

Quarterly Financial Report of

**TRANSPORT CANADA**

(Unaudited)

For the quarter ended June 30, 2013

# TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2013

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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), as well as *Canada's Economic Action Plan 2012* (Budget 2012).

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 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 2013-14 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 monies 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.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-13, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-14, the changes to departmental authorities were implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the 2013-14 Main Estimates tabled in Parliament.

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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 \$577 million (or 28%), from \$2,089 million as of June 30, 2012 to \$1,512 million as of June 30, 2013, as summarized below:

#### Change in Authorities:

Description of activity	(in millions of dollars)
Vote 1 – Operating expenditures	(42)
Vote 1 – Revenues credited to the vote	(2)
Vote 5 – Capital expenditures	114
Vote 10 – Grants and contributions	(658)
Budgetary statutory authorities	
Contributions to employee benefit plans	(1)
Minister of Transport – Salary and motor car allowance	-
Minister of State – Motor car allowance	-
Payments to the Canadian National Railway Company – Victoria Bridge, Montreal	-
Northumberland Strait Crossing Subsidy Payment	1
Payments in respect of St. Lawrence Seaway Agreements	11
<b>Total change in authorities</b>	<b>(577)</b>

Note: Totals may not add and 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 variances for the quarter ended June 30, 2013 are explained below.

#### 2.1.1 Vote 1 – Operating expenditures (decrease of \$42M)

The Operating expenditures authorities decreased by \$42 million from 2012-13 to 2013-14 and the change is primarily the net result of cost savings as a result of the implementation of the Budget 2012 cost reduction measures.

#### 2.1.2 Vote 5 – Capital expenditures (increase of \$114.1M)

The Capital expenditures authorities increased by \$114.1 million from 2012-13 to 2013-14. The change is primarily explained by an increase in planned spending of \$113.1 million for the Detroit River International Crossing (DRIC).

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### 2.1.3 Vote 10 – Grants and contributions (decrease of \$657.9M)

The Grants and contributions authorities decreased by \$657.9 million from 2012-13 to 2013-14, and the change is largely due to the following factors:

- Decreases in planned spending of:
  - \$669.1 million regarding the Gateways and Border Crossings Fund,
  - \$16.9 million for the Airports Capital Assistance Program, Ferry Services Contribution Program and Contributions toward highway improvement for the Outaouais Road Development Program,
  - \$16.1 million for the Funding of the Regional and Remote Passenger Rail Services Class Contribution Program,
  - \$4.3 million in funding for Budget 2012 reductions (Deficit Reduction Action Plan)
- Offset by increases in planned spending of:
  - \$23.7 million for the Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund,
  - \$25.6 million for the Port Divestiture Fund, the Contributions to support Clean Transportation Initiatives Program, the Contribution for the Oshawa Harbour Port Consolidation Project Program and the Contribution to Provide Short Term Financial Assistance for the Costs of Repairs, Maintenance, Rehabilitation and Other Related Initiatives Supporting the Ongoing Operations for the Port of Churchill Program.

### 2.1.4 Budgetary statutory authorities (increase of \$10.8M for Payments in respect of St. Lawrence Seaway Agreements)

The budgetary statutory authorities increased by \$10.8 million from 2012-13 to 2013-14. The change is mainly explained by an increase in the planned annual payments required for the capital portion of the statutory payment to the St. Lawrence Seaway Management Corporation reflecting an anticipated cost increase associated with maintaining the federally owned infrastructure.

The budgetary statutory authorities year-to-date actual expenditures at June 30, 2013 decreased by \$6.2 million when compared to the actual expenditures at June 30, 2012 and is primarily explained by a decrease \$18.5 million for payments related to the contributions to employee benefit plans, offset by an increase of \$12 million for the statutory payments to the St. Lawrence Seaway Management Corporation, both mostly due to differences in the timing of payments.

## 2.2 Statement of Departmental Budgetary Expenditures by Standard Object

Transport Canada's annual planned expenditures for 2013-14 have decreased by approximately \$577 million when compared to 2012-13. Overall, the year-to-date expenditures for the first quarter of 2013-14 represent 14% of the annual planned expenditures, compared to 11% in 2012-13.

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. The major year-to-year variances as at June 30, 2013 are found in the following categories:

- **Personnel**

The *Personnel* year-to-date expenditures as at June 30, 2013 decreased by approximately \$20.2 million when compared to the 2012-13 first quarter year-to-date expenditures. The variance is largely attributed to a reduction of \$18.5 million in contributions to employee benefit plans and reduced spending as a result of austerity measures to ensure Transport Canada meets its Budget 2012 savings.

- **Professional and special services**

The planned expenditures related to *Professional and special services* for 2013-14 decreased by approximately \$30.6 million compared to the 2012-13 planned expenditures. The variance is largely attributed to a decrease in funding as a result of austerity measures to ensure Transport Canada meets its Budget 2012 savings.

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

The planned expenditures related to *Acquisitions of land, buildings and works* for 2013-14 increased by approximately \$56.9 million compared to the 2012-13 planned expenditures. The variance is largely attributed to an increase in funding for the Detroit River International Crossing (DRIC), offset by other immaterial changes.

- **Acquisitions of machinery and equipment**

The planned expenditures related to *Acquisitions of machinery and equipment* for 2013-14 increased by approximately \$57.2 million compared to the 2012-13 planned expenditures. The variance is largely attributed to an increase in funding for the Detroit River International Crossing (DRIC), offset by other immaterial changes.

- **Transfer payments**

The *Transfer payments* planned expenditures for 2013-14 decreased by approximately \$656.6 million when compared to the planned expenditures for 2012-13. The main causes of the variance are explained in section 2.1.3.

- **Other subsidies and payments**

See section 2.1.4.

### 3. Risks and Uncertainties

There are no significant risks and uncertainties to report.

### 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 quarter, except as described in sections 2.1 and 5.

### 5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and modernize and reduce the back office.

Transport Canada will achieve Budget 2012 savings of \$62.1 million (expenditure basis) by fiscal year 2014-15 through efficiency measures and program reductions that align resources to its core mandate, scaling back where the need is reduced; transforming how it works internally; and by consolidating and streamlining. With these changes Transport Canada will implement more efficient and lean administrative processes and focus on core federal roles and priorities.

In the first year of implementation, Transport Canada achieved savings of approximately \$37 million. Savings will increase to \$47 million in 2013-14 and will result in ongoing savings of \$62.1 million by 2014-15. These savings were incorporated into the Department's authorities starting in 2013-14.

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Specifically, savings will be achieved in 2013-14 through:

Back office streamlining, such as:

- Finding savings in all groups through greater efficiencies, for example by streamlining ministerial correspondence, centralizing web publishing and better aligning work to departmental priorities,
- Reducing administrative overhead, for example by streamlining program management activities.

Program changes, such as:

- Realigning and streamlining Transport Canada's main research functions (R&D and Economic Analysis) and refocusing R&D activities on core strategic priority areas,
- Integrating the Marine Safety and Marine Security programs by consolidating their management functions,
- Working with other organizations to leverage knowledge and expertise.

Departmental voted expenditures in the first quarter of 2013-14 have decreased from the same period for last fiscal year partly as a result of measures announced in Budget 2012. As of the first quarter, all initiatives planned under Budget 2012 are on track for savings to be achieved.

Transport Canada is mitigating financial risks or uncertainties related to these savings by taking measures to: ensure that core safety and security functions are not compromised; minimize the impact on employees and Canadians; focus on long-term benefits; improve internal processes; identify efficiencies; and focus on core functions which are in line with the Department's mandate and strategic outcome structure.

Approved by:

Original signed by

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Louis Lévesque,  
Deputy Minister  
Ottawa, Canada

August 29, 2013

Original signed by

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André Morency,  
Chief Financial Officer  
Ottawa, Canada

August 29, 2013

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## Statement of Authorities (Unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014 (1)	Used during the quarter ended June 30, 2013	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2013 (1), (2)	Used during the quarter ended June 30, 2012	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	600,289	125,335	125,335	642,029	126,652	126,652
Vote 1 – Revenues credited to the vote	(86,033)	(13,764)	(13,764)	(83,755)	(13,675)	(13,675)
Vote 5 – Capital expenditures	222,078	1,075	1,075	107,973	3,659	3,659
Vote 10 – Grants and contributions	543,951	9,818	9,818	1,201,818	9,718	9,718
<b>Budgetary statutory authorities</b>						
Contributions to employee benefit plans	72,570	-	-	73,816	18,454	18,454
Minister of Transport – Salary and motor car allowance	79	20	20	78	20	20
Minister of State – Motor car allowance	2	-	-	2	-	-
Payments to the Canadian National Railway Company – Victoria Bridge, Montreal	3,300	-	-	3,300	-	-
Northumberland Strait Crossing Subsidy Payment	61,582	60,830	60,830	60,329	60,529	60,529
Payments in respect of St. Lawrence Seaway Agreements	94,200	31,600	31,600	83,372	19,600	19,600
<b>Total budgetary authorities</b>	<b>1,512,018</b>	<b>214,914</b>	<b>214,914</b>	<b>2,088,962</b>	<b>224,957</b>	<b>224,957</b>
<b>Non-budgetary authorities</b>	-	-	-	-	-	-
<b>Total authorities</b>	<b>1,512,018</b>	<b>214,914</b>	<b>214,914</b>	<b>2,088,962</b>	<b>224,957</b>	<b>224,957</b>

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

(2) Total available for use does not reflect measures announced in Budget 2012.



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## Departmental Budgetary Expenditures by Standard Object (Unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date expended at quarter-end	Planned expenditures for the year ending March 31, 2013 <sup>(1)</sup>	Expended during the quarter ended June 30, 2012	Year to date expended at quarter-end
<b>Expenditures:</b>						
Personnel	489,720	104,730	104,730	493,815	124,978	124,978
Transportation and communications	29,515	4,575	4,575	35,144	4,134	4,134
Information	3,221	366	366	4,452	249	249
Professional and special services	114,337	10,096	10,096	144,924	9,414	9,414
Rentals	4,467	1,156	1,156	4,623	1,288	1,288
Repair and maintenance	16,715	978	978	18,220	833	833
Utilities, materials and supplies	14,965	3,281	3,281	14,747	3,060	3,060
Acquisition of land, buildings and works	122,271	431	431	65,388	286	286
Acquisition of machinery and equipment	99,807	1,159	1,159	42,585	3,706	3,706
Transfer payments	608,833	70,648	70,648	1,265,447	70,247	70,247
Other subsidies and payments	94,200	31,258	31,258	83,372	20,437	20,437
<b>Total gross budgetary expenditures</b>	<b>1,598,051</b>	<b>228,678</b>	<b>228,678</b>	<b>2,172,717</b>	<b>238,632</b>	<b>238,632</b>
<b>Less revenues netted against expenditures:</b>						
Vote-netted revenues	(86,033)	(13,764)	(13,764)	(83,755)	(13,675)	(13,675)
<b>Total Revenues netted against expenditures:</b>	<b>(86,033)</b>	<b>(13,764)</b>	<b>(13,764)</b>	<b>(83,755)</b>	<b>(13,675)</b>	<b>(13,675)</b>
<b>Total net budgetary expenditures</b>	<b>1,512,018</b>	<b>214,914</b>	<b>214,914</b>	<b>2,088,962</b>	<b>224,957</b>	<b>224,957</b>

<sup>(1)</sup> Planned expenditures do not reflect measures announced in Budget 2012.

Certain comparative figures have been reclassified to conform to the current year's presentation.