FINANCIAL STATEMENTS OF TRANSPORT CANADA (UNAUDITED)

For the year ended March 31, 2025

Transport Canada Transports Canada

Canada

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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, 2025, 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, 2025 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

Arun Thangaraj
Deputy Minister
Ottawa, Canada

Date: September 8, 2025

Original signed by

Jaime Caceres
Chief Financial Officer and Assistant Deputy Minister, Finance and Management Services
Ottawa, Canada

Date: September 3, 2025

TRANSPORT CANADA

Statement of Financial Position *(Unaudited)*
For the Year Ended March 31
(in thousands of dollars)

	2025	2024
Liabilities		
Accounts payable and accrued liabilities (Note 4)	702,136	794,057
Vacation pay and compensatory leave	59,013	56,723
Environmental liabilities (Note 5(a))	295,940	291,418
Asset retirement obligations (Note 5(b))	17,346	15,960
Deferred revenue (Note 6)	5,625	4,441
Lease obligation for tangible capital assets (Note 7)	270,884	302,296
Employee future benefits (Note 8)	13,484	13,295
Contingent liabilities (Note 15)	32,261	32,346
Total net liabilities	**1,396,689**	**1,510,536**
Financial assets		
Due from Consolidated Revenue Fund	491,793	578,657
Accounts receivable and advances (Note 9)	171,883	175,796
Loans receivable (Note 10)	2,140	2,202
Total gross financial assets	**665,816**	**756,655**
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(159,533)	(163,361)
Loans receivable (Note 10)	(2,140)	(2,202)
Total financial assets held on behalf of Government	**(161,673)**	**(165,563)**
Total net financial assets	**504,143**	**591,092**
Departmental net debt	**892,546**	**919,444**
Non-financial assets		
Prepaid expenses	3,178	2,802
Consumable parts (Note 11)	17,108	15,292
Tangible capital assets (Note 12)	3,174,540	3,012,825
Total non-financial assets	**3,194,826**	**3,030,919**
Departmental net financial position (Note 13)	**2,302,280**	**2,111,475**

Contractual obligations and contractual rights (Note 14)
Contingent liabilities, contingent assets and contingent environmental liabilities (Note 15)
The accompanying notes form an integral part of these financial statements.

Original signed by

Arun Thangaraj
Deputy Minister
Ottawa, Canada

Date: September 8, 2025

Original signed by

Jaime Caceres
Chief Financial Officer and Assistant Deputy Minister, Finance and Management Services
Ottawa, Canada

Date: September 3, 2025

TRANSPORT CANADA

Statement of Operations and Departmental Net Financial Position *(Unaudited)*
For the Year Ended March 31
(in thousands of dollars)

	2025	2025	2024
	Planned Results		
Expenses (Note 17)			
A Safe and Secure Transportation System	621,829	651,889	676,020
An Efficient Transportation System	1,737,399	1,187,088	1,164,804
A Green and Innovative Transportation System	924,235	1,462,070	980,656
Internal Services	303,290	320,562	327,550
Specified purpose accounts (Note 13)	4,643	9,811	7,509
Expenses incurred on behalf of Government	(4,806)	(9,811)	(7,509)
Total expenses	**3,586,590**	**3,621,609**	**3,149,030**
Revenues			
Leases of property	538,894	559,909	495,303
Aircraft maintenance and flying services	46,662	45,708	47,833
Monitoring and enforcement revenues	60,480	35,388	26,570
Specified purpose accounts (Note 13)	22,102	20,213	21,652
Transport facilities user fees	14,404	14,627	14,315
Rentals and concessions	10,169	13,075	18,570
Other	16,746	44,696	42,144
Revenues earned on behalf of Government	(602,085)	(630,682)	(567,902)
Total revenues	**107,372**	**102,934**	**98,485**
Net cost of operations	**3,479,218**	**3,518,675**	**3,050,545**
Government funding and transfers			
Net cash provided by Government of Canada		3,680,154	2,916,457
Services provided without charge by other government departments (Note 16)		116,280	118,821
Transfer of assets (to)/from other government departments		(90)	2,115
Change in due from Consolidated Revenue Fund		(86,864)	107,254
Net cost of operations after government funding and transfers		**(190,805)**	**(94,102)**
Departmental net financial position – Beginning of year		**2,111,475**	**2,017,373**
Departmental net financial position – End of year		**2,302,280**	**2,111,475**

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)

	2025	2024
Net cost of operations after government funding and transfers	**(190,805)**	**(94,102)**
Change due to tangible capital assets		
Acquisition of tangible capital assets	295,955	211,140
Amortization of tangible capital assets	(126,646)	(128,106)
Proceeds from disposal of tangible capital assets	(7,085)	(10,714)
Net gain (loss) on disposal of tangible capital assets	(94)	6,560
Adjustments to capital assets	(325)	(9,127)
Transfer (to)/from other government departments	(90)	2,115
Total change due to tangible capital assets	**161,715**	**71,868**
Change due to consumable parts	1,816	15
Change due to prepaid expenses	376	(1,488)
Net increase (decrease) in departmental net debt	**(26,898)**	**(23,707)**
Departmental net debt – Beginning of year	**919,444**	**943,151**
Departmental net debt – End of year	**892,546**	**919,444**

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)

	2025	2024
Operating activities		
Net cost of operations	3,518,675	3,050,545
Non-cash items:		
Amortization of tangible capital assets	(126,646)	(128,106)
Adjustments to capital assets	(325)	(9,127)
Services provided without charge by other government departments (Note 16)	(116,280)	(118,821)
Gain (loss) on disposal of tangible capital assets	(94)	6,560
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(85)	1,185
Increase (decrease) in prepaid expenses	376	(1,488)
Increase (decrease) in consumable parts	1,816	15
Decrease (increase) in accounts payable and accrued liabilities	91,921	(100,210)
Decrease (increase) in vacation pay and compensatory leave	(2,290)	671
Decrease (increase) in environmental liabilities	(4,522)	(21,603)
Decrease (increase) in asset retirement obligation	(1,386)	6,433
Decrease (increase) in deferred revenue and other liabilities	(1,184)	(491)
Decrease (increase) in employee future benefits	(189)	(5)
Decrease (increase) in contingent liabilities	85	430
Cash used in operating activities	**3,359,872**	**2,685,988**
Capital investing activities		
Acquisition of tangible capital assets	295,955	211,140
Proceeds from disposal of tangible capital assets	(7,085)	(10,714)
Cash used in capital investing activities	**288,870**	**200,426**
Financing activities		
Decrease in lease obligation for tangible capital assets	31,412	30,043
Cash used in financing activities	**31,412**	**30,043**
Net cash provided by Government of Canada	**3,680,154**	**2,916,457**

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

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 activities.
- *An Efficient Transportation System*: supports efficient market access to products by investing in Canada's trade corridors; adopts and implements rules and policies that promote sufficient choice and improved service to Canadian travelers 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*: the services that are provided within a department so that it can meet its corporate obligations and deliver its programs. The categories of internal 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 Management Services; Materiel Management Services; and Acquisition Management 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. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position

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

are the amounts reported in the Future-oriented Statement of Operations included in the 2024-2025 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 2024-2025 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 and deferred revenues

Revenues are comprised of revenues earned from non-tax sources. They include exchange transactions where goods or services are provided for consideration where a performance obligation exists, and non-exchange transactions where no performance obligations exist to provide a good or service. These transactions can be recurring or non-recurring in nature. Recurring transactions are viewed as ongoing, routine activities that form part of the normal course of operations and can be used to indicate if they can be reasonably expected to be earned again in future years.

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 earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues. Revenues earned on behalf of Government consist of the sale of services and gains on the sale of assets. These are recognized when earned.

(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.

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

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.

(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) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights, and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The Department recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of accounts and loans receivable, and accounts payable and accrued liabilities. All financial assets and liabilities are recorded at cost or amortized cost. Any associated transaction costs are added to the carrying value upon initial recognition. For financial instruments measured at amortized cost, the effective interest method is used to determine interest revenue or expense.

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 or include forgiveness clauses. Unconditionally repayable contributions 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. Loans receivable are subsequently measured at amortized cost.

(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.

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

Purchased intangibles are identifiable non-monetary economic resources without physical substance that are acquired in exchange transactions from arm's length third parties. Purchased intangibles exclude software, which is included in tangible capital assets. Commencing April 1, 2023, the cost of a purchased intangible is capitalized as an asset when the department controls the intangible and the intangible contributes to the capacity of the government to deliver services and products, generate future cash inflows or reduce cash outflows. Purchased intangible assets are amortized to expense over the estimated useful life of the assets. Prior to April 1, 2023, purchased intangibles were expensed as incurred.

(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.

(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 management's best estimate of the amount required to remediate the sites to the current minimum standard for their use prior to contamination.

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 management's best estimate of the amount required to retire a tangible capital asset.

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.

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

(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 management'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.

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:

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

	2025	2024
	(in thousands of dollars)	
Net cost of operations	3,518,675	3,050,545
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(126,646)	(128,106)
Services provided without charge by other government departments	(116,280)	(118,821)
Gain (loss) on disposal of tangible capital assets	(94)	6,560
Adjustments to capital assets	(1,421)	(2,390)
Decrease (increase) in vacation pay and compensatory leave	(2,290)	671
Decrease (increase) in environmental liabilities	(4,522)	(21,603)
Decrease (increase) in provision of severance benefits	(264)	(200)
Decrease (increase) in contingent liabilities	85	430
Decrease (increase) in accrued liabilities not charged to authorities	20,766	(10,932)
Decrease (increase) in asset retirement obligations not charged to authorities	(541)	(539)
Refund of prior years' expenditures	1,040	2,229
Adjustments of previous years accounts payable	4,096	2,960
Bad debt expense	(484)	(175)
Other expenditures not affecting authorities	(1,252)	(1,827)
Total items affecting net cost of operations but not affecting authorities	(227,807)	(271,743)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	295,955	211,140
Decrease in lease obligations for tangible capital assets	31,412	30,043
Increase (decrease) in consumable parts	1,816	15
Increase (decrease) in prepaid expenses	376	(1,488)
Other	582	732
Total items not affecting net cost of operations but affecting authorities	330,141	240,442
Current year authorities used	**3,621,009**	**3,019,244**

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used [1]

	2025	2024
	(in thousands of dollars)	
Authorities provided:		
Vote 1 – Operating expenditures	1,073,929	1,260,092
Vote 5 – Capital expenditures	342,943	288,069
Vote 10 – Grants and contributions	2,913,652	2,538,050
Statutory amounts	212,781	183,421
Total authorities provided	4,543,305	4,269,632
Less:		
Authorities available for future years	(2,792)	(6,740)
Lapsed: Operating expenditures	(63,616)	(234,332)
Lapsed: Capital expenditures	(124,769)	(124,169)
Lapsed: Grants and contributions	(731,119)	(885,147)
Current year authorities used	**3,621,009**	**3,019,244**

[1] 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.

	2025	2024
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	16,586	38,136
Accounts payable – External parties	607,702	678,122
Total accounts payable	624,288	716,258
Accrued liabilities	77,848	77,799
Total accounts payable and accrued liabilities	**702,136**	**794,057**

5. Environmental liabilities and asset retirement obligations

	2025	2024
	(in thousands of dollars)	
Remediation liability for contaminated sites	295,940	291,418
Asset retirement obligations	17,346	15,960
Total environmental liabilities and asset retirement obligation	**313,286**	**307,378**

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 243 sites (247 sites in 2023-2024) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has identified approximately 109 sites (122 sites in 2023-2024) where action is required and for which a gross liability of $282,502 thousand ($281,951 thousand in 2023-2024) has been recorded. This liability estimate has been determined based on-site assessments performed by environmental experts.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current historical costs are applied is used to estimate the liability for a group of unassessed sites. Of the 44 unassessed sites considered (44 sites in 2023-2024), the model predicted that 26 sites (26 sites in 2023-2024) would ultimately be remediated at an estimated cost of $13,439 thousand ($9,467 thousand in 2023-2024).

These two liability estimates combined, totalling $295,940 thousand ($291,418 thousand in 2023-2024) 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 108 sites (99 sites in 2023-2024), 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 and the total undiscounted future expenditures as at March 31, 2025, and March 31, 2024. 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 2023-2024). 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 2025 rates range from 2.5% (4.53% in 2023-2024) for 1 year term to 3.27% (3.29% in 2023-2024) for a 30 or greater year term.

Also, 21 sites were closed during the year (9 sites in 2023-2024) 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.

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

Nature and Source of Liability								
	2025				2024			
Nature & Source	**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 (1)	3	3	40	41	3	3	216	232
Fuel Related Practices (2)	56	26	12,961	15,046	60	30	25,406	27,849
Landfill/Waste Sites (3)	14	9	14,311	16,872	16	12	15,433	17,649
Engineered Asset/Air & Land Transportation (4)	53	52	56,321	62,579	53	50	43,142	49,204
Marine Facilities/Aquatic Sites (5)	49	23	199,901	219,740	47	29	193,550	218,076
Office (6)	5	2	5,540	6,938	5	2	6,928	8,290
Other (7)	63	20	6,866	8,089	63	22	6,743	7,945
Totals	**243**	**135**	**295,940**	**329,305**	**247**	**148**	**291,418**	**329,245**

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.

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:

	2025			2024
	(in thousands of dollars)			
	Asbestos and other hazardous material in buildings	**Storage Tanks**	**Total**	**Total**
Opening balance	12,893	3,067	15,960	22,393
Revision in estimates	691	154	845	(6,972)
Accretion expense[1]	436	105	541	539
Closing balance	**14,020**	**3,326**	**17,346**	**15,960**

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 $31,877 thousand ($31,896 thousand at March 31, 2024). There is no estimated recoveries related to asset retirement obligations.

Key assumptions used in determining the provision are as follows:

	2025	2024
Discount Rate	3.21–3.25%	3.44 – 3.51%
Discount period and timing of settlement	1 to 30 years	1 to 30 years
Long-term rate of inflation	2.00%	2.00%

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:

	2025	2024
	(in thousands of dollars)	
Shared-cost agreements*		
Opening balance	**52**	**356**
Amounts received	2,709	1,846
Revenue recognized	(1,583)	(2,150)
Closing balance	**1,178**	**52**
Other		
Opening balance	**4,389**	**3,594**
Amounts received	3,717	3,872
Revenue recognized	(3,659)	(3,077)
Closing balance	**4,447**	**4,389**
Net closing balance	**5,625**	**4,441**

*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.

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.

On April 1, 2024, an annual payment in the amount of $79,385 thousand ($77,179 thousand in 2023-2024) was made. This payment represents a payment of principal in the amount of $31,412 thousand ($30,043 thousand in 2023-2024), interest of $13,762 thousand ($15,130 thousand in 2023-2024), and an amount of $34,212 thousand ($32,005 thousand in 2023-2024) representing the indexing of the payment to the annual inflation rate.

The interest expense and indexing adjustment accrued at March 31, 2025 amounts to $12,322 thousand ($13,762 thousand in 2023-2024) and $35,726 thousand ($34,212 thousand in 2023-2024), respectively.

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

Transport Canada has a capital lease obligation of $270,884 thousand at March 31, 2025 ($302,296 thousand at March 31, 2024), 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:

	2025
	(in thousands of dollars)
2026	68,844
2027	69,884
2028	70,940
2029	72,011
2030	73,099
2031 and thereafter	162,098
Total future minimum lease payments	516,876
Less: imputed interest (6.06%)	(245,992)
Balance of obligations under leased tangible capital assets	**270,884**

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 2024-2025 expense amounts to $100,375 thousand ($98,746 thousand in 2023-2024). For Group 1 members, the expense represents approximately 1.02 times (1.02 times in 2023-2024) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2023-2024) the employee contributions.

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.

8. Employee future benefits (cont'd)

(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, 2025, 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:

	2025	2024
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	**13,295**	**13,290**
Expense for the year	1,637	1,743
Benefits paid during the year	(1,448)	(1,738)
Accrued benefit obligation - End of year	**13,484**	**13,295**

9. Accounts receivable and advances

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

	2025	2024
	(in thousands of dollars)	
Receivables – Other government departments and agencies	9,837	11,425
Receivables – External parties	161,419	163,300
Employee advances	2,412	2,377
Subtotal	173,668	177,102
Allowance for doubtful accounts on receivables from external parties	(1,785)	(1,306)
Gross accounts receivable	**171,883**	**175,796**
Accounts receivable held on behalf of Government	(159,533)	(163,361)
Net accounts receivable	**12,350**	**12,435**

9. Accounts receivable and advances (cont'd)

The following table provides an aging analysis of accounts receivable from external parties and the associate valuation allowances used to reflect their net recoverable value.

	2025	2024
	(in thousands of dollars)	
Accounts receivable from external parties		
Not past due	152,943	159,186
Number of days past due		
1 to 30	3,269	1,135
31 to 60	219	383
61 to 90	213	240
91 to 365	2,932	931
Over 365	1,843	1,425
Subtotal	**161,419**	**163,300**
Less: Valuation allowance	(1,785)	(1,306)
Total	**159,634**	**161,994**

10. Loans receivable

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

	2025	2024
	(in thousands of dollars)	
Loans receivable – Victoria Harbour	2,140	2,202
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,314	2,376
Less: Allowance for uncollectibility	(174)	(174)
Gross loans receivable	**2,140**	**2,202**
Loans receivable held on behalf of Government	(2,140)	(2,202)
Net loans receivable	**-**	**-**

(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. Talks between the parties are ongoing regarding this loan.

10. Loans receivable (cont'd)

(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. Consumable parts

	2025	2024
	(in thousands of dollars)	
Consumable parts	17,108	15,292
Total consumable parts	**17,108**	**15,292**

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is $3,754 thousand in 2024-2025 ($5,230 thousand in 2023-2024).

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:

Asset Class	Amortization Period
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 to 7 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.

12. Tangible capital assets (cont'd)

	Cost					Accumulated Amortization					Net Book Value	
Capital Asset Class	**Opening Balance**	**Acquisitions**	**Adjustments (a)**	**Disposals and Write-Offs**	**Closing Balance**	**Opening Balance**	**Amortization**	**Adjustments (a)**	**Disposals and Write-Offs**	**Closing Balance**	**2025**	**2024**
(in thousands of dollars)												
Land (1) (5)	205,309	-	-	(852)	204,457	-	-	-	-	-	204,457	205,309
Confederation Bridge	818,820	-	-	-	818,820	(219,716)	(8,188)	-	-	(227,904)	590,916	599,104
Buildings (2) (6)	904,440	1,021	56,371	(235)	961,597	(684,189)	(16,185)	(50)	186	(700,238)	261,359	220,251
Works and Infrastructure (3) (7)	3,691,270	66,890	58,675	(4,564)	3,812,271	(2,387,578)	(61,464)	378	3,112	(2,445,552)	1,366,719	1,303,692
Leasehold Improvements	54,157	-	2,399	(394)	56,162	(22,587)	(1,862)	(477)	174	(24,752)	31,410	31,570
Machinery and Equipment (4) (8)	205,551	10,042	(757)	(881)	213,955	(130,576)	(9,157)	663	794	(138,276)	75,679	74,975
Informatics Hardware	8,606	-	404	(26)	8,984	(3,628)	(483)	(271)	23	(4,359)	4,625	4,978
Informatics Software	240,437	-	17,963	(8,466)	249,934	(217,736)	(12,157)	26	6,577	(223,290)	26,644	22,701
Ships and Boats	276,026	-	2,300	-	278,326	(73,912)	(6,754)	(8)	-	(80,674)	197,652	202,114
Aircraft	195,210	2,892	21,695	(6,760)	213,037	(142,381)	(5,215)	-	5,954	(141,642)	71,395	52,829
Motor Vehicles	202,522	9,005	366	(17,301)	194,592	(165,740)	(5,181)	(761)	15,480	(156,202)	38,390	36,782
Assets under construction	258,520	206,105	(159,331)	-	305,294	-	-	-	-	-	305,294	258,520
Total	**7,060,868**	**295,955**	**85**	**(39,479)**	**7,317,429**	**(4,048,043)**	**(126,646)**	**(500)**	**32,300**	**(4,142,889)**	**3,174,540**	**3,012,825**

12. Tangible capital assets (cont'd)

The net adjustments of ($415) thousand includes ($151) thousand in assets transferred to other departments at net book value (cost of $374 thousand, accumulated amortization of $223 thousand), $61 thousand in assets transferred from other departments at net book value (cost of $1,035 thousand, accumulated amortization of $974 thousand), an adjustment of $846 thousand in the Asset Retirement Obligations as well as ($1,421) thousand for adjustments to assets under construction and $250 thousand for adjustments to accumulated amortization.

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 thousand ($145,256 thousand in 2023-2024) included in Land.
(2) A net book value of $59,648 thousand ($68,983 thousand in 2023-2024) included in Buildings.
(3) A net book value of $8,151 thousand ($13,508 thousand in 2023-2024) included in Works and Infrastructure.
(4) A net book value of $159 thousand ($168 thousand in 2023-2024) 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 until March 31, 2023. It was subsequently extended for another period of five years until March 31, 2029. 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 2024-2025, $73,248 thousand of the annual funding provided was utilized to acquire tangible capital assets ($42,791 thousand in 2023-2024). Other amounts to fund minor maintenance and repairs are recorded as an operating expense in the statement of operations.

Values recorded for the Seaway assets are:

(5) A net book value of $22,940 thousand ($22,940 thousand in 2023-2024) included in Land.
(6) A net book value of $22,229 thousand ($22,013 thousand in 2023-2024) included in Buildings.
(7) A net book value of $1,007,229 thousand ($973,686 thousand in 2023-2024) included in Works and Infrastructure.
(8) A net book value of $22,760 thousand ($21,535 thousand in 2023-2024) 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.

13. Departmental net financial position (cont'd)

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

	2025	2024
	(in thousands of dollars)	
Ship-source Oil Pollution Fund		
Balance – Beginning of year	**429,640**	**420,708**
Revenues	13,566	14,623
Expenses	(7,587)	(5,691)
Balance – End of year	**435,619**	**429,640**
Fines for Transport of Dangerous Goods		
Balance – Beginning of year	**3,248**	**3,717**
Revenues	-	45
Expenses	(635)	(514)
Balance – End of year	**2,613**	**3,248**
Fund for Railway Accidents Involving Designated Goods		
Balance – Beginning of year	**106,363**	**100,683**
Revenues	6,647	6,984
Expenses	(1,589)	(1,304)
Balance – End of year	**111,421**	**106,363**
Total balance – End of year	**549,653**	**539,251**
Unrestricted	1,752,627	1,572,224
Departmental net financial position – End of year	**2,302,280**	**2,111,475**

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:

	2026	2027	2028	2029	2030 and thereafter	Total
	(in thousands of dollars)					
Transfer payments	1,334,256	833,648	451,572	116,218	84,567	2,820,261
Other goods and services	46,366	34,496	34,040	34,550	-	149,452
Tangible capital assets	107,362	109,694	105,210	108,000	-	430,266
Total	**1,487,984**	**977,838**	**590,822**	**258,768**	**84,567**	**3,399,979**

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 the next five years and that can be reasonably estimated are summarized below. Future revenues beyond that period have not been estimated due to uncertainty of projections.

	Leases of property
	(in thousands of dollars)
2026	591,750
2027	623,097
2028	654,929
2029	683,256
2030	696,921
Total	**3,249,953**

15. Contingent liabilities, contingent assets and contingent environmental liabilities

(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 $32,261 thousand ($32,346 thousand in 2023-2024) 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 $12,322 thousand ($23,793 thousand in 2023-2024) at March 31, 2025. Transport Canada has no claim and litigation with related parties as at March 31, 2025.

(b) Contingent assets

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

(c) Contingent Environmental liabilities

Transport Canada has disclosed a contingent liability in the amount of $400 thousand for 1 site ($560 thousand in 2023-2024 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.

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:

	2025	2024
	(in thousands of dollars)	
Office accommodation	47,295	46,864
Employer's contribution to health and dental insurance plans	63,338	66,325
Legal services	2,185	3,777
Workers' compensation	3,462	1,855
	116,280	**118,821**

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) and Border Infrastructure Fund (BIF)

Under a memorandum of understanding signed with Infrastructure Canada on January 31, 2003, Transport Canada administers the CSIF and the BIF. During the year, Transport Canada did not incur expenses ($0 in 2023-2024) related to the CSIF, nor related to BIF ($1,893 thousand in 2023-2024), on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

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 $840 thousand compared to $12,796 thousand in 2023-2024, 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:

	2025	2024
	(in thousands of dollars)	
Expenses [1]	106,770	115,345
Revenues [2]	65,705	69,385

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

[1] Expenses are mainly related to operating expenses, as well as pollution claims and expenses from the Ship-source Oil Pollution Fund.

[2] 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:

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)	2025 Total	2024 Total
			(in thousands of dollars)				
Operating expenses							
Salaries and employee benefits	491,172	91,800	121,965	222,047	-	926,984	923,422
Professional and special services	26,295	100,267	69,434	47,850	-	243,846	249,226
Amortization of tangible capital assets	12,167	96,480	9,341	8,658	-	126,646	128,106
Interest and inflation adjustment on capital lease payments	-	48,048	-	-	-	48,048	47,974
Accommodation	24,341	4,682	6,333	11,939	-	47,295	46,864
Equipment repair and maintenance	13,985	9,564	7,055	9,480	-	40,084	46,704
Rentals	6,920	793	2,370	15,793	-	25,876	21,543
Travel and relocation	16,716	2,136	4,419	1,353	-	24,624	25,473
Utilities, materials and supplies	6,799	4,257	2,977	1,327	-	15,360	17,812
Information services – communications	2,057	6,575	2,869	270	-	11,771	10,797
Specified purpose accounts	-	-	-	-	9,811	9,811	7,509
Payment in lieu of taxes	547	5,364	904	739	-	7,554	10,556
Increase (decrease) in environmental liabilities	-	-	4,521	-	-	4,521	21,603
Operating costs in respect of St. Lawrence Seaway	-	2,792	-	-	-	2,792	8,485
Telecommunications	912	55	949	193	-	2,109	1,477
Damage and other claims against the Crown	1,182	195	3	209	-	1,589	308
Postage	947	87	108	232	-	1,374	1,346
Reclassification of work-in-progress	-	575	-	-	-	575	1,959
Increase (decrease) in asset retirement obligation	-	-	-	541	-	541	539
Net loss (gain) on disposal of tangible capital assets	2,420	(1,944)	47	(429)	-	94	(6,560)
Increase (decrease) in contingent liabilities	-	-	85	-	-	85	430
Other	622	161	166	360	-	1,309	7,782
Expenses incurred on behalf of Government	-	-	-	-	(9,811)	(9,811)	(7,509)
Total operating expenses	607,082	371,887	233,546	320,562	-	1,533,077	1,565,846

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)	2025 Total	2024 Total
			(in thousands of dollars)				
Transfer payments							
Industry	19,208	184,973	1,187,686	-	-	1,391,867	882,577
Non-profit organizations	5,880	387,053	23,978	-	-	416,911	329,393
Other levels of government within Canada	19,507	243,126	16,710	-	-	279,343	370,791
Other countries and international organizations	212	-	150	-	-	362	343
Individuals	-	49	-	-	-	49	80
Total transfer payments	44,807	815,201	1,228,524	-	-	2,088,532	1,583,184
Total expenses	651,889	1,187,088	1,462,070	320,562	-	3,621,609	3,149,030
Revenues							
Leases of property	-	559,909	-	-	-	559,909	495,303
Aircraft maintenance and flying services revenues	45,578	-	130	-	-	45,708	47,833
Monitoring and enforcement	34,863	-	354	171	-	35,388	26,570
Specified purpose accounts	-	-	-	-	20,213	20,213	21,652
Transport facilities user fees	-	14,627	-	-	-	14,627	14,315
Rentals and concessions	3,214	8,566	686	609	-	13,075	18,570
Other	8,245	34,659	1,350	442	-	44,696	42,144
Revenues earned on behalf of Government	(12,735)	(595,768)	(1,425)	(541)	(20,213)	(630,682)	(567,902)
Total revenues	79,165	21,993	1,095	681	-	102,934	98,485
Net cost of operations	**572,724**	**1,165,095**	**1,460,975**	**319,881**	**-**	**3,518,675**	**3,050,545**

18. Comparative Information

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