

Future-oriented Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ending March 31, 2013

TRANSPORT CANADA

Statement of Management Responsibility

Responsibility for the compilation, content and presentation of the accompanying future-oriented financial statements for the year ending March 31, 2013 rests with Transport Canada management. The future-oriented financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector. The future-oriented financial information is submitted in Part III of Estimates (*Report on Plans and Priorities*) and will be used in Transport Canada's *Departmental Performance Report* to compare with actual results.

Management is responsible for the information contained in the future-oriented financial statements and for the process of developing assumptions. Assumptions and estimates are based on information available and known to management at the time of development, reflect current business and economic conditions, and assume a continuation of current governmental priorities and consistency in Transport Canada's mandate and strategic outcomes. Much of the future-oriented financial information is based on these assumptions, best estimates and judgment and gives due consideration to materiality. At the time of preparation of the future-oriented financial statements, management believes the estimates and assumptions to be reasonable. However, as with all such assumptions, there is a measure of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The actual results achieved for the fiscal years covered in the accompanying future-oriented financial statements will vary from the forecast information presented and the variations may be material. For example, in accordance with the government-wide approach, the future-oriented financial statements do not reflect Budget 2012 decisions, including measures associated with the deficit reduction action plan.

The future-oriented financial statements of Transport Canada have not been audited.

Original signed by
Yaprak Baltacıoğlu,
Deputy Minister
Ottawa, Canada

Date: April 26, 2012

Original signed by
André Morency,
Chief Financial Officer
Ottawa, Canada

Date: April 23, 2012

TRANSPORT CANADA

Future-oriented Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
Assets		
Financial assets		
Due from Consolidated Revenue Fund	934,989	1,031,658
Accounts receivable and advances (Note 6)	35,844	34,869
Loans receivable (Note 7)	1,679	1,714
Rent receivable (Note 8)	27,461	20,139
Total financial assets	999,973	1,088,380
Non-financial assets		
Prepaid expenses	2,250	2,133
Inventory (Note 9)	12,586	12,704
Tangible capital assets (Note 10)	2,536,514	2,449,834
Total non-financial assets	2,551,350	2,464,671
Total	3,551,323	3,553,051
Liabilities and Equity of Canada		
Liabilities		
Accounts payable and accrued liabilities (Note 11)	948,860	1,000,388
Vacation pay and compensatory leave	26,964	22,948
Deferred revenue (Note 12)	4,038	4,153
Employee future benefits (Note 13)	100,537	91,223
Lease obligations for tangible capital assets (Note 14)	587,862	569,452
Environmental remediation and contingent liabilities (Note 15)	186,978	165,382
Total liabilities	1,855,239	1,853,546
Equity of Canada (Note 16)	1,696,084	1,699,505
Total	3,551,323	3,553,051

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

Contingent liabilities (Note 15)

Contractual obligations (Note 17)

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

TRANSPORT CANADA

Future-oriented Statement of Operations (*Unaudited*)

For the Year Ending March 31

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
Expenses		
An Efficient Transportation System	700,222	1,470,693
A Safe Transportation System	489,482	445,005
Internal Services	269,771	195,382
A Secure Transportation System	77,960	80,304
A Clean Transportation System	51,913	61,088
Ship-Source Oil Pollution Fund and other programs	3,449	4,687
Total expenses	1,592,797	2,257,159
Revenues		
An Efficient Transportation System	323,067	335,663
A Safe Transportation System	57,797	53,464
Internal Services	12,918	13,368
A Secure Transportation System	39	-
Ship-Source Oil Pollution Fund and other programs	9,510	9,466
Total revenues	403,331	411,961
Net cost of operations	1,189,466	1,845,198

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

Segmented information (Note 19)

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

TRANSPORT CANADA

Future-oriented Statement of Equity of Canada (*Unaudited*)

For the Year Ending March 31

(*in thousands of dollars*)

	Estimated Results 2012	Planned Results 2013
Equity of Canada, beginning of year	1,754,095	1,696,084
Net cost of operations	(1,189,466)	(1,845,198)
Net cash provided by Government	1,184,796	1,668,759
Change in due from the Consolidated Revenue Fund	(136,357)	96,669
Transfer of assets to other government department	(5,016)	-
Services provided without charge by other departments (Note 18)	88,032	83,191
Equity of Canada, end of year	1,696,084	1,699,505

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

Restricted equity (Note 16)

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

TRANSPORT CANADA

Future-oriented Statement of Cash Flow (*Unaudited*)

For the Year Ending March 31

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
Operating activities		
Net cost of operations	1,189,466	1,845,198
Non-cash items:		
Amortization of tangible capital assets	(150,756)	(153,099)
Services provided without charge by other departments (Note 18)	(88,032)	(83,191)
Loss on disposal of tangible capital assets	(8,487)	(17,383)
Prior years' assets under construction expensed	(9,786)	(11,017)
Variations in Future-oriented Statement of Financial Position:		
Variation in accounts receivables and advances	(4,025)	(975)
Variation in loans receivable	33	35
Variation in rents receivable	(7,323)	(7,322)
Variation in prepaid expenses	235	(117)
Variation in inventory	(237)	118
Variation in accounts payables and accrued liabilities	167,874	(51,528)
Variation in vacation pay and compensatory leave	(1,311)	4,016
Variation in deferred revenue	(418)	(115)
Variation in employee future benefits	(7,587)	9,314
Variation in environmental remediation and contingent liabilities	9,381	21,596
Cash used in operating activities	1,089,027	1,555,530
Capital investing activities		
Acquisitions of tangible capital assets	85,364	114,242
Proceeds from disposal of tangible capital assets	(7,204)	(19,423)
Cash used in capital investing activities	78,160	94,819
Financing activities		
Lease payments for tangible capital assets	17,609	18,410
Cash used in financing activities	17,609	18,410
Net cash provided by Government of Canada	1,184,796	1,668,759

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

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

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending 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, Infrastructure and Communities.

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* program: modernizes marketplace frameworks so that the transportation sector can adapt, innovate and remain competitive; develops and implements gateways and corridors initiatives; ensures the renewal of federal transportation infrastructure; encourages innovation in the transportation sector; and partners with provinces, territories, municipal governments, and public and private sector entities in various transportation initiatives.
- *A Clean Transportation System* program: advances the federal government's Clean Air 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 health of Canadians and 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 Transportation System* program: develops safety regulations and oversees their implementation for the air, rail, and marine modes; monitors motor vehicle and equipment manufacturers' compliance with motor vehicle safety regulations; manages programs to support safety-related investments at regional/small airports, protect navigable waterways, provides certificates and licenses to individuals, aircraft and vessels; and provides air transport services to support Transport Canada and other government department operations.
- *A Secure Transportation System* program: develops policies and programs that respond to emerging security risks while keeping Canada competitive; develops and enforces transportation security regulations; and works with domestic and international partners towards a shared and effective transportation security agenda.
- The *Internal Services* program: Internal Services are groups of related activities and resources that are administrated to support the needs of programs and other corporate obligations of Transport Canada. Internal Services include only those activities and resources that apply across the organization and not to those provided specifically to a program.

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

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

2. Methodology and significant assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) The department's activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- (d) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 planned results.

These assumptions are adopted as at March 16, 2012.

3. Variations and changes to the forecast financial information

While every attempt has been made to forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements, Transport Canada has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment that may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions that may affect both the amount of revenue earned and the collectability of loan receivables.
- (d) Interest rates in effect at the time of issue that affect the net present value of non-interest bearing loans.
- (e) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

In accordance with the government-wide approach, the information on deficit reduction action plan measures is not included in the future-oriented financial statements.

Once the Report on Plans and Priorities is presented, Transport Canada will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

4. Summary of significant accounting policies

The future-oriented financial statements have been prepared in accordance with the Treasury Board accounting policies in effect for the 2011-2012 fiscal year. These accounting policies, stated below, are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

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 the department 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 Future-oriented financial Statement of Operations and the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides reconciliation between the bases of reporting.
- (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 the department 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/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 parliamentary expenditure authorities to discharge its liabilities.
- (d) Revenues– are recorded on an accrual basis:
 - 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. These revenues are recognized in the period in which the related expenses are incurred.
 - Funds that have been received are recorded as deferred revenue, provided the department has an obligation to other parties for the provision of goods, services or the use of assets in the future.
 - Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- (e) Expenses –are recorded on an accrual basis:
 - Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the future-oriented financial statements.

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

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

- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.
 - Vacation pay and compensatory leave are accrued as the benefits are earned under the respective terms of employment.
 - Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, legal and other services are reported as operating expenses at their estimated cost.
- (f) Employee future benefits
- Pension benefits: Eligible employees participate in the Public Service Pension Plan (Plan) administered by the Government of Canada, a multiemployer pension plan administered by the Government. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.
 - Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees 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 receivables are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.
- (h) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- (i) Environmental liabilities – Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when Transport Canada becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of the department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented financial statements.
- (j) Inventory – Inventory consists of parts, material and supplies held for future program delivery and not intended for resale. Inventories, other than serialized inventory items, are valued using the average cost method. Serialized inventory items parts are valued on a specific cost basis. A serialized inventory item is consumable inventory, which has a serial number and is required to be tracked for airworthiness purposes. If it no longer has any service potential, inventory is valued at the lower of cost or net realizable value.

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

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

(k) Foreign currency transactions – 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 year-end. Gains and losses resulting from foreign currency transactions are included in other expenses on the Future-oriented Statement of Operations.

(l) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections. Land has no minimal capitalization threshold.

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
Buildings and works:	
Buildings	20 to 40 years
Works and Infrastructure	10 to 40 years
Machinery and equipment:	
Machinery and equipment	5 to 20 years
Informatics hardware	3 to 5 years
Informatics software	3 years
Vehicles:	
Ships and boats	10 to 20 years
Aircrafts	6 to 20 years
Motor vehicles	6 to 35 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset type
Leased tangible capital assets	According to the useful life of the asset if a bargain purchase offer exists or over the term of the lease

Assets under construction are recorded in the applicable capital asset class in the year they become available for use and are not amortized until they become available for use.

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

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

(m) Measurement uncertainty- The preparation of these future-oriented financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the future-oriented financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Actual results could significantly differ from those estimated.

5. Parliamentary authorities

Transport Canada receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the Future-oriented Statements of Operation and Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Department 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:

(a) Authorities requested

	Estimated 2012	Planned 2013
<i>(in thousands of dollars)</i>		
Authorities requested		
Vote 1 – Operating expenditures	625,252	552,555
Vote 5 – Capital expenditures	71,495	114,242
Vote 10 – Transfer payments	719,522	1,184,718
Vote 17 – Debt forgiveness	22,646	-
Statutory amounts	227,845	220,897
	1,666,760	2,072,412
Less:		
Lapsed authorities: Transfer payments	(327,614)	-
Forecast authorities available	1,339,146	2,072,412

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

5. Parliamentary authorities (cont'd)

(b) Reconciliation of net cost of operations to requested authorities

	Estimated 2012	Planned 2013
	<i>(in thousands of dollars)</i>	
Net cost of operations	1,189,466	1,845,198
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(150,756)	(153,099)
Loss on disposal and write-downs of tangible capital assets	(8,487)	(17,383)
Services provided without charge by other governments departments	(88,032)	(83,191)
Revenues not available for spending	305,455	318,662
Allowance for environmental and contingent liabilities	9,381	21,596
Prior years' assets under construction expensed	(9,786)	(11,017)
Variation in vacation pay and compensatory leave	(1,311)	4,016
Variation in employee severance benefits	(7,587)	9,314
Refunds of previous years' expenditures	4,005	3,089
Variation of the St-Lawrence Seaway Capital Fund Trust deficit	136	137
Adjustments of previous years accounts payable	7,982	9,292
Expenditures not affecting authorities (specified purposes)	(3,449)	(4,687)
Other	(33,488)	(2,168)
	1,213,529	1,939,759
Adjustments for items not affecting net cost of operations but affecting authorities:		
Variation in prepaid expenses	235	(117)
Variation in inventory	(237)	118
Acquisitions of tangible capital assets	85,364	114,242
Repayment of lease obligation for tangible capital assets	17,609	18,410
Debt forgiveness relating to the Saint John Harbour Bridge Authority	22,646	-
	125,617	132,653
Forecast authorities available	1,339,146	2,072,412

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

6. Accounts receivable and advances

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

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
Receivable from other government departments and agencies	15,013	14,495
Receivable from external parties	22,671	22,117
Employee advances	304	297
	<u>37,988</u>	<u>36,909</u>
Allowance for doubtful accounts on receivables from external parties	(2,144)	(2,040)
Total accounts receivable and advances	35,844	34,869

7. Loans receivable

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

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
Victoria Harbour	2,280	2,237
St. Lawrence Seaway Management Corporation	77	77
	<u>2,357</u>	<u>2,314</u>
Less: Discounts on loans	(678)	(600)
Total loans receivable	1,679	1,714

(a) Victoria Harbour

The Victoria Harbour loan receivable relates to the sale of a parcel of Victoria Harbour land for \$2,578,469. A discount of \$599,958 is recorded to reflect the concessionary nature of the loan (\$677,578 at March 31, 2012). A payment of \$42,720 is planned in fiscal year 2012-13 (\$42,720 in 2011-12).

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

7. Loans receivable (cont'd)

(b) 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*. The loan portfolio is managed in accordance with the Seaway Agreements between Transport Canada and the St-Lawrence Seaway Management Corporation. The remaining loan is secured by title on the property, and has prescribed monthly repayment terms with an annual interest rate of 7%. The mortgagor is in negotiations with Transport Canada and Justice Canada with respect to the loan, which was repayable March 2004.

8. Rent receivable

The National Airport System (NAS) consists of Canadian airports considered essential to air transportation in Canada, including three airports owned by Territorial Governments. Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government.

In fiscal year 2003-04, Transport Canada entered into lease amendments with nine of the Canadian Airport Authorities, which provided for deferral of a portion of the airport rent payable for eight of the nine Airport Authorities to Transport Canada for the 2003 to 2005 lease years. The total rent deferred for 2003 to 2005 is payable to Transport Canada over ten years beginning in the 2006 lease year. Repayments of \$7,322,682 are planned in fiscal year 2012-13 (\$7,322,682 in 2011-12). Rent receivable is \$20,138,531 at March 31, 2013 (\$27,461,213 at March 31, 2012).

9. Inventory

The cost of consumed inventory recognized as an expense in the Future-oriented Statement of Operations is \$4,095,000 in 2012-2013 (\$4,586,000 in 2011-2012).

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)

For the Year Ending March 31

10. Tangible capital assets

<i>(in thousands of dollars)</i>	Cost					Accumulated Amortization				Net book value	
	Opening balance	Acquisitions	Transfer	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	Estimated Results 2012	Planned Results 2013
Land ⁽¹⁾	285,901	27,202	-	(11,789)	301,314	-	-	-	-	285,901	301,314
Buildings and works ⁽²⁾	3,783,682	11,209	51,006	(70,598)	3,775,299	2,557,109	109,098	(49,085)	2,617,122	1,226,573	1,158,177
Machinery and equipment ⁽³⁾	178,368	7,175	(27)	(4,856)	180,660	131,869	9,486	(4,771)	136,584	46,499	44,076
Vehicles	741,362	6,107	18,614	(16,290)	749,793	569,090	23,968	(12,872)	580,186	172,272	169,607
Leasehold improvements	29,830	41	6,910	(1)	36,780	16,726	2,359	-	19,085	13,104	17,695
Assets under construction	94,803	62,508	(76,503)	(11,017)	69,791	-	-	-	-	94,803	69,791
Confederation Bridge	818,820	-	-	-	818,820	121,458	8,188	-	129,646	697,362	689,174
TOTAL	5,932,766	114,242	-	(114,551)	5,932,457	3,396,252	153,099	(66,728)	3,482,623	2,536,514	2,449,834

Amortization expense for the year ending March 31, 2013 is \$153,099 (2012 - \$150,756).

⁽¹⁾ Includes land for 23 National Airports* with a net book value of \$173,666 (2012 - \$173,666).

⁽²⁾ Includes building and works for 23 National Airports* with a net book value of \$491,725 (2012 - \$550,669).

⁽³⁾ Includes machinery and equipment for 23 National Airports* with a net book value of \$439 (2012 - \$496).

The Transfer column represents completed assets under construction that are put into use in the year and are transferred to other capital asset classes as applicable.

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

10. Tangible capital assets (cont'd)

* The National Airport System assets recorded above consist of the land, buildings, works and infrastructures of 23 Canadian airports:

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, entails 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.

11. Accounts payable and accrued liabilities

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

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
Accounts payables to external parties	803,467	851,419
Accounts payables to other government departments and agencies	90,495	96,548
Accrued salaries	16,808	16,730
Other accounts payable and accrued liabilities	38,090	35,691
Total Accounts payable and accrued liabilities	948,860	1,000,388

12. Deferred revenue

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

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

12. Deferred revenue (cont'd)

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Shared-cost agreements – Transportation research and development *		
Opening balance	1,606	1,762
Amounts received	747	584
Revenue recognized	(591)	(788)
Closing balance	1,762	1,558
Others (non-specified purpose)		
Opening balance	2,014	2,276
Amounts received	868	736
Revenue recognized	(606)	(417)
Closing balance	2,276	2,595
Total closing balance	4,038	4,153

* 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. The Transportation Development Center utilizes joint cost sharing agreements with private and other government organizations on Research and Development projects related to transportation. The major themes include: rail, aviation safety and surface transportation.

13. Employee future benefits

(a) Pension benefits: The department's employees participate in the Public Service Pension Plan (Plan), which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of two 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 Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The forecast expenses are \$74,627,000 in 2011-12 and \$67,350,000 in 2012-13, representing approximately 1.9 times the contributions of employees.

The department'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.

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

13. Employee future benefits (cont'd)

(b) Severance benefits: The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, estimated as at the date of these statements, is as follows:

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	92,950	100,537
Expense for the year	15,449	(1,184)
Benefits paid during the year	(7,862)	(8,130)
Accrued benefit obligation, end of year	100,537	91,223

14. 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 \$41,900,000 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 \$661,542,613 of 4.5 per cent 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, 2012 an annual payment in the amount of \$60,329,515 (2011-12 - \$59,075,229) is planned. This payment represents payment of principal in the amount of \$18,410,515 (2011-12 - \$17,608,845) and interest expense of \$41,919,000 (2011-12 - \$41,466,384).

Transport Canada has a capital lease obligation of \$569,451,517 as at March 31, 2013 (\$587,862,032 as at March 31, 2012), based on the present value for the future payments using an interest rate of 6.06% (2012 - 6.06%).

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Notes to the Future-oriented Financial Statements (*Unaudited*)
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14. Lease obligation for tangible capital assets (cont'd)

The obligations for the upcoming years include the following:

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
2012-2013	56,650	-
2013-2014	57,506	57,506
2014-2015	58,375	58,375
2015-2016	59,257	59,257
2016-2017 and thereafter	1,092,141	1,092,141
Total future minimum lease payments	1,323,929	1,267,279
Less: imputed interest (6.06%)	736,067	697,827
Balance of obligations under leased tangible capital assets	587,862	569,452

15. Environmental remediation and contingent liabilities

Environmental remediation and contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

(a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where Transport Canada is obligated or likely to be obligated to incur such costs. As at the date of the preparation of these future-oriented financial statements, the department had identified approximately 114 sites (114 sites in 2011-12) where such action is possible and for which a liability of \$131,632,000 (\$153,228,000 in 2011-12) has been recorded in accrued liabilities. Transport Canada has estimated additional clean-up costs of \$16,545,936 for 18 sites (\$16,545,936 in 2011-12 for 18 sites) that are not accrued, as these are not considered likely to be incurred at this time. Additional new sites, changes in the remediation approach or material changes in amounts accrued or not accrued are not forecasted for the future years presented in these statements. However, the department's ongoing efforts to assess contaminated sites may result in additional environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by the department in the year in which they become likely and can be reasonably estimated.

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

15. Environmental remediation and contingent liabilities (cont'd)

(b) 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. Based on the department's assessment, legal proceedings for claims estimated at \$6,625,208 are pending at March 31, 2013 (\$6,625,208 at March 31, 2012). Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements. An amount of \$33,750,000 has been recorded in the financial statements as of March 31, 2013 (\$33,750,000 as of March 31, 2012).

16. Restricted equity of Canada

Transport Canada includes in its revenues and expenses certain transactions that legislation requires be earmarked for expenses relating to specified purposes. Transport Canada has two such accounts:

(a) The Ship-Source Oil Pollution Fund

The Ship-Source Oil Pollution Fund (Fund) was established pursuant to section 702 of 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.

(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.

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Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

16. Restricted equity of Canada (cont'd)

Details related to the restricted equity of Canada are as follows:

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
The Ship-Source Oil Pollution Fund - Restricted		
Balance, beginning of year	392,525	398,631
Revenues	9,458	9,424
Expenses	(3,352)	(4,543)
Balance, end of year	398,631	403,512
Fines for Transport of Dangerous Goods - Restricted		
Balance, beginning of year	659	614
Revenues	52	42
Expenses	(97)	(144)
Balance, end of year	614	512
Balance, end of year - Restricted	399,245	404,024
Unrestricted Equity of Canada, end of year	1,296,839	1,295,481
Total Equity of Canada, end of year	1,696,084	1,699,505

17. Contractual obligations

The nature of Transport Canada's activities can result in some large multi-year contracts and obligations whereby the department 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:

<i>(in thousands of dollars)</i>	2013-14	2014-15	2015-16	2016-17	2017-18 Thereafter	Total
Transfer payments	362,360	42,330	37,580	30,827	56,390	529,487
Other goods and services	1,865	422	417	407	-	3,111
Total	364,225	42,752	37,997	31,234	56,390	532,598

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

18. Related party transactions

Transport Canada is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. In addition the department has entered into agreements to administer programs on behalf of Infrastructure Canada. Also, during the year, the department will have received services obtained without charge from other Government departments as presented below.

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

During the year Transport Canada is forecasted to receive without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans, worker's compensation, and legal services. These services without charge have been recognized in the department's Future-oriented Statement of Operations as follows:

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
Accommodation	39,728	40,178
Employer's contribution to the health and dental insurance plans	39,430	35,650
Worker's compensation	3,041	2,885
Legal services	5,833	4,478
Total	88,032	83,191

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery 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 Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in the department's Future-oriented Statement of Operations.

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

- 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 Canada Strategic Infrastructure Fund (CSIF) and the Border Infrastructure Fund (BIF). At the date of these future-oriented financial statements, the department plans to incur expenses of \$207,400,000 (\$282,221,000 in 2011-12) related to CSIF and \$32,467,000 (\$46,583,000 in 2011-12) related to BIF in transfer payments on behalf of Infrastructure Canada. Estimated and planned expenses are reflected in the future-oriented financial statements of Infrastructure Canada on and are not those of the department.

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

18. Related party transactions (cont'd)

- Building Canada Fund (BCF)

Under a memorandum of understanding signed with Infrastructure Canada on April 25, 2008, Transport Canada administers the Building Canada Fund (BCF). At the date of these future-oriented financial statements, the department plans to incur expenses of \$1,112,546,000 (\$873,288,000 in 2011-12) in transfer payments on behalf of Infrastructure Canada. Estimated and planned expenses are reflected in the future-oriented financial statements of Infrastructure Canada on and are not those of the department.

(c) Other transactions with related parties

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	98,956	97,739
Revenues – Other government departments and agencies	48,555	47,856

19. Segmented information

Presentation by segment is based on Transport Canada's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 4. The following table presents the forecasted expenses incurred and forecasted revenues generated for the main program activities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)

For the Year Ending March 31

19. Segmented information (cont'd)

<i>(in thousands of dollars)</i>	Estimated Results 2012 Total	Planned Results 2013						Total
		An Efficient Transportation System	A Safe Transportation System	Internal Services	A Secure Transportation System	A Clean Transportation System	Ship-Source Oil Pollution Fund and other programs	
Transfer payments								
Other levels of governments within Canada	227,286	601,550	41,582	-	-	-	-	643,132
Industry	125,162	508,162	11,146	-	1,331	1,750	-	522,389
Non-profit organizations	42,100	8,515	13,139	-	-	-	-	21,654
Individuals	480	608	5	-	-	-	-	613
Other countries and international organizations	180	-	230	-	-	-	-	230
Total transfer payments	395,208	1,118,835	66,102	-	1,331	1,750	-	1,188,018
Operating expenses								
Salaries and employee benefits	614,212	40,141	279,009	135,413	55,656	19,972	-	530,191
Amortization of tangible capital assets	150,756	128,811	13,144	8,295	2,275	574	-	153,099
Professional and special services	124,707	16,767	21,310	21,203	9,496	27,598	-	96,374
Statutory Payment to St. Lawrence Seaway	84,200	83,372	-	-	-	-	-	83,372
Interest on capital lease payments	41,466	41,919	-	-	-	-	-	41,919
Accommodation	39,728	3,419	20,921	10,555	3,991	1,292	-	40,178
Equipment repair and maintenance	47,691	8,214	17,232	9,793	1,658	493	-	37,390
Travel and relocation	29,094	1,858	14,734	1,973	4,052	1,702	-	24,319
Net loss on disposal of tangible capital assets	8,487	20,887	(1,766)	(1,652)	-	(86)	-	17,383
Utilities, materials and supplies	17,364	2,035	9,397	1,302	505	224	-	13,463
Other	5,220	272	(2,950)	2,880	144	5,721	-	6,067
Telecommunications	7,293	267	1,617	3,198	400	70	-	5,552
Pollution control	3,449	-	-	-	-	-	4,687	4,687
Rentals	5,476	282	2,390	906	239	631	-	4,448
Payments in lieu of property taxes	5,307	3,199	735	361	9	-	-	4,304
Information services – communications	4,707	344	1,646	769	332	971	-	4,062
Postage	2,911	71	1,484	386	216	176	-	2,333
Damage and other claims against the Crown	5,521	-	-	-	-	-	-	-
Total operating expenses	1,197,589	351,858	378,903	195,382	78,973	59,338	4,687	1,069,141
Total expenses	1,592,797	1,470,693	445,005	195,382	80,304	61,088	4,687	2,257,159

TRANSPORT CANADA

Notes to the Future-oriented Financial Statements (*Unaudited*)
For the Year Ending March 31

19. Segmented information (cont'd)

<i>(in thousands of dollars)</i>	Estimated Results 2012 Total	Planned Results 2013						Total
		An Efficient Transportation System	A Safe Transportation System	Internal Services	A Secure Transportation System	A Clean Transportation System	Ship-Source Oil Pollution Fund and other programs	
Revenues								
Sales of goods and services								
Airport rent	277,695	289,958	-	-	-	-	-	289,958
Monitoring and enforcement revenues	44,082	24,030	18,827	297	-	-	-	43,154
Aircraft maintenance and flying services	35,997	-	33,384	-	-	-	-	33,384
Rentals and concessions	19,988	6,688	267	12,925	-	-	-	19,880
Transport facilities user fees	14,749	14,445	155	-	-	-	-	14,600
Pollution control revenues	9,510	-	-	-	-	-	9,466	9,466
Miscellaneous	959	285	831	146	-	-	-	1,262
Research and development	275	179	-	-	-	-	-	179
Interest	76	78	-	-	-	-	-	78
Total revenues	403,331	335,663	53,464	13,368	-	-	9,466	411,961
Net cost of operations	1,189,466	1,135,030	391,541	182,014	80,304	61,088	(4,779)	1,845,198