

Quarterly Financial Report of

**TRANSPORT CANADA**

(Unaudited)

For the quarter ended December 31<sup>st</sup>, 2023

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 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) 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 2023-2024 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.

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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 \$797.3 million, from \$3,426.5 million as of December 31, 2022 to \$4,223.8 million as of December 31, 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>1,223,486</b>	<b>898,257</b>	<b>325,229</b>
<b>Vote 5 – Capital expenditures</b>	<b>285,912</b>	<b>134,415</b>	<b>151,497</b>
<b>Vote 10 – Grants and contributions</b>	<b>2,450,252</b>	<b>2,152,401</b>	<b>297,851</b>
<b>Budgetary statutory authorities<sup>(2)</sup></b>	<b>264,144</b>	<b>241,398</b>	<b>22,746</b>
<b>Total Authorities</b>	<b>4,223,794</b>	<b>3,426,471</b>	<b>797,323</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 quarter ended December 31, 2023 are explained below.

#### 2.1.1 Vote 1 – Net Operating Expenditures (Increase of \$325.2 million)

Planned Operating authorities increased by \$325.2 million from 2022-2023 to 2023-2024, mostly explained by the following factors:

- An increase in authorities of:
  - \$211.7 million in funding for the High Frequency Rail Program to move forward with high frequency rail between Toronto and Quebec City;
  - \$55.0 million in funding related to updated pay rates of various collective agreements;
  - \$15.7 million in funding for Strengthening the Resiliency and Efficiency of Canada's Supply Chain; and
  - \$13.1 million in funding for Aviation Safety and Security Modernization Initiatives.

#### 2.1.2 Vote 5 – Capital Expenditures (Increase of \$151.5 million)

Planned Capital authorities increased by \$151.5 million from 2022-2023 to 2023-2024, largely explained by the following factors:

- An increase in funding of:
  - \$81.3 million for the procurement of the MV Fanafjord to enhance the ferry service between Prince Edward Island and Nova Scotia and other capital projects;
  - \$43.4 million for investments in the maintenance of Crown owned airports and the Port of Cap-aux-Meules;

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- \$14.6 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 \$297.9 million)

Grant and contribution authorities increased by \$297.9 million from 2022-2023 to 2023-2024, largely explained by the following factors:

- An increase in funding of:
  - \$429.6 million for the Incentives for Zero-Emission Vehicles Program (iZEV);
  - \$29.7 million for the Rail Safety Improvement Program;
  - \$23.9 million for the Gateways and Border Crossings Fund; and
  - \$10.0 million for the Lac-Mégantic Rail Bypass Project.
- Offset by a decrease of:
  - \$78.7 million for the Airport Critical Infrastructure Program;
  - \$65.2 million for the Airport Capital Assistance Program; and
  - \$51.0 million for the National Trade Corridors Fund.

### 2.1.4 Budgetary Statutory Authorities (Increase of \$22.7 million)

The planned expenditures for the budgetary statutory authorities increased by \$22.7 million mainly as a result of an increase of \$12.5 million in funding for the agreement with the St. Lawrence Seaway Management Corporation (SLSMC), an increase in contributions to employee benefit plans of \$5.8 million and an increase of \$4.5 million for the Northumberland Strait Crossing Subsidy Program. 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.

## 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 2023-2024 represent 43.7 % of the annual planned expenditures, which is an increase from the third quarter (35.0 %) 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 December 31, 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 \$118.3 million mostly due to increased funding for the updated pay rates in various collective agreements and increased salary funding for the High Frequency Rail program and various other programs across the organization.

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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 \$8.4 million mostly due to the new funding to support the High Frequency Rail project's technical studies, planning, consultation, environmental studies and assessments.

- **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 \$42.5 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 \$90.7 million mainly due to an increase in funding for the procurement of the MV Fanafjord to enhance the ferry service between Prince Edward Island and Nova Scotia and other capital projects.

- **Transfer payments**

The planned expenditures related to *Transfer payments* for the year 2023-2024 compared to 2022-2023 increased by approximately \$302.3 million. The causes of the variances are largely 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 \$253.2 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 refiled for future years.

## Year-to-Date Expenditures

- **Personnel**

The year-to-date expenditures related to *Personnel* at December 31, 2023 increased by approximately \$105.2 million when compared to 2022-2023. The variance 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 as well as an increase in the number of employees for the High Frequency Rail program and other various programs across the organization.

- **Professional and special services**

The year-to-date expenditures related to *Professional and special services* at December 31, 2023 increased by approximately \$41.9 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.

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

The year-to-date expenditures related to *Acquisition of land, buildings and works* at December 31, 2023 increased by approximately \$38.1 million when compared to 2022-2023. This increase is mainly explained by an increase in investments for the National Aerial Surveillance Program complex, the replacement of visual aids at the Kuujuaq airport as well as the construction of a sweeper garage and the electrical system upgrade at the Wabush airport.

- **Transfer payments**

The year-to-date expenditures related to *Transfer payments* at December 31, 2023 increased by approximately \$459.6 million when compared to 2022-2023. Major spending increases in this area include:

- \$305.5 million in payments under the Incentives for Zero-Emission Vehicles Program;
- \$147.8 million for the National Trade Corridors Fund;
- \$48.4 million for the Airport Critical Infrastructure Program;
- \$10.0 million for the Grant to the Province of British Columbia in respect of the provision of ferry and coastal freight and passenger services; and
- \$7.4 million for the Lac-Mégantic Railroad Bypass Project.

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Offset by a decrease of:

- \$52.2 million for the Airport Capital Assistance Program;
- \$6.1 million for the Contribution to the Province of British Columbia in respect of the provision of ferry and coastal freight and passenger services; and
- \$2.9 million for the Marine Training Contribution Program.

○ **Other subsidies and payments**

The year-to-date expenditures related to *Other Subsidies and Payments* at December 31, 2023 decreased by approximately \$12.1 million when compared to 2022-2023. The variance can be mainly explained by a decrease of:

- \$8.0 million in this fiscal year's payments in capital funding to the St. Lawrence Seaway Management Corporation when compared to the previous year; and
- A non-reoccurring payment of \$8.4 million to the Government of Quebec made in 2022-2023 for the highway 50 Dorval interchange under the Canada Strategic Infrastructure Fund.

Offset by an increase of:

- \$6.8 million to reimburse industry stakeholders for studies on the commercialization initiative of the Designated Screening Authority's operations under an expenditure reimbursement agreement.

### 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 system. 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 initiatives are 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 change in senior personnel occurred during the third quarter:

- Subsequent to the close of the third quarter, the Prime Minister, Justin Trudeau, announced on January 29, that Dominic Rochon, currently Associate Deputy Minister of Transport, becomes Chief Information Officer of Canada, Treasury Board of Canada Secretariat, effective February 12, 2024.

Approved by:

Original signed by

Arun Thangaraj  
Deputy Minister  
Ottawa, Canada

February 19, 2024

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

February 14, 2024



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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 December 31, 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 December 31, 2022	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	1,320,908	302,520	746,917	982,498	226,299	622,250
Vote 1 – Revenue credited to the vote	(97,422)	(25,679)	(64,873)	(84,241)	(23,197)	(60,385)
<b>Vote 1 – Net operating expenditures</b>	<b>1,223,486</b>	<b>276,841</b>	<b>682,044</b>	<b>898,257</b>	<b>203,102</b>	<b>561,865</b>
<b>Vote 5 – Capital expenditures</b>	<b>285,912</b>	<b>77,471</b>	<b>109,391</b>	<b>134,415</b>	<b>25,871</b>	<b>51,203</b>
<b>Vote 10 – Grants and contributions</b>	<b>2,450,252</b>	<b>513,453</b>	<b>838,065</b>	<b>2,152,401</b>	<b>220,272</b>	<b>382,755</b>
<b>Budgetary statutory authorities</b>						
Contributions to employee benefit plans	110,508	23,795	79,315	104,749	21,693	65,080
Minister of Transport – Salary and motor car allowance	95	24	71	93	23	69
Railway Company – Victoria Bridge, Montreal	3,300	466	3,300	3,300	765	3,300
Northumberland Strait Crossing Subsidy Payment	75,618	-	77,179	71,100	-	72,866
Payments in respect of St. Lawrence Seaway Agreements	74,623	40,451	56,571	62,156	39,314	66,039
<b>Total Budgetary statutory authorities</b>	<b>264,144</b>	<b>64,736</b>	<b>216,436</b>	<b>241,398</b>	<b>61,795</b>	<b>207,354</b>
<b>Total budgetary authorities</b>	<b>4,223,794</b>	<b>932,501</b>	<b>1,845,936</b>	<b>3,426,471</b>	<b>511,040</b>	<b>1,203,177</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 December 31, 2023	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended December 31, 2022	Year-to-date used at quarter-end
<b>Expenditures:</b>						
Personnel	884,583	234,933	632,756	766,291	179,519	527,564
Transportation and communications	18,068	8,136	19,881	22,964	7,317	16,153
Information	8,205	1,723	3,983	11,156	1,560	3,405
Professional and special services	254,444	78,640	151,988	246,001	58,247	110,110
Rentals	14,989	4,397	15,124	12,818	2,915	11,300
Repair and maintenance	15,106	8,545	14,817	13,745	5,269	9,427
Utilities, materials and supplies	15,446	4,975	13,637	16,159	5,399	15,241
Acquisition of land, buildings and works	119,982	71,816	93,413	77,461	31,888	55,316
Acquisition of machinery and equipment	182,282	23,965	36,676	91,583	16,926	34,006
Transfer payments	2,529,170	513,919	918,544	2,226,802	221,037	458,921
Other subsidies and payments	278,941	7,131	9,990	25,732	4,160	22,119
<b>Total gross budgetary expenditures</b>	<b>4,321,216</b>	<b>958,180</b>	<b>1,910,809</b>	<b>3,510,712</b>	<b>534,237</b>	<b>1,263,562</b>
<b>Less Revenues netted against expenditures:</b>						
Vote-netted revenues	(97,422)	(25,679)	(64,873)	(84,241)	(23,197)	(60,385)
<b>Total Revenues netted against expenditures:</b>	<b>(97,422)</b>	<b>(25,679)</b>	<b>(64,873)</b>	<b>(84,241)</b>	<b>(23,197)</b>	<b>(60,385)</b>
<b>Total net budgetary expenditures</b>	<b>4,223,794</b>	<b>932,501</b>	<b>1,845,936</b>	<b>3,426,471</b>	<b>511,040</b>	<b>1,203,177</b>