

Quarterly Financial Report of

TRANSPORT CANADA

(Unaudited)

For the quarter ended June 30th, 2024

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

Table of contents

STATEMENT OUTLINING RESULTS, RISKS AND SIGNIFICANT CHANGES IN OPERATIONS, PERSONNEL AND PROGRAMS	- 3 -
1. INTRODUCTION	- 3 -
1.1 AUTHORITY, MANDATE AND PROGRAM ACTIVITIES	- 3 -
1.2 BASIS OF PRESENTATION	- 3 -
2. HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE (YTD) RESULTS	- 4 -
2.1 STATEMENT OF AUTHORITIES	- 4 -
2.2 STATEMENT OF DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT	- 5 -
3. RISKS AND UNCERTAINTIES	- 7 -
4. SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS	- 8 -
STATEMENT OF AUTHORITIES (UNAUDITED)	- 8 -
DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (UNAUDITED)	- 10 -

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

Statement outlining results, risks and significant changes in operations, personnel and programs

1. Introduction

This quarterly financial report has been prepared by management as required by [section 65.1 of the *Financial Administration Act*](#) and in the form and manner prescribed by the [Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report](#).

The quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates (A).

This quarterly report has not been subject to an external audit or review.

1.1 Authority, Mandate and Program Activities

A summary description of Transport Canada's program activities is presented in [Part II of the Main Estimates](#)

1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes Transport Canada's spending authorities granted by Parliament, and those used by Transport Canada consistent with the Main Estimates and the 2024-2025 Supplementary Estimates (A). This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before money can be spent by the government. Approvals are given in the form of annually approved limits through appropriation acts, or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

Transport Canada uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

2. Highlights of fiscal quarter and fiscal year-to-date (YTD) results

2.1 Statement of Authorities

Transport Canada's total authorities available for use increased by approximately \$644.8 million, from \$3,612.9 million as of June 30, 2023 to \$4,257.7 million as of June 30, 2024, as summarized below:

Table 1: Significant Changes in Authorities (in thousands of dollars):

Authorities ⁽²⁾	2024-2025 ⁽¹⁾	2023-2024 ⁽¹⁾	Variance
Vote 1 – Net operating expenditures	1,013,502	1,019,789	(6,287)
Vote 5 – Capital expenditures	248,382	165,974	82,408
Vote 10 – Grants and contributions	2,718,973	2,178,360	540,613
Budgetary statutory authorities⁽²⁾	276,856	248,814	28,042
Total Authorities	4,257,713	3,612,937	644,776

Notes:

- (1) Totals may not add or may not agree with details provided elsewhere due to rounding.
- (2) See Statement of Authorities for more details

The accompanying Statement of Authorities illustrates the total authorities available for use, the authorities used for the quarter, the year-to-date authorities used for the current fiscal year, as well as the comparative figures for the previous year. The major year-to-year changes for the quarter ended June 30, 2024 are explained below.

2.1.1 Vote 1 – Net Operating Expenditures (Decrease of \$6.3 million)

Planned Operating authorities decreased by \$6.3 million from 2023-2024 to 2024-2025, mostly explained by the following factors:

- A decrease in authorities of:
 - \$147.4 million for the High Frequency Rail Project;
 - \$6.8 million to implement the Government of Canada's Vaccine Mandate in the Federally Regulated Transportation Sector;
 - \$6.7 million related to the Federal Contaminated Sites Action Plan; and
 - \$20.3 million for the Budget 2023 Refocusing of Government Spending Initiative.
- Offset by an increase of:
 - \$56.6 million related to updated pay rates for various collective agreements;
 - \$41.2 million for the Safety and Security of Railways and the Transportation of Dangerous Goods;
 - \$25.0 million to advance the Lac-Mégantic Rail Bypass Project;
 - \$15.6 million to Protect and Promote the Health of Canada's Priority At-risk Whale Populations;
 - \$13.3 million for the Administration of the *Canadian Navigable Waters Act*;
 - \$11.1 million for activities related to Remotely Piloted Aircraft Systems; and
 - \$10.3 million for the Right Touch Air Initiative.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

2.1.2 Vote 5 – Capital Expenditures (Increase of \$82.4 million)

Planned Capital authorities increased by \$82.4 million from 2023-2024 to 2024-2025, largely explained by the following factors:

- An increase in authorities of:
 - \$27.5 million for the Right Touch Air Initiative;
 - \$26.1 million to construct a National Aerial Surveillance Program Hangar in Iqaluit;
 - \$17.1 million for the reconstruction of the Fisherman’s Wharf at Cap-aux-Meules; and
 - \$11.2 million in investments in TC’s Regional and Remote Airports.
- Offset by a decrease of \$3.1 million in funding for the Budget 2023 Refocusing of Government Spending Initiative.

2.1.3 Vote 10 – Grants and Contributions (Increase of \$540.6 million)

Grant and contribution authorities increased by \$540.6 million from 2023-2024 to 2024-2025, largely explained by the following factors:

- An increase in authorities of:
 - \$555.9 million for Incentives for the Zero-Emission Vehicles Program;
 - \$188.1 million for the Lac Megantic Rail Bypass Project;
 - \$36.8 million for the Green Shipping Corridor Program;
 - \$18.1 million for the Program to Protect Canada's Coastlines and Waterways;
 - \$12.7 million for the Ferry Services Contribution Program; and
 - \$12.0 million for the Road Safety Transfer Payment Program.
- Offset by a decrease of:
 - \$143.1 million for the National Trade Corridors Fund;
 - \$80.8 million for the Airport Critical Infrastructure Program;
 - \$23.9 million for the Gateways and Border Crossings Fund;
 - \$20.9 million for the Airports Capital Assistance Program; and
 - \$14.3 million for the Budget 2023 Refocusing of Government Spending Initiative.

2.1.4 Budgetary Statutory Authorities (Increase of \$28.0 million)

The planned expenditures for the budgetary statutory authorities increased by \$28.0 million mainly as a result of an increase of \$16.2 million in funding for the St. Lawrence Seaway Agreement, an increase of \$3.4 million for the Northumberland Strait Crossing Subsidy Program and an increase in funding for the Employee Benefit Plans of \$8.4 million. 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.

2.2 Statement of Departmental Budgetary Expenditures by Standard Object

The accompanying Statement of Departmental Budgetary Expenditures by Standard Object illustrates annual planned expenditures, quarter and year-to-date expenditures for the current fiscal year, and comparative figures for the previous fiscal year. Overall, the year-to-date expenditures at the end of the first quarter of 2024-2025 represent 14.9% of the annual planned expenditures, which is comparable to the first quarter (11.8%) of 2023-2024.

Historically, most spending on major infrastructure grant and contribution programs occurs in the fourth quarter. This is due to the fact that the majority of recipients submit their claims for reimbursement in the last quarter following the summer and fall construction periods. For some categories of operating expenditures, the year-to-date actuals represent a small fraction of the planned expenditures, which is consistent with prior years and other federal government departments. This is mainly a result of a timing difference between

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

the date the goods or services were obtained and the invoices received. In addition, there is also a ramp up of operational activities in the last quarter following mid-year internal budget reallocations, and receipt of increased funding for new initiatives, for which most expenditures will be incurred in the fourth quarter.

The major year-to-year variances as at June 30, 2024 are as follows:

Planned Expenditures

○ **Personnel**

The planned expenditures related to *Personnel* for the year 2024-2025 compared to 2023-2024 increased by approximately \$132.1 million for the updated pay rates in various collective agreements and increased salary funding for various programs across the organization.

○ **Professional and Special Services**

The planned expenditures related to *Professional and Special Services* for the year 2024-2025 compared to 2023-2024 increased by approximately \$15.5 million mostly due to new funding to support the Lac Megantic Rail Bypass Project's technical studies, planning, consultation, environmental studies and assessments, as well as the Right Touch Air Initiative.

○ **Acquisition of land, buildings and works**

The planned expenditures related to *Acquisition of land, buildings and works* for the year 2024-2025 compared to 2023-2024 increased by \$51.2 million mainly due to an increase in funding for the National Aerial Surveillance Program Hangar in Iqaluit, reconstruction of the Fisherman's Wharf at Cap-aux-Meules, improvements in TC's Regional and Remote Airports as well as Statutory expenditures for the St. Lawrence Seaway Management Corporation to acquire and improve the Canadian Seaway assets.

○ **Acquisition of machinery and equipment**

The planned expenditures related to *Acquisition of machinery and equipment* for the year 2024-2025 compared to 2023-2024 increased by \$33.7 million mainly due to an increase in funding for the Medium-Heavy duty Zero-Emission Vehicles initiative, the Explosive Detection Dog Handler Team initiative, and acquisition of Dash-8 aircraft rotatable parts for the Whale initiative.

○ **Transfer payments**

The planned expenditures related to *Transfer payments* for the year 2024-2025 compared to 2023-2024 increased by approximately \$544.0 million. The causes of the variances are largely explained in section 2.1.3, as well as by the \$3.4 million increase in statutory contribution funding for the Northumberland Strait Crossing Subsidy Program.

○ **Other subsidies and payments**

The planned expenditures related to *Other subsidies and payments* for the year 2024-2025 compared to 2023-2024 decreased by approximately \$136.1 million mainly as a result of a decrease in funding for the High Frequency Rail Project.

Year-to-Date Expenditures

○ **Personnel**

The year-to-date expenditures related to *Personnel* at June 30, 2024 increased by approximately \$30.2 million when compared to 2023-2024. The variance can be mainly explained by an increase of \$26.4 million in this fiscal year's payments for salaries regarding the updated pay rates in various collective agreements, as well as increased salary costs in various programs across the organization.

○ **Acquisition of land, buildings and works**

The year-to-date expenditures related to *Acquisition of land, buildings and works* at June 30, 2024 increased by approximately \$12.1 million when compared to 2023-2024. The variance can be mainly explained by an increase of \$10.4 million in this fiscal year's payments in capital funding to the St. Lawrence Seaway Management Corporation for the first quarter when compared to the previous year, and a spending increase of \$1.1 million for the construction of a commercial vehicle laboratory.

○ **Transfer payments**

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

The year-to-date expenditures related to *Transfer payments* at June 30, 2024 increased by approximately \$158.2 million when compared to 2023-2024. Major spending increases in this area include:

- \$161.7 million in payments under the Incentives for Zero-Emission Vehicles Program; and
- \$5.0 million in payments for the National Trade Corridors Fund.

Offset by a decrease of:

- \$8.9 million for the Grant to the Province of British Columbia in respect to the Provision of Ferry, Coastal Freight and Passenger Services.

3. Risks and Uncertainties

Transport Canada maintains an Integrated Departmental Risk Profile which identifies and assesses high-level risks that could affect the achievement of departmental objectives and priorities. The identification of risks and the development of risk responses contribute to making decisions related to setting departmental priorities, planning, allocating resources, developing policies, managing programs and reporting on performance.

During the past years, Transport Canada has invested in initiatives and programs that support industry and mitigate disruptions from environmental and economic threats to Canada's critical transportation infrastructure. The Department continues to have emergency management practices in place, consult with partners on infrastructure priorities, and implement programs to continue implementation of infrastructure projects and priorities.

Certain risks would have financial impacts should they materialize. For example, many factors affecting the timing of transfer payments lie outside of Transport Canada's control and could require funds to be re-profiled to future years. To minimize these impacts, Transport Canada continuously monitors its program funding and expenditures, including a monthly senior management review of plans and forecasts.

To address the risks associated with Phoenix pay issues, the department has doubled compensation resources by hiring and training new advisors and has implemented support tools for employees. Transport Canada has implemented a case management system to enable employees to track their pay cases pending resolution and to escalate issues. Transport Canada has also implemented streamlined business processes to address the recovery of overpayments of salary, in accordance with direction received by the Treasury Board Secretariat, Office of the Chief Human Resources Officer in 2021, which has resulted in the recovery of over \$10M in salary debt over the course of the past three and a half years and minimized debt write-off risk for the department. Most notably, the increase in investment in the Transport Canada Compensation team capacity has resulted in a reduction in Transport Canada's compensation backlog to its lowest level since Phoenix implementation, representing the resolution of over 10,000 previously backlogged cases, while also continuing to address new intake.

Transport Canada is currently implementing major initiatives that have risks associated with inter-departmental coordination, cooperation, and performance, as well as with the outcome of consultations with key transportation stakeholders and Indigenous groups. There are risks and uncertainties associated with implementing required legislative changes, introducing new cost recovery initiatives, and realizing planned savings from identified efficiency opportunities. Transport Canada's transformation initiatives are designed to improve the Department's financial sustainability and regulatory environment for the future.

Challenges in renewing, developing, and retaining a diverse base of talent represents a risk for most organizations. Transport Canada mitigates this risk through a variety of staffing, recruitment, and retention initiatives, its succession planning strategy, as well as promptly launching staffing processes and having experienced personnel acting in positions that are vacant.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

4. Significant Changes in Relation to Operations, Personnel and Programs

The following changes in senior personnel occurred during the first quarter:

- On April 24, 2024, following Ryan Pilgrim's new appointment at the Canada Border Services Agency, the Deputy Minister announced the appointment of Jaime Caceres as Chief Financial Officer and Assistant Deputy Minister, Corporate Services, effective May 23, 2024.
- On April 26, 2024, the Prime Minister, Justin Trudeau, announced the appointment of Brigitte Diogo as the new Associate Deputy Minister for Transport Canada, effective May 6, 2024.

Approved by:

Original signed by

Arun Thangaraj
Deputy Minister
Ottawa, Canada

Jaime Caceres
Chief Financial Officer
Ottawa, Canada

September 5th, 2024

August 21, 2024

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2024-2025			Fiscal year 2023-2024		
	Total available for use for the year ending March 31, 2025 ⁽¹⁾	Used during the quarter ended June 30, 2024	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2024 ⁽¹⁾	Used during the quarter ended June 30, 2023	Year-to-date used at quarter-end
Vote 1 – Operating expenditures	1,120,875	240,813	240,813	1,115,896	213,604	213,604
Vote 1 – Revenue credited to the vote	(107,373)	(12,701)	(12,701)	(96,107)	(11,369)	(11,369)
Vote 1 – Net operating expenditures	1,013,502	228,112	228,112	1,019,789	202,235	202,235
Vote 5 – Capital expenditures	248,382	11,778	11,778	165,974	7,408	7,408
Vote 10 – Grants and contributions	2,718,973	255,771	255,771	2,178,360	98,460	98,460
Budgetary statutory authorities						
Contributions to employee benefit plans	103,553	25,858	25,858	95,178	23,794	23,794
Minister of Transport – Salary and motor car allowance	99	25	25	95	24	24
Railway Company – Victoria Bridge, Montreal	3,300	1,507	1,507	3,300	2,834	2,834
Northumberland Strait Crossing Subsidy Payment	79,031	79,385	79,385	75,618	77,179	77,179
Payments in respect of St. Lawrence Seaway Agreements	90,873	33,600	33,600	74,623	15,600	15,600
Total Budgetary statutory authorities	276,856	140,375	140,375	248,814	119,431	119,431
Total budgetary authorities	4,257,713	636,036	636,036	3,612,937	427,534	427,534

Note:

(1) Includes only Authorities available for use and granted by Parliament at quarter-end.

TRANSPORT CANADA

Quarterly Financial Report

For the Quarter Ended June 30, 2024

Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2024-2025			Fiscal year 2023-2024		
	Planned expenditures for the year ending March 31, 2025	Expended during the quarter ended June 30, 2024	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended June 30, 2023	Year-to-date used at quarter-end
Expenditures:						
Personnel	853,608	214,764	214,764	721,447	184,547	184,547
Transportation and communications	16,736	6,268	6,268	16,628	5,594	5,594
Information	8,707	931	931	6,496	1,104	1,104
Professional and special services	216,419	28,282	28,282	200,914	31,097	31,097
Rentals	19,858	8,242	8,242	13,645	6,104	6,104
Repair and maintenance	19,411	2,756	2,756	14,224	1,914	1,914
Utilities, materials and supplies	16,786	3,290	3,290	14,823	4,246	4,246
Acquisition of land, buildings and works	157,553	21,701	21,701	106,376	9,581	9,581
Acquisition of machinery and equipment	123,075	9,479	9,479	89,412	6,246	6,246
Transfer payments	2,801,304	336,664	336,664	2,257,278	178,473	178,473
Other subsidies and payments	131,629	16,360	16,360	267,801	9,997	9,997
Total gross budgetary expenditures	4,365,086	648,737	648,737	3,709,044	438,903	438,903
Less Revenues netted against expenditures:						
Vote-netted revenues	(107,373)	(12,701)	(12,701)	(96,107)	(11,369)	(11,369)
Total Revenues netted against expenditures:	(107,373)	(12,701)	(12,701)	(96,107)	(11,369)	(11,369)
Total net budgetary expenditures	4,257,713	636,036	636,036	3,612,937	427,534	427,534