

Future-Oriented Statement of Operations of

TRANSPORT CANADA

(Unaudited)

For the year ending March 31, 2017

TRANSPORT CANADA

Future-Oriented Statement of Operations (*Unaudited*)

For the Year Ending March 31

(*in thousands of dollars*)

	Forecast Results 2015-16	Planned Results 2016-17
Expenses		
An Efficient Transportation System	907,328	722,964
A Safe and Secure Transportation System	516,416	473,675
Internal Services	192,285	168,821
A Clean Transportation System	118,197	68,212
Ship-Source Oil Pollution Fund and other programs	1,958	1,747
Expenses incurred on behalf of Government	(1,958)	(1,747)
Total expenses	1,734,226	1,433,672
Revenues		
Airport rent	326,551	331,136
Monitoring and enforcement revenues	45,193	43,897
Aircraft maintenance and flying services	25,848	25,220
Rentals and concessions	27,496	27,476
Transport facilities user fees	13,638	13,998
Pollution control revenues	7,188	6,295
Other	14,363	11,557
Revenues earned on behalf of Government	(370,417)	(380,365)
Total revenues	89,860	79,214
Net cost of operations	1,644,366	1,354,458

Information for the year ending March 31, 2016 includes actual amounts from April 1, 2015 to November 30, 2015.

The accompanying notes form an integral part of this Future-Oriented Statement of Operations.

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Notes to the Future-Oriented Statement of Operations (*Unaudited*)
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1. Methodology and significant assumptions

The Future-Oriented Statement of Operations has been prepared on the basis of government priorities and departmental plans as described in the Report on Plans and Priorities.

The information in the Forecast results for fiscal year 2015-16 is based on actual results as at November 30, 2015 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2016-17 fiscal year.

Pursuant to Order in Council P.C. 2015-1237, the Windsor-Detroit Bridge Authority (WDBA) was transferred from Transport Canada to the Minister of Infrastructure, Communities and Intergovernmental Affairs effective November 4, 2015. Planned Results 2016-17 have been adjusted to reflect the transfer of WDBA to Infrastructure Canada. However, Forecast Results 2015-16 have not been adjusted as the impact for the transition period of November 4, 2015 to March 31, 2016 has not yet been determined.

The main assumptions underlying the forecasts are as follows:

- The Department's activities will remain substantially the same as in the previous year.
- Expenses and revenues, including the determination of amounts internal and external to the government, are based on experience. The general historical pattern is expected to continue.

These assumptions are adopted as at December 24, 2015.

2. Variations and changes to the forecast financial information

While every attempt has been made to forecast final results for the remainder of 2015-16 and for 2016-17, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this Future-Oriented Statement of Operations, 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 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 Statement of Operations and the historical Statement of Operations include the following:

- 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 operating 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 in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

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3. Summary of significant accounting policies

The Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies that came into effect for the 2015-16 fiscal year 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) Expenses:

- Expenses are recorded on an accrual basis.
- Expenses for the Department's operations are recorded when goods are received or services are rendered including services provided without charge for accommodation, employee contributions to health and dental insurance plans, legal services and worker's compensation which are recorded as expenses at their estimated cost.
- Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their terms of employment.
- Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement or, in the case of transactions that do not form part of an existing program, 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 financial statement. 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.
- Expenses include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable, provision for valuation on loans, investments and advances and inventory obsolescence or liabilities, including contingent liabilities and environmental liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.
- Expenses also include amortization of tangible capital assets which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

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

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4. 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 because authorities are primarily based on cash flow requirements. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Department has a different net cost 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) Reconciliation of net cost of operations to requested authorities

	Forecast Results 2015-16	Planned Results 2016-17
	<i>(in thousands of dollars)</i>	
Net cost of operations	1,644,366	1,354,458
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(143,557)	(140,922)
Services provided without charge by other government departments	(87,676)	(83,270)
Loss on disposal of tangible capital assets	(2,304)	(2,300)
Prior years' assets under construction expensed	(655)	(655)
Decrease in vacation pay and compensatory leave	497	2,724
Decrease in employee future benefits	2,563	2,563
Decrease (increase) in environmental and contingent liabilities	49,678	(12,107)
Increase (decrease) in accrued liabilities not charged to authorities	(447)	1,604
Refunds of previous years' expenditures	1,262	1,097
Adjustments of previous years accounts payable	1,350	1,186
Bad debt expense	(385)	(477)
Other	668	784
Total items affecting net cost of operations but not affecting authorities	(179,006)	(229,773)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	135,599	119,227
Decrease in lease obligation for tangible capital assets	21,041	21,999
Increase (decrease) in inventory	(136)	68
Increase (decrease) in prepaid expenses	143	(71)
Total items not affecting net cost of operations but affecting authorities	156,647	141,223
Requested authorities	1,622,007	1,265,908

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4. Parliamentary authorities (cont'd)

(b) Authorities requested

	Forecast Results 2015-16	Planned Results 2016-17
	<i>(in thousands of dollars)</i>	
Authorities requested		
Vote 1 – Operating expenditures	665,803	480,703
Vote 5 – Capital expenditures	135,599	119,227
Vote 10 – Grants and contributions ⁽¹⁾	542,479	-
Vote 10 – Grants and contributions – Gateways and corridors	-	258,354
Vote 15 – Grants and contributions – Transportation infrastructure	-	103,220
Vote 20 – Grants and contributions – Other	-	38,062
Statutory amounts	278,126	266,342
Requested authorities	1,622,007	1,265,908

(1) Vote 10 was split into 3 votes (10, 15, and 20) beginning in 2016-17.