

Future-Oriented Statement of Operations of

TRANSPORT CANADA

(unaudited)

For the year ending March 31, 2019

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Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31, 2019

(in thousands of dollars)

	Forecast results for 2017-18	Planned results for 2018-19
Expenses (Note 6)		
An Efficient Transportation System	564,816	760,479
A Safe and Secure Transportation System	554,973	519,496
Internal Services	182,436	197,434
A Clean Transportation System	121,784	-
A Green and Innovative Transportation System	-	190,946
Ship-source Oil Pollution Fund and other programs	3,316	4,233
Fund for railway accidents involving designated goods	250	250
Expenses incurred on behalf of Government	(3,566)	(4,483)
Total expenses	1,424,009	1,668,355
Revenues		
Leases of property	349,486	366,742
Monitoring and enforcement revenues	52,862	51,634
Aircraft maintenance and flying services	26,158	27,798
Rentals and concessions	21,362	19,025
Transport facilities user fees	14,088	13,768
Fund for railway accidents involving designated goods	12,720	12,720
Fines for Transport of Dangerous Goods	3,600	-
Pollution control revenues	3,164	3,241
Other	2,628	1,338
Revenues earned on behalf of Government	(413,548)	(425,693)
Total revenues	72,520	70,573
Net cost of operations before government funding and transfers	1,351,489	1,597,782

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

TRANSPORT CANADA

Notes to the Future-Oriented Statement of Operations (unaudited)
For the year ending March 31

1. Departmental Core Responsibilities

In 2018-19, Transport Canada will transition from a reporting framework consisting of Strategic Outcomes and a Program Alignment Architecture to a Departmental Results Framework comprising of Core Responsibilities and Departmental Results (see note 6).

2. 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 Departmental Plan.

The information in the forecast results for fiscal year 2017-18 is based on actual results as at November 1, 2017 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2018-19 fiscal year.

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 22, 2017.

3. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2017-18 and for 2018-19, actual results achieved for both years are likely to differ 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 about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

- the timing and the amount of acquisitions and disposals of property, plant and equipment, which may affect gains, losses and amortization expense;
- the implementation of new collective agreements;
- economic conditions, which may affect both the amount of revenue earned and the collectability of loan receivables;
- interest rates in effect at the time of issue, which will affect the net present value of non-interest bearing loans; and
- other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, 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 Results Report.

TRANSPORT CANADA

Notes to the Future-Oriented Statement of Operations (unaudited)
For the year ending March 31

4. Summary of significant accounting policies

The Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for fiscal year 2017-18, and is 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:

The Department records expenses on an accrual basis.

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

Other expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional and special services, repair and maintenance, utilities, material and supplies, as well as amortization of tangible capital assets. Tangible capital assets are capitalized at their acquisition cost, and amortized on a straight-line basis over the estimated useful life of the asset. Provisions to reflect changes in the value of assets and liabilities, such as provisions for bad debts, loans, investments and advances, inventory obsolescence, utilization of inventories, and prepaid expenses are also included in other expenses. These provisions are recorded as expenses to the extent the future event is likely to occur and a reasonable estimate can be made.

(b) Revenues:

Revenues from regulatory fees are recognized in the accounts based on the services provided in the fiscal 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-respendable are not available to discharge the Department's liabilities. Although the deputy head is expected to maintain accounting control, he has no authority over the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the Department's gross revenues.

TRANSPORT CANADA

Notes to the Future-Oriented Statement of Operations (unaudited)
For the year ending March 31

5. Parliamentary authorities

Transport Canada is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Department differs from financial reporting according to generally accepted accounting principles because authorities are based mainly 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 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 (in thousands of dollars)

	Forecast results for 2017-18	Planned results for 2018-19
Net cost of operations before government funding and transfers	1,351,489	1,597,782
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(145,120)	(145,281)
Services provided without charge by other government departments	(95,560)	(97,114)
Gain on disposal of tangible capital assets	2,784	3,808
Prior years' assets under construction expensed	546	546
Increase in vacation pay and compensatory leave	(393)	(1,270)
Decrease in employee future benefits	2,406	2,406
Decrease in environmental and contingent liabilities	14,500	-
Decrease in accrued liabilities not charged to authorities	1,247	1,941
Refunds of previous years' expenditures	1,632	1,315
Adjustments of previous years accounts payable	993	1,040
Bad debt expense	(181)	(228)
Other	1,139	1,000
Total items affecting net cost of operations but not affecting authorities	(216,007)	(231,837)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	136,990	122,990
Decrease in lease obligation for tangible capital assets	23,001	24,048
Increase in salary overpayments	1,508	1,473
Increase (decrease) in inventory	(7)	4
Increase (decrease) in prepaid expenses	(986)	493
Total items not affecting net cost of operations but affecting authorities	160,506	149,008
Requested authorities	1,295,988	1,514,953

TRANSPORT CANADA

Notes to the Future-Oriented Statement of Operations (unaudited)
For the year ending March 31

5. Parliamentary authorities (cont'd)

(b) Authorities requested (in thousands of dollars)

	Forecast results for 2017-18	Planned results for 2018-19
Authorities requested (note 6)		
Vote 1 – Operating expenditures	671,344	696,853
Vote 5 – Capital expenditures	136,990	122,990
Vote 10 – Grants and contributions – Gateways and corridors	69,465	-
Vote 15 – Grants and contributions – Transportation infrastructure	134,891	-
Vote 20 – Grants and contributions – Other	47,248	-
Vote 10 – Grants and contributions – An Efficient Transportation System	-	401,910
Vote 15 – Grants and contributions – A Green and Innovative Transportation System	-	41,602
Vote 20 – Grants and contributions – A Safe and Secure Transportation System	-	27,773
Statutory amounts	236,050	223,825
Total authorities requested	1,295,988	1,514,953

6. Comparative Information

As a result of significant differences between Transport Canada's previous Program Alignment Architecture and its new Departmental Results Framework, financial information for 2017-18 and 2018-19 could not be presented on the same basis:

- The 2017-18 expenses are presented by Strategic Outcome in accordance with Transport Canada's previous Program Alignment Architecture, whereas expenses for 2018-19 are presented by Core Responsibility in accordance with Transport Canada's new Departmental Results Framework.
- Grant and contribution authorities for 2017-18 are presented according to the 2017-18 appropriation acts approved by Parliament, whereas grant and authorities for 2018-19 are presented according to planned voted authorities for 2018-19.