

Quarterly Financial Report of

**TRANSPORT CANADA**

(Unaudited)

For the quarter ended June 30th, 2016

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2016

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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 2016-2017 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 decreased by approximately \$266 million, from \$1,658 million as of June 30, 2015 to \$1,392 million as of June 30, 2016, as summarized below:

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

Authorities	2016-2017 <sup>(1)</sup>	2015-2016 <sup>(1)</sup>	Variance
Vote 1 – Operating expenditures	552,279	551,125	1,154
Vote 5 – Capital expenditures	143,333	165,177	(21,844)
Vote 10 – Grants and contributions <sup>(2)</sup>	-	667,887	(667,887)
Vote 10 - Grants and contributions – Gateways and corridors <sup>(2)</sup>	258,354	-	258,354
Vote 15 - Grants and contributions – Transportation infrastructure <sup>(2)</sup>	122,252	-	122,252
Vote 20 - Grants and contributions – Other <sup>(2)</sup>	46,690	-	46,690
Budgetary statutory authorities	268,938	273,663	(4,725)
<b>Total Authorities</b>	<b>1,391,846</b>	<b>1,657,852</b>	<b>(266,006)</b>

**Note:**

(1) Totals may not add or may not agree with details provided elsewhere due to rounding.

(2) Starting in 2016-2017, the Department of Transport is the subject of a pilot project through which its grants and contributions will appear in separate votes based on a program structure. Therefore, Transport's grants and contributions are divided into three separate votes in 2016–2017 based on the departmental Program Alignment Architecture.

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, 2016 are explained below.

#### 2.1.1 Vote 1 – Operating expenditures (Increase of \$1M)

Planned operating authorities increased by \$1 million from 2015-2016 to 2016-2017 mostly explained by the following factors:

- Increase in planned spending of:
  - \$12 million from the 2016 Federal Infrastructure Initiative to accelerate the remediation of Federal Contaminated Sites.;
  - \$5 million for the Ferry Services Contribution Program to support the continued operations of three ferry services in Eastern Canada; and
  - \$3 million for the renewal of the Tanker Safety Inspection Program (Budget 2016).
- Offset by a decrease in planned spending of:
  - \$10 million for the Port Asset Transfer Program for which renewed funding is not yet included in the department's authorities; and

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- \$9 million resulting from the transfer of the Gordie Howe International Bridge (previously called Detroit River International Crossing) project to Infrastructure Canada.

## 2.1.2 Vote 5 – Capital expenditures (decrease of \$22M)

Capital expenditures authorities decreased by \$22 million from 2015-2016 to 2016-2017, largely explained by the following factors:

- Decrease in planned spending of:
  - \$40 million resulting from the transfer of the Gordie Howe International Bridge (previously called the Detroit River International Crossing) project to Infrastructure Canada.
- Offset by an increase in planned spending of:
  - \$8 million for the Ferry Services Contribution Program to support three ferry services in Eastern Canada; and
  - \$10 million for Federal Infrastructure Initiatives, including funding for federally owned airports and unmanned aerial systems.

## 2.1.3 Votes 10, 15 and 20 – Grants and contributions (decrease of \$241M)

Grants and contributions authorities decreased by \$241 million from 2015-2016 to 2016-2017, largely explained by the following factors:

- Decrease in planned spending of:
  - \$247 million for the Asia Pacific Gateways and Corridors Transportation Infrastructure Fund, as the program approaches its maturity date.
- Offset by an increase in planned spending of:
  - \$6 million for Contribution to Support Clean Transportation Initiatives to address climate change and air pollution.

## 2.1.4 Budgetary statutory authorities (decrease of \$5M)

The budgetary statutory authorities decreased by \$5 million mainly as a result of a decrease of \$8 million in capital and operating requirements associated with the St. Lawrence Seaway offset by an increase of \$2 million in Employee Benefit Program (EBP) and an increase of \$2 million in funding for the Northumberland Strait Crossing Subsidy Payment.

## 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 2016-2017 represent 18% of the annual planned expenditures, compared to 15% in 2015-2016.

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, 2016 are as follows:

- **Personnel**

The year-to-date expenditures related to *Personnel* at June 30, 2016 decreased by approximately \$8 million when compared to the 2015-2016 first quarter year-to-date expenditures, as a result of prudent staffing measures taken by the department as explained in section 3.

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- **Transportation and communications**

The planned expenditures related to *Transportation and communication* for 2016-2017 decreased by approximately \$7 million compared to the 2015-2016 planned expenditures, as a result of the reallocation of the planned spending by standard object. The reallocation exercise took into account previous years' trends and a reduction in the other operating budget of the department at the time planning numbers were determined.

- **Professional and special services**

The planned expenditures related to *Professional and special services* for 2016-2017 increased by approximately \$19 million compared to the 2015-2016 planned expenditures. The increase is largely attributed to an increase in funding related to the assessment, management and remediation of federal contaminated sites.

- **Repair and maintenance**

The planned expenditures related to *Repair and maintenance* for 2016-2017 decreased by approximately \$7 million compared to the 2015-2016 planned expenditures, as a result of the reallocation of the planned spending by standard object. The reallocation exercise took into account previous years' trends and a reduction in the other operating budget of the department at the time planning numbers were determined.

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

The planned expenditures related to *Acquisitions of land, buildings and works* for 2016-2017 decreased by approximately \$21 million compared to the 2015-2016 planned expenditures. The decrease is mainly due to the transfer of the Gordie Howe International Bridge (previously called the Detroit River International Crossing) project to Infrastructure Canada offset by an increase in Ferry Services Contribution Program and Federal Infrastructure Projects.

- **Transfer payments**

The planned expenditures related to *Transfer payments* for 2016-2017 decreased by approximately \$239 million when compared to the planned expenditures for 2015-2016. The causes of the variances are explained in section 2.1.3.

The year-to-date expenditures related to *Transfer payments* at June 30, 2016 increased by approximately \$12 million when compared to the 2015-2016 first quarter year-to-date expenditures. The increase is largely attributed to contributions through the Port Asset Transfer Program as a result of the transfer of the Cornwall Port Facility to the City of Cornwall and the Mohawk Council of Akwesasne, as well as a timing difference in transfer payments for the Gateways and Border Crossings Fund and the Remote Passenger Rail Program.

- **Other subsidies and payments**

The planned expenditures related to *Other subsidies and payments* for 2016-2017 decreased by approximately \$9 million when compared to the planned expenditures for 2015-2016. The variance is mainly due to a decrease of \$8 million in the annual statutory payments to the St. Lawrence Seaway Management Corporation as a result of a decrease in asset renewal costs associated with its Modernization Project.

The year-to-date expenditures related to *Other subsidies and payments* at June 30, 2016 increased by approximately \$5 million when compared to the 2015-2016 first quarter year-to-date expenditures due to a timing difference in payments.

- **Vote netted revenues**

The planned revenues related to *Vote netted revenues* for 2016-2017 decreased by approximately \$2 million when compared to the planned revenues for 2015-2016. The variance is mainly due to a decrease in repayments for deferred airport rent which ended in December 2015.

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## 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.

In the previous year Transport Canada identified a risk of exceeding its operating budget and took a number of measures to ensure it remained within its delegated appropriations. Through tight controls over hiring and restraint in operating spending, the department is containing and managing the situation. A Staffing Management Board, implemented in October 2015, continues to oversee all staffing with a view to attaining, through managed attrition, by March 31, 2017, salary target levels that return the department to a situation of sustainability moving forward, from both a financial and program delivery perspective.

From now until the end of the fiscal year, the department will continue to review spending, align spending with priorities and adjust where necessary.

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

Effective November 4, 2015, the Gordie Howe International Bridge (previously called the Detroit River International Crossing) project was transferred from Transport Canada to Infrastructure Canada. In 2015-2016, expenditures related to the Gordie Howe International Bridge were reflected in Transport Canada's financial reports. In 2016-2017, these expenditures will be included in Infrastructure Canada's financial reports.

On March 2, 2016, the Prime Minister announced the appointment of Michael Keenan to the position of Deputy Minister of Transport, effective March 14, 2016.

There have been no other significant changes in relation to operations, personnel and program over the last quarter, except as described in section 2.1.

Approved by:

Original signed by

\_\_\_\_\_  
Helena Borges,  
Acting as Deputy Minister  
Ottawa, Canada

August 25, 2016

Original signed by

\_\_\_\_\_  
André Lapointe,  
Chief Financial Officer  
Ottawa, Canada

August 19, 2016

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## Statement of Authorities (Unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Total available for use for the year ending March 31, 2017 <sup>(1)</sup>	Used during the quarter ended June 30, 2016	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 <sup>(1)</sup>	Used during the quarter ended June 30, 2015	Year to date used at quarter-end
Vote 1 - Operating expenditures	630,708	126,427	126,427	632,048	141,380	141,380
Vote 1 - Revenue credited to the vote	(78,429)	(12,159)	(12,159)	(80,923)	(13,752)	(13,752)
Vote 5 - Capital expenditures	143,333	4,223	4,223	165,177	3,583	3,583
Vote 10 - Grants and contributions <sup>(2)</sup>	-	-	-	667,887	20,152	20,152
Vote 10 - Grants and contributions – Gateways and corridors <sup>(2)</sup>	258,354	5,425	5,425	-	-	-
Vote 15 - Grants and contributions – Transportation infrastructure <sup>(2)</sup>	122,252	24,658	24,658	-	-	-
Vote 20 - Grants and contributions – Other <sup>(2)</sup>	46,690	3	3	-	-	-
<b>Budgetary statutory authorities</b>						
Contributions to employee benefit \ plans	73,010	-	-	71,192	-	-
Minister of Transport – Salary and motor car allowance	84	7	7	82	41	41
Payments to the Canadian National Railway Company – Victoria Bridge, Montreal	3,300	716	716	3,300	165	165
Northumberland Strait Crossing Subsidy Payment	65,344	63,588	63,588	63,789	62,335	62,335
Refunds of amounts credited to revenues in previous years	-	1	1	-	7	7
Payments in respect of St. Lawrence Seaway Agreements	127,200	42,002	42,002	135,300	36,600	36,600
<b>Total budgetary authorities</b>	<b>1,391,846</b>	<b>254,891</b>	<b>254,891</b>	<b>1,657,852</b>	<b>250,511</b>	<b>250,511</b>

### Notes:

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

(2) Starting in 2016-2017, the Department of Transport is the subject of a pilot project through which its grants and contributions will appear in separate votes based on a program structure. Therefore, Transport's grants and contributions are divided into three separate votes in 2016–2017 based on the departmental Program Alignment Architecture.



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## Departmental Budgetary Expenditures by Standard Object (Unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	495,459	106,020	106,020	495,038	113,741	113,741
Transportation and communications	20,559	3,407	3,407	27,543	7,765	7,765
Information	3,112	232	232	2,844	391	391
Professional and special services	164,424	14,692	14,692	145,542	13,076	13,076
Rentals	6,271	1,116	1,116	9,135	796	796
Repair and maintenance	6,080	1,371	1,371	13,123	489	489
Utilities, materials and supplies	12,376	2,179	2,179	16,893	3,628	3,628
Acquisition of land, buildings and works	99,137	391	391	119,903	152	152
Acquisition of machinery and equipment	32,230	2,077	2,077	30,041	5,321	5,321
Transfer payments	495,940	94,390	94,390	734,976	82,651	82,651
Other subsidies and payments	134,687	41,175	41,175	143,737	36,253	36,253
<b>Total gross budgetary expenditures</b>	<b>1,470,275</b>	<b>267,050</b>	<b>267,050</b>	<b>1,738,775</b>	<b>264,263</b>	<b>264,263</b>
<b>Less revenues netted against expenditures:</b>						
Vote-netted revenues	(78,429)	(12,159)	(12,159)	(80,923)	(13,752)	(13,752)
<b>Total Revenues netted against expenditures:</b>	<b>(78,429)</b>	<b>(12,159)</b>	<b>(12,159)</b>	<b>(80,923)</b>	<b>(13,752)</b>	<b>(13,752)</b>
<b>Total net budgetary expenditures</b>	<b>1,391,846</b>	<b>254,891</b>	<b>254,891</b>	<b>1,657,852</b>	<b>250,511</b>	<b>250,511</b>