

Quarterly Financial Report of

**TRANSPORT CANADA**

(Unaudited)

For the quarter ended September 30<sup>th</sup>, 2023

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended September 30, 2023

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## 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).

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 2023-2024 Supplementary Estimates (A). 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.

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## 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 \$383.7 million, from \$3,298.7 million as of September 30, 2022 to \$3,682.4 million as of September 30, 2023, as summarized below:

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

Authorities <sup>(2)</sup>	2023-2024 <sup>(1)</sup>	2022-2023 <sup>(1)</sup>	Variance
<b>Vote 1 – Net operating expenditures</b>	<b>1,052,728</b>	<b>786,344</b>	<b>266,384</b>
<b>Vote 5 – Capital expenditures</b>	<b>202,555</b>	<b>125,250</b>	<b>77,305</b>
<b>Vote 10 – Grants and contributions</b>	<b>2,178,360</b>	<b>2,158,099</b>	<b>20,261</b>
<b>Budgetary statutory authorities<sup>(2)</sup></b>	<b>248,814</b>	<b>229,050</b>	<b>19,764</b>
<b>Total Authorities</b>	<b>3,682,457</b>	<b>3,298,743</b>	<b>383,714</b>

**Notes:**

- (1) Totals may not add or may not agree with details provided elsewhere due to rounding.
- (2) 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 September 30, 2023 are explained below.

#### 2.1.1 Vote 1 – Net Operating Expenditures (Increase of \$266.4 million)

Planned Operating authorities increased by \$266.4 million from 2022-2023 to 2023-2024, mostly explained by the following factors:

- An increase in authorities of:
  - \$269.6 million in funding for the High Frequency Rail Program to move forward with high frequency rail between Toronto and Quebec City;
  - \$50.0 million in funding for the Oceans Protection Plan; and
  - \$15.7 million in funding for Strengthening the Resiliency and Efficiency of Canada's Supply Chain.
- Offset by a temporary decrease in funding due to timing of when funding is received of:
  - \$35.5 million for Rail Safety and Security and the Transportation of Dangerous Goods;
  - \$12.2 million for the Canadian Navigable Waterways Act; and
  - \$10.9 million for Protecting Marine Life (Whales).
- As well as a decrease in funding of \$10.5 million for the Government of Canada's Vaccine Mandate in the Federally Regulated Transportation Sector.

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## 2.1.2 Vote 5 – Capital Expenditures (Increase of \$77.3 million)

Planned Capital authorities increased by \$77.3 million from 2022-2023 to 2023-2024, largely explained by the following factors:

- An increase in funding of:
  - \$43.4 million for investments in the maintenance of Crown owned airports and the Port of Cap-aux-Meules;
  - \$22.3 million for the Oceans Protection Plan; and
  - \$11.4 million to accelerate the deployment of on-road Medium and Heavy-Duty Zero-Emission Vehicles.

## 2.1.3 Vote 10 – Grants and Contributions (Increase of \$20.3 million)

Grant and contribution authorities increased by \$20.3 million from 2022-2023 to 2023-2024, largely explained by the following factors:

- An increase in funding of:
  - \$225.4 million for the Incentives for Zero-Emission Vehicles Program (iZEV); and
  - \$23.9 million for the Gateways and Border Crossings Fund.
- Offset by a decrease of:
  - \$82.2 million for the National Trade Corridors Fund;
  - \$78.7 million for the Airport Critical Infrastructure Program; and
  - \$65.2 million for the Airport Capital Assistance Program.

## 2.1.4 Budgetary Statutory Authorities (Increase of \$19.8 million)

The planned expenditures for the budgetary statutory authorities increased by \$19.8 million mainly as a result of an increase of \$12.5 million in funding for the St. Lawrence Seaway Agreement and an increase in funding of \$4.5 million for the Northumberland Strait Crossing Subsidy Program.

## 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 second quarter of 2023-2024 represent 24.8 % of the annual planned expenditures, which is an increase from the second quarter (21.0 %) of 2022-2023.

Historically, most spending on 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 most expenditures will be incurred in the fourth quarter. Furthermore, a significant portion of the authorities for grants and contributions is expected to be reprofiled for future years.

The major year-to-year variances as at September 30, 2023 are as follows:

### Planned Expenditures

- **Personnel**

The planned expenditures related to *Personnel* for the year 2023-2024 compared to 2022-2023 increased by approximately \$49.5 million mostly due to new funding for the High Frequency Rail program to move forward with high frequency rail between Toronto and Quebec City and the increase in funding for the Oceans Protection Plan initiative.

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○ **Professional and Special Services**

The planned expenditures related to *Professional and Special Services* for the year 2023-2024 compared to 2022-2023 increased by approximately \$19.6 million mostly due to the new funding for the High Frequency Rail program and the increase in funding for the Oceans Protection Plan initiative.

○ **Acquisition of land, buildings and works**

The planned expenditures related to *Acquisition of land, buildings and works* for the year 2023-2024 compared to 2022-2023 increased by \$34.8 million mainly due to an increase in investment funding for the maintenance of Crown owned airports and the Port of Cap-aux-Meules.

○ **Acquisition of machinery and equipment**

The planned expenditures related to *Acquisition of machinery and equipment* for the year 2023-2024 compared to 2022-2023 increased by \$30.5 million mainly due to an increase in funding for the Oceans Protection Plan initiative, the Medium-Heavy duty Zero-Emission Vehicles initiative and the Eastern Ferry Services program.

○ **Transfer payments**

The planned expenditures related to *Transfer payments* for the year 2023-2024 compared to 2022-2023 increased by approximately \$24.8 million. The causes of the variances are explained in section 2.1.3.

○ **Other subsidies and payments**

The planned expenditures related to *Other subsidies and payments* for the year 2023-2024 compared to 2022-2023 increased by approximately \$240.2 million mainly as a result of an increase in funding for the High Frequency Rail program. It is expected that a significant portion of the authorities for the High Frequency Rail program will be reprofiled for future years.

## Year-to-Date Expenditures

○ **Personnel**

The year-to-date expenditures related to *Personnel* at September 30, 2023 increased by approximately \$49.8 million when compared to 2022-2023. The increase is mainly attributable to retroactive salaries and wages paid for earnings related to previous and current fiscal years following the ratification and signing of new collective agreements.

○ **Professional and special services**

The year-to-date expenditures related to *Professional and special services* at September 30, 2023 increased by approximately \$21.5 million when compared to 2022-2023. This increase is mainly explained by expenses in professional services for the Lac-Mégantic railroad bypass project, by increased costs for the High Frequency Rail program as well as an increase in spending for information technology consultants for the development and maintenance of applications and databases.

○ **Transfer payments**

The year-to-date expenditures related to *Transfer payments* at September 30, 2023 increased by approximately \$166.7 million when compared to 2022-2023. Major spending increases in this area include:

- \$141.4 million in payments under the Incentives for Zero-Emission Vehicles Program;
- \$27.5 million for the National Trade Corridors Fund;
- \$11.2 million for the Airport Critical Infrastructure Program; and
- \$5.5 million for the Lac-Mégantic Railroad Bypass Project.

Offset by a decrease of:

- \$9.6 million for the Airport Capital Assistance Program;
- \$7.8 million for the Grant to the Province of British Columbia in respect of the provision of ferry and coastal freight and passenger services; and
- \$2.7 million for the Marine Training Contribution Program.

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## ○ Other subsidies and payments

The year-to-date expenditures related to *Other Subsidies and Payments* at September 30, 2023 decreased by approximately \$15.1 million when compared to 2022-2023. The variance can be mainly explained by a decrease of \$10.0 million in this fiscal year's payments in capital funding to the St. Lawrence Seaway Management Corporation when compared to the previous year.

## 3. Risks and Uncertainties

Transport Canada maintains an Integrated Departmental 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.

The current economic environment exposes Transport Canada to a broad range of external financial and economic risks such as inflation and supply chain disruptions on a global level which could limit Transport Canada's capacity to deliver its programs and accomplish its mandate in this context. During the past years, Transport Canada improved resiliency frameworks to mitigate disruptions from environmental and economic threats to Canada's critical transportation infrastructure. The Department will continue to implement mitigation measures to offset these external risks and facilitate the restoration of the transportation. 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.

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.

To address the risks associated with the Phoenix pay issues, the department has increased the number of resources within its compensation unit. Furthermore, Transport Canada implemented a compensation case management system, introduced new business processes for the recovery of overpayments, and is participating in a data integrity initiative with other departments. With the increased capacity and the implementation of new initiatives, the department has reduced its Phoenix pay backlog significantly since January 2020.

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. There are risks and uncertainties associated with implementing required legislative changes, introducing new cost recovery initiatives, and realizing planned savings from identified efficiency opportunities. Transport Canada's Transformation Plan is designed to improve the Department's financial sustainability and regulatory environment for the future.

Challenges in renewing, developing, and retaining a diverse base of talent represents a risk for most organizations. Transport Canada mitigates this risk through a variety of staffing, recruitment, and retention initiatives, its succession planning strategy, as well as promptly launching staffing processes and having experienced personnel acting in positions that are vacant.

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

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

- On August 4, 2023, the Deputy Minister and Associate Deputy Minister announced the new appointment of Robert Dick as Assistant Deputy Minister, Supply Chain Office, effective August 10, 2023. Martin McKay will assume the responsibilities of the position of Assistant Deputy Minister, Pacific Region, on an interim basis.
- On August 21, 2023, the Deputy Minister and Associate Deputy Minister announced the new appointment of Fred Gaspar as Special Advisor to the Associate Deputy Minister, effective August 28, 2023.
- On September 28, 2023, following Alain Langlois' new appointment as Deputy Assistant Deputy Minister, Business and Regulatory Law Portfolio of Department of Justice, the Deputy Minister and Associate Deputy Minister announced the appointment of Nathalie Sarault as Executive Director and Senior General Counsel for Transport Canada Legal Services, effective October 16, 2023.

Approved by:

Original signed by

Dominic Rochon for Arun Thangaraj  
Deputy Minister  
Ottawa, Canada

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

December 1, 2023

November 27, 2023



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## Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2023-2024			Fiscal year 2022-2023		
	Total available for use for the year ending March 31, 2024 <sup>(1)</sup>	Used during the quarter ended September 30, 2023	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2023 <sup>(1)</sup>	Used during the quarter ended September 30, 2022	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	1,148,835	230,794	444,397	870,585	197,289	395,952
Vote 1 – Revenue credited to the vote	(96,107)	(27,826)	(39,194)	(84,241)	(28,641)	(37,189)
<b>Vote 1 – Net operating expenditures</b>	<b>1,052,728</b>	<b>202,968</b>	<b>405,203</b>	<b>786,344</b>	<b>168,648</b>	<b>358,763</b>
<b>Vote 5 – Capital expenditures</b>	<b>202,555</b>	<b>24,510</b>	<b>31,920</b>	<b>125,250</b>	<b>17,276</b>	<b>25,332</b>
<b>Vote 10 – Grants and contributions</b>	<b>2,178,360</b>	<b>226,152</b>	<b>324,612</b>	<b>2,158,099</b>	<b>105,791</b>	<b>162,483</b>
<b>Budgetary statutory authorities</b>						
Contributions to employee benefit plans	95,178	31,726	55,521	92,401	14,462	43,387
Minister of Transport – Salary and motor car allowance	95	24	47	93	23	46
Railway Company – Victoria Bridge, Montreal	3,300	-	2,834	3,300	-	2,535
Northumberland Strait Crossing Subsidy Payment	75,618	-	77,179	71,100	-	72,866
Payments in respect of St. Lawrence Seaway Agreements	74,623	519	16,119	62,156	1,125	26,725
<b>Total Budgetary statutory authorities</b>	<b>248,814</b>	<b>32,269</b>	<b>151,700</b>	<b>229,050</b>	<b>15,610</b>	<b>145,559</b>
<b>Total budgetary authorities</b>	<b>3,682,457</b>	<b>485,899</b>	<b>913,435</b>	<b>3,298,743</b>	<b>307,325</b>	<b>692,137</b>

**Note:**

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

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## Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2023-2024			Fiscal year 2022-2023		
	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended September 30, 2023	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended September 30, 2022	Year-to-date used at quarter-end
<b>Expenditures:</b>						
Personnel	749,076	213,274	397,823	699,624	169,190	348,046
Transportation and communications	17,273	6,151	11,745	17,381	4,902	8,836
Information	6,704	1,156	2,260	6,517	940	1,844
Professional and special services	214,763	42,251	73,347	195,166	24,214	51,863
Rentals	14,179	4,623	10,727	13,465	4,389	8,385
Repair and maintenance	14,884	4,358	6,272	15,841	2,354	4,158
Utilities, materials and supplies	15,110	4,418	8,662	18,681	4,692	9,842
Acquisition of land, buildings and works	118,469	12,014	21,597	83,711	7,339	23,428
Acquisition of machinery and equipment	102,683	6,465	12,711	72,179	6,830	17,080
Transfer payments	2,257,278	226,152	404,625	2,232,499	105,791	237,884
Other subsidies and payments	268,145	(7,137)	2,860	27,920	5,325	17,960
<b>Total gross budgetary expenditures</b>	<b>3,778,564</b>	<b>513,725</b>	<b>952,629</b>	<b>3,382,984</b>	<b>335,966</b>	<b>729,326</b>
<b>Less Revenues netted against expenditures:</b>						
Vote-netted revenues	(96,107)	(27,826)	(39,194)	(84,241)	(28,641)	(37,189)
<b>Total Revenues netted against expenditures:</b>	<b>(96,107)</b>	<b>(27,826)</b>	<b>(39,194)</b>	<b>(84,241)</b>	<b>(28,641)</b>	<b>(37,189)</b>
<b>Total net budgetary expenditures</b>	<b>3,682,457</b>	<b>485,899</b>	<b>913,435</b>	<b>3,298,743</b>	<b>307,325</b>	<b>692,137</b>