

Future-Oriented Statement of Operations of

**TRANSPORT CANADA**

(Unaudited)

For the year ending March 31, 2021

## TRANSPORT CANADA

Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

(in thousands of dollars)

	Forecast results for 2019-20	Planned results for 2020-21
<b>Expenses</b>		
An Efficient Transportation System	826,331	947,055
A Safe and Secure Transportation System	544,983	562,261
A Green and Innovative Transportation System	380,813	293,135
Internal Services	229,606	219,228
Specified purpose accounts	7,286	7,432
Expenses incurred on behalf of Government	(7,286)	(7,432)
<b>Total expenses</b>	<b>1,981,733</b>	<b>2,021,679</b>
<b>Revenues</b>		
Leases of property	420,509	434,631
Monitoring and enforcement revenues	52,509	53,950
Specified purpose accounts	33,173	33,754
Aircraft maintenance and flying services	31,741	39,179
Transport facilities user fees	14,545	13,719
Rentals and concessions	7,207	8,877
Other	2,753	8,638
Revenues earned on behalf of Government	(485,573)	(519,952)
<b>Total revenues</b>	<b>76,864</b>	<b>72,796</b>
<b>Net cost of operations before government funding and transfers</b>	<b>1,904,869</b>	<b>1,948,883</b>

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

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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 Departmental Plan.

The information in the forecast results for fiscal year 2019-20 is based on actual results as at October 31, 2019 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2020-21.

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 January 17, 2020.

## 2. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2019-20 and for 2020-21, 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

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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 in effect for fiscal year 2019-20, 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-respendable 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-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 Transport Canada's gross revenues.

# TRANSPORT CANADA

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

## 4. 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 2019-20	Planned results for 2020-21
<b>Net cost of operations before government funding and transfers</b>	1,904,869	1,948,883
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(144,596)	(144,224)
Gain (loss) on disposal of tangible capital assets	(23,999)	6,814
Services provided without charge by other government departments	(100,995)	(104,283)
Adjustments to assets under construction	2,403	2,402
Increase in vacation pay and compensatory leave	(2,770)	(2,984)
Decrease in employee future benefits	2,322	2,322
Decrease (increase) in contingent liabilities	(3,215)	6,453
Decrease (increase) in accrued liabilities not charged to authorities	(86)	139
Bad debt expense	(11)	4
Refunds of previous years' expenditures	1,801	1,801
Adjustments of previous years accounts payable	1,398	1,398
Total items affecting net cost of operations but not affecting authorities	(267,748)	(230,158)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	129,000	150,605
Decrease in lease obligations for tangible capital assets	25,143	26,287
Increase in salary overpayments	4,209	4,269
Increase (decrease) in consumable parts	(377)	189
Increase (decrease) in prepaid expenses	1,154	(577)
Total items not affecting net cost of operations but affecting authorities	159,129	180,773
<b>Requested authorities forecasted to be used</b>	<b>1,796,250</b>	<b>1,899,498</b>

# TRANSPORT CANADA

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

## 4. Parliamentary authorities (cont'd)

### (b) Authorities provided/requested (in thousands of dollars)

	Forecast results for 2019-20	Planned results for 2020-21
<b>Authorities provided/requested</b>		
Vote 1 – Operating expenditures	765,705	726,021
Vote 5 – Capital expenditures	171,193	150,605
Vote 10 – Grants and contributions – An Efficient Transportation System	614,675	617,297
Vote 15 – Grants and contributions – A Green and Innovative Transportation System	332,947	133,824
Vote 20 – Grants and contributions – A Safe and Secure Transportation System	48,990	40,198
Statutory amounts	220,110	231,553
<b>Total authorities provided/requested</b>	<b>2,153,620</b>	<b>1,899,498</b>
Less : Estimated unused authorities and other adjustments	(357,370)	-
<b>Requested authorities forecasted to be used</b>	<b>1,796,250</b>	<b>1,899,498</b>