

Transportation Safety Board
of Canada



Bureau de la sécurité des transports
du Canada

Transportation Safety Board of Canada

2013-14

**Quarterly Financial Report for the
Quarter Ended September 30, 2013**

Introduction:

This quarterly 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 Treasury Board. This quarterly report should be read in conjunction with the Main Estimates as well as *Canada's Economic Action Plan 2012 (Budget 2012)*.

The Transportation Safety Board's (TSB) sole objective is to advance transportation safety. This mandate is fulfilled by conducting independent investigations into selected transportation occurrences. The purpose of these investigations is to identify the causes and contributing factors and the safety deficiencies evidenced by an occurrence. The TSB then reports publicly and makes recommendations to improve safety and reduce or eliminate risks to people, property and the environment.

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

Basis of Presentation:

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the TSB's spending authorities granted by Parliament and those used by the department. Authorities include amounts granted through the Main Estimates and Supplementary Estimates, as well as transfers from Treasury Board central votes that are approved by the end of the quarter. 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 moneys 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.

As part of the departmental performance reporting process, the TSB prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

The Statement of Authorities presented in this Quarterly Financial Report reflect authorities voted by Parliament less frozen allotments applied by Treasury Board, in order to present the amount of funding available for use by the department. As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in Budget 2012 could not be reflected in the 2012-13 Main Estimates. In fiscal year 2012-13, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012.

For fiscal year 2013-14, the changes to departmental authorities announced in Budget 2012 were reflected in the 2013-14 Main Estimates tabled in Parliament. After the Main Estimates were tabled, Budget 2013 announced a reduction in travel expenditures for departments. As a result, a frozen allotment of \$23,778 was established by Treasury Board authority to the TSB's 2013-14 funding.

Highlights of Fiscal Quarter and Fiscal Year to Date Results:

Statement of Authorities

The TSB received \$29,568,000 in funding through the Main Estimates (\$26,063,000 for operating expenditures and \$3,505,000 for employee benefit plans). The TSB has additional statutory authorities totaling \$53,260 at the end of the second quarter generated by proceeds from the disposal of surplus Crown assets and its authority to respend revenues as a departmental corporation. These increases are offset by the frozen travel allotment established by Treasury Board Secretariat of \$23,778.

When compared to the second quarter in 2012-13, the TSB's total authorities available for use have decreased by \$1,293,000. This significant decrease in authorities is mainly attributable to a timing difference. At the end of the second quarter 2013-14, the TSB has not received its anticipated operating budget carry forward from the previous year of \$804,000. It is anticipated that this amount will be available for use in the next quarter. At the end of the second quarter of 2012-13, the TSB had already received its operating budget carry forward appropriations in the amount of \$1,334,000. Another factor explaining the decrease in authorities is the incremental reduction in funding of \$127,000 in 2013-14 for savings measures announced in Budget 2012.

Statement of Departmental Budgetary Expenditures

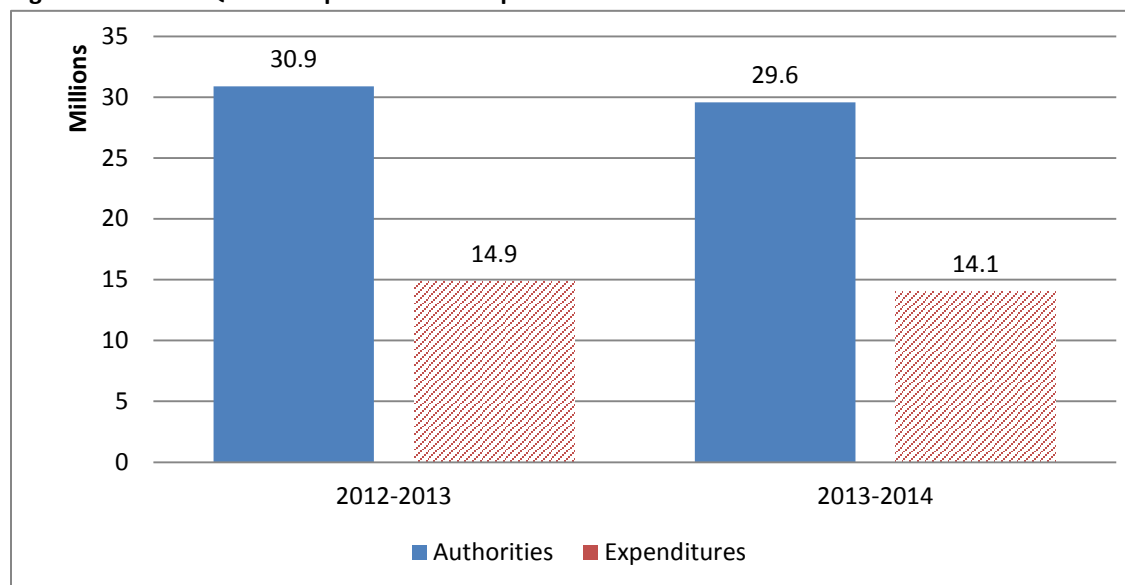
The department's year-to-date spending is \$795,000 or 5.3% lower in the current year compared to the second quarter of 2012-13. Decreases in spending are the result of TSB's plans to achieve the savings required by Budget 2012 and timing differences in expenditures.

The TSB's spending on personnel costs has decreased by \$438,000 or 3.5%, which is primarily attributed to a decrease of full-time equivalent positions following the implementation of Budget 2012 savings measures. Spending on professional and special services has decreased by \$96,000 or 10.5% and is also due to the implementation of Budget 2012 savings measures. Spending on acquisitions of machinery and equipment has declined by \$216,000 or 82.8%, however this is due to a delay in the timing of purchases. In 2013-14, the TSB is purchasing an X-Ray Computed Tomography System, at an estimated cost of approximately \$600,000, which is scheduled for delivery by year-end. A purchase of this dollar amount is exceptional for the TSB; as a result, very little spending on any other machinery and equipment is planned for the year.

As illustrated in Figure 1, the TSB has spent approximately 47.6% of its authorities at the end of the second quarter. This spending pattern is fairly in line with previous years (48.2%). However, this comparison is misleading because the carry forward funding is not included within authorities for both years. Once the anticipated carry forward funding of \$804,000 for 2013-14 is included, the ratio of spending to authorities declines to 46.3%. Additionally, once the Lac-Mégantic rail incident expenses are removed, the ratio of spending to authorities declines lower to 45%. This low ratio is attributed to vacant positions being experienced within the TSB due to staff turnover or leave. The planned full-time equivalent (FTE) staffing level is 225; however, as at September 30, the TSB has 211 FTE. The TSB has engaged short-term assistance to cover some vacancies to the extent possible while staffing processes are underway.

It is worth noting that approximately 40% of the TSB's employees are under collective agreements, which have been expired for two fiscal years and have only recently been signed. The TSB's personnel expenses will increase as a result of the retroactive payments for salary increments, which are expected to be recorded by year-end. As part of the cost containment measures announced in Budget 2010, the TSB will have to absorb the cost of these increments within its available authorities.

Figure 1 - Second Quarter Expenditures Compared to Annual Authorities



Risks and Uncertainties:

The TSB is funded through annual appropriations. As a result, its operations are impacted by any changes in funding approved through Parliament. As a departmental corporation, it has authority to spend revenues received during the year although such revenues are minimal; on average less than 1% of the department’s funding requirements.

A continuous risk to TSB’s financial situation is that expenditures are greatly influenced by the number and complexity of transportation occurrences. A significant transportation accident or a flurry of smaller size occurrences could significantly increase expenditures and result in resource pressures that could require the department to seek additional funding from Parliament. This risk has materialized in 2013-14, as described in the next section.

Significant Changes in Relation to Operations, Personnel and Programs:

On July 6, 2013, a train carrying petroleum crude oil operated by Montreal, Maine & Atlantic Railway (MMA) derailed 65 rail cars in the center of the town of Lac Mégantic, Quebec. A fire and explosions ensued. In addition to the loss of 47 lives and railway damage, the accident destroyed some 41 buildings, 51 automobiles and a large part of the town’s downtown core. When notified of the accident, the TSB responded by deploying a multidisciplinary team of 20 investigators, engineers and communications specialists from across Canada to Lac Mégantic. The TSB has also deployed staff to other locations in Quebec, New Brunswick, Maine and North Dakota in the United States to meet with various people and organizations associated with this rail occurrence (e.g. MMA, manufacturers of train components, shippers of the oil, etc.) to conduct interviews and collect relevant documentation. The TSB has requested additional funding in Supplementary Estimates B to cover incremental investigation costs for the field phase and the analysis phase of up to \$965,000 for this significant investigation. Major cost items include overtime, travel, on-site expenses for specialists and contractors and temporary help. An amount of \$78,000 is also included for the statutory charge for employee benefits. The anticipatory funding cannot be reflected in the department’s authorities until Supplementary Estimates B have been approved by Parliament and received royal assent. As at September 30, 2013, the TSB has recorded \$396,000 in incremental expenditures for this investigation.

Budget 2012 Implementation:

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

Budget 2012 called upon the TSB to reduce its expenditures by \$1,283,000 by 2014-15, a net reduction of approximately 4.3% of its 2012-13 budget. For fiscal year 2012-13, the reduction of \$719,000 consisted of a reduction in the TSB's operating vote of \$619,000 and a reduction in the statutory authorities for employee benefit plans of \$100,000. For 2013-14, an incremental reduction of \$127,000 has been applied to the TSB's operating vote, for a cumulative reduction of \$846,000. The TSB has eliminated positions and reduced spending on professional services and special services as well as transportation and communications in order to achieve the reductions in funding. The year-to-date decrease in expenditures at the end of the second quarter, despite the additional expenses incurred for the Lac-Mégantic investigation, reflects the implementation of the TSB's saving measures.

During 2013-14, the TSB is continuing to review its operations to identify efficiencies in order to prepare for the incremental reduction in funding that will occur in 2014-15. The TSB intends to implement the funding reductions without impacting the number or quality of investigations or the timeliness of its safety communications.

Approval by Senior Officials:

Approved by,

Wendy A. Tadros
Chair

Date
Gatineau, Canada

Chantal Lemyre, CGA
Chief Financial Officer

Date
Gatineau, Canada

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Statement of Authorities (unaudited)

Fiscal year 2013-14 (in thousands of dollars)

	Total available for use for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Vote 10 - Net operating expenditures	26,063	6,518	12,278
Statutory authorities - Employee Benefit Plans	3,505	896	1,792
Statutory authorities - Spending of proceeds from the disposal of surplus Crown assets ¹	45	3	3
Statutory authorities - Expenditures Re: Paragraph 29.1(1) of the Financial Administration Act ¹	8	-	-
Total authorities²	29,621	7,417	14,073
Budget 2013 – Frozen travel funding	-24	-	-
Total authorities available for use	29,597	7,417	14,073

Fiscal year 2012-13 (in thousands of dollars)

	Total available for use for the year ending March 31, 2013 (restated)	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end
Vote 10 - Net operating expenditures	28,004	6,929	13,080
Statutory authorities - Employee Benefit Plans	3,575	889	1,788
Statutory authorities - Spending of proceeds from the disposal of surplus Crown assets ¹	15	-	-
Statutory authorities - Expenditures Re: Paragraph 29.1(1) of the Financial Administration Act ¹	15	-	-
Total authorities²	31,609	7,818	14,868
Budget 2012 - Reductions to Vote 10	-619	-	-
Budget 2012 - Reductions to Employee Benefit Plans	-100	-	-
Total authorities available for use	30,890	7,818	14,868

¹ These rows have been added to include carry forward amounts from previous year for the proceeds from disposal of surplus Crown assets as well as any spendable revenue earned and available for use at quarter end. These changes in presentation were made in order to conform to Treasury Board Secretariat's new standardized presentation. Note that fiscal year 2012-13 amounts have been restated and reclassified as a result.

² Includes only authorities granted by Parliament at quarter end.

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Statement of Expenditures by Standard Object (unaudited)
Fiscal year 2013-14 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2014 ¹	Expended during the quarter ended September 30, 2013	Year to date used at quarter end
Expenditures:			
Personnel	23,520	6,193	12,029
Transportation and communications	1,799	439	686
Information	142	27	45
Professional and special services	2,350	530	815
Rentals	230	63	220
Repair and maintenance	479	58	119
Utilities, materials and supplies	332	67	111
Acquisition of land, building and works	165	3	3
Acquisition of machinery and equipment	604	37	45
Sub-total net budgetary expenditures	29,621	7,417	14,073
Budget 2013 - Frozen travel funding <i>Reduction applied to Transportation and communications</i>	-24	-	-
Total net budgetary expenditures	29,597	7,417	14,073

Fiscal year 2012-13 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2013 (restated) ¹	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end
Expenditures:			
Personnel	24,078	6,375	12,467
Transportation and communications	2,368	420	689
Information	181	49	52
Professional and special services	2,920	592	911
Rentals	215	20	200
Repair and maintenance	614	122	165
Utilities, materials and supplies	445	54	115
Acquisition of land, building and works	15	-	8
Acquisition of machinery and equipment	773	186	261
Sub-total net budgetary expenditures	31,609	7,818	14,868
Budget 2012 – Frozen funding <i>Reduction applied to Personnel (\$438k), Transportation and communications (\$76k) Professional services and special services (\$192k), and Utilities, materials and supplies (\$13k)</i>	-719	-	-
Total net budgetary expenditures	30,890	7,818	14,868

¹ Refer to footnote 1 on previous page.