

Financial Statements of

TRANSPORT CANADA
(Unaudited)

For the year ended March 31, 2022

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, 2022, 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, 2022 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

August 31, 2022

August 30, 2022

Date

Date

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

	2022	2021
Liabilities		
Accounts payable and accrued liabilities (Note 4)	645,240	582,308
Vacation pay and compensatory leave	62,257	66,147
Environmental liabilities (Note 5)	231,895	233,473
Deferred revenue (Note 6)	3,502	3,955
Lease obligation for tangible capital assets (Note 7)	361,075	388,559
Employee future benefits (Note 8)	16,476	19,586
Contingent liabilities (Note 15)	24,504	24,416
Total net liabilities	1,344,949	1,318,444
Financial assets		
Due from Consolidated Revenue Fund	415,048	455,022
Accounts receivable and advances (Note 9)	195,638	83,282
Loans receivable (Note 10)	2,041	1,895
Total gross financial assets	612,727	540,199
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(171,269)	(55,298)
Loans receivable (Note 10)	(2,041)	(1,895)
Total financial assets held on behalf of Government	(173,310)	(57,193)
Total net financial assets	439,417	483,006
Departmental net debt	905,532	835,438
Non-financial assets		
Prepaid expenses	4,359	2,809
Consumable parts (Note 11)	14,383	14,603
Tangible capital assets (Note 12)	2,919,786	2,934,771
Total non-financial assets	2,938,528	2,952,183
Departmental net financial position (Note 13)	2,032,996	2,116,745

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

August 31, 2022

August 30, 2022

Date

Date

TRANSPORT CANADA

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

For the Year Ended March 31, 2022

(in thousands of dollars)

	2022	2022	2021
	Planned Results		
Expenses (Note 17)			
An Efficient Transportation System	957,530	995,765	661,410
A Safe and Secure Transportation System	575,800	593,908	590,169
A Green and Innovative Transportation System	496,910	473,177	334,210
Internal Services	227,702	212,537	272,298
Specified purpose accounts (Note 13)	5,897	5,144	3,568
Expenses incurred on behalf of Government	(5,897)	(5,144)	(3,568)
Total expenses	2,257,942	2,275,387	1,858,087
Revenues			
Leases of property	212,386	163,260	(12,271)
Aircraft maintenance and flying services	41,344	46,869	37,293
Monitoring and enforcement revenues	48,962	21,531	19,066
Rentals and concessions	7,500	19,184	26,869
Specified purpose accounts (Note 13)	30,730	17,715	16,615
Transport facilities user fees	8,808	9,789	8,835
Other	10,066	27,023	31,739
Revenues earned on behalf of Government	(276,662)	(222,064)	(56,760)
Total revenues	83,134	83,307	71,386
Net cost of operations	2,174,808	2,192,080	1,786,701
Government funding and transfers			
Net cash provided by Government of Canada		2,042,385	1,834,724
Services provided without charge by other government departments (Note 16)		105,920	104,825
Transfer of assets (to)/from other government departments		-	(70)
Change in due from Consolidated Revenue Fund		(39,974)	74,267
Net cost of operations after government funding and transfers		83,749	(227,045)
Departmental net financial position – Beginning of year		2,116,745	1,889,700
Departmental net financial position – End of year		2,032,996	2,116,745

Segmented information (Note 17)

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)

	<u>2022</u>	<u>2021</u>
Net cost of operations after government funding and transfers	83,749	(227,045)
Change due to tangible capital assets		
Acquisition of tangible capital assets (Note 12)	157,813	303,731
Amortization of tangible capital assets (Note 12)	(136,932)	(153,520)
Proceeds from disposal of tangible capital assets	(21,471)	(30,975)
Net gain (loss) on disposal of tangible capital assets (Note 17)	(8,871)	12,437
Adjustments to capital assets (Note 12(a))	(5,524)	275
Transfer (to)/from other government departments	-	(70)
Total change due to tangible capital assets	(14,985)	131,878
Change due to consumable parts (Note 11)	(220)	483
Change due to prepaid expenses	1,550	2,059
Net increase (decrease) in departmental net debt	70,094	(92,625)
Departmental net debt – Beginning of year	835,438	928,063
Departmental net debt – End of year	905,532	835,438

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)

	2022	2021
Operating activities		
Net cost of operations	2,192,080	1,786,701
Non-cash items:		
Amortization of tangible capital assets (Note 12)	(136,932)	(153,520)
Adjustments to capital assets (Note 12(a))	(5,524)	275
Services provided without charge by other government departments (Note 16)	(105,920)	(104,825)
Gain (loss) on disposal of tangible capital assets (Note 17)	(8,871)	12,437
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances (Note 9)	(3,615)	(7,771)
Increase (decrease) in prepaid expenses	1,550	2,059
Increase (decrease) in consumable parts (Note 11)	(220)	483
Decrease (increase) in accounts payable and accrued liabilities (Note 4)	(62,932)	(15,496)
Decrease (increase) in vacation pay and compensatory leave	3,890	(23,674)
Decrease (increase) in environmental liabilities (Note 5)	1,578	16,735
Decrease (increase) in deferred revenue (Note 6)	453	36,675
Decrease (increase) in employee future benefits (Note 8)	3,110	3,522
Decrease (increase) in contingent liabilities (Note 15)	(88)	(17,920)
Cash used in operating activities	1,878,559	1,535,681
Capital investing activities		
Acquisition of tangible capital assets (Note 12)	157,813	303,731
Proceeds from disposal of tangible capital assets	(21,471)	(30,975)
Cash used in capital investing activities	136,342	272,756
Financing activities		
Decrease in lease obligation for tangible capital assets (Note 7)	27,484	26,287
Cash used in financing activities	27,484	26,287
Net cash provided by Government of Canada	2,042,385	1,834,724

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, 2022

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 through laws, regulations, policies and oversight.
- *An Efficient Transportation System*: supports efficient market access to products through investments in Canada's trade corridors; adopts and implement rules and policies that promote sufficient choice and improved service to Canadian travellers and shippers, and manages transportation assets to ensure value for Canadians.
- *A Green and Innovative Transportation System*: advances the Government of Canada's environmental agenda in the transportation sector by reducing harmful air emissions; protects Canada's ocean and marine environments by reducing the impact of marine shipping; and affirms a commitment to innovation in 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 lines of 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, 2022

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 2021-2022 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 2021-2022 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, 2022

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, 2022

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, 2022

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, 2022

3. Parliamentary authorities (cont'd)

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

	2022	2021
	(in thousands of dollars)	
Net cost of operations	2,192,080	1,786,701
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 12)	(136,932)	(153,520)
Services provided without charge by other government departments (Note 16)	(105,920)	(104,825)
Gain (loss) on disposal of tangible capital assets (Note 17)	(8,871)	12,437
Adjustments to capital assets	(5,393)	(2,958)
Decrease (increase) in vacation pay and compensatory leave	3,890	(23,674)
Decrease (increase) in environmental liabilities (Note 5)	1,578	16,735
Decrease (increase) in employee future benefits (Note 8)	3,110	3,522
Decrease (increase) in contingent liabilities (Note 15)	(88)	(17,920)
Decrease (increase) in accrued liabilities not charged to authorities	6,584	5,668
Refund of prior years' expenditures	2,930	2,331
Adjustments of previous years accounts payable	4,082	3,203
Bad debt expense	87	(530)
Other expenditures not affecting authorities	(29)	(992)
Total items affecting net cost of operations but not affecting authorities	(234,972)	(260,523)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	157,813	303,731
Decrease in lease obligations for tangible capital assets (Note 7)	27,484	26,287
Increase (decrease) in consumable parts (Note 11)	(220)	483
Increase (decrease) in prepaid expenses	1,550	2,059
Refund of previous years' revenues	40,932	36,254
Other	(1,461)	2,172
Total items not affecting net cost of operations but affecting authorities	226,098	370,986
Current year authorities used	2,183,206	1,897,164

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31, 2022

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used ^{(1) (2)}

	2022	2021
	(in thousands of dollars)	
Authorities provided:		
Vote 1 – Operating expenditures	832,145	837,008
Vote 5 – Capital expenditures	204,389	357,791
Vote 10 – Grants and contributions	1,549,862	-
Vote 10 – Grants and contributions – An Efficient Transportation System	-	863,210
Vote 15 – Grants and contributions – A Green and Innovative Transportation System	-	237,342
Vote 20 – Grants and contributions – A Safe and Secure Transportation System	-	64,395
Statutory amounts	225,111	280,389
Total authorities provided	<u>2,811,507</u>	<u>2,640,135</u>
Less:		
Authorities available for future years	(15,802)	(3,287)
Lapsed: Operating expenditures	(45,154)	(53,707)
Lapsed: Capital expenditures	(99,447)	(109,407)
Lapsed: Grants and contributions	(467,898)	-
Lapsed: Grants and contributions – An Efficient Transportation System	-	(478,808)
Lapsed: Grants and contributions – A Green and Innovative Transportation System	-	(54,845)
Lapsed: Grants and contributions – A Safe and Secure Transportation System	-	(42,917)
	<u>2,183,206</u>	<u>1,897,164</u>
Current year authorities used		

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

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

4. Accounts payable and accrued liabilities

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

	2022	2021
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	58,324	69,628
Accounts payable – External parties	528,034	446,495
Total accounts payable	<u>586,358</u>	<u>516,123</u>
Accrued liabilities	<u>58,882</u>	<u>66,185</u>
Total accounts payable and accrued liabilities	<u>645,240</u>	<u>582,308</u>

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31, 2022

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 264 sites (273 sites in 2020-2021) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has identified approximately 135 sites (133 sites in 2020-2021) where action is required and for which a gross liability of \$218,948 thousand (\$218,613 thousand in 2020-2021) 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 46 unassessed sites considered (54 sites in 2020-2021), the model predicted that 25 sites (30 sites in 2020-2021) would ultimately be remediated at an estimated cost of \$12,946 thousand (\$14,860 thousand in 2020-2021).

These two liability estimates combined, totalling \$231,895 thousand (\$233,473 thousand in 2020-2021) 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 104 sites (110 sites in 2020-2021), 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, 2022, and March 31, 2021. 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% (2.0% in 2021). 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 2022 rates range from 2.24% (0.24% in 2020-2021) for a 2 year term to 2.35% (2.0% in 2020-2021) for a 30 or greater year term.

Also, 15 sites were closed during the year (15 sites in 2020-2021) 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, 2022

5. Environmental liabilities (cont'd)

Nature and Source of Liability								
Nature & Source	2022				2021			
	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⁾	4	3	525	544	7	3	290	291
Fuel Related Practices ⁽²⁾	65	31	14,221	15,558	68	31	14,361	14,916
Landfill/Waste Sites ⁽³⁾	17	14	16,398	18,519	19	13	18,268	19,199
Engineered Asset/Air & Land Transportation ⁽⁴⁾	57	51	39,965	44,058	61	54	35,972	37,516
Marine Facilities/Aquatic Sites ⁽⁵⁾	54	31	151,561	168,480	50	32	153,333	161,463
Office ⁽⁶⁾	4	2	2,677	3,141	4	2	2,518	2,864
Other ⁽⁷⁾	63	28	6,548	7,205	64	28	8,731	9,016
Totals	264	160	231,895	257,505	273	163	233,473	245,265

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:

	2022	2021
	(in thousands of dollars)	
Shared-cost agreements*		
Opening balance	3,292	4,036
Amounts received	1,363	1,820
Revenue recognized	(2,677)	(2,564)
Closing balance	1,978	3,292
Other		
Opening balance	663	36,594
Amounts received	991	323
Revenue recognized	-	-
Amounts refunded to airport authorities in response to pandemic relief**	(130)	(36,254)
Closing balance	1,524	663
Net closing balance	3,502	3,955

*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 pandemic 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. The intent was to use the funds collected in March 2020 from rent payments and apply it as a credit against the 2021 rent. However, as the pandemic continued and the airport authorities' financial situation became more precarious, it was decided to refund the March 2020 payments to help the airport authorities manage the financial impact of reduced travel as a result of the COVID-19 pandemic.

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, 2021, an annual payment in the amount of \$69,306 thousand (\$68,603 thousand in 2020-2021) was made. This payment represents a payment of principal in the amount of \$27,484 thousand (\$26,287 thousand in

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

2020-2021), interest of \$17,690 thousand (\$18,887 thousand in 2020-2021), and an amount of \$24,132 thousand (\$23,429 thousand in 2020-2021) representing the indexing of the payment to the annual inflation rate.

The interest expense and indexing adjustment accrued at March 31, 2022 amounts to \$16,438 thousand (\$17,690 thousand in 2020-2021) and \$27,692 thousand (\$24,131 thousand in 2020-2021), respectively.

Transport Canada has a capital lease obligation of \$361,075 thousand at March 31, 2022 (\$388,559 thousand at March 31, 2021), 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>2022</u>
	(in thousands of dollars)
2023	72,866
2024	66,809
2025	67,819
2026	68,844
2027	69,884
2028 and thereafter	<u>378,148</u>
Total future minimum lease payments	724,370
Less: imputed interest (6.06%)	<u>(363,295)</u>
Balance of obligations under leased tangible capital assets	<u>361,075</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 2021-2022 expense amounts to \$80,135 thousand (\$84,168 thousand in 2020-2021). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2020-2021) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2020-2021) 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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Notes to the Financial Statements (Unaudited)
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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, 2022, 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:

	2022	2021
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	19,586	23,108
Expense for the year	(1,207)	(2,221)
Benefits paid during the year	(1,903)	(1,301)
Accrued benefit obligation - End of year	16,476	19,586

9. Accounts receivable and advances

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

	2022	2021
	(in thousands of dollars)	
Receivables – Airport Authorities, long-term	130,578	30,571
Receivables – Other government departments and agencies	24,088	25,643
Receivables – External parties, current	37,858	22,778
Employee advances	4,037	5,371
Subtotal	196,561	84,363
Allowance for doubtful accounts on receivables from external parties	(923)	(1,081)
Gross accounts receivable	195,638	83,282
Accounts receivable held on behalf of Government	(171,269)	(55,298)
Net accounts receivable	24,369	27,984

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10. Loans receivable

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

	2022	2021
	(in thousands of dollars)	
Loans receivable – Victoria Harbour	2,041	1,895
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,215	2,069
Less: Allowance for uncollectibility	(174)	(174)
Gross loans receivable	2,041	1,895
Loans receivable held on behalf of Government	(2,041)	(1,895)
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, repayable originally over a period of 15 years, with the final payment to have been received on May 9, 2020. In 2020-2021, an extension of the repayment period was granted and the final installment is currently scheduled for May 9, 2023. An adjustment of \$188 thousand was made to the loan receivable to take into consideration additional interest given the extension of the repayment period. A payment of \$43 thousand (\$43 thousand in 2020-2021) was received in fiscal year 2021-2022.

(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 remaining amount of the loans receivable as there is uncertainty of recovering the monies owed.

11. Inventory

	2022	2021
	(in thousands of dollars)	
Consumable parts	14,383	14,603
Total inventory	14,383	14,603

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$8,862 thousand in 2021-2022 (\$7,469 thousand in 2020-2021).

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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*)

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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	2022	2021
(in thousands of dollars)												
Land ^{(1) (6)}	204,514	-	-	(1,131)	203,383	-	-	-	-	-	203,383	204,514
Confederation Bridge	818,820	-	-	-	818,820	195,152	8,188	-	-	203,340	615,480	623,668
Buildings ^{(2) (7)}	877,203	997	24,640	(22,404)	880,436	653,138	15,673	39	(19,512)	649,338	231,098	224,064
Works and Infrastructure ^{(3) (8)}	3,619,795	45,916	19,160	(156,590)	3,528,281	2,346,034	63,477	171	(141,441)	2,268,241	1,260,040	1,273,761
Leasehold Improvements ⁽⁵⁾	34,666	-	16,056	(486)	50,236	17,021	1,576	7	(284)	18,320	31,916	17,646
Machinery and Equipment ^{(4) (9)}	180,732	7,458	205	(1,948)	186,447	110,583	12,478	(569)	(1,798)	120,694	65,753	70,149
Informatics Hardware	11,744	-	-	(577)	11,167	5,513	473	(150)	(548)	5,288	5,879	6,230
Informatics Software	205,847	-	8,563	(348)	214,062	183,259	20,529	132	(348)	203,572	10,490	22,587
Ships and Boats	156,474	-	155,454	-	311,928	88,092	5,776	8	-	93,876	218,052	68,385
Aircraft	176,862	14	1,001	(1,821)	176,056	130,252	4,335	-	(1,479)	133,108	42,948	46,610
Motor Vehicles	335,395	4,059	(41)	(102,134)	237,279	282,676	4,427	362	(91,687)	195,778	41,501	52,718
Assets under construction	324,439	99,369	(230,562)	-	193,246	-	-	-	-	-	193,246	324,439
Total	6,946,491	157,813	(5,524)	(287,439)	6,811,341	4,011,720	136,932	-	(257,097)	3,891,555	2,919,786	2,934,771

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

(a) Adjustments include \$225,169 thousand in assets under construction that were transferred to other categories upon completion and \$5,524 thousand in other adjustments to assets under construction.

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 \$158,971 (\$160,636 thousand in 2020-2021) included in Land.
- (2) A net book value of \$88,605 (\$101,552 thousand in 2020-2021) included in Buildings.
- (3) A net book value of \$29,284 (\$43,574 thousand in 2020-2021) included in Works and Infrastructure.
- (4) A net book value of \$187 (\$320 thousand in 2020-2021) included in Machinery and Equipment.

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 2021-2022, \$49,717 thousand of the annual funding provided was utilized to acquire tangible capital assets (\$52,880 thousand in 2020-2021). Other amounts to fund minor maintenance and repairs are recorded as an operating expense in the statement of operations.

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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 \$22,983 (\$22,983 thousand in 2020-2021) included in Land.
- (7) A net book value of \$21,664 (\$21,386 thousand in 2020-2021) included in Buildings.
- (8) A net book value of \$947,222 (\$934,166 thousand in 2020-2021) included in Works and Infrastructure.
- (9) A net book value of \$18,249 (\$22,078 thousand in 2020-2021) 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:

	2022	2021
	(in thousands of dollars)	
Ship-source Oil Pollution Fund		
Balance – Beginning of year	410,646	411,994
Revenues	4,702	1,321
Expenses	(3,673)	(2,669)
Balance – End of year	411,675	410,646
Fines for Transport of Dangerous Goods		
Balance – Beginning of year	4,154	4,154
Revenues	200	-
Expenses	(133)	-
Balance – End of year	4,221	4,154
Fund for Railway Accidents Involving Designated Goods		
Balance – Beginning of year	81,003	66,608
Revenues	12,813	15,294
Expenses	(1,339)	(899)
Balance – End of year	92,477	81,003
Total balance – End of year	508,373	495,803
Unrestricted	1,524,623	1,620,942
Departmental net financial position – End of year	2,032,996	2,116,745

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:

	2023	2024	2025	2026	2027 and thereafter	Total
	(in thousands of dollars)					
Transfer payments	1,013,154	598,682	226,337	99,402	125,195	2,062,770
Other goods and services	7,859	1,163	1,198	710	732	11,662
Operating leases	448	320	320	320	322	1,730
Tangible capital assets	14,423	18,907	-	-	-	33,330
Total	1,035,884	619,072	227,855	100,432	126,249	2,109,492

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

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)
2023	325,792
2024	423,222
2025	453,963
2026	462,999
2027	471,342
2028 and thereafter	-
Total	<u>2,137,318</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 litigations

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 \$24,504 thousand (\$24,416 thousand in 2020-2021) 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 \$325 thousand (\$355 thousand in 2020-2021) at March 31, 2022. Transport Canada has no claim and litigation with related parties at March 31, 2022.

(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 \$560 thousand for 2 sites (\$160 thousand in 2020-2021 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:

	2022	2021
	(in thousands of dollars)	
Office accommodation	43,745	44,231
Employer's contribution to health and dental insurance plans	56,113	54,212
Legal services	4,090	4,059
Workers' compensation	1,972	2,323
	105,920	104,825

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)

Under a memorandum of understanding signed with Infrastructure Canada on January 31, 2003, Transport Canada administers the CSIF. During the year, Transport Canada incurred expenses of \$5,605 thousand (\$0 in 2020-2021) related to the CSIF, on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

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

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 \$19,783 thousand compared to \$36,318 thousand in 2020-2021, 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:

	<u>2022</u>	<u>2021</u>
	(in thousands of dollars)	
Expenses ⁽¹⁾	76,194	84,660
Revenues ⁽²⁾	53,318	42,091

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. 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*)

For the Year Ended March 31

17. 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)	2022 Total	2021 Total
(in thousands of dollars)							
Operating expenses							
Salaries and employee benefits	460,123	63,727	98,270	127,107	-	749,227	789,699
Professional and special services	23,432	33,757	59,124	54,443	-	170,756	153,536
Amortization of tangible capital assets (Note 12)	12,229	101,147	6,976	16,580	-	136,932	153,520
Interest and inflation adjustment on capital lease payments (Note 7)	-	44,130	-	-	-	44,130	41,821
Accommodation (Note 16)	23,578	3,504	5,389	11,274	-	43,745	44,231
Equipment repair and maintenance	18,354	5,266	3,550	14,223	-	41,393	41,794
Utilities, materials and supplies	7,564	3,284	2,547	1,516	-	14,911	13,046
Rentals	3,852	337	2,484	5,274	-	11,947	9,844
Operating costs in respect of St. Lawrence Seaway Agreements	-	10,753	-	-	-	10,753	8,730
Payments in lieu of property taxes	109	8,712	790	783	-	10,394	6,846
Net loss (gain) on disposal of tangible capital assets	797	27,847	(252)	(19,521)	-	8,871	(12,437)
Travel and relocation	5,519	289	996	158	-	6,962	4,151
Information services – communications	1,902	3,834	878	(110)	-	6,504	5,853
Reclassification of work-in-progress	-	5,524	-	-	-	5,524	(275)
Specified purpose accounts (Note 13)	-	-	-	-	5,144	5,144	3,568
Telecommunications	711	45	388	720	-	1,864	1,124
Postage	799	74	129	322	-	1,324	1,164
Damage and other claims against the Crown	275	10	576	39	-	900	446
Other	58	496	87	(183)	-	458	1,571
Increase (decrease) in contingent liabilities (Note 15)	-	-	-	(88)	-	(88)	17,920
Increase (decrease) in environmental liabilities (Note 5)	-	-	(1,578)	-	-	(1,578)	(16,735)
Expenses incurred on behalf of Government	-	-	-	-	(5,144)	(5,144)	(3,568)
Total operating expenses	559,302	312,736	180,354	212,537	-	1,264,929	1,265,849

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Notes to the Financial Statements (*Unaudited*)

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17. 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)	2022 Total	2021 Total
(in thousands of dollars)							
Transfer payments							
Industry	8,130	85,692	265,920	-	-	359,742	257,018
Non-profit organizations	10,755	316,832	15,348	-	-	342,935	141,553
Other levels of government within Canada	15,632	280,414	11,405	-	-	307,451	193,396
Other countries and international organizations	59	-	150	-	-	209	148
Individuals	30	91	-	-	-	121	123
Total transfer payments	34,606	683,029	292,823	-	-	1,010,458	592,238
Total expenses	593,908	995,765	473,177	212,537	-	2,275,387	1,858,087
Revenues							
Leases of property	-	163,260	-	-	-	163,260	(12,271)
Aircraft maintenance and flying services	46,869	-	-	-	-	46,869	37,293
Monitoring and enforcement revenues	21,302	103	-	126	-	21,531	19,066
Rentals and concessions	241	13,207	631	5,105	-	19,184	26,869
Specified purpose accounts (Note 13)	-	-	-	-	17,715	17,715	16,615
Transport facilities user fees	-	9,789	-	-	-	9,789	8,835
Other	513	25,048	1,380	82	-	27,023	31,739
Revenues earned on behalf of Government	(1,847)	(195,996)	(1,379)	(5,127)	(17,715)	(222,064)	(56,760)
Total revenues	67,078	15,411	632	186	-	83,307	71,386
Net cost of operations	526,830	980,354	472,545	212,351	-	2,192,080	1,786,701

TRANSPORT CANADA
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18. Covid-19 Pandemic

The global COVID-19 pandemic has had an unprecedented impact on the air transportation sector in Canada. In emergency response to the COVID-19 and to support the air transportation sector, the government waived the March to December 2020 ground lease rents for all National Airport System airports as well as 2021 ground lease rents for small and medium size National Airport System airports. The government also deferred to 2024 the requirement to pay rent for the 2021 lease year for large National Airport System airports, at which point, repayment will take place over a ten-year period. Government of Canada provided support for essential air access to remote communities and allocated contributions to help maintaining minimum levels of air transportation services to ensure continued access to essential goods and services, including community resupply of food and medical supplies; as well as new contribution funding programs to help Canada's airports recover from the effects of the COVID-19 pandemic. Transport Canada will also continue to collaborate with government and industry stakeholders to better understand the changing transportation landscape, develop innovative and inclusive solutions that promote a robust post-pandemic recovery.

19. Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.