

Quarterly Financial Report of

TRANSPORT CANADA

(Unaudited)

For the quarter ended September 30, 2013

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended September 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 \$594 million (or 28%), from \$2,106 million as of September 30, 2012 to \$1,512 million as of September 30, 2013, as summarized below:

Changes in Authorities:

Description of activity	(in millions of dollars)
Vote 1 – Operating expenditures	(57)
Vote 1 – Revenues credited to the vote	(2)
Vote 5 – Capital expenditures	112
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
Total change in authorities	(594)

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 changes for the quarter ended September 30, 2013 are explained below.

2.1.1 Vote 1 – Operating expenditures (decrease of \$56.7M)

Operating expenditures authorities decreased by \$56.7 million from 2012-13 to 2013-14, primarily due to:

- A \$42 million decrease as a result of the implementation of Budget 2012 cost reduction measures; and
- \$14.9 million due to timing differences in the recognition of the Operating Budget Carry Forward (Q2 in 2012-13; Q3 in 2013-14).

2.1.2 Vote 5 – Capital expenditures (increase of \$111.8M)

Capital expenditures authorities increased by \$111.8 million from 2012-13 to 2013-14, primarily explained by:

- An increase in planned spending of \$113.1 million for the Detroit River International Crossing (DRIC);
- \$2.3 million due to timing differences in the recognition of the Capital Budget Carry Forward (Q2 in 2012-13; Q3 in 2013-14).

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

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

- Decreases in planned spending of:
 - \$669.1 million regarding the Gateways and Border Crossings Fund (largely reprofiled to future years),
 - \$16.9 million for the Airports Capital Assistance Program, Ferry Services Contribution Program and Contributions toward highway improvements for the Outaouais Road Development Program,
 - \$16.1 million for the Regional and Remote Passenger Rail Services Class Contribution Program,
 - \$4.3 million in 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)

Budgetary statutory authorities increased by \$10.8 million from 2012-13 to 2013-14. This amount represents 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.

2.2 Statement of Departmental Budgetary Expenditures by Standard Object

Transport Canada's annual planned expenditures for 2013-14 have decreased by approximately \$594 million when compared to 2012-13. Overall, the year-to-date expenditures for the second quarter of 2013-14 represent 27% of the annual planned expenditures, compared to 23% 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 September 30, 2013 are as follows:

- **Personnel**

The ***Personnel*** year-to-date expenditures as at September 30, 2013 decreased by approximately \$7.5 million when compared to the 2012-13 second quarter year-to-date expenditures. The variance is largely attributed to the reduced spending as a result of Budget 2012 cost savings measures.

- **Transportation and communications**

The planned expenditures related to ***Transportation and communications*** for 2013-14 decreased by approximately \$5.6 million compared to the 2012-13 planned expenditures. The variance is largely attributed to a decrease in funding as a result of Budget 2012 cost savings measures.

- **Professional and special services**

The planned expenditures related to ***Professional and special services*** for 2013-14 decreased by approximately \$45.5 million compared to the 2012-13 planned expenditures. The variance is attributed to a decrease in funding as a result of Budget 2012 cost savings measures (\$30.6 million) and timing differences related to the recognition of the Operating Budget Carry Forward (\$14.9 million).

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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 \$54.6 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).

- **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).

- **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 causes of the variances are explained in section 2.1.3.

The *Transfer payments* year-to-date expenditures as at September 30, 2013 decreased by approximately \$71.2 million when compared to the 2012-13 second quarter year-to-date expenditures, as a result of the overall decrease in funding.

- **Other subsidies and payments**

The *Other subsidies and payments* planned expenditures for 2013-14 increased by approximately \$10.8 million when compared to the planned expenditures for 2012-13. The cause of the variance is explained in section 2.1.4.

The *Other subsidies and payments* year-to-date expenditures as at September 30, 2013 increased by approximately \$5.6 million when compared to the 2012-13 second quarter year-to-date expenditures, due to an increase in the annual statutory payments to the St. Lawrence Seaway Management Corporation related to maintaining the federally owned infrastructure.

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 the department 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; and
- 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; and
- Working with other organizations to leverage knowledge and expertise.

Departmental voted expenditures in the second 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 second 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

Louis Lévesque,
Deputy Minister
Ottawa, Canada

November 29, 2013

Original signed by

André Morency,
Chief Financial Officer
Ottawa, Canada

November 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 September 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 September 30, 2012	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	600,289	141,406	266,741	656,942	141,892	268,544
Vote 1 – Revenues credited to the vote	(86,033)	(25,321)	(39,085)	(83,755)	(24,447)	(38,122)
Vote 5 – Capital expenditures	222,078	10,562	11,637	110,300	12,749	16,408
Vote 10 – Grants and contributions	543,951	25,305	35,123	1,201,818	96,933	106,651
Budgetary statutory authorities						
Contributions to employee benefit plans	72,570	36,285	36,285	73,816	18,454	36,908
Minister of Transport – Salary and motor car allowance	79	33	53	78	19	39
Minister of State – Motor car allowance	2	-	-	2	1	1
Payments to the Canadian National Railway Company – Victoria Bridge, Montreal	3,300	611	611	3,300	582	582
Northumberland Strait Crossing Subsidy Payment	61,582	-	60,830	60,329	-	60,529
Payments in respect of St. Lawrence Seaway Agreements	94,200	481	32,081	83,372	5,536	25,136
Total budgetary authorities	1,512,018	189,362	404,276	2,106,202	251,719	476,676
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	1,512,018	189,362	404,276	2,106,202	251,719	476,676

⁽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 September 30, 2013	Year to date expended at quarter-end	Planned expenditures for the year ending March 31, 2013 ⁽¹⁾	Expended during the quarter ended September 30, 2012	Year to date expended at quarter-end
Expenditures:						
Personnel	489,720	138,466	243,196	493,815	125,707	250,685
Transportation and communications	29,515	4,884	9,459	35,144	4,644	8,778
Information	3,221	332	698	4,452	500	749
Professional and special services	114,337	21,325	31,421	159,837	18,753	28,167
Rentals	4,467	3,332	4,488	4,623	2,707	3,995
Repair and maintenance	16,715	3,095	4,073	18,220	2,881	3,714
Utilities, materials and supplies	14,965	4,121	7,402	14,747	3,727	6,787
Acquisition of land, buildings and works	122,271	8,427	8,858	67,715	10,044	10,330
Acquisition of machinery and equipment	99,807	2,512	3,671	42,585	2,148	5,854
Transfer payments	608,833	25,916	96,564	1,265,447	97,515	167,762
Other subsidies and payments	94,200	2,273	33,531	83,372	7,540	27,977
Total gross budgetary expenditures	1,598,051	214,683	443,361	2,189,957	276,166	514,798
Less revenues netted against expenditures:						
Vote-netted revenues	(86,033)	(25,321)	(39,085)	(83,755)	(24,447)	(38,122)
Total Revenues netted against expenditures:	(86,033)	(25,321)	(39,085)	(83,755)	(24,447)	(38,122)
Total net budgetary expenditures	1,512,018	189,362	404,276	2,106,202	251,719	476,676

⁽¹⁾ Planned expenditures do not reflect measures announced in Budget 2012.

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