2010-2011 Public Accounts of Canada[1]

Risks and Uncertainties

As noted in the budget and related documents, the Government's revenues and expenses are highly sensitive to changes in economic conditions – particularly to changes in economic growth, inflation and interest rates.

Current risks to the fiscal outcome in 2011-2012 come primarily from the increased uncertainty surrounding the global economic outlook, as well as uncertainty as to how economic developments will translate into spending and tax revenues.

Global economic growth, particularly in the United States, slowed during the first half of 2011. Moreover, this slowing of global growth comes against the backdrop of ongoing concerns about the sovereign debt situation in Europe, and the downgrading of U.S. debt by Standard & Poor's. These developments have led to a sharp increase in volatility in global financial markets, which is further weighing on global growth.

Canada is not immune from global economic developments. However, the Government adopted prudent planning assumptions in Budget 2011 by adjusting down the level of nominal GDP projected by private-sector economists by $10 billion. As a result, fiscal results to date have been broadly consistent with the conservative 2011-2012 projections set out in Budget 2011.

To illustrate the impact of changes in economic conditions, the Department of Finance publishes, on a regular basis, sensitivity impacts on the budgetary balance. These are "rules of thumb" as the actual impact will depend on many other factors as well. As published in the June 6, 2011 budget, these show, for example, that:

- A one-year, 1-percentage-point decrease in real GDP growth would lower the budgetary balance by $3.3 billion in the first year, $3.6 billion in the second year, and $2.3 billion in the fifth year.
- A one-year, 1-percentage-point decrease in GDP inflation would lower the budgetary balance by $1.6 billion in the first year, $1.6 billion in the second year, and $1.2 billion in the fifth year.
- A sustained 100-basis-point increase in interest rates would lower the budgetary balance by $0.8 billion in the first year, $1.7 billion in the second year, and $2.1 billion in the fifth year.

While these generalized rules of thumb provide good estimates of the sensitivity of the budgetary balance with respect to small economic changes, it is important to note that some of the estimated relationships would change in response to large economic changes.

[1] Available online at http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html; last accessed July 18, 2012.

2010-2011 Public Accounts of Canada (contd.)

PUBLIC ACCOUNTS OF CANADA, 2010-2011

15. Contractual Obligations

The nature of government activities result in large multi-year contracts and agreements, including international treaties, protocols and agreements of various size and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. Major contractual obligations that will generate expenditures in future years and that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	2011	2010
Transfer payment agreements	58,295	60,514
Acquisition of property and equipment, and goods and services	33,344	27,238
Operating leases	2,637	3,015
International organizations	3,343	3,089
	97,619	93,856

Details (unaudited) can be found in Section 11 of this volume.

Estimated future expenditures related to these contractual obligations are as follows:

Year	(in millions of dollars)
2012	26,606
2013	15,445
2014	13,219
2015	7,225
2016	5,287
2017 and subsequent	29,837
	97,619

Details (unaudited) can be found in Section 11 of this volume.

i. Transfer payment agreements

Obligations related to transfer payment agreements include an amount of $21,695 million ($23,935 million in 2010) related to various contractual obligations of the Government through the Minister's account held at Canada Mortgage and Housing Corporation (CMHC) for social housing programs. Estimated future expenditures related to these obligations are approximately $1,700 million per year. The amounts reported for CMHC under obligations for transfer payment agreements for 2011 reflect the total estimated remaining contractual obligations extending for periods up to 30 years.

ii. Operating leases

The Government rents premises and equipment under operating leases which expire at various dates. Future minimum lease payments as at March 31, 2011, total $2,637 million ($3,015 million in 2010).

16. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into contingent liabilities related to: guarantees provided by the Government, international organizations, environmental liabilities, claims and pending and threatened litigation, and insurance programs of agent enterprise Crown corporations.

i. Guarantees provided by the Government

At March 31, 2011, the principal amount outstanding for guarantees provided by the Government amount to $236,509 million ($221,979 million in 2010) for which an allowance of $592 million ($535 million in 2010) has been recorded. Guarantees provided by the Government include guarantees on the borrowings of enterprise Crown corporations and other government business enterprises, loan guarantees, insurance programs managed by the Government, and other explicit guarantees. Of the total amount guaranteed, $227,642 million ($211,454 million in 2010) relates to guarantees on the borrowings of agent enterprise Crown corporations for which no allowance (nil in 2010) has been recorded. The repayment of all money borrowed by agent enterprise Crown corporations and interest thereon constitute obligations of the Government and are recorded net of borrowings expected to be repaid directly by these corporations.

ii. International organizations

The Government has callable share capital in certain international organizations that could require payments to those agencies. As at March 31, 2011, callable share capital amounts to $25,479 million ($17,177 million in 2010).

iii. Environmental liabilities

(a) Remediation of contaminated sites

The Government has identified approximately 17,000 sites for which environmental liabilities may exist for assessment, remediation and monitoring. Of these, the Government has identified approximately 2,200 sites (2,400 sites in 2010), where action is possible and for which a liability of $4,354 million ($3,493 million in 2010) has been recorded. In addition, the Government has estimated further clean-up costs for which it may be potentially liable of $1,044 million ($1,512 million in 2010). These further clean up costs have not been accrued as the Government's obligation to incur these costs is not determinable.

2010-2011 Public Accounts of Canada (contd.)

(b) Future asset restoration

The Government has identified approximately 760 unexploded explosive ordnance (UXO) affected sites for which environmental liabilities for clearance of these sites may exist. Of these, the Government has identified approximately 42 UXO affected sites (30 UXO affected sites in 2010), where clearance action is likely and for which a liability of $16 million ($16 million in 2010) has been recorded as part of the total future asset restoration liability of $3,391 million ($3,109 million in 2010). In addition, the Government has estimated further clearance costs related to UXO affected sites ranging from $180 million to $524 million. These future clearance costs have not been accrued as the Government's obligation to incur these costs is not determinable.

The Government's ongoing efforts to assess contaminated sites and UXO affected sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.

iv. Claims and pending and threatened litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigation for which the outcome is not determinable and a reasonable estimate can be made amount to approximately $4,211 million ($4,300 million in 2010). Certain large and significant claims are described below:

Comprehensive land claims: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 80 (76 in 2010) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of $3,772 million ($3,800 million in 2010) is estimated for claims that have progressed to a point where quantification is possible. The estimate is based on historical rates and costs of settlement and current status of negotiations. The remaining claims are still in the early stage of negotiations and cannot yet be quantified.

Assessed taxes under objection or appeal: As at March 31, 2011, $17,117 million ($17,102 million in 2010) of previously assessed federal and provincial taxes was under objection at Canada Revenue Agency and $3,299 million ($3,509 million in 2010) was under appeal at either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

Other: In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the Government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions was challenged in the Courts. On November 20, 2007, the Ontario Superior Court of Justice rendered its decision and dismissed all the claims of the plaintiffs. The Ontario Court of Appeal dismissed the plaintiffs' appeal on October 8, 2010. In a decision released on May 5, 2011, the plaintiffs' application for leave to appeal was granted by the Supreme Court of Canada. The outcome is not determinable at this time.

v. Insurance programs of agent enterprise Crown corporations

Three agent enterprise Crown corporations operate insurance programs for the Government. In the event that the corporations have insufficient funds, the Government will have to provide financing. The Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to $100,000 deposited with each member bank, trust or loan company; Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions and the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act* through the Mortgage-Backed Securities program and the bonds issued by the Canada Housing Trust through the Canada Mortgage Bond program; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, 2011, total insurance in force amounts to $1,473,068 million ($1,396,212 million in 2010). The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Further details (unaudited) on contingent liabilities can be found in Section 11 of this volume.

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities

PUBLIC ACCOUNTS OF CANADA, 2010-2011

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

This section contains detailed information related to contractual obligations and contingent liabilities.

Contractual Obligations

The nature of Government activities result in multi-year contracts and agreements, including various international treaties and protocols. Contractual obligations are financial obligations of the Government to others that will become liabilities when the terms of those contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. In the case of contractual obligations to international organizations, some will result in future budgetary expenses while others will result in non-budgetary payments.

Contractual obligations can be classified into four main categories: transfer payment agreements (grants and contributions), capital assets and purchases, operating leases and international organizations.

All outstanding contractual obligations of $10 million or more per project or per program at year end are reported for transfer payment agreements, capital assets, purchases and operating leases. For international organizations, all contractual obligations in excess of $1 million at year end are reported.

In accordance with the Government's significant accounting policies, the contractual obligations of consolidated Crown corporations are included with those of the Government.

Table 11.1 summarizes these contractual obligations. Details of the four types of contractual obligations can be found in other tables in this section.

TABLE 11.1
CONTRACTUAL OBLIGATIONS
(in millions of dollars)

	Transfer payments	Acquisition of capital assets and purchases	Operating leases	International organizations	Total
Information from:					
Transfer payment agreements, capital assets, purchases and operating leases, Table 11.3	58,295	33,344	2,637		94,276
International contractual obligations, Table 11.4				3,343	3,343
Total	58,295	33,344	2,637	3,343	97,619

Table 11.2 summarizes the information presented in Table 11.1 to indicate the minimum amounts required to satisfy obligations under contractual obligations each year from 2012 to 2016 inclusive, and a total for amounts due in the year 2017 and subsequently.

TABLE 11.2
SCHEDULE OF MINIMUM PAYMENTS
(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of capital assets and purchases	Obligations under operating lease arrangements	Obligations to international organizations	Total
2012	17,765	7,443	314	1,084	26,606
2013	10,445	4,325	331	344	15,445
2014	8,029	4,647	289	254	13,219
2015	4,391	2,472	244	118	7,225
2016	3,355	1,660	217	55	5,287
2017 and subsequently	14,310	12,797	1,242	1,488	29,837
Total	58,295	33,344	2,637	3,343	97,619

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

Transfer Payment Agreements, Capital Assets, Purchases and Operating Leases

Table 11.3 provides details of contractual obligations that involve: transfer payment agreements, capital assets, purchases and operating leases. It discloses individual contractual obligations by category and by entity. Contractual obligations are summarized in Note 15 to the financial statements in Section 2 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Capital assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchases are supported by contracts to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subsequently
Transfer payment agreements—										
Agriculture and Agri-Food—										
Grant—										
Canadian Cattleman's Association										
Beef Market Development Legacy Fund	*50*	*50*	*37*	*13*	*10*	*3*				
Canadian Heritage—										
Canada's National Ballet School										
Canada Arts Training Fund	18	18	6	12	6	6				
Canadian Agreement on Minority Language Education and Second Official Language Introduction										
Government of Alberta	61	61	32	29	15	14				
Government of Nova Scotia	32	32	17	15	8	7				
Government of Saskatchewan	32	32	16	16	8	8				
Ministre des Finances du Québec	263	263	133	130	65	65				
Province of British Columbia	70	70	36	34	17	17				
Province of Manitoba	53	53	27	26	13	13				
Province of New Brunswick	88	88	45	43	22	21				
Province of Ontario	328	328	170	158	79	79				
Corporation of the Council of Ministers of Education, Canada										
Explore and Destination Clic Program	67	67	33	34	17	17				
Odyssey Program	28	28	14	14	7	7				
Katimavik-OPCAN Corporation										
Katimavik Program	28	28		28	14	14				
La Fondation Musicaction										
Canada Music Fund	21	21	5	16	4	4	4	4		
Society for Educational Visits and Exchanges in Canada										
Youth Exchanges Canada Program	23	23	9	14	5	5	4			
The Foundation Assisting Canadian Talent on Recordings										
Canada Music Fund	31	31	6	25	6	6	6	7		
Toronto Organizing Committee for the 2015 Pan American and Parapan American Games										
Hosting Program	18	18	5	13	13					
YMCA of Greater Toronto										
Youth Exchanges Canada Program	15	15	5	10	5	5				
	1,176	*1,176*	*559*	*617*	*304*	*288*	*14*	*11*		

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

PUBLIC ACCOUNTS OF CANADA, 2010-2011

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2011—*Continued*
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse-quently
Manitoba Floodway Expansion Authority Inc	333	333	295	38	38					
Mont Tremblant Resorts and Company Limited Partnership										
Development of two new four-season resort villages	48	48	19	29	3	6	20			
Municipality of the County of Colchester										
Construct a multipurpose recreation complex in Truro Heights	10	10		10	10					
Municipality of York										
Duffin Creek water pollution plant project	47	47		47	36	11				
VIVA bus rapid transit project	85	85	5	80	26	37	15	2		
The Board of Governors of Mount Royal University										
Construct new integrated Performance Hall and Conservatory	20	20	1	19	4	9	6			
The Calgary Science Centre and the Creative Kids Museum Society	40	40	22	18	18					
The Corporation of the City of London										
Contribution for capital project of nine components to ensure sustainable regional water supply system	50	50	15	35	26	9				
The Corporation of the Town of Kirkland Lake										
Decommission of existing wastewater treatment plant facility and conversion into pumping station	16	16		16	2	11	3			
Union of British Columbia Municipalities and the Government of British Columbia										
Gas Tax Fund	1,638	1,638	886	752	251	251	250			
Yukon Energy Corporation										
Contribution for the construction of hydro facility and Carmacks-Stewart transmission	71	71	39	32	32					
	29,255	*29,255*	*15,299*	*13,956*	*6,749*	*3,861*	*2,851*	*311*	*149*	*35*
Western Economic Diversification—										
Alberta Infrastructure and Transportation										
Royal Alberta Museum	*30*	*30*	*10*	*20*	*16*	*4*				
Subtotal	71,480	71,370	35,252	36,118	15,559	8,766	6,370	2,744	1,721	958
Consolidated Crown Corporations and Other Entities—										
Canada Mortgage and Housing Corporation (Minister's account)—										
Social Housing Program	*63,217*[1]	*63,217*	*41,522*	*21,695*[2]	*1,724*	*1,679*	*1,659*	*1,647*	*1,634*	*13,352*
International Development Research Centre—										
Contractual grant payments	*472*	*472*		*472*	*472*					
National Capital Commission—										
City of Gatineau	*16*	*16*	*6*	*10*	*10*					
Subtotal	63,705	63,705	41,528	22,177	2,206	1,679	1,659	1,647	1,634	13,352
Total transfer payment agreements	**135,185**	**135,075**	**76,780**	**58,295**	**17,765**	**10,445**	**8,029**	**4,391**	**3,355**	**14,310**

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2011—*Continued*
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subsequently
Capital assets and purchases—										
Capital assets—										
Environment—										
Department—										
IBM Canada Ltd										
Supercomputer system, Dorval Que[3]	32	32		32	1	13	13	5		
Parks Canada Agency—										
Banff National Park										
Trans Canada Highway twinning—Economic Action Plan	130	114	45	69	69					
Trans Canada Highway twinning—Gateway and Borders Crossing Fund	100	76	60	16	16					
Gulf Islands National Park										
Land acquisition, developments and operations	31	31	21	10	2	2	2	2	1	1
	293	*253*	*126*	*127*	*88*	*15*	*15*	*7*	*1*	*1*
Fisheries and Oceans—										
Griffon Hoverwork Limited										
Construction of one air cushion vehicle	12	12		12	5	3	4			
Irving Shipbuilding Inc										
Design and construction of 9 mid-shore patrol vessels	194	194	43	151	70	66	13	2		
	206	*206*	*43*	*163*	*75*	*69*	*17*	*2*		
Industry—										
Canadian Space Agency—										
MacDonald, Dettwiler and Associates Ltd										
Scientific activities for the construction of the Radarsat Constellation	*143*	*143*	*99*	*44*	*44*					
National Defence—										
Boeing, Ridley Park										
15 medium to heavy lift helicopters	1,352	1,352	484	868			392	327	86	63
BMT Fleet Technology Limited										
ELMS Services to Ship Design	56	15	1	14	1	13				
CAE Inc										
Aircrew Operational Training services	274	274	81	193	109	31	15	9	29	
DEW Engineering and Development ULC										
Special equipment vehicle	131	131	5	126	17	62	46	1		
DRS Technologies Canada, Kanata, Ont										
Shincom Overhaul	59	59	38	21	15	6				
General Dynamics Canada										
Land Command Support System engineering and integration longterm support	325	325	128	197	65	65	67			
Wheeled Light Armoured Vehicle Optimized Weapon Systems Support	424	424	277	147	69	66	12			
Gilcron Corporation										
Precision approach radars	29	29	6	23	20	3				
Krauss Maffei Wegmann										
A4 Ops - Leopard 2 A4 Ops	88	88	21	67	67					
Replacement in Kind—Leopard 2 conversion	39	39	7	32	10	22				
Lockheed Martin Canada										
Combat Systems Integration	505	361	82	279	7	13	18	18	18	205

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—*Continued*
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subsequently
PCL Construction Management Inc										
Renovations of the RCMP Fort Macleod dorm, RCMP Training Academy	26	26	2	24	20	4				
Renovations of the Cadet Accommodation Building, RCMP Training Academy	26	26	11	15	15					
PCL Constructors Canada Inc										
New "H" Division Construction, RCMP	66	66	14	52	28	24				
Renovations to JC Wilt Infectious Diseases Research Centre	23	23	1	22	13	9				
The Great-West Life Assurance Company										
90 Elgin Street, Ottawa Ont[3]	501	501		501				10	20	471
West Block renovation,										
111 Wellington Street, Ottawa Ont	1,072	275	221	54	28	7	4	6	3	6
	3,303	*2,170*	*378*	*1,792*	*207*	*102*	*40*	*55*	*61*	*1,327*
Subtotal	14,925	12,899	4,969	7,930	1,851	1,259	992	958	339	2,531
Consolidated Crown Corporations and Other Entities—										
Canadian Museum for Human Rights—										
PCL Constructors Canada Inc	*219*	*207*	*112*	*95*	*87*	*8*				
The Federal Bridge Corporation Limited—										
Major works and maintenance	*112*	*112*		*112*	*93*	*17*	*1*	*1*		
VIA Rail Canada Inc.—										
Avalon Rail Inc	26	20	9	11	11					
CAD Railway Services Inc	131	104	69	35	29	6				
Canadian National Railways	312	312	185	127	90	37				
Industrial Rail Services	117	109	33	76	34	21	21			
	586	*545*	*296*	*249*	*164*	*64*	*21*			
Subtotal	917	864	408	456	344	89	22	1		
Total capital assets	15,842	13,763	5,377	8,386	2,195	1,348	1,014	959	339	2,531
Purchases—										
Canada Revenue Agency—										
Bell Canada										
Data center co-location services	40	40		40			3	4	4	29
Data networking services	86	86	74	12	12					
CA Canada Company										
Maintenance and support for enterprise licences	68	68	9	59	11	13	14	14	7	
IBM Canada Limited										
IBM Mainframe—										
Software master agreement for licenses and support	101	101	90	11	11					
Microsoft Licensing GP										
Software	48	48	15	33	17	16				
	343	*343*	*188*	*155*	*51*	*29*	*17*	*18*	*11*	*29*
Citizenship and Immigration—										
Medavie Inc										
Interim Federal Health Claims Processing	*14*	*14*	*1*	*13*	*4*	*3*	*3*	*3*		
Environment—										
IBM Canada Ltd										
Supercomputer system, Dorval Que[4]	*14*	*14*		*14*	*12*	*1*	*1*			
Fisheries and Oceans—										
Provincial Airlines Ltd										
Air Surveillance Program	*75*	*68*	*17*	*51*	*13*	*13*	*13*	*12*		

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2011—*Continued*
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31 2012	2013	2014	2015	2016	2017 and subsequently
Smiths Detection Montreal Inc (1 of 2)	11	11		11	5	6				
Smiths Detection Montreal Inc (2 of 2)	39	39	19	20	4	4	4	5	3	
Telus Services Inc	14	14	4	10	4	5	1			
	971	*971*	*648*	*323*	*235*	*37*	*20*	*16*	*15*	
Canadian Broadcasting Corporation—										
Programming rights	144	144	98	46	34	12				
Sports rights	647	647	367	280	43	101	106	30		
Others	40	40	15	25	25					
SAP Canada	14	14	1	13	1	1	1	1	2	7
Sintec Media Ltd	13	13		13	2	3	3	3	2	
SNC-Lavalin Profac Inc	456	456	112	344	33	35	36	37	38	165
	1,314	*1,314*	*593*	*721*	*138*	*152*	*146*	*71*	*42*	*172*
Canadian Commercial Corporation—										
Contracts with foreign customers	*3,563*	*3,563*		*3,563*	*1,603*		*1,896*		*60*	*4*
Entreprise Cape Breton Corporation—										
Sydney Ports Corporation Inc	*37*	*19*	*2*	*17*	*17*					
National Capital Commission—										
Land management and maintenance	*17*	*17*	*5*	*12*					*1*	*11*
National Gallery of Canada—										
Securitas Security Services	*24*	*15*	*3*	*12*	*3*	*3*	*3*	*3*		
Telefilm Canada										
Project commitments	*34*	*34*		*34*	*32*	*2*				
Subtotal	6,072	6,045	1,251	4,794	2,139	195	2,065	90	118	187
Total purchases	43,640	38,662	13,704	24,958	5,248	2,977	3,633	1,513	1,321	10,266
Total capital assets and purchases	**59,482**	**52,425**	**19,081**	**33,344**	**7,443**	**4,325**	**4,647**	**2,472**	**1,660**	**12,797**
Operating leases—										
Environment—										
Capilano Indian Reserve No. 5 of Vancouver, BC										
Lease of land	*385*	*385*	*139*	*246*	*8*	*8*	*8*	*8*	*8*	*206*
Foreign Affairs and International Trade—										
Main Production and Commercial Administration										
Office and parking space, Moscow	195	195	14	181	4	4	4	5	5	159
Real Estate Investment Fund North Tower										
Chancery, Sao Paulo	52	52	24	28	4	4	5	5	5	5
Spanish Space Tower, S.A.U.										
Chancery, Madrid	35	35	4	31	2	2	2	2	2	21
The HongKong Land Property Company Limited										
Chancery, Hong Kong	32	32		32	7	7	9	9		
The Wilton Co-ownership										
Chancery, Dublin	18	18	2	16		1		1	1	13
Tower Plaza Associates, New York										
Chancery, New York	33	33	20	13	1	2	2	2	2	4
	365	*365*	*64*	*301*	*18*	*20*	*22*	*24*	*15*	*202*
Indian Affairs and Northern Development—										
Donna Conna Inc										
Fees for crisis line support services	*16*	*16*	*4*	*12*	*6*	*6*				
Public Works and Government Services—										
1001 Dominion Square Management Inc										
1255 Peel Street, Montréal, Que.	16	16	4	12	1	1	2	2	2	4
1166 Equities Inc										
1166 West Pender Street, Vancouver, BC	34	34		34	5	6	6	6	6	5

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

PUBLIC ACCOUNTS OF CANADA, 2010-2011

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2011—*Concluded*
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subsequently
International Development Research Centre—										
Omers Realty Corporation										
Office space and maintenance	*103*	*103*	*19*	*84*	*6*	*6*	*7*	*7*	*7*	*51*
Marine Atlantic Inc.—										
Five-year charter agreement for a passenger and freight ferry										
MV Atlantic Vision	106	106	51	55	21	21	13			
MV Blue Puttees	62	62	5	57	12	12	12	12	9	
MV Highlanders	53	53	1	52	11	11	11	10	9	
	221	*221*	*57*	*164*	*44*	*44*	*36*	*22*	*18*	
National Capital Commission—										
Chambers Building, Ottawa, Ont	*196*	*196*	*106*	*90*	*9*	*9*	*9*	*10*	*10*	*43*
VIA Rail Canada Inc.—										
Canadian National Railways	103	103	61	42	5	5	5	5	6	16
IBM Canada Ltd.										
VIAnet Service Agreement	30	30	18	12	3	3	3	3		
Union Station, Toronto	189	189	25	164	3	3	3	3	3	149
	322	*322*	*104*	*218*	*11*	*11*	*11*	*11*	*9*	*165*
Subtotal	1,410	1,410	487	923	117	115	102	85	79	425
Total operating leases	**4,007**	**3,929**	**1,292**	**2,637**	**314**	**331**	**289**	**244**	**217**	**1,242**
Grand total	**198,674**	**191,429**	**97,153**	**94,276**	**25,522**	**15,101**	**12,965**	**7,107**	**5,232**	**28,349**

(1) The amount shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this obligation were first reported in the *Public Accounts of Canada*, plus the outstanding obligation reported at fiscal year end.
(2) This figure reflects the total estimated remaining contractual obligations which extend for periods up to 30 years.
(3) The amounts shown relate to a future capital lease obligation.
(4) The amounts shown relate to interest and executory costs associated with a future capital lease obligation.

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

International Contractual Obligations

Table 11.4 summarizes the international contractual obligations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary transfer payments, loans and advances and contractual obligations.

International contractual obligations reported in this table include transfer payments, loans and advances to international organizations as well as loans for the development of export trade (administered by Export Development Canada), which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 11.4 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2011.

Table 11.4 presents information that is summarized in Note 15 to the financial statements in Section 2 of this volume.

TABLE 11.4
INTERNATIONAL CONTRACTUAL OBLIGATIONS
(in millions of dollars)[1]

	Transfer payments	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—				
Foreign Affairs and International Trade—				
Development of export trade (loans administered by Export Development Canada)		770		
Canadian International Development Agency—				
Asian Development Bank		143		
Caribbean Development Bank		23		
		936		*936*
BUDGETARY TRANSFER PAYMENTS, LOANS AND ADVANCES—				
Finance—				
African Development Fund	416			416
International Development Association	1,323			1,323
	1,739			*1,739*
Foreign Affairs and International Trade—				
Canadian International Development Agency—				
African Development Bank		326		326
Asian Development Fund		95		95
Caribbean Development Bank—Special		35		35
Global Environment Facility (GEF) Fund		192		192
International Fund for Agricultural Development		13		13
Montreal Protocol Fund		4		4
Multilateral Investment Fund		3		3
		668		*668*
	1,739	*668*		*2,407*
Total	1,739	1,604		3,343

Note: Canada has agreed to lend the Poverty Reduction and Growth Trust special drawing rights (SDR) 1.2 billion of which SDR 700 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 190 million has been paid-in.

(1) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2011 (1$USD = $0.9696 CAD; 1SDR = $1.54079 CAD; 1 EUR = $1.3743 CAD).

Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. Contingent liabilities are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably estimated. The contingent liabilities of the Government are grouped into: guarantees provided by the Government, international organizations, environmental liabilities, claims and pending and threatened litigation, and insurance programs of agent enterprise Crown corporations. Additional information regarding each category is provided below.

For details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4 "Contingent Liabilities of Consolidated Crown Corporations and Other Entities" in Section 4 of this volume. Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.8 "Contingent Liabilities of Enterprise Crown Corporations and other Government Business Enterprises" in Section 9 of this volume.

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

PUBLIC ACCOUNTS OF CANADA, 2010-2011

Guarantees

Guarantees provided by the Government include:

— guarantees on the borrowings of enterprise Crown corporations and other government business enterprises;

— loan guarantees;

— insurance programs managed by the Government; and

— other explicit guarantees.

Losses on guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and when the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the guarantee, loss experience and the use of other measurement techniques. Borrowings of enterprise Crown corporations and other government business enterprises are recorded as liabilities for the portion not expected to be repaid directly by these corporations.

Table 11.5 lists the outstanding guarantees and is summarized in Note 16 to the financial statements in Section 2 of this volume. The authorized limits indicated in Table 11.5 represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

TABLE 11.5
GUARANTEES PROVIDED BY THE GOVERNMENT
AS AT MARCH 31, 2011
(in millions of dollars)

	Authorized limit (where applicable)	Principal amount outstanding
Guaranteed borrowings of enterprise Crown corporations and other government business enterprises—		
Agent enterprise Crown corporations		227,642[1]
Non-agent enterprise Crown corporations and other government business enterprises—		
Canadian Wheat Board, The		2,177
Total—Guaranteed borrowings		229,819
Other guarantees provided by the Government—		
Loan guarantees—		
Agriculture and Agri-Food—		
Advance Payments Program—*Agricultural Marketing Programs Act*	5,000	1,197
Farm Improvement Loans Act (FILA) and *Canadian Agricultural Loans Act (CALA)*	3,000	87
Human Resources and Skills Development—		
Canada Student Loans Act	10,782	35
Indian Affairs and Northern Development—		
Indian Economic Development Guarantee Program	60	1
On-Reserve Housing Guarantee Program:	2,200	
Canada Mortgage and Housing Corporation		1,305
Other approved lenders		592
Industry—		
Enterprise Development Program	1,200	[2]
Regional Aircraft Credit Facility	1,500	138
Small Business Loans Act (SBLA)	1,838	[2]
Canada Small Business Financing Act (CSBFA)	1,679	688
Capital Leasing Pilot Project	16	5
Total—Loan guarantees	27,275	4,048
Insurance programs managed by the Government—		
Foreign Affairs and International Trade—		
Accounts administered for the Government by Export Development Canada	20,000	292

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

TABLE 11.5
GUARANTEES PROVIDED BY THE GOVERNMENT
AS AT MARCH 31, 2011—*Concluded*
(in millions of dollars)

	Authorized limit (where applicable)	Principal amount outstanding
Finance—		
Mortgage insurance:	250,000	
Genworth Financial Mortgage Insurance Company of Canada		1,173
Canada Guaranty Mortgage Insurance Company		85
PMI Mortgage Insurance Company of Canada		(2)
Canadian Nuclear Safety Commission—		
Nuclear Liability Reinsurance Account	1,050	582
Total—Insurance programs managed by the Government	271,050	2,132
Other explicit guarantees—		
Agriculture and Agri-Food—		
National Biomass Ethanol Program	140	25
Price Pooling Program—*Agricultural Marketing Programs Act*		33
Finance—		
Obligations to The Canadian Wheat Board under the Agri-Food Credit Facility (ACF) and the Credit Grain Sales Program (CGSP)		264
Canadian Broadcasting Corporation—		
Financial Guarantee		188
Total—Other explicit guarantees	140	510
Total—Gross guarantees	298,465	236,509
Less: allowance for guarantees		592
NET EXPOSURE UNDER GUARANTEES		235,917

Note: This table excludes insurance programs operated by agent enterprise Crown corporations. Information on these programs is disclosed in Note 16 to the financial statements in Section 2 of this volume and additional information is provided in Table 11.7 of this section.
(1) Details can be found in Table 9.6 in Section 9 of this volume.
(2) Less than $500,000.

Advance Payments Program — *Agricultural Marketing Programs Act*

The Advance Payments Program (APP) provides producers with a cash advance on the value of their agricultural products during a specified period. By improving their cash flow throughout the year, the APP helps crop and livestock producers meet their financial obligations and benefit from the best market conditions.

Under the APP, the federal government guarantees repayment of cash advances issued to farmers by the producer organization. These guarantees help the producer organization borrow money from financial institutions at lower interest rates and issue producers a cash advance on the anticipated value of their farm product that is being produced and/or that is in storage. The maximum cash advance of the program is $0.4 million and the loans generally have a repayment term of 18 months.

Farm Improvement Loans Act and Canadian Agricultural Loans Act

The *Canadian Agricultural Loans Act* (CALA) program is a financial loan guarantee program that gives farmers easier access to credit. Farmers can use these loans to establish, improve, and develop farms; while Agricultural co-operatives may also access loans to process, distribute, or market the products of farming.

The CALA program builds on and replaces the previous *Farm Improvement and Marketing Co-operative Loans Act* (FIMCLA) program, which has helped farming operations grow their businesses by guaranteeing loans issued through financial institutions since 1988.

Through the CALA, the Government of Canada is supporting the renewal of the agricultural sector and enabling co-operatives to better seize market opportunities. This program guarantees

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

95 percent of the value of loans provided to farms and cooperatives by financial institutions. For individual applicants, including corporations, the maximum amount for a *Canadian Agricultural Loans Act* loan is $0.5 million. Most loans are repayable within ten years; for loans on land purchases, the repayment period is 15 years.

Canada Student Loans Act

Student loans provided by financial institutions between 1964 and August 1995, under the *Canada Student Loans Act*, are fully guaranteed by Human Resources and Skills Development Canada (HRSDC) to the lenders. HRSDC reimburses the lenders for the outstanding principal, accrued interest and costs in the event of default, permanent disability or death of the borrower.

Indian Economic Development Guarantee Program

This program authorizes Indian Affairs and Northern Development Canada to guarantee loans for non-incorporated Indian businesses on a risk-sharing basis with commercial lenders because security restrictions in the *Indian Act* prevent the mortgage and seizure of property located on reserves. Guarantees are provided for various types of borrowers whose activities contribute to the economic development of Indians and enable them to develop long-term credit relationships with mainstream financial institutions.

Loans issued under this program cannot exceed a term of 15 years and the line of credit must be renewed every year. Interest rates on guaranteed loans are consistent with rates provided by lending institutions to commercial businesses, which are usually based on a spread from the prime lending rate. Any security pledged for a guaranteed loan may not be released by the lending institution without the prior approval of the Minister of Indian Affairs and Northern Development.

On-Reserve Housing Guarantee Program

This program authorizes Indian Affairs and Northern Development Canada to guarantee loans to individuals and Indian bands to assist in the purchase of housing on reserves because security restrictions in the *Indian Act* prevent the mortgage and seizure of property located on reserves. These loan guarantees enable status Indians residing on reserves, Band councils, or their delegated authorities, to secure housing loans without giving the lending institution rights to the property.

Loans under this program are issued by registered lending institutions and Canada Mortgage and Housing Corporation. Payments of principal and interest for loans issued under this program are amortized over a period of 25 years. The interest rates on the guaranteed loans are consistent with conventional mortgage interest rates offered by the major banks.

Enterprise Development Program

The Enterprise Development Program (EDP) was established in 1977 to encourage the growth of the manufacturing and processing sectors of Canadian industry by improving their viability and international competitiveness. One method of assistance was to provide insurance, of up to 90 percent, to support term loans made by private lenders to restructure operations or supplement working capital when normal financing was not available on reasonable terms.

The program required insured lenders to take reasonable fixed asset security, and provide loans at normal commercial interest rates and terms. The insured lenders were paid 90 percent of the losses sustained by them, after realizing on the security when a company defaulted. The program was closed in the mid-eighties as part of Program Review.

Regional Aircraft Credit Facility

The Regional Aircraft Credit Facility Program was established in 2004 to provide sales financing assistance in the form of loan guarantees to enable domestic air carriers to acquire Canadian-built fixed-wing commercial jets.

The guarantees are provided on commercial terms and are secured by the aircraft financed by private lenders. These guarantees have a life of 15 years. This program expired on March 31, 2008.

Small Business Loans Act and *Canada Small Business Financing Act*

The *Small Business Loans Act* (SBLA) includes loans registered until March 31, 1999 and the *Canada Small Business Financing Act* (CSBFA) includes both the core loans component (loans registered since April 1, 1999) and the Capital Leasing Pilot Project (leases registered between April 1, 2002 and March 31, 2007). In collaboration with financial institutions, the programs offered under these Acts are designed to help Canadian small and medium-sized enterprises (SMEs) get access to loan and capital leasing financing that would not otherwise have been available, or would only have been available under less favourable terms. In the event a registered loan or lease defaults, the Government pays 85 percent of the net eligible losses. To be eligible, SMEs must be for-profit businesses with revenues not exceeding $5 million per year.

Accounts administered for the Government by Export Development Canada (EDC)

The Government of Canada has authorized support for insurance and guarantee programs which on the basis of EDC's risk management practices, could not be supported under EDC's Corporate Account but are in the national interest. Canada Account transactions consist of activities undertaken by EDC pursuant to Section 23 of the *Export Development Act*.

Mortgage Insurance

The Department of Finance guarantees loans insured by the Genworth Financial Mortgage Insurance Company Canada, the Canada Guaranty Mortgage Insurance Company and PMI Mortgage Insurance Company Canada. The maximum amount of guarantees that can be provided to eligible private sector insurers can not exceed a value of $250 000 million. Each eligible private sector insurer is required to pay a quarterly risk premium to the Government and maintain a minimum reserve fund to offset losses.

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

Nuclear Liability Reinsurance Account

Under the *Nuclear Liability Act* (NLA), operators of designated nuclear installations are required to possess basic and/or supplementary insurance of $75 million per installation for specified liabilities. The federal government has designated the Nuclear Insurance Association of Canada (NIAC) as the sole provider of third-party liability insurance and property insurance for the nuclear industry in Canada. The NIAC provides insurance to nuclear operators under a standard policy.

The policy consists of two types of coverage: Coverage A and Coverage B. Coverage A includes only those risks that are accepted by the insurer; that is, bodily injury and property damage. Coverage B risks include personal injury that is not bodily; for example, psychological injury, damage arising from normal emissions, and damage due to acts of terrorism.

The NIAC receives premiums from operators for both coverages; however, premiums for Coverage B risks are remitted to the federal government, which reinsures these risks under its reinsurance agreement with the NIAC. Through the reinsurance agreement, the federal government assumes the liability associated with the difference between the basic insurance coverage provided by the NIAC and the full $75 million of liability imposed by the *NLA*, as well as for events listed under coverage B.

The Canadian Nuclear Safety Commission (CNSC) administers the Nuclear Liability Reinsurance Account on behalf of the federal government. The CNSC receives the premiums, paid by the operators of nuclear installations, for the supplementary insurance coverage and credits these to the Nuclear Liability Reinsurance Account in the Consolidated Revenue Fund.

National Biomass Ethanol Program

By Agreement dated March 30, 2001 (and amended in September 1, 2003), Her Majesty the Queen in the Right of Canada as represented by the Minister of Agriculture and Agri-Food and Farm Credit Canada (FCC) entered into the National Biomass Ethanol Program (NBEP). The purpose of the program is to encourage new biomass fuel ethanol production in Canada. Guarantees are provided in relation to the Line of Credit Agreements entered into by Farm Credit Canada.

Price Pooling Program — *Agricultural Marketing Programs Act*

The Price Pooling Program (PPP) provides a price guarantee that protects marketing agencies and producers against unanticipated declines in the market price of their products. Program participants use the price guarantee as security in obtaining credit from lending institutions. This credit allows the marketing agency to improve cash flow of producers through an initial payment for products delivered. It also provides equal returns to producers for products of like grades, varieties and types. This program is designed to assist and encourage cooperative marketing of eligible agricultural products, including processed products.

Obligations to the Canadian Wheat Board under the Agri-Food Credit Facility and the Credit Grain Sales Program

The Department of Finance manages guarantees to The Canadian Wheat Board for the repayment of the principal and interest of all receivables resulting from sales made under the Credit Grain Sale Program and a portion of credit sales made under the Agri-Food Credit Facility.

Financial Guarantee

The Canadian Broadcasting Corporation provided an absolute and unconditional guarantee, as part of the sale of receivables, of the full payment and timely payments of receivables by the ultimate debtors until 2027.

International Organizations

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations.

Table 11.6 details the contingent liabilities for international organizations and is summarized in Note 16 to the financial statements in Section 2 of this volume.

TABLE 11.6
INTERNATIONAL ORGANIZATIONS CONTINGENT LIABILITIES
(in millions of dollars)[1]

	March 31/ 2011	March 31/ 2010
NON-BUDGETARY SHARE CAPITAL AND LOANS—		
Callable Share Capital—		
Finance—		
European Bank for Reconstruction and Development	689	622
International Bank for Reconstruction and Development (World Bank)	4,915	5,149
Multilateral Investment Guarantee Agency	44	47
	5,648	*5,818*
Foreign Affairs and International Trade—		
Canadian International Development Agency—		
African Development Bank	5,845	1,165
Asian Development Bank	6,240	2,154
Caribbean Development Bank	119	50
Inter-American Development Bank	7,627	7,990
	19,831	*11,359*
Total	25,479	17,177

[1] Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2011 (1$USD = $0.9696 CAD; 1SDR = $1.54079 CAD; 1 EUR = $1.3743 CAD).

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

PUBLIC ACCOUNTS OF CANADA, 2010-2011

Environmental Liabilities

Remediation of Contaminated Sites

Based on management's best estimates, a liability for the estimated costs related to the remediation of contaminated sites is accrued when the contamination occurs, or when the Government becomes aware of the contamination, and is obligated or likely obligated to incur such costs. As at March 31, 2011, the Government has recorded a liability of $4,354 million for approximately 2,200 sites ($3,493 million in 2010 for approximately 2,400 sites).

The Government has estimated possible additional clean-up costs of $1,044 million ($1,512 million in 2010) that are not accrued as these are undeterminable at this time. The change in contingent liabilities related to contaminated sites is due to the additional information gathered during the year which enabled the potential liability for certain sites to be more accurately estimated.

Future Asset Restoration

Based on management's best estimates, a liability of $16 million ($16 million in 2010) has been recorded for likely management and clearance action on approximately 42 unexploded explosive ordnance (UXO) affected sites (30 affected sites in 2010). Management has estimated possible additional clearance costs ranging from $180 million to $524 million that are not accrued as these are undeterminable at this time.

The Government's ongoing efforts to assess contaminated sites and UXO affected sites may result in additional liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These adjustments will be accrued in the year in which they become known.

Claims and Pending and Threatened Litigation

Please refer to Note 16 to the financial statements in Section 2 of this volume for information on claims and pending and threatened litigation.

Insurance Programs of Agent Enterprise Crown Corporations

An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. The Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, and Export Development Canada currently operate insurance programs as agents of Her Majesty. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis. However, in the event the corporations have insufficient funds, the Government will have to provide financing. The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Information presented in Table 11.7 has not been audited since the information presented therein is derived from interim financial statements. Additional financial information relating to these corporations may be found in the "*President of the Treasury Board's Annual Report to Parliament - Crown Corporations and Other Corporate Interests of Canada*". Information contained in Table 11.7 is also summarized in Note 16 to the financial statements in Section 2 of this volume.

2010-2011 Public Accounts of Canada (contd.)

Excerpts from Section 11: Contractual Obligations and Contingent Liabilities (contd.)

TABLE 11.7
SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 2011
(in millions of dollars)

	Canada Deposit Insurance Corporation[1]		Canada Mortgage and Housing Corporation[2]				Export Development Canada[3]	
			Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund			
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Insurance in force as at reporting date	603,842	590,013	519,600	482,328	325,662	302,444	23,964	21,427
Opening balance of Fund	857	959	8,200	7,444	976	1,440	(3)	(3)
Revenues for the period—								
Premiums and fees	253	198	1,749	1,706	221	201	219	200
Investment income	34	31	762	641	2,129	625		
Other revenues			6	5	4	4		
Total revenues	287	229	2,517	2,352	2,354	830	219	200
Expenses for the period—								
Loss on/provision for claims		300	470	1,120			26	110
Interest on borrowing			1		1,777	1,338		
Administrative expense	29	30	196	190	13	12		
Other expenses (includes taxes)	2	1	507	289	154	(116)		
Total expenses	31	331	1,174	1,599	1,944	1,234	26	110
Net income or (loss) for the period	256	(102)	1,343	753	410	(404)	193	90
Adjustments			1	3		(59)		
Closing balance of Fund	1,113	857	9,544	8,200	1,386	977	(3)	(3)
Net claims during the period [4]			719	569	*	*	75	226
Five year average of net claims paid			425	311	*	*	92	79

*Not applicable.

(1) The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to $100,000 per depositor, per institution. The Corporation is funded by premiums assessed against its member institutions.

(2) Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF is produced as of September 30 of each year. The Corporation determines provisions for claims and unearned premiums at December 31 using valuation factors taking into account new business, claims and interest for the last quarter. The MBSGF supports two CMHC guarantee products: *National Housing Act* (NHA) Mortgage-Backed Securities and Canada Mortgage Bonds.
The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as $1,000. The Canada Mortgage Bond (CMB) program was implemented in 2001. Under this program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as $1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds of $199,238 million ($180,440 million in 2010) including accrued interest, issued by the Trust carry the full faith and credit of the Government of Canada. The timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

(3) Export Development Canada (EDC) provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The Corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. EDC maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is $477 million ($543 million in 2010).

(4) Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

2011 Australia Consolidated Financial Statements[2]

Excerpt from Note 1: Statement of significant accounting policies

Commitments

1.179 Commitments are obligations or undertakings that exist at the end of the reporting period and have not been recognised as liabilities in the balance sheet to make future payments to other entities.

Contingent liabilities and contingent assets

1.180 Contingent liabilities and assets are not recognised in the balance sheet but are disclosed in the relevant notes. They are classified as contingent due to:

- uncertainty as to the existence of a liability or asset,
- an existing liability or asset in respect of which settlement is not probable, or
- an existing liability or asset where the amount cannot be reliably measured.

Remote contingencies are part of this disclosure. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible.

1.181 In this consolidated financial report, contingent assets are possible assets that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Australian Government.

[2] Available online at http://www.finance.gov.au/publications/commonwealth-consolidated-financial-statements/index.html; last accessed July 25, 2012.

2011 Australia Consolidated Financial Statements (contd.)

Note 34: Commitments
as at 30 June 2011

	2011 $m	2010 $m
BY TYPE		
Capital commitments		
Land and buildings	2,248	2,071
Infrastructure, plant and equipment	2,349	2,201
Specialist military equipment	9,567	11,647
Investments	8,107	8,068
Other capital commitments	689	932
Total capital commitments	**22,960**	**24,919**
Other commitments		
Operating leases(c)	17,620	15,749
Project commitments	565	1,164
Research and development	845	1,754
Goods and services contracts	16,907	13,952
Grant commitments(b)	391,887	389,219
Other commitments	35,843	24,297
Total other commitments	**463,667**	**446,135**
Total commitments	**486,627**	**471,054**
less Commitments receivable	2,093	1,818
Net commitments	**484,534**	**469,236**
BY MATURITY(a)		
Capital		
One year or less	18,072	15,631
From one to five years	12,386	9,175
Over five years	2,169	650
	32,627	25,456
Operating leases		
One year or less	2,562	2,290
From one to five years	7,534	6,142
Over five years	4,923	4,959
	15,019	13,391
Other		
One year or less	120,853	125,941
From one to five years	307,691	300,699
Over five years	8,344	3,749
	436,888	430,389
Net commitments by maturity	**484,534**	**469,236**

The above schedule should be read in conjunction with the accompanying notes.

(a) The maturity schedules for capital commitments, operating lease commitments and other commitments are presented net of commitments receivable.

(b) Grant commitments includes $350,118 million (2010: $348,268 million) in relation to the Inter-Governmental Agreements (IGAs) for payments to the State and Territory Governments administered through the Treasury. The 2010 Grant commitments have been reduced by $817 million to reflect the change in accounting treatment of payments under the Natural disaster recovery and relief arrangements. Refer to note 1.111 for details.

2011 Australia Consolidated Financial Statements (contd.)

Note 34: Commitments (continued)

(c) Operating leases comprise

Nature of lease	General description of leasing arrangement
Leases for computer equipment	Most agencies lease computer equipment and software. Computer leases are generally for three to five years with an option to renew for one to two further periods of two to three years each. In some cases there are no renewal or purchase options available to the agencies. Leases are effectively non-cancellable. No contingent rentals exist. The equipment has on average a useful life of three years.
Leases for office accommodation	Most agencies lease office accommodation from parties outside the Australian Government. Leases for office accommodation generally range from one to 15 years. They may be extended for up to three to five years from the originally specified expiry date. In some cases there are no renewal or purchase options available to the agencies. Leases are effectively non-cancellable. In most cases lease payments are subject to increases in accordance with terms as negotiated under the lease (generally subject to annual increase in accordance with upwards movements in the consumer price index, a set annual increase agreed to in the lease or an annual/bi-annual review).
Agreements for the provision of motor vehicles	Most agencies lease motor vehicles as part of the senior executive officers remuneration packages and also for general office use. Vehicle leases are generally for a minimum period of three months and typically extend from two to four years. They may be extended for up to three months from the originally specified expiry date. In some cases there are no renewal or purchase options available to the agencies. Leases are effectively non-cancellable. No contingent rentals exist. Lease payments are fixed for the term of the lease.
Leases for office equipment	Most agencies lease office equipment. Office equipment leases are generally for three to five years. In some cases there are no renewal or purchase options available to the agencies. Leases are effectively non-cancellable. No contingent rentals exist. In some cases there are additional costs based on usage of the equipment.
Leases for transportation and support facilities for Antarctic operations	Lease payments are subject to increases in accordance with terms as negotiated under the lease. The transportation leases generally have options for renewal. Future options not yet exercised are not included as commitments. Leases are effectively non-cancellable and no contingent rentals exist.

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies
as at 30 June 2011

	2011 $m	2010 $m
Quantifiable contingent liabilities		
Guarantees(a)	420	261
Indemnities(b)	637	614
Uncalled shares/capital subscriptions(c)	9,654	12,114
Claims for damages/costs	117	111
Other contingencies	8,276	6,338
Total quantifiable contingent liabilities	**19,104**	**19,438**
less Quantifiable contingent assets	326	413
Net quantifiable contingencies	**18,778**	**19,025**

(a) Guarantees — a guarantee is where one party promises to be responsible for the debt or performance obligations of another party should that party default in some way.
(b) Indemnities — an indemnity is a legally binding promise whereby a party undertakes to accept the risk of loss or damage another party may suffer.
(c) Uncalled shares/capital subscriptions include uncalled shares of $9,601 million (2010: $12,052 million) in the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency and the Asian Development Bank.

A. Reconciliation of movement in quantifiable contingent assets

	2011 $m	2010 $m
Quantifiable contingent assets		
Opening balance as at 1 July	413	166
Increases	85	382
Re-measurement	(42)	7
Assets crystallised	(106)	(66)
Expired	(24)	(76)
As at 30 June	**326**	**413**

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

B. Reconciliation of movement in quantifiable contingent liabilities

	Guarantees $m	Indemnities $m	Uncalled shares or capital subscriptions $m	Claims for damages or costs $m	Other quantifiable contingencies $m	Total $m
Opening balance as at 1 July 2010	261	614	12,114	111	6,338	**19,438**
Increases	239	1	-	56	2,546	**2,842**
Re-measurement	(3)	23	(2,460)	3	2,963	**526**
Liabilities crystallised	-	-	-	(8)	-	**(8)**
Obligations expired	(77)	(1)	-	(45)	(3,571)	**(3,694)**
As at 30 June 2011	**420**	**637**	**9,654**	**117**	**8,276**	**19,104**

	Guarantees $m	Indemnities $m	Uncalled shares or capital subscriptions $m	Claims for damages or costs $m	Other quantifiable contingencies $m	Total $m
Opening balance as at 1 July 2009	277	555	6,766	232	123	7,953
Increases	4	35	5,693	51	6,224	12,007
Re-measurement	(7)	25	(345)	(37)	7	(357)
Liabilities crystallised	(2)	-	-	(26)	(5)	(33)
Obligations expired	(11)	(1)	-	(109)	(11)	(132)
As at 30 June 2010	**261**	**614**	**12,114**	**111**	**6,338**	**19,438**

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

C. Contingent liabilities excluded on the basis of remoteness

	2011 $m	2010 $m
Remote contingent liabilities		
Financial Claims Scheme(a)	780,800	690,000
Guarantees Scheme for Large Deposits and Wholesale Funding(b)	118,004	162,953
Guarantee of State and Territory Borrowing(c)	39,500	69,752
Commonwealth Bank of Australia and Commonwealth Bank of Australia Officers' Super Fund(d)	4,459	4,500
UN Convention on International Liability for Damage Caused by Space Objects(e)	2,000	2,000
Space Activities Act 1998 (f)	3,000	3,000
Other	5,473	4,361
Total remote contingent liabilities	**953,236**	**936,566**

The above schedule should be read in conjunction with the accompanying notes:

(a) Financial Claims Scheme

The Australian Government has established a Financial Claims Scheme to provide depositors of authorised deposit-taking institutions and general insurance policyholders with timely access to their funds in the event of a financial institution failure.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme any payments to eligible depositors or general insurance policyholders will be made out of APRA's Financial Claims Scheme Special Account.

The Early Access Facility for Depositors established under the *Banking Act 1959* provides a mechanism for making payments to depositors under the Government's guarantee of deposits in authorised deposit-taking institutions. The Government announced that, from 12 October 2008, deposits up to $1 million at eligible authorised deposit-taking institutions would be eligible for coverage under the Financial Claims Scheme. This $1 million cap will continue until February 2012.

As at 30 June 2011, deposits eligible for coverage under the Financial Claims Scheme were estimated to be approximately $781 billion.

The Policyholder Compensation Facility established under the *Insurance Act 1973* provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. Amounts available to meet payments and administer this facility, in the event of activation, are capped at $20.1 billion under the legislation.

Any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there were a shortfall, a levy would be

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

applied to industry to recover the difference between the amount expended and the amount recovered in the liquidation.

(b) Guarantee of large deposits and wholesale funding in authorised deposit taking institutions

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit-taking institutions from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

On 7 February 2010, the Government announced the closure of the Guarantee Scheme from 31 March 2010. Since then, Australian authorised deposit-taking institutions have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above $1 million. Existing guaranteed wholesale funding is guaranteed to maturity. Depositors who covered their balances above $1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

The expected liability for deposits under the Guarantee Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial obligations. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place. Furthermore, Australia's four major banks (which hold the majority of government wholesale funding) are among only ten large banking groups globally rated AA or higher.

Government expenditure would arise under the large deposit guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 30 June 2011, total liabilities covered by the Guarantee Scheme were estimated at $118 billion, including $3.9 billion of large deposits and $114.1 billion of wholesale funding.

(c) Guarantee of State and Territory Borrowing

The Australian Government announced on 25 March 2009 that a voluntary and temporary guarantee would be put in place over state and territory borrowing. The Guarantee of State and Territory Borrowing commenced on 24 July 2009.

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

The guarantee closed to new issuances of guaranteed liabilities on 31 December 2010. Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Government expenditure would arise under the guarantee only in the unlikely event that a State or Territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 30 June 2011, the face value of state and territory borrowings covered by the guarantee was $39.5 billion.

(d) Commonwealth Bank of Australia and Commonwealth Bank of Australia Officers' Super Fund

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 31 December 2010.

(e) UN Convention on International Liability for Damage Caused by Space Objects

The Australian Government is liable under the UN Convention on International Liability for Damage Caused by Space Objects for injury or damage to foreign nationals arising from space launches from Australia. The *Space Activities Act 1998* requires the launch operator to insure against liability up to a prescribed amount, with the Australian Government bearing any liability above this amount. The Australian Government also accepts liability for damage suffered by Australian Nationals, to a maximum value of $3.0 billion above the insured level.

(f) *Space Activities Act 1998*

An agreement was signed in 1998, amended in 1999, between the Australian Government, Kistler Woomera P/L and Spaceport Woomera P/L in relation to the launching by the K 1 Aerospace Vehicle of satellites into space. Under the Space Activities Act, any such launches require the companies to obtain insurance cover. In this agreement the Australian Government provides additional indemnity support to a maximum of $US 1.5 billion (approximately $A 2.0 billion).

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

NON-QUANTIFIABLE CONTINGENT LIABILITIES

Contingent liabilities and contingent assets represent possible costs or gains to the Australian Government arising from past events, which will be confirmed or otherwise by the outcome of future events that are not within the Government's ability to control or where the cost or gain cannot be reliably measured.

Contingent liabilities include loan guarantees, non-loan guarantees, warranties, indemnities, uncalled capital and letters of comfort. These possible costs are in addition to those recognised as liabilities in the Consolidated Financial Statements.

Contingent assets include, for example, claims that the Australian Government is pursuing through legal processes, where the outcome is uncertain.

Unquantifiable contingencies reported in the 2010-11 Consolidated Financial Statements for the first time include[1]:

- 2015 Asian Football Confederation (AFC) Asian Cup – Government Guarantees,
- NBN Co Telstra definitive agreements,
- NBN Co Customer migration costs,
- Financial assistance for victims of overseas terrorist acts,
- 2018 Commonwealth Games Gold Coast Bid – Government Guarantees.

The following pages list unquantifiable contingencies by portfolio.

Agriculture, Fisheries and Forestry

Compensation claims arising from equine influenza outbreak

The Australian Government may become liable for compensation actions should negligence be found in relation to the outbreak of equine influenza (EI) that occurred in August 2007. At this stage any potential liability resulting from the EI outbreak cannot be quantified.

---

1 A number of the new contingent liabilities have previously been reported in the Statement of Risks included in the Australian Government budget documentation.

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

Exceptional Circumstances assistance for drought-affected farmers

Exceptional Circumstances assistance is available, subject to eligibility criteria, to drought affected farmers and agriculture-dependent small businesses by way of interest rate subsidies and/or income support. A continuation of adverse seasonal conditions or a return to severe drought conditions could result in higher than expected expenses for these forms of assistance. It is not possible to quantify the cost arising from such potential developments as this depends on the intensity, duration and scale of future drought conditions.

Attorney General's

Financial assistance for victims of overseas terrorist acts

The Social Security Amendment (Supporting Australian Victims of Terrorism Overseas) Bill 2011 was introduced into Parliament on 24 March 2011. If passed, this legislation would establish a framework for the provision of financial assistance for Australians who are injured overseas as a result of terrorist acts and for close family members of Australians who are killed overseas as a result of terrorist acts. The legislation would enable the Prime Minister to declare that a relevant overseas terrorist incident is one to which the scheme applies. As acts of terrorism are unpredictable, the cost of the scheme is unquantifiable.

Indemnities relating to the Air Security Officer programme

The Australian Government has entered into indemnity agreements with Australian airlines that agree to allow their aircraft to fly with Air Security Officers on board. The indemnity agreements limit the Australian Government's exposure to a maximum of $2 billion per incident. The indemnity applies to the extent that any loss is not covered by existing relevant insurance policies held by the airline and only applies where the airline(s) can prove that an action on the part of an Air Security Officer under or in connection with the Air Security Officer programme caused a loss.

Native title agreements — access to geospatial data

The Australian Government has entered into agreements with State and Territory government bodies and/or their agents to access their geospatial data. The data is essential to support the National Native Title Tribunal in achieving its outcome. Under these agreements, the Australian Government provides indemnities against third party claims arising from errors in the data.

Native title costs

The Australian Government has offered to assist the States and Territories in meeting native title compensation costs arising under the *Native Title Act 1993*. The amounts that might be paid by the Australian Government will be subject to the terms of financial assistance agreements being negotiated with the States and Territories. No agreements have been entered into to date. The Australian Government's liability cannot be quantified due to uncertainty about the number and effect of compensable

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

acts, both in the past and in the future, and the value of native title affected by those acts. Similarly, it is not possible to quantify the liability for compensable acts for which the Australian Government may be directly liable. The Australian Government has also offered to assist the States and Territories with the costs of bodies performing native title functions under state legislation. The extent of this assistance will depend on the existence of such bodies, the timing of their recognition and the extent of their use.

Northern and Southern Ocean Patrol and response

The Australian Government has entered into contractual arrangements with Sea Force for the provision of maritime charter services until June 2014 to facilitate Customs and Border Protection and the Department of Agriculture, Fisheries and Forestry armed patrols of Australia's exclusive economic zone in the Southern and Northern Ocean. The Australian Government has also entered into contractual arrangements with Gardline Australia Pty Ltd for the provision of maritime charter services to strengthen its enforcement activities against illegal foreign fishing in Australia's northern waters until June 2011 and a further vessel to patrol and respond to incursions in the Ashmore Reef National Nature Reserve and the Cartier Island Marine Reserve until July 2013.

In relation to these patrols, the Australian Government will indemnify Sea Force and Gardline Australia Pty Ltd against certain claims arising from the discharge of firearms or munitions, or where a steaming party is deployed to crew a seized vessel back to an Australian port.

Broadband, Communications and the Digital Economy

Telstra definitive agreements

NBN Co and Telstra announced on 23 June 2011 that binding Definitive Agreements have been entered into that would provide access to certain Telstra infrastructure (comprising ducts, pits, lead-in conduits, rack spaces in exchanges and dark fibre) and deliver the progressive disconnection of premises from Telstra's copper and HFC networks (except for certain pay TV services). The Definitive Agreements have been attributed (by Telstra) an approximate net present value after tax of $9 billion assessed at June 2010, from the payments to be made over time by NBN Co.

The Australian Government has separately agreed with Telstra a package which includes increased funding for the universal service obligation (USO), funding for a public education campaign and for employee retraining and clarification of Telstra's responsibilities in new developments. Telstra has attributed approximately $2 billion of post tax net present value at June 2010, to its agreements with the Government.

Customer migration costs

The Australian Government has agreed to pay Telstra certain customer migration costs associated with the transition of copper based public interest services to the national broadband network in circumstances were these costs are otherwise unable to be

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

recovered. This agreement is given on the basis that all parties work together in good faith in order to minimise any or all such costs. As at 30 June 2011, the conditions precedent for the agreement have not been satisfied and therefore no costs were paid or payable under this agreement.

Climate Change and Energy Efficiency

Kyoto Protocol — Emissions target

As a party to the Kyoto Protocol, Australia is required to meet its target level for emissions over the first Commitment Period, 2008-2012. At this stage the best available estimates suggests that Australia is on track to meet the 2008-2012 target. However, it remains unclear whether Australia will ultimately report an asset or a liability. Once this information can be more reliably estimated, the Australian Government will account for it accordingly.

Home Insulation Program

On 19 February 2010, the Australian Government announced the closure of the Home Insulation Program (HIP). The Government subsequently announced two separate elements within the HIP to address safety issues. The elements are the Home Insulation Safety Program (HISP), which addresses safety issues through an inspection and rectification program of all homes with non-foil insulation installed under HIP. The second element is Foil Insulation Safety Program (FISP), which addresses safety issues through an inspection and rectification program of all homes with foil insulation installed under HIP.

There are components of the provision that the Australian Government is not able to measure reliably as some are demand driven and insufficient information exists to enable it to be quantified.

Under HISP, the Government announced that it will undertake safety inspections of a minimum of 150,000 homes that had non-foil insulation installed. Inspections targeted those homes that are most likely to have safety issues. Additionally if a household has safety concerns with installations under HIP they can request an inspection.

On 20 April 2011 the Government extended HISP for home owner initiated inspections up to 30 June 2012. Households with foil insulation previously eligible for an inspection under FISP can request an inspection under the extended HISP arrangements until 30 June 2012. As any remaining inspections under HISP (and FISP) are householder initiated (that is demand driven) the Department is unable to reliably quantify the number of likely inspections and in turn their costs.

In addition to the initial inspections in relation to both HISP and FISP, additional inspections are required for complex situations, which may then require rectification, where the roof contains asbestos or the roof cavity is too small for a human to access and therefore the roof must be removed to undertake the inspection or similar situations. Because the situations vary on a case by case basis and as at 30 June 2011 no complex rectifications have been undertaken, the costs cannot be reliably measured.

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

Accordingly costs associated with rectifying issues identified in the inspection program are being expensed as incurred.

Sustainability, Environment, Water, Population and Communities

Murray-Darling Basin Reform

Under the 3 July 2008 Intergovernmental Agreement on Murray-Darling Basin Reform (Reform IGA), the Australian Government agreed that the Governments of New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (Basin States) will not bear additional net costs as a consequence of the reforms agreed between the parties and the implementation of the *Water Act 2007* (the Act). The Australian Government also agreed to accept responsibility for the States' shares of liabilities for such reductions that are attributable to new knowledge, under certain conditions.

Finance and Deregulation (refer also contingencies under 'Various')

Superannuation

On 20 April 2007, the High Court of Australia found against the Australian Government on a claim for negligent misstatement relating to superannuation benefits for a former employee of the Department of the Interior. There is potential for more claims to arise from other former temporary employees who upon their retirement can demonstrate negligent misstatement over their eligibility to join an Australian Government superannuation scheme.

Googong Dam

On 4 September 2008, a 150 year lease for the Googong Dam was signed between the Commonwealth and the ACT Government. The *Canberra Water Supply (Googong Dam) Act 1974* is the paramount statute in relation to the property. The Commonwealth will be liable to pay compensation in the event that it amends or introduces legislation requiring the acquisition of 'property' from the ACT.

The lease includes a requirement for the Commonwealth to undertake rectification of easements or any defects in title in relation to the Googong Dam, and also gives an indemnity in relation to acts or omissions by the Commonwealth. The Commonwealth is also responsible for remediation of any contamination it may have caused to the site.

Health and Ageing

Australian Red Cross Society — indemnities and blood and blood products liability cover

The existing Deed of Agreement between the Commonwealth and the Australian Red Cross Society (ARCS) and the National Blood Authority (NBA) in relation to the operations of the Australian Red Cross Blood Service (ARCBS), includes certain indemnities and limited liability in favour of ARCS. These cover a defined set of

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

potential business, product and employee risks and liabilities arising from the operation of the ARCBS. The indemnities and limitation of liability only operate in the event of the expiry and non-renewal, or the early termination of the Deed, and only within a certain scope. They are also subject to appropriate limitations and conditions including in relation to mitigation, contributory fault, and the process of handling relevant claims. Under certain conditions the Australian Government, States and Territories jointly provide indemnity for the ARCBS through a cost-sharing arrangement in relation to the National Managed Fund claims, both current and potential, regarding personal injury and loss or damages suffered by a recipient of certain blood and blood products where other available mitigation or cover is not available. Under a Memorandum of Understanding between governments and the ARCBS, the blood and blood products liability cover for the ARCBS remains in force until all parties agree to terminate the arrangements from an agreed date.

Aged Care Accommodation Bond Guarantee Scheme

A Guarantee Scheme has been established through the *Aged Care (Bond Security) Act 2006* and *Aged Care (Bond Security) Levy Act 2006*. Under the Guarantee Scheme, if a provider becomes insolvent or bankrupt and is unable to repay outstanding bond balances to aged care residents, the Australian Government will step in and repay the bond balances owing to each resident. The Australian Government will pursue the defaulting provider and levy industry for any shortfall.

CSL Bioplasma Ltd (formerly CSL Ltd)

Under existing agreements, the Australian Government has indemnified CSL Bioplasma Ltd for certain existing and potential claims made for personal injury, loss or damage suffered through therapeutic and diagnostic use of certain products manufactured by CSL Bioplasma Ltd. The Australian Government has indemnified CSL Bioplasma Ltd for a specific range of events that occurred during the Plasma Fractionation Agreement from 1 January 1994 to 31 December 2004, where alternative cover was not arranged by CSL Bioplasma Ltd.

Medical Indemnity

Medicare Australia administers the Incurred But Not Reported (IBNR) Scheme on behalf of the Australian Government. Eligibility for claim payments under this scheme is dependent on whether the Medical Indemnity Insurer (MII) is deemed to be a participating Medical Defence Organisation under the *Medical Indemnity Act 2002*. During the course of the 2009-10 financial year, two MIIs are still determined to have unfunded IBNR liabilities, but are not included in the Scheme and these MIIs should be eligible for claim payments under the IBNR Scheme. Accordingly, an unquantifiable administered contingency exists to necessitate payment to these MIIs.

Medical Indemnity Exceptional Claims Scheme

Medicare Australia administers the Exceptional Claims Scheme (ECS) on behalf of the Australian Government. Under this scheme, the Australian Government will be liable

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

for the cost of medical indemnity claims that exceed certain thresholds. The Consolidated Revenue Fund is appropriated to make payments under this scheme. To be covered by the ECS, practitioners must have medical indemnity insurance cover to at least a threshold of $15 million for claims arising from incidents notified between 1 January to 30 June 2003 and $20 million for claims notified from 1 July 2003. At 30 June 2011, the Australian Government had received no notification of any incidents that would give rise to claims under this scheme. However, the nature of these claims is such that there is usually an extended period between the date of the medical incident and notification to the insurer.

Vaccines

Under certain conditions the Australian Government has provided an indemnity for the supply of certain vaccines to the suppliers of the vaccines.

The Australian Medical Association

This is an agreement between the Australian Medical Association Ltd (AMA), the Commonwealth, Australian Private Hospitals Association Ltd, Australian Health Insurance Association and Beyond Blue Ltd for participation in and support of the Private Mental Health Alliance. In respect of identified information collected, held or exchanged by the parties in connection with the National Model for the Collection and Analysis of a Minimum Data Set with Outcome Measured in Private, Hospital-based Psychiatric Services, each party has agreed to indemnify each other in respect of any loss, liability, cost, claim or expense, misuse of confidential information or breach of the Privacy Act. AMA's liability to indemnify the other parties will be reduced proportionally to the extent that any unlawful or negligent act or omission of the other parties or their employees or agents contributed to the loss or damage.

Infrastructure and Transport

Australian Maritime Safety Authority — incident costs

In the normal course of operations, the Australian Government is responsible for the provision of funds necessary to meet the clean-up costs arising from ship sourced marine pollution. In all circumstances, the Australian Government, through the Australian Maritime Safety Authority, would make appropriate efforts to recover the costs of any such incidents.

Prime Minister and Cabinet

Australian Government support for the Queensland Government bid to host the 2018 Commonwealth Games on the Gold Coast — Government Guarantees

The Australian Government has committed to support the Queensland Government's bid for the 2018 Commonwealth Games. For the bid to be compliant, the Australian Government must provide guarantees which will come into effect if the bid is won. These guarantees include requirements on immigration, customs, work permits, taxation, security, protection of commercial rights, and communications and

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

information technology. Details of the costs associated with the guarantees are not available at this time. The guarantees will not come into effect if the bid is unsuccessful.

2015 Asian Football Confederation (AFC) Asian Cup — Government Guarantees

The Australian Government has committed to guarantees including requirements on immigration, work permits, customs, taxation, security and the protection of commercial rights, and to provide broad indemnities for the conduct of the 2015 Asian Cup. The guarantees commenced in 2011 and will conclude in 2015. The total cost associated with the guarantees is unquantifiable at this stage.

Resources, Energy and Tourism

Snowy Hydro Limited — water releases

The Australian, New South Wales and Victorian governments have indemnified Snowy Hydro Ltd for liabilities arising from water releases in the Snowy River below Jindabyne Dam, where these releases are in accordance with the water licence and related regulatory arrangements agreed between the three governments. The indemnity will apply to liabilities for which a claim is notified within 20 years from 28 June 2002.

Liquid Fuel Emergency Act 1984

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Act), which is administered by the Minister for Resources, Energy and Tourism. In addition, State and Territory governments have entered into an inter-governmental agreement (IGA) which coordinates the use of the powers under the Act in a national liquid fuel emergency. The IGA contains three areas where the Australian Government may incur expenses in the unlikely event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility for the Australian Government to reimburse the State and Territory governments for costs arising from their response, and potential compensation to industry from Australian Government directions under the Act.

Indemnity for Maralinga clean-up

The Australian Government has given 14 unlimited indemnities in relation to the clean-up of the former British atomic test site at Maralinga.

Gorgon liquefied natural gas and carbon dioxide storage project

The Australian and Western Australian governments have agreed to provide an indemnity to the Gorgon Joint Venture Partners (GJV) to indemnify the GJV against independent third-party claims (relating to stored carbon dioxide) under common law following closure of the carbon dioxide sequestration project, and subject to conditions equivalent to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. It is proposed that the Western Australian Government will indemnify the GJV, and

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

that the Australian Government will indemnify the Western Australian Government for 80 per cent of any amount determined to be payable under that indemnity. The formal agreement between the Australian and Western Australian Governments in relation to the indemnity is expected to be completed by 2011.

Treasury

Commitment to the expanded International Monetary Fund (IMF) New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. In line with G-20 Leaders' commitments, Australia has agreed to join with other countries to increase its credit line under an expanded NAB. Australia's contribution to the expanded NAB will be by way of an SDR 4,370 million contingent loan (estimated value AUD $7.6 billion as at 30 June 2010), replacing Australia's existing SDR 801 million commitment. This will help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds would be drawn upon by the IMF only if needed and would be repaid in full with interest. The principal amount that may be called by the IMF cannot be determined accurately.

Terrorism insurance — Australian Reinsurance Pool Corporation (ARPC)

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a fund and purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's liability would otherwise exceed $10 billion.

Various

Officers' and directors' indemnities

From time to time, the Australian Government has provided warranties, undertakings and indemnities (indemnities) to directors, committee members, advisors, officers and/or staff of organisations for activities undertaken in good faith in assisting the Commonwealth in relation to asset sales, reviews and other arrangements. Indemnities (a number of which are considered remote but have been included for completeness) have been issued in relation to:

- specified parties indemnified through the Department of Finance and Deregulation (and the former of Office of Asset Sales and Commercial Support and its predecessors) to facilitate the execution of sales, privatisations and information technology outsourcing projects. Indemnities (including the year they were raised) are still current for: ADI Ltd (1998), Australian Airlines (1991), Australian Industry

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

Development Corporation (1996), Australian Multimedia Enterprise (1997), Australian National Rail Commission and National Rail Corporation Ltd (1997 and 2000), Australian River Co Ltd (1999), Australian Submarine Corporation Pty Ltd (2000), ComLand Ltd (2004), Bankstown Airport Limited (2002), Camden Airport Ltd (2002), Commonwealth Accommodation and Catering Services (1988), Commonwealth Bank of Australia (1993 to 1996), Commonwealth Funds Management and Total Risk Management (1996 to 1997), Employment National Ltd (2003), Essendon Airport Ltd (2001), Federal Airports Corporation's Airports (1995 to 1997), Home Loans Insurance Commission Ltd (1996), Health Insurance Commission (2000), Hoxton Park Airport Limited (2002), National Transmission Network (1999), Sydney Airports Corporation Ltd (2001), Telstra (1996, 1999 and 2006), and Wool International (1999). Apart from instances noted elsewhere, the Department of Finance and Deregulation does not currently expect any other action to be taken in respect of these indemnities;

- the directors of NBN Co Ltd in relation to claims arising out of directors' involvement in the negotiation and entry by NBN Co into the Financial Heads of Agreement with Telstra;

- the directors, officers and employees of ADI Ltd for claims and legal costs associated with assistance related to the sale of the Australian Government's shares in the company. The Australian Government has provided an indemnity to ADI Ltd for uninsured losses relating to specific heads of claims (through the Department of Defence);

- the trustees of the Australian Reward Investment Alliance (ARIA), the Commissioner for Superannuation and staff, delegates of the trustee board, and members of a Reconsideration Advisory Committee, for activities undertaken in good faith under the *Superannuation Act 1976*, the *Superannuation Act 1990* and the *Superannuation Act 2005* (through the Department of Finance and Deregulation);

- the directors of the Australian Submarine Corporation (ASC) for any claim made against them as a result of complying with ASC's obligations under the Agreement between the Electric Boat Corporation (EBC), the Australian Government and ASC (through the Department of Finance and Deregulation);

- the members of the board of Snowy Hydro Ltd for liabilities arising from entering into agreements to implement corporatisation of the Snowy Mountains Hydro-Electric Scheme, and from liabilities to Snowy Hydro Ltd at corporatisation. The indemnity will apply to liabilities arising within five years of corporatisation, and for which a claim is notified to the Governments within 11 years of the corporatisation date of 28 June 2002. This indemnity has been provided by the Commonwealth (through the Department of Energy, Resources and Tourism), together with the co-shareholder governments of New South Wales and Victoria;

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

- the members of the Future Fund Board of Guardians (the Future Fund Board) to cover liabilities in excess of the Future Fund Board's insurance policies (through the Department of Finance and Deregulation);

- Export Finance and Insurance Corporation (EFIC) board members and senior management to protect against civil claims and legal expenses for unsuccessful criminal claims relating to the implementation of EFIC's alliance/divestment of its short-term export credit insurance business;

- the Festival Development Corporation, a New South Wales Government statutory authority and landlord of the Mt Penang Parklands, Gosford from 1 June 2010 to 30 November 2010. The indemnity is in relation to construction works being carried out by the Australian Government on behalf of National Aboriginal Islander Skills Dance Association's Dance College at Mt Penang Parklands. The maximum potential liability is $20 million;

- maritime Industry Finance Company Ltd board members to protect them against civil claims relating to their employment and conduct as directors (through the Department of Infrastructure, Transport, Regional Development and Local Government);

- certain specified members of the review into the Australian Human Pituitary Hormone Program for the purposes of the review (through the Department of Health and Ageing);

- certain specified members of the review into the Diagnostics Products Agreement for the purpose of the review (through the Department of Health and Ageing);

- officers of the Australian Nuclear Science and Technology Organisation from liability that might be incurred from the conduct of activities authorised under the *Australian Nuclear Science and Technology Organisation Act 1987* (through the Department of Innovation, Industry, Science and Research).

In relation to the sale of Australian Government entities, the Australian Government has indemnified the boards and/or acquirers of certain entities against certain claims and costs arising from the sales of the entities.

Other guarantees, indemnities and undertakings

A range of guarantees, indemnities and undertakings have been provided by Australian Government entities in relation to various matters. Some of these guarantees, indemnities and undertakings are unlimited.

Claims and legal actions

At any time various Australian Government entities are subject to claims and legal actions that are pending court or other processes.

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

Property remediation — Defence and other sites

From time to time, the Australian Government may have ownership of properties that have a potential or possible environmental and associated concern. Where this is the case, further reviews may be undertaken to determine the extent, nature and estimated costs of remediation, if required.

Lease arrangements

Various Australian Government entities have entered into finance and/or operating leases for goods and services. On termination or expiry of the lease term these entities may have an obligation to acquire assets from the lessor or comply with make-good provisions. In the majority of arrangements, a provision has been recognised on the balance sheet. In some arrangements, it has not been possible to estimate the amount of any eventual payment in relation to these obligations.

NON-QUANTIFIABLE CONTINGENT LIABILITIES CONSIDERED REMOTE

Defence

Guarantees, indemnities and undertakings

The Australian Government, through the Department of Defence and the Defence Materiel Organisation, carries an extensive range of guarantees, indemnities and undertakings, normally of a short-term nature, relating to business, training activities and other arrangements involving contracts, agreements and other Defence activities.

Indemnities issued cover potential losses or damages for which the Australian Government would not be liable without the indemnity.

Sustainability, Environment, Water, Population and Communities

Antarctic Airlink lease

The Australian Government has entered into an arrangement to guarantee the financial performance of the A319 Antarctic Airlink lease. The liability under the guarantee is capped at US$500 million; however, this amount is then matched by the insurance obligations under the lease with a net effect of A $0.

Finance and Deregulation

Transactional banking services

Under contractual arrangements for transactional banking services entered into by agencies covered by the *Financial Management and Accountability Act 1997*, the Australian Government has indemnified private sector banks against loss and damage arising out of acts or omissions by the Australian Government, including by error, fraud, negligence or transactions made with the authority of the Australian Government.

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

Infrastructure and Transport

Tripartite Deeds relating to the sale of core regulated airports

Tripartite Deeds apply to the 12 Core Regulated Airports (Sydney, Melbourne, Brisbane, Perth, Canberra, Coolangatta, Townsville, Adelaide, Hobart, Launceston, Darwin and Alice Springs). The Tripartite Deeds between the Australian Government airport lessees and lessees' financiers provide for limited step-in rights for the financiers in circumstances where the Airport Lease is terminated. Assuming the financiers' step-in rights are not triggered, the potential liability of the Australian Government can vary under the Tripartite Deed, depending on whether the Airport Lease is able to be sold on to a third party or not.

The Australian Government's potential liability to the lessee's financiers is limited to the value received for the affected Airport Lease or the valuation of the airport site. Where the Australian Government is able to on sell the Airport Lease, secured financiers have a limited ability to recover their loans from funds obtained by the Australian Government from on selling the Airport Lease, subject to higher ranking claims being met first. Where the Airport Lease is not unsold, the Australian Government is required to obtain a valuation of the airport site that will determine the limit for a repayment (or partial repayment) of financiers' loans, again subject to higher ranking claims being met. If the Australian Government enters into possession of an airport site, it would seek to recover its costs from a number of sources, including airport revenues and the airport lessee Company, in addition to funds obtained from on selling the Airport Lease.

Assumed Residual Liabilities of the Australian National Railways Commission

The Australian Government under Schedule 3 of the *Australian National Railways Commission Sale Act 1997* assumed the residual liabilities of the Australian National Railways Commission. A writ of summons was filed in the High Court of Australia on 20 August 2004 and a statement of claim on behalf of 24 other plaintiffs was filed in the District Court of South Australia on 22 September 2005. The writ sought unspecified damages for personal injuries as a result of exposure to lead and other particles from trains carrying lead and zinc ore.

Treasury

Foreign currency denominated loans

The Australian Government has indemnified agents of foreign currency denominated loans issued by the Australian Government outside Australia against any loss, liability, costs, claims, charges, expenses, actions, or demands due to any misrepresentation by the Australian Government and any breach of warranties. The Australian Government is not aware of any event that has occurred that may trigger action under the indemnities.

2011 Australia Consolidated Financial Statements (contd.)

Note 35: Contingencies (continued)

Treasury bonds

In the extremely unlikely event of default by a borrower of Treasury bonds under the securities lending facility, the AOFM would be in a position to sell the securities pledged by the borrower to offset the increased liability to the government. As at 30 June 2008 there were no open transactions under the AOFM's securities lending facility.

Various

Claims and legal actions

At any time various Australian Government entities are subject to claims and legal actions which are pending court or other processes.

Guarantees, indemnities and undertakings

A range of guarantees, indemnities and undertakings have been provided by Australian Government entities in relation to various matters other than those described above. Some of these guarantees, indemnities and undertakings, although remote, are either unquantifiable or uncapped.

OMB's Schedule of Spending Guidance (from OMB Circular A-136)[3]

II.5.1 Schedule of Spending

The Schedule of Spending (SOS) presents an overview of how and where agencies are spending money. The SOS should be included in an agency's OAI section of the PAR or AFR. Quarterly reporting of the SOS is not required as it is an annual statement. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). The SOS presents total budgetary resources, gross outlays, and fiscal year-to-date total obligations for the reporting entity.

The budgetary information in this schedule is presented on a combined basis and not a consolidated basis. Preparation of consolidated financial information involves line-by-line elimination of intra-entity balances. To remain consistent with the aggregate of the account-level information presented on the SF-133 and SBR, consolidation of this schedule is inappropriate. Accordingly, line-by-line consolidation of this schedule is not permitted.

If credit reform financing accounts are material, the budgetary accounts and non-budgetary credit reform accounts may be presented separately, similar to the presentation in the SBR.

In Fiscal Year 2011, certain agencies piloted a new SOS and in Fiscal Year 2012, Sections I and II (described below) of the SOS are required to be included in CFO Act agencies' OAI section of the PAR or AFR. Sections III and IV are optional for Fiscal Year 2012 and are expected to be mandatory for Fiscal Year 2013. Although the basic premise of the SOS is complete, implementation and reporting details are still being developed. Accordingly, the schedule is included in OAI to permit agencies to explore the optimal means of implementation and reporting. To further achieve this objective, agencies may request public feedback on the schedule.

Comparative schedules are not required for FY 2012; however, this will be required starting in FY 2013.

[3] Dated August 3, 2012; available online at http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a136/a136_revised_2012.pdf; last accessed August 6, 2012.

OMB's Schedule of Spending Guidance (from OMB Circular A-136) contd.

Illustrative Schedule of Spending

Agency Name
Schedule of Spending
For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)
in millions

	FY 20XX	FY 20XX
What Money is Available to Spend?		
Total Resources	$X,XXX,XXX	$X,XXX,XXX
Less Amount Available but Not Agreed to be Spent	$XX,XXX	$XX,XXX
Less Amount Not Available to be Spent	$X,XXX	$XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**
How was the Money Spent?		
*Category**		
Object Class	$XX,XXX	$XX,XXX
Object Class	$XXX,XXX	$XXX,XXX
Object Class	$XXX,XXX	$XXX,XXX
Other	$XX,XXX	$XX,XXX
*Category **		
Object Class	$XXX,XXX	$XXX,XXX
Object Class	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
Total Spending	$XXX,XXX	$XXX,XXX
Amounts Remaining to be Spent	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**
Who did the Money go to?		
For Profit	$XXX,XXX	$XXX,XXX
Government	$XXX,XXX	$XXX,XXX
Higher Education	$XX,XXX	$XX,XXX
Individuals	$XXX,XXX	$XXX,XXX
Not-For-Profits	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**

OMB's Schedule of Spending Guidance (from OMB Circular A-136) contd.

How was the Money Issued?		
Non-Financial Assistance Direct Payments	$XXX,XXX	$XXX,XXX
Contracts	$XXX,XXX	$XXX,XXX
Grants	$XXX,XXX	$XXX,XXX
Loans and Guarantees	$XX,XXX	$XX,XXX
Financial Assistance Direct Payments	$XXX,XXX	$XXX,XXX
Other Financial Assistance	$XX,XXX	$XX,XXX
Insurance	$XX,XXX	$XX,XXX
Interest and Dividends	$XX,XXX	$XX,XXX
Other Payment Types	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**

* Agencies have the option to present categories as columns instead of sections going down the left side of the schedule.

II.5.1.1 Section I What Money is Available to Spend? (Section I of the Schedule of Spending)

This section of the SOS presents resources that were available to spend and is required for CFO Act agencies in FY 2012.

The following line items in this section of the schedule will reconcile to the SBR:

- "Total Resources" should reconcile to line 2500 "Total Budgetary Resources,"
- "Less Amount Available but Not Agreed to be Spent" should reconcile to line 2204 plus line 2304 "Unobligated Balances, End of Year- Apportioned and Exempt from Apportionment,"
- "Less Amount Not Available to be Spent" should reconcile to line 2404 "Unobligated Balances, End of Year-Unapportioned," and
- "Total Amounts Agreed to be Spent" should reconcile to line 2190 "Obligations Incurred."

II.5.1.2 Section II How was the Money Spent? (Section II of the Schedule of Spending)

This section of the SOS presents services or items that were purchased, not the payment types or how the obligations were made. The categories in this section will align with OMB Budget Object Class (BOC) definitions found in Circular No. A-11; however, the amounts reported here reflect outlays by BOC reconciled to total obligations incurred. This section of the SOS is required for CFO Act agencies in FY 2012.

OMB's Schedule of Spending Guidance (from OMB Circular A-136) contd.

The most significant BOC codes should be presented separately with the remaining BOC codes presented in aggregate in a single line item. In addition, the BOC codes should be presented in categories that are meaningful for the entity (e.g. by Strategic Goal, Program, Appropriations, Sub-agencies or grouping of Sub-agencies, etc.)

The following line items in this section of the schedule will reconcile to the SBR:

- "Total Spending" should reconcile to line 4185 "Outlays, Gross (Discretionary and Mandatory),"
- "Amounts Remaining to be Spent" should reconcile to line 3090 "Unpaid Obligations, end of year (gross)" minus line 3000 "Unpaid Obligations, brought forward, October 1 (gross)" plus line 1021 "Recoveries of Prior Year Unpaid Obligations" plus or minus line 3062 "Actual Transfers, unpaid obligation (net)," and
- "Total Amounts Agreed to be Spent" should reconcile to line 2190 "Obligations Incurred."

II.5.1.3 Section III Who did the Money go to? (Section III of the Schedule of Spending)

This section of the SOS identifies with whom the agencies are spending money and is based on obligations incurred. This section of the SOS is optional in FY 2012 but is expected to be mandatory in FY 2013.

At a minimum, this section will display "Federal" and "Non-Federal" obligations. Agencies are encouraged to display more detail, such as by "For Profit", "Government", "Higher Education", "Individuals" (if material, this should be broken out by financial assistance and non-financial assistance), "Not-For profits", and "Other."

Agencies that have special business lines, with special trading partner types, that are material should add to the display as needed to accurately reflect the agencies' business activities.
The "Total Amounts Agreed to be Spent" line item in this section of the schedule should reconcile to line 2190 "Obligations Incurred" in the SBR.

11.5.1.4 Section IV How was the Money Issued? (Section IV of the Schedule of Spending)

This section of the SOS presents how obligations are issued or the payment type and is based on obligations incurred. This section of the SOS is optional in FY 2012 but is expected to be mandatory in FY 2013.

The amounts in this section reflect various payment types used throughout the Federal Government. Payment types are meant to explain how obligations were made, not what was purchased. Therefore, payment types will not always align with BOC codes found in Circular No. A-11. For example, Insurance is defined in A-11 Section 83 as "benefit

OMB's Schedule of Spending Guidance (from OMB Circular A-136) contd.

payments from the social insurance and Federal retirement trust funds and payments for losses and claims including those under the Equal Access to Justice Act," and includes Social Security and Medicare payments. For purposes of this section, insurance is defined as obligations to assure reimbursement for losses sustained under specified conditions and would not include social insurance as defined in A-11. Social Security and Medicare payments would be considered Financial Assistance Direct Payments for the Schedule of Spending. The terms as defined in this section should be carefully read when determining where to report obligations.

The "Total Amounts Agreed to be Spent" line item in this section of the schedule should reconcile to line 2190 "Obligations Incurred" in the SBR.

The following definitions should be used to determine the appropriate payment type as applicable:

Non-Financial Assistance Direct Payments: These are payments directly to an individual or entity for services rendered. For example, Personnel Compensation and Benefits should be included in this section. It includes, but is not limited to, all definitions described in the Circular No. A-11 section 83 BOC code group 10 (111, 113, 115, 117, 118, 121, 122, and 130) as well as other direct payments to individuals not related to financial assistance.

Contracts: A contract is a written, mutually binding legal agreement obligating the seller to furnish the goods or services and the Federal Government to pay for them. This includes agreements with a private entity - whether for-profit, or non-profit - or with another federal agency. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications.

Grants: An agreement between the Federal Government and a State or local government or other recipient to transfer cash or a thing of value to carry out a public purpose of support or stimulation authorized by law instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government, without expectation of return or services rendered from the recipient or substantial involvement from the Federal Government to carry out the activity.

Loans and Guarantees: These are funds provided to a recipient by a federal agency that will eventually be paid back to the government by the recipient. This category includes both direct and guaranteed loans. Direct Loans represent financial assistance provided through the lending of federal monies for a specific period of time, with a reasonable expectation of repayment. Such loans may or may not require the payment of interest. Guaranteed Loans and Insured Loans are programs in which the Federal Government agrees to indemnify a lender against part or all of any defaults by those responsible for repayment of loans.

OMB's Schedule of Spending Guidance (from OMB Circular A-136) contd.

Financial Assistance Direct Payments: These are cash payments made to individuals, private firms, and other private institutions that have been assessed as needing services, in lieu of social service provisions. This does not include solicited contracts for the procurement of goods and services for the Federal Government. Financial Assistance Direct Payments can be unrestricted or for a specified use. Direct Payments for a specified use are given to encourage or subsidize a particular activity by conditioning the receipt of the assistance on a particular performance by the recipient. Unrestricted direct payments represent financial assistance from the Federal Government provided directly to beneficiaries who satisfy federal eligibility requirements with no restrictions imposed on the recipient as to how the money is spent.

Other Financial Assistance: This represents other reimbursable, contingent, intangible, or indirect financial assistance.

Insurance: These are obligations to assure reimbursement for losses sustained under specified conditions. Coverage may be provided directly by the Federal Government or through private carriers and may or may not involve the payment of premiums.

Interest and Dividends: This represents payments to creditors for the use of money.

Other Payment Types: This section describes obligations that do not fit any of the definitions described above or when obligation totals in aggregate are not material enough to warrant separate presentation in categories defined above. Agency management should determine whether aggregation of lines into Other Payment Types is warranted due to materiality (either qualitative or quantitative). In general, other categories below a 3% threshold should be added to this category; however, the total of other payment types should not reflect an amount that is material to the reporting agency. If agencies have other payment types that are material and do not fit into any of the above listed categories, they may use an agency specific payment type not listed above.