

Future-oriented Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ending March 31, 2014

TRANSPORT CANADA

Statement of Management Responsibility

Transport Canada management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at December 28, 2012 and reflect the plans described in the Report on Plans and Priorities.

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

Original signed by _____

Louis Lévesque,
Deputy Minister
Ottawa, Canada

February 21, 2013

Original signed by _____

André Morency,
Chief Financial Officer
Ottawa, Canada

February 18, 2013

TRANSPORT CANADA

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

As at March 31

(in thousands of dollars)

	Planned Results 2014	Estimated Results 2013
Liabilities		
Accounts payable and accrued liabilities (Note 6)	1,133,806	1,103,291
Vacation pay and compensatory leave	23,102	23,894
Deferred revenue (Note 7)	4,683	4,417
Lease obligations for tangible capital assets (Note 8)	550,203	569,452
Employee future benefits (Note 9)	66,536	68,674
Environmental and contingent liabilities (Note 10)	197,902	211,784
Total liabilities	1,976,232	1,981,512
Financial assets		
Due from Consolidated Revenue Fund	1,105,106	1,042,135
Accounts receivable and advances (Note 11)	34,139	32,295
Loans receivable (Note 12)	1,751	1,714
Rent receivable (Note 13)	12,816	20,139
Total gross financial assets	1,153,812	1,096,283
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 11)	(13,508)	(14,009)
Loans receivable (Note 12)	(1,751)	(1,714)
Total financial assets held on behalf of Government	(15,259)	(15,723)
Total net financial assets	1,138,553	1,080,560
Departmental net debt	837,679	900,952
Non-financial assets		
Prepaid expenses	11,160	8,423
Inventory (Note 14)	13,319	13,154
Tangible capital assets (Note 15)	2,383,832	2,350,638
Total non-financial assets	2,408,311	2,372,215
Departmental net financial position (Note 16)	1,570,632	1,471,263

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

Contingent liabilities (Note 10)

Contractual obligations (Note 17)

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

TRANSPORT CANADA

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

For the Year Ending March 31

(in thousands of dollars)

	Planned Results 2014	Estimated Results 2013
Expenses		
An Efficient Transportation System	841,294	891,432
A Safe and Secure Transportation System	510,983	525,644
Internal Services	174,843	196,363
A Clean Transportation System	67,408	49,953
Ship-Source Oil Pollution Fund and other programs	4,084	4,698
Expenses incurred on behalf of Government	(4,084)	(4,698)
Total expenses	1,594,528	1,663,392
Revenues		
Airport rent	307,657	293,487
Monitoring and enforcement revenues	46,971	47,978
Aircraft maintenance and flying services	33,383	32,829
Rentals and concessions	22,309	22,517
Transport facilities user fees	15,430	16,245
Pollution control revenues	7,385	8,064
Other	1,574	1,710
Revenues earned on behalf of Government	(348,597)	(334,458)
Total revenues	86,112	88,372
Net cost of operations before government funding and transfers	1,508,416	1,575,020
Government funding and transfers		
Net cash provided by Government	1,464,165	1,631,114
Change in due from the Consolidated Revenue Fund	62,971	(213,957)
Services provided without charge by other government departments (Note 18)	80,649	85,526
Net cost of operations after government funding and transfers	(99,369)	72,337
Departmental net financial position – Beginning of year	1,471,263	1,543,600
Departmental net financial position – End of year	1,570,632	1,471,263

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

Segmented information (Note 19)

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

TRANSPORT CANADA

Future-oriented Statement of Change in Departmental Net Debt (*Unaudited*)

For the Year Ending March 31

(in thousands of dollars)

	Planned Results 2014	Estimated Results 2013
Net cost of operations after government funding and transfers	(99,369)	72,337
Change due to tangible capital assets		
Acquisitions of tangible capital assets	222,078	71,041
Amortization of tangible capital assets	(146,228)	(149,299)
Proceeds from disposal of tangible capital assets	(24,636)	(16,702)
Loss on disposal of tangible capital assets	(8,471)	(18,926)
Prior years' assets under construction expensed	(9,549)	(17,525)
Total change due to tangible capital assets	33,194	(131,411)
Change due to inventories	165	(331)
Change due to prepaid expenses	2,737	(5,473)
Net decrease in departmental net debt	(63,273)	(64,878)
Departmental net debt – Beginning of year	900,952	965,830
Departmental net debt – End of year	837,679	900,952

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

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

TRANSPORT CANADA

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

For the Year Ending March 31

(in thousands of dollars)

	Planned Results 2014	Estimated Results 2013
Operating activities		
Net cost of operations before government funding and transfers	1,508,416	1,575,020
Non-cash items:		
Amortization of tangible capital assets	(146,228)	(149,299)
Services provided without charge by other government departments (Note 18)	(80,649)	(85,526)
Loss on disposal of tangible capital assets	(8,471)	(18,926)
Prior years' assets under construction expensed	(9,549)	(17,525)
Variations in Future-oriented Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	2,345	(2,022)
Decrease in rents receivable	(7,323)	(7,322)
Increase (decrease) in prepaid expenses	2,737	(5,473)
Increase (decrease) in inventory	165	(331)
Decrease (increase) in accounts payable and accrued liabilities	(30,515)	253,230
Decrease in vacation pay and compensatory leave	792	3,679
Increase in deferred revenue	(266)	(181)
Decrease in employee future benefits	2,138	5,259
Decrease in environmental and contingent liabilities	13,882	7,782
Cash used in operating activities	1,247,474	1,558,365
Capital investing activities		
Acquisitions of tangible capital assets	222,078	71,041
Proceeds from disposal of tangible capital assets	(24,636)	(16,702)
Cash used in capital investing activities	197,442	54,339
Financing activities		
Decrease in lease obligation for tangible capital assets	19,249	18,410
Cash used in financing activities	19,249	18,410
Net cash provided by Government of Canada	1,464,165	1,631,114

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

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 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*: influences the behaviour of the public and industry through policies, standards, regulations and laws; harmonizes and streamlines regulatory regimes, informed by the expertise of multiple countries and stakeholders; aids effective, safe and secure transportation practices and a sound safety and security culture, and; ensures that Canadians and the transportation industry are in compliance with the regulatory framework through its oversight program.
- 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 information in the estimated results for fiscal year 2012-13 is based on actual results as at November 30, 2012 and forecasts for the remainder of the fiscal year. Estimated year end information for 2012-13 is used as the opening position for the 2013-14 planned results, and forecasts have been made for the planned results for the 2013-14 fiscal year.

The main assumptions underlying the forecasts are as follows:

- With the exception of planned Budget 2012 cost reductions, the department's activities will remain substantially the same as for the previous year.
- Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience when the general historical pattern is expected to continue.

These assumptions are adopted as at December 28, 2012.

3. Variations and changes to the forecast financial information

While every attempt has been made to forecast final results for the remainder of 2012-13 and for 2013-14, actual results achieved for both years 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:

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

Once the Report on Plans and Priorities is presented, Transport Canada will not be updating the forecasts for any changes to authorities 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

These future-oriented financial statements have been prepared using the Government'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 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 Statement of Operations and Departmental Net Financial Position and the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a 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 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. 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 that gave rise to the revenue takes place.
 - Revenues that are non-respensible are not available to discharge the department's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respensible revenues. As a result, non-respensible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

TRANSPORT CANADA

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

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

(e) Expenses – Expenses are recorded on an accrual basis:

- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses 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. Transfer payments that become repayable, as a result of conditions specified in the contribution agreement that have come into being, are recorded as a reduction to transfer payment expense and as a receivable.
- 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 estimated cost.

(f) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan (Plan), a multiemployer pension plan administered by the Government. The Transport Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. 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.
- Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as the services necessary to earn them are rendered. 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 receivable are stated at the lower of cost and net recoverable value. However, when the terms of the loans are concessionary, such as those provided with a low or no interest clause, they are recorded at their estimated present value. A portion of the unamortized discount is recorded as revenue each year to reflect the change in the present value of the loans outstanding. Transfer payments that are unconditionally repayable are recognized as loans receivable. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.

(h) Contingent liabilities – Contingent liabilities are potential liabilities that 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 future-oriented financial statements.

TRANSPORT CANADA

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

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

- (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 costs are disclosed as contingent liabilities in the notes to the future-oriented financial statements.
- (j) Inventory – Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventory, other than serialized inventory items, is valued at cost 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 there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.
- (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 and Departmental Net Financial Position.
- (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. Transport Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves, or museum collections. Land has no minimum 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
Computer hardware	3 to 5 years
Computer 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 lease or useful life of the improvement
Leased tangible capital assets	Over term of lease or useful life of the asset if a bargain purchase offer exists

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

TRANSPORT CANADA

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

5. Parliamentary authorities

Transport Canada receives most of its funding through annual parliamentary authorities. Items recognized in the Future-oriented Statement of Operations and Departmental Net Financial Position and the Future-oriented Statement of 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 compared to an accrual accounting basis. The differences are reconciled in the following tables:

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

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	1,508,416	1,575,020
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(146,228)	(149,299)
Services provided without charge by other government departments	(80,649)	(85,526)
Loss on disposal of tangible capital assets	(8,471)	(18,926)
Prior years' assets under construction expensed	(9,549)	(17,525)
Decrease in vacation pay and compensatory leave	792	3,679
Decrease in employee future benefits	2,138	5,259
Decrease in environmental and contingent liabilities	13,882	7,782
Decrease (increase) in accrued liabilities not charged to authorities	(2,511)	9,111
Refunds of previous years' expenditures	1,322	1,605
Total items affecting net cost of operations but not affecting authorities	1,279,142	1,331,180
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	222,078	71,041
Decrease in lease obligation for tangible capital assets	19,249	18,410
Increase (decrease) in inventory	165	(331)
Increase (decrease) in prepaid expenses	2,737	(5,473)
Total items not affecting net cost of operations but affecting authorities	244,229	83,647
Forecast authorities available	1,523,371	1,414,827

TRANSPORT CANADA

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

5. Parliamentary authorities (cont'd)

(b) Authorities requested

	Planned Results 2014	Estimated Results 2013
<i>(in thousands of dollars)</i>		
Authorities requested		
Vote 1 – Operating expenditures	525,609	582,258
Vote 5 – Capital expenditures	222,078	82,795
Vote 10 – Transfer payments	543,950	582,059
Statutory amounts	231,734	232,065
Total authorities requested	1,523,371	1,479,177
Less:		
Lapsed authorities: Operating expenditures	-	(27,559)
Lapsed authorities: Capital expenditures	-	(11,754)
Lapsed authorities: Transfer payments	-	(25,037)
Forecast authorities available	1,523,371	1,414,827

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.

6. Accounts payable and accrued liabilities

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

	Planned Results 2014	Estimated Results 2013
<i>(in thousands of dollars)</i>		
Accounts payable – External parties	984,634	956,645
Accounts payable – Other government departments and agencies	86,072	81,260
Total accounts payable	1,070,706	1,037,905
Accrued salaries	19,527	21,717
Other accrued liabilities	43,573	43,669
Total accrued liabilities	63,100	65,386
Total accounts payable and accrued liabilities	1,133,806	1,103,291

TRANSPORT CANADA

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

7. 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 that these expenditures are incurred or in which the service is performed.

Details of the transactions related to this account are as follows:

	Planned Results 2014	Estimated Results 2013
<i>(in thousands of dollars)</i>		
Shared-cost agreements – Transportation research and development *		
Opening balance	485	957
Amounts received	315	488
Revenue recognized	(689)	(960)
Closing balance	111	485
Others (non-specified purpose)		
Opening balance	3,932	3,279
Amounts received	795	931
Revenue recognized	(155)	(278)
Closing balance	4,572	3,932
Net closing balance	4,683	4,417

* 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.

8. 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.

TRANSPORT CANADA

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

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

On April 1, 2013 an annual payment in the amount of \$61,984,705 (2012 - \$60,529,578) is planned. This payment represents a payment of principal in the amount of \$19,248,682 (2012 - \$18,410,515) and interest of \$42,736,023 (2012 - \$42,119,063). The planned interest expenses accrued as at March 31, 2014 amount to \$43,367,739 (\$42,736,023 as at March 31, 2013).

Transport Canada has a capital lease obligation of \$550,202,835 as at March 31, 2014 (\$569,451,517 as at March 31, 2013), based on the present value for the future payments using an interest rate of 6.06% (2013 – 6.06%).

The obligations related to the upcoming years include the following:

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
2014	-	61,985
2015	63,493	63,493
2016	59,257	59,257
2017	60,152	60,152
2018	61,061	61,061
2019 and thereafter	970,928	970,928
Total future minimum lease payments	1,214,891	1,276,876
Less: imputed interest (6.06%)	664,688	707,424
Balance of obligations under leased tangible capital assets	550,203	569,452

9. Employee future benefits

(a) Pension benefits

Transport Canada's employees participate in the Public Service Pension Plan (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 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 2013-14 forecasted expense amounts to \$61,148,000 (\$63,576,000 in 2012-13), which represents approximately 1.9 times (1.9 times in 2012-13) the contributions made by 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

9. Employee future benefits (cont'd)

(b) Severance benefits

Transport Canada provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about severance benefits, measured as at March 31, is as follows:

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	68,674	73,933
Expense for the year	5,322	2,514
Benefits paid during the year	(7,460)	(7,773)
Accrued benefit obligation, end of year	66,536	68,674

10. Environmental and contingent liabilities

Environmental 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 has identified approximately 101 sites (101 sites for 2012-13) where such action is possible and for which a liability of \$130,534,518 (\$144,417,422 for 2012-13) has been recorded in accrued liabilities. Transport Canada has estimated additional clean-up costs of \$16,408,703 for 11 sites (\$16,408,703 in 2012-13 for 11 sites) that are not accrued, as these are not considered likely to be incurred at this time. The department's ongoing efforts to assess contaminated sites may result in additional environmental 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.

(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. While the total amount claimed in these actions is significant, their outcomes are not determinable. As at the date of the preparation of these future-oriented financial statements, Transport Canada has recorded an allowance for claims and litigations of \$67,366,666 (\$67,366,666 for 2012-13) 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 \$5,825,208 as at March 31, 2014 (\$5,825,208 as at March 31, 2013).

TRANSPORT CANADA

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

11. Accounts receivable and advances

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

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
Accounts receivable – External parties	21,453	20,748
Accounts receivable – Other government departments and agencies	14,812	13,428
Employee advances	219	253
Subtotal	36,484	34,429
Allowance for doubtful accounts on receivables from external parties	(2,345)	(2,134)
Gross accounts receivable and advances	34,139	32,295
Accounts receivable and advances held on behalf of Government	(13,508)	(14,009)
Net accounts receivable and advances	20,631	18,286

12. Loans receivable

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

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
Loans receivable – Victoria Harbour	2,194	2,237
Loans receivable – St. Lawrence Seaway Management Corporation	77	77
Subtotal	2,271	2,314
Less: Unamortized discounts	(520)	(600)
Gross loans receivable	1,751	1,714
Loans receivable held on behalf of Government	(1,751)	(1,714)
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 \$2,578,469. A discount of \$520,607 is recorded to reflect the concessionary nature of the loan (\$599,958 for 2012-13). A payment of \$42,720 is planned for fiscal year 2013-14 (\$42,720 for 2012-13).

TRANSPORT CANADA

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

12. Loans receivable (cont'd)

(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*. 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 in March 2004.

13. Rent receivable

The National Airport System 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 eight of the Canadian Airport Authorities, which provided for deferral of a portion of the airport rent payable by the Canadian 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 for fiscal year 2013-14 (\$7,322,682 for 2012-13). The rent receivable balance is \$12,815,849 at March 31, 2014 (\$20,138,531 at March 31, 2013).

14. Inventory

The following table presents details of the inventory, which is measured at cost using the average cost method for non-serialized inventory items parts, and on a specific cost basis for serialized inventory items parts:

	Planned Results 2014	Estimated Results 2013
Consumable parts	13,319	13,154
Total inventory	13,319	13,154

The cost of consumed inventory recognized as an expense in the Future-oriented Statement of Operations and Departmental Net Financial Position is \$1,272,000 for 2013-14 (\$1,442,000 for 2012-13).

TRANSPORT CANADA

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

For the Year Ending March 31

(in thousands of dollars)

15. Tangible capital assets

Capital Asset Class	Cost – 2014					Accumulated Amortization – 2014					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	Planned Results 2014	Estimated Results 2013
Land ⁽¹⁾	265,332	25,672	4	(12,321)	278,687	-	-	-	-	-	278,687	265,332
Buildings and works ⁽²⁾	3,671,070	19,202	11,844	(38,094)	3,664,022	2,567,733	100,830	-	(24,499)	2,644,064	1,019,958	1,103,337
Machinery and equipment ⁽³⁾	193,108	10,751	6,592	(12,739)	197,712	126,630	12,510	-	(11,637)	127,503	70,209	66,478
Vehicles	729,075	8,697	4,143	(28,346)	713,569	573,565	22,515	-	(22,257)	573,823	139,746	155,510
Leasehold improvements ⁽⁴⁾	32,585	45	2,203	-	34,833	17,546	2,185	-	-	19,731	15,102	15,039
Assets under construction	55,768	157,711	(34,335)	-	179,144	-	-	-	-	-	179,144	55,768
Confederation Bridge	818,820	-	-	-	818,820	129,646	8,188	-	-	137,834	680,986	689,174
TOTAL	5,765,758	222,078	(9,549)	(91,500)	5,886,787	3,415,120	146,228	-	(58,393)	3,502,955	2,383,832	2,350,638

(a) Adjustments include assets under construction of \$24,786,000 that were transferred to other capital asset classes upon completion of the assets.

TRANSPORT CANADA

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

15. Tangible capital assets (cont'd)

National Airport System assets

The land, buildings, works and infrastructures of 23 Canadian airports comprising the National Airport System assets are included in the amounts recorded in the table above:

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 airport is not operated in accordance with the terms of the respective operating agreements and the Policies and Principles referred to above.

Forecast values recorded for the National Airport System assets for 23 National Airports are:

(in thousands of dollars)

- (1) A net book value of \$157,572 (\$164,997 for 2012-13) included in Land.
- (2) A net book value of \$441,024 (\$493,526 for 2012-13) included in Building and works.
- (3) A net book value of \$391 (\$441 for 2012-13) included in Machinery and equipment.
- (4) A net book value of \$305 (\$339 for 2012-13) included in Leasehold improvements.

16. Departmental net financial position

A portion of Transport Canada's Departmental net financial position is used for specific purposes and is restricted. Related revenues and expenses are included in the Future-oriented Statement of Operations and Departmental Net Financial Position.

Transport Canada has two accounts for specified purposes:

(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.

TRANSPORT CANADA

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

16. Departmental net financial position (cont'd)

Activities in the accounts are as follows:

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
The Ship-Source Oil Pollution Fund – Restricted		
Balance – Beginning of year – Restricted	399,256	395,794
Revenues	7,377	8,048
Expenses	(4,012)	(4,586)
Balance – End of year – Restricted	402,621	399,256
Fines for Transport of Dangerous Goods – Restricted		
Balance – Beginning of year – Restricted	530	626
Revenues	8	16
Expenses	(72)	(112)
Balance – End of year – Restricted	466	530
Total balance – End of year – Restricted	403,087	399,786
Unrestricted	1,167,545	1,071,477
Departmental net financial position – End of year	1,570,632	1,471,263

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>	2015	2016	2017	2018	2019 and thereafter	Total
Transfer payments	90,569	37,886	32,998	33,610	31,603	226,666
Other goods and services	1,559	1,563	93	-	-	3,215
Total	92,128	39,449	33,091	33,610	31,603	229,881

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 departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, Transport Canada forecasts to receive services obtained without charge from other government departments as presented below. In addition Transport Canada has entered into agreements to administer programs on behalf of Infrastructure Canada.

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

During the year Transport Canada forecasts to receive, without charge from certain common service organizations, services related to accommodation, legal services, the employer contributions to the health and dental insurance plans, and workers' compensation coverage. These services provided without charge have been recorded in the department's Future-oriented Statement of Operations and Departmental Net Financial Position as follows:

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
Accommodation	37,151	40,570
Employer contributions to the health and dental insurance plans	35,451	36,405
Legal services	5,242	5,666
Worker's compensation	2,805	2,885
Total	80,649	85,526

The Government has centralized some of its administrative activities for efficiency and cost-effectiveness purposes and for 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 and Departmental Net Financial Position.

(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 \$238,980,000 (\$293,615,000 for 2012-13) related to the CSIF, and \$19,128,000 (\$26,811,000 for 2012-13) related to the 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 recorded in these future-oriented financial statements.

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 \$714,817,000 (\$896,216,000 for 2012-13) related to the BCF 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 recorded in these future-oriented financial statements.

(c) Other transactions with related parties

	Planned Results 2014	Estimated Results 2013
	<i>(in thousands of dollars)</i>	
Accounts receivable – Other government departments and agencies	14,812	13,428
Accounts payable – Other government departments and agencies	86,072	81,260
Expenses – Other government departments and agencies	79,347	85,072
Revenues – Other government departments and agencies	43,851	44,953

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

19. 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 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

(in thousands of dollars)

19. Segmented information (cont'd)

	Planned Results – 2014						Estimated Results 2013 Total
	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Ship-source Oil Pollution Fund and other programs	Total	
Transfer payments							
Other levels of government within Canada	348,013	36,557	-	-	-	384,570	352,952
Industry	112,841	9,536	-	13,475	-	135,852	192,029
Non-profit organizations	17,720	8,295	-	-	-	26,015	14,661
Individuals	484	100	-	-	-	584	490
Other countries and international organizations	-	230	-	-	-	230	190
Total transfer payments	479,058	54,718	-	13,475	-	547,251	560,322
Operating expenses							
Salaries and employee benefits	45,319	341,774	124,734	24,571	-	536,398	551,641
Amortization of tangible capital assets	120,245	15,619	10,187	177	-	146,228	149,299
Management fees for operation and maintenance of the St. Lawrence Seaway	94,200	-	-	-	-	94,200	83,372
Professional and special services	18,081	26,103	17,381	22,261	-	83,826	104,444
Interest on capital lease payments	43,368	-	-	-	-	43,368	42,736
Equipment repair and maintenance	13,070	17,536	8,996	849	-	40,451	51,456
Accommodation	3,183	24,075	8,224	1,669	-	37,151	40,570
Travel and relocation	1,654	16,816	1,095	738	-	20,303	21,828
Utilities, materials and supplies	2,049	9,665	867	113	-	12,694	13,805
Net loss on disposal of tangible capital assets	15,700	(3,769)	(3,367)	(93)	-	8,471	18,926
Damage and other claims against the Crown	1,077	3,913	52	23	-	5,065	4,532
Rentals	309	2,497	1,289	186	-	4,281	4,734
Payments in lieu of property taxes	3,157	817	264	-	-	4,238	4,822
Pollution control	-	-	-	-	4,084	4,084	4,698
Telecommunications	204	1,508	1,532	28	-	3,272	3,702
Other	269	(3,083)	2,926	3,064	-	3,176	2,703
Information services – communications	282	1,388	406	303	-	2,379	2,573
Postage	69	1,406	257	44	-	1,776	1,927
Expenses incurred on behalf of Government	-	-	-	-	(4,084)	(4,084)	(4,698)
Total operating expenses	362,236	456,265	174,843	53,933	-	1,047,277	1,103,070
Total expenses	841,294	510,983	174,843	67,408	-	1,594,528	1,663,392

TRANSPORT CANADA

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

For the Year Ending March 31

(in thousands of dollars)

19. Segmented information (cont'd)

	Planned Results – 2014						Estimated Results 2013 Total
	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Ship-source Oil Pollution Fund and other programs	Total	
Revenues							
Airport rent	307,657	-	-	-	-	307,657	293,487
Monitoring and enforcement revenues	25,880	21,091	-	-	-	46,971	47,978
Aircraft maintenance and flying services	-	33,383	-	-	-	33,383	32,829
Rentals and concessions	6,728	267	15,314	-	-	22,309	22,517
Transport facilities user fees	15,225	205	-	-	-	15,430	16,245
Pollution control revenues	-	-	-	-	7,385	7,385	8,064
Other	206	1,221	147	-	-	1,574	1,710
Revenues earned on behalf of Government	(326,212)	-	(15,000)	-	(7,385)	(348,597)	(334,458)
Total revenues	29,484	56,167	461	-	-	86,112	88,372
Net cost of operations	811,810	454,816	174,382	67,408	-	1,508,416	1,575,020