

Quarterly Financial Report of

TRANSPORT CANADA

(Unaudited)

For the quarter ended December 31st, 2021

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

Table of contents

STATEMENT OUTLINING RESULTS, RISKS AND SIGNIFICANT CHANGES IN OPERATIONS, PERSONNEL AND PROGRAMS	- 3 -
1. INTRODUCTION	- 3 -
1.1 AUTHORITY, MANDATE AND PROGRAM ACTIVITIES	- 3 -
1.2 BASIS OF PRESENTATION	- 3 -
2. HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE (YTD) RESULTS	- 4 -
2.1 STATEMENT OF AUTHORITIES	- 4 -
2.2 STATEMENT OF DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT	- 6 -
3. RISKS AND UNCERTAINTIES	- 7 -
4. SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS	- 8 -
STATEMENT OF AUTHORITIES (UNAUDITED)	- 9 -
DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (UNAUDITED)	- 11 -

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

Statement outlining results, risks and significant changes in operations, personnel and programs

1. Introduction

This quarterly financial report has been prepared by management as required by [section 65.1 of the *Financial Administration Act*](#) and in the form and manner prescribed by the [Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report](#).

The quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates (A) and (B).

This quarterly report has not been subject to an external audit or review.

1.1 Authority, Mandate and Program Activities

A summary description of Transport Canada's program activities is presented in [Part II of the Main Estimates](#).

1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes Transport Canada's spending authorities granted by Parliament, and those used by Transport Canada consistent with the Main Estimates and the 2021-2022 Supplementary Estimates (A) and (B). This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before money can be spent by the government. Approvals are given in the form of annually approved limits through appropriation acts, or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

Transport Canada uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

2. Highlights of fiscal quarter and fiscal year-to-date (YTD) results

2.1 Statement of Authorities

Transport Canada's total authorities available for use increased by approximately \$8.5 million, from \$2,540.3 million as of December 31, 2020 to \$2,548.9 million as of December 31, 2021, as summarized below:

Table 1: Significant Changes in Authorities (in thousands of dollars):

Authorities ⁽³⁾	2021-2022 ⁽¹⁾	2020-2021 ⁽¹⁾	Variance
Vote 1 – Net operating expenditures	794,435	797,801	(3,366)
Vote 5 – Capital expenditures	193,417	353,081	(159,664)
Vote 10 – Grants and contributions	1,333,548	-	1,333,548
Vote 10 – Grants and contributions – Efficient Transportation System ⁽²⁾	-	855,295	(855,295)
Vote 15 – Grants and contributions – Green and Innovative Transportation System ⁽²⁾	-	237,592	(237,592)
Vote 20 – Grants and contributions – Safe and Secure Transportation System ⁽²⁾	-	64,395	(64,395)
Total Votes 10, 15 and 20 – Grants and contributions	1,333,548	1,157,282	176,266
Budgetary statutory authorities⁽³⁾	227,476	232,170	(4,694)
Total Authorities	2,548,876	2,540,334	8,542

Notes:

- (1) Totals may not add or may not agree with details provided elsewhere due to rounding.
- (2) Beginning in 2016-2017, the Department of Transport was the subject of a pilot project which its grants and contributions were separated in three separate votes based on its program structure. The pilot project has ended and Votes 15 and 20 were merged with Vote 10 in the 2021-2022 Main Estimates.
- (3) See Statement of Authorities for more details.

The accompanying Statement of Authorities illustrates the total authorities available for use, the authorities used for the quarter, the year-to-date authorities used for the current fiscal year, as well as the comparative figures for the previous year. The major year-to-year changes for the quarters ended December 31, 2021 are explained below.

2.1.1 Vote 1 – Net Operating Expenditures (Decrease of \$3.4 million)

Planned operating authorities decreased by \$3.4 million from 2020-2021 to 2021-2022, mostly explained by the following factors:

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

- An increase in authorities of:
 - \$23.9 million as a result of an increase in collective bargaining; and
 - \$5.0 million in the Operating Budget Carry Forward.
- Offset by a decrease of:
 - \$12.0 million in funding for Delivering Better Service for Air Travellers;
 - \$11.0 million in funding for the Oceans Protection Plan;
 - \$7.1 million for the Ports Asset Transfer Program; and
 - \$1.0 million in funding for the Incentives for Zero-Emission Vehicles Program.

2.1.2 Vote 5 – Capital Expenditures (Decrease of \$159.7 million)

Planned Capital authorities decreased by \$159.7 million from 2020-2021 to 2021-2022, largely explained by the following factors:

- An increase in funding of:
 - \$11.4 million for the Oceans Protection Plan; and
 - \$9.5 million for Strengthening Airports Serving Remote Communities.
- Offset by a decrease in funding of:
 - \$178.5 million for the purchase of the MV Villa de Teror ferry; and
 - \$1.6 million for the National Trade Corridors Fund.

2.1.3 Vote 10 – Grants and Contributions (Increase of \$176.3 million)

Grant and contribution authorities for Vote 10 increased by \$176.3 million from 2020-2021 to 2021-2022, largely explained by the following factors:

- An increase in funding of:
 - \$202.7 million for the Airport Critical Infrastructure Program;
 - \$87.0 million for the Airports Capital Assistance Program;
 - \$70.2 million for the Incentives for Zero-Emission Vehicles Program;
 - \$64.9 million for the Airport Relief Fund;
 - \$7.6 million for the Ports Asset Transfer Program; and
 - \$4.9 million for major rehabilitation work on the roadway portion of the Victoria Bridge.
- Offset by a decrease in funding of:
 - \$66.0 million for the National Trade Corridors Fund;
 - \$62.4 million for the Ports Asset Transfer Program;
 - \$57.8 million to Support Essential Air Access to Remote Communities;
 - \$34.6 million for the Gateways and Border Crossings Fund;
 - \$14.3 million for the Rail Safety Improvement Program;
 - \$12.6 million for the Asia-Pacific Gateway and Corridor Initiative; and
 - \$10.6 million for the Ferry Services Contribution Program.

2.1.4 Budgetary Statutory Authorities (Decrease of \$4.7 million)

The planned expenditures for the budgetary statutory authorities decreased by \$4.7 million mainly as a result of a decrease in funding of \$8.3 million in capital and operating requirements associated with the St. Lawrence Seaway Management Corporation (SLSMC). 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. The decrease in planned spending was offset by an increase of \$2.3 million in planned contributions to Employee Benefits Plans and by an increase of \$1.3 million for the Northumberland Strait Crossing Subsidy Program.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

2.2 Statement of Departmental Budgetary Expenditures by Standard Object

The accompanying Statement of Departmental Budgetary Expenditures by Standard Object illustrates annual planned expenditures, quarter and year-to-date expenditures for the current fiscal year, and comparative figures for the previous fiscal year. Overall, the year-to-date expenditures at the end of the third quarter of 2021-2022 represent 54 % of the annual planned expenditures, which is higher than the third quarter (42 %) of 2020-2021 primarily due to higher spending for transfer payments as explained in section 2.2 and the fact that expenditures related to the purchase of the MV Villa de Teror were incurred in the fourth quarter of 2020-2021, impacting the ratio of spending to planned expenditures as at the third quarter of 2020-2021.

Historically, most spending on high-dollar value, major infrastructure grant and contribution programs occurs in the fourth quarter. This is due to the fact that the majority of recipients submit their claims for reimbursement in the last quarter following the summer and fall construction periods. For some categories of operating expenditures, the year-to-date actuals represent a small fraction of the planned expenditures, which is consistent with prior years and other federal government departments. This is mainly a result of a timing difference between the date the goods or services were obtained and the invoices received. In addition, there is also a ramp up of operational activities in the last quarter following mid-year internal budget reallocations, and receipt of increased funding for new initiatives, for which the majority of expenditures will be incurred in the fourth quarter.

The major year-to-year variances as at December 31, 2021 are as follows:

Planned Expenditures

○ **Personnel**

The planned expenditures related to **Personnel** for the year 2021-2022 compared to 2020-2021 increased by approximately \$12.2 million primarily due to an increase in funding for collective agreements offset by a decrease in funding for the Oceans Protection Plan and a decrease in the personnel component of the Operating Budget Carry Forward.

○ **Professional and Special Services**

The planned expenditures related to **Professional and Special Services** for the year 2021-2022 compared to 2020-2021 decreased by approximately \$32.3 million due to a decrease in funding for Delivering Better Service for Air Travellers, the Oceans Protection Plan and the Ports Asset Transfer Program.

○ **Acquisition of machinery and equipment**

The planned expenditures related to **Acquisition of machinery and equipment** for the year 2021-2022 compared to 2020-2021 decreased by \$152.3 million mainly due to a decrease in funding for the purchase of the MV Villa de Teror offset by an increase in the Capital Budget Carry Forward.

○ **Transfer payments**

The planned expenditures related to **Transfer payments** for the year 2021-2022 compared to 2020-2021 increased by approximately \$177.6 million. The causes of the variances are explained in section 2.1.3.

○ **Vote-netted revenues**

The planned recoveries related to **Vote-netted revenues** for the year 2021-2022 compared to 2020-2021 decreased by approximately \$7.4 million mainly due to a projected decrease in the demand for TC's services as a result of the impact of the COVID-19 pandemic.

Year-to-Date Expenditures

○ **Personnel**

The year-to-date expenditures related to **Personnel** at December 31, 2021 increased by approximately \$28.4 million when compared to 2020-2021. The raise is explained by an increase in salary wages due to renewed collective agreements and by an increase in the number of employees over the same period due to new departmental initiatives. In addition, there was an increase in the amount of acting pay payments when compared to the prior year due to a ramp up in the processing of outstanding acting pay transactions.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

- **Acquisition of machinery and equipment**

The year-to-date expenditures related to *Acquisition of machinery and equipment* at December 31, 2021 decreased by approximately \$13.0 million when compared to 2020-2021. This decrease is mainly explained by the non-reoccurring acquisition of a new ferry vessel under the MV Madeleine Interim Replacement project in fiscal year 2020-2021, as well as a decrease in the purchase of parts and accessories for aircrafts between fiscal year 2020-2021 and 2021-2022.

- **Transfer payments**

The year-to-date expenditures related to *Transfer payments* at December 31, 2021 increased by approximately \$234.4 million when compared to 2020-2021. Major increases in this area include \$90.1 million in payments under the Incentives for Zero-Emission Vehicles Program, an increase of \$64.8 million for the Airport Relief Fund, an increase of \$44.8 million for the Port Asset Transfer Program, for which the corresponded funding is expected to be received in 2021-2022 Supplementary Estimates (C) and an increase of \$31.3 million for the Airport Capital Assistance Program.

- **Other subsidies and payments**

The year-to-date expenditures related to *Other Subsidies and Payments* at December 31, 2021 increased by approximately \$40.8 million when compared to 2020-2021 due to an increase of \$40.9 million in reimbursements made in 2021-2022 for 2020 ground lease rent payments received from National Airport System airports which were overestimated as a result of the slowdown of the aerospace's sector due to the pandemic.

3. Risks and Uncertainties

The outbreak of 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 department remains committed to its top priority: the safety and security of Canadians and Canada's transportation system, as well as ensuring the continued flow of essential goods and services that Canadians need to remain healthy. Transport Canada is working with the Public Health Agency of Canada, provincial and territorial governments, transportation industry stakeholders, and Indigenous Peoples to reduce the risk of transmission.

Transport Canada maintains a Corporate Risk Profile which identifies and assesses high-level risks that could affect the achievement of departmental objectives and priorities. The identification of risks and the development of risk responses contribute to making decisions related to setting departmental priorities, planning, allocating resources, developing policies, managing programs and reporting on performance.

Certain risks would have financial impacts should they materialize; for example many factors affecting the timing of transfer payments lie outside of Transport Canada's control and could require funds to be re-profiled to future years. To minimize these impacts, Transport Canada continuously monitors its program funding and expenditures, including a monthly senior management review of plans and forecasts.

Transport Canada implemented the Phoenix pay system on April 7, 2016 as part of the Government of Canada pay transformation initiative. Since its implementation, the new pay system has experienced issues, which Public Services and Procurement Canada is working to resolve as quickly as possible. To mitigate the impact on its employees, Transport Canada has issued emergency salary advances to employees not receiving their basic pay. The pay issues and the workload associated with the signing of new collective agreements have also resulted in a backlog of compensation transactions, most notably acting pay transactions. However, the number and the value of outstanding acting pay has been diminishing since 2018-2019. The pay system issues have also generated salary overpayments. Transport Canada works with the employees in question to recover the funds through a repayment plan to ensure that they do not experience any undue hardships. The impact of the pay system issues on the year-to-date expenditures reflected in the Quarterly Financial Report is not material. Transport Canada will deal with these matters on an expedited basis when the required updates to the Phoenix pay system are implemented.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

Transport Canada is currently implementing major initiatives that have risks associated with inter-departmental coordination, cooperation and performance, as well as with the outcome of consultations with key transportation stakeholders and indigenous groups. Transport Canada's Transformation Plan is also designed to improve the Department's financial sustainability and regulatory environment for the future. There are risks and uncertainties associated with implementing needed legislative changes, introducing new cost recovery initiatives and realizing planned savings from identified efficiency opportunities.

The loss of key personnel represents a risk for most organizations. Transport Canada mitigates this risk through its succession planning strategy, as well as promptly launching staffing processes and having experienced personnel acting in positions that are vacant.

4. Significant Changes in Relation to Operations, Personnel and Programs

In response to COVID-19, over the weekend of March 14-15, 2020, Transport Canada transitioned to remote work to sustain critical services to Canadians. Since the first quarter of fiscal year 2020-2021 over 90% of Transport Canada employees were able to work remotely without invoking business continuity plans. This was possible as a result of digital capacity building within the department over the past two years and a focus on innovation through service design and digital tools to deliver improved and more cost-effective services in support of Canada's transportation system. Looking forward, Transport Canada is focusing on continuing to increase digital capacity, sustaining remote work, developing organizational capacity to effectively manage remote teams, and enabling a safe and gradual transition back to the worksite.

The following changes in senior personnel occurred during the third quarter:

- The Deputy Minister and Associate Deputy Minister announced the appointment of Vincent Robitaille, as Assistant Deputy Minister, High Frequency Rail, effective December 16, 2021.

Approved by:

Original signed by

Michael Keenan,
Deputy Minister
Ottawa, Canada

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

February 21, 2022

February 15, 2022

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2021-2022			Fiscal year 2020-2021		
	Total available for use for the year ending March 31, 2022 ⁽¹⁾	Used during the quarter ended December 31, 2021	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2021 ⁽¹⁾	Used during the quarter ended December 31, 2020	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	877,569	212,981	593,469	888,314	205,549	560,251
Vote 1 – Revenue credited to the vote	(83,134)	(19,954)	(50,345)	(90,513)	(21,981)	(46,392)
Vote 1 – Net operating expenditures	794,435	193,027	543,124	797,801	183,568	513,859
Vote 5 – Capital expenditures	193,417	26,849	57,056	353,081	24,473	71,379
Vote 10 – Grants and contributions	1,333,548	214,920	512,497	-	-	-
Vote 10 – Grants and contributions – Efficient Transportation System ⁽²⁾	-	-	-	855,295	101,718	186,400
Vote 15 – Grants and contributions – Green and Innovative Transportation System ⁽²⁾	-	-	-	237,592	39,918	90,811
Vote 20 – Grants and contributions – Safe and Secure Transportation System ⁽²⁾	-	-	-	64,395	1,308	1,708
Total Votes 10, 15 and 20 – Grants and contributions	1,333,548	214,920	512,497	1,157,282	142,944	278,919
Budgetary statutory authorities						
Contributions to employee benefit plans	87,335	21,705	65,114	84,990	21,093	63,280
Minister of Transport – Salary and motor car allowance	91	23	68	89	22	67
Railway Company – Victoria Bridge, Montreal	3,300	121	3,300	3,300	2,187	3,217
Northumberland Strait Crossing Subsidy Payment	70,000	-	69,306	68,699	-	68,603
Payments in respect of St. Lawrence Seaway Agreements	66,750	43,138	72,662	75,092	45,688	71,288
Refunds of amounts credited to revenues in previous years	-	9,410	40,968	-	-	-
Court Awards – <i>Crown Liability and Proceedings Act</i>	-	-	-	-	-	4
Total Budgetary statutory authorities	227,476	74,397	251,418	232,170	68,990	206,459
Total budgetary authorities	2,548,876	509,193	1,364,095	2,540,334	419,975	1,070,616

Note:

(1) Includes only Authorities available for use and granted by Parliament at quarter-end.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

- (2) Beginning in 2016-2017, the Department of Transport was the subject of a pilot project which its grants and contributions were separated in three separate votes based on its program structure. The pilot project has ended and Votes 15 and 20 were merged with Vote 10 in the 2021-2022 Main Estimates.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2021

Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2021-2022			Fiscal year 2020-2021		
	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended December 31, 2021	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended December 31, 2020	Year-to-date used at quarter-end
Expenditures:						
Personnel	697,936	176,558	529,663	685,729	171,189	501,229
Transportation and communications	33,503	2,973	6,938	34,200	1,912	4,774
Information	6,625	1,278	2,940	5,982	1,186	2,669
Professional and special services	181,242	51,608	103,673	213,552	46,191	100,830
Rentals	10,955	2,049	8,467	12,113	2,268	7,910
Repair and maintenance	13,096	6,044	10,820	13,808	3,675	7,217
Utilities, materials and supplies	17,130	3,778	10,339	17,797	4,369	9,822
Acquisition of land, buildings and works	160,146	41,914	74,293	164,103	43,506	77,524
Acquisition of machinery and equipment	86,868	14,755	30,800	239,156	17,963	43,757
Transfer payments	1,406,848	215,041	585,102	1,229,281	145,130	350,739
Other subsidies and payments	17,661	13,149	51,405	15,126	4,567	10,537
Total gross budgetary expenditures	2,632,010	529,147	1,414,440	2,630,847	441,956	1,117,008
Less Revenues netted against expenditures:						
Vote-netted revenues	(83,134)	(19,954)	(50,345)	(90,513)	(21,981)	(46,392)
Total Revenues netted against expenditures:	(83,134)	(19,954)	(50,345)	(90,513)	(21,981)	(46,392)
Total net budgetary expenditures	2,548,876	509,193	1,364,095	2,540,334	419,975	1,070,616