

Future-oriented Statement of Operations of

TRANSPORT CANADA

(Unaudited)

For the year ending March 31, 2012

TRANSPORT CANADA

Statement of Management Responsibility

Responsibility for the compilation, content and presentation of the accompanying future-oriented statement of operations for the year ending March 31, 2012 rests with Transport Canada management. The future-oriented statement of operations has been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector. The future-oriented financial information is submitted for Part III of Estimates (*Report on Plans and Priorities*) and will be used in Transport Canada's *Departmental Performance Report* to compare with actual results.

Management is responsible for the information contained in the future-oriented statement of operations and for the process of developing assumptions. Assumptions and estimates are based on information available and known to management at the time of development, reflect current business and economic conditions, and assume a continuation of current governmental priorities and consistency in Transport Canada's mandate and strategic outcomes. Much of the future-oriented financial information is based on these assumptions, best estimates and judgment and gives due consideration to materiality. At the time of preparation of this future-oriented statement of operations, management believes the estimates and assumptions to be reasonable. However, as with all such assumptions, there is a measure of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The actual results achieved for the fiscal years covered in the accompanying future-oriented statement of operations will vary from the forecast information presented and the variations may be material.

The future-oriented statement of operations of Transport Canada has been reviewed by the Departmental Audit Committee which oversees the quality of financial reporting and which recommends the financial statements to the Deputy Minister of Transport Canada.

The future-oriented statement of operations of Transport Canada has not been audited.

Yaprak Baltacıoğlu,
Deputy Minister
Ottawa, Canada

February , 2011

André Morency,
Chief Financial Officer
Ottawa, Canada

February , 2011

TRANSPORT CANADA

Future-oriented Statement of Operations (*Unaudited*)

For the Year Ending March 31, 2012

(in thousands of dollars)

	Estimated Results 2011	Forecast 2012
Expenses		
An Efficient Transportation System	664,633	997,133
A Safe Transportation System	500,646	492,386
Internal Services	229,314	189,925
A Secure Transportation System	126,085	88,176
A Clean Transportation System	73,077	20,411
Ship-Source Oil Pollution Fund and other programs	1,458	1,216
Total expenses	1,595,213	1,789,247
Revenues		
An Efficient Transportation System	290,520	310,906
A Safe Transportation System	59,312	53,310
Internal Services	23,865	21,037
Ship-Source Oil Pollution Fund and other programs	9,905	9,752
Total revenues	383,602	395,005
Net cost of operations	1,211,611	1,394,242

Information for the year ending March 31, 2011 includes actual amounts from April 1, 2010 to November 30 2010.

Segmented information (Note 8)

The accompanying notes form an integral part of this future-oriented statement of operations.

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31, 2012

1. Authority and objectives

Transport Canada is a department of the Government of Canada named in Schedule 1 of the *Financial Administration Act* and reports to Parliament through the Minister of Transport, Infrastructure and Communities.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental programs:

- *An Efficient Transportation System* program: establishes marketplace frameworks to govern the economic behaviour of transportation sector organizations; provides leadership for Gateways and Trade Corridors strategies; provides stewardship for federal transportation assets and implements transportation infrastructure projects in partnership with provinces, territories, municipal governments and private sector entities; stimulates innovation.
- *A Clean Transportation System* program: advances the federal government's clean air agenda in the transportation sector and complements other federal programs designed to reduce air emissions for the health of Canadians; helps to protect the marine environment by reducing the pollution of water from transportation sources; fulfills Transport Canada's responsibilities in working towards a cleaner and healthier environment with regard to its own operations.
- *A Safe Transportation System* program: develops transportation safety regulations and oversees their implementation; manages programs to support safety-related investments at small airports, to protect navigable waterways, to certify and license aircrafts, vessels and road vehicles; and provides air transport services to support aviation safety oversight work and federal and municipal clients.
- *A Secure Transportation System* program: develops policies and programs that respond to emerging security risks and keep Canada competitive; develops transportation security regulations and oversees their implementation by industry; and works with international and national partners to advance a shared and effective transportation security agenda.
- The *Internal Services* program: Internal Services are groups of related activities and resources that are administrated to support the needs of programs and other corporate obligations of Transport Canada. Internal Services include only those activities and resources that apply across the organization and not to those provided specifically to a program.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including the *Department of Transport Act*, *Canada Transportation Act*, *Aeronautics Act*, *Canada Marine Act*, *Canada Shipping Act*, *Navigable Waters Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act* and *Marine Transportation Security Act*.

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31, 2012

2. Underlying Assumptions

This future-oriented statement of operations has been prepared:

- (a) as at December 29, 2010.
- (b) on the basis of government policies, government priorities, and the external environment at the time the future-oriented financial information was finalized.
- (c) according to the requirements of Treasury Board Accounting Policies which are based on Canadian generally accepted accounting principles for the public sector.
- (d) on the basis that the resources provided will enable Transport Canada to deliver the expected results specified in the Report on Plans and Priorities, and
- (e) on the basis of historical costs and trends.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results for the remainder of 2010/11 and for 2011/12, actual results achieved are likely to vary from the forecast information presented, and this variation could be material.

Once the Report on Plans and Priorities is presented, Transport Canada will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of significant accounting policies

The future-oriented statement of operations has been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

- (a) Parliamentary appropriations – Transport Canada is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the future-oriented statement of operations are not necessarily the same as those provided through appropriations from Parliament. Note 5 provides a high-level reconciliation between the bases of reporting.
- (b) Forecasted revenues:
 - Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
 - Revenues that have been received but not yet earned are recorded as deferred revenues.

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31, 2012

4. Summary of significant accounting policies (cont'd)

- (c) Forecasted expenses – These are recorded when the underlying transaction or expense occurred subject to the following:
- Grants are recognized in the year in which the conditions for payment are met. In the case of grants, which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
 - Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
 - Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, worker's compensation, and legal services are recorded as operating expenses at their estimated cost.
- (d) Employee future benefits
- Pension benefits: Eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The department's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligation to the plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the plan.
 - Severance benefits: Employees are entitled to severance benefits, as provided for under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- (e) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections. Land has no minimal cost threshold.

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31, 2012

4. Summary of significant accounting policies (cont'd)

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

Asset type	Amortization period
Confederation Bridge	100 years
Buildings and works:	
Buildings	20 to 40 years
Works and Infrastructure	10 to 40 years
Machinery and equipment:	
Machinery and equipment	5 to 20 years
Informatics hardware	3 to 5 years
Informatics software	3 years
Vehicles:	
Ships and boats	10 to 20 years
Aircrafts	6 to 20 years
Motor vehicles	6 to 35 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset type
Leased tangible capital assets	According to the useful life of the asset if a bargain purchase offer exists or over the term of the lease

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31, 2012

5. Parliamentary appropriations

Transport Canada receives most of its funding through annual Parliamentary appropriations. Items recognized in the future-oriented statement of operations in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the department has different net results of operations for the year on a government-funding basis than on an accrual accounting basis. The differences are reconciled in the tables on the following page:

(a) Appropriations requested

	Estimated Results 2011	Forecast 2012
	<i>(in thousands of dollars)</i>	
Appropriations requested		
Vote 1 – Operating expenditures	682,098	569,213
Vote 5 – Capital expenditures	225,388	100,157
Vote 10 – Transfer payments	867,407	704,232
Statutory amounts	205,093	216,274
	1,979,986	1,589,876
Less:		
Lapsed appropriations: Operating	(2,508)	-
Lapsed appropriations: Capital	(135,769)	-
Lapsed appropriations: Transfer payments	(493,099)	-
Sub-total	(631,376)	-
Forecast appropriations available	1,348,610	1,589,876

Forecast authorities requested for the year ending March 31, 2012 are the planned spending amounts presented in the 2011-12 Report on Plans and Priorities. Estimated authorities requested for the year ending March 31, 2011 include amounts presented in the 2010-11 Main Estimates and Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31, 2012

5. Parliamentary appropriations (cont'd)

(b) Reconciliation of net cost of operations to requested appropriations

	Estimated Results 2011	Forecast 2012
	<i>(in thousands of dollars)</i>	
Net cost of operations	1,211,611	1,394,242
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(153,971)	(150,022)
Services provided without charge	(86,000)	(83,353)
Revenues not available for spending	293,664	311,082
Allowance for environmental and contingent liabilities	(8,132)	-
Prior years' work-in-progress expensed	(8,701)	(11,515)
Variation in vacation pay and compensatory leave	(5,656)	2,533
Employee severance benefits	(4,445)	5,186
Refunds of previous years' expenditures	4,428	5,133
	1,242,798	1,473,286
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Variation in prepaid expenses	163	(81)
Variation in inventory	(53)	27
Acquisitions of tangible capital assets	80,783	88,580
Transfer of tangible capital assets with no monetary impact	8,836	11,577
Repayment of lease obligation for tangible capital assets	16,083	16,487
	105,812	116,590
Forecast appropriations available	1,348,610	1,589,876

6. Employee Benefits

- (a) Pension benefits: The department's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31, 2012

6. Employee Benefits (cont'd)

Both the employees and the department contribute to the cost of the plan. The forecast expenses are \$70,842,525 in 2010-11 and \$63,710,776 in 2011-12, representing approximately 1.9 times the contributions of employees.

The department's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

- (b) Employee severance benefits: The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations.

7. Related party transactions

Transport Canada is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, Transport Canada will have received services obtained without charge from other Government departments as presented below.

During the year Transport Canada is forecasted to receive without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans, worker's compensation, and legal services. These services without charge have been recognized in the department's future-oriented statement of operations as follows:

	Estimated Results 2011	Forecast 2012
	<i>(in thousands of dollars)</i>	
Accommodation	37,742	37,199
Contributions covering employer's share of employees' insurance premiums	37,896	35,124
Worker's compensation	3,004	3,041
Legal services	7,358	7,989
Total	86,000	83,353

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the department's future-oriented statement of operations.

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)

For the Year Ending March 31, 2012

8. Segmented information

<i>(in thousands of dollars)</i>	Estimated Results 2011 Total	Forecast 2012						Total
		An Efficient Transportation System	A Safe Transportation System	Internal Services	A Secure Transportation System	A Clean Transportation System	Ship-Source Oil Pollution Fund and other programs	
Transfer payments								
Other levels of governments within Canada	139,199	249,391	42,660	-	-	429	-	292,480
Industry	121,244	177,087	23,511	-	783	857	-	202,238
Non-profit organizations	116,472	195,926	13,016	-	549	439	-	209,930
Individuals	502	1,064	10	-	-	-	-	1,074
Other countries and international organizations	191	-	356	-	-	-	-	356
Total transfer payments	377,608	623,468	79,553	-	1,332	1,725	-	706,078
Operating expenses								
Salaries and employee benefits	586,237	47,147	294,105	122,044	57,770	9,602	-	530,668
Professional and special services	195,388	73,502	44,854	16,709	14,616	6,949	-	156,630
Amortization of tangible capital assets	153,971	130,262	10,717	6,121	2,354	568	-	150,022
Equipment repair and maintenance	98,304	35,860	1,340	29,409	1,994	141	-	68,744
Interest on lease obligation for tangible capital assets	41,638	42,688	-	-	-	-	-	42,688
Accommodation	37,742	6,547	17,561	8,450	3,795	845	-	37,198
Travel and relocation	36,972	5,711	18,778	1,840	4,362	263	-	30,954
Utilities, materials and supplies	24,915	6,082	14,752	1,081	542	42	-	22,499
Payments in lieu of property taxes	15,249	22,377	933	281	9	-	-	23,600
Telecommunications	7,854	760	2,081	1,935	404	9	-	5,189
Rentals	6,657	728	3,351	538	325	101	-	5,043
Information services – communications	6,019	1,036	2,217	680	416	125	-	4,474
Postage	3,878	234	2,144	308	220	33	-	2,939
Pollution control	1,458	-	-	-	-	-	1,216	1,216
Damage and other claims against the Crown	794	-	-	529	-	-	-	529
Miscellaneous	529	731	-	-	37	8	-	776
Total operating expenses	1,217,605	373,665	412,833	189,925	86,844	18,686	1,216	1,083,169
Total expenses	1,595,213	997,133	492,386	189,925	88,176	20,411	1,216	1,789,247

TRANSPORT CANADA

Notes to the Future-oriented Statement of Operations (Unaudited)

For the Year Ending March 31, 2012

8. Segmented information (cont'd)

<i>(in thousands of dollars)</i>	Estimated Results 2011 Total	Forecast 2012						Total
		An Efficient Transportation System	A Safe Transportation System	Internal Services	A Secure Transportation System	A Clean Transportation System	Ship-Source Oil Pollution Fund and other programs	
Total expenses	1,595,213	997,133	492,386	189,925	88,176	20,411	1,216	1,789,247
Sales of goods and services								
Airport rent	255,648	274,453	-	-	-	-	-	274,453
Monitoring and enforcement revenues	43,600	14,696	20,026	8,211	-	-	-	42,933
Aircraft maintenance and flying services	34,948	-	32,855	-	-	-	-	32,855
Rentals and concessions	23,984	6,682	266	12,283	-	-	-	19,231
Transport facilities user fees	13,669	13,702	155	-	-	-	-	13,857
Pollution control revenues	9,905	-	-	-	-	-	9,752	9,752
Interest	784	854	-	-	-	-	-	854
Miscellaneous	790	243	8	530	-	-	-	781
Research and development	274	276	-	13	-	-	-	289
Total revenues	383,602	310,906	53,310	21,037	-	-	9,752	395,005
Net cost of operations	1,211,611	686,227	439,076	168,888	88,176	20,411	(8,536)	1,394,242