Bridge	818,820	-	-	-	818,820	178,775	8,189	-	-	186,964	631,856	640,045
Buildings ^{(2) (7)}	877,426	967	12,847	(27,078)	864,162	641,818	17,404	(4,999)	(18,110)	636,113	228,049	235,608
Works and Infrastructure ^{(3) (8)}	3,638,992	33,266	29,955	(124,003)	3,578,210	2,304,200	74,202	(574)	(95,482)	2,282,346	1,295,864	1,334,792
Leasehold Improvements ⁽⁵⁾	27,715	0	3,903	(1,206)	30,412	15,288	1,284	1	(898)	15,675	14,737	12,427
Machinery and Equipment ^{(4) (9)}	149,709	15,392	1,111	(458)	165,754	93,827	7,946	(855)	(414)	100,504	65,250	55,882
Informatics Hardware	10,298	-	-	(22)	10,276	5,266	68	(1)	(20)	5,313	4,963	5,032
Informatics Software	170,692	-	-	(53)	170,639	132,076	16,924	183	(53)	149,130	21,509	38,616
Ships and Boats	154,507	-	633	-	155,140	83,289	2,403	8	-	85,700	69,440	71,218
Aircraft	154,544	6,465	12,049	(216)	172,842	120,972	4,323	-	(189)	125,106	47,736	33,572
Motor Vehicles	452,372	4,007	(6)	(24,853)	431,520	383,582	6,909	373	(22,186)	368,678	62,842	68,790
Assets under construction	104,103	114,997	(63,355)	-	155,745	-	-	-	-	-	155,745	104,103
Total	6,764,649	175,094	(2,863)	(178,458)	6,758,422	3,959,093	139,652	(5,864)	(137,352)	3,955,529	2,802,893	2,805,556

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

12. Tangible capital assets (cont'd)

(a) Adjustments include assets transferred to other government departments at a net book value of \$426 thousand (cost of \$6 290 thousand and amortization of \$5 864 thousand) reduced by various adjustments of \$3,427 thousand. The adjustments of \$3,427 thousand include, among other things, assets under construction of \$66,059 thousand that were transferred to the other asset categories upon completion, as well as other adjustments to assets under construction totaling \$2,704 thousand.

National Airport System assets

Land, buildings, works and infrastructures owned by Transport Canada related to the 23 Canadian airports comprising the National Airport System are included in the table above. Tangible capital assets owned by airport authorities are not reflected in these financial statements.

Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government. These agreements are in accordance with the federal *National Airports Policy*, the *Public Accountability Principles for Canadian Airport Authorities* and the *Fundamental Principles for the Creation and Operations of Canadian Airport Authorities*, which, in part, entail the transfer of the management, operations and maintenance of certain airports in Canada to Canadian Airport Authorities.

Transport Canada has the right to terminate the operating agreements and assume the responsibility for the management, operation and maintenance of the airport if the leased airports are not operated in accordance with the terms of the respective operating agreements and the Policies and Principles referred to above.

Values recorded for the National Airport System assets for 23 National Airports are:

- (1) A net book value of \$159,266 thousand (\$159,266 thousand in 2018-2019) included in Land.
- (2) A net book value of \$96,664 thousand (\$116,567 thousand in 2018-2019) included in Buildings.
- (3) A net book value of \$61,234 thousand (\$81,962 thousand in 2018-2019) included in Works and Infrastructure.
- (4) A net book value \$329 thousand (\$358 thousand in 2018-2019) included in Machinery and Equipment.
- (5) A net book value of \$42 thousand (\$84 thousand in 2018-2019) included in Leasehold Improvements.

St. Lawrence Seaway assets

Land, buildings, works and infrastructure, as well as machinery and equipment owned by Transport Canada related to the St. Lawrence Seaway (Seaway) are included in the table above. Ownership of these assets was transferred to Transport Canada effective October 1, 1998, when the St. Lawrence Seaway Management Corporation (SLSMC) was established. The original 20-year agreement with the federal government that was expected to end on March 31, 2018 was extended in 2017 for a period of five years and will therefore be in force until March 31, 2023. The SLSMC is responsible for managing and operating the Seaway, as well as the maintenance, repairs, acquisition and replacement of government-owned Navigation Seaway Assets. Transport Canada is responsible for funding any SLSMC financial requirements net of revenues. In 2019-2020, \$40,228 thousand of the annual funding provided was utilized to acquire tangible capital assets (\$48,507 thousand in 2018-2019). Other amounts to fund minor maintenance and repairs are recorded as an operating expense in the statement of operations.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
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12. Tangible capital assets (cont'd)

Values recorded for the Seaway assets are:

- ⁽⁶⁾ A net book value of \$23,443 thousand (\$23,678 thousand in 2018-2019) included in Land.
- ⁽⁷⁾ A net book value of \$21,529 thousand (\$21,467 thousand in 2018-2019) included in Buildings.
- ⁽⁸⁾ A net book value of \$931,662 thousand (\$925,934 thousand in 2018-2019) included in Works and Infrastructure.
- ⁽⁹⁾ A net book value of \$13,514 thousand (\$8,751 thousand in 2018-2019) included in Machinery and Equipment.

13. Departmental net financial position

A portion of Transport Canada's net financial position is restricted for specific purposes. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position. Transport Canada has three accounts which fall under this category:

(a) Ship-source Oil Pollution Fund (SOPF)

The Ship-source Oil Pollution Fund (Fund) was established pursuant to subsection 2001, c.6 of the *Marine Liability Act* (previously the *Canada Shipping Act*), to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the fund administrator, and related oil pollution control expenses, are financed out of the Fund. Additional information regarding the Ship-source Oil Pollution Fund can be found on the Fund's website.

(b) Fines for Transport of Dangerous Goods

The Fines for Transport of Dangerous Goods account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts under the Act. The balance of the account is used for program funding.

(c) Fund for Railway Accidents Involving Designated Goods (FRAIDG)

The Fund for Railway Accidents Involving Designated Goods was established pursuant to the *Safe and Accountable Rail Act* to establish a compensation fund to cover the losses, damages, costs and expenses resulting from a railway accident involving crude oil or other designated goods that exceed the minimum liability insurance coverage. This account is financed by a levy on shipments of crude oil by rail.

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Notes to the Financial Statements (Unaudited)
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13. Departmental net financial position (cont'd)

Activities incurred during the year in the accounts are as follows:

	2020	2019
	(in thousands of dollars)	
Ship-source Oil Pollution Fund		
Balance – Beginning of year	411,465	412,204
Revenues	6,541	9,802
Expenses	(6,012)	(10,541)
Balance – End of year	411,994	411,465
Fines for Transport of Dangerous Goods		
Balance – Beginning of year	4,114	4,114
Revenues	40	-
Expenses	-	-
Balance – End of year	4,154	4,114
Fund for Railway Accidents Involving Designated Goods		
Balance – Beginning of year	39,567	17,834
Revenues	27,508	22,309
Expenses	(467)	(576)
Balance – End of year	66,608	39,567
Total balance – End of year	482,756	455,146
Unrestricted	1,406,944	1,561,109
Departmental net financial position – End of year	1,889,700	2,016,255

14. Contractual obligations and contractual rights

(a) Contractual obligations

The nature of Transport Canada's activities may result in some large multi-year contracts and obligations whereby Transport Canada will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2021	2022	2023	2024	2025 and thereafter	Total
	(in thousands of dollars)					
Transfer payments	394,161	375,665	327,136	191,874	166,877	1,455,713
Other goods and services	39,948	21,602	21,232	5,722	5,177	93,681
Tangible capital assets	72,086	65,752	60,447	-	-	198,285
Total	506,195	463,019	408,815	197,596	172,054	1,747,679

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
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14. Contractual obligations and contractual rights (cont'd)

(b) Contractual rights

The activities of Transport Canada sometimes involve the negotiation of contracts or agreements with outside parties that result in Transport Canada having rights to both assets and revenues in the future. They principally involve leases of property such as airports and hopper cars. Major contractual rights that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

	<u>Leases of property</u> (in thousands of dollars)
2021	86,608
2022	471,619
2023	486,175
2024	500,883
2025	509,958
2026 and thereafter	-
Total	<u>2,055,243</u>

15. Contingent liabilities and contingent assets

(a) Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown.

Claims and litigation

Claims have been made against Transport Canada in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Transport Canada has recorded an allowance for claims and litigations in the amount of \$6,496 thousand (\$8,105 thousand in 2018-2019) where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$1,875 thousand (\$295 thousand in 2018-2019) at March 31, 2020. Transport Canada has no claims and litigation with related parties at March 31, 2020.

(b) Contingent assets

Transport Canada has determined that there are no contingent assets which require disclosure in these financial statements.

(c) Environmental liabilities

Transport Canada has disclosed a contingent liability in the amount of \$160 thousand for 1 site (\$160 thousand in 2018-2019 for 1 site) where Transport Canada has determined that it is not directly responsible, nor does it accept responsibility; however, there is uncertainty as to whether Transport Canada may be held legally or morally responsible.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
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16. Related party transactions

Transport Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of those individuals.

Transport Canada enters into transactions with these entities in the normal course of business and on normal trade terms.

All material transactions with related parties were transacted at values consistent with an arm's-length transaction.

(a) Common services provided without charge by other government departments

During the year, Transport Canada received services without charge from certain common service organizations related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded at their carrying value in Transport Canada's Statement of Operations and Departmental Net Financial Position as follows:

	2020	2019
	(in thousands of dollars)	
Office accommodation	46,925	46,652
Employer's contribution to health and dental insurance plans	52,244	44,214
Legal services	3,723	3,540
Workers' compensation	2,189	2,372
	105,081	96,778

The Government has centralized some of its administrative activities for efficiency and cost-effectiveness purposes of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada, and audit services provided by the Office of the Auditor General are not included in Transport Canada's Statement of Operations and Departmental Net Financial Position.

(b) Administration of programs on behalf of other government departments:

(i) Canada Strategic Infrastructure Fund (CSIF) and Border Infrastructure Fund (BIF)

Under a memorandum of understanding signed with Infrastructure Canada on January 31, 2003, Transport Canada administers the CSIF and the BIF. During the year, Transport Canada incurred expenses of \$11,158 thousand (\$24,266 thousand in 2018-2019) related to the CSIF, and no expenses (\$3,750 thousand in 2018-2019) related to the BIF, on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

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Notes to the Financial Statements (Unaudited)
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16. Related party transactions (cont'd)

(ii) Building Canada Fund (BCF)

Under a memorandum of understanding signed with Infrastructure Canada on April 25, 2008, Transport Canada administers the BCF. During the year, Transport Canada incurred expenses of \$113,528 thousand compared to \$79,608 thousand in 2018-2019, on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

(c) Other transactions with other government departments and agencies:

	2020	2019
	<u>(in thousands of dollars)</u>	
Expenses ⁽¹⁾	103,717	113,968
Revenues ⁽²⁾	45,227	41,769

Expenses and revenues disclosed in (c) exclude common services provided without charge, which are already disclosed in (a).

- (1) Expenses are mainly related to operating expenses, as well as pollution claims and expenses from the Ship-source Oil Pollution Fund.
- (2) Revenues are mainly related to services of a regulatory and non-regulatory nature, direct transfers of interest for the Ship-source Oil Pollution Fund and the Fund for Railway Accidents Involving Designated Goods, lease and use of public property, and sales of goods and information products.

17. Transfers to/from other government departments

During the year, tangible capital assets were transferred to/from other government departments. The transfers were recorded at their net book value.

Assets:	(in thousands of dollars)
Tangible capital assets transferred to other government departments (Note 12)	<u>(426)</u>
Impact on tangible capital assets and net financial position	<u>(426)</u>

18. Segmented information

Presentation by segment is based on Transport Canada's core responsibilities and follows the same accounting policies as described in the Summary of significant accounting policies in Note 2. The following table presents the expenses incurred and revenues generated for the core responsibilities, by major object of expense and major type of revenue. The segment results for the period are as follows:

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

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18. Segmented information (cont'd)

	A Safe and Secure Transportation System	An Efficient Transportation System	A Green and Innovative Transportation System	Internal Services	Specified Purpose Accounts (Note 13)	2020 Total	2019 Total
(in thousands of dollars)							
Operating expenses							
Salaries and employee benefits	423,435	56,222	76,755	152,729	-	709,141	645,429
Professional and special services	21,653	33,507	62,808	38,818	-	156,786	163,905
Amortization of tangible capital assets (Note 12)	13,677	108,391	5,043	12,541	-	139,652	138,823
Accommodation (Note 16)	27,012	3,802	4,881	11,229	-	46,924	46,652
Interest and inflation adjustment on capital lease payments (Note 7)	-	42,316	-	-	-	42,316	41,856
Equipment repair and maintenance	16,425	7,169	6,735	10,776	-	41,105	32,382
Travel and relocation	18,411	1,618	5,678	1,667	-	27,374	30,395
Net loss (gain) on disposal of tangible capital assets	(588)	31,101	(178)	(6,070)	-	24,265	(7,321)
Operating costs in respect of St. Lawrence Seaway	-	22,544	-	-	-	22,544	(368)
Increase (decrease) in environmental liabilities (Note 5)	-	-	21,910	-	-	21,910	57,260
Utilities, materials and supplies	9,332	3,823	2,748	1,122	-	17,025	17,231
Rentals	5,142	291	1,693	3,868	-	10,994	8,854
Payments in lieu of property taxes	502	5,201	763	739	-	7,205	6,943
Information services – communications	1,363	3,907	796	857	-	6,923	5,808
Specified purpose accounts (Note 13)	-	-	-	-	6,479	6,479	11,117
Other	226	412	174	1,359	-	2,171	6,062
Postage	1,119	92	138	61	-	1,410	1,752
Telecommunications	219	44	195	149	-	607	1,942
Damage and other claims against the Crown	46	10	-	88	-	144	568
Decrease in contingent liabilities (Note 15)	-	-	-	(1,609)	-	(1,609)	(1,645)
Reclassification of work-in-progress	-	(5,613)	-	-	-	(5,613)	(2,403)
Expenses incurred on behalf of Government	-	-	-	-	(6,479)	(6,479)	(11,117)
Total operating expenses	537,974	314,837	190,139	228,324	-	1,271,274	1,194,125

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

18. Segmented information (cont'd)

	A Safe and Secure Transportation System	An Efficient Transportation System	A Green and Innovative Transportation System	Internal Services	Specified Purpose Accounts (Note 13)	2020 Total	2019 Total
(in thousands of dollars)							
Transfer payments							
Industry	9,468	69,503	185,481	-	-	264,452	70,082
Other levels of government within Canada	12,049	244,526	6,728	-	-	263,303	103,301
Non-profit organizations	2,505	54,281	21,694	-	-	78,480	37,832
Individuals	18	134	43	-	-	195	299
Other countries and international organizations	95	-	-	-	-	95	101
Total transfer payments	24,135	368,444	213,946	-	-	606,525	211,615
Total expenses	562,109	683,281	404,085	228,324	-	1,877,799	1,405,740
Revenues							
Leases of property	-	381,368	-	-	-	381,368	403,322
Monitoring and enforcement revenues	24,043	22,120	-	466	-	46,629	48,918
Aircraft maintenance and flying services	35,839	-	-	-	-	35,839	31,493
Specified purpose accounts (Note 13)	-	-	-	-	34,089	34,089	32,111
Rentals and concessions	793	12,995	715	13,412	-	27,915	25,937
Transport facilities user fees	-	14,155	-	-	-	14,155	14,123
Other	422	210	-	130	-	762	1,848
Revenues earned on behalf of Government	(1,667)	(410,718)	(33)	(12,505)	(34,089)	(459,012)	(481,341)
Total revenues	59,430	20,130	682	1,503	-	81,745	76,411
Net cost of operations	502,679	663,151	403,403	226,821	-	1,796,054	1,329,329

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

19. Subsequent Events

On March 2020, the outbreak of the Coronavirus pandemic (COVID-19) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel restrictions, self-imposed quarantine periods and physical distancing requirements, have caused material disruption to businesses globally resulting in an economic slowdown.

Transport Canada is closely monitoring the COVID-19 situation and has issued transportation-related measures and guidance. The economic impact to the transportation sector and the public at large will, in turn, impact departmental revenues and expenditures. The duration and impact of the COVID-19 outbreak is unknown at this time. As a result, it is not possible to reliably estimate the length and severity of the impact on Transport Canada financial position and financial results in future periods.

The air transportation sector has been disproportionately impacted by the COVID-19 pandemic. As governments around the world impose border restrictions and advise their citizens against non-essential travel to protect people's health, the sector has faced significant declines in air passenger traffic, staff layoffs, and grounding of planes. In emergency response to the COVID-19 and to support the air transportation sector, the government waived ground lease rents from March 2020 through to December 2020 for the 21 airport authorities that pay rent to the federal government and will provide comparable support to Billy Bishop airport. In addition, other forms of rent relief may be granted to external tenants in various sectors. Such relief will be granted in consideration of tenants' ability to pay.