

Quarterly Financial Report of

TRANSPORT CANADA

(Unaudited)

For the quarter ended June 30th, 2015

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2015

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

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 [Treasury Board Accounting Standard 1.3](#). 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 the Department consistent with the Main Estimates and Supplementary Estimates (A) for the 2015-16 fiscal year. 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 moneys 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 performance 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 \$2 million, from \$1,656 million as of June 30, 2014 to \$1,658 million as of June 30, 2015, as summarized below:

Changes in Authorities:

Description	(in millions of dollars)
Vote 1 – Operating expenditures	37
Vote 5 – Capital expenditures	19
Vote 10 – Grants and contributions	(90)
Budgetary statutory authorities	36
Total change in authorities	2

Note: Totals may not add or may not agree with details provided elsewhere due to rounding.

The Statement of Authorities attached at the end illustrates the total authorities available for use, the authorities used for the quarter and 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 June 30, 2015 are explained below.

2.1.1 Vote 1 – Operating expenditures (increase of \$37M)

Planned operating authorities increased by \$37 million from 2014-2015 to 2015-2016 mostly explained by the following factors:

- Increase in planned spending in new funding from Budget 2014 and the fiscal framework of:
 - \$18 million for the Port Assets Management Program;
 - \$10 million for the Ferry Services Program; and
 - \$10 million as a result of the ratification of various collective agreements.

2.1.2 Vote 5 – Capital expenditures (increase of \$19M)

Capital expenditures authorities increased by \$19 million from 2014-15 to 2015-16, largely explained by the following factors:

- Increase in planned spending of:
 - \$58 million to upgrade several federally-owned airports and to retrofit an ecoTECHNOLOGY vehicles facility; and
 - \$10 million in new funding from Budget 2014 for the Ferry Services Program.
- Offset by decrease in planned spending of:
 - \$42 million for the Gordie Howe International Bridge project mostly as a result of a transfer of funds to the Windsor-Detroit Bridge Authority to deliver a new publicly-owned bridge at this crucial border crossing; and
 - \$7 million for various other projects.

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2.1.3 Vote 10 – Grants and contributions (decrease of \$90M)

Grants and contributions authorities decreased by \$90 million from 2014-15 to 2015-16, largely explained by the following factors:

- Decrease in planned spending of:
 - \$95 million for the Asia Pacific Gateways and Corridors Transportation Infrastructure Fund, as the program approaches its maturity date;
 - \$15 million for the transfer to Canada Border Services Agency for the renewal of border facilities and related infrastructure;
 - \$7 million for the Outaouais Road Development Agreement;
 - \$7 million for Contributions to Support the Clean Transportation Initiatives; and
 - \$6 million for the sun-setting of funding for the Oshawa Harbour Port Consolidation project.

- Offset by increase in planned spending in new funding from Budget 2014 of:
 - \$18 million for the Ferry Services Contribution Program;
 - \$13 million for the Gateways and Border Crossings Fund;
 - \$7 million for the Oceans Networks Canada – Smart Oceans Contribution Program; and
 - \$4 million for the Contribution Program for the Centre of Excellence for Marine Transportation of Oil and Liquefied Natural Gas.

2.1.4 Budgetary statutory authorities (increase of \$36M)

The budgetary statutory authorities increased by \$36 million mainly as a result of an increase of \$32 million in capital and operating requirements associated with the St. Lawrence Seaway and an increase of \$3 million for the department's Employee Benefit Plan.

2.2 Statement of Departmental Budgetary Expenditures by Standard Object

The statement of Departmental Budgetary Expenditures by Standard Object attached at the end illustrates the annual planned expenditures, the expenditures for the quarter and the year-to-date expenditures for the current fiscal year as well as the comparative figures for the previous year. Overall, the year-to-date expenditures at the end of the first quarter of 2015-16 represent 15% of the annual planned expenditures, compared to 14% in 2014-15.

Historically, most spending on high-dollar value, major infrastructure grants 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 period.

The major year-to-year variances as at June 30, 2015 are as follows:

- **Personnel**

The planned expenditures related to *Personnel* for 2015-16 increased by approximately \$11 million compared to the 2014-15 planned expenditures primarily due to the ratification of various collective agreements.

The year-to-date expenditures related to *Personnel* at June 30, 2015 increased by approximately \$9 million when compared to the 2014-15 first quarter year-to-date expenditures. This is largely attributed to an increase in the number of employees for oversight activities within Marine Safety, Transportation of Dangerous Goods, Rail Safety, and Aviation Safety.

- **Professional and special services**

The planned expenditures related to *Professional and special services* for 2015-16 increased by approximately \$26 million compared to the 2014-15 planned expenditures. The increase is largely attributed to increases in professional services for the Ports Assets Management and the Ferry Services Programs as a result of new funding from Budget 2014.

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

The planned expenditures related to *Acquisitions of land, buildings and works* for 2015-16 increased by approximately \$28 million compared to the 2014-15 planned expenditures. The increase is mainly due to an increase of \$48 million in Infrastructure funding for the upgrade of several federally-owned airports and retrofit of ecoTECHNOLOGY vehicles facility, offset by a decrease of \$10 million in funding for the Gordie Howe International Bridge project and a decrease of \$10 million in various other projects.

- **Acquisitions of machinery and equipment**

The planned expenditures related to *Acquisitions of machinery and equipment* for 2015-16 decreased by approximately \$24 million compared to the 2014-15. The decrease is mainly due to planned reductions of \$33 million related to the Gordie Howe International Bridge project, offset by an increase of \$10 million in Infrastructure funding for the upgrade of several federally-owned airports and retrofit of ecoTECHNOLOGY vehicles facility.

- **Transfer payments**

The planned expenditures related to *Transfer payments* for 2015-16 decreased by approximately \$89 million when compared to the planned expenditures for 2014-15. The causes of the variances are explained in section 2.1.3.

The year-to-date expenditures related to *Transfer payments* at June 30, 2015 increased by approximately \$10 million when compared to the 2014-15 first quarter year-to-date expenditures. The increase is largely attributed to year-to-date expenditures to the Province of British Columbia in respect of the provision of ferry and coastal freight and passenger services.

- **Other subsidies and payments**

The planned expenditures related to *Other subsidies and payments* for 2015-16 increased by approximately \$40 million when compared to the planned expenditures for 2014-15. The variance is mainly due to an increase of \$32 million in the annual statutory payments to the St. Lawrence Seaway Management Corporation as a result of increased asset renewal costs associated with the its modernization project and a reallocation of planned expenditures from other areas.

The year-to-date expenditures related to *Other subsidies and payments* at June 30, 2015 decreased by approximately \$7 million when compared to the 2014-15 first quarter year-to-date expenditures. The decrease is mainly due to a one-time transition payment of \$15 million made last year for implementing salary payment in arrears by the Government of Canada, offset by an \$8 million larger cashflow requirement to the St. Lawrence Seaway Corporation when compared to the same prior year period.

3. Risks and Uncertainties

Transport Canada maintains a Corporate Risk Profile which identifies and assesses high-level risks that could affect the achievement of the Department's 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. Additional information regarding the Department's key risk areas is presented in the [Report on Plans and Priorities](#).

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

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

On June 26, 2015, the Prime Minister announced the appointment of Jean-François Tremblay to the position of Deputy Minister of Transport, Infrastructure and Communities, effective July 20, 2015.

Approved by:

Original signed by

Helena Borges,
Acting as Deputy Minister
Ottawa, Canada

August 24, 2015

Original signed by

André Lapointe,
Chief Financial Officer
Ottawa, Canada

August 14, 2015

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Statement of Authorities (Unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2015-2016			Fiscal year 2014-2015		
	Total available for use for the year ending March 31, 2016 ⁽¹⁾	Used during the quarter ended June 30, 2015	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2015 ⁽¹⁾	Used during the quarter ended June 30, 2014	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	632,048	141,380	141,380	600,566	143,305	143,305
Vote 1 – Revenues credited to the vote	(80,923)	(13,752)	(13,752)	(86,667)	(17,333)	(17,333)
Vote 5 – Capital expenditures	165,177	3,583	3,583	145,753	1,556	1,556
Vote 10 – Grants and contributions	667,887	20,152	20,152	757,957	11,265	11,265
Budgetary statutory authorities						
Contributions to employee benefit plans	71,192	-	-	68,507	-	-
Minister of Transport – Salary and motor car allowance	82	41	41	80	40	40
Refunds of amounts credited to revenues in previous years	-	7	7	-	-	-
Payments to the Canadian National Railway Company – Victoria Bridge, Montreal	3,300	165	165	3,300	116	116
Northumberland Strait Crossing Subsidy Payment	63,789	62,335	62,335	62,836	61,733	61,733
Payments in respect of St. Lawrence Seaway Agreements	135,300	36,600	36,600	103,350	28,600	28,600
Total authorities	1,657,852	250,511	250,511	1,655,682	229,282	229,282

⁽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 2015-2016			Fiscal year 2014-2015		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year-to-date expended at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year-to-date expended at quarter-end
Expenditures:						
Personnel	495,038	113,741	113,741	483,781	104,275	104,275
Transportation and communications	27,543	7,765	7,765	26,885	5,901	5,901
Information	2,844	391	391	3,017	355	355
Professional and special services	145,542	13,076	13,076	119,074	11,469	11,469
Rentals	9,135	796	796	6,045	1,055	1,055
Repair and maintenance	13,123	489	489	15,259	1,483	1,483
Utilities, materials and supplies	16,893	3,628	3,628	15,091	3,388	3,388
Acquisition of land, buildings and works	119,903	152	152	91,883	418	418
Acquisition of machinery and equipment	30,041	5,321	5,321	53,871	1,953	1,953
Transfer payments	734,976	82,651	82,651	824,093	73,114	73,114
Other subsidies and payments	143,737	36,253	36,253	103,350	43,204	43,204
Total gross budgetary expenditures	1,738,775	264,263	264,263	1,742,349	246,615	246,615
Less revenues netted against expenditures:						
Vote-netted revenues	(80,923)	(13,752)	(13,752)	(86,667)	(17,333)	(17,333)
Total Revenues netted against expenditures:	(80,923)	(13,752)	(13,752)	(86,667)	(17,333)	(17,333)
Total net budgetary expenditures	1,657,852	250,511	250,511	1,655,682	229,282	229,282