

Transport Canada Quarterly Financial Report

Statement outlining results, risks and significant changes in operations, personnel and program
For the Quarter ended September 30, 2011

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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 [Treasury Board Accounting Standard 1.3](#). The quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates.

1.1 Authority, Mandate and Program Activities

A summary description of Transport Canada's program activities can be found 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 2011-2012 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 and published in the Departmental Performance Report. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

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

2.1 Statement of Authorities

The statement attached at the end illustrates authorities used for the quarter as well as authorities used to date for both the current and previous fiscal year. Transport Canada's authorities available for use in 2011-2012 decreased by approximately \$318 million when compared to the same quarter of the previous fiscal year, as summarized below:

Description of activity (in million of dollars)	Expenditures	Revenues	Net Expenditures
Vote 1 – Operating Expenditures	(76)	(1)	(77)
Vote 5 – Capital Expenditures	(116)	-	(116)
Vote 10 – Grants and Contributions	(171)	-	(171)
Vote 17 – Forgiveness of Saint John Harbour Bridge Authority's Loans	23	-	23
Budgetary statutory authorities			
Employee Benefit Plan	5	-	5
Grants and Contributions	1	-	1
Other Statutory Payments	17	-	17
Total Variance	(317)	(1)	(318)

2.1.1 Vote 1 – Net Operating expenditures (decrease of \$77M)

The variance is primarily a result of decreased planned spending on a number of initiatives including the assessment, management and remediation of projects to be carried out under the Federal Contaminated Sites Action Plan (\$62.1 million), the sunsetting of the ecoTransport Strategy Initiative Program (\$8 million), a decreased in planned spending as a result of the 2008 Strategic Review Reduction (\$5.1 million) and a reduced Operating Budget Carry Forward of \$13 million. These reductions are offset by new funding for items such as the Air Cargo Security Program of \$13.6 million.

Year to date expenditures have increased by \$4.5 million when compared to the previous year to date. The increase in expenditures represents the cumulative impact of an increase in numerous operating projects.

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2.1.2 Vote 5 – Capital expenditures (decrease of \$116M)

The variance is primarily explained by a decrease in the planned spending for the Detroit River International Crossing project (\$111.4 million), a major Crown project, a decrease in planned spending for the Modernizing of Federal Laboratories as announced in Budget 2009 (\$9.7 million) offset by an increase in capital funding established through the Capital Budget Carry Forward of \$9.9 million and a decrease in numerous capital projects of \$4.8 million.

Expenditures for the second quarter of 2011-2012 have increased by approximately \$7.5 million when compared to the previous year's quarter. The variation is primarily related to increased spending on the Churchill Omnibus Paving Project in Manitoba for \$7.6 million.

2.1.3 Vote 10 – Grants and Contributions (decrease of \$171M)

The variance is largely due to a decrease in planned spending regarding the Gateways and Border Crossings Fund (\$263.1 million), along with a decrease in the Port Divestiture Fund (\$20.4 million) offset by increases in planned spending for the Asia Pacific Gateway and Corridor Transportation Infrastructure Fund of \$95.7 million and \$22 million for the Airports Capital Assistance Program.

There was a decrease in expenditures of \$28.3 million for the second quarter of 2011-2012 when compared to the second quarter of the previous year. This is mainly attributable to reduced spending on the Port Divestiture Fund (\$13.5 million) and the Gateways and Border Crossings Fund (\$19.5 million) offset by increased spending for the Airports Capital Assistance Program (\$5.2 million).

2.1.4 Vote 17 - Forgiveness of Saint John Harbour Bridge Authority's Loans (increase of \$23M)

The increase is a result of the creation of a new Vote for the forgiveness of loans to the Saint John Harbour Bridge Authority. A new vote, along with specific wording, was required in order to allow for the debt forgiveness.

2.1.5 Other Statutory Payments (increase of \$17M)

The variance is related to an increase in planned payments required for the capital portion of the statutory payment to the St. Lawrence Seaway Management Corporation (\$17 million) reflecting significantly increased anticipated costs associated with maintaining the federally owned infrastructure.

The increase in year to date expenditures of \$9.9 million for 2011-2012 when compared to the previous year's year to date expenditures is explained by an increase of the same statutory item mentioned above.

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2.1.6 Payments to Transportation's Crown Corporations & payments to Other Crown Corporations

Transport's Crown Corporations and Other Crown Corporations within the Transport Canada Portfolio present their own Quarterly Financial Reports, and are not included in Transport's Quarterly Financial Reports. This represents a change when compared to the first quarterly financial report.

2.2 Statement of Departmental Budgetary Expenditures by Standard Object

Transport Canada's total planned expenditures for 2011-2012 have decreased by approximately \$318 million when compared to 2010-2011. Overall, total expenditures for the second quarter of 2011-2012 approximate the same percentage of expenditures (in relation to planned expenditures) when comparing to 2010-2011 (15% and 13% respectively).

There was a decrease of approximately \$6.9 million in the second quarter related to **personnel** costs when comparing expenditures of the previous year. The variance is largely attributed to a decrease of \$18 million caused by the recognition of six months of expenses in quarter two of last year for Employee Benefit Plan payments versus three months in the current quarter, offset by an increase of \$10 million of severance pay cash-outs to staff. With respect to 2011-2012 year to date expenditures, the increase of \$11.8 million, compared to the previous year's year to date expenditures, primarily results from the same increase in relation to the severance pay cash-out following the new collective agreement's signature in June 2011.

Professional and special services of the second quarter increased by \$4.2 million, when compared to the same quarter of the previous year. The difference is largely due to an increase of \$7.6 million for the Churchill Omnibus Paving Project and a reduction of \$3.4 million in professional services related to engineering and architectural services.

Expenditures relating to the **acquisition of land, buildings and works** decreased by approximately \$4.5 million during the year to date of the current year when compared to the year to date of the previous year. The decrease is largely attributed to the completion of the project Motor Vehicle Test Centre (\$4.4 million).

Transfer payments decreased by approximately \$27.8 million for the second quarter when compared to the same quarter of the previous year. The decrease is mainly related to a decrease in expenditures for the Port Divestiture Fund (\$13.5 million) and for the Gateways and Border Crossings Fund (\$19.5 million) offset by an increase in payments for the Airport Capital Assistance Program (\$5.2 million).

Expenditures for the **forgiveness of loans** for **Saint John Harbour Bridge Authority** have increased by \$22.6 million over last year when comparing the year to date expenditures for the current year to the previous year. This specific expenditure of 2011-2012 represents the amount recorded in 2010-2011 Public Accounts as a non-interest bearing loan to the Saint John Harbour Bridge Authority that was conditionally forgiven during the second quarter.

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Payments regarding **other subsidies and payments** increased by approximately \$14.8 million when comparing year to date 2011-2012 to the previous year. The difference is largely due to an increase in planned expenditures of \$9.9 million for the Saint Lawrence Seaway to reflect significant increased costs associated with maintaining the federally owned infrastructure and an increase in payments to resolve multiple cases of damage and other claims against the Crown.

3. Risks and Uncertainties

Transport Canada's Report on Plans and Priorities (RPP) identifies the current risk environment and the department's key risk areas to the achievement of its strategic outcomes. Within this context, specific financial risks relative to the second quarter include the following:

Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-2011 levels for fiscal years 2011-2012 and 2012-2013. There is a risk that Transport Canada's capacity to address emerging financial pressures will decrease as a result of these cost containment measures. The department has implemented strategies to manage the operating budget freeze within the department, including expenditure restraint in discretionary spending and re-allocation of planned spending from lower to higher priorities.

On August 4, 2011 the Government of Canada announced the creation of a new entity called Shared Services Canada. This new organization has been established with the prime objective to consolidate and streamline the delivery of email, data centre and network services across the government. Over forty departments and agencies are affected by this initiative, including Transport Canada. There is a risk that the transition period can create uncertainty. Transport Canada is working with Shared Services Canada to carefully manage the transition and ensure an orderly transfer of resources and activities so that services continue to be reliable and responsive to client needs.

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

There have been no significant changes in relation to operations, personnel and programs over the last year other than what has already been presented in Votes 1, 5, and 10 of section 2.1.

Approved by:

Yaprak Baltacıoğlu,
Deputy Minister
Ottawa, Canada

André Morency,
Chief Financial Officer
Ottawa, Canada

Date

Date

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Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012 *	Used during the quarter ended September 30, 2011	Year-to-date (YTD) used at quarter-end	Total available for use for the year ended March 31, 2011 *	Used during the quarter ended September 30, 2010	Year-to-date (YTD) used at quarter-end
Vote 1 - Net Operating expenditures	570,114	140,453	265,872	646,919	138,379	261,339
Vote 5 - Capital expenditures	105,096	17,033	19,361	221,127	9,568	15,974
Vote 10 - Grants and contributions	669,077	23,543	33,514	840,113	51,858	59,181
Vote 17 - Forgiveness of Saint John Harbour Bridge Authority's Loans	22,646	22,646	22,646	-	-	-
Budgetary statutory authorities						
Employee Benefit Plan	74,380	18,595	37,190	69,558	34,779	34,779
Grants and Contributions	62,275	527	59,602	61,071	-	57,721
Other Statutory Payments	79,674	9,574	43,892	62,881	11,597	33,931
Total Budgetary authorities	1,583,262	232,371	482,077	1,901,669	246,181	462,925
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	1,583,262	232,371	482,077	1,901,669	246,181	462,925
<i>*Includes only Authorities available for use and granted by Parliament at quarter-end.</i>						

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Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(In thousands of dollars)</i>	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30th, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended September 30th, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	487,683	139,577	267,145	498,682	146,536	255,338
Transportation and communications	43,529	8,149	15,024	50,948	8,977	17,468
Information	4,715	660	959	7,480	959	1,473
Professional and special services	147,360	33,175	44,528	177,437	28,971	41,633
Rentals	4,943	2,744	3,522	5,928	1,375	2,300
Repair and maintenance	19,737	2,954	3,647	33,787	2,824	5,104
Utilities, materials and supplies	18,213	4,563	8,635	21,350	4,544	8,370
Acquisition of land, buildings and works	84,214	3,812	3,943	177,201	4,182	8,420
Acquisition of machinery and equipment	20,883	3,625	5,557	43,926	6,139	8,418
Transfer payments	731,352	24,071	93,117	901,184	51,858	116,902
Forgiveness of Loans (St-John Harbour Bridge Authority)	22,646	22,646	22,646	-	-	-
Other subsidies and payments	80,693	10,940	50,403	65,334	13,374	35,596
Total gross budgetary expenditures	1,665,968	256,916	519,126	1,983,257	269,739	501,022
Less Revenues netted against expenditures:						
Sale of Services	(82,706)	(24,126)	(35,781)	(81,588)	(23,146)	(36,866)
Other Revenue	-	(419)	(1,268)	-	(412)	(955)
Research & Development	-	-	-	-	-	(276)
Total Revenues netted against expenditures:	(82,706)	(24,545)	(37,049)	(81,588)	(23,558)	(38,097)
Total net budgetary expenditures	1,583,262	232,371	482,077	1,901,669	246,181	462,925