

Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2018

TRANSPORT CANADA

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2018, and all information contained in these financial statements rests with the management of Transport Canada. These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Transport Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Transport Canada's *Departmental Results Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout Transport Canada and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2018 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of Transport Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Transport Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of Transport Canada.

The financial statements of Transport Canada have not been audited.

Original signed by

Original signed by

Thao Pham, Acting as Deputy Minister
Ottawa, Canada

André Lapointe, Chief Financial Officer
Ottawa, Canada

August 27, 2018
Date

August 21, 2018
Date

TRANSPORT CANADA
Statement of Financial Position (Unaudited)
As at March 31
(in thousands of dollars)

	2018	2017
Liabilities		
Accounts payable and accrued liabilities (note 4)	584,729	640,907
Vacation pay and compensatory leave	33,170	26,920
Environmental liabilities (note 5)	171,038	198,378
Deferred revenue (note 6)	5,920	3,745
Lease obligation for tangible capital assets (note 7)	464,037	487,038
Employee future benefits (note 8)	24,239	24,062
Contingent liabilities (note 15)	9,750	54,750
Total net liabilities	1,292,883	1,435,800
Financial assets		
Due from Consolidated Revenue Fund	500,629	568,363
Accounts receivable and advances (note 9)	35,703	24,106
Loans receivable (note 10)	1,839	1,795
Total gross financial assets	538,171	594,264
Financial assets held on behalf of Government		
Accounts receivable and advances (note 9)	(22,147)	(15,009)
Loans receivable (note 10)	(1,839)	(1,795)
Total financial assets held on behalf of Government	(23,986)	(16,804)
Total net financial assets	514,185	577,460
Departmental net debt	778,698	858,340
Non-financial assets		
Prepaid expenses	3,614	3,341
Consumable parts (note 11)	13,340	12,314
Tangible capital assets (note 12)	2,789,024	2,773,281
Total non-financial assets	2,805,978	2,788,936
Departmental net financial position (note 13)	2,027,280	1,930,596

Contractual obligations and contractual rights (note 14)

Contingent liabilities and contingent assets (note 15)

The accompanying notes form an integral part of these financial statements.

Original signed by

Original signed by

Thao Pham, Acting as Deputy Minister
Ottawa, Canada

André Lapointe, Chief Financial Officer
Ottawa, Canada

August 27, 2018

August 21, 2018

Date

Date

TRANSPORT CANADA

Statement of Operations and Departmental Net Financial Position (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

	2018	2018	2017
	Planned Results		
Expenses			
A Safe and Secure Transportation System	515,498	554,932	470,788
An Efficient Transportation System	640,270	419,201	557,860
Internal Services	171,411	174,503	165,407
A Clean Transportation System	70,743	88,422	94,652
Specified purpose accounts (note 13)	1,496	4,062	5,222
Expenses incurred on behalf of Government	(1,496)	(4,062)	(5,222)
Total expenses	1,397,922	1,237,058	1,288,707
Revenues			
Leases of property	343,607	374,808	348,892
Monitoring and enforcement revenues	51,065	47,738	48,873
Aircraft maintenance and flying services	26,160	27,581	25,442
Rentals and concessions	19,840	24,055	26,008
Specified purpose accounts (note 13)	3,608	23,332	8,302
Transport facilities user fees	13,381	14,731	12,309
Other	3,699	3,370	3,022
Revenues earned on behalf of Government	(391,086)	(442,446)	(399,584)
Total revenues	70,274	73,169	73,264
Net cost from continuing operations	1,327,648	1,163,889	1,215,443
Government funding and transfers			
Net cash provided by Government of Canada		1,237,377	1,073,069
Change in due from Consolidated Revenue Fund		(67,734)	109,758
Services provided without charge by other government departments (note 16)		96,615	90,421
Transfer of assets to other government departments (note 12 and note 17)		(5,685)	(67,196)
Net cost of operations after government funding and transfers		(96,684)	9,391
Departmental net financial position – Beginning of year		1,930,596	1,939,987
Departmental net financial position – End of year		2,027,280	1,930,596

Segmented information (note 18)

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	2018	2017
Net cost of operations after government funding and transfers	(96,684)	9,391
Change due to tangible capital assets		
Acquisitions of tangible capital assets (note 12)	154,993	180,772
Amortization of tangible capital assets (note 12)	(137,391)	(145,439)
Proceeds from disposal of tangible capital assets	(24,171)	(7,455)
Net gain on disposal of tangible capital assets (note 18)	21,240	4,831
Adjustments to assets under construction (note 12(a))	6,757	546
Transfer to other government departments (note 17)	(5,685)	(67,196)
Total change due to tangible capital assets	15,743	(33,941)
Change due to consumable parts (note 11)	1,026	14
Change due to prepaid expenses	273	1,972
Net decrease in departmental net debt	(79,642)	(22,564)
Departmental net debt – Beginning of year	858,340	880,904
Departmental net debt – End of year	778,698	858,340

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA
Statement of Cash Flows (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	2018	2017
Operating activities		
Net cost of operations before government funding and transfers	1,163,889	1,215,443
Non-cash items:		
Amortization of tangible capital assets (note 12)	(137,391)	(145,439)
Adjustments to assets under construction (note 12(a))	6,757	546
Services provided without charge by other government departments (note 16)	(96,615)	(90,421)
Gain on disposal of tangible capital assets (note 18)	21,240	4,831
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances (note 9)	4,459	(8,447)
Increase (decrease) in prepaid expenses	273	1,972
Increase (decrease) in consumable parts (note 11)	1,026	14
Decrease (increase) in accounts payable and accrued liabilities (note 4)	56,178	(98,963)
Increase in vacation pay and compensatory leave	(6,250)	(710)
Decrease (increase) in environmental liabilities (note 5)	27,340	(9,978)
Decrease (increase) in deferred revenue (note 6)	(2,175)	5,993
Decrease (increase) in employee future benefits (note 8)	(177)	912
Decrease in contingent liabilities (note 15)	45,000	2,000
Cash used in operating activities	1,083,554	877,753
Capital investing activities		
Acquisitions of tangible capital assets (note 12)	154,993	180,772
Proceeds from disposal of tangible capital assets	(24,171)	(7,455)
Cash used in capital investing activities	130,822	173,317
Financing activities		
Decrease in lease obligation for tangible capital assets (note 7)	23,001	21,999
Cash used in financing activities	23,001	21,999
Net cash provided by Government of Canada	1,237,377	1,073,069

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

1. Authority and objectives

Transport Canada is a department of the Government of Canada named in Schedule 1 of the *Financial Administration Act* and reports to Parliament through the Minister of Transport.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental programs:

- *An Efficient Transportation System*: supports trade, economic prosperity and a better quality of life through low costs, reliable service, the best use of all modes and innovation in transportation. Transport Canada promotes an efficient transportation system in Canada by: modernizing marketplace frameworks so that the transportation sector can adapt, innovate and remain competitive; implementing trade corridor initiatives; ensuring the renewal of federal transportation infrastructure; encouraging innovation in the transportation sector; and partnering with provinces, territories, municipal governments, and public and private sector entities in various transportation initiatives.
- *A Clean Transportation System*: advances the federal government's environmental agenda in the transportation sector and complements other federal programs designed to reduce air emissions to protect the health of Canadians and the environment for generations to come; protects the marine environment by reducing the pollution of water from transportation sources; and fulfills Transport Canada's responsibilities in working towards a cleaner and healthier environment with regard to its own operations.
- *A Safe and Secure Transportation System*: moves people and goods across Canada, and to international destinations, without loss of life, injury, or damage to property. Transport Canada supports a safe and secure transportation system by influencing the behaviour of the public and industry through policies, standards, regulations and laws. Harmonized and streamlined regulatory regimes, informed by the practices of multiple countries and stakeholders, promote effective, safe and secure transportation operations and a sound safety and security culture. Transport Canada ensures that Canadians and the transportation industry are in compliance with the regulatory framework through its oversight program.
- *Internal Services*: Internal Services are groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Department's Internal Services delivery model. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including *Department of Transport Act*, *Canada Transportation Act*, *Aeronautics Act*, *Canada Marine Act*, *Marine Liability Act*, *Canada Shipping Act*, *Navigation Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act*, *Marine Transportation Security Act* and *Safe and Accountable Rail Act*.

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies

These financial statements are prepared using Transport Canada's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

Transport Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Transport Canada do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2017-18 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2017-18 Departmental Plan.

(b) Net cash provided by Government

Transport Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Transport Canada is deposited to the CRF, and all cash disbursements made by Transport Canada are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

(c) Amounts due from or to the CRF

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that Transport Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year. Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenues are then recognized in the period in which the related expenses are incurred.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned. Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-respendable are not available to discharge Transport Canada's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

(e) Expenses

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their carrying value.

(f) Employee future benefits

i. Pension benefits—Eligible employees participate in the Public Service Pension Plan (the "Plan"), a multi-employer pension plan administered by the Government of Canada. Transport Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

ii. Severance benefits—The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts and loans receivable

Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

(h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 12. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collections and Crown land to which no acquisition cost is attributable, and intangible assets.

Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value.

(i) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

(j) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes of the financial statements.

(k) Environmental liabilities

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for their use prior to contamination. When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated statements.

(l) Transactions involving foreign currencies

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at March 31st. Gains and losses resulting from foreign currency transactions are reported on the Statement of Operations and Departmental Net Financial Position according to the activities to which they relate.

(m) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes as at March 31st. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits and the useful life of capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Environmental liabilities are subject to measurement uncertainty as discussed in Note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

(n) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

3. Parliamentary authorities

Transport Canada receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, Transport Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

3. Parliamentary authorities (cont'd)

(a) Reconciliation of net cost of operations to current year authorities used

	2018	2017
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	1,163,889	1,215,443
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (note 12)	(137,391)	(145,439)
Services provided without charge by other government departments (note 16)	(96,615)	(90,421)
Gain on disposal of tangible capital assets (note 18)	21,240	4,831
Adjustments to assets under construction (note 12(a))	6,757	546
Increase in vacation pay and compensatory leave	(6,250)	(710)
Decrease (increase) in environmental liabilities (note 5)	27,340	(9,978)
Decrease (increase) in employee future benefits (note 8)	(177)	912
Decrease in contingent liabilities (note 15)	45,000	2,000
Decrease (increase) in accrued liabilities not charged to authorities	(702)	6,596
Refund of prior years' expenditures	701	998
Adjustments of previous years accounts payable	1,312	1,090
Bad debt expense	22	(274)
Other expenditures not affecting authorities	(850)	188
Total items affecting net cost of operations but not affecting authorities	(139,613)	(229,661)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (note 12)	154,993	180,772
Decrease in lease obligations for tangible capital assets (note 7)	23,001	21,999
Increase in consumable parts (note 11)	1,026	14
Increase in prepaid expenses	273	1,972
Other	2,151	620
Total items not affecting net cost of operations but affecting authorities	181,444	205,377
Current year authorities used	1,205,720	1,191,159

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used ⁽¹⁾

	2018	2017
	(in thousands of dollars)	
Authorities provided:		
Vote 1 – Operating expenditures	723,506	605,978
Vote 5 – Capital expenditures	163,553	151,178
Vote 10 – Grants and contributions – Gateways and corridors	113,277	257,904
Vote 15 – Grants and contributions – Transportation infrastructure	278,421	195,547
Vote 20 – Grants and contributions – Other	55,323	50,415
Statutory amounts	150,621	190,705
Total authorities provided	<u>1,484,701</u>	<u>1,451,727</u>
Less:		
Authorities available for future years	(179)	(3,015)
Lapsed: Operating expenditures	(45,238)	(71,042)
Lapsed: Capital expenditures	(63,526)	(61,640)
Lapsed: Grants and contributions – Gateways and corridors	(54,287)	(100,729)
Lapsed: Grants and contributions – Transportation infrastructure	(92,050)	(5,690)
Lapsed: Grants and contributions – Other	(23,701)	(18,257)
Lapsed: Other lapsed amounts	-	(195)
Current year authorities used	<u>1,205,720</u>	<u>1,191,159</u>

⁽¹⁾ Lapsed authorities represents the surpluses at year-end as well as frozen allotments that will be reprofiled to future years.

4. Accounts payable and accrued liabilities

The following table presents details of Transport Canada's accounts payable and accrued liabilities.

	2018	2017
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	47,914	62,169
Accounts payable – External parties	458,933	509,516
Total accounts payable	<u>506,847</u>	<u>571,685</u>
Accrued liabilities	77,882	69,222
Total accounts payable and accrued liabilities	<u>584,729</u>	<u>640,907</u>

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

5. Environmental liabilities

Remediation of contaminated sites

The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

Transport Canada has identified approximately 298 sites (286 sites in 2016-2017) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has identified approximately 96 sites (109 sites in 2016-2017) where action is required and for which a gross liability of \$146,526 thousand (\$178,627 thousand in 2016-2017) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model is applied to a group of unassessed sites in order to estimate both the number of sites that are likely to be remediated, and the associated expense based on consideration of current and historical costs. Of the 70 unassessed sites considered (70 sites in 2016-2017), the model predicted that 48 sites (49 sites in 2016-2017) would ultimately be remediated at an estimated cost of \$24,512 thousand (\$19,751 thousand in 2016-2017).

These two liability estimates combined, totalling \$171,038 thousand (\$198,378 thousand in 2016-2017) represent management's best estimate of the costs required to remediate the sites to the current minimum standard for their use prior to contamination, based on information available at the financial statement date.

For the remaining 154 sites (128 sites in 2016-2017), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, Transport Canada does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2018, and March 31, 2017. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast CPI rate of 1.9% (2% in 2017). Inflation is included in the undiscounted amount. The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2018 rates range from 1.79% (0.76% in 2016-2017) for 2 year term to 2.24% (2.39% in 2016-2017) for a 30 or greater year term.

Also, 7 sites were closed during the year (22 sites in 2016-2017) as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

TRANSPORT CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

5. Environmental liabilities (cont'd)

Nature and Source of Liability								
Nature & Source	2018				2017			
	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures
			(in thousands of dollars)				(in thousands of dollars)	
Military & Former Military Sites ⁽¹⁾	6	1	182	190	6	1	143	145
Fuel Related Practices ⁽²⁾	61	25	24,589	26,423	60	28	28,700	30,210
Landfill/Waste Sites ⁽³⁾	24	11	33,761	36,216	21	14	38,495	40,338
Engineered Asset/Air & Land Transportation ⁽⁴⁾	69	44	28,965	30,293	69	44	28,631	29,705
Marine Facilities/Aquatic Sites ⁽⁵⁾	76	41	81,556	89,013	72	45	101,128	105,621
Other ⁽⁶⁾	62	22	1,985	2,138	58	26	1,281	1,426
Totals	298	144	171,038	184,273	286	158	198,378	207,445

1. Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.

2. Contamination primarily associated with fuel storage and handling. E.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).

3. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

4. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

5. Contamination associated with the operations of marine assets, e.g. port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g. on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

6. Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites, use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

6. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties that are restricted in order to fund the expenditures related to specific research projects and stemming from amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed. Details of the transactions related to this account are as follows:

	2018	2017
	(in thousands of dollars)	
Shared-cost agreements*		
Opening balance	646	6,452
Amounts received	3,325	702
Revenue recognized	(1,385)	(6,508)
Closing balance	2,586	646
Other		
Opening balance	3,099	3,286
Amounts received	2,937	2,573
Revenue recognized	(2,702)	(2,760)
Closing balance	3,334	3,099
Net closing balance	5,920	3,745

*A shared-cost agreement is a common undertaking whereby the parties involved agree to participate in carrying out a project. This may involve the sharing of resources and the purchase of goods or services. Transport Canada utilizes joint cost sharing agreements with private and other government organizations.

7. Lease obligation for tangible capital assets

Under the *Northumberland Strait Crossing Act*, the Government of Canada entered into a long-term capital lease arrangement in 1992 and is obligated to pay an annual subsidy of \$41,900 thousand indexed to the annual inflation rate to the Strait Crossing Finance Inc., a wholly owned corporation of the Province of New Brunswick, for the construction of the Confederation Bridge.

The annual payments made by Transport Canada are due on April 1 and will be used to retire \$661,543 thousand of 4.5% real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge. Annual payments made by Transport Canada began in 1997 and will continue until 2033. At such time, the ownership of the bridge will be transferred to the Government of Canada.

On April 1, 2017, an annual payment in the amount of \$64,942 thousand (\$63,588 thousand in 2016-2017) was made. This payment represents a payment of principal in the amount of \$23,001 thousand (\$21,999 thousand in 2016-2017), interest of \$22,173 thousand (\$23,175 thousand in 2016-2017), and an amount of \$19,768 thousand (\$18,414 thousand in 2016-2017) representing the indexing of the payment to the annual inflation rate.

The interest expense and indexing adjustment accrued at March 31, 2018 amounts to \$21,126 thousand (\$22,173 thousand in 2016-2017) and \$20,872 thousand (\$19,769 thousand in 2016-2017), respectively.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

7. Lease obligation for tangible capital assets (cont'd)

Transport Canada has a capital lease obligation of \$464,037 thousand at March 31, 2018 (\$487,037 thousand in 2016-2017), based on the present value for the future payments using an interest rate of 6.06% (6.06% in 2016-2017).

The obligations related to the upcoming years include the following:

	2018
	(in thousands of dollars)
2019	62,920
2020	63,871
2021	64,836
2022	65,815
2023	66,809
2024 and thereafter	584,695
Total future minimum lease payments	908,946
Less: imputed interest (6.06%)	(444,909)
Balance of obligations under leased tangible capital assets	464,037

8. Employee future benefits

(a) Pension benefits

Transport Canada's employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and Transport Canada contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2017-2018 expense amounts to \$62,944 thousand (\$56,968 thousand in 2016-2017). For Group 1 members, the expense represents approximately 1.01 times (1.12 times in 2016-2017) the employee contributions and, for Group 2 members, approximately 1.00 times (1.08 times in 2016-2017) the employee contributions.

Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

8. Employee future benefits (cont'd)

(b) Severance benefits

Severance benefits provided to Transport Canada's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	2018	2017
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	24,062	24,974
Expense for the year	3,970	2,508
Benefits paid during the year	(3,793)	(3,420)
Accrued benefit obligation - End of year	24,239	24,062

9. Accounts receivable and advances

The following table presents details of Transport Canada's accounts receivable and advances balances:

	2018	2017
	(in thousands of dollars)	
Receivables – Other government departments and agencies	11,774	13,906
Receivables – External parties	21,455	11,859
Employee advances	3,120	807
Subtotal	36,349	26,572
Allowance for doubtful accounts on receivables from external parties	(646)	(2,466)
Gross accounts receivable	35,703	24,106
Accounts receivable held on behalf of Government	(22,147)	(15,009)
Net accounts receivable	13,556	9,097

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

10. Loans receivable

The following table presents details of Transport Canada's loans receivable:

	2018	2017
	(in thousands of dollars)	
Loans receivable – Victoria Harbour	2,023	2,066
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,197	2,240
Less: Unamortized discount	(184)	(271)
Subtotal	2,013	1,969
Less: Allowance for uncollectibility	(174)	(174)
Gross loans receivable	1,839	1,795
Loans receivable held on behalf of Government	(1,839)	(1,795)
Net loans receivable	-	-

(a) Loans receivable from Victoria Harbour

The Victoria Harbour loan receivable relates to the sale of a parcel of Victoria Harbour land for \$2,578 thousand. A discount of \$184 thousand (\$271 thousand in 2016-2017) is recorded to reflect the concessionary nature of the loan. A payment of \$43 thousand (\$43 thousand in 2016-2017) was received in fiscal year 2017-2018.

(b) Loans receivable from St. Lawrence Seaway Management Corporation

The St. Lawrence Seaway Management Corporation loan portfolio account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between Transport Canada and the Corporation. The repayments of these loans are recorded in this account. An allowance for uncollectibility has been recorded for the remaining amount of the loans receivable as there is uncertainty of recovering the monies owed.

11. Inventory

	2018	2017
	(in thousands of dollars)	
Consumable parts	13,340	12,314
Total inventory	13,340	12,314

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$2,724 thousand in 2017-2018 (\$1,474 thousand in 2016-2017).

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

12. Tangible capital assets

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

Asset Class	Amortization Period
Confederation Bridge *	100 years
Assets under capital leases	Lease term
Buildings	20 to 40 years
Works and Infrastructure	10 to 60 years
Leasehold improvements	Lease term
Machinery and Equipment	5 to 30 years
Informatics Hardware	3 to 5 years
Informatics Software	3 years
Ships and Boats	10 to 35 years
Aircraft	6 to 20 years
Motor Vehicles	6 to 35 years

* The Confederation Bridge is capitalized since its ownership will be transferred to the Government of Canada following the end of the long term capital lease arrangement in 2033. Refer to note 7 for further information regarding the capital lease agreement.

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

TRANSPORT CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

12. Tangible capital assets (cont'd)

Capital Asset Class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (a)	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (a)	Disposals and Write-Offs	Closing Balance	2018	2017
(in thousands of dollars)												
Land ^{(1) (6)}	211,766	-	(5,421)	(576)	205,769	-	-	-	-	-	205,769	211,766
Confederation Bridge	818,820	-	-	-	818,820	162,399	8,188	-	-	170,587	648,233	656,421
Buildings ^{(2) (7)}	861,415	1,974	39	-	863,428	602,287	30,418	(8,593)	-	624,112	239,316	259,128
Works and Infrastructure ^{(3) (8)}	3,455,514	53,987	60,107	(840)	3,568,768	2,168,571	58,425	2,692	(266)	2,229,422	1,339,346	1,286,945
Leasehold Improvements ⁽⁵⁾	29,858	-	296	-	30,154	16,581	1,118	4	-	17,703	12,451	13,276
Machinery and Equipment ^{(4) (9)}	117,697	3,911	8,308	(118)	129,798	78,276	6,041	4,776	(104)	88,989	40,809	39,421
Informatics Hardware	11,708	21	27	(148)	11,608	5,811	432	-	(133)	6,110	5,498	5,897
Informatics Software	133,674	51	8,271	(152)	141,844	101,878	16,574	-	(152)	118,300	23,544	31,795
Ships and Boats	145,830	-	4,514	(107)	150,237	78,992	2,117	17	(66)	81,060	69,177	66,838
Aircraft	148,743	-	3,319	(695)	151,367	114,558	3,768	-	(608)	117,718	33,649	34,185
Motor Vehicles	465,778	6,878	33	(15,297)	457,392	387,429	10,310	33	(13,673)	384,099	73,293	78,348
Assets under construction	89,260	88,171	(79,492)	-	97,939	-	-	-	-	-	97,939	89,261
Total	6,490,063	154,993	1	(17,933)	6,627,124	3,716,782	137,391	(1,071)	(15,002)	3,838,100	2,789,024	2,773,281

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

12. Tangible capital assets (cont'd)

(a) Adjustments include assets under construction of \$70,192 thousand that were transferred to the other asset categories upon completion as well as other adjustments to assets under construction of \$6,757 thousand (\$9,301 thousand that were expensed, offset by \$16,058 thousand in other adjustments).

Effective April 1, 2017, Transport Canada transferred land, buildings, and machinery with a net book value of \$5,690 thousand to Parks Canada Agency, as well as received capital assets with a net book value of \$5 thousand from other government departments. These transfers are included in the adjustment columns (refer to note 17 for further details on the transfers).

National Airport System assets

Land, buildings, works and infrastructures owned by Transport Canada related to the 23 Canadian airports comprising the National Airport System are included in the table above. Tangible capital assets owned by airport authorities are not reflected in these financial statements.

Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government. These agreements are in accordance with the federal *National Airports Policy*, the *Public Accountability Principles for Canadian Airport Authorities* and the *Fundamental Principles for the Creation and Operations of Canadian Airport Authorities*, which, in part, entail the transfer of the management, operations and maintenance of certain airports in Canada to Canadian Airport Authorities.

Transport Canada has the right to terminate the operating agreements and assume the responsibility for the management, operation and maintenance of the airport if the leased airports are not operated in accordance with the terms of the respective operating agreements and the Policies and Principles referred to above.

Values recorded for the National Airport System assets for 23 National Airports are:

- (1) A net book value of \$158,975 thousand (\$158,978 thousand in 2016-2017) included in Land.
- (2) A net book value of \$128,370 thousand (\$141,098 thousand in 2016-2017) included in Buildings.
- (3) A net book value of \$103,221 thousand (\$127,979 thousand in 2016-2017) included in Works and Infrastructure.
- (4) A net book value \$334 thousand (\$344 thousand in 2016-2017) included in Machinery and Equipment.
- (5) A net book value of \$126 thousand (\$167 thousand in 2016-2017) included in Leasehold Improvements.

St. Lawrence Seaway assets

Land, buildings, works and infrastructure, and machinery and equipment owned by Transport Canada related to the St. Lawrence Seaway (Seaway) are included in the table above. Ownership of these assets was transferred to Transport Canada effective October 1, 1998, when the St. Lawrence Seaway Management Corporation (SLSMC) was established. The original 20-year agreement with the federal government that was expected to end on March 31, 2018 was extended in 2017 for a period of five years and will therefore be in force until March 31, 2023. The SLSMC is responsible for managing and operating the Seaway, as well as the maintenance, repairs, acquisition and replacement of government-owned Navigation Seaway Assets. Transport Canada is responsible for funding any SLSMC financial requirements net of revenues. In 2017-2018, \$54,157 thousand of the annual funding provided was utilized to acquire tangible capital assets (\$90,113 thousand in 2016-2017). Other amounts to fund minor maintenance and repairs are recorded as an operating expense in the statement of operations.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

12. Tangible capital assets (cont'd)

Values recorded for the Seaway assets are:

- ⁽⁶⁾ A net book value of \$23,966 thousand (\$24,268 thousand in 2016-2017) included in Land.
- ⁽⁷⁾ A net book value of \$21,049 thousand (\$27,669 thousand in 2016-2017) included in Buildings.
- ⁽⁸⁾ A net book value of \$907,686 thousand (\$853,222 thousand in 2016-2017) included in Works and Infrastructure.
- ⁽⁹⁾ A net book value of \$6,373 thousand (\$7,933 thousand in 2016-2017) included in Machinery and Equipment.

13. Departmental net financial position

A portion of Transport Canada's net financial position is restricted for specific purposes. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position. Transport Canada has three accounts which fall under this category:

(a) Ship-source Oil Pollution Fund (SOPF)

The Ship-source Oil Pollution Fund (Fund) was established pursuant to subsection 2001, c.6 of the *Marine Liability Act* (previously the *Canada Shipping Act*), to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the fund administrator, and related oil pollution control expenses, are financed out of the Fund. Additional information regarding the Ship-source Oil Pollution Fund can be found on the Fund's website.

(b) Fines for Transport of Dangerous Goods

The Fines for Transport of Dangerous Goods account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts under the Act. The balance of the account is used for program funding.

(c) Fund for Railway Accidents Involving Designated Goods (FRAIDG)

The Fund for Railway Accidents Involving Designated Goods was established pursuant to *the Safe and Accountable Rail Act* to establish a compensation fund to cover the losses, damages, costs and expenses resulting from a railway accident involving crude oil or other designated goods that exceed the minimum liability insurance coverage. This account is financed by a levy on shipments of crude oil by rail.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

13. Departmental net financial position (cont'd)

Activities incurred during the year in the accounts are as follows:

	2018	2017
	(in thousands of dollars)	
Ship-source Oil Pollution Fund		
Balance – Beginning of year	409,455	411,288
Revenues	6,438	3,317
Expenses	(3,689)	(5,150)
Balance – End of year	412,204	409,455
Fines for Transport of Dangerous Goods		
Balance – Beginning of year	514	514
Revenues	3,600	-
Expenses	-	-
Balance – End of year	4,114	514
Fund for Railway Accidents Involving Designated Goods		
Balance – Beginning of year	4,913	-
Revenues	13,294	4,985
Expenses	(373)	(72)
Balance – End of year	17,834	4,913
Total balance – End of year	434,152	414,882
Unrestricted	1,593,128	1,515,714
Departmental net financial position – End of year	2,027,280	1,930,596

14. Contractual obligations and contractual rights

(a) Contractual obligations

The nature of Transport Canada's activities may result in some large multi-year contracts and obligations whereby Transport Canada will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2019	2020	2021	2022	2023 and thereafter	Total
	(in thousands of dollars)					
Transfer payments	135,260	104,111	38,901	31,827	89,458	399,557
Other goods and services	67,947	44,912	28,553	27,354	26,856	195,622
Tangible capital assets	50,355	53,082	63,000	59,427	53,136	279,000
Total	253,562	202,105	130,454	118,608	169,450	874,179

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

14. Contractual obligations and contractual rights (cont'd)

(b) Contractual rights

The activities of Transport Canada sometimes involve the negotiation of contracts or agreements with outside parties that result in Transport Canada having rights to both assets and revenues in the future. They principally involve leases of property such as airports and hopper cars. Major contractual rights that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

	<u>Leases of property</u> (in thousands of dollars)
2019	377,933
2020	388,591
2021	401,209
2022	417,183
2023	425,290
2024 and subsequent	-
Total	<u>2,010,206</u>

15. Contingent liabilities and contingent assets

(a) Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown.

Claims and litigation

Claims have been made against Transport Canada in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Transport Canada has recorded an allowance for claims and litigations in the amount of \$9,750 thousand (\$54,750 thousand in 2016-2017) where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$6,747 thousand (\$9,611 thousand in 2016-2017) at March 31, 2018. Transport Canada has no claims and litigation with related parties at March 31, 2018.

(b) Contingent assets

Transport Canada has determined that there are no contingent assets which require disclosure in these financial statements.

(c) Environmental liabilities

Transport Canada has disclosed a contingent liability in the amount of \$2,371 thousand for 3 sites (\$6,532 thousand in 2016-2017 for 3 sites) where Transport Canada has determined that it is not directly responsible, nor does it accept responsibility; however, there is uncertainty as to whether Transport Canada may be held legally or morally responsible.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

16. Related party transactions

Transport Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

Transport Canada enters into transactions with these entities in the normal course of business and on normal trade terms.

All material transactions with related parties were transacted at values consistent with an arm's-length transaction.

(a) Common services provided without charge by other government departments

During the year, Transport Canada received services without charge from certain common service organizations related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded at their carrying value in Transport Canada's Statement of Operations and Departmental Net Financial Position as follows:

	2018	2017
	(in thousands of dollars)	
Employer's contribution to health and dental insurance plans	45,718	38,940
Office accommodation	44,062	43,598
Legal services	4,176	5,031
Workers' compensation	2,659	2,852
	96,615	90,421

The Government has centralized some of its administrative activities for efficiency and cost-effectiveness purposes of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada, and audit services provided by the Office of the Auditor General are not included in Transport Canada's Statement of Operations and Departmental Net Financial Position.

(b) Administration of programs on behalf of other government departments:

(i) Canada Strategic Infrastructure Fund (CSIF) and Border Infrastructure Fund (BIF)

Under a memorandum of understanding signed with Infrastructure Canada on January 31, 2003, Transport Canada administers the CSIF and the BIF. During the year, Transport Canada incurred expenses of \$35,908 thousand (\$39,350 thousand in 2016-2017) related to the CSIF, and \$68 thousand (NIL in 2016-2017) related to the BIF, on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

TRANSPORT CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

16. Related party transactions (cont'd)

(ii) Building Canada Fund (BCF)

Under a memorandum of understanding signed with Infrastructure Canada on April 25, 2008, Transport Canada administers the BCF. During the year, Transport Canada incurred expenses of \$184,451 thousand (\$425,938 thousand in 2016-2017) on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

(c) Other transactions with other government departments and agencies:

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
Expenses ⁽¹⁾	104,248	84,280
Revenues ⁽²⁾	36,960	31,872

Expenses and revenues disclosed in (c) exclude common services provided without charge, which are already disclosed in (a).

- ⁽¹⁾ Expenses are mainly related to operating expenses and pollution claims and expenses from the Ship-source Oil Pollution Fund.
- ⁽²⁾ Revenues are mainly related to services of a regulatory and non-regulatory nature, tonnage levies on oil carriers for the Ship-source Oil Pollution Fund, lease and use of public property, and sales of goods and information products.

17. Transfers from/to other government departments

During the year, tangible capital assets were transferred to other government departments. The transfers were recorded at their net book value.

Assets:	(in thousands of dollars)
Tangible capital assets transferred to Parks Canada ⁽¹⁾ (note 12)	(5,690)
Tangible capital asset transferred from other government departments (note 12)	5
Impact on tangible capital assets and net financial position	<u><u>(5,685)</u></u>

- ⁽¹⁾ As part of Budget 2012, the *Rouge National Urban Park Act* came into force on May 15, 2015 and established the Rouge National Urban Park (RNUP), Canada's first national urban park. Effective April 1, 2015, Transport Canada transferred responsibility for 1,910 hectares of land, buildings and machinery identified as being surplus to the Pickering Airport Site (PAS) to Environment Canada for inclusion in the RNUP, in accordance with the terms and conditions of a memorandum of understanding, including the stewardship responsibility for the assets of the site. Transport Canada transferred an additional 2,104 hectares of land with a net book value of \$5,690 thousand from the PAS to Parks Canada Agency for the further expansion of the RNUP on April 1, 2017.

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

18. Segmented information

Presentation by segment is based on Transport Canada's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expense and by major type of revenue. The segment results for the period are as follows:

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

18. Segmented information (cont'd)

	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Specified Purpose Accounts (note 13)	2018 Total	2017 Total
(in thousands of dollars)							
Operating expenses							
Salaries and employee benefits	48,283	393,149	139,970	39,632	-	621,034	522,752
Amortization of tangible capital assets (note 12)	108,302	16,418	11,515	1,156	-	137,391	145,439
Professional and special services	29,502	33,412	33,157	26,470	-	122,541	124,110
Accommodation (note 16)	3,598	27,397	10,322	2,745	-	44,062	43,598
Interest and inflation adjustment on capital lease payments (note 7)	41,998	-	-	-	-	41,998	41,942
Equipment repair and maintenance	6,260	18,562	7,553	5,710	-	38,085	25,506
Travel and relocation	1,883	21,288	1,329	2,317	-	26,817	16,817
Utilities, materials and supplies	3,255	10,681	1,133	793	-	15,862	13,677
Operating costs in respect of St. Lawrence Seaway	14,984	-	-	-	-	14,984	25,283
Rentals	351	4,498	2,900	345	-	8,094	6,828
Payments in lieu of property taxes	4,812	1,259	705	-	-	6,776	7,114
Damage and other claims against the Crown	4,400	1,561	467	-	-	6,428	1,721
Information services – communications	2,538	1,569	323	589	-	5,019	3,684
Specified purpose accounts (note 13)	-	-	-	-	4,062	4,062	5,222
Other	275	504	3,232	(54)	-	3,957	2,141
Postage	484	1,286	236	121	-	2,127	1,675
Telecommunications	105	814	785	59	-	1,763	1,492
Expenses incurred on behalf of Government	-	-	-	-	(4,062)	(4,062)	(5,222)
Reclassification of Work in Progress	(16,194)	-	9,437	-	-	(6,757)	287
Gain on disposal of tangible capital assets	(17,262)	(417)	(3,561)	-	-	(21,240)	(4,831)
Decrease in contingent liabilities (note 15)	-	-	(45,000)	-	-	(45,000)	(2,000)
Total operating expenses	237,574	531,981	174,503	79,883	-	1,023,941	977,235

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

18. Segmented information (cont'd)

	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Specified Purpose Accounts (note 13)	2018 Total	2017 Total
(in thousands of dollars)							
Transfer payments							
Other levels of government within Canada	93,025	8,866	-	842	-	102,733	197,528
Industry	81,058	9,520	-	5,295	-	95,873	90,700
Non-profit organizations	7,323	4,373	-	2,397	-	14,093	22,509
Individuals	221	6	-	-	-	227	255
Other countries and international organizations	-	186	-	5	-	191	480
Total transfer payments	181,627	22,951	-	8,539	-	213,117	311,472
Total expenses	419,201	554,932	174,503	88,422	-	1,237,058	1,288,707
Revenues							
Leases of property	374,808	-	-	-	-	374,808	348,892
Monitoring and enforcement revenues	24,214	22,526	998	-	-	47,738	48,873
Aircraft maintenance and flying services	-	27,581	-	-	-	27,581	25,442
Rentals and concessions	10,632	961	12,462	-	-	24,055	26,008
Specified purpose accounts (note 13)	-	-	-	-	23,332	23,332	8,302
Transport facilities user fees	13,873	858	-	-	-	14,731	12,309
Other	1,600	1,619	151	-	-	3,370	3,022
Revenues earned on behalf of Government	(405,548)	(574)	(12,992)	-	(23,332)	(442,446)	(399,584)
Total revenues	19,579	52,971	619	-	-	73,169	73,264
Net cost from continuing operations	399,622	501,961	173,884	88,422	-	1,163,889	1,215,443

TRANSPORT CANADA
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

19. Subsequent Events

On August 8, 2018, the federal government announced its decision to transfer the ports of Matane, Gaspé, Rimouski and Gros-Cacouna to the Province of Quebec, effective March 31, 2020. As part of the agreement, the federal government will provide \$163,000 thousands to the Province of Quebec, including a grant in the amount of \$148,800 thousands to sustain the future operating costs and maintenance for the 4 ports. The impact of the transfer, once finalized, will be reflected in the 2019-2020 financial statements.

20. Comparative Information

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