

Quarterly Financial Report of

**TRANSPORT CANADA**

(Unaudited)

For the quarter ended December 31<sup>st</sup>, 2018

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

## Table of contents

<b>STATEMENT OUTLINING RESULTS, RISKS AND SIGNIFICANT CHANGES IN OPERATIONS, PERSONNEL AND PROGRAM</b>	<b>- 3 -</b>
<b>1. INTRODUCTION</b>	<b>- 3 -</b>
<b>1.1 AUTHORITY, MANDATE AND PROGRAM ACTIVITIES</b>	<b>- 3 -</b>
<b>1.2 BASIS OF PRESENTATION</b>	<b>- 3 -</b>
<b>2. HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE (YTD) RESULTS</b>	<b>- 4 -</b>
<b>2.1 STATEMENT OF AUTHORITIES</b>	<b>- 4 -</b>
<b>2.2 STATEMENT OF DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT</b>	<b>- 6 -</b>
<b>3. RISKS AND UNCERTAINTIES</b>	<b>- 8 -</b>
<b>4. SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS</b>	<b>- 8 -</b>
<b>STATEMENT OF AUTHORITIES (UNAUDITED)</b>	<b>- 10 -</b>
<b>DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (UNAUDITED)</b>	<b>- 12 -</b>

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

## 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 [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 for the 2018-2019 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 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.

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

## 2. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

### 2.1 Statement of Authorities

The authorities increased by \$40.0 million since the second quarter of 2018-2019: \$32.0 million for the Supplementary Estimates (A) and \$8.0 million for the Budget 2018 items.

Transport Canada's total authorities available for use increased by approximately \$153.2 million, from \$1,497.2 million as of December 31, 2017 to \$1,650.4 million as of December 31, 2018, as summarized below:

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

Authorities <sup>(1)</sup>	2018-2019 <sup>(2)</sup>	2017-2018 <sup>(2)</sup>	Variance
Vote 1 – Net operating expenditures	752,478	717,441	35,037
Vote 5 – Capital expenditures	169,371	163,553	5,818
Vote 10 – Grants and contributions – Gateways and corridors	-	113,976	(113,976)
Vote 15 – Grants and contributions – Transportation infrastructure	-	210,178	(210,178)
Vote 20 – Grants and contributions – Other	-	55,323	(55,323)
Vote 10 – Grants and contributions – An Efficient Transportation System	419,159	-	419,159
Vote 15 – Grants and contributions – A Green and Innovative Transportation System	44,733	-	44,733
Vote 20 – Grants and contributions – A Safe and Secure Transportation System	38,323	-	38,323
Budgetary statutory authorities <sup>(3)</sup>	226,398	236,750	(10,352)
<b>Total Authorities</b>	<b>1,650,462</b>	<b>1,497,221</b>	<b>153,241</b>

#### Notes:

(1) As a result of significant differences between Transport Canada's previous Program Alignment Architecture and its new Departmental Results Framework, financial information for 2017-2018 and 2018-2019 are not presented on the same basis. Grant and contribution authorities for 2017-2018 are presented according to the 2017-2018 appropriation acts approved by Parliament, whereas grant and contribution authorities for 2018-2019 are presented according to planned voted authorities for 2018-2019. The new Departmental Results Framework is explained in section 4.

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

(3) 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, 2018 are explained below.

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

## 2.1.1 Vote 1 – Operating Expenditures (Increase of \$35.0 million)

Planned operating authorities increased by \$35.0 million from 2017-2018 to 2018-2019 mostly explained by the following factors:

- An increase in funding of:
  - \$19.0 million for Climate Change Adaptation and Mitigation;
  - \$18.3 million for the Oceans Protection Plan to improve marine safety and protect Canada's marine environment;
  - \$15.0 million for Transport Canada's Transformation Plan;
  - \$8.8 million for Protecting Marine Life including the protection and recovery of endangered whale populations;
  - \$5.9 million for the implementation of the Trade and Transportation Corridors Initiative to implement strategies and make direct investments in transportation infrastructure;
  - \$5.9 million for transition to new impact assessment and regulatory processes;
  - \$2.7 million for the Canadian Ballast Water Program;
  - \$2.7 million for Rail Safety and Transportation of Dangerous Goods; and
  - \$2.5 million for the Tanker Safety Inspection Program.
- Offset by a decrease in funding of:
  - \$17.9 million for sunsetting of the Clean Air Renewal, which has been replaced by Clean Air Mitigation and Adaptation;
  - \$9.0 million for sunsetting of the Princess of Acadia funding;
  - \$8.5 million for the sunsetting of the Federal Infrastructure Initiative - Budget 2016 Federal Contaminated Sites Action Plan;
  - \$5.7 million for the Port Asset Transfer Payments; and
  - \$3.7 million for collective agreements.

## 2.1.2 Vote 5 – Capital Expenditures (Increase of \$5.8 million)

Capital expenditure authorities increased by \$5.8 million from 2017-2018 to 2018-2019, largely explained by the following factors:

- An increase in funding of:
  - \$13.9 million for Protecting Marine Life including the protection and recovery of endangered whale populations;
  - \$10.3 million for the Capital Budget Carry Forward for Core Activities;
  - \$5.3 million for the upkeep of assets related to ferry services in Eastern Canada under the Ferry Services Program;
  - \$4.6 million for Budget 2018 Strengthening airports serving remote communities;
  - \$2.3 million for the Oceans Protection Plan;
  - \$1.4 million for the Trade and Transportation Corridors Initiative;
  - \$1.4 million for the new impact assessment and regulatory processes; and
  - \$0.9 million for the Port Asset Transfer Program.
- Offset by a decrease in funding of:
  - \$34.6 million for the sunsetting of Budget 2014 and Budget 2016 Federal Infrastructure Initiatives.

## 2.1.3 Votes 10, 15 and 20 – Grants and Contributions (Increase of \$122.7 million)

Grant and contribution authorities as a whole increased by \$122.7 million from 2017-2018 to 2018-2019. The variance by vote cannot be compared between 2017-2018 and 2018-2019 as a result of significant differences between the previous Program Alignment Architecture presented in 2017-2018 and the new Departmental Results Framework used for 2018-2019, which impacts the distribution of grant and contribution programs across the three votes. The variance across all three grant and contribution votes can be explained by the following:

# TRANSPORT CANADA

## Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

- An increase in funding of:
  - \$99.3 million for the Trade and Transportation Corridors Initiative;
  - \$26.3 million for the Oceans Protection Plan;
  - \$17.2 million for the Port Asset Transfer Program; and
  - \$3.0 million for the Program to Advance Indigenous Reconciliation.
- Offset by a decrease in funding of:
  - \$16.6 million for the Asia Pacific Gateway and Corridor Initiative which is approaching its maturity date; and
  - \$7.5 million in cash flow changes for the Outaouais Road Development Agreement Program.

### 2.1.4 Budgetary Statutory Authorities (Decrease of \$10.3 million)

The planned expenditures for the budgetary statutory authorities decreased by \$10.3 million mainly as a result of a decrease in capital and operating requirements associated with the St. Lawrence Seaway Management Corporation (SLSMC) in the amount of \$15.2 million. 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. The decrease in planned spending is explained by a reduction in funding provided by Transport Canada for the SLSMC's Modernization Project as it nears completion. The decrease in planned spending was offset by an increase of \$3.1 million in planned spending for Employee Benefits Plan and an increase of \$1.7 million for the Northumberland Strait Crossing Subsidy Payment.

The year-to-date expenditures for the budgetary statutory authorities decreased by \$12.1 million mainly explained by reduction in SLSMC's asset renewal and operating costs.

### 2.2 Statement of Departmental Budgetary Expenditures by Standard Object

The accompanying 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 2018-2019 represent 47% of the annual planned expenditures, compared to 50% in 2017-2018.

Historically, most spending on high-dollar value, 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 the mid-year internal budget reallocations, and a receipt of increased funding for new initiatives, for which the majority of expenditures will be incurred in the fourth quarter.

The major year-to-year variances as at December 31, 2018 are as follows:

#### Planned Expenditures

- The 2018-2019 increases in planned expenditures for the standard objects listed below are mainly a result of the increases in funding for the Oceans Protection Plan, Trade and Transportation Corridors Initiative, and Protecting Marine Life, as well as a reallocation of planned spending to professional and special services:
  - \$21.5 million in professional and special services; and
  - \$8.6 million in acquisitions of machinery and equipment.
- **Acquisition of land, buildings and works**

The 2018-2019 reduction of \$13.1 million in planned expenditures for *Acquisition of land, building and works* is mainly a result of sunseting funds from Budget 2014 and Budget 2016 for the Federal Infrastructure Initiative.

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

## ○ **Transportation and communication**

The 2018-2019 reduction of \$6.9 million in planned expenditures related to *Transportation and communication* is mainly a result of a reallocation of planned spending to professional and special services based on previous years' expenditures.

## ○ **Personnel**

The planned expenditures related to *Personnel* for 2018-2019 increased by approximately \$25.1 million primarily due to an increase in funding for the following initiatives:

- \$10.0 million for Transport Canada's Transformation Plan;
- \$6.4 million for Climate Change Adaptation and Mitigation;
- \$4.8 million for the Trade and Transportation Corridors Initiative; and
- \$1.9 million for the Oceans Protection Plan.

## ○ **Transfer payments**

The planned expenditures related to *Transfer payments* for 2018-2019 increased by approximately \$124.4 million when compared to the planned expenditures for 2017-2018. The causes of the variances are explained in section 2.1.3 and by an increase in funding of \$1.7 million for the Northumberland Strait Crossing Subsidy Agreement.

## Year-to-Date Expenditures

### ○ **Personnel**

The year-to-date expenditures related to *Personnel* at December 31, 2018 increased by approximately \$22.0 million compared to 2017-2018. The increase is mainly driven by the rise in the number of employees because of new departmental initiatives such as Transport Canada's Transformation Plan, Climate Change Adaptation and Mitigation, the Trade and Transportation Corridors Initiative, and the Oceans Protection Plan.

### ○ **Transportation and communications**

The year-to-date expenditures related to *Transportation and communications* at December 31, 2018 increased by approximately \$3.7 million when compared to 2017-2018. The increase is mainly due to additional stakeholder engagement to promote Transport Canada's new initiatives and programs.

### ○ **Professional and special services**

The year-to-date expenditures related to *Professional and special services* at December 31, 2018 increased by approximately \$5.9 million when compared to 2017-2018. The increase is largely explained by higher management and information technology consulting services, translation, scientific services, and training resulting from new departmental initiatives and programs.

### ○ **Acquisitions of land, buildings and works**

The year-to-date expenditures related to *Acquisitions of land, buildings and works* at December 31, 2018 decreased by approximately \$5.4 million when compared to 2017-2018. The decrease is primarily due to expenditures incurred solely in 2017-2018 related to the construction of a new parallel taxiway and apron expansion in Wabush, Newfoundland and Labrador.

### ○ **Acquisitions of machinery and equipment**

The year-to-date expenditures related to *Acquisitions of machinery and equipment* at December 31, 2018 increased by approximately \$6.4 million when compared to 2017-2018. This increase is mainly due to the acquisition of parts and accessories for aircraft.

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

## ○ **Transfer payments**

The year-to-date expenditures related to *Transfer payments* at December 31, 2018 increased by approximately \$9.9 million when compared to 2017-2018. This increase is mostly explained by contributions to the National Trade Corridors Fund for the rehabilitation of the Gander and Charlottetown airports.

## ○ **Other subsidies and payments**

The year-to-date expenditures related to *Other subsidies and payments* at December 31, 2018 decreased by approximately \$17.8 million when compared to 2017-2018. This decrease is mainly explained by reduction in SLSMC's asset renewal and operating costs.

## **3. Risks and Uncertainties**

Transport Canada maintains a Corporate 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. Additional information regarding Transport Canada's key risk areas is presented in the [2018-2019 Departmental Plan](#).

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.

Transport Canada implemented the Phoenix pay system on April 7, 2016 as part of the Government of Canada pay transformation initiative. Since its implementation, the new pay system has experienced issues, which Public Services and Procurement Canada is working to resolve as quickly as possible. To mitigate the impact on its employees, Transport Canada has issued emergency salary advances to employees not receiving their basic pay. The pay issues and the workload associated with the signing of new collective agreements have also resulted in a backlog of compensation transactions, most notably acting pay transactions. The pay system issues have also generated salary overpayments. Transport Canada works with the employees in question to recover the funds through a repayment plan to ensure that they do not experience any undue hardships. The impact of the pay system issues on the year-to-date expenditures reflected in the Quarterly Financial Report is not material. Transport Canada will deal with these matters on an expedited basis when the required updates to the Phoenix pay system are implemented.

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

The loss of key personnel represents a risk for most organizations. As highlighted in section 4 below, there have been a number of changes in senior personnel within the last quarter. Transport Canada mitigates that risk through its succession planning strategy, as well as promptly launching staffing processes and having experienced personnel acting in those roles during their vacancy.

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

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

- On November 28, 2018, the Deputy Minister and Associate Deputy Minister announced the appointment of Kevin Brosseau, Assistant Deputy Minister (ADM), Safety and Security, effective January 2, 2019;
- On November 29, 2018, the Deputy Minister and Associate Deputy Minister announced the retirement of Natasha Rascanin, ADM, Transformation, effective January 2, 2019. Following her retirement, her functions were split in two positions :



# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

- Julie Leese has been appointed as Transport Canada's new Chief Digital Officer. Mrs. Leese is responsible for amalgamating digital services, change management, and legislative and oversight modernization into one team. The new group will lead Transport Canada's transformation initiatives.
- Claude Corbin has been appointed as Executive Head, Oceans Protection Plan Office, and is responsible for the ongoing implementation of Oceans Protection Plan initiatives.
- o On December 21, 2018, the ADM, Programs, and Acting ADM, Safety and Security, announced the appointment of Nicole Girard as lead of Transport Canada's response in the implementation of the *Canadian Navigable Waters Act* and *Wrecked, Abandoned or Hazardous Vessels Act*, effective January 14, 2019. Mrs. Girard has been acting as Associate ADM, Safety and Security, since August 29, 2018.

Approved by:

Original signed by

Michael Keenan,  
Deputy Minister  
Ottawa, Canada

February 19, 2019

André Lapointe,  
Chief Financial Officer  
Ottawa, Canada

February 15, 2019

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

## Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Total available for use for the year ending March 31, 2019 <sup>(1)</sup>	Used during the quarter ended December 31, 2018	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2018 <sup>(1)</sup>	Used during the quarter ended December 31, 2017 <sup>(2)</sup>	Year-to-date used at quarter-end <sup>(2)</sup>
Vote 1 – Operating expenditures	822,051	200,644	527,319	786,423	184,596	493,544
Vote 1 – Revenue credited to the vote	(69,573)	(19,564)	(52,742)	(68,982)	(20,466)	(51,136)
<b>Vote 1 – Net operating expenditures</b>	<b>752,478</b>	<b>181,080</b>	<b>474,577</b>	<b>717,441</b>	<b>164,130</b>	<b>442,408</b>
Vote 5 – Capital expenditures	169,371	19,833	39,666	163,553	21,693	43,674
Vote 10 – Grants and contributions – Gateways and corridors	-	-	-	113,976	9,079	20,771
Vote 15 – Grants and contributions – Transportation infrastructure	-	-	-	210,178	24,821	49,888
Vote 20 – Grants and contributions – Other	-	-	-	55,323	2,291	3,846
Vote 10 – Grants and contributions – An Efficient Transportation System	419,159	40,945	81,445	-	-	-
Vote 15 – Grants and contributions – A Green and Innovative Transportations System	44,733	590	1,558	-	-	-
Vote 20 – Grants and contributions – A Safe and Secure Transportation System	38,323	811	1,325	-	-	-
<b>Budgetary statutory authorities</b>						
Contributions to employee benefit plans	77,841	18,817	56,452	74,700	17,201	51,606
Minister of Transport – Salary and motor car allowance	86	22	65	84	21	63
Railway Company – Victoria Bridge, Montreal	3,300	-	1,230	3,300	700	2,279
Northumberland Strait Crossing Subsidy Payment	67,544	-	66,046	65,845	-	64,942
Refunds of amounts credited to revenues in previous years	-	10	10	-	29	29
Spending of proceeds from Crown Asset	-	-	-	-	1	1
Payments in respect of St. Lawrence Seaway Agreements	77,627	36,103	54,310	92,821	42,672	71,248
<b>Total Budgetary statutory authorities</b>	<b>226,398</b>	<b>54,952</b>	<b>178,113</b>	<b>236,750</b>	<b>60,624</b>	<b>190,168</b>
<b>Total budgetary authorities</b>	<b>1,650,462</b>	<b>298,211</b>	<b>776,684</b>	<b>1,497,221</b>	<b>282,638</b>	<b>750,755</b>

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

---

**Note:**

- (1) Includes only Authorities available for use and granted by Parliament at quarter-end.
- (2) Certain 2017-2018 comparative figures have been modified to provide a consistent presentation with the current figures.

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2018

## Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended December 31, 2018	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2018 <sup>(1)</sup>	Expended during the quarter ended December 31, 2017 <sup>(1)</sup>	Year-to-date used at quarter-end <sup>(1)</sup>
<b>Expenditures:</b>						
Personnel	589,351	150,698	441,454	564,283	138,997	419,480
Transportation and communications	36,501	10,323	24,416	43,437	9,744	20,690
Information	4,503	693	1,686	3,902	807	1,599
Professional and special services	218,347	33,298	71,897	196,809	33,211	65,966
Rentals	12,270	1,633	6,227	13,123	1,456	5,730
Repair and maintenance	13,389	3,181	7,082	15,733	3,422	5,693
Utilities, materials and supplies	19,474	4,202	12,792	20,700	4,893	11,911
Acquisition of land, buildings and works	90,270	11,949	21,585	103,329	15,443	27,019
Acquisition of machinery and equipment	61,380	5,379	16,886	52,788	4,509	10,462
Transfer payments	573,059	42,346	151,604	448,622	36,891	141,726
Other subsidies and payments	101,491	54,073	73,797	103,477	53,731	91,615
<b>Total gross budgetary expenditures</b>	<b>1,720,035</b>	<b>317,775</b>	<b>829,426</b>	<b>1,566,203</b>	<b>303,104</b>	<b>801,891</b>
<b>Less Revenues netted against expenditures:</b>						
Vote-netted revenues	(69,573)	(19,564)	(52,742)	(68,982)	(20,466)	(51,136)
<b>Total Revenues netted against expenditures:</b>	<b>(69,573)</b>	<b>(19,564)</b>	<b>(52,742)</b>	<b>(68,982)</b>	<b>(20,466)</b>	<b>(51,136)</b>
<b>Total net budgetary expenditures</b>	<b>1,650,462</b>	<b>298,211</b>	<b>776,684</b>	<b>1,497,221</b>	<b>282,638</b>	<b>750,755</b>

**Note:**

(1) Certain 2017-2018 comparative figures have been modified to provide a consistent presentation with the current figures.