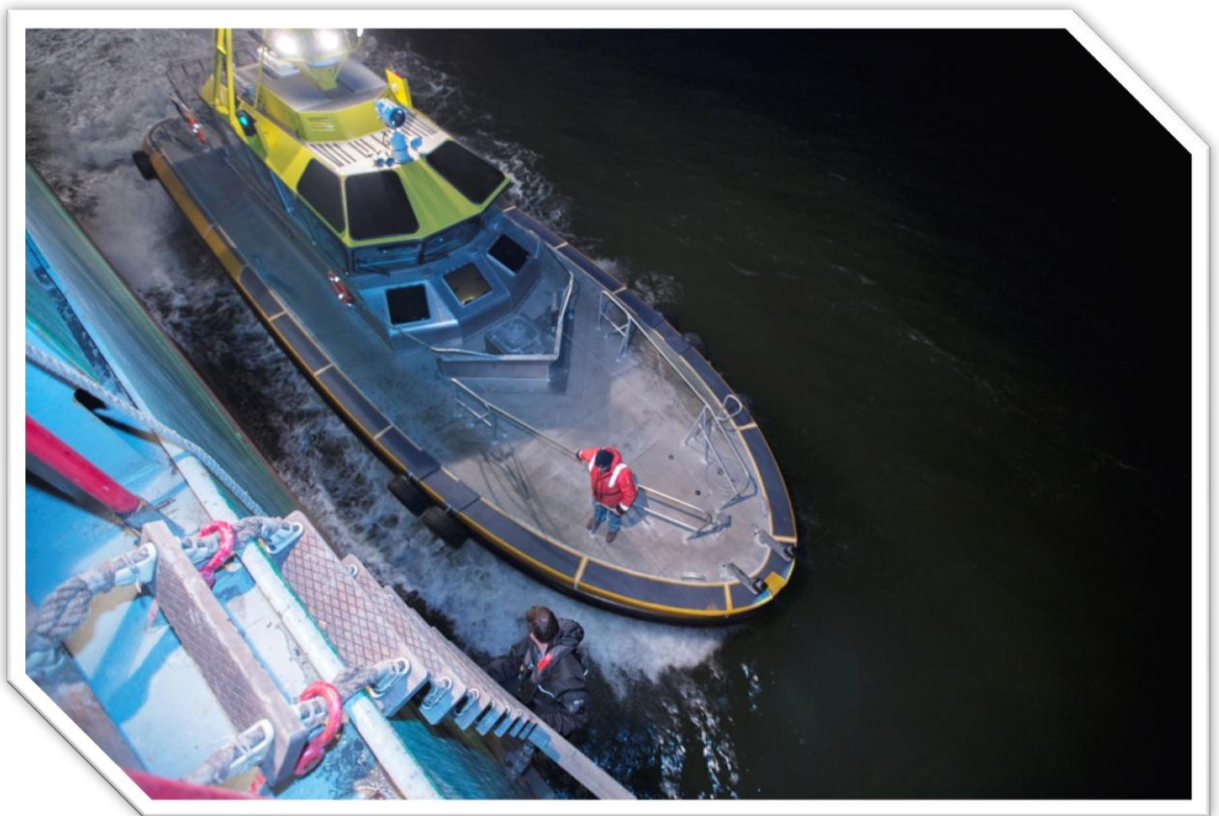




PACIFIC PILOTAGE AUTHORITY

Corporate Plan Summary (2019 – 2023)



1000 – 1130 West Pender Street
Vancouver, B.C. V6E 4A4
(604) 666-6771
www.ppa.gc.ca

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PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

1. Executive Summary

The Pacific Pilotage Authority ("PPA" or "the Authority") manages Canada's interests in the provision of pilotage services on the west coast of Canada.

Pilotage services and ship assignments are a measure of Canada's economic pulse in real time. In fiscal 2018, we anticipate that Canada will see overall a 1% decrease in assignment trade volumes on the West Coast; due primarily to grain sector decreases, but mollified by an increase in coal. Railway capacity issues have negatively affected grain trade volumes for the 2018 crop season. However, the west coast of Canada continues to build grain infrastructure (the first of which should be completed in fiscal 2019) to meet anticipated increases in future demand.

Beyond 2018, Canada's west coast will likely see marginal increases in overall volumes. North American trade disputes will likely shift more products through the West Coast and future energy projects will also have the ability to increase international trade through marine shipping.

Notwithstanding the 6% increase in volumes in fiscal 2017, the Authority achieved an incident free assignment ratio of 99.97%; and all incurred incidents were class C (considered to be minor incidents). With respect to reliability (delays), our success ratio was 99.99% with two minor Authority related delays in the year. The Authority continues to strive for a 100% success ratio both for safety and reliability.

In 2017, the Authority continued its focus on the development of a national framework that provides a platform to address issues that are common to pilotage in Canada. As part of this, the Authority intends to support the creation of a National Advisory Committee made up of the four pilotage authorities, the government, and stakeholders.

With respect to social engagement, the Authority continued to focus on enhancing its relationships with stakeholders. This was a key strategic objective that required attention in fiscal 2017 and 2018. Part of the process was to identify who the Authority's stakeholders were. In a process of ensuring alignment with government priorities and direction, including the principles of open and transparent government, stakeholders beyond those who are directly or indirectly responsible for paying for pilotage services were identified. This list includes municipalities, indigenous First Nations groups and environmental non-governmental organizations.

On the technology front, the Authority continued its third year of working together with its industry stakeholders on a sophisticated traffic, financial, and workforce planning model. The model is being used to guide future human resource decisions and to directly address the Authority's financial exposure to fluctuations in pilot supply and assignment demand. The same model was used to gain support from industry for the 2017, 2018 and 2019 financial tariffs and helped to eliminate an objection filed under the CTA regarding a proposed surcharge for fiscal

Objectives (summarized):

1. Safe, reliable and efficient marine pilotage services
2. Sustainable practices
3. Financial self-sufficiency and fair and reasonable tariffs
4. Achieve highest productivity of resources
5. Assume a leadership role - improvements to navigational safety and the efficiency of marine operations.

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2016. The Authority is currently working with the University of British Columbia's Centre of Operations Excellence to upgrade the model and intends to create a platform which can be used as a national working model for uniform reporting to stakeholders.

The Authority's strategic goals include embracing a culture of continuous improvement. To this end, the Authority continues to identify and implement improvements to its day-to-day service delivery model and operating capabilities. This includes cost comparisons to other pilotage authorities to identify areas for improvement, maintaining ISO compliance, implementing new key performance indicators to gauge performance and evaluating the implementation of helicopter boarding services for the South Coast for future energy projects.

In the Corporate Plan years the Authority will face some major decisions. The key major decisions include:

- the adoption of new technology to help increase safety, the information our stakeholders want and need, while simultaneously reducing costs;
- the purchase of a new pilot launch to replace an aging asset and to facilitate helicopter boarding in the South Coast;
- succession planning for impending retirements of multiple key members of the management team; and
- implementation of potential *Pilotage Act* changes and an evaluation of how the changes can be used effectively in Canada's interests.

Key capital projects over the Corporate Plan years include:

- New pilot boat
- Dispatching and accounting legacy system upgrade
- Portable Pilotage Units (PPUs) for new pilots
- Simulator upgrades (for pilot training, proof of concepts and risk assessments)

New activities over the planning years include the required development of a new dispatch and accounting system as the legacy system is 11 years old and support is becoming difficult to obtain. In addition, the arrival of new energy projects on the West Coast will result in an increased need for pilot transportation using helicopters, as this was a recommendation out of the Termpol (risk analysis) process. The new pilot launch, a new helicopter program and the new dispatch and accounting programs will require a combination of internal and external financing. As such, a request for borrowing is included to the Minister of Finance as part of this proposal.

This year the Authority continued the fourth consecutive year of our planned rundown of our surplus. As a result of this reduction we posted a deficit of \$0.8 million in 2017. This action was planned and agreed upon by our Board of Directors in order to assist our customers and bring our reserves down. In fiscal 2018, we have implemented moderate tariffs which will improve the Authority's financial position so that there will be slight cash flow gains. These actions were all planned through consultation and support from the industry we serve.

The Authority will continue to pursue its mandate of providing a safe, efficient and cost effective pilotage operation on the west coast of Canada by meeting its strategic objectives and remaining committed to becoming a world leader in marine pilotage. Our success is largely a result of the excellent relationship that we enjoy with our shareholders, the industry we serve and the pilots moving the vessels safely on our coast.

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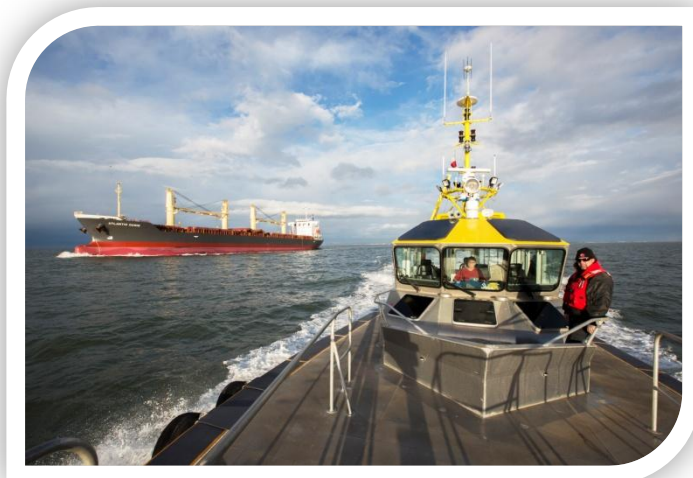
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2. Corporation, Mandate, Mission, Vision

Background

The Pacific Pilotage Authority ("PPA" or "the Authority") is a Crown corporation as listed in Schedule III, Part 1 of the *Financial Administration Act*. It reports to the Parliament of Canada through the Minister of Transport. The Authority is responsible for Canadian federal interests in pilotage and is headquartered in Vancouver, British Columbia.



The PPA's responsibilities and relationships are varied and reflect the unique nature of the west coast of Canada. Our area of jurisdiction encompasses the entire British Columbia coast, extending approximately two nautical miles from every major point of land. This jurisdiction includes the Fraser River and stretches from Alaska in the north to Washington State in the south and at approximately 15,000 kilometres, is one of the largest pilotage areas in the world.

Mandate

PPA's mandate is to establish, operate, maintain, and administer in the interest of safety, an efficient pilotage service within the regions set out in respect of the Authority, on a basis of financial self-sufficiency.

Key Authorities

To carry out its responsibilities the Authority has made regulations, approved by Governor in Council, pursuant to the *Pilotage Act* for:

1. Establishing compulsory pilotage areas,
2. Prescribing the ships or classes of ships that are subject to compulsory pilotage,
3. Prescribing classes of pilot's licences and classes of pilotage certificates that may be issued,
4. Prescribing the tariffs of pilotage charges to be paid to the Authority for pilotage services.

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In addition, the Authority is empowered by the *Pilotage Act* to:

1. Employ such officers and employees, including licensed pilots, as are required,
2. Contract with a body corporate for the services of licensed pilots,
3. Make by-laws respecting the management of its internal affairs,
4. Purchase, lease, or otherwise acquire land, buildings, pilot launches and such other equipment and assets as may be required and to dispose of any such assets acquired.



Corporate Objectives

In order to achieve its mandate, the Authority's Corporate Objectives are:

1. To provide safe, reliable and efficient marine pilotage and related services in the coastal waters of British Columbia, including the Fraser River,
2. To implement sustainable practices within the Authority and contribute to government's environmental, social and economic policies as they apply to the marine industry on the Pacific coast of Canada,
3. To provide the services within a commercially-oriented framework, by maintaining financial self-sufficiency, through a combination of cost management and tariffs that are fair and reasonable,
4. To achieve the highest productivity of the Authority's resources in the interest of safe navigation,
5. To assume a leadership role in the marine industry we serve, by facilitating decisions resulting in improvements to navigational safety and the efficiency of marine operations.

Mission Statement

The Pacific Pilotage Authority is dedicated to providing safe, efficient pilotage by working in partnership with pilots and the shipping industry to protect and advance the interests of Canada.

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A copy of the Authority's 2017 Annual Report can be located at - [http://www.ppa.gc.ca/text/publications/2017%20PPA%20Annual%20Report%20\(E\)%20-%20Final.pdf](http://www.ppa.gc.ca/text/publications/2017%20PPA%20Annual%20Report%20(E)%20-%20Final.pdf)

Vision Statement

The Authority's vision is to be a world leader in marine pilotage.

Description of Operations

The Authority is responsible for providing safe, reliable and efficient marine pilotage in the coastal waters of British Columbia, including the Fraser River. The Authority has established five areas subject to compulsory pilotage.

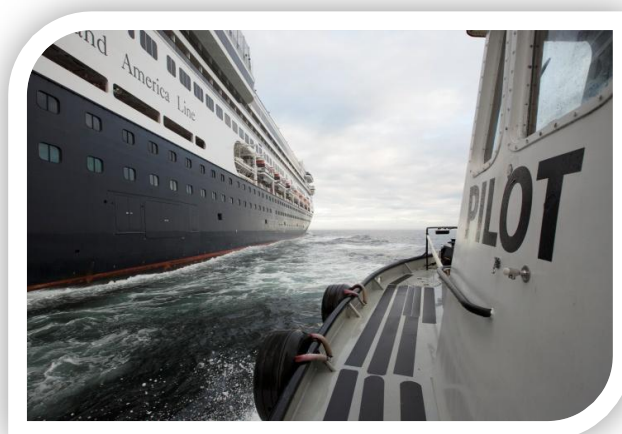
When a vessel intends to enter compulsory pilotage waters on the British Columbia coast, it will initiate an order for a pilot at a specified time, date and boarding station. A pilot either contracted to or employed by the Authority will carry out this assignment. Pilots are boarded on vessels from a dock or by pilot launch or helicopter and are disembarked by pilot launch or helicopter when a vessel leaves pilotage waters.

The head office of the Authority is in Vancouver, British Columbia. Pilots are dispatched to their assignments through a central dispatch office in Vancouver and a traffic coordination office in Victoria.

To provide pilots with water transportation to/from ships, the Authority operates pilot launches at three permanent boarding stations. These stations are at Victoria, Prince Rupert and Steveston which have employee-crewed launches.

Additionally, a contract launch is operated by a contractor at Pine Island (northern tip of Vancouver Island). The Nanaimo Port Authority is also a contract launch operation carrying out pilot changes off Snake Island in the Nanaimo area.

On the west coast of Vancouver Island at Cape Beale, the Authority has a designated boarding station which services the Port Alberni region. The Authority has the flexibility to service this station by helicopter or by pilot launch.



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Pilot Launches (Pilot Boats)

The Authority's pilot launch fleet consists of six specially designed pilot launches. The Authority has implemented an enhanced planned maintenance program, which will ensure all service and safety demands are met in a timely, orderly and cost effective fashion. All launches are on a four-year Transport Canada inspection cycle. The newer launches perform the majority of the boardings with the older vessels being used mainly in a back-up role.

The Authority has prepared a Launch Replacement Program which ensures a steady supply of launch services for the industry we serve through fiscal 2030.

Pacific Chinook

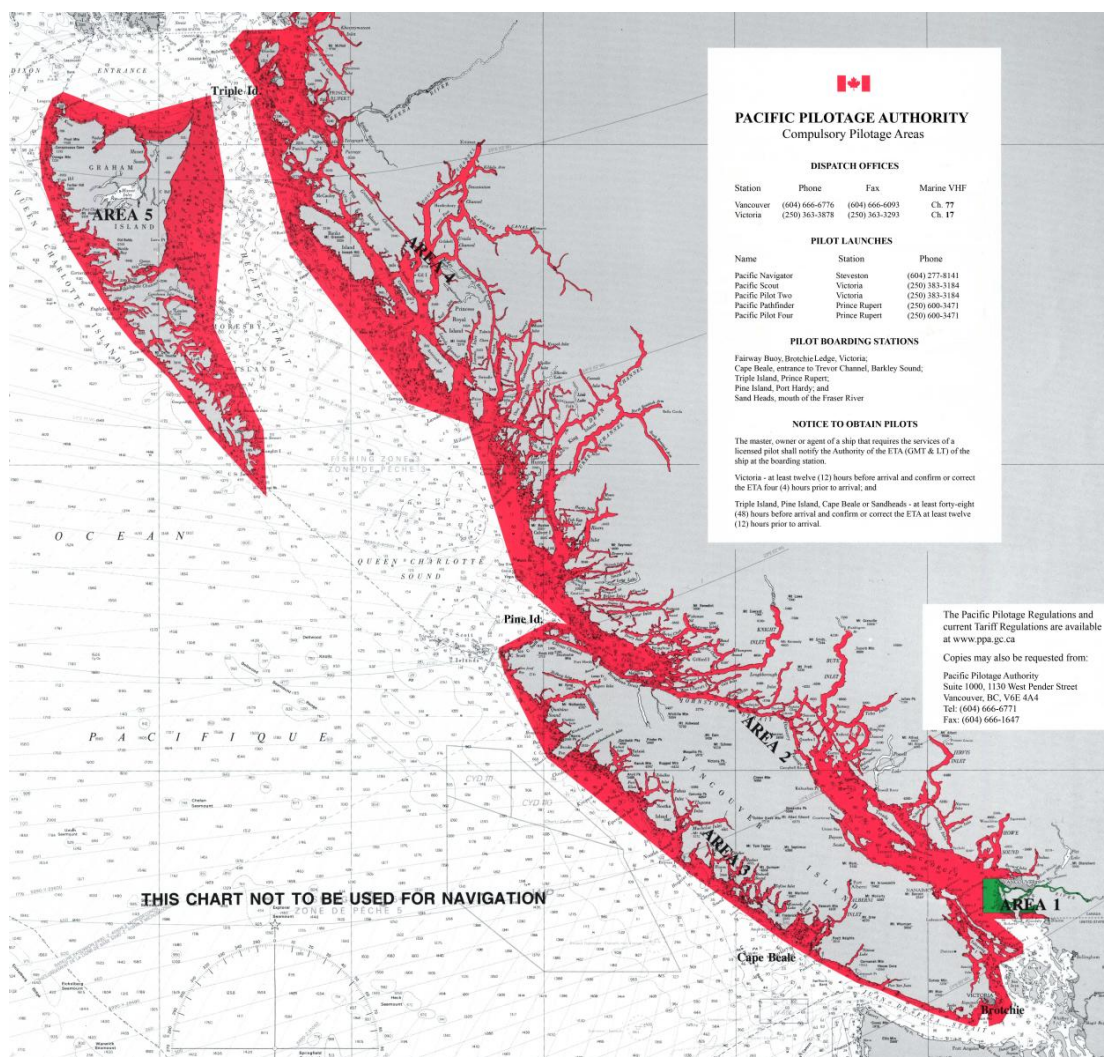
On July 23, 2014, the Authority's Pine Island contractor (the "Contractor") incorporated a company, 1008799 B.C. Ltd. ("Holdco"), with its sole purpose being the purchase, ownership and lease of a pilot vessel (called the Pacific Chinook) to the Contractor under a Bareboat Charter Agreement.

The Authority borrowed funds from a Canadian chartered bank in order to provide financing to Holdco for the purchase and additional costs related to refitting the vessel to Transport Canada standards. Holdco signed a Promissory Note and a Mortgage Agreement with the Authority, guaranteeing to pay back the mortgage on the vessel over an 11 year period and guaranteeing the repatriation of the asset for \$10 at any point by the Authority.

On April 5, 2018, the Authority repatriated the vessel in order to provide service to the Authority in Prince Rupert.

The Authority's jurisdiction covers the entire coastline of British Columbia. We service all major ports on the coast as compared to other jurisdictions that may service only one port. As indicated in the following diagram, the most northern port we service is Stewart, to the north is Alaska, USA, and to the south is Washington State, USA.

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Please refer to the Authority's fiscal 2017 Annual Report for further corporate information.

[http://www.ppa.gc.ca/text/publications/2017%20PPA%20Annual%20Report%20\(E\)%20-%20Final.pdf](http://www.ppa.gc.ca/text/publications/2017%20PPA%20Annual%20Report%20(E)%20-%20Final.pdf)

3. Operating Environment

At its most basic level, the Pilotage Authority provides marine pilots as trusted guides who use their knowledge of local waters and expert ship handling skills to direct a vessel and navigate it through BC's ports and waterways using the safest route. This route can change daily depending on factors like other marine traffic, winds and tides.

External and Internal issues

In order to fulfil its defined objectives in achieving its mandate, the following is a brief listing of the key environmental issues faced by the Authority:

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- **The Economy**

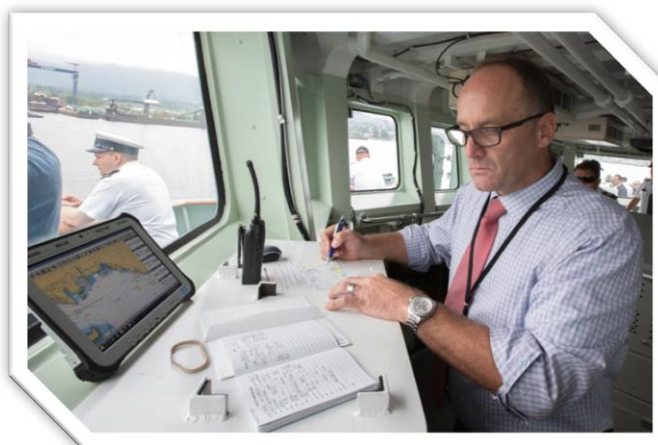
The overall current state and future outlook of local, national and international economic health will have a direct impact on cargo trade and tourism. This impact will directly impact the Authority's assignment volumes and ultimately drive how the Authority supplies its services in a safe and efficient manner.

- **Impacts of NAFTA and CPTPP**

The outcome of NAFTA negotiations as well as the imposition of any nationalistic trade barriers and tariffs on imports/exports could have a significant effect on shipping volumes in western Canada as users and corporations adjust their trade to new operational markets based on new realities. In addition, the pending ratification of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is expected to bring billions of dollars of increased trade with Asia, with much of it likely flowing through West Coast ports.

- **Technology and security**

Today's operational reality is one in which there is constant pressure towards adopting and supporting new technology to assist in navigational accuracy. However, investment into terminal growth and related infrastructure generally fails to keep pace with the growth in ship sizes. The effect is an increasing risk of incidents, and the most effective mitigation strategy within our power is in the form of supporting technology. In addition, the Authority must ensure that its transaction and pilot deployment management technologies remain current, adaptable and secure so that our customers receive a seamless and disruption free service.



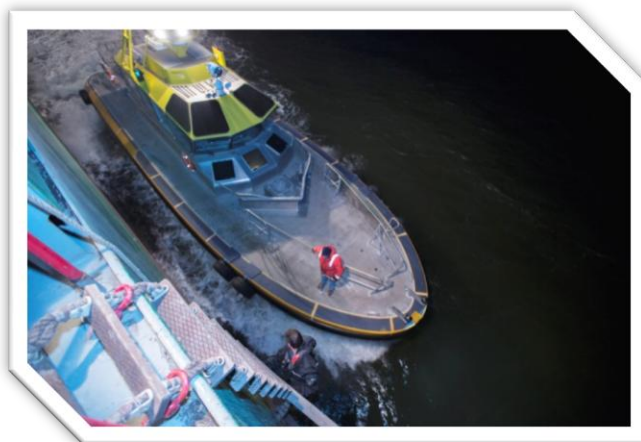
- **Pilotage Act Review**

The results of the *Pilotage Act* Review are geared toward supporting the delivery of safe, efficient and environmentally responsible marine pilotage services into the future. The Authority intends to take a leadership role, working with Transport Canada, to ensure the best resolution in implementing the required changes. The Review is seen as a substantial opportunity to help address gaps that have developed in the existing pilotage business model as a result of changes to our operating environment since the *Act* was brought into force in 1972.

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- **New projects**

The arrival of new projects brings opportunities for growth in western Canada's trade and ultimately in the Authority's business. However, the Authority finds itself with an ever increasing portfolio of responsibility in being called on to provide a well regarded educational role on the safety of shipping. New and emerging groups looking for insight span the spectrum of interest from developers, to First Nations, to anti-shipping and anti-energy activists. Our safety mandate makes the Authority well equipped to speak objectively to the operational reality of the safety of shipping in western Canada.



- **Engagement philosophy**

The Authority is aligned with the Government's policy on openness and transparency. To this extent the Authority has strengthened its relationships with its key stakeholders, adopting a collaborative approach to consultation to assist the organisation in making the best decisions.

- **Pilot supply**

The west coast of Canada is geared toward significant growth. The combination of the identified impacts seen above on NAFTA coupled with a number of proposed new projects brings a risk to the Authority in meeting this demand with sufficient pilot supply, without sacrificing safety or increasing the risks of fatigue. A current coastal pilot takes 6 years to reach a level of proficiency in which no restrictions are placed on the class of ships they can pilot. The risks of short supply and fatigue given increasing demand may necessitate a future review of the geographical distribution of pilotage services. We believe the model we operate with today is the best given our mandate, but continue to remain open to monitor other models for pilot supply best practices.

- **Safety culture**

All of the key strategic issues identified above in meeting our objectives are addressed within a cultural environment of maintaining a world class level of safety and reliability; something which is contextually considered within each and every decision we make.

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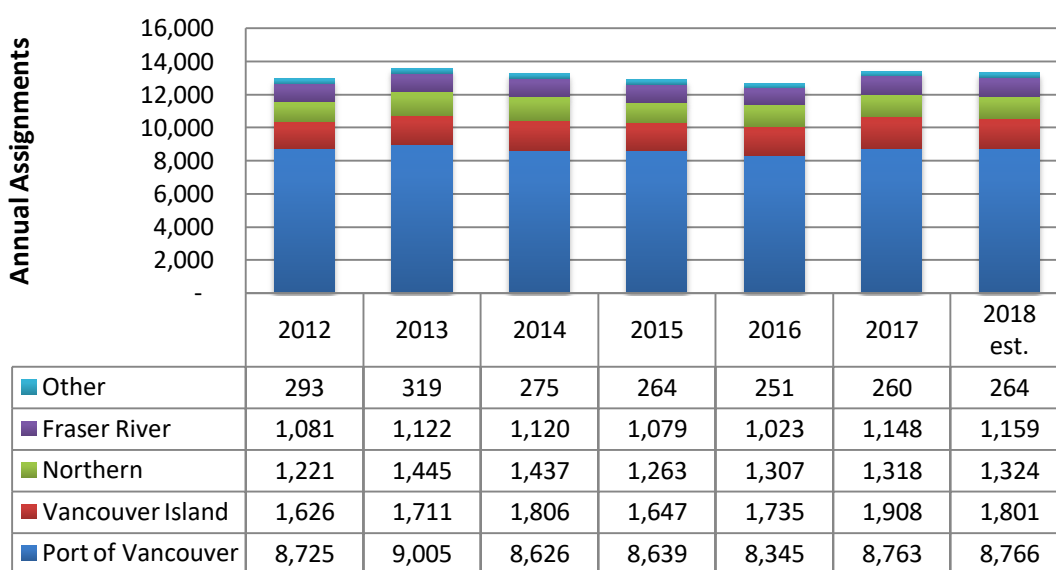
Alignment with Government Priorities

The activities of the Authority support the Government's priorities.

Traffic Trends

The figures displayed below aim to highlight a number of unique traffic related facets affecting the Authority's business. They feature each of the Authority's four primary geographic areas of operation (Port of Vancouver, Vancouver Island, Northern B.C., and the Fraser River).

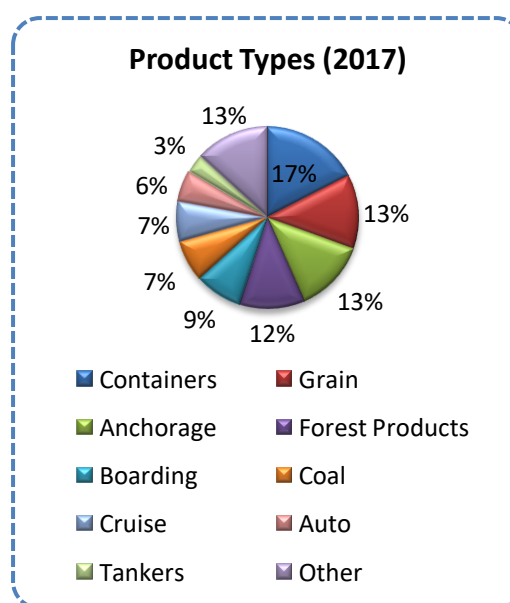
Assignment Volumes



The overall volume of assignments in fiscal 2017 increased 6% above fiscal 2016 volumes. The majority of trade on the West Coast still funnels through Vancouver, accounting for 65% of total assignment volume.

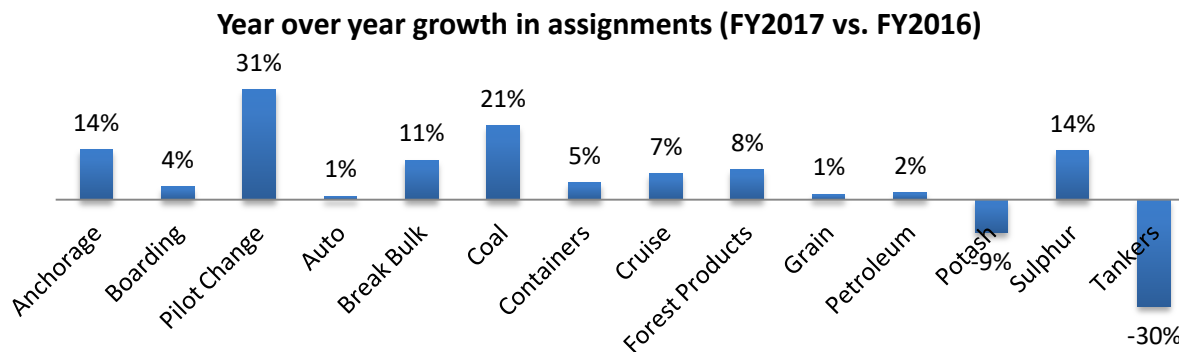
The west coast of Canada remains well diversified with 16 distinct product sectors. Containers, grain and forest products continue to lead product sectors in trading assignment making up 17%, 13% and 12% respectively of total assignment volumes in FY2017.

As can be seen below, In terms of changes in year over year assignment volumes, in FY2017,



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the coal sector showed significant signs of rebound from previous lows, and the grain sector slowed after two consecutive years of significant growth.



It is notable that almost every product sector showed positive signs of growth in FY2017. This notable growth in trade is also seen in positive economic growth as Canada outpaced all of the G7 countries with GDP growth of 3.2% in fiscal 2017. The trade assignment curve as experienced by the Authority is accordingly seen as an indicator of Canadian economic performance.

In fiscal 2018, the west coast of Canada will likely see a small 1% contraction in overall assignment volumes. Driving this decrease will be contraction in the forest product, grain, and cruise sectors with expected year over year decreases of 17%, 15% and 8%. Offsetting this decrease will be increases in the coal, auto and sulphur sectors with expected year over year increases of 19%, 12% and 56%.

Internal Analysis

Human Resources Overview

The following table summarizes the Authority's current staffing:

Function	Full Time Equivalents
Executive Management	3
Management	6
Employee Pilots	8
Administrative & Accounting	6
Dispatch	17
Launch	39
Total	79

The Authority has collective agreements with three groups of employees. These collective agreements are summarized below:

- the Canadian Merchant Service Guild (CMSG), representing all employee pilots, expires January 31, 2020;

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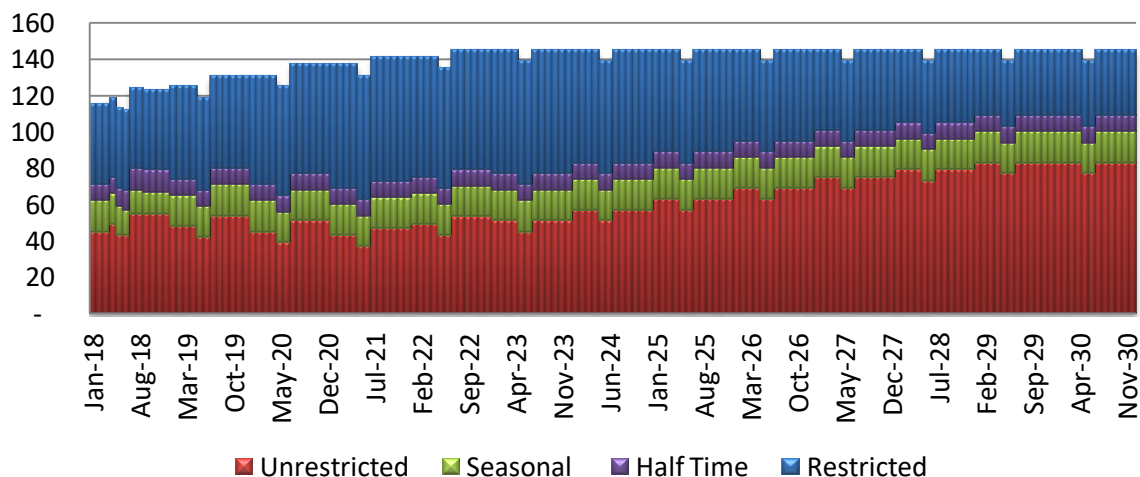
- the Canadian Merchant Service Guild, representing all launch masters and engineers, expires March 31, 2023;
- the International Longshore & Warehouse Union (ILWU), Local 520, representing all deckhands, dispatchers and administrative staff, expires March 31, 2022.

The Authority contracts with the British Columbia Coast Pilots Ltd. for coastal pilotage services. During 2017, a workforce of approximately 115 contract pilots (89 full-time, 17 seasonal and 9 half-time) provided coastal pilotage services to the Authority. We expect this number to increase to approximately 125 pilots by the end of fiscal 2018.

Unrestricted pilots are the most valuable pilots who serve the Authority and the interests of Canada. These pilots can be dispatched to any assignment, including the most complex jobs (i.e. tanker jobs). Given the potential growth in the energy sector on the west coast of Canada, the Authority has budgeted for a rapid increase in the pilot count to 141 pilots by the end of fiscal 2022.

As can be seen below, the number of restricted pilots (pilots who have a restriction on the size and type of ships they can cater to) grows over the planning years to ensure that there is adequate supply of overall pilots when this project completes and begins operating.

Coast Pilot Supply



Technology

The Authority is committed to investing in technology in order to ensure the safety and efficiency of its operations. Today, we find ourselves in an operating environment of continually growing ships, and at the same time, we find that there is an associated low rate of infrastructure investment. As such, the infrastructure used to receive and discharge ships and associated cargo, is falling behind the pace of vessel growth. The result is an increasing risk curve for incidents. To address this risk, the Authority uses technology as a supporting tool to directly address and reduce these risks.

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The Authority has begun to recommend investment into berthing aid systems to all terminals which cater to large vessels. These systems provide the pilots with an accurate reading on the berthing velocity and angle of approach of vessels. Owing to the increased size of vessels docking at berths designed for smaller vessels, the need for this technology has become increasingly relevant. This ultimately will reduce the risks of damage to terminal infrastructure or the vessel itself.

The Authority continues to invest in Portable Pilotage Units (PPUs), which are highly accurate portable navigation devices used to assist pilots in making accurate decisions with reference to navigational safety. These PPU's are completely independent of a ship's navigation system and have become a standard practice tool used in piloting considering the growth in size of vessels.

The Authority has invested in an advanced in-house simulator which is being used for:

1. Pilot training
2. Proof of concept for new projects
3. Navigational risk assessments

Cruise ships have also grown considerably in size in recent years. As a result, the ability to safely navigate through the inside passages between Vancouver and Alaska have necessitated conducting a risk analysis. To ensure fidelity in the simulations themselves, the Authority has invested in developing three

dimensional tidal current models that can be used in the simulators. This hyper accurate data assists the Authority in keeping in line with our safety mandate.



The Authority is in the process of developing standardized tug power packages required for berthing and un-berthing operations. The growth in ship sizes has necessitated the development of tug package standards, using Marin Software. This is a developing process owing to areas of customer concern related to payment for the tugs.

The Authority intends to analyse worldwide best practices of electronic aids to pilot navigation over the coming Corporate Plan years. The results of this analysis will guide future decisions on piloting and manpower.

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Auditors

1. Auditor General of Canada

The Auditor General of Canada (OAG) is the Authority's external auditor. As such, the OAG performs an annual audit and a special examination at least once every ten years. The OAG's annual audit report forms an integral part of the Authority's annual report, which is presented to the Minister of Transport and tabled in Parliament.

The Authority's management has developed financial systems and operational controls that facilitate monitoring of the Authority's affairs. These systems and controls are under ongoing scrutiny with a view to improvement or change as circumstances dictate.

2. Internal Audit

Deloitte & Touche LLP were appointed internal auditors during the year 2005. To date they have completed numerous engagements covering accounting controls, risk management and identification, computer systems vendor search, travel and transportation expenses for pilots, Stage I of the new computer system, the electronic filing system, the yacht waiver process, a billing system review and information technology security.

The Authority will periodically review our internal audit services firm and this may result in a change for the next scheduled internal audit.

Incident Reporting

The Authority categorizes incidents and accidents and the associated reporting into three types of investigations. An incident or accident will not be classified until sufficient facts are available to assess the potential for safety improvements and may require on-site evaluation or interviews.

Class "A" Investigations/Incidents

Defines an investigation that has a high probability of improving navigation safety, in that there is a significant potential for reducing the risk to persons, vessels or the environment.

Class "B" Investigations/Incidents

Defines an investigation that has a medium probability of improving navigation safety, in that there is a moderate potential for reducing the risk to persons, vessels or the environment.

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Class "C" Investigations/Incidents

Defines an investigation that has a low probability of improving navigation safety, in that there is a limited potential for reducing the risk to persons, vessels or the environment.

The following table shows the actual number of incidents the Authority has recorded over the last nine years.

Year	Incident Free Assignments	Total Incidents	Class A	Class B	Class C
2009	99.950%	6	0	2	4
2010	99.984%	2	0	0	2
2011	99.962%	5	0	0	5
2012	99.946%	7	0	3	4
2013	99.963%	5	0	0	5
2014	99.962%	5	0	2	3
2015	99.992%	1	0	0	1
2016	99.958%	5	0	0	5
2017	99.970%	4	0	0	4
2018 Q2	99.983%	1	0	0	1

4. Strategic Objectives, Activities and Results

In 2015 the Authority established a set of strategic priorities to be achieved over a five year horizon. These priorities were set in order to achieve the Authority's objectives given its mandate.

Corporate Strategic Priorities (2015 – 2019)

Mandate, Vision & Mission	Primary Areas of Focus	Strategic Priorities 2015-2019
Mandate: The mandate of the Authority is to establish, operate, maintain, and	Working "On the Business" <i>Building for the future – taking steps today to position PPA for the challenges and opportunities of tomorrow</i>	1. Develop a national framework that provides a platform to address issues that are common to pilotage in Canada
		2. Establish and maintain clear and effective relationships with PPA's key stakeholders

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administer in the interest of safety, an efficient pilotage service within the regions set out in respect of the Authority, on a basis of financial self-sufficiency.		3. Continue to develop the capacity within PPA to identify and take action on emerging issues and opportunities
	Working "In the Business" <i>To enhance safety, efficiency and effectiveness</i>	4. Embrace a culture of continuous improvement
		5. Demonstrate through our actions and investment our commitment to ongoing training as a vehicle to enhance and promote safety
		6. Ensure the continuity of PPA's people and knowledge capital

In the years since 2015, the Authority has focused its attention on achieving the strategic goals defined above. At present, with the successful passing of an increasing number of the original strategic milestones, coupled with the upcoming implementation of the *Pilotage Act* Review recommendations, the Authority will be moving towards transforming its strategic goals into a new set of priorities to ensure continued alignment with its objectives.

Recent and Relevant Results

The Authority measures its strategic goals on an annual basis. Certain strategic goals, due to their long-term nature, will be measured over a number of years.

Strategic Goal #1.A:

Advocate for modifications and improvements to the regulatory and tariff processes.

Strategy: Develop thoughtful submissions to Transport Canada and the Treasury Board Secretariat regarding modifications and improvements to the regulatory process.

Recent and Relevant Results

- Successful tariff implementation within a 3.5 month period.
- Forecasting model developed that is used to consult with industry organizations.
- Approval of usage charge of simulator as a non pilotage source of revenue.
- Monthly industry association engagement meetings and quarterly client engagement meetings.
- Responses to recommendations to the *Pilotage Act* Review completed.

Strategic Goal #1.B:

Develop national world-class marine pilot safety and training programs.

Strategy: Promote, develop and implement standardized national training programs and safety management systems.

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Recent and Relevant Results

- Pilot competency and training records have been centralized.
- Agreement reached in 2017 to develop a national BRM(P) training program.
- Development and use of in-house training programs to apprentice and licensed pilots.

Strategic Goal #2.A:

Enhance the relationship with PPA stakeholders.

Strategy: Adopt and implement a formal approach to stakeholder management and implement a stakeholder management program within the PPA.

Recent and Relevant Results

- Define and document key business stakeholders completed 2015.
- Stakeholders engaged with, grouped into categories and meeting frequencies by Industry, Terminals, Government and Other.
- Stakeholder management plan was implemented in 2016.

Strategic Goal #2.B:

Clarify respective roles and responsibilities of PPA and BCCP.

Strategy: Work with BCCP leadership team members to establish a joint PPA-BCCP working group to define, document and implement a mutually agreed upon relationship management framework and operating model.

Recent and Relevant Results

- Planning framework clarifying roles and responsibilities completed 2015.

Strategic Goal #2.C:

Promote public awareness of PPA's plans, programs and initiatives related to its mandate.

Strategy: Develop and implement a public awareness and outreach program with the primary focus on regional issues and engagement on national matters as required.

Recent and Relevant Results

- Key public and community partners identified in 2015.
- Communication strategy developed.
- Forty-six official meetings held with public and community partners in 2016.
- Forty-eight official meetings held with public and community partners in 2017.
- Participation in initiatives (i.e. ECHO program, Scott Islands Steering committee and the Southern Gulf Islands meetings).
- PRMM conducted on changes to the PPA waiver system and the PPA introduced 'Standard of Care' guidelines.

Strategic Goal #3.A:

Enhance PPA's ability to anticipate and respond to changes affecting its operating environment.

Strategy: Engage stakeholders and networks on a regular basis to help identify changes that could impact PPA and/or the marine pilots in Canada and key stakeholders.

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Recent and Relevant Results

- In 2017, the PPA management engaged in four meetings with First Nations groups, twenty meetings with industry associations, eight meetings with federal and provincial government departments, and five meetings with community organizations.
- Worked in close co-operation with Transport Canada and provide input on the Oceans Protection Plan (OPP).

Strategic Goal #4.A:

Advocate for modifications and improvements to the Pacific Pilotage Regulations.

Strategy: Develop thoughtful submissions to Transport Canada and Treasury Board regarding modifications and improvements to the Pacific Pilotage Regulations.

Recent and Relevant Results

- Triage, Regulatory Impact Analysis Statement (RIAS) and cost benefit analysis for PPA regulations were completed in 2015 with revisions being discussed in 2017.

Strategic Goal #4.B:

Continue to improve and enhance PPA's service delivery capabilities in ways that benefit PPA and its key stakeholders.

Strategy: Identify and implement improvements to PPA's day-to-day service delivery model and operating capabilities.

Recent and Relevant Results

- Dispatch office employee engagement continued, specifically regarding succession planning.
- Cost comparisons of service levels and related costs for vessels completed and expanded to include cost per ton and nautical mile.
- Implementation of the ISO system for the Fraser River Pilots completed 2016.
- The Joint Task Force on Pilotage report has been summarized into an action plan containing recommendations.
- The long-term launch replacement and utilization plan was completed in 2017.
- Review completed of 'key performance indicators' and additional indicators to industry were developed.
- A five year review of compulsory pilotage areas was completed in 2017.
- During 2017, a human resources model concept was proposed that will be used to determine the number of apprentice pilots hired on an annual basis.

Strategic Goal #5.A:

Plan and manage the development of training policies and delivery of the pilot training program.

Strategy: Continue to develop and deploy relevant training policies and pilot training programs.

Recent and Relevant Results

- The in-house simulator used for vessel simulations, pilot and apprentice training, feasibility studies, Azipod training and Bridge Resource Management courses for Pilots (BRM-P).

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- The criteria defining area currency for pilots was developed in 2017 and will be incorporated into the next generation computer system.

Strategic Goal #6.A:

Develop and implement a framework for actively managing succession planning and knowledge transfer within PPA.

Strategy: Implement a proven succession planning framework and develop and implement a knowledge transfer program.

Recent and Relevant Results

- The short and long-term outlook and analysis for each department including management and staff was completed.
- The development of an in-depth job description and knowledge transfer manual for all management positions, including the CEO, are ongoing in 2017.

In fiscal 2018, the Authority has begun to frame a new set of objectives and activities as is outlined below:

Measurement of Strategic Goals – FY2018/FY2019

Major Objective	Activities	Expected Results	Performance Measures	Risk Level
Provide safe, reliable and efficient marine pilotage and related services	Plan and manage the development of training policies and delivery of the pilot training program	Maintain a concurrently low - callback (overtime) rate, and - incident rate	- Callback rate below 1.58% contract pilot expense - Incident free rate at 99.9%	Medium
Implement sustainable practices within the Authority	Manage the Authority to ensure continued financial self-sufficiency Investing in low emissions vessels	Maintain an effective contingency balance in case of an unforeseen event Ensure all new vessels meet industry leading emissions controls	Invest \$600,000 annually into the contingency balance until a balance of \$4.5 million is reached All new vessels purchased must be level 4 emissions control or better	Medium
Contribute to government's environmental, social and economic policies	Work closely with Transport Canada on the implementation of the changes to the <i>Pilotage Act</i>	Implementation of <i>Pilotage Act</i> changes	Implement 100% of <i>Pilotage Act</i> changes within the timeframe specified by government	Medium
Provide the services within a commercially-oriented framework	Enhance PPA's ability to anticipate and respond to changes affecting its operating environment	Implement upgrades to the forecasting and manpower model – look to roll out nationally Attend Oceans Protection Plan (OPP) meetings	Upgrade model completion by the end of fiscal 2019 Attend 100% of OPP meetings annually	Medium

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Achieve highest productivity of the Authority's resources	Continue to improve and enhance PPA's service delivery capabilities in ways that benefit PPA and its key stakeholders	Complete a service level review Implement the recommendations contained in the long-term launch replacement and utilization plan	Service level review to be performed by the end of fiscal 2019 New launch RFP to be released and completely executed by Q3 2019	Low
Assume a leadership role in the marine industry we serve	Play a leadership role in the formation of a National Advisory Council	Participate with Transport Canada (if possible), the stakeholders and pilots to formulate the Terms of Reference of a National Advisory Committee	Participate in the group (if any) to form Terms of Reference to be completed by the end of Q2 2019	Medium
	Adopt and implement a formal approach to stakeholder management	Engage with key stakeholders to define a realistic, pragmatic and effective stakeholder management program	Results to be measured as part of PPA service level review	Low
	Promote public awareness of PPA's plans, programs and initiatives related to its mandate	Participate in speaking engagements, voyage of a vessel workshops and community visits.	Participate in four speaking engagements per annum Participate in two voyage of a vessel work shop per annum Participate in four community visits per annum	Low
	Develop and implement a framework for actively managing succession planning and knowledge transfer within PPA	Department heads to conduct an analysis of expected staff retirements over the next 15 years Produce a plan for replacement or reorganization and ensure compliance with the Government's gender equity and multiculturalism policies	Analysis of retirements to be completed by Q2 2019 Replacement plan to be completed by Q4 2019	Medium

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Risk Assessments

An Enterprise Risk Management (ERM) program has been incorporated as part of the Authority's strategy and is well advanced in 'cultivating a culture of risk awareness' throughout the organization. All areas of the Authority's operations have been incorporated into this program, including contract and employee pilots, launches, dispatch and administration.

Risks are designated by an ERM Oversight Committee as either operational or strategic. Operational risks are assigned to the appropriate management staff for mitigation and review. Strategic risks are overseen by the Board, and are actively managed and mitigated by the appropriate Board Committee.

The Authority remains committed to ensuring that all risks have appropriate mitigation measures in place, and are reviewed on a regular basis. Detailed risk descriptions and mitigation measures are kept current by the risk owners and are part of a comprehensive risk document.

Key strategic risks are summarized below. Details for each risk, including mitigating controls can be found in the Appendix:

Key strategic risks:

- Future recruitment of suitable qualified pilots
- Relations with communities and the general public following an incident
- Changing economic/ fiscal conditions that affect vessel traffic
- Recruiting and training of Fraser River pilots
- Financial reserve - tariff

Key emerging risks:

- Legalization of marijuana: how it affects the PPA's drug and alcohol policy
- Political activism and its effects on the PPA
- Cyber security

Alignment with Government Priorities

The activities of the Authority support the Government's priorities. By providing pilotage services, we deliver a safe and secure economic gateway for Canada. Our open book approach to engagement is recognized by stakeholders both locally and nationally, and we find ourselves being called upon regularly to speak about best practices.

The Authority is the Canadian Government's way of ensuring that our waterways are kept clean and safe, directly in line with the priority of a clean environment. Diversity is a key component of our hiring process and we are proud to have a gender balanced office staff, management team and Board.

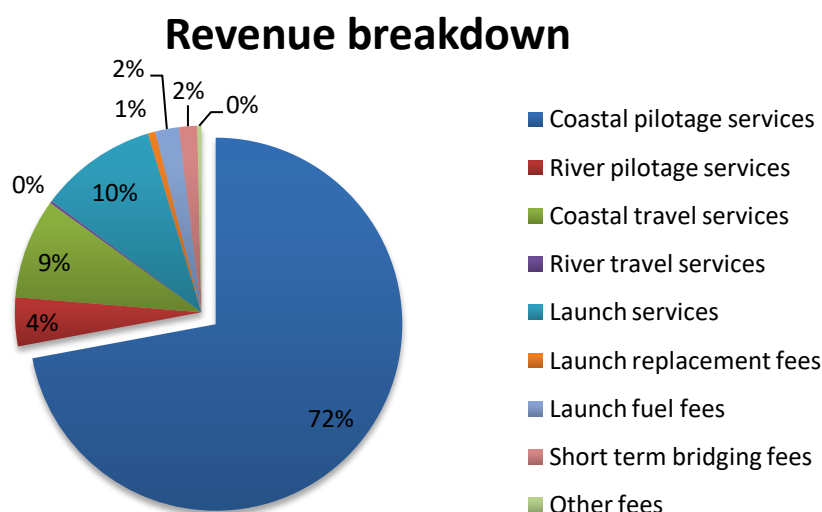
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Refer to the Appendix for a more detailed discussion on the Authority's alignment with government priorities and direction.

5. Financial Overview

The Authority is operationally self-sufficient and financially autonomous, with the exception of needing to borrow money from chartered banks for large capital projects. All other expenditures are covered by internally generated revenues.

The Authority's revenues from operations are broken down as follows:



With the breakdown provided above, in FY2017 the Authority generated \$86 million in revenues, total expenses of \$87 million for a total comprehensive loss of \$0.8 million. As indicated, those losses were planned in order to reduce our operating surplus and partially subsidize the industry's operations during their downturn.

The Authority will generate a profit of \$1.1 million in fiscal 2018 as a result of a 3.75% increase in its general tariff rate, offset by a 1% decrease in overall assignment volumes. The Authority intends to use the surpluses it generates to help fund a portion of future capital expenditures as well as build up its previously depleted contingency fund at a rate of \$600k per annum.

CONSOLIDATED STATEMENT OF INCOME								
For the year ended December 31 (in thousands of dollars)	Actual 2017	Forecast 2018	Budget 2018	Budget				
				2019	2020	2021	2022	2023
Total Revenue	85,795	90,017	86,415	94,251	95,238	97,435	105,089	105,091
Total Expenses	86,570	88,961	87,538	93,305	95,357	97,364	103,757	104,799
Total Comprehensive	(775)	1,056	(1,123)	946	(119)	70	1,332	293

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Income (Loss)								
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The large increase in revenues and expenses in fiscal 2022 relates to the assumption that a large energy proponent will move forward resulting in a material increase in pilotage services.

The material variances between the fiscal 2018 budget and forecast were driven by an unbudgeted steep increase in the number of larger coal vessels on the west coast. The coal export sector has rebounded well in fiscal 2018 and is expected to remain strong in fiscal 2019.

Capital Investments

The Authority is not subject to government appropriations and must therefore fund all capital projects with internal capital, outside capital or a combination thereof. In fiscal 2019, the Authority will invest in the following capital projects for a total capital expense of \$5.7 million:

- New pilot vessel – \$4 million
 - This vessel will be used to provide service primarily in the Victoria area and will replace a 47 year old vessel which is beginning to present a safety risk.
- New dispatch and accounting system - \$0.6 million
 - The Authority uses a system which is 12 years old and support for the system will cease in fiscal 2020. Getting support and maintaining security of the legacy system is becoming an increasing risk for the Authority.
- Portable Pilotage Units – \$0.24 million
 - The Authority will need to purchase new portable pilotage units (PPUs) for the additional pilots brought on in fiscal 2019; as well as
 - Replace 26 PPUs which have reached the end of their five year useful lives.
- Launch engines, generators and other - \$0.8 million

CAPITAL INVESTMENTS								
For the year ended December 31 (in thousands of dollars)	Actual 2017	Forecast 2018	Budget 2018	Budget				
				2019	2020	2021	2022	2023
Buildings & Floats	0	510	200	50	40	50	0	0
Pilot Boats	445	1,063	1,313	4,650	300	790	230	0
Computers, Software and Communication	90	220	113	1,016	662	324	627	2,164
Leasehold Improvements	0	0	0	0	0	0	150	0
Total Capital Investments	535	1,793	1,626	5,716	1,002	1,164	1,007	2,164

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Fiscal 2023 has a larger increase in the capital budget of \$2.1 million owing to the need to replace portable pilotage units used by the pilots (the units would have approached the end of their useful lives).

Debt

According to PC Number: 2006-0176, dated 2006-03-30, "Her Excellency the Governor General in Council, on the recommendation of the Minister of Transport, the Minister of Finance and the Treasury Board, hereby... (b) pursuant to section 36 of the *Pilotage Act*, fixes the maximum amount of money that can be borrowed at any time by the Pacific Pilotage Authority, in Canada or elsewhere, for the purpose of defraying its expenses, at CDN \$9,568,000."

In fiscal 2019, the Authority will need to build a new pilot boat in order to replace an old and aging 47 year old pilot boat. As a result, the Authority will be requesting that the borrowing limit be increased to \$11.9 million.

The Authority submits the following borrowing plan for Minister of Finance approval at \$10.6 million for 2019.

1. Operating line of credit – \$5.0 million
2. Capital loan - \$5.6 million

The following table shows the Authority's borrowing for the plan years.

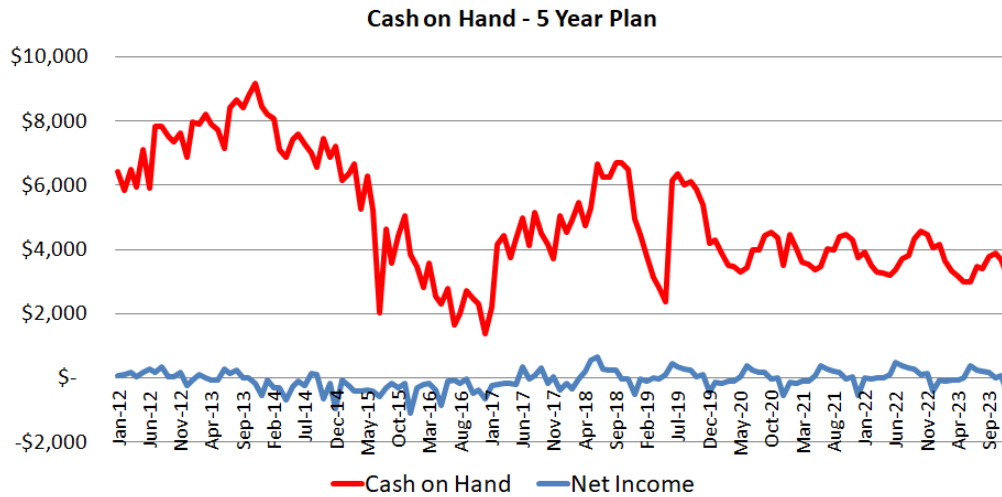
BORROWING PLAN								
For the year ended December 31 (in thousands of dollars)	Actual 2017	Forecast 2018	Budget 2018	Budget				
				2019	2020	2021	2022	2023
Operating Line of Credit	6,750	6,750	6,750	5,000	5,000	5,000	5,000	5,000
Capital Loans	2,574	2,199	2,250	5,575	5,039	4,100	3,134	2,159
Total	9,324	8,949	9,000	10,575	10,039	9,100	8,134	7,159

It must be noted that the actual anticipated out of pocket borrowing of the Authority is limited to Capital Loans of \$5.6 million in FY2019. The Operating Line of Credit was established in order to protect the Authority from variability in its operating cash flows. As such, outside of the variability in cash flows, the operating line of credit is always expected to have an actual outstanding balance of nil.

Forecast Cash Flow Position

The following graph displays the Authority's historic and projected cash position over the planning years:

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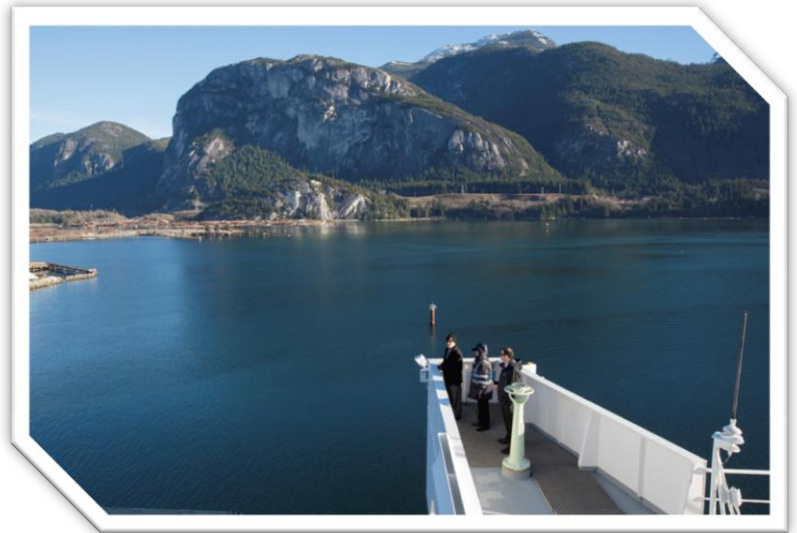


As can be seen, the Authority expects to maintain a relatively level operating cash position over the planning years at approximately \$4.0 million. This is generally considered sufficient to account for the seasonality of the Authority's current business; as long as the operating line of credit exists as a buffer against unanticipated short term variability.

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6. Appendices

1. Ministerial Direction / Mandate Letter
2. Corporate Governance Structure
3. Chief Executive Officer Results Commitment
4. Chief Financial Officer
Attestation
5. Financial Annex
6. Borrowing Plan
 - Capital Plan
 - Investment Policy
 - GST Assessment
 - Financial – Tariff
Adjustment
7. Risk and Risk Responses
8. Compliance with
Legislative and Policy
Requirements
9. Government Priorities
and Direction
10. Acronyms



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Appendix 1 - Ministerial Direction / Mandate Letter

The Pacific Pilotage Authority is presently operating in accordance with the guidance expressed in the Prime Minister's letter to the Minister of Transport dated November 12, 2015. A copy of the letter follows:

Dear Mr. Garneau:

I am honoured that you have agreed to serve Canadians as Minister of Transport.

We have promised Canadians a government that will bring real change – in both what we do and how we do it. Canadians sent a clear message in this election, and our platform offered a new, ambitious plan for a strong and growing middle class. Canadians expect us to fulfill our commitments, and it is my expectation that you will do your part in delivering on those promises to Canadians.

We made a commitment to invest in growing our economy, strengthening the middle class, and helping those working hard to join it. We committed to provide more direct help to those who need it by giving less to those who do not. We committed to public investment as the best way to spur economic growth, job creation, and broad-based prosperity. We committed to a responsible, transparent fiscal plan for challenging economic times.

I expect Canadians to hold us accountable for delivering these commitments, and I expect all ministers to do their part – individually and collectively – to improve economic opportunity and security for Canadians.

It is my expectation that we will deliver real results and professional government to Canadians. To ensure that we have a strong focus on results, I will expect Cabinet committees and individual ministers to: track and report on the progress of our commitments; assess the effectiveness of our work; and align our resources with priorities, in order to get the results we want and Canadians deserve.

If we are to tackle the real challenges we face as a country – from a struggling middle class to the threat of climate change – Canadians need to have faith in their government's honesty and willingness to listen. I expect that our work will be informed by performance measurement, evidence, and feedback from Canadians. We will direct our resources to those initiatives that are having the greatest, positive impact on the lives of Canadians, and that will allow us to meet our commitments to them. I expect you to report regularly on your progress toward fulfilling our commitments and to help develop effective measures that assess the impact of the organizations for which you are answerable.

I made a personal commitment to bring new leadership and a new tone to Ottawa. We made a commitment to Canadians to pursue our goals with a renewed sense of collaboration. Improved partnerships with provincial, territorial, and municipal governments are essential to deliver the real, positive change that we promised Canadians. No relationship is more important to me and to Canada than the one with Indigenous Peoples. It is time for a renewed, nation-to-nation relationship with Indigenous Peoples, based on recognition of rights, respect, co-operation, and partnership.

We have also committed to set a higher bar for openness and transparency in government. It is time to shine more light on government to ensure it remains focused on the people it serves. Government and its information should be open by default. If we want Canadians to trust their government, we need a government that trusts Canadians. It is important that we acknowledge mistakes when we make them. Canadians do not expect us to be perfect – they expect us to be honest, open, and sincere in our efforts to serve the public interest.

Our platform guides our government. Over the course of our four-year mandate, I expect us to deliver on all of our commitments. It is our collective responsibility to ensure that we fulfill our promises, while living within our fiscal plan. Other issues will arise or will be brought to our attention by Canadians, stakeholders,

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and the public service. It is my expectation that you will engage constructively and thoughtfully and add priorities to your agenda when appropriate.

As Minister, you will be held accountable for our commitment to bring a different style of leadership to government. This will include: close collaboration with your colleagues; meaningful engagement with Opposition Members of Parliament, Parliamentary Committees and the public service; constructive dialogue with Canadians, civil society, and stakeholders, including business, organized labour, the broader public sector, and the not-for-profit and charitable sectors; and identifying ways to find solutions and avoid escalating conflicts unnecessarily. As well, members of the Parliamentary Press Gallery, indeed all journalists in Canada and abroad, are professionals who, by asking necessary questions, contribute in an important way to the democratic process. Your professionalism and engagement with them is essential.

Canadians expect us, in our work, to reflect the values we all embrace: inclusion, honesty, hard work, fiscal prudence, and generosity of spirit. We will be a government that governs for all Canadians, and I expect you, in your work, to bring Canadians together.

You are expected to do your part to fulfill our government's commitment to transparent, merit-based appointments, to help ensure gender parity and that Indigenous Canadians and minority groups are better reflected in positions of leadership.

As Minister of Transport, your overarching goal will be to ensure that Canada's transportation system supports our ambitious economic growth and job creation agenda. Canadians require a transportation system that is safe, reliable and facilitates trade and the movement of people and goods. I will expect you to encourage maximum alignment between the strategic goals of our plans for roads, ports and airports so that our systems are integrated, sustainable and allow Canadians and businesses to more easily engage globally.

In particular, I will expect you to work with your colleagues and through established legislative, regulatory, and Cabinet processes to deliver on your top priorities:

- Work with the Minister of Infrastructure and Communities, who will have the lead, and in consultation with provincial and territorial governments as well as municipalities, to develop and implement an Infrastructure Strategy which will see significant investments made to improve public transit infrastructure and green infrastructure. The Strategy should also improve access to, and governance of, existing infrastructure programs, increase data collection capacity, promote better asset management of infrastructure in Canada and provide better supports for local communities.
- Work with the Minister of Infrastructure and Communities, who will have the lead, on the delivery of a newly-focused Building Canada Fund which will make greater investments in Canada's roads, bridges, transportation corridors, ports, and border gateways, helping Canada's manufacturers get their goods to market.
- Propose measures to reinforce railway safety.
- Lead, with the support of the Minister of Agriculture and Agri-food and in the context of responding to the review of the Canada Transportation Act, a full review of the Canadian grain transportation system.
- Work with the Minister of Fisheries, Oceans and the Canadian Coast Guard and the Minister of Environment and Climate Change to improve marine safety.
- Work with the Minister of Fisheries, Oceans and the Canadian Coast Guard to review the previous government's changes to the Fisheries Act and the Navigable Waters Protection Act, restore lost protections, and incorporate modern safeguards.
- Formalize a moratorium on crude oil tanker traffic on British Columbia's North Coast, working in collaboration with the Minister of Fisheries, Oceans and the Canadian Coast Guard, the Minister of Natural Resources and the Minister of Environment and Climate Change to develop an approach.

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These priorities draw heavily from our election platform commitments. The government's agenda will be further articulated through Cabinet discussions and in the Speech from the Throne when Parliament opens.

I expect you to work closely with your Deputy Minister and his or her senior officials to ensure that the ongoing work of your department is undertaken in a professional manner and that decisions are made in the public interest. Your Deputy Minister will brief you on issues your department may be facing that may require decisions to be made quickly. It is my expectation that you will apply our values and principles to these decisions, so that issues facing your department are dealt with in a timely and responsible manner, and in a way that is consistent with the overall direction of our government.

Our ability, as a government, to successfully implement our platform depends on our ability to thoughtfully consider the professional, non-partisan advice of public servants. Each and every time a government employee comes to work, they do so in service to Canada, with a goal of improving our country and the lives of all Canadians. I expect you to establish a collaborative working relationship with your Deputy Minister, whose role, and the role of public servants under his or her direction, is to support you in the performance of your responsibilities.

In the coming weeks, the Privy Council Office (PCO) will be contacting you to set up a meeting with PCO officials, your Deputy Minister and the Prime Minister's Office to further discuss your plans, commitments and priorities.

We have committed to an open, honest government that is accountable to Canadians, lives up to the highest ethical standards, and applies the utmost care and prudence in the handling of public funds. I expect you to embody these values in your work and observe the highest ethical standards in everything you do. When dealing with our Cabinet colleagues, Parliament, stakeholders, or the public, it is important that your behaviour and decisions meet Canadians' well-founded expectations of our government. I want Canadians to look on their own government with pride and trust.

As Minister, you must ensure that you are aware of and fully compliant with the Conflict of Interest Act and Treasury Board policies and guidelines. You will be provided with a copy of Open and Accountable Government to assist you as you undertake your responsibilities. I ask that you carefully read it and ensure that your staff does so as well. I draw your attention in particular to the Ethical Guidelines set out in Annex A of that document, which apply to you and your staff. As noted in the Guidelines, you must uphold the highest standards of honesty and impartiality, and both the performance of your official duties and the arrangement of your private affairs should bear the closest public scrutiny. This is an obligation that is not fully discharged by simply acting within the law. Please also review the areas of Open and Accountable Government that we have expanded or strengthened, including the guidance on non-partisan use of departmental communications resources and the new code of conduct for exempt staff.

I know I can count on you to fulfill the important responsibilities entrusted in you. In turn, please know that you can count on me to support you every day in your role as Minister.

I am deeply grateful to have this opportunity to serve with you as we build an even greater country. Together, we will work tirelessly to honour the trust Canadians have given us.

Sincerely yours,

Rt. Hon. Justin Trudeau, P.C., M.P.
Prime Minister of Canada

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Appendix 2 - Corporate Governance Structure

Corporate governance is the process of establishing and monitoring the policies and procedures which will ensure the appropriate stewardship of the business and affairs of the Authority, including financial viability.

Similar to other Crown corporations, the Pacific Pilotage Authority operates at arm's length from its sole shareholder, the Government of Canada. While the shareholder provides policy direction for the corporation's ongoing operations, as stated in the *Financial Administration Act*, the Pacific Pilotage Authority Board of Directors ensures that the corporation fulfils its mandate by setting the corporation's strategic direction, organizational goals, and monitoring their implementation. The Authority reports to Parliament through the Minister of Transport.

The Chair of the Board is appointed by the Governor in Council on the recommendation of the Minister of Transport, and the Board of Directors is appointed by the Minister of Transport with the approval of the Governor in Council. There are seven members on the Authority's Board of Directors.

The corporation's Board of Directors has representation from Vancouver and Vancouver Island, with backgrounds in marine services, accounting, law, and education.

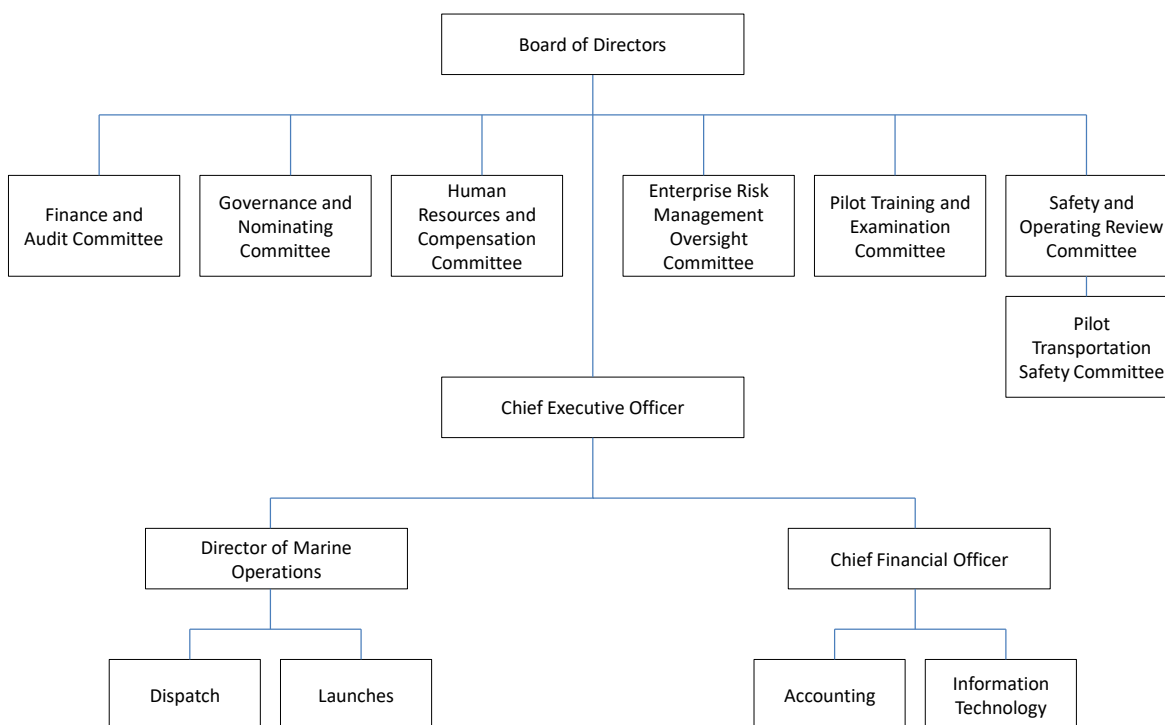
The Authority complies with the Treasury Board guidelines on corporate governance practices (guidelines on Board responsibilities, public policy objectives, communications, Board and management relations, Board independence, the position of the CEO, renewal of the Board, education of directors, compensation, and the responsibility for corporate governance). This includes Board self-assessments, a nomination committee for prospective Directors and the development of Directors' skills criteria.

In addition, the Board has constituted several committees to focus on the major areas of the Authority. These committees are chaired by a Board member, have terms of reference and mandates and report directly to the Board on a regular basis.

The Authority is managed by a CEO who reports to the Board through the Chair. The Authority's organization chart indicates the reporting structure.

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Pacific Pilotage Authority Organizational chart



Committees

1. Finance and Audit Committee - the Chair and three Board members are designated as members of the Audit Committee. The Audit Committee meets ten times per annum and members are expected to be financially literate. Its mandate includes responsibility for all financial matters, external audit, internal audit and insurance.
2. Governance and Nominating Committee – this Committee meets four times per annum or at the call of the Committee Chair. Its mandate is to provide a focus on corporate governance, recommend candidates for Board membership as well as the Chair and CEO positions. This Committee also oversees new member Board orientation, the Board's self-assessment process, training and skills requirements, annual assessment of the Chair and succession planning of the Authority's management team.
3. Human Resources and Compensation Committee – this Committee meets on an as needed basis or at the call of the Committee Chair. Its mandate includes responsibility for the CEO's performance management program reporting

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required by the Minister, executive development planning and management compensation.

4. Pilot Training and Examination Committee (PTEC) – this Committee meets four times per annum and as required to conduct pilot examinations. Its mandate is to conduct pilot examinations and review ongoing training programs for pilots. It is chaired by the pilot Board member and includes members of the Authority's management and BC Coast Pilots. The Committee is joined by one external examiner during annual pilot examinations.
5. Safety and Operating Review Committee (SORC) – this Committee meets four times per year with a mandate to review and assess pilotage practices and areas of concern and to seek solutions which result in improved safety and efficiency. It is chaired by a director of the Board and comprised of Authority management, BC Coast Pilots and members of the marine industry. The makeup of SORC was adjusted in fiscal 2017.

Pilot Transportation Safety Committee (PTSC) – this sub-Committee of the SORC Committee meets at least twice per annum or more frequently as required. Members of this Committee regularly attend launch stations to observe drills and inspect safety equipment. The Committee is responsible for establishing safety standards and monitoring the safe operation of pilot launches, water taxis, airplanes and helicopters utilized in the transfer of pilots to/from ships. It also ensures that the Authority adheres to regulations and safe practices issued by Transport Canada. It is composed of BC Coast and Fraser River pilots, Authority management and pilot launch personnel.

6. Enterprise Risk Management Oversight Committee (ERM) – this Committee meets at least semi-annually and is chaired by a director of the Board. The Committee is a function of the Board's oversight role in regards to the risks facing the Authority. The maintains a rigorous and coordinated approach to assessing and responding to all risks that affect the achievement of the Authority's strategic, financial and operational objectives.

The ERM system is designed to achieve the following:

- Document, categorize and rank the Authority's risks in a risk register
- Ensure every identified risk is maintained by a manager and/or Board committee
- Confirm that the risk register is updated regularly in accordance with the review schedule
- Ensure every risk is reported on by the risk owner on an annual basis
- Assist and facilitate the Board of Directors in its strategic risk oversight role
- Assist and facilitate the management team in its operational risk oversight role

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- Liaise with the other committees of the Board of Directors to ensure that mitigations are established for each of the identified risks as deemed necessary

Directors

The following individuals hold the position of Directors on the Board of the corporation:

Name	Location	Appointment Date	Term
Lorraine Cunningham (Chair)	Vancouver	October 4, 2015	4 years
Katherine Bright	Vancouver	February 6, 2018	3 years
Captain Allan Ranger	Vancouver Island	February 6, 2018	3 years
Victoria Withers	Vancouver	February 6, 2018	4 years
Billie V. Raptis	Vancouver	February 6, 2018	4 years
James Marshall	Vancouver Island	February 21, 2018	4 years
Peter Bernard	Vancouver	February 6, 2018	2 years

Senior Executives

The following individuals hold key senior executive positions within the corporation:

Name	Position
Kevin Obermeyer	Chief Executive Officer
Stefan Woloszyn	Chief Financial Officer
Brian Young	Director of Marine Operations

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Appendix 3 - Chief Executive Officer Results Commitment

The following provides an overview of the Authority's performance to date and intended results for the future.

Planned Results – Short-term

Outcomes	Performance Indicators	Targets	Data Strategy & Baseline	Status
Maintaining Safety of Pilotage Services	Incidents on vessels	99.9% incident free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
	Incidents on launches	99.9% incident free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
Maintaining Reliability of Pilotage Services	Delays caused by pilots	99.9% delay free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
	Delays caused by dispatch errors	99.9% delay free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
	Delays caused by launches	99.9% delay free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
	Delays caused by computer downtime	99.9% delay free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
Maintaining Efficiency of Pilotage Services	Unscheduled launch downtime causing delays	99.9% delay free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
	Pollution incidents on launches that cause a financial burden to industry	99.9% incident free	Quarterly progress reporting to Board Internal Records Baseline – 99.9%	On target
	General complaint resolution turn around	Less than 8 days	Quarterly progress reporting to Board Internal Records Baseline – 8 days	On target
	Invoice dispute turn around	Less than 8 days	Quarterly progress reporting to Board Internal Records Baseline – 8 days	On target
	Complaints regarding pilot service level	99.5% complaint free	Quarterly progress reporting to Board Internal Records	On target

PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

Baseline – 99.5%

Planned Results – Medium-term

Outcomes	Performance Indicators	Targets	Data Strategy	Status
Sustainable Practices	Contingency fund	\$1.075 million	Year-end progress reporting to Board Fund balance Baseline - \$1.075 million	Report at year end
Cost Management	Expenses	Maintain fixed costs within 1% of Vancouver CPI	Annual reporting to Board Accounting system Baseline – 1%	Report at year end – Q2 on target
	Callbacks	Less than 2.5% of assignments	Annual reporting to Board Internal records Baseline – 2.5%	Report at year end – Q2 on target
	Callbacks	Less than 1% of total revenue	Annual reporting to Board Internal records Baseline – 1%	Report at year end – Q2 on target
	Cost per assignment	Maintain adjusted costs within 1% of Vancouver CPI*	Annual reporting to Board Accounting system Baseline – 1%	Report at year end – Q2 on target
	Overhead costs	Less than 8.5% total costs	Annual progress reporting to Board Internal Records Baseline – 8.5%	On target
	Accounts Receivable	90% of invoices below 30 days outstanding	Annual progress reporting to Board Internal Records Baseline – 30 days	On target
Trusted as a service provider	Customer feedback review	Satisfaction with service to be at 70% of greater	Results of survey in FY2019 Baseline – 70%	Report at year end

* Costs to be adjusted based on the size increase of vessels (as this is an uncontrollable factor by the Authority)

**PACIFIC PILOTAGE AUTHORITY
CORPORATE PLAN SUMMARY
2019 TO 2023**

Planned Results – Long-term

Outcomes	Performance Indicators	Targets	Data Strategy	Status
Sustainable practices	Capital Investments to meet demand	Invest in capital in accordance with launch replacement plan	Annual reporting to Board	On target
Safety and reliability of pilotage services	Pilot supply sufficient to meet demand	Increase pilot supply in accordance with demands and budget (within 15%)	Annual reporting to Board	On target

Chief Executive Officer Results Commitment

I, Kevin Obermeyer, as Chief Executive Officer of the Pacific Pilotage Authority, am accountable to the Board of Directors of the Pacific Pilotage Authority for the implementation of the results described in this Corporate Plan and outlined in this Appendix. I verify that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.



Kevin Obermeyer, Chief Executive Officer

August 29, 2018

Date

**PACIFIC PILOTAGE AUTHORITY
CORPORATE PLAN SUMMARY
2019 TO 2023**

Appendix 4 - Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of the Pacific Pilotage Authority, I have reviewed the Corporate Plan and budget and the supporting information that I consider necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported,
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed,
3. Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered,
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the corporate plan,
5. The Corporate Plan and budget are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place (or are being sought as described in the Corporate Plan),
6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the Crown corporation.

In my opinion, the financial information contained in this Corporate Plan and budget is sufficient overall to support decision making.



Stefan Woloszyn, Chief Financial Officer

August 29, 2018

Date

PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

Appendix 5 - Financial Annex

This operational view with prior year comparison values and the consolidated financial picture reflects consolidated accounting under International Financial Reporting Standards (IFRS).

For FY2018, forecasted revenues are outpacing budgeted values by \$3.6 million while forecasted expenses are outpacing budgeted values by \$1.4 million. The difference between current forecasts and prior budgeted values is largely due to increases in the shipment of coal out of the west coast of Canada (larger vessels commanding higher revenue per assignment), together with lower apprentice pilot numbers for the first half of the year (lower expenditures).

Ultimately, the Authority is expecting to close FY2018 with a favourable financial position that improves that of the prior year.

The budgeting outlook beyond 2018 assumes steady and stable traffic flows and growth; operational behaviours that are consistent with current approaches; and, adjustments made for typical, predictable economic factors such as inflation. Potential income growth from new, future revenue sources or expenses from significant, unplanned capital investments are not reflected in future budget forecasts. However, income growth from the Trans Mountain expansion is incorporated into this Corporate Plan.

Financial Planning Factors

When preparing its forecasts and budgets, the Authority considers a variety of elements, both financial and non-financial. During the budget preparations, the following assumptions have been applied:

Interest rates:

Based on forecasts the following interest and borrowing rates have been used:

<u>Term</u>	<u>Interest</u>	<u>Borrowing Rate</u>
Short term (under one year)	1.25%	2.7%
One year rate	1.50%	3.0%
Long term average (over one year)	1.50%	3.0%

Inflation rate:

Rate for inflation, related to goods and services, have been set as follows:

Short term (under one year)	2.75%
One year rate	2.00%
Long term average (over one year)	2.00%

PACIFIC PILOTAGE AUTHORITY

CORPORATE PLAN SUMMARY

2019 TO 2023

Financial Position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31st
(in thousands of dollars)

	Actual 2017	Budget 2018	Forecast 2018	Budget				
				2019	2020	2021	2022	2023
ASSETS								
Current Assets								
Cash and cash equivalents	5,068	1,680	4,947	4,203	3,510	3,735	4,066	3,161
Accounts receivable - trade	5,203	5,817	5,724	5,964	6,033	6,167	6,734	6,747
Accounts receivable - other	34	156	166	173	174	178	193	193
Accounts receivable - GST	1,153	1,385	750	1,029	1,038	1,058	1,152	1,152
Travel advances	24	25	25	25	25	25	25	25
Prepaid expenses	-	138	138	141	144	147	149	152
Prepaid travel & Other	195	123	123	125	128	130	133	135
Investments	6	537	538	846	1,159	1,477	1,800	2,127
TOTAL CURRENT ASSETS	11,683	9,862	12,411	12,506	12,211	12,917	14,251	13,693
Non-current Assets								
Long-term investments	491	537	538	846	1,159	1,477	1,800	2,127
Other Receivables	188	175	162	149	137	124	111	98
Fixed Assets								
Buildings & floats	404	604	914	964	1,004	1,054	1,054	1,054
Pilot boats	15,891	16,851	16,789	21,448	21,756	21,343	21,267	20,951
Communication and other	376	285	203	275	316	358	399	441
Computer software and equipment	3,205	3,290	3,425	4,369	4,990	5,272	5,857	7,979
Intangibles	665	665	665	665	665	665	815	815
Leasehold improvements	261	261	261	261	261	261	411	411
	20,802	21,956	22,257	27,981	28,991	28,953	29,803	31,650
Accumulated depreciation	10,188	11,798	11,343	12,860	14,770	16,401	17,833	19,787
Total fixed assets	10,614	10,158	10,913	15,122	14,222	12,552	11,970	11,863
TOTAL NON-CURRENT ASSETS	11,293	10,871	11,613	16,117	15,518	14,153	13,880	14,089
TOTAL ASSETS	22,976	20,733	24,025	28,624	27,729	27,070	28,132	27,782
LIABILITIES								
Current Liabilities								
Accounts payable and accrued liabilities	10,440	10,846	11,397	11,747	11,908	12,143	12,864	12,969
Other employee benefits	442	375	288	288	288	288	288	288
Borrowings	384	395	395	936	964	992	746	598
TOTAL CURRENT LIABILITIES	11,266	11,615	12,079	12,971	13,159	13,422	13,898	13,854
Non-current Liabilities								
Other employee benefits	712	603	463	463	463	463	463	463
Borrowings	1,815	1,419	1,419	4,180	3,216	2,224	1,477	879
TOTAL NON-CURRENT LIABILITIES	2,527	2,023	1,883	4,643	3,679	2,687	1,940	1,342
TOTAL LIABILITIES	13,793	13,638	13,962	17,614	16,838	16,109	15,839	15,196
Equity								
Retained earnings	9,183	7,095	10,063	11,009	10,891	10,961	12,293	12,586
	22,976	20,733	24,025	28,624	27,729	27,070	28,132	27,782

PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME								
for the year ended December 31 (in thousands of dollars)				Budget				
	2017	2018 Budget	2018 Forecast	2019	2020	2021	2022	2023
Revenue								
Pilotage Tariffs	83,305	84,370	87,854	91,811	94,019	96,306	103,896	103,899
Pilotage Surcharges	1,894	1,467	1,505	1,758	537	447	471	471
Others (interest, supplementary fees & charges)	596	578	658	682	682	682	722	722
Total Revenue	85,795	86,415	90,017	94,251	95,238	97,435	105,089	105,092
Direct Pilotage Costs								
Pilot Costs								
Pilotage Fees (if under contract)	58,078	58,165	60,327	62,343	63,487	64,711	69,305	70,075
Pilot Salaries and Benefits	2,857	2,766	2,914	2,972	3,020	3,069	3,118	3,181
Total Pilot Costs	60,935	60,931	63,241	65,316	66,507	67,780	72,423	73,255
Pilotage Boat and Pilot Travel								
Pilot Boat Crew (salaries and benefits)	5,047	5,546	5,265	5,354	5,440	5,528	5,743	5,858
Pilot Boat Operating Cost (fuel, maintenance)	2,564	2,784	2,945	3,172	3,198	3,224	3,426	3,455
Pilot Boat Ownership Costs (Depreciation & Finance)	829	753	674	791	886	926	960	927
Pilotage Boat Fees (if under contract)	2,288	1,698	1,748	1,877	1,913	2,950	3,746	3,787
Pilot Travel Expenses	5,939	6,078	6,052	6,209	6,323	6,440	7,025	7,208
Other Related Costs	9	7	9	9	9	10	10	10
Total Pilot Boat and Pilot Travel	16,676	16,866	16,694	17,412	17,770	19,079	20,911	21,245
Other Pilotage Expenses								
Pilotage Portable Units	787	959	854	750	1,042	720	493	1,005
Pilotage Training	2,086	2,393	1,867	3,217	3,282	2,938	2,997	2,206
Dispatch Center	1,878	1,899	1,952	1,989	2,021	2,053	2,086	2,128
Other Pilotage Costs	201	185	231	209	214	218	222	227
Total Other Pilotage Expenses	4,952	5,435	4,904	6,166	6,558	5,929	5,798	5,566
Total Direct Pilotage Costs	82,563	83,231	84,839	88,893	90,834	92,788	99,133	100,066
Indirect Pilotage Costs								
Administrative Expenses								
Administration (salaries and benefits)	2,372	2,400	2,338	2,470	2,510	2,550	2,591	2,643
Professional Services	163	472	145	170	173	177	180	184
Regulatory Fees (TC service fee)	-	-	-	-	-	-	-	-
Rent/Utilities/Supplies/Computers	1,004	1,075	1,186	1,299	1,347	1,344	1,341	1,340
Other Amortization	49	34	99	123	134	141	139	186
Other Administration Expenses	419	327	354	351	358	365	372	380
Total Administration Expenses	4,007	4,307	4,122	4,412	4,522	4,577	4,624	4,733
Financing Cost	-	-	-	-	-	-	-	-
Total Indirect Pilotage Costs	4,007	4,307	4,122	4,412	4,522	4,577	4,624	4,733
Total Expenses	86,570	87,538	88,961	93,305	95,357	97,364	103,757	104,799
Net Profit (Loss)	(775)	(1,123)	1,056	946	(119)	70	1,332	293
Capital Reimbursement	(375)	(385)	(385)	3,302	(937)	(964)	(992)	(747)
Number of Contract Pilots (FTE's)	104	110	110	114	126	129	123	127
Number of Employee Pilots	8	8	8	8	8	8	8	8
Number of Assignments	13,447	13,447	13,314	13,373	13,373	13,373	14,173	14,173
Average Assignment per Pilot	129	122	121	117	106	104	115	112
Revenue over Assignments ratio	6,380	6,426	6,761	7,048	7,122	7,286	7,415	7,415

PACIFIC PILOTAGE AUTHORITY

CORPORATE PLAN SUMMARY

2019 TO 2023

Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS								
for the year ended December 31 (in thousands of dollars)								
	2017	Budget 2018	Forecast 2018	Budget				
				2019	2020	2021	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash receipts from customers	85,850	85,202	88,675	93,342	94,500	96,632	103,813	104,370
Cash paid to employees and suppliers & other	(83,497)	(84,913)	(86,468)	(91,728)	(93,302)	(94,846)	(100,995)	(102,025)
Other income received	63	269	638	682	682	1,203	307	316
Employee severance benefit payments	-	-	-	-	-	-	-	-
Adjustments	-	-	19	(9)	(8)	-	-	-
Net cash provided by operations	2,416	558	2,865	2,287	1,872	2,989	3,125	2,661
CASH FLOWS FROM INVESTING ACTIVITIES								
Net purchases of investments	2,226	(606)	(572)	(617)	(626)	(636)	(645)	(655)
Acquisition of property and equipment	(582)	(1,625)	(2,028)	(5,716)	(1,002)	(1,164)	(1,007)	(2,164)
Acquisition of intangible assets	-	-	(0)	-	-	-	(150)	-
Net cash used in investing activities	1,644	(2,232)	(2,600)	(6,333)	(1,628)	(1,800)	(1,802)	(2,819)
CASH FLOWS FROM FINANCING ACTIVITIES								
Cash used in financing activities	(375)	(385)	(385)	3,302	(937)	(964)	(992)	(747)
Net increase in cash and cash equivalents	3,686	(2,059)	(120)	(744)	(693)	225	330	(904)
Cash and cash equivalents, beginning of period	1,382	3,739	5,068	4,947	4,203	3,510	3,735	4,066
Cash and cash equivalents, end of period	5,068	1,680	4,947	4,203	3,510	3,735	4,066	3,161

Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY								
for the year ended December 31 (in thousands of dollars)								
	2017	Budget 2018	Forecast 2018	Budget				
				2019	2020	2021	2022	2023
BALANCE, BEGINNING OF YEAR	9,958	9,183	9,183	10,239	11,185	11,066	11,137	12,469
Net Income (Loss)	(746)	(1,123)	1,056	946	(119)	70	1,332	293
Actuarial Gains (Losses)	(29)	-	-	-	-	-	-	-
BALANCE, END OF YEAR	9,183	8,060	10,239	11,185	11,066	11,137	12,469	12,761

PACIFIC PILOTAGE AUTHORITY

CORPORATE PLAN SUMMARY

2019 TO 2023

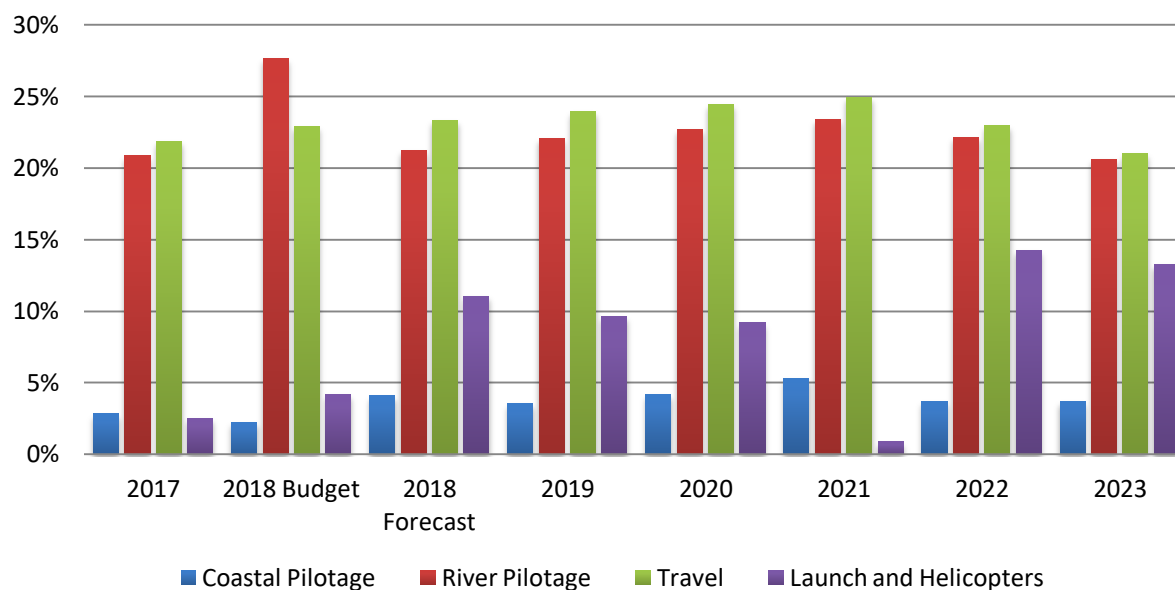
Operating Budget

CONSOLIDATED OPERATING BUDGET BY BUSINESS ACTIVITY								
for the year ended December 31 (in thousands of dollars)				Budget				
	2017	2018 Budget	2018 Forecast	2019	2020	2021	2022	2023
Operating Activities								
Coastal Pilotage								
Pilotage Revenues	61,913	61,944	64,837	67,980	69,680	71,423	75,056	75,056
Pilotage Fees	58,078	58,165	60,327	62,343	63,487	64,711	69,305	70,075
Apprentice Pilot Training Costs	1,313	1,542	1,104	2,359	2,406	2,045	2,086	1,277
Senior Pilot Training Costs	773	851	763	858	875	893	911	929
Total Coastal Pilotage Margin	1,749	1,387	2,644	2,420	2,911	3,774	2,755	2,776
River Pilotage								
Pilotage Revenues	3,610	3,821	3,699	3,812	3,907	4,005	4,005	4,005
Pilot Salaries and Benefits	2,857	2,766	2,914	2,972	3,020	3,069	3,118	3,181
Total River Pilotage Margin	753	1,055	785	840	887	936	887	825
Travel								
Coastal Travel Revenues	7,418	7,694	7,707	7,971	8,170	8,376	8,913	8,913
River Travel Revenues	184	190	187	192	197	202	207	213
Coastal Travel Expenses	5,744	5,882	5,858	6,011	6,122	6,235	6,811	6,984
River Travel Expenses	195	196	194	198	202	206	214	225
Total Travel Margin	1,663	1,806	1,842	1,955	2,044	2,138	2,095	1,917
Launch and Helicopters								
Launch Revenues	8,724	8,988	9,283	9,707	9,922	10,157	13,454	13,450
Fuel Revenues	1,750	1,733	2,141	2,148	2,142	2,142	2,261	2,261
Launch Replacement Fee	539	533	535	537	537	447	471	471
Pilot Boat Crew (salaries and benefits)	5,047	5,546	5,265	5,354	5,440	5,528	5,743	5,858
Pilot Boat Operating Cost (fuel, maintenance)	2,564	2,784	2,945	3,172	3,198	3,224	3,426	3,455
Pilot Boat Ownership Costs (Depreciation & Finance)	829	753	674	791	886	926	960	927
Pilotage Boat Fees (if under contract)	2,288	1,698	1,748	1,877	1,913	2,950	3,746	3,787
Other Related Costs	9	7	9	9	9	10	10	10
Total Launch & Helicopter Margin	277	466	1,318	1,189	1,155	108	2,300	2,146

PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

CONSOLIDATED OPERATING BUDGET BY BUSINESS ACTIVITY								
for the year ended December 31 (in thousands of dollars)				Budget				
	2017	2018 Budget	2018 Forecast	2019	2020	2021	2022	2023
Operating Activities								
Administration & Other								
Bridging Fee	1,355	934	970	1,221	-	-	-	-
Other Revenues	302	578	658	682	682	682	722	722
	-	-	-	-	-	-	-	-
Administration (salaries and benefits)	2,372	2,400	2,338	2,470	2,510	2,550	2,591	2,643
Dispatch Center	1,878	1,899	1,952	1,989	2,021	2,053	2,086	2,128
Professional Services	163	472	145	170	173	177	180	184
Rent/Utilities/Supplies/Computers	1,004	1,075	1,186	1,299	1,347	1,344	1,341	1,340
Other Amortization	49	34	99	123	134	141	139	186
Other Administration Expenses	419	327	354	351	358	365	372	380
Pilotage Portable Units	787	959	854	750	1,042	720	493	1,005
Other Pilotage Costs	201	185	231	209	214	218	222	227
Total Administration & Other	- 5,217	- 5,837	- 5,533	- 5,457	- 7,117	- 6,886	- 6,704	- 7,371
	-	-	-	-	-	-	-	-
Net Profit (Loss)	- 775	- 1,123	1,056	946	119	70	1,332	293

Operating Margins - Business Activity



PACIFIC PILOTAGE AUTHORITY

CORPORATE PLAN SUMMARY

2019 TO 2023

Description of activities worth noting

As can be seen above, the operating budget for the planning years has relatively stable margins with a few exceptions worth noting:

- **Launch and Helicopter Margins**

The Authority experienced a small positive margin in this business segment in fiscal 2017. Part of this smaller margin related to the use of a helicopter for the purposes of pilot boarding in Prince Rupert. The helicopter program was introduced parallel to the existing launch vessel program, as weather restrictions prevent a helicopter boarding program from being run on its own. The result was a higher cost program in the north.

The Authority introduced this method of pilot transfer with industry support when it seemed likely that a number of large energy projects would go online prior to fiscal 2020.

For the safety of the energy vessels that were expected to come to our coast in the future, a Termpol process determined that it was imperative that the pilot boarding for energy vessels was performed by helicopters and carried out in locations that would be the safest for these classes of vessel. In the North this was determined to be 5 to 10 nautical miles northwest of the present pilot boarding station which meant that helicopter transfers this far out was the only viable solution.

With the cancellation of any imminent large LNG projects in the north, the Authority determined that suspending the process was advantageous. The 2018 forecasted margin and the margins budgeted for the year 2019 through 2023 assumes that the helicopter program will not be operational.

In fiscal 2022, it can be seen that there is a large increase in the margin of this segment. This is due to an anticipated start of the Trans Mountain project, resulting in a large additional increase in launch activity, with boarding's expected to be around the Sooke area off Vancouver Island.

- **Bridging Fee**

The Authority has assumed that it will no longer need a bridging fee post FY2019. Margins are appearing to align with projections and there is no need to continue the supporting program.

PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

Variances

The following variances between the 2018 budget and the 2018 forecast as explained below:

- Coastal pilotage margins

Coastal pilotage margins have increased from 2% to 4%. The increase is driven through higher revenues. On an assignment basis, the current year is trending in line with expectations. However, within this assignment breakdown, the coal sector has showed a significant increase. The largest component of pilotage revenues are driven by ship size. Coal vessels tend to be the largest vessels catered to by the Authority and therefore an increase in the relative number of these vessels, results in a corresponding increase in our margins.

The forecast assumes that the recovery in the coal sector will remain stable into the near future.

- River pilotage margins

River margins show a decrease from 28% to 21%. This decrease is driven by unbudgeted sick time taken by a few members of the small river team, as well as a decrease in assignments for this area of our business.

It is expected that fiscal 2019 river volumes and beyond will remain at fiscal 2018 levels.

All other segments of our business are performing well in line with our budget and no other material variations are noted.

CAPITAL BUDGET

For the year ended December 31
(in thousands of dollars)

	Actual 2017	Current Forecast 2018	Budget 2018	Budget				
				2019	2020	2021	2022	2023
FUNDING								
Loans	-	-	-	4,000	-	-	-	-
Pilot Launch Replacement	539	535	533	537	537	447	471	471
Investments	2,219	-	-	-	-	-	-	-
TOTAL FUNDING	2,758	535	533	4,537	537	447	471	471
EXPENDITURES								
Buildings & floats	-	510	200	50	40	50	-	-
Launches	445	1,063	1,313	4,650	300	790	230	-
Communications & Other	42	-	42	72	42	42	42	42

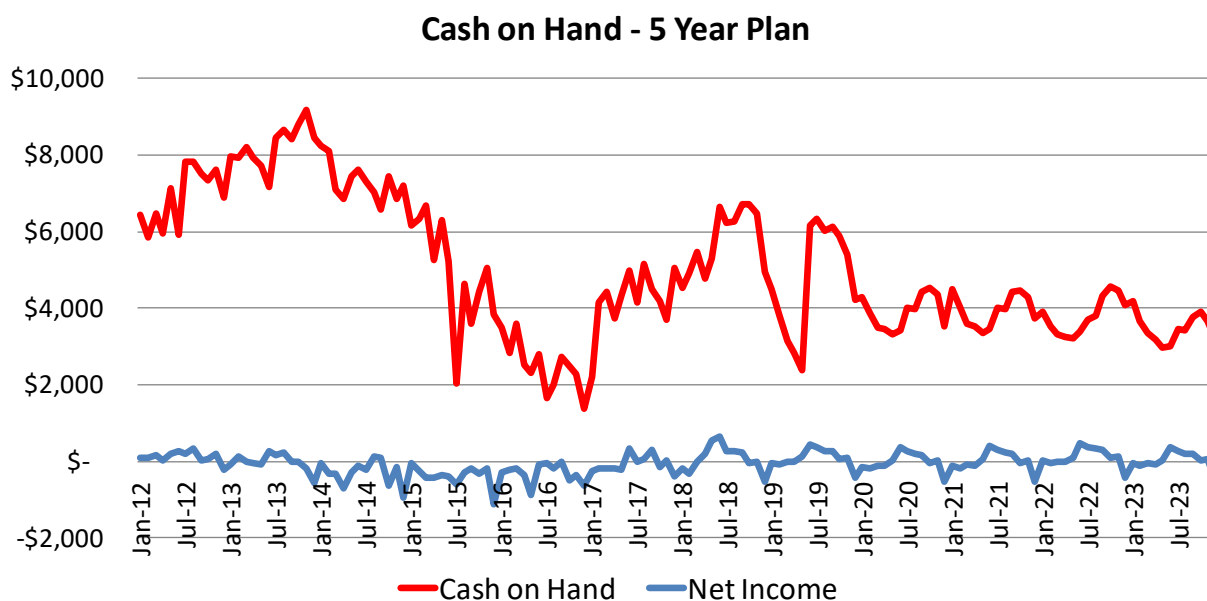
PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

Computers & Software	48	220	71	945	620	283	585	2,122
Leasehold Improvements	-	-	-	-	-	-	-	150
TOTAL EXPENDITURES	535	1,793	1,626	5,716	1,002	1,164	1,007	2,164
EXCESS (SHORTFALL) OF FUNDING OVER EXPENDITURES	2,223	(1,258)	(1,093)	(1,179)	(465)	(717)	(536)	(1,693)

Operating Line of Credit

The Authority requests to borrow, on a day-to-day basis from its bank, sums of money to manage its cash flow. The Authority views these borrowings as a 'best business practice' and wishes to renew this facility. These borrowings are to be charged at market rates levied by a Canadian bank and repaid prior to December 31. Currently, approved and signed by the Minister of Finance, the Authority has approval to borrow up to \$6.75 million.

The Authority has, in an effort to return as much surplus as possible to industry, reduced its cash balance consistently over the past 4 years and expects the cash balance to hover around \$4 million for the Corporate Plan years (see below).



Considering the Authority forecasts that it will achieve low net income in each of the planning years, any unknown factors outside of the Authority's control (i.e. tariff delays, volume changes, unforeseen engine breakdowns) may push the Authority's expected cash position below its forecasted balance.

PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN SUMMARY 2019 TO 2023

In addition, given the cyclical nature of the Authority's business, the ramp up in assignment volumes in the end of spring tends to put excess pressure on the Authority's cash position. There are periods during this ramp up in which the Authority must issue payments in excess of \$8 million per month which are only recovered afterward. Owing to the fact that the Authority's mandate is to be financially self-sufficient, having an available line of credit on which to draw from with the Authority's currently low cash balance is necessary.

This Corporate Plan serves as the Authority's formal application to the Minister of Finance for renewal of this facility at \$5 million.

Sensitivity of Corporate Plan Projections

The fundamental assumption in the Authority's Corporate Plan is the number of pilotage assignments each year. This number is in part a measure of Canadian exports and imports and is influenced by many external factors outside the control of the Authority. Some of these factors are:

- the export volumes of grain, forest products, coal and other bulk commodities,
- the effect of any receivership and bankruptcy applications by any carriers and/or agencies,
- foreign exchange rates,
- West Coast port competition for shipping traffic, and
- general economic conditions in Asia and North America.

The Authority's major expense in any given year is the payout to the British Columbia Coast Pilots Ltd. As a result of this structure, the Authority is well positioned to respond to temporary downturns of traffic. The BCCP are entrepreneur pilots and as such contract their services to the Authority under the terms of the *Pilotage Act*, and acknowledge the risk of decreased remuneration during diminished traffic periods.

The Authority has assumed that the Kinder Morgan project will move ahead in fiscal 2022 in accordance with the latest available information and has accordingly budgeted for the increase in traffic and associated manpower requirements.

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Appendix 6 - Borrowing Plan

Borrowing Authority

The Authority has financing arrangements to fund the portion of major capital projects that could not be covered by available funding within the current portfolio. Pursuant to Section 127(3) of the *Financial Administration Act*, the Authority is only engaged in borrowings that have been approved by the Minister of Finance.

According to PC Number: 2006-0176, dated 2006-03-30, "Her Excellency the Governor General in Council, on the recommendation of the Minister of Transport, the Minister of Finance and the Treasury Board, hereby... (b) pursuant to section 36 of the *Pilotage Act*, fixes the maximum amount of money that can be borrowed at any time by the Pacific Pilotage Authority, in Canada or elsewhere, for the purpose of defraying its expenses, at CDN \$9,568,000."

In fiscal 2019, the Authority will need to build a new pilot boat in order to replace an old and aging 47 year old pilot boat. As a result, the Authority will be requesting that the borrowing limit be increased to \$11.9 million.

The Authority submits the following borrowing plan for Minister of Finance approval at \$10.6 million for 2019.

1. Operating line of credit – \$5.0 million
2. Capital loan - \$5.6 million

The following table shows the Authority's borrowing for the plan years.

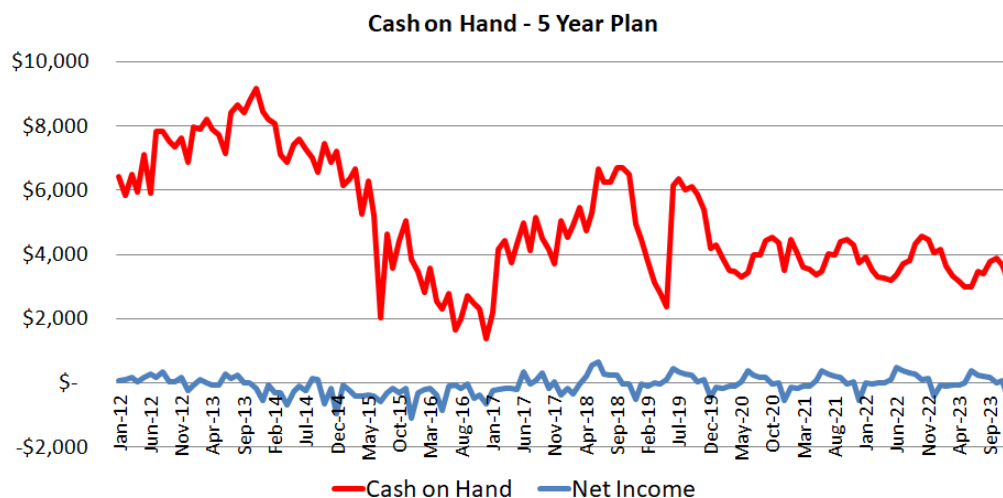
BORROWING PLAN								
For the year ended December 31 (in thousands of dollars)	Actual 2017	Forecast 2018	Budget 2018	Budget				
				2019	2020	2021	2022	2023
Operating Line of Credit	6,750	6,750	6,750	5,000	5,000	5,000	5,000	5,000
Capital Loans	2,574	2,199	2,250	5,575	5,039	4,100	3,134	2,159
Total	9,324	8,949	9,000	10,575	10,039	9,100	8,134	7,159

It must be noted that the actual anticipated out of pocket borrowing of the Authority is limited to Capital Loans of \$5.6 million in FY2019. The Operating Line of Credit was established in order to protect the Authority from variability in its operating cash flows. As such, outside of the variability in cash flows, the operating line of credit is always expected to have an actual outstanding balance of nil.

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Forecasted Cash Flow Position

The following graph displays the Authority's historic and projected cash position over the planning years:



As can be seen, the Authority expects to maintain a relatively level operating cash position over the planning years at approximately \$4.0 million. This is generally considered sufficient to account for the seasonality of the Authority's current business; as long as the operating line of credit exists as a buffer against unanticipated short term variability. The following continuity schedule displays the Authority's outstanding borrowings reported at the end of each fiscal year in the Corporate Plan:

OUTSTANDING BORROWINGS

For the year ended December 31
(in thousands of dollars)

	Actual 2017	Current Forecast 2018	Budget 2018	Budget				
				2019	2020	2021	2022	2023
Current Portion								
Operating Credit Facility	-	-	-	-	-	-	-	-
Capitalized Leases	-	-	-	349	349	349	344	-
Loans Payable	384	395	395	936	964	992	746	598
Total Current Portion of Borrowings	384	395	395	1,285	1,313	1,341	1,090	598
Non-Current Portion								
Operating Credit Facility	-	-	-	-	-	-	-	-
Capitalized Leases	-	-	-	962	655	329	-	-
Loans Payable	1,815	1,419	1,419	4,180	3,216	2,224	1,477	879
Total Non-Current Portion of Borrowings	1,815	1,419	1,419	5,142	3,871	2,553	1,477	879
Total Portion of Borrowings	2,199	1,814	1,814	6,427	5,184	3,894	2,567	1,477

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BORROWING CONTINUITY

For the year ended December 31
(in thousands of dollars)

Capitalized Leases	Actual 2017	Current Forecast 2018	Budget 2018	Budget				
				2019	2020	2021	2022	2023
Opening balance	-	-	-	-	-	-	-	-
IFRS assumption of existing leases	-	-	-	1,660	1,311	1,003	678	344
Maturities	-	-	-	(349)	(349)	(349)	(344)	(344)
New Issuances	-	-	-	-	-	-	-	-
Total Capitalized Leases	-	-	-	1,311	1,003	678	344	-
Loans Payable								
Opening Balance	2,574	2,199	2,199	1,814	5,117	4,180	3,216	2,223
Maturities	(375)	(385)	(385)	(696)	(937)	(964)	(993)	(746)
New Issuances	-	-	-	4,000	-	-	-	-
Total Loans Payable	2,199	1,814	1,814	5,116	4,180	3,216	2,223	1,477
Total Borrowings	2,199	1,814	1,814	6,427	5,184	3,894	2,567	1,477

IFRS 16 Adoption

In the FY2019 fiscal year, the Authority will adopt the International Financial Reporting Standard 16 (IFRS 16), entitled leases. This requires the Authority to account for all material leases as a liability equal to the discounted present value of future lease payments, regardless of whether the leases were previously determined to be capital or operating leases. This standard becomes effective in fiscal years that start on or after January 1, 2019, and the Authority has chosen not to early adopt the standard (i.e. the Authority will only apply the standard from January 1, 2019).

Next year, the Authority will record \$1.3M of currently existing leases as a liability and as a capital asset, as a result of this IFRS standard. This liability (and corresponding asset), will be amortized until December 2022. A new lease arrangement will then be considered by the organization for the duration of the Corporate Plan.

Investment Policy

The Investment Policy of the Authority is pursuant to section 37 of the *Pilotage Act* and reviewed annually. This policy incorporates fiduciary and financial responsibility within the confines of the *Pilotage Act* and the *Financial Administration Act*. The Authority's current investment portfolio includes Government of Canada Bonds, Canada Housing Trust Bonds and Canada Mortgage and Housing Corporation Bonds. All investments are relatively short-term obligations of or guaranteed by Her Majesty in Right of Canada. Investments must be rated equivalent to, or higher than, the Dominion Bond Rating Service (DBRS) rating for Government of Canada bonds. Investments with such a rating that are put on credit watch (negative implications) are not allowed.

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GST Assessment

Prepaid expenses and other receivables at FY2017 year end included \$736,000 in GST recoverable. In relation to the fourth quarter of 2015, Canada Revenue Agency (CRA) assessed that the Authority should have collected GST on pilotage fees charged to foreign vessels, represented by domestic shipping agents, on the basis that such services are non-zero rated. CRA applied a portion of the Authority's 2016 GST return refunds against the \$736,000 balance it had assessed.

The Authority filed a Notice of Objection. Subsequent to year-end, CRA accepted the Authority's objection and the Authority has since received the entire balance of \$736,000.

Financial – Tariff Adjustment

In order to finance its activities, the Authority charges users for its services through a tariff. Consistent with pilotage objectives, the tariff is intended to be fair, reasonable and sufficient to allow for a safe and efficient service. The Authority continues to place great emphasis on a full and comprehensive engagement process by consulting at length using a sophisticated modelling software tool with the marine industry prior to a tariff application being initiated. The costs to administer our services in order to protect our western coastlines in the interests of Canada amount to less than 7.5% of the total fees charged.

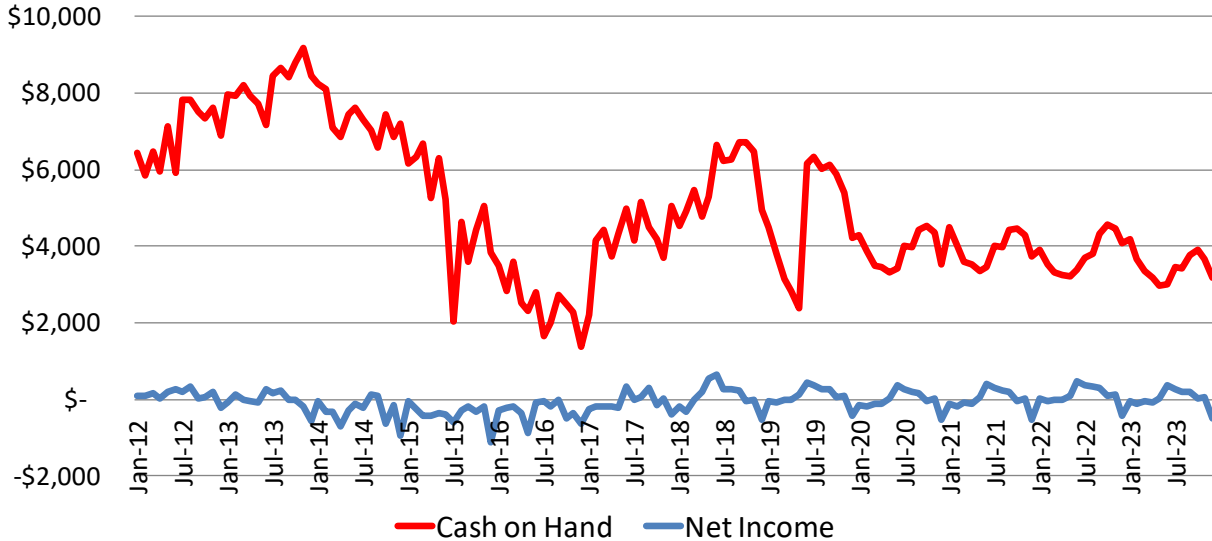
For fiscal 2018 and 2019, the Authority's goal is to bring margins back into line so that cash flow losses under normal operating conditions are stopped. In fiscal 2018, the Authority implemented a 3.75% tariff based on extensive consultation with industry. The Authority's financial modelling software was used to allow industry to have direct input into the tariffs for fiscal 2018 and fiscal 2019 as well as a plan onwards. As a result of multiple meetings (including meetings with all industry associations and separate meetings with the agencies that the associations represent), the Authority emerged with a tariff for fiscal 2018 and 2019 comprised as follows:

TARIFF							
	Actual 2017	Actual 2018	Actual 2019	Budget			
RATE CHANGE				2020	2021	2022	2023
Pilotage unit, hourly, travel & launch	2.90%	3.75%	3.05%	2.50%	2.50%	0%	0%
ADDITIONAL FEES							
Launch Replacement	60	60	60	60	50	50	50
Bridging Fee	100	100	100	-	-	-	-
Technology Fee	20	50	50	50	50	50	50
Other Fee	-	-	-	-	-	-	-
TOTAL FEES PER ASSIGNMENT	180	210	210	110	100	100	100

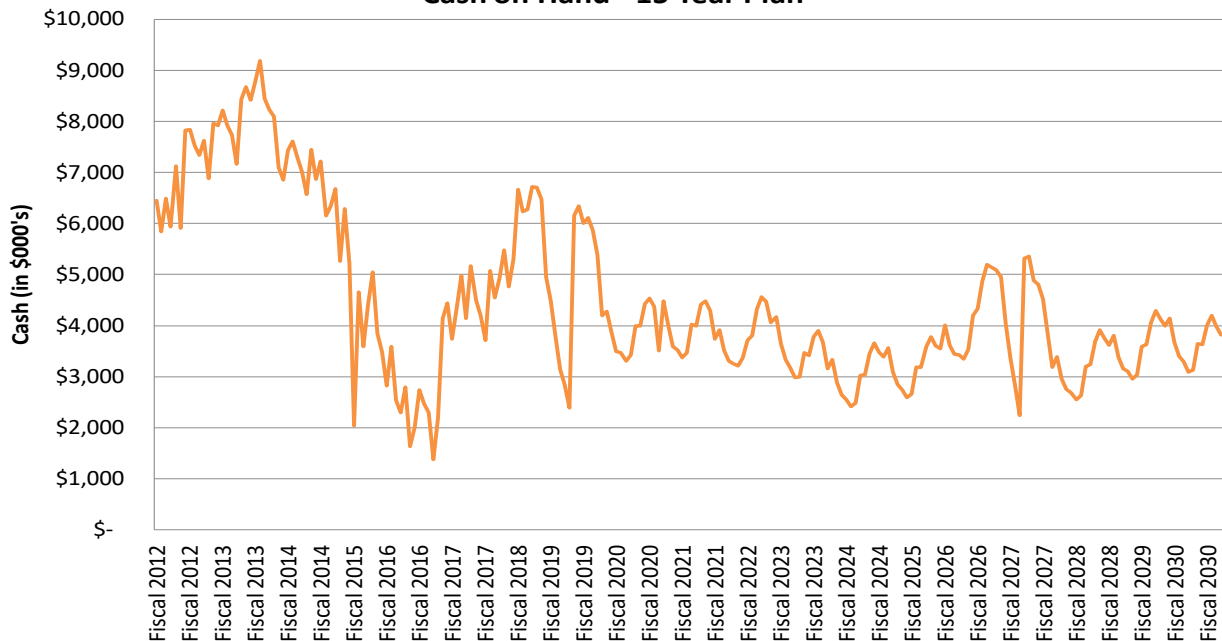
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The increases for fiscal 2018 and fiscal 2019 are intended to bring the Authority's margins back into line. The tariffs for fiscal 2020 through 2023 are designed to stabilize the Authority's cash flows at an average operating cash base of \$3.5 million (for fiscal 2024 onwards) whilst taking into account the Authority's planned capital projects and investment strategy (see below).

Cash on Hand - 5 Year Plan



Cash on Hand - 15 Year Plan



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Employee Benefits

All eligible employees of the Authority are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority to cover current service cost.

The normal age of retirement within the Authority is 65 years.

2018 - Employed in plan prior to 2013	Employee contribution	Employer contribution rate times Employee rate
\$0 - \$55,800	9.80%	1.01
Above \$55,800	12.13%	1.01
Earnings over \$164,500	12.13%	3.2

2018 - Employed in plan from Jan 1, 2013	Employee contribution	Employer contribution rate times Employee rate
\$0 - \$55,800	8.77%	1.0
Above \$55,800	10.46%	1.0
Earnings over \$164,500	10.46%	3.2

Since 2006, employee contribution rates have gradually increased to reach a more balanced cost-sharing ratio with the Government of Canada.

Effective January 1, 2013, a plan to phase in additional employee contribution rate increases for the public service pension plan will result in an employee-employer cost-sharing ratio of 50:50 in 2017.

Employees are entitled to severance and sick leave benefits as provided for under collective agreements or employment contracts.

Key features of sick leave:

- Sick leave for management and ILWU office staff is 1.25 days per month cumulative year to year to a maximum of 365 days
- Sick leave for CMSG crew is 1.25 days per month cumulative year to year to a maximum of 365 days
- Sick leave for ILWU deckhands is 1.75 days per month cumulative year to year to a maximum of 365 days
- Sick leave for Fraser River pilots is 1.75 days per month cumulative year to year to a maximum of 365 days

Key features of severance:

- Management – no severance accumulation above Canada Labour Code
- Fraser River Pilots – no severance accumulation above Canada Labour Code
- Office Staff – severance accumulation above Canada Labour Code as follows:

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- Resignations and retirement – no severance pay.
- Layoff – 4 times weekly rate of pay for year 1, plus 1 times the weekly rate of pay for all remaining years to a maximum of 28 weeks (i.e. at 20 years an employee would receive 23 weeks)
- CMSG - severance accumulation above Canada Labour Code as follows:
 - Resignations and retirement – no severance pay.
 - Layoff – 3 times weekly rate of pay for year 1, plus 1 times the weekly rate of pay for all remaining years to a maximum of 31 weeks (i.e. at 20 years an employee would receive 22 weeks)

In fiscal 2018, severance in the Authority's collective agreements with its unions was adjusted so that severance payments on resignations and retirement were eliminated.

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Appendix 7 - Risk and Risk Responses

The Authority considers risk management to be a shared responsibility. Accordingly, members of the Board of Directors, its committees, the CEO, and all employees are accountable for managing risk within their area of responsibility. Risk management policies ensure a consistent, comprehensive and enterprise-wide risk management approach that is integrated into planning, decision making, and operational processes.

The Authority has categorized its risks in order to assist in identification and management of the risk.

- Strategic risk: risks emanating from the Authority's strategy and decision making.
- Financial risk: risks pertaining to liquidity, capital availability, capital structure.
- Organizational & Human Resource risk: risks emanating from the Authority's management of its human resources including leadership depth and quality, management and labour availability and cost, cultural, etc.
- Operational risk: risks emanating from the Authority's day-to-day operating processes and activities.
- External risk: risks emanating from external sources over which the Authority (although impacted) has little control (e.g. macro-economic volatility; industry structural change; political, etc.)
- Legal and regulatory risk: risks associated with the Authority's compliance with applicable laws and regulations.
- Incident risk: risks emanating from incidents (accidents, near misses, etc.) within the Authority's jurisdiction where a pilot is present on board ship.
- Emerging risks: un-rated risks that the Authority will keep reviewing from time to time in order to be proactive.

The Board of Directors has adopted the following risk profile and tolerance matrix:

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Risk Ranking Methodology

		Operational				Strategic	
	Financial	Human	Property	Vessel(s)	Environmental	Disruption of Business	Reputation
Extreme 5	Above \$10 million cash impact on the Authority	Multiple deaths And multiple people with serious long-term injury Intensive care	Damage to property is such that it ceases operations for a period of time exceeding one month or financial loss exceeds \$10 million	Vessel sinks or sustains so much damage that it is a constructive total loss	Incident causes sustained long term harm to environment (i.e. damage lasts greater than a month)	Threatens long-term viability of Authority (Operational cessation or major operational issues lasting more than one month)	Sustained front page adverse national media coverage International media coverage
Very High 4	Impact on the Authority between \$5 and \$10 million	Single death And multiple people with serious long-term injury Intensive care	Damage to facilities is such that operations cease for up to one month or financial loss of \$5 - \$10 million.	Vessel sustains damage significant enough to result in towing to dry dock and loss of operations of up to one month	Incident causes sustained medium term harm to environment (i.e. damage lasts up to one month)	Threatens viability of Authority in the medium term (Operational cessation or major operational issues lasting up to one month)	Front page adverse national media coverage And intermittent international coverage
High 3	\$1million-\$5million cash impact	Some people with serious long-term injury and multiple minor injuries	Damage to facilities is such that the operations cease for up to two weeks or financial loss of \$1 - \$5 million.	Vessel sustains significant damage with dry docking and loss of operations for two weeks	Incident causes medium term harm to environment (i.e. damage lasts up to two weeks)	Threatens viability of Authority in the short term (Operational cessation or major operational issues lasting up to two weeks)	Intermittent adverse national media coverage
Medium 2	Between \$500,000 to \$1million cash impact	One person with serious long-term injury Some minor injuries	Damage to facilities cause operations to cease for up to one week Or financial impact of \$500,000 - \$1 million	Vessel sustains damage resulting in loss of operations for one week	Incident causes short term harm to environment (i.e. damage lasts no greater than one week)	Operational issues lasting up to one week but no cessation of business	Sustained front page adverse local media coverage Board and Ottawa receive complaints from industry associations and major clients
Low 1	Up to \$500,000 cash impact	Single or multiple minor injuries requiring on site First Aid and/or off-site treatment	Damage to facilities cause operations to cease for up to 72 hours Or a financial impact up to \$500,000	Minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours	Incident causes minimal or intermittent harm to environment over a period of time (i.e. damage lasts no greater than a day)	No operational issues or operational issues lasting up to 72 hours	Intermittent adverse local media coverage Complaints received from industry and/or clients

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Risk Likelihood Ranking Criteria

Likelihood	Risks that are ongoing	Risks that are one off
Extreme 5	We expect that the risk will occur many times a month. The risk is happening.	We fully expect the risk to occur. The risk is already occurring (i.e. It's an issue).
Very High 4	We expect that the risk will occur at least once a year.	We expect the risk will most probably occur.
High 3	We expect that the risk will occur once in 3 years.	We expect that the risk may occur at some time and we think it more likely than not.
Medium 2	We expect that the risk will occur once in 10 years.	We expect that the risk may occur at some time and we think it less likely than not.
Low 1	We expect that the risk will occur once in 50 years.	We expect that the risk may occur only in exceptional circumstances but that it is highly doubtful that it will.

Risk Ranking Score Key

To achieve the risk's score, multiply the Impact score by the Likelihood score. The overall rankings are the following:

25	Extreme	20	Very High	15	High	10	Medium	5	Low
24	Extreme	19	Very High	14	High	9	Medium	4	Low
23	Extreme	18	Very High	13	High	8	Medium	3	Low
22	Extreme	17	Very High	12	High	7	Medium	2	Low
21	Extreme	16	Very High	11	High	6	Medium	1	Low

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At present, the key strategic risks identified for the Corporation are:

Title	Risk Category	Impact	Likelihood	Score	Org Level
Future recruitment of suitable qualified pilots	Human Resource Risk	4 A declining trend in enrolment for maritime jobs could result in insufficient pilots to cater to future demand.	2 Relatively low likelihood of not being able to find sufficient pilot candidates (six coast pilot candidates currently on the eligibility list)	8	Strategic
Existing Controls – <ol style="list-style-type: none"> The PPA is now very pro-active within the community in promoting piloting as a career. This includes many First Nations communities in coastal western Canada. Well established recruitment and training/accreditation process. Including: <ul style="list-style-type: none"> Familiarization program is a minimum of 40 trips Apprenticeships can now be extended up to 2 years Increased participants Mentoring program BC Coast Pilots can be "called back" and paid premium per job. BCCP offer a seasonal and half-time pilot initiative; Flexibility of coastal pilots as they are certified for all of BC coast (not just one localized area). BC Coast Pilots have good relationships with industry and regulatory stakeholders continue to be proactive in this regard. PPA consults with the BCCP before making any regulatory changes 					

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Title	Risk Category	Impact	Likelihood	Score	Org. Level
Relations with communities and the general public following an incident	Communication Risk	<p>4</p> <p>A communication breakdown after an incident could result in propagation of nonfactual information.</p> <p>Communication breakdown could result in a deterioration of the relationship with the community leading to negative publicity.</p>	<p>2</p> <p>Low likelihood as the Authority's communication strategy include regular liaising with communities.</p>	8	Strategic
<p>Existing Controls –</p> <p>Pollution as a result of an incident:</p> <ol style="list-style-type: none"> 1. The primary control to avoiding an accident is to ensure that the Authority has a robust pilot examination process, world class training and an active quality performance and risk assessment process in place. 2. Rules in place that govern the petroleum industry ensuring that only double hulled vessels and barges are able to carry petroleum products. 3. Regulations governing required experience for waiver holders. 4. Notices to Industry and Pilots, Standards of Care documents and Guidelines put in place to govern the movement of bulk liquids, vessels under waiver and identified risks on the coast. <p>Deterioration of Relationships as a result of damage and pollution:</p> <ol style="list-style-type: none"> 1. The PPA works hard on relationship building with all sectors on an ongoing basis. 2. Strong relationships will ensure that the trust needed post incident will already be in place. 3. Open, honest and transparent communication and the sharing of data in a post incident scenario will greatly lessen any negative publicity and court action. 					

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Title	Risk Category	Impact	Likelihood	Score	Org. Level
Changing economic / fiscal conditions that affect vessel traffic	Financial Risk	<p style="text-align: center;">3</p> <p>1. Economic downturn - A significant economic downturn causing reduced shipping trade could significantly impact on the Authority's revenue.</p> <p>2. Changes in policy - Relating to: environmental policies (e.g. restrictions in ship emissions, noise and NIMBY approach), offshore oil drilling, forestry, wheat industry etc. may impact the Authority's business forecasts.</p> <p>3. Trading patterns - Changes in global trading patterns and routes (e.g. widening of the Panama Canal and potential opening of North West Passage) as well as foreign exchange fluctuation could affect trade and tourism patterns.</p> <p>4. New proposed projects relocating to other jurisdictions.</p>	<p style="text-align: center;">2</p> <p>Financial loss low owing to reserves, contingency and forecasting. Structure of contracts allow for low financial exposure (variable contracts with primary service vendor).</p>	6	Strategic
<p>Existing Controls –</p> <ol style="list-style-type: none"> 1. Constant monitoring of financial indicators. 2. Diversity helps to protect business from downturns in individual sectors – i.e. not just reliant on one industry (coal, grain, lumber, petroleum, automobiles, containers, cruise). 3. Trend analysis is incorporated into financial planning. 4. Scenario planning now included in risk discussion groups incorporating consideration of financial aspects of possible major developments that could affect the Authority's business. <p>The Authority's business model is capable of absorbing traffic (revenue) downturns. The Authority has developed a well regarded forecasting model in concert with Industry to ensure that the best information is used to predict the effects of expected future conditions on the business. In addition, the Authority has engaged in a rebuilding process on financial reserves and has an available line of credit if needed.</p>					

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Title	Risk Category	Impact	Likelihood	Score	Org. Level
Recruiting and training of Fraser River pilots	HR Risk	3 1. Challenges catering to the pilotage demands of industry. 2. Additional stress on existing workforce. 3. Reputation as a service provider could be impacted	2 1. Low risk in attracting qualified candidates (four candidates currently sit on the eligibility list).	6	Strategic
Existing Controls – 1. Familiarization program and examinations for river pilot candidates scheduled on regular basis 2. River pilots have provided the Authority with their tentative retirement dates 3. PPA initiates and participates in regulatory changes that affect pilotage 4. Well established training programs that can be amended to compensate for regulatory changes					

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Title	Risk Category	Impact	Likelihood	Score	Org. Level
Financial reserve - tariff	Financial Risk	<p style="text-align: center;">3</p> <p>Good relations with industry and a highly inclusive tariff consultations process assist in tariff increase procedures.</p>	<p style="text-align: center;">2</p> <p>Conflict in proposals for tariff increases could cause delays in the tariff approval process, which could necessitate the need to build reserves into the Authority in order to continue as a going concern through objections; which in turn could cause an increased likelihood of objection with the impact of delays in needed increases.</p>	6	Strategic
<p>Existing Controls – The tariff is well positioned with adequate margins achievable in each cost center. Future tariff adjustments focus on margin generation to cover overhead.</p> <ol style="list-style-type: none"> Detailed forecasting of traffic in advance is helping to predict income streams and expenditures. Constant monitoring of financial indicators and traffic patterns. PPA's coastal costs are directly variable to available work (i.e. BCCP has ownership of this portion of risk). Diversity helps to protect business from downturns in individual sectors – i.e. not just reliant on one industry (coal, grain, lumber, petroleum, automobiles, containers, cruise). Good communication with industry bodies and clients aids forecasting. Scenario planning now included in risk discussion groups incorporating consideration of financial aspects of possible major developments that could affect PPA's business. Annual strategic planning sessions held with the PPA Board, Management and invited industry guests fosters planning. PPA will continue to ensure the tariff generates sufficient funds to cover on-going training and capital expenditure costs. 					

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Title	Risk Category	Impact	Likelihood	Score	Org. Level
Legalization of marijuana: how it affects the PPA's drug and alcohol policy	Emerging Risk	Under development	Under development	n/a	Strategic
Political activism and its effects on the PPA	Emerging Risk	Under development	Under development	n/a	Strategic
Cyber security	Emerging Risk (to be further developed from existing IT risk)	Under development	Under development	n/a	Strategic

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Appendix 8 - Compliance with Legislative and Policy Requirements

Below, is a list of the legislative and policy directives that the Pilotage Authority must comply with:

Access to Information Act

As part of a commitment to clear and transparent governance, the Authority voluntarily reports, through its website, annual summaries of all requests related to the *Access to Information Act* received for itself and its subsidiaries. To date in FY2018, three requests have been processed by the Authority.

Official Languages Act

The Authority has assigned a member of its management team to monitor and promote the use of official languages within the organization. The Authority ensures that all its external and public communications as well as its services to the public are available bilingually by request. Annually the Authority reports its findings related to languages to the Treasury Board Secretariat's Official Languages Centre of Excellence.

Additional Acts which the Authority must comply with include:

- *Conflict of Interest Act*
- *Canadian Human Rights Act*
- *Corruption of Foreign Public Officials Act*
- *Privacy Act*
- *Employment Equity Act*
- Part X of the *Financial Administration Act*

Directive on Travel, Hospitality, Conference and Event Expenditures

As part of a commitment to good governance and as directed under Section 89 of the *Financial Administration Act*, the Authority has established a policy governing the reimbursement of reasonable expenses required for the purposes of business travel, hospitality, conferences and events in accordance with Government of Canada direction.

This policy includes processes for preparation and approval of expenses for reimbursement. The Authority's compliance with this policy is audited annually by the Office of the Auditor General. The Authority voluntarily reports, through its website, annual aggregate corporate expenses related to travel and business development activities as well as the travel and hospitality expenses for the CEO and Chair.

Expenses are reported by month and are reflected in the period during which they were reimbursed. These disclosures include business expenses related to business travel, hospitality, conferences, and event expenses for activities directly related to the

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delivery of the Authority's core mandate or legal requirements, engagement with its key stakeholders, internal governance, and training.

Trade agreements

The Authority is not directly involved with any activities related to trade agreements. A stable and collaborative pro-trade economic environment directly benefits the Authority's business activities.

The Authority follows a procurement process that includes tendering in a public manner respecting the thresholds established in the various trade agreements.

Other

Additionally, the Corporation supports and complies with the following legislation that affects various facets of its operations:

CORPORATE

- *Canada Business Corporations Act*, R.S.C. 1985, c C-44
- *Financial Administration Act*, R.S.C. 1985, c F-11

GOVERNMENT INSTITUTIONS

- *Auditor General Act* R.S.C., 1985, c. A-17
- *Conflict of Interest Act*, S.C. 2006, c 9, s 2
- *Commercial Arbitration Act*, R.S.C. 1985, c 17 (2nd Supp.)
- *Library and Archives of Canada Act*, S.C. 2004, c 11
- *Lobbying Act*, R.S.C. 1985, c 44 (4th Supp.)
- *Privacy Act*, R.S.C. 1985, c P-21
- *Public Servants Disclosure Protection Act*, S.C. 2005, c 46

REGULATORY STATUTES

- *Pilotage Act*, R.S.C. 1985, C. P-14
- *Canada Labour Code*, R.S.C. 1985, c L-2
- *Canadian Environmental Assessment Act*, 2012, S.C. 2012, c 19, s 52
- *Canadian Environmental Protection Act*, 1999, S.C. 1999, c 33
- *Canadian Human Rights Act*, R.S.C. 1985, c H-6
- *Customs Act*, R.S.C. 1985, c 1 (2nd Supp.)
- *Health of Animals Act*, S.C. 1990, c 31
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, S.C. 2000, c 17

Amongst others including:

- *Canada Transportation Act*, S.C. 1996, c 10

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Appendix 9 - Government Priorities and Direction

Results linked to Government priorities

The Government of Canada's priorities aim for growth for the middle class; open and transparent governance; a clean environment and a strong economy; strength through diversity; and security and opportunity.

Through its operational and policy framework, the Authority delivers on the commitment to open and transparent governance as well as effective compensation and diversity through employment opportunities.

Transparency and Open Government

With the use of monthly customer meetings, quarterly stakeholder meetings and online communications tools, the Authority is well positioned to deliver its mandate in a fully open and transparent manner.

Within all required timeframes, the Authority openly publishes its public reports such as Annual and Quarterly Reports, Summary Corporate Plans, Proactive Disclosures and *Access to Information Act* inquiries. The Authority aims to respond in a timely manner to all information requests as well as reasonably address their associated concerns when feasible.

Gender-Based Analysis / Diversity and Employment Equity

The Authority's staff volume is too low for a statistically significant analysis of any of its employment parameters. Despite its limited quantities of personnel, the Authority remains nimble and effective in the delivery of its mandate. While not driven by specific employment targets, the Authority benefits from a broadly diverse workforce. From a gender diversity perspective, the Authority's Board consists of a majority of female directors, management has 33% representation and corporate staff has a 44% female representation. The Authority continues to struggle to find and recruit female representation in the launch and pilot portions of our business due to an unavailability of any willing female candidates. This continues to be a focus for change. The Authority strives to make the workplace reflective of our society.

Indigenous Relationships

Through community engagement with regional Indigenous groups (4 meetings were held in fiscal 2017), the Authority spurs individual economic well-being and promotes an inclusive social diversity that is essential for the future of Canada. We actively engage in dialogue with local first nations groups about our collective interests in the marine environment. This community collaboration also supports environmental protection of the lands and waterways.

Sustainable Development and Greening of Government Operations

The Authority aims to increase its green presence. Various initiatives being implemented or contemplated for deployment include the requirement for all future launches to meet best practices emissions targets.

PACIFIC PILOTAGE AUTHORITY

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Appendix 10 - Acronyms

Acronym	Definition
BCCP	British Columbia Coast Pilots Ltd.
BRM-P	Bridge Resource Management for Pilots
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMSG	Canadian Merchant Service Guild
CRA	Canada Revenue Agency
ERM	Enterprise Risk Management
FAA	<i>Financial Administration Act</i>
G3	G3 Canada Limited
IFRS	International Financial Reporting Standards
ILWU	International Longshore & Warehouse Union
LOU	Letter of Understanding
LPG	Liquefied Petroleum Gas
NAFTA	North American Free Trade Agreement
OAG	Office of the Auditor General
PCO	Privy Council Office
PPA	Pacific Pilotage Authority
PPU	Portable Pilotage Unit
PTEC	Pilot Training and Education Committee
PTSC	Pilot Transportation Safety Committee
PU	Pilotage Unit - calculated as the vessels (length * breadth * draft)/100
SORC	Safety and Operating Review Committee
TMX	Trans Mountain Expansion