Quarterly Financial Report of

TRANSPORT CANADA

(Unaudited)

For the quarter ended June 30th, 2014

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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 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) for the 2014-15 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.

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 increased by approximately $144 million (or 10%), from $1,512 million as of June 30, 2013 to $1,656 million as of June 30, 2014, as summarized below:

Changes in Authorities:

Description	(in millions of dollars)
Vote 1 – Operating expenditures	-
Vote 5 – Capital expenditures	(76)
Vote 10 – Grants and contributions	214
Budgetary statutory authorities	6
Total change in authorities	**144**

Note: Totals may not add or 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 June 30, 2014 are explained below.

2.1.1 Vote 1 – Operating expenditures (no net change)

Planned operating expenditures were to decrease by $15.1 million from 2013-2014 as a result of savings measures announced in Budget 2012. However, these savings were offset in 2014-15 by new funding for the implementation of a world class prevention, preparedness and response regime for oil spills from ships to safeguard Canada's marine environment.

2.1.2 Vote 5 – Capital expenditures (decrease of $76.3M)

Capital expenditures authorities decreased by $76.3 million from 2013-14 to 2014-15, mostly as a result of funding moved to future years for the land acquisition for the Detroit River International Crossing ($66.4 million decrease) and Budget 2010 funding ending for the Ferry Services Program ($10.8 million decrease).

2.1.3 Vote 10 – Grants and contributions (increase of $214M)

Grants and contributions authorities increased by $214 million from 2013-14 to 2014-15, largely explained by the following factors:

- Increases in planned spending of:
  - $327.3 million for Gateways and Border Crossings Fund;
  - $11.2 million for Regional and Remote Passenger Rail Services Contribution Program
  - $5.2 million for Contributions to Support the Next Generation of Clean Transportation Initiatives.

- Offset by decreases in planned spending of:
  - $91.1 million for the Asia Pacific Gateway and Corridor Transportation Infrastructure Fund;
  - $13.5 million for the Outaouais Roads Development Agreement, Oshawa Harbour Port Consolidation Project and Port of Churchill Program;
  - $12.3 million for the Budget 2010 funding reductions for the Ferry Services Contribution Program;
  - $11.0 million for the sun-setting of funding for the Port Divestiture Fund.

2.1.4 Budgetary statutory authorities (increase of $9.2M for Payments in respect of St. Lawrence Seaway Agreements)

The budgetary statutory authorities increased by $9.2 million from 2013-14 to 2014-15 due mainly to an increase in the capital requirements associated with maintaining this federally owned infrastructure.

2.2 Statement of Departmental Budgetary Expenditures by Standard Object

Transport Canada's annual planned expenditures for 2014-15 have increased by approximately $144 million when compared to 2013-14. Overall, the year-to-date expenditures at the end of the first quarter of 2014-15 represent 14% of the annual planned expenditures, which is consistent with the prior year.

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, 2014 are as follows:

- **Personnel**

  The planned expenditures related to ***Personnel*** for 2014-15 decreased by approximately $5.9 million compared to the 2013-14 planned expenditures. The decrease is primarily related to reductions for the Deficit Reduction Action Plan.

- **Professional and special services**

  The planned expenditures related to ***Professional and special services*** for 2014-15 increased by approximately $4.7 million compared to the 2013-14 planned expenditures, mainly due to an increase in planned spending for the world class marine oil spill prevention initiative.

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

  The planned expenditures related to ***Acquisitions of land, buildings and works*** for 2014-15 decreased by approximately $30.4 million compared to the 2013-14 planned expenditures. The decrease is a result of funding moved to future years for the Detroit River International Crossing.

- **Acquisitions of machinery and equipment**

  The planned expenditures related to ***Acquisitions of machinery and equipment*** for 2014-15 decreased by approximately $45.9 million compared to the 2013-14 planned expenditures. The decrease is a result of funding moved to future years for the Detroit River International Crossing.

- **Transfer payments**

  The ***Transfer payments*** planned expenditures for 2014-15 increased by approximately $215.3 million when compared to the planned expenditures for 2013-14. The causes of the variances are explained in section 2.1.3.

- **Other subsidies and payments**

  The ***Other subsidies and payments*** planned expenditures for 2014-15 increased by approximately $9.2 million when compared to the planned expenditures for 2013-14. The increase is due to an increase in the annual statutory payments to the St. Lawrence Seaway Management Corporation as explained in section 2.1.4.

  The ***Other subsidies and payments*** year-to-date expenditures at June 30, 2014 increased by approximately $12.0 million when compared to the 2013-14 first quarter year-to-date expenditures. The increase is due to a one-time transition payment of $14.9 million for implementing salary payment in arrears by the Government of Canada, offset by a decrease in the 2014-15 first quarter payments to the St. Lawrence Seaway Management Corporation, when compared to the prior year.

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 are being 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 focus on supporting management excellence and accountability across government.

In the first year of implementation, Transport Canada achieved savings of approximately $37 million. Savings increased to $47 million in 2013-14 and will result in ongoing savings of $62.1 million in 2014-15.

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;
- Focus on core functions which are in line with the Department’s mandate and strategic outcome structure.

Approved by:

Original signed by	Original signed by
______________________________	______________________________
Louis Lévesque, Deputy Minister Ottawa, Canada	André Lapointe, Chief Financial Officer Ottawa, Canada
August 29, 2014	August 29, 2014

Statement of Authorities (Unaudited)

(in thousands of dollars)	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2015 (1)	Used during the quarter ended June 30, 2014	Year-to-date used at quarter-end	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
Vote 1 – Operating expenditures	600,566	143,305	143,305	600,289	125,335	125,335
Vote 1 – Revenues credited to the vote	(86,667)	(17,333)	(17,333)	(86,033)	(13,764)	(13,764)
Vote 5 – Capital expenditures	145,753	1,556	1,556	222,078	1,075	1,075
Vote 10 – Grants and contributions	757,957	11,265	11,265	543,951	9,818	9,818
Budgetary statutory authorities						
Contributions to employee benefit plans	68,507	-	-	72,570	-	-
Minister of Transport – Salary and motor car allowance	80	40	40	79	20	20
Minister of State – Motor car allowance	-	-	-	2	-	-
Payments to the Canadian National Railway Company – Victoria Bridge, Montreal	3,300	116	116	3,300	-	-
Northumberland Strait Crossing Subsidy Payment	62,836	61,733	61,733	61,582	60,830	60,830
Payments in respect of St. Lawrence Seaway Agreements	103,350	28,600	28,600	94,200	31,600	31,600
Total authorities	**1,655,682**	**229,282**	**229,282**	**1,512,018**	**214,914**	**214,914**

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

Departmental Budgetary Expenditures by Standard Object (Unaudited)

(in thousands of dollars)	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year-to-date expended at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year-to-date expended at quarter-end
Expenditures:						
Personnel	483,781	104,275	104,275	489,720	104,730	104,730
Transportation and communications	26,885	5,901	5,901	29,515	4,575	4,575
Information	3,017	355	355	3,221	366	366
Professional and special services	119,074	11,469	11,469	114,337	10,096	10,096
Rentals	6,045	1,055	1,055	4,467	1,156	1,156
Repair and maintenance	15,259	1,483	1,483	16,715	978	978
Utilities, materials and supplies	15,091	3,388	3,388	14,965	3,281	3,281
Acquisition of land, buildings and works	91,883	418	418	122,271	431	431
Acquisition of machinery and equipment	53,871	1,953	1,953	99,807	1,159	1,159
Transfer payments	824,093	73,114	73,114	608,833	70,648	70,648
Other subsidies and payments	103,350	43,204	43,204	94,200	31,258	31,258
Total gross budgetary expenditures	**1,742,349**	**246,615**	**246,615**	**1,598,051**	**228,678**	**228,678**
Less revenues netted against expenditures:						
Vote-netted revenues	(86,667)	(17,333)	(17,333)	(86,033)	(13,764)	(13,764)
Total Revenues netted against expenditures:	**(86,667)**	**(17,333)**	**(17,333)**	**(86,033)**	**(13,764)**	**(13,764)**
Total net budgetary expenditures	**1,655,682**	**229,282**	**229,282**	**1,512,018**	**214,914**	**214,914**