

Financial Statements of

**TRANSPORT CANADA**

(Unaudited)

For the year ended March 31, 2023

# TRANSPORT CANADA

## Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2023, and all information contained in these financial statements rests with the management of Transport Canada. These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Transport Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Transport Canada's Departmental Results Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout Transport Canada and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2023 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of Transport Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Transport Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of Transport Canada.

The financial statements of Transport Canada have not been audited.

Original signed by

Original signed by

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Arun Thangaraj  
Deputy Minister  
Ottawa, Canada

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Kurt Chin Quee for Ryan Pilgrim, CPA, CA  
Chief Financial Officer  
Ottawa, Canada

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September 6, 2023

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August 24, 2023

Date

Date

**TRANSPORT CANADA**  
**Statement of Financial Position (Unaudited)**  
**As at March 31**  
*(in thousands of dollars)*

	2023	2022 Restated (Note 18)
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	693,847	645,240
Vacation pay and compensatory leave	57,394	62,257
Environmental liabilities (Note 5(a))	269,815	231,895
Asset retirement obligations (Note 5(b))	22,393	21,294
Deferred revenue (Note 6)	3,950	3,502
Lease obligation for tangible capital assets (Note 7)	332,339	361,075
Employee future benefits (Note 8)	13,290	16,476
Contingent liabilities (Note 15)	32,776	24,504
<b>Total net liabilities</b>	<b>1,425,804</b>	<b>1,366,243</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	471,403	415,048
Accounts receivable and advances (Note 9)	187,842	195,638
Loans receivable (Note 10)	2,097	2,041
<b>Total gross financial assets</b>	<b>661,342</b>	<b>612,727</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable and advances (Note 9)	(176,592)	(171,269)
Loans receivable (Note 10)	(2,097)	(2,041)
<b>Total financial assets held on behalf of Government</b>	<b>(178,689)</b>	<b>(173,310)</b>
<b>Total net financial assets</b>	<b>482,653</b>	<b>439,417</b>
<b>Departmental net debt</b>	<b>943,151</b>	<b>926,826</b>
<b>Non-financial assets</b>		
Prepaid expenses	4,290	4,359
Consumable parts (Note 11)	15,277	14,383
Tangible capital assets (Note 12)	2,940,957	2,924,201
<b>Total non-financial assets</b>	<b>2,960,524</b>	<b>2,942,943</b>
<b>Departmental net financial position (Note 13)</b>	<b>2,017,373</b>	<b>2,016,117</b>

Contractual obligations and contractual rights (Note 14)  
Contingent liabilities and contingent assets (Note 15)

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

Original signed by

Original signed by

\_\_\_\_\_  
Arun Thangaraj  
Deputy Minister  
Ottawa, Canada

\_\_\_\_\_  
Kurt Chin Quee for Ryan Pilgrim, CPA, CA  
Chief Financial Officer  
Ottawa, Canada

\_\_\_\_\_  
September 6, 2023

\_\_\_\_\_  
August 24, 2023

Date

Date

# TRANSPORT CANADA

## Statement of Operations and Departmental Net Financial Position (*Unaudited*)

For the Year Ended March 31, 2023

(in thousands of dollars)

	2023	2023	2022 Restated (Note 18)
	Planned Results		
<b>Expenses (Note 17)</b>			
An Efficient Transportation System	1,613,187	1,038,758	995,765
A Safe and Secure Transportation System	533,258	576,103	593,908
A Green and Innovative Transportation System	345,458	525,550	473,177
Internal Services	230,203	308,542	213,158
Specified purpose accounts (Note 13)	6,295	4,305	5,144
Expenses incurred on behalf of Government	(6,295)	(4,305)	(5,144)
<b>Total expenses</b>	<b>2,722,106</b>	<b>2,448,953</b>	<b>2,276,008</b>
<b>Revenues</b>			
Leases of property	337,880	419,199	163,260
Aircraft maintenance and flying services	39,664	49,452	46,869
Monitoring and enforcement revenues	54,217	22,212	21,531
Specified purpose accounts (Note 13)	26,884	21,038	17,715
Rentals and concessions	8,423	18,854	19,184
Transport facilities user fees	8,835	13,137	9,789
Other	14,998	37,669	27,023
Revenues earned on behalf of Government	(406,662)	(491,864)	(222,064)
<b>Total revenues</b>	<b>84,239</b>	<b>89,697</b>	<b>83,307</b>
<b>Net cost of operations</b>	<b>2,637,867</b>	<b>2,359,256</b>	<b>2,192,701</b>
<b>Government funding and transfers</b>			
Net cash provided by Government of Canada		2,197,866	2,042,386
Services provided without charge by other government departments (Note 16)		106,181	105,920
Transfer of assets (to)/from other government departments		110	-
Change in due from Consolidated Revenue Fund		56,355	(39,974)
<b>Net cost of operations after government funding and transfers</b>		<b>(1,256)</b>	<b>84,369</b>
<b>Departmental net financial position – Beginning of year</b>		<b>2,016,117</b>	<b>2,100,486</b>
<b>Departmental net financial position – End of year</b>		<b>2,017,373</b>	<b>2,016,117</b>

Segmented information (Note 17)

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

**TRANSPORT CANADA**  
**Statement of Change in Departmental Net Debt (Unaudited)**  
**For the Year Ended March 31**  
*(in thousands of dollars)*

	<b>2023</b>	<b>2022 Restated (Note 18)</b>
<b>Net cost of operations after government funding and transfers</b>	<b>(1,256)</b>	<b>84,369</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	163,974	157,813
Amortization of tangible capital assets	(133,332)	(136,932)
Proceeds from disposal of tangible capital assets	(10,429)	(21,471)
Loss on Write-down	(5,114)	-
Net gain (loss) on disposal of tangible capital assets (Note 17)	2,641	(8,871)
Adjustments to capital assets	(1,094)	(1,109)
Transfer (to)/from other government departments	110	-
<b>Total change due to tangible capital assets</b>	<b>16,756</b>	<b>(10,570)</b>
<b>Change due to consumable parts</b>	894	(220)
<b>Change due to prepaid expenses</b>	(69)	1,550
<b>Net increase (decrease) in departmental net debt</b>	<b>16,325</b>	<b>75,129</b>
<b>Departmental net debt – Beginning of year</b>	<b>926,826</b>	<b>851,697</b>
<b>Departmental net debt – End of year</b>	<b>943,151</b>	<b>926,826</b>

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

**TRANSPORT CANADA**  
**Statement of Cash Flows (Unaudited)**  
**For the Year Ended March 31**  
*(in thousands of dollars)*

	<b>2023</b>	<b>2022 Restated (Note 18)</b>
<b>Operating activities</b>		
Net cost of operations	2,359,256	2,192,701
Non-cash items:		
Amortization of tangible capital assets	(133,332)	(136,932)
Adjustments to capital assets	(1,094)	(1,109)
Loss on write-down	(5,114)	-
Services provided without charge by other government departments (Note 16)	(106,181)	(105,920)
Gain (loss) on disposal of tangible capital assets	2,641	(8,871)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(13,119)	(3,615)
Increase (decrease) in prepaid expenses	(69)	1,550
Increase (decrease) in consumable parts	894	(220)
Decrease (increase) in accounts payable and accrued liabilities	(48,607)	(62,932)
Decrease (increase) in vacation pay and compensatory leave	4,863	3,890
Decrease (increase) in environmental liabilities	(37,920)	1,578
Decrease (increase) in asset retirement obligation	(1,099)	(5,035)
Decrease (increase) in deferred revenue and other liabilities	(448)	453
Decrease (increase) in employee future benefits	3,186	3,110
Decrease (increase) in contingent liabilities	(8,272)	(88)
<b>Cash used in operating activities</b>	<b>2,015,585</b>	<b>1,878,560</b>
<b>Capital investing activities</b>		
Acquisition of tangible capital assets	163,974	157,813
Proceeds from disposal of tangible capital assets	(10,429)	(21,471)
<b>Cash used in capital investing activities</b>	<b>153,545</b>	<b>136,342</b>
<b>Financing activities</b>		
Decrease in lease obligation for tangible capital assets	28,736	27,484
<b>Cash used in financing activities</b>	<b>28,736</b>	<b>27,484</b>
<b>Net cash provided by Government of Canada</b>	<b>2,197,866</b>	<b>2,042,386</b>

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

# TRANSPORT CANADA

## Notes to the Financial Statements (*Unaudited*)

### For the Year Ended March 31, 2023

#### 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.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental core responsibilities:

- *A Safe and Secure Transportation System*: ensures a safe and secure transportation system in Canada through laws, regulations, policies and oversight.
- *An Efficient Transportation System*: supports efficient market access to products through investments in Canada's trade corridors; adopts and implement rules and policies that promote sufficient choice and improved service to Canadian travellers and shippers, and manages transportation assets to ensure value for Canadians.
- *A Green and Innovative Transportation System*: advances the Government of Canada's environmental agenda in the transportation sector by reducing harmful air emissions; protects Canada's ocean and marine environments by reducing the impact of marine shipping; and affirms a commitment to innovation in the transportation sector.
- *Internal Services*: consists of groups of related activities and resources that the federal government considers to be services in support of Programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the ten distinct lines of services that support Program delivery in the organization, regardless of the Internal Services delivery model in the Department. These services are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including *Department of Transport Act*, *Canada Transportation Act*, *Aeronautics Act*, *Canada Marine Act*, *Marine Liability Act*, *Canada Shipping Act*, *Navigation Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act*, *Marine Transportation Security Act* and *Safe and Accountable Rail Act*.

#### 2. Summary of significant accounting policies

These financial statements are prepared using Transport Canada'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 Transport Canada 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 Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

**TRANSPORT CANADA**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31, 2023**

**2. Summary of significant accounting policies (cont'd)**

The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2022-2023 Departmental Plan. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2022-2023 Departmental Plan.

(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 Transport Canada 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

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. Revenues are then 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. While the Deputy Head is expected to maintain accounting control, he has no authority regarding 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 entity's gross revenues.

(e) 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.

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 carrying value.



**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31, 2023**

**2. Summary of significant accounting policies (cont'd)**

(f) Employee future benefits

- i. Pension benefits – Eligible employees participate in the Public Service Pension Plan (the Plan), a multi-employer pension plan administered by the Government of Canada. Transport Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Transport Canada'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.
- ii. Severance benefits – The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits 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

Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

(h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 12. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost.

Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collections and Crown land to which no acquisition cost is attributable, and intangible assets.

Consumable parts are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Consumable parts that no longer have service potential are valued at the lower of cost or net realizable value.

(i) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(j) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes of the financial statements.

**TRANSPORT CANADA**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31, 2023**

**2. Summary of significant accounting policies (cont'd)**

(k) Environmental liabilities and asset retirement obligations

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for their use prior to contamination. When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated statements.

An asset retirement obligation is recognized when all of the following criteria are satisfied: there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past event or transaction giving rise to the retirement liability has occurred, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The costs to retire an asset are normally capitalized and amortized over the asset's estimated remaining useful life. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed. The measurement of the liability is the government's best estimate of the amount required to retire a tangible capital asset.

(l) Transactions involving foreign currencies

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 March 31. Gains and losses resulting from foreign currency transactions are reported on the Statement of Operations and Departmental Net Financial Position according to the activities to which they relate.

(m) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits and the useful life of capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

**TRANSPORT CANADA**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31, 2023**

**2. Summary of significant accounting policies (cont'd)**

Environmental liabilities and asset retirement obligations are subject to measurement uncertainty as discussed in Note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation. Changes to underlying assumptions, the timing of the expenditures, the technology employed, the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.

(n) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

**3. Parliamentary authorities**

Transport Canada receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, Transport Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

TRANSPORT CANADA  
Notes to the Financial Statements (*Unaudited*)  
For the Year Ended March 31, 2023

3. Parliamentary authorities (cont'd)

(a) Reconciliation of net cost of operations to current year authorities used

	2023	2022 Restated (Note 18)
	(in thousands of dollars)	
Net cost of operations	2,359,256	2,192,701
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(133,332)	(136,932)
Services provided without charge by other government departments	(106,181)	(105,920)
Gain (loss) on disposal of tangible capital assets	2,641	(8,871)
Adjustments to capital assets	(1,530)	(5,393)
Decrease (increase) in vacation pay and compensatory leave	4,863	3,890
Decrease (increase) in environmental liabilities	(37,920)	1,578
Decrease (increase) in employee future benefits	3,186	3,110
Decrease (increase) in contingent liabilities	(8,272)	(88)
Decrease (increase) in accrued liabilities not charged to authorities	(1,337)	6,584
Decrease (increase) in asset retirement obligations not charged to authorities	(673)	(621)
Refund of prior years' expenditures	6,054	2,930
Adjustments of previous years accounts payable	4,527	4,082
Bad debt expense	(329)	87
Loss on write-down	(5,114)	-
Other expenditures not affecting authorities	(641)	(29)
Total items affecting net cost of operations but not affecting authorities	(274,058)	(235,593)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	163,974	157,813
Decrease in lease obligations for tangible capital assets	28,736	27,484
Increase (decrease) in consumable parts	894	(220)
Increase (decrease) in prepaid expenses	(69)	1,550
Refund of previous years' revenues	-	40,932
Other	919	(1,461)
Total items not affecting net cost of operations but affecting authorities	194,454	226,098
<b>Current year authorities used</b>	<b>2,279,652</b>	<b>2,183,206</b>

TRANSPORT CANADA  
Notes to the Financial Statements (*Unaudited*)  
For the Year Ended March 31, 2023

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used <sup>(1)</sup>

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
<b>Authorities provided:</b>		
Vote 1 – Operating expenditures	909,946	832,145
Vote 5 – Capital expenditures	161,695	204,389
Vote 10 – Grants and contributions	2,267,873	1,549,862
Statutory amounts	185,986	225,111
Total authorities provided	<u>3,525,500</u>	<u>2,811,507</u>
<b>Less:</b>		
Authorities available for future years	(3,816)	(15,802)
Lapsed: Operating expenditures	(52,235)	(45,154)
Lapsed: Capital expenditures	(60,708)	(99,447)
Lapsed: Grants and contributions	<u>(1,129,089)</u>	<u>(467,898)</u>
<b>Current year authorities used</b>	<b><u>2,279,652</u></b>	<b><u>2,183,206</u></b>

<sup>(1)</sup> Lapsed authorities represents the surpluses at year-end as well as frozen allotments that will be reprofiled to future years.

4. Accounts payable and accrued liabilities

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

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	15,850	58,324
Accounts payable – External parties	610,509	528,034
Total accounts payable	<u>626,359</u>	<u>586,358</u>
Accrued liabilities	<u>67,488</u>	<u>58,882</u>
<b>Total accounts payable and accrued liabilities</b>	<b><u>693,847</u></b>	<b><u>645,240</u></b>

5. Environmental liabilities and asset retirement obligations

	<b>2023</b>	<b>2022</b> <b>Restated</b> <b>(Note 18)</b>
	(in thousands of dollars)	
Remediation liability for contaminated sites	269,815	231,895
Other environmental liabilities	-	-
Asset retirement obligations	22,393	21,294
<b>Total environmental liabilities and asset retirement obligation</b>	<b><u>292,208</u></b>	<b><u>253,189</u></b>

**TRANSPORT CANADA**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31, 2023**

**5. Environmental liabilities and asset retirement obligations (cont'd)**

**(a) Remediation of contaminated sites**

The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach, the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

Transport Canada has identified approximately 255 sites (264 sites in 2021-2022) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has identified approximately 132 sites (135 sites in 2021-2022) where action is required and for which a gross liability of \$259,012 thousand (\$218,948 thousand in 2021-2022) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model is applied to a group of unassessed sites in order to estimate both the number of sites that are likely to be remediated, and the associated expense based on consideration of current and historical costs. The model predicted that 24 sites (25 sites in 2021-2022) would ultimately be remediated at an estimated cost of \$10,803 thousand (\$12,947 thousand in 2021-2022).

These two liability estimates combined, totalling \$269,815 thousand (\$231,895 thousand in 2021-2022) represent management's best estimate of the costs required to remediate the sites to the current minimum standard for their use prior to contamination, based on information available at the financial statement date.

For the remaining 99 sites (104 sites in 2021-2022), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, Transport Canada does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2023, and March 31, 2022. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast Consumer Price Index (CPI) rate of 2.0% (2.0% in 2022). Inflation is included in the undiscounted amount. The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2023 rates range from 4.50% (2.24% in 2021-2022) for a 1 year term to 3.01% (2.35% in 2021-2022) for a 30 or greater year term.

Also, 10 sites were closed during the year (15 sites in 2021-2022) as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

The Department's ongoing efforts to assess contaminated sites affected sites may result in additional environmental liabilities.

TRANSPORT CANADA  
Notes to the Financial Statements (*Unaudited*)  
For the Year Ended March 31, 2023

5. Environmental liabilities and asset retirement obligations (cont'd)

Nature and Source of Liability								
Nature & Source	2023				2022			
	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures
			(in thousands of dollars)				(in thousands of dollars)	
Military & Former Military Sites <sup>(1)</sup>	3	3	402	429	4	3	525	544
Fuel Related Practices <sup>(2)</sup>	60	31	15,360	17,205	65	31	14,221	15,558
Landfill/Waste Sites <sup>(3)</sup>	17	12	15,662	18,309	17	14	16,398	18,519
Engineered Asset/Air & Land Transportation <sup>(4)</sup>	55	51	45,760	52,040	57	51	39,965	44,058
Marine Facilities/Aquatic Sites <sup>(5)</sup>	50	30	180,972	206,324	54	31	151,561	168,480
Office <sup>(6)</sup>	4	2	4,434	5,216	4	2	2,677	3,141
Other <sup>(7)</sup>	66	27	7,225	8,274	63	28	6,548	7,205
<b>Totals</b>	<b>255</b>	<b>156</b>	<b>269,815</b>	<b>307,797</b>	<b>264</b>	<b>160</b>	<b>231,895</b>	<b>257,505</b>

1. Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.

2. Contamination primarily associated with fuel storage and handling. E.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).

3. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

4. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

5. Contamination associated with the operations of marine assets, e.g. port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g. on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

6. Contamination associated with the operations of office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.

7. Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites, use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

TRANSPORT CANADA  
Notes to the Financial Statements (*Unaudited*)  
For the Year Ended March 31, 2023

**5. Environmental liabilities and asset retirement obligations (cont'd)**

**(b) Asset Retirement Obligations**

The Department has recorded asset retirement obligations for the removal of asbestos and other hazardous materials in buildings and retirement activities linked to storage tanks.

The Department's ongoing efforts to assess asset retirement obligations affected sites may result in additional asset retirement obligations.

The changes in asset retirement obligations during the year are as follows:

	<b>2023</b>		<b>2022</b>	
	(in thousands of dollars)			
	<b>Asbestos and other hazardous material in buildings</b>	<b>Storage Tanks</b>	<b>Total</b>	<b>Restated (Note 18)</b>
Opening balance	15,828	5,466	21,294	16,259
Liabilities incurred	-	-	-	-
Liabilities settled	-	-	-	-
Revision in estimates	317	109	426	4,414
Accretion expense <sup>1</sup>	505	168	673	621
Closing Balance	<b>16,650</b>	<b>5,743</b>	<b>22,393</b>	<b>21,294</b>

1. Accretion expense is the increase in the carrying amount of an asset retirement obligation due to the passage of time.

The undiscounted future expenditures, adjusted for inflation, for the planned projects comprising the liability are \$22,393 thousand (\$21,294 thousand at March 31, 2022). Estimated recoveries related to asset retirement obligations amounted to \$0 as at year end (\$0 in 2022).

Key assumptions used in determining the provision are as follows:

	<b>2023</b>	<b>2022 Restated (Note 18)</b>
Discount Rate	3.01 – 3.13%	3.00%
Discount period and timing of settlement	1 to 30 years	1 to 30 years
Long-term rate of inflation	2.00%	2.00%



**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31, 2023**

**6. 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, as well as from amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or service is performed. Details of the transactions related to this account are as follows:

	<u>2023</u>	<u>2022</u>
	(in thousands of dollars)	
<b>Shared-cost agreements*</b>		
<b>Opening balance</b>	<b>1,978</b>	<b>3,292</b>
Amounts received	905	1,363
Revenue recognized	(2,527)	(2,677)
<b>Closing balance</b>	<b>356</b>	<b>1,978</b>
<b>Other</b>		
<b>Opening balance</b>	<b>1,524</b>	<b>663</b>
Amounts received	3,272	991
Revenue recognized	(1,202)	-
Amounts refunded to airport authorities in response to pandemic relief**	-	(130)
<b>Closing balance</b>	<b>3,594</b>	<b>1,524</b>
<b>Net closing balance</b>	<b>3,950</b>	<b>3,502</b>

\*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. Transport Canada utilizes joint cost sharing agreements with private and other government organizations.

\*\* In response to the COVID-19 pandemic and to support the air transportation sector, the government waived ground lease rents from March 2020 through to December 2020 for the 21 airport authorities that pay rent to the federal government. The intent was to use the funds collected in March 2020 from rent payments and apply it as a credit against the 2021 rent. However, as the pandemic continued and the airport authorities' financial situation became more precarious, it was decided to refund the March 2020 payments to help the airport authorities manage the financial impact of reduced travel as a result of the COVID-19 pandemic.

**7. 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 thousand 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 \$661,543 thousand of 4.5% 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 Financial Statements (Unaudited)**  
**For the Year Ended March 31, 2023**

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

On April 1, 2022, an annual payment in the amount of \$72,866 thousand (\$69,306 thousand in 2021-2022) was made. This payment represents a payment of principal in the amount of \$28,736 thousand (\$27,484 thousand in 2021-2022), interest of \$16,438 thousand (\$17,690 thousand in 2021-2022), and an amount of \$27,692 thousand (\$24,131 thousand in 2021-2022) representing the indexing of the payment to the annual inflation rate.

The interest expense and indexing adjustment accrued at March 31, 2023 amounts to \$15,130 thousand (\$16,438 thousand in 2021-2022) and \$32,005 thousand (\$27,692 thousand in 2021-2022), respectively.

Transport Canada has a capital lease obligation of \$332,340 thousand at March 31, 2023 (\$361,075 thousand at March 31, 2022), based on the present value for the future payments using an implicit interest rate of 6.06% at the time of signing the contract.

The obligations related to the upcoming years include the following:

	<u>2023</u>
	(in thousands of dollars)
2024	77,179
2025	67,819
2026	68,844
2027	69,884
2028	70,939
2029 and thereafter	<u>307,208</u>
Total future minimum lease payments	661,873
Less: imputed interest (6.06%)	<u>(329,534)</u>
<b>Balance of obligations under leased tangible capital assets</b>	<b><u>332,339</u></b>

**8. Employee future benefits**

**(a) Pension benefits**

Transport Canada's employees participate in the Public Service Pension Plan (the 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 2 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 Plan benefits and they are indexed to inflation.

Both the employees and Transport Canada contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2022-2023 expense amounts to \$83,867 thousand (\$80,135 thousand in 2021-2022). For Group 1 members, the expense represents approximately 1.02 times (1.01 times in 2021-2022) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2021-2022) the employee contributions.

**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31, 2023**

**8. Employee future benefits (cont'd)**

Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

**(b) Severance benefits**

Severance benefits provided to Transport Canada's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2023, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
<b>Accrued benefit obligation - Beginning of year</b>	<b>16,476</b>	<b>19,586</b>
Expense for the year	(722)	(1,207)
Benefits paid during the year	(2,464)	(1,903)
<b>Accrued benefit obligation - End of year</b>	<b>13,290</b>	<b>16,476</b>

**9. Accounts receivable and advances**

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

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
Receivables – Other government departments and agencies	15,146	24,088
Receivables – External parties	170,141	168,436
Employee advances	3,707	4,037
Subtotal	188,994	196,561
Allowance for doubtful accounts on receivables from external parties	(1,152)	(923)
<b>Gross accounts receivable</b>	<b>187,842</b>	<b>195,638</b>
Accounts receivable held on behalf of Government	(176,592)	(171,269)
<b>Net accounts receivable</b>	<b>11,250</b>	<b>24,369</b>

**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31, 2023**

**10. Loans receivable**

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

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
Loans receivable – Victoria Harbour	2,097	2,041
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,271	2,215
Less: Allowance for uncollectibility	(174)	(174)
<b>Gross loans receivable</b>	<b>2,097</b>	<b>2,041</b>
Loans receivable held on behalf of Government	(2,097)	(2,041)
<b>Net loans receivable</b>	<b>-</b>	<b>-</b>

**(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 thousand, repayable originally over a period of 15 years, with the final payment to have been received on May 9, 2020. In 2020-2021, an extension of the repayment period was granted and the final installment is currently scheduled for 2023-2024. A payment of \$43 thousand (\$43 thousand in 2021-2022) was received in fiscal year 2022-2023.

**(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*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between Transport Canada and the Corporation. The repayments of these loans are recorded in this account. An allowance for uncollectibility has been recorded for the remaining amount of the loans receivable as there is uncertainty of recovering the monies owed.

**11. Inventory**

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
Consumable parts	15,277	14,383
<b>Total inventory</b>	<b>15,277</b>	<b>14,383</b>

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$6,483 thousand in 2022-2023 (\$8,862 thousand in 2021-2022).

**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31, 2023**

**12. Tangible capital assets**

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
Confederation Bridge*	100 years
Assets under capital leases	Lease term
Buildings	20 to 40 years
Works and Infrastructure	10 to 60 years
Leasehold Improvements	Lease term
Machinery and Equipment	5 to 30 years
Informatics Hardware	3 to 5 years
Informatics Software	3 years
Ships and Boats	10 to 35 years
Aircraft	6 to 20 years
Motor Vehicles	6 to 35 years

\*The Confederation Bridge is capitalized because its ownership will be transferred to the Government of Canada following the end of the long term capital lease arrangement in 2033. Refer to Note 7 for further information regarding the capital lease agreement.

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

# TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

## 12. Tangible capital assets (cont'd)

Capital Asset Class	Cost					Accumulated Amortization					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	2023	2022
(in thousands of dollars)												
Land <sup>(1) (6)</sup>	203,383	165	-	(53)	203,495	-	-	-	-	-	203,495	203,383
Confederation Bridge	818,820	-	-	-	818,820	203,340	8,188	-	-	211,528	607,292	615,480
Buildings <sup>(2) (7)</sup>	885,897	1,271	15,879	-	903,047	652,848	16,126	116	-	669,090	233,957	233,048
Works and Infrastructure <sup>(3) (8)</sup>	3,531,895	54,834	24,823	-	3,611,552	2,269,391	60,494	(390)	-	2,329,495	1,282,057	1,262,505
Leasehold Improvements <sup>(5)</sup>	50,236	-	2,109	(297)	52,048	18,320	2,048	488	(233)	20,623	31,425	31,916
Machinery and Equipment <sup>(4) (9)</sup>	186,447	15,192	1,385	(773)	202,251	120,694	8,469	(513)	(609)	128,041	74,210	65,753
Informatics Hardware	11,167	-	-	(2,492)	8,675	5,288	477	(154)	(2,243)	3,368	5,307	5,879
Informatics Software	214,062	-	29,598	(30,614)	213,046	203,572	21,842	(28)	(30,614)	194,772	18,274	10,490
Ships and Boats	311,928	1,209	2,700	(33,133)	282,704	93,876	6,819	5,122	(28,302)	77,515	205,189	218,052
Aircraft	176,056	-	6,002	-	182,058	133,108	4,443	-	-	137,551	44,507	42,948
Motor Vehicles	237,279	6,024	1,923	(23,899)	221,327	195,778	4,426	2,283	(21,471)	181,016	40,311	41,501
Assets under construction	193,246	85,279	(83,592)	-	194,933	-	-	-	-	-	194,933	193,246
<b>Total</b>	<b>6,820,416</b>	<b>163,974</b>	<b>827</b>	<b>(91,261)</b>	<b>6,893,956</b>	<b>3,896,215</b>	<b>133,332</b>	<b>6,924</b>	<b>(83,472)</b>	<b>3,952,999</b>	<b>2,940,957</b>	<b>2,924,201</b>

**TRANSPORT CANADA**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**12. Tangible capital assets (cont'd)**

Adjustments include \$110 thousand in assets transferred from other departments at net book value (cost of \$1,893 thousand, accumulated amortization of \$1,783 thousand), as well as \$82,078 thousand in assets under construction that were transferred to other categories upon completion and \$1,066 thousand in other adjustments to assets under construction.

National Airport System assets

Land, buildings, works and infrastructures owned by Transport Canada related to the 23 Canadian airports comprising the National Airport System are included in the table above. Tangible capital assets owned by airport authorities are not reflected in these financial statements.

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

Values recorded for the National Airport System assets for 23 National Airports are:

- (1) A net book value of \$145,256 (\$158,971 thousand in 2021-2022) included in Land.
- (2) A net book value of \$78,543 (\$88,605 thousand in 2021-2022) included in Buildings.
- (3) A net book value of \$20,794 (\$29,284 thousand in 2021-2022) included in Works and Infrastructure.
- (4) A net book value of \$178 (\$187 thousand in 2021-2022) included in Machinery and Equipment.

St. Lawrence Seaway assets

Land, buildings, works and infrastructure, as well as machinery and equipment owned by Transport Canada related to the St. Lawrence Seaway (Seaway) are included in the table above. Ownership of these assets was transferred to Transport Canada effective October 1, 1998, when the St. Lawrence Seaway Management Corporation (SLSMC) was established. The original 20-year agreement with the federal government that was expected to end on March 31, 2018 was extended in 2017 for a period of five years and was therefore in force until March 31, 2023. The SLSMC is responsible for managing and operating the Seaway, as well as the maintenance, repairs, acquisition and replacement of government-owned Navigation Seaway Assets. Transport Canada is responsible for funding any SLSMC financial requirements net of revenues. In 2022-2023, \$59,524 thousand of the annual funding provided was utilized to acquire tangible capital assets (\$49,717 thousand in 2021-2022). Other amounts to fund minor maintenance and repairs are recorded as an operating expense in the statement of operations.

**TRANSPORT CANADA**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**12. Tangible capital assets (cont'd)**

Values recorded for the Seaway assets are:

- <sup>(6)</sup> A net book value of \$22,940 (\$22,983 thousand in 2021-2022) included in Land.
- <sup>(7)</sup> A net book value of \$22,190 (\$21,664 thousand in 2021-2022) included in Buildings.
- <sup>(8)</sup> A net book value of \$968,696 (\$947,222 thousand in 2021-2022) included in Works and Infrastructure.
- <sup>(9)</sup> A net book value of \$19,555 (\$18,249 thousand in 2021-2022) included in Machinery and Equipment.

**13. Departmental net financial position**

A portion of Transport Canada's net financial position is restricted for specific purposes. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position. Transport Canada has three accounts which fall under this category:

**(a) Ship-source Oil Pollution Fund (SOPF)**

The Ship-source Oil Pollution Fund (Fund) was established pursuant to subsection 2001, c.6 of the *Marine Liability Act* (previously 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. Additional information regarding the Ship-source Oil Pollution Fund can be found on the Fund's website.

**(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 under the Act. The balance of the account is used for program funding.

**(c) Fund for Railway Accidents Involving Designated Goods (FRAIDG)**

The Fund for Railway Accidents Involving Designated Goods was established pursuant to the *Safe and Accountable Rail Act* to establish a compensation fund to cover the losses, damages, costs and expenses resulting from a railway accident involving crude oil or other designated goods that exceed the minimum liability insurance coverage. This account is financed by a levy on shipments of crude oil by rail.



**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**13. Departmental net financial position (cont'd)**

Activities incurred during the year in the accounts are as follows:

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
<b>Ship-source Oil Pollution Fund</b>		
<b>Balance – Beginning of year</b>	<b>411,675</b>	<b>410,646</b>
Revenues	11,698	4,702
Expenses	(2,665)	(3,673)
<b>Balance – End of year</b>	<b>420,708</b>	<b>411,675</b>
<b>Fines for Transport of Dangerous Goods</b>		
<b>Balance – Beginning of year</b>	<b>4,221</b>	<b>4,154</b>
Revenues	45	200
Expenses	(550)	(133)
<b>Balance – End of year</b>	<b>3,716</b>	<b>4,221</b>
<b>Fund for Railway Accidents Involving Designated Goods</b>		
<b>Balance – Beginning of year</b>	<b>92,478</b>	<b>81,003</b>
Revenues	9,295	12,813
Expenses	(1,090)	(1,339)
<b>Balance – End of year</b>	<b>100,683</b>	<b>92,477</b>
<b>Total balance – End of year</b>	<b>525,107</b>	<b>508,373</b>
Unrestricted	1,492,266	1,507,744
<b>Departmental net financial position – End of year</b>	<b>2,017,373</b>	<b>2,016,117</b>

**14. Contractual obligations and contractual rights**

**(a) Contractual obligations**

The nature of Transport Canada's activities may result in some large multi-year contracts and obligations whereby Transport Canada 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:

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028 and thereafter</b>	<b>Total</b>
	(in thousands of dollars)					
Transfer payments	1,279,793	711,124	404,688	223,210	172,272	2,791,087
Other goods and services	78,173	92,068	102,381	101,987	101,150	475,759
Operating leases	426	469	471	450	-	1,816
Tangible capital assets	21,002	8,469	-	-	373	29,844
<b>Total</b>	<b>1,379,394</b>	<b>812,130</b>	<b>507,540</b>	<b>325,647</b>	<b>273,795</b>	<b>3,298,506</b>

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**14. Contractual obligations and contractual rights (cont'd)**

**(b) Contractual rights**

The activities of Transport Canada sometimes involve the negotiation of contracts or agreements with outside parties that result in Transport Canada having rights to both assets and revenues in the future. They principally involve leases of property such as airports and hopper cars. Major contractual rights that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

	<u>Leases of property</u> (in thousands of dollars)
2024	415,987
2025	447,683
2026	459,845
2027	469,042
2028	478,422
2029 and thereafter	-
<b>Total</b>	<u><u>2,270,979</u></u>

**15. Contingent liabilities and contingent assets**

**(a) Contingent liabilities**

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown.

**Claims and litigations**

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. Transport Canada has recorded an allowance for claims and litigations in the amount of \$32,776 thousand (\$24,504 thousand in 2021-2022) 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 \$23,981 thousand (\$325 thousand in 2021-2022) at March 31, 2023. Transport Canada has no claim and litigation with related parties at March 31, 2023.

**(b) Contingent assets**

Transport Canada has determined that there are no contingent assets which require disclosure in these financial statements.

**(c) Environmental liabilities**

Transport Canada has disclosed a contingent liability in the amount of \$560 thousand for 2 sites (\$560 thousand in 2021-2022 for 2 sites) where Transport Canada has determined that it is not directly responsible, nor does it accept responsibility; however, there is uncertainty as to whether Transport Canada may be held responsible.

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**16. Related party transactions**

Transport Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of those individuals.

Transport Canada enters into transactions with these entities in the normal course of business and on normal trade terms.

All material transactions with related parties were transacted at values consistent with an arm's-length transaction.

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

During the year, Transport Canada received services without charge from certain common service organizations related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded at their carrying value in Transport Canada's Statement of Operations and Departmental Net Financial Position as follows:

	<b>2023</b>	<b>2022</b>
	(in thousands of dollars)	
Office accommodation	45,052	43,745
Employer's contribution to health and dental insurance plans	55,046	56,113
Legal services	4,189	4,090
Workers' compensation	1,894	1,972
	<b>106,181</b>	<b>105,920</b>

The Government has centralized some of its administrative activities for efficiency and cost-effectiveness purposes 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 Services and Procurement Canada, and audit services provided by the Office of the Auditor General are not included in Transport Canada's Statement of Operations and Departmental Net Financial Position.

**(b) Administration of programs on behalf of other government departments:**

**i. Canada Strategic Infrastructure Fund (CSIF)**

Under a memorandum of understanding signed with Infrastructure Canada on January 31, 2003, Transport Canada administers the CSIF. During the year, Transport Canada incurred expenses of \$20,192 thousand (\$5,605 in 2021-2022) related to the CSIF, on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**16. Related party transactions (cont'd)**

**ii. Building Canada Fund (BCF)**

Under a memorandum of understanding signed with Infrastructure Canada on April 25, 2008, Transport Canada administers the BCF. During the year, Transport Canada incurred expenses of \$90,291 thousand compared to \$19,783 thousand in 2021-2022, on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

**(c) Other transactions with other government departments and agencies:**

	<u>2023</u>	<u>2022</u>
	(in thousands of dollars)	
Expenses <sup>(1)</sup>	97,339	76,194
Revenues <sup>(2)</sup>	70,845	53,318

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

- <sup>(1)</sup> Expenses are mainly related to operating expenses, as well as pollution claims and expenses from the Ship-source Oil Pollution Fund.
- <sup>(2)</sup> Revenues are mainly related to services of a regulatory and non-regulatory nature, direct transfers of interest for the Ship-source Oil Pollution Fund and the Fund for Railway Accidents Involving Designated Goods, lease and use of public property, and sales of goods and information products.

**17. Segmented information**

Presentation by segment is based on Transport Canada's core responsibilities and follows the same accounting policies as described in the Summary of significant accounting policies in Note 2. The following table presents the expenses incurred and revenues generated for the core responsibilities, by major object of expense and major type of revenue. The segment results for the period are as follows:

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Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

## 17. Segmented information (cont'd)

	A Safe and Secure Transportation System	An Efficient Transportation System	A Green and Innovative Transportation System	Internal Services	Specified Purpose Accounts (Note 13)	2023 Total	2022 Restated (Note 18) Total
(in thousands of dollars)							
Operating expenses							
Salaries and employee benefits	421,435	70,285	95,760	183,067	-	770,547	749,227
Professional and special services	24,909	67,670	48,037	71,461	-	212,077	170,756
Amortization of tangible capital assets	13,179	98,735	10,112	11,306	-	133,332	136,932
Equipment repair and maintenance	17,387	6,741	6,414	17,900	-	48,442	41,393
Interest and inflation adjustment on capital lease payments	-	47,135	-	-	-	47,135	44,130
Accommodation	23,934	4,111	5,682	11,325	-	45,052	43,745
Increase (decrease) in environmental liabilities	-	-	37,920	-	-	37,920	(1,578)
Travel and relocation	14,104	1,703	4,086	1,288	-	21,181	6,962
Utilities, materials and supplies	11,294	3,834	4,148	1,043	-	20,319	14,911
Rentals	5,077	2,047	1,931	6,867	-	15,922	11,947
Payments in lieu of property taxes	155	8,877	1,184	791	-	11,007	10,394
Increase (decrease) in contingent liabilities	-	-	8,272	-	-	8,272	88
Information services – communications	1,725	2,740	1,738	785	-	6,988	6,504
Loss on Write-Down	-	5,114	-	-	-	5,114	-
Specified purpose accounts	-	-	-	-	4,305	4,305	5,144
Postage	861	71	109	484	-	1,525	1,324
Telecommunications	724	43	479	20	-	1,266	1,864
Reclassification of work-in-progress	-	1,066	-	-	-	1,066	5,524
Other	96	265	126	247	-	734	282
Increase (decrease) in asset retirement obligation	-	-	-	673	-	673	621
Operating costs in respect of St. Lawrence Seaway	-	(1,421)	-	-	-	(1,421)	10,753
Damage and other claims against the Crown	38	(3,633)	375	1,197	-	(2,023)	900
Net loss (gain) on disposal of tangible capital assets	144	(2,809)	(64)	88	-	(2,641)	8,871
Expenses incurred on behalf of Government	-	-	-	-	(4,305)	(4,305)	(5,144)
Total operating expenses	535,062	312,574	226,309	308,542	-	1,382,487	1,265,550

# TRANSPORT CANADA

## Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

### 17. Segmented information (cont'd)

	A Safe and Secure Transportation System	An Efficient Transportation System	A Green and Innovative Transportation System	Internal Services	Specified Purpose Accounts (Note 13)	2023 Total	2022 Restated (Note 18) Total
(in thousands of dollars)							
Transfer payments							
Non-profit organizations	12,203	431,754	20,773	-	-	464,730	342,935
Industry	11,590	99,251	271,458	-	-	382,299	359,742
Other levels of government within Canada	17,126	195,109	6,860	-	-	219,095	307,451
Other countries and international organizations	92	-	150	-	-	242	209
Individuals	30	70	-	-	-	100	121
Total transfer payments	41,041	726,184	299,241	-	-	1,066,466	1,010,458
Total expenses	576,103	1,038,758	525,550	308,542	-	2,448,953	2,276,008
Revenues							
Leases of property	-	419,199	-	-	-	419,199	163,260
Aircraft maintenance and flying services	49,389	-	63	-	-	49,452	46,869
Monitoring and enforcement revenues	21,845	63	22	282	-	22,212	21,531
Specified purpose accounts	-	-	-	-	21,038	21,038	17,715
Rentals and concessions	188	18,039	654	(27)	-	18,854	19,184
Transport facilities user fees	-	13,137	-	-	-	13,137	9,789
Other	7,156	29,494	902	117	-	37,669	27,023
Revenues earned on behalf of Government	(8,844)	(461,028)	(924)	(30)	(21,038)	(491,864)	(222,064)
Total revenues	69,734	18,904	717	342	-	89,697	83,307
<b>Net cost of operations</b>	<b>506,369</b>	<b>1,019,854</b>	<b>524,833</b>	<b>308,200</b>	<b>-</b>	<b>2,359,256</b>	<b>2,192,701</b>

**TRANSPORT CANADA**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**18. Asset Retirement Obligation Restatement**

Effective April 1, 2022 the Government adopted the new Public Sector Accounting Standard PS3280 Asset Retirement Obligations. This standard requires public sector entities to recognize legally obligated costs associated with the retirement of tangible capital assets on acquisition, construction or development and expense those costs systematically over the life of the asset.

The Government applied the modified retrospective application transitional approach. On initial application of the standard, the Government recognized:

- (1) a liability for any existing asset retirement obligations, adjusted for accumulated accretion to that date;
- (2) an asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
- (3) accumulated amortization on that capitalized cost; and
- (4) an adjustment to the opening balance of the accumulated surplus/deficit.

Asset retirement obligations associated with assets no longer in productive recognized a liability and a corresponding adjustment to the opening accumulated surplus/deficit.

These amounts were measured using information, assumptions and discount rates that are current at the beginning of the fiscal year. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

A reconciliation of the restatement for the significant consolidated financial statement line items follows:

TRANSPORT CANADA  
Notes to the Financial Statements (*Unaudited*)  
For the Year Ended March 31

18. Asset Retirement Obligation Restatement (cont'd)

<i>(in thousands of dollars)</i>	2022 as previously stated	Effect of changes	2022 (Restated)
<b>Statement of Financial Position</b>			
Asset retirement obligations (Note 5(b))	-	21,294	21,294
<b>Total net liabilities</b>	1,344,949	21,294	1,366,243
<b>Departmental net debt</b>	<b>905,532</b>	<b>21,294</b>	<b>926,826</b>
Tangible capital assets (Note 12)	2,919,787	4,414	2,924,201
<b>Total non-financial assets</b>	<b>2,938,529</b>	<b>4,414</b>	<b>2,942,943</b>
<b>Departmental net financial position (Note 13)</b>	<b>2,032,997</b>	<b>16,880</b>	<b>2,016,117</b>
<b>Statement of Operations and Departmental Net Financial Position</b>			
Internal Services	212,537	621	213,158
Total expenses	2,275,387	621	2,276,008
<b>Net cost of operations</b>	<b>2,192,080</b>	<b>621</b>	<b>2,192,701</b>
<b>Net cost of operations after government funding and transfers</b>	<b>83,748</b>	<b>621</b>	<b>84,369</b>
<b>Departmental net financial position – Beginning of year</b>	<b>2,116,745</b>	<b>(16,259)</b>	<b>2,100,486</b>
<b>Departmental net financial position – End of year</b>	<b>2,032,997</b>	<b>(16,880)</b>	<b>2,016,117</b>
<b>Statement of Change in Departmental Net Debt</b>			
Net cost of operations after government funding and transfers	83,748	621	84,369
Adjustment to capital assets (Note 12(a))	(5,523)	4,414	(1,109)
<b>Total change due to tangible capital assets</b>	<b>(14,984)</b>	<b>4,414</b>	<b>(10,570)</b>
<b>Net decrease in departmental net debt</b>	<b>70,094</b>	<b>5,035</b>	<b>75,129</b>
<b>Departmental net debt – beginning of year</b>	<b>835,438</b>	<b>16,259</b>	<b>851,697</b>
<b>Departmental net debt – end of year</b>	<b>905,532</b>	<b>21,294</b>	<b>926,826</b>
<b>Statement of Cash Flows</b>			
Net cost of operations	2,192,080	621	2,192,701
Adjustment to capital assets (Note 12(a))	(5,524)	4,414	(1,109)
Decrease (increase) in asset retirement obligation (Note 5(b))	-	(5,035)	(5,035)



**TRANSPORT CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**18. Asset Retirement Obligation Restatement (cont'd)**

<i>(in thousands of dollars)</i>	<b>2022 as previously stated</b>	<b>Effect of changes</b>	<b>2022 (Restated)</b>
<b>Notes to the Financial Statements</b>			
<b>Parliamentary Authorities (Note 3(a))</b>			
Net cost of operations before government funding and transfers	2,192,080	621	2,192,701
Decrease (increase) in retirement asset obligations not charged to authorities	-	(621)	(621)
Total items affecting net cost of operations but not affecting authorities	(234,972)	(621)	(235,593)
<b>Tangible capital assets (Note 12)</b>			
Buildings (Cost-Adjustments)	24,640	5,461	30,101
Buildings (Cost-Closing balance)	880,436	5,461	885,897
Buildings (Accumulated Amortization-Adjustments)	39	3,511	3,550
Buildings (Accumulated Amortization-Closing balance)	649,338	3,511	652,849
Buildings (Net book value)	231,098	1,950	233,048
Works and Infrastructure (Cost-Adjustments)	19,160	3,614	22,774
Works and Infrastructure (Cost-Closing balance)	3,528,282	3,614	3,531,896
Works and Infrastructure (Accumulated Amortization-Adjustments)	171	1,150	1,321
Works and Infrastructure (Accumulated Amortization-Closing balance)	2,268,241	1,150	2,269,391
Works and Infrastructure (Net book value)	1,260,041	2,464	1,262,505
<b>Total (Cost – Closing balance)</b>	<b>6,811,341</b>	<b>9,075</b>	<b>6,820,416</b>
<b>Total (Accumulated Amortization – Closing balance)</b>	<b>3,891,554</b>	<b>4,661</b>	<b>3,896,215</b>
<b>Total (Net book value)</b>	<b>2,919,787</b>	<b>4,414</b>	<b>2,924,201</b>
<b>Departmental net financial position (Note 13)</b>			
Unrestricted	1,524,624	(16,880)	1,507,744
<b>Departmental net financial position – End of year</b>	<b>2,032,997</b>	<b>(16,880)</b>	<b>2,016,117</b>
<b>Segmented information (Note 17)</b>			
Increase (decrease) in asset retirement obligation (Note 5(b))	-	621	621
<b>Total operating expenses</b>	<b>1,264,929</b>	<b>621</b>	<b>1,265,550</b>
<b>Total expenses</b>	<b>2,275,387</b>	<b>621</b>	<b>2,276,008</b>
<b>Net cost of operations</b>	<b>2,192,080</b>	<b>621</b>	<b>2,192,701</b>

**19. Comparative Information**

Certain comparative figures have been reclassified to conform to the current year's presentation.