

Quarterly Financial Report of

TRANSPORT CANADA

(Unaudited)

For the quarter ended December 31, 2013

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

Table of contents

STATEMENT OUTLINING RESULTS, RISKS AND SIGNIFICANT CHANGES IN OPERATIONS, PERSONNEL AND PROGRAM	- 3 -
1. INTRODUCTION	- 3 -
1.1 AUTHORITY, MANDATE AND PROGRAM ACTIVITIES	- 3 -
1.2 BASIS OF PRESENTATION	- 3 -
2. HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR TO DATE (YTD) RESULTS	- 4 -
2.1 STATEMENT OF AUTHORITIES	- 4 -
2.2 STATEMENT OF DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT	- 5 -
3. RISKS AND UNCERTAINTIES	- 6 -
4. SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS	- 6 -
5. BUDGET 2012 IMPLEMENTATION	- 6 -
STATEMENT OF AUTHORITIES (UNAUDITED)	- 8 -
DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (UNAUDITED)	- 9 -

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

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) and (B), 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 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 the department consistent with the Main Estimates and Supplementary Estimates (A) and (B) 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 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. 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.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

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 \$523 million (or 25%), from \$2,121 million as of December 31, 2012 to \$1,598 million as of December 31, 2013, as summarized below:

Changes in Authorities:

Description of activity	(in millions of dollars)
Vote 1 – Operating expenditures	(24)
Vote 5 – Capital expenditures	122
Vote 10 – Grants and contributions	(634)
Budgetary statutory authorities	
Contributions to employee benefit plans	-
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	12
Total change in authorities	(523)

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 December 31, 2013 are explained below.

2.1.1 Vote 1 – Operating expenditures (decrease of \$23.8M)

Operating expenditures authorities decreased by \$23.8 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;
- Offset by a \$17 million increase of the Operating Budget Carry Forward when compared to the previous year

2.1.2 Vote 5 – Capital expenditures (increase of \$121.7M)

Capital expenditures authorities increased by \$121.7 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);
- A \$12.8 million increase of the Capital Budget Carry Forward when compared to the previous year

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

2.1.3 Vote 10 – Grants and contributions (decrease of \$633.5M)

Grants and contributions authorities decreased by \$633.5 million from 2012-13 to 2013-14, largely explained by the following factors:

- Decreases in planned spending of:
 - \$646.5 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 \$12.8M)

Budgetary statutory authorities increased by \$12.8 million from 2012-13 to 2013-2014. This amount mostly 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 \$523 million when compared to 2012-13. Overall, the year-to-date expenditures at the end of the third quarter of 2013-14 represent 51% of the annual planned expenditures, compared to 39% 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 December 31, 2013 are as follows:

- **Personnel**

The planned expenditures related to **Personnel** for 2013-14 increased by approximately \$4.0 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 offset by an increase of the Operating Budget Carry Forward when compared to the previous year.

The **Personnel** year-to-date expenditures at December 31, 2013 decreased by approximately \$8.9 million when compared to the 2012-13 third 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 \$6.1 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 \$18.5 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.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

- **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).

- **Acquisitions of machinery and equipment**

The planned expenditures related to *Acquisitions of machinery and equipment* for 2013-14 increased by approximately \$64.8 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 \$632.5 million when compared to the planned expenditures for 2012-13. The causes of the variances are mostly explained in section 2.1.3.

The *Transfer payments* year-to-date expenditures at December 31, 2013 decreased by approximately \$62.5 million when compared to the 2012-13 third 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 \$13.7 million when compared to the planned expenditures for 2012-13. The cause of the variance is mostly related to the increase in the statutory payment to the St. Lawrence Seaway Management Corporation as explained in section 2.1.4.

The *Other subsidies and payments* year-to-date expenditures at December 31, 2013 increased by approximately \$41.8 million when compared to the 2012-13 third quarter year-to-date expenditures, due to an increase in, and the timing of, the 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.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

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

Back office streamlining, such as:

- Finding savings in all departmental programs 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 third 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 third 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

February 28, 2014

Original signed by

André Morency,
Chief Financial Officer
Ottawa, Canada

February 28, 2014

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

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 December 31, 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 December 31, 2012	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	662,373	148,078	414,819	683,889	148,080	416,624
Vote 1 – Revenues credited to the vote	(86,033)	(22,929)	(62,014)	(83,755)	(23,018)	(61,140)
Vote 5 – Capital expenditures	232,461	16,042	27,679	110,801	12,965	29,373
Vote 10 – Grants and contributions	555,591	165,054	200,177	1,189,132	156,332	262,983
Budgetary statutory authorities						
Contributions to employee benefit plans	73,215	18,142	54,427	73,816	18,454	55,362
Minister of Transport – Salary and motor car allowance	79	39	92	78	19	58
Minister of State – Motor car allowance	2	-	-	2	1	2
Payments to the Canadian National Railway Company – Victoria Bridge, Montreal	3,300	-	611	3,300		582
Northumberland Strait Crossing Subsidy Payment	61,582	-	60,830	60,530	-	60,529
Payments in respect of St. Lawrence Seaway Agreements	95,700	80,505	112,586	83,371	43,668	68,804
Total budgetary authorities	1,598,270	404,931	809,207	2,121,164	356,501	833,177
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	1,598,270	404,931	809,207	2,121,164	356,501	833,177

(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.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended December 31, 2013

Departmental Budgetary Expenditures by Standard Object (Unaudited)

(in thousands of dollars)	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date expended at quarter-end	Planned expenditures for the year ending March 31, 2013 ⁽¹⁾	Expended during the quarter ended December 31, 2012	Year to date expended at quarter-end
Expenditures:						
Personnel	514,637	122,570	365,766	510,677	123,954	374,639
Transportation and communications	29,231	7,096	16,555	35,376	5,925	14,703
Information	3,221	713	1,411	4,452	851	1,600
Professional and special services	149,864	26,099	57,520	168,404	26,371	54,538
Rentals	4,467	1,456	5,944	4,648	1,679	5,674
Repair and maintenance	16,715	2,962	7,035	19,156	3,125	6,839
Utilities, materials and supplies	16,134	3,984	11,386	15,071	4,052	10,839
Acquisition of land, buildings and works	122,271	12,357	21,215	65,388	9,209	19,539
Acquisition of machinery and equipment	110,190	4,353	8,024	45,413	3,067	8,921
Transfer payments	620,473	165,054	261,618	1,252,962	156,332	324,094
Other subsidies and payments	97,100	81,216	114,747	83,372	44,954	72,931
Total gross budgetary expenditures	1,684,303	427,860	871,221	2,204,919	379,519	894,317
Less revenues netted against expenditures:						
Vote-netted revenues	(86,033)	(22,929)	(62,014)	(83,755)	(23,018)	(61,140)
Total Revenues netted against expenditures:	(86,033)	(22,929)	(62,014)	(83,755)	(23,018)	(61,140)
Total net budgetary expenditures	1,598,270	404,931	809,207	2,121,164	356,501	833,177

⁽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.