

Quarterly Financial Report of

TRANSPORT CANADA

(Unaudited)

For the quarter ended June 30th, 2022

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2022

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Statement outlining results, risks and significant changes in operations, personnel and programs

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 [Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report](#).

The quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates (A).

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 Transport Canada consistent with the Main Estimates and the 2022-2023 Supplementary Estimates (A). 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 money 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 results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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2. Highlights of fiscal quarter and fiscal year-to-date (YTD) results

2.1 Statement of Authorities

Transport Canada's total authorities available for use increased by approximately \$793.6 million, from \$2,428.4 million as of June 30, 2021 to \$3,222.0 million as of June 30, 2022, as summarized below:

Table 1: Significant Changes in Authorities (in thousands of dollars):

Authorities ⁽²⁾	2022-2023 ⁽¹⁾	2021-2022 ⁽¹⁾	Variance
Vote 1 – Net operating expenditures	747,756	744,562	3,194
Vote 5 – Capital expenditures	87,136	122,783	(35,647)
Vote 10 – Grants and contributions	2,158,099	1,333,548	824,551
Budgetary statutory authorities⁽²⁾	229,050	227,476	1,574
Total Authorities	3,222,041	2,428,369	793,672

Notes:

(1) Totals may not add or may not agree with details provided elsewhere due to rounding.

(2) See Statement of Authorities for more details

The accompanying Statement of Authorities illustrates the total authorities available for use, the authorities used for the quarter, 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 quarters ended June 30, 2022 are explained below.

2.1.1 Vote 1 – Net Operating Expenditures (Increase of \$3.2 million)

Planned Operating authorities increased by \$3.2 million from 2021-2022 to 2022-2023, mostly explained by the following factors:

- An increase in authorities of:
 - \$21.6 million in funding for the Federal Contaminated Sites Action Plan;
 - \$17.2 million in funding to implement the Government of Canada's vaccine mandate in the federally regulated transportation sector; and
 - \$10.6 million to modernize rail safety and security to protect Canadians and their communities.
- Offset by a decrease of:
 - \$17.7 million in funding for the Oceans Protection Plan;
 - \$12.7 million in funding for TC's modernization initiative;
 - \$6.5 million in funding for Lac-Mégantic rail bypass;
 - \$4.8 million in funding for regulatory review; and
 - \$4.0 million as a result of Budget 2021 travel reductions.

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2.1.2 Vote 5 – Capital Expenditures (Decrease of \$35.6 million)

Planned Capital authorities decreased by \$35.6 million from 2021-2022 to 2022-2023, largely explained by the following factors:

- A decrease in funding of:
 - \$10.5 million for the Oceans Protection Plan;
 - \$8.5 million to Support Essential Air Access to Remote Communities;
 - \$6.3 million for the Ferry Services Contribution Program;
 - \$5.3 million for the Federal Infrastructure Initiative;
 - \$2.8 million for the Ports Asset Transfer Program; and
 - \$2.7 million to Protect Marine Life.

2.1.3 Vote 10 – Grants and Contributions (Increase of \$824.6 million)

Grant and contribution authorities for Vote 10 increased by \$824.6 million from 2021-2022 to 2022-2023, largely explained by the following factors:

- An increase in funding of:
 - \$694.7 million for the National Trade Corridors Fund;
 - \$183.9 million for the Incentives for Zero-Emission Vehicles Program; and
 - \$67.1 million for the Airport Critical Infrastructure Program.
- Offset by a decrease of:
 - \$64.9 million for the Airport Relief Fund; and
 - \$57.7 million to Support Essential Air Access to Remote Communities.

2.1.4 Budgetary Statutory Authorities (Increase of \$1.6 million)

The planned expenditures for the budgetary statutory authorities increased by \$1.6 million mainly as a result of an increase in funding for the employee benefit plans of \$5.0 million and an increase in funding of \$1.1 million for the Northumberland Strait Crossing Subsidy Program. The above was offset by a decrease of \$4.6 million in capital and operating requirements associated with the St. Lawrence Seaway Management Corporation (SLSMC). 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.

2.2 Statement of Departmental Budgetary Expenditures by Standard Object

The accompanying Statement of Departmental Budgetary Expenditures by Standard Object illustrates annual planned expenditures, quarter and year-to-date expenditures for the current fiscal year, and comparative figures for the previous fiscal year. Overall, the year-to-date expenditures at the end of the first quarter of 2022-2023 represent 12.0 % of the annual planned expenditures, which is lower than the first quarter (18.7 %) of 2021-2022.

Historically, most spending on high-dollar value, major infrastructure grant and contribution programs occurs in the fourth quarter. This is due to the fact that the majority of recipients submit their claims for reimbursement in the last quarter following the summer and fall construction periods. For some categories of operating expenditures, the year-to-date actuals represent a small fraction of the planned expenditures, which is consistent with prior years and other federal government departments. This is mainly a result of a timing difference between the date the goods or services were obtained and the invoices received. In addition, there is also a ramp up of operational activities in the last quarter following mid-year internal budget reallocations, and receipt of increased funding for new initiatives, for which the majority of expenditures will be incurred in the fourth quarter.

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The major year-to-year variances as at June 30, 2022 are as follows:

Planned Expenditures

○ **Personnel**

The planned expenditures related to **Personnel** for the year 2022-2023 compared to 2021-2022 increased by approximately \$15.9 million primarily due to an increase in funding to modernize rail safety and security to protect Canadians and their communities and to implement the Government of Canada's vaccine mandate in the federally regulated transportation sector.

○ **Transportation and communications**

The planned expenditures related to **Transportation and communications** for the year 2022-2023 compared to 2021-2022 decreased by approximately \$15.7 million due to a decrease in funding for the Oceans Protection Plan and as a result of the Budget 2021 travel reductions.

○ **Professional and Special Services**

The planned expenditures related to **Professional and Special Services** for the year 2022-2023 compared to 2021-2022 increased by approximately \$11 million due to an increase in funding for the Federal Contaminated Sites Action Plan.

○ **Acquisition of land, buildings and works**

The planned expenditures related to **Acquisition of land, buildings and works** for the year 2022-2023 compared to 2021-2022 decreased by \$46.5 million mainly due to a decrease in overall capital funding available. The causes of the decrease of the planned capital authorities are explained in section 2.1.2.

○ **Transfer payments**

The planned expenditures related to **Transfer payments** for the year 2022-2023 compared to 2021-2022 increased by approximately \$825.6 million. The causes of the variances are explained in section 2.1.3.

Year-to-Date Expenditures

○ **Personnel**

The year-to-date expenditures related to **Personnel** at June 30, 2022 decreased by approximately \$6.9 million when compared to 2021-2022. The variance can be mainly explained by retroactive salary payments paid in 2021-2022 as per the renewal of collective agreements.

○ **Transfer payments**

The year-to-date expenditures related to **Transfer payments** at June 30, 2022 decreased by approximately \$73.9 million when compared to 2021-2022, mainly due to a decrease of \$38.0 million in contributions to Support Essential Air Access to Remote Communities and a decrease of \$35.6 million in payments under the Incentives for Zero-Emission Vehicles Program.

○ **Other subsidies and payments**

The year-to-date expenditures related to **Other Subsidies and Payments** at June 30, 2022 increased by approximately \$4.7 million when compared to 2021-2022. This increase is mainly explained by this fiscal year's reallocation of the St. Lawrence Seaway expenditures by standard object that was prorated differently from last year.

3. Risks and Uncertainties

Transport Canada maintains an Integrated Departmental Risk Profile which identifies and assesses high-level risks that could affect the achievement of departmental objectives and priorities. The identification of risks and the development of risk responses contribute to making decisions related to setting departmental priorities, planning, allocating resources, developing policies, managing programs and reporting on performance.

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The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. To address this risk, Transport Canada has undertaken a variety of measures to ensure business continuity and the wellbeing and safety of the Department's employees as they fulfill their professional duties.

The current economic environment exposes Transport Canada to a broad range of external financial and economic risks such as inflation and supply chain disruptions on a global level which could limit Transport Canada's capacity to deliver its programs and accomplish its mandate in this context. During the past two years of the global pandemic, Transport Canada improved its resiliency frameworks to mitigate disruptions from non-traditional threats and events to Canada's critical transportation infrastructure. The Department will continue to implement mitigation measures to offset these external risks and facilitate the restoration of the transportation system following the COVID-19 pandemic. Transport Canada will also continue to collaborate with government and industry stakeholders to better understand the changing transportation landscape, develop innovative and inclusive solutions that promote a robust post-pandemic recovery.

Certain risks would have financial impacts should they materialize. For example, many factors affecting the timing of transfer payments lie outside of Transport Canada's control and could require funds to be re-profiled to future years. To minimize these impacts, Transport Canada continuously monitors its program funding and expenditures, including a monthly senior management review of plans and forecasts.

To address the risks associated with the Phoenix pay issues, the department has significantly increased the number of resources within its compensation unit. Furthermore, Transport Canada implemented a compensation case management system, introduced new business processes for the recovery of overpayments, and is participating in a data integrity initiative with other departments. With the increased capacity and the implementation of new initiatives, the department has reduced its Phoenix pay backlog significantly since January 2020.

Transport Canada is currently implementing major initiatives that have risks associated with inter-departmental coordination, cooperation, and performance, as well as with the outcome of consultations with key transportation stakeholders and Indigenous groups. There are risks and uncertainties associated with implementing required legislative changes, introducing new cost recovery initiatives, and realizing planned savings from identified efficiency opportunities. Transport Canada's Transformation Plan is designed to improve the Department's financial sustainability and regulatory environment for the future.

Challenges in renewing, developing, and retaining a diverse base of talent represents a risk for most organizations. Transport Canada mitigates this risk through a variety of staffing, recruitment, and retention initiatives, its succession planning strategy, as well as promptly launching staffing processes and having experienced personnel acting in positions that are vacant.

4. Significant Changes in Relation to Operations, Personnel and Programs

The following change in senior personnel occurred during the first quarter:

- Following the implementation of a two-Associate Assistant Deputy Minister model within the Policy Group, the Deputy Minister and Associate Deputy Minister announced the appointment of Craig Hutton as Acting Associate Assistant Deputy Minister, Policy, effective May 9, 2022.

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Approved by:

Original signed by

Michael Keenan,
Deputy Minister
Ottawa, Canada

August 29, 2022

Tracey Sametz for Ryan Pilgrim, CPA, CA
Chief Financial Officer
Ottawa, Canada

August 15, 2022

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Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2022-2023			Fiscal year 2021-2022		
	Total available for use for the year ending March 31, 2023 ⁽¹⁾	Used during the quarter ended June 30, 2022	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2022 ⁽¹⁾	Used during the quarter ended June 30, 2021	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	831,997	198,663	198,663	827,696	189,184	189,184
Vote 1 – Revenue credited to the vote	(84,241)	(8,548)	(8,548)	(83,134)	(8,144)	(8,144)
Vote 1 – Net operating expenditures	747,756	190,115	190,115	744,562	181,040	181,040
Vote 5 – Capital expenditures	87,136	8,057	8,057	122,783	6,008	6,008
Vote 10 – Grants and contributions	2,158,099	56,692	56,692	1,333,548	134,497	134,497
Budgetary statutory authorities						
Contributions to employee benefit plans	92,401	28,925	28,925	87,335	29,610	29,610
Minister of Transport – Salary and motor car allowance	93	23	23	91	23	23
Railway Company – Victoria Bridge, Montreal	3,300	2,535	2,535	3,300	2,159	2,159
Northumberland Strait Crossing Subsidy Payment	71,100	72,866	72,866	70,000	69,306	69,306
Payments in respect of St. Lawrence Seaway Agreements	62,156	25,600	25,600	66,750	28,600	28,600
Refunds of amounts credited to revenues in previous years	-	-	-	-	2,882	2,882
Total Budgetary statutory authorities	229,050	129,949	129,949	227,476	132,580	132,580
Total budgetary authorities	3,222,041	384,813	384,813	2,428,369	454,125	454,125

Note:

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

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Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2022-2023			Fiscal year 2021-2022		
	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended June 30, 2022	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended June 30, 2021	Year-to-date used at quarter-end
Expenditures:						
Personnel	691,829	178,856	178,856	675,947	185,706	185,706
Transportation and communications	14,642	3,935	3,935	30,324	1,449	1,449
Information	6,422	904	904	5,998	661	661
Professional and special services	173,750	27,649	27,649	162,725	23,747	23,747
Rentals	10,415	3,996	3,996	9,914	2,666	2,666
Repair and maintenance	12,146	1,804	1,804	11,850	2,199	2,199
Utilities, materials and supplies	13,895	5,151	5,151	15,502	3,120	3,120
Acquisition of land, buildings and works	68,562	16,088	16,088	115,017	19,980	19,980
Acquisition of machinery and equipment	57,193	10,250	10,250	61,363	8,901	8,901
Transfer payments	2,232,499	132,093	132,093	1,406,848	205,962	205,962
Other subsidies and payments	24,929	12,635	12,635	16,015	7,878	7,878
Total gross budgetary expenditures	3,306,282	393,361	393,361	2,511,503	462,269	462,269
Less Revenues netted against expenditures:						
Vote-netted revenues	(84,241)	(8,548)	(8,548)	(83,134)	(8,144)	(8,144)
Total Revenues netted against expenditures:	(84,241)	(8,548)	(8,548)	(83,134)	(8,144)	(8,144)
Total net budgetary expenditures	3,222,041	384,813	384,813	2,428,369	454,125	454,125