

Future-Oriented Statement of Operations of

TRANSPORT CANADA

(unaudited)

For the year ending March 31, 2020

TRANSPORT CANADA

Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

(in thousands of dollars)

	Forecast results for 2018-19	Planned results for 2019-20
Expenses		
An Efficient Transportation System	544,052	932,787
A Safe and Secure Transportation System	540,684	474,762
Internal Services	210,209	206,411
A Green and Innovative Transportation System	189,776	247,420
Specified purpose accounts	10,765	10,981
Expenses incurred on behalf of Government	(10,765)	(10,981)
Total expenses	1,484,721	1,861,380
Revenues		
Leases of property	399,376	412,889
Monitoring and enforcement revenues	51,662	54,026
Aircraft maintenance and flying services	32,862	31,741
Specified purpose accounts	27,883	28,372
Transport facilities user fees	14,746	14,545
Rentals and concessions	7,334	7,192
Other	1,485	3,981
Revenues earned on behalf of Government	(458,045)	(474,794)
Total revenues	77,303	77,952
Net cost of operations before government funding and transfers	1,407,418	1,783,428

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

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1. Departmental Core Responsibilities

In 2018-19, Transport Canada transitioned from a reporting framework consisting of Strategic Outcomes and a Program Alignment Architecture to a Departmental Results Framework comprising Core Responsibilities and Departmental Results. For more information on Transport Canada's Core Responsibilities, see the "Planned results" section of the [Departmental Plan](#).

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 2018-19 is based on actual results as at October 31, 2018 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2019-20.

The main assumptions underlying the forecasts are as follows:

- Transport Canada'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 past experience. The general historical pattern is expected to continue.

These assumptions are made as at December 21, 2018.

3. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2018-19 and for 2019-20, 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.

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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 2018-19, 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

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

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, materials 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 or liabilities, such as provisions for bad debts, loans, investments and advances and consumable parts obsolescence, as well as utilization of consumable parts and prepaid expenses, and other 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 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.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-responsible are not available to discharge Transport Canada's liabilities. Although the deputy head is expected to maintain accounting control, he has no authority over 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 Transport Canada's gross revenues.

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5. Parliamentary authorities

Transport Canada is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to Transport Canada 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, Transport Canada 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 2018-19	Planned results for 2019-20
Net cost of operations before government funding and transfers	1,407,418	1,783,428
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(141,415)	(139,403)
Gain (loss) on disposal of tangible capital assets	13,036	(10,893)
Services provided without charge by other government departments	(94,318)	(93,911)
Adjustments to assets under construction	546	546
Increase in vacation pay and compensatory leave	(7,700)	(9,488)
Decrease in employee future benefits	2,424	2,424
Decrease in contingent liabilities	(700)	-
Decrease in accrued liabilities not charged to authorities	1,389	15
Bad debt expense	11	(2)
Refund of previous years' expenditures	850	776
Adjustments of previous years accounts payable	1,201	1,256
Other expenditures not affecting authorities	1,167	1,318
Total items affecting net cost of operations but not affecting authorities	(223,509)	(247,362)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	129,608	134,973
Decrease in lease obligations for tangible capital assets	24,048	25,143
Increase in salary overpayments	1,067	974
Increase (decrease) in consumable parts	(514)	257
Increase in prepaid expenses	296	320
Total items not affecting net cost of operations but affecting authorities	154,505	161,667
Requested authorities	1,338,414	1,697,733

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5. Parliamentary authorities (cont'd)

(b) Authorities requested (in thousands of dollars)

	Forecast results for 2018-19	Planned results for 2019-20
Authorities requested		
Vote 1 – Operating expenditures	707,371	678,526
Vote 5 – Capital expenditures	129,608	134,973
Vote 10 – Grants and contributions – An Efficient Transportation System	204,793	593,898
Vote 15 – Grants and contributions – A Green and Innovative Transportation System	35,360	65,027
Vote 20 – Grants and contributions – A Safe and Secure Transportation System	34,892	17,843
Statutory amounts	226,390	207,466
Total authorities requested	1,338,414	1,697,733
