Atlantic Pilotage Authority
ANNUAL REPORT 2019

Atlantic Pilotage Authority | Administration de pilotage de l'Atlantique

Canada

Mandate

The mandate of the Atlantic Pilotage Authority is to establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service in the Atlantic region.

Mission

To deliver safe, effective and self-sustaining marine pilotage services in Atlantic Canada.

Vision

The Vision of the Atlantic Pilotage Authority (APA) is to be a respected leader in marine pilotage, safeguarding people, property and the environment.

To achieve the vision, the Authority must demonstrate:

- An industry-leading safety record
- Operational efficiency where customers receive tangible value for the tariff they pay
- Marine expertise where APA pilots are viewed as leaders in the field of marine navigation and safety
- A self-sustaining business model that allows the Authority to provide services and be financially self-sufficient

Core Values

SAFETY
The Authority will emphasize safety over any competing goals or pressures to ensure the protection of people and safeguarding of property.

ENVIRONMENT
The Authority will strive to protect and conserve the natural environment and local communities.

SERVICE
The Authority is dedicated to being a trusted partner in providing effective and efficient marine pilotage services and expertise in marine navigation.

RELATIONSHIPS
The Authority will build and maintain long-term respectful relationships with employees, customers, contractors, and suppliers.

ACCOUNTABILITY
The Authority will be accountable to the Federal Government, the public, and to its customers for actions taken and the results of its operations.

Design: Dean McNeill & Darrell Freeman; Translation: Traductions F. Orvoine; Printing: Cansel MDC

CORPORATE HEADQUARTERS

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LETTER FROM THE Chair & CEO

Captain Jack Gallagher
Chair

Captain Sean Griffiths
Chief Executive Officer

March 27, 2020
The Honourable Marc Garneau, P.C., M.P.
Minister of Transport
Tower C – 330 Sparks Street
Ottawa, ON
K1A 0N5

Dear Minister:
Pursuant to Section 150 of the *Financial Administration Act*, it is our pleasure to present the Atlantic Pilotage Authority's Annual Report for 2019.

Safety is paramount to the Authority and we are pleased to report that the Authority has completed 8,694 assignments during 2019 where 99.94% were without a reported pilotage incident. There were no injuries or environmental contamination due to any of the incidents reported.

The Authority aims to provide pilotage service within one hour of the confirmed ordered time on 100% of its assignments. In 2019, the Authority provided a pilot within this time frame on 99.1% of the assignments. The number of assignments completed without a registered complaint was 99.6% of the total assignments.

The Atlantic Pilotage Authority had another successful year with strong financial results in 2019. Total activity for the Authority remains steady, with increased traffic in Newfoundland offsetting a decline in Nova Scotia. The Authority continued to receive the support of its customers in 2019 regarding tariff adjustments where necessary, including tariff reductions in targeted areas. These factors have contributed to an operating profit of $1.297 million.

These strong financial results have allowed for capital loan payments, capital investments, and savings to accumulate for future requirements and obligations while also maintaining the Authority's reserves. There was a large, and unexpected, capital investment required on two pilot boats when structural deficiencies from their original construction were discovered. Capital investment continued on the newer vessels purchased from the Netherlands to increase their ability to operate in North American winters. The Authority also invested in Portable Pilotage Units that have allowed the Authority's pilots to provide a more effective service while reducing risk.

Pilotage assignments during the year decreased by 0.3% from 2018 but were within 1% of budget. The corresponding revenues were 2.3% above budget. Total expenses were 1.6% over budget due to an increase in operating costs, driven primarily by the unexpected pilot boats repair costs. Administration and dispatch costs were controlled at levels that were below budget.

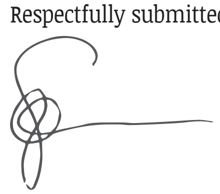
The Authority maintained its ISO 9001-2015 designation in 2019 and has added a Quality, Health, Safety and Environmental Manager. These actions are a testament to the Authority's dedication to continuous improvement and to safety.

Management's regular consultations with its Atlantic region stakeholders continues to provide vital input on the service levels, operational issues, and pilotage tariffs within each of its major ports. These stakeholder meetings provide open dialogue with customers and allows the management of the Authority to stay connected to actual or potential developments in its region. The Authority's relationship with its stakeholders remains strong as management and pilots are actively engaged in multiple projects in various districts. Some developments include upgrading or enhancing existing infrastructure, assessing the risk of new operations or planning for larger vessels at existing terminals.

In September 2019, Hurricane Dorian passed through the Atlantic Region, causing significant damage to the Authority's dock facilities in Halifax and a breakwater in Herring Cove. Repairs were completed immediately on the dock facilities as these structures are most important to operations in the port during cruise ship season, while repairs to the breakwater are a longer-term project. A meeting was held with the community of Herring Cove immediately following the storm to inform them of the Authority's intentions. Since then, an engineering assessment with wave modelling was completed and recommendations provided. This study was also shared with the community at a meeting in November where a recommendation and path forward was chosen. The repairs will be completed in 2020 and fully financed by the Authority's savings.

It is once again our pleasure to report that the Atlantic Pilotage Authority continues to provide an exemplary service, in the safest and most economical manner, to the satisfaction of its users, and within the obligations of the *Pilotage Act*.

Respectfully submitted,

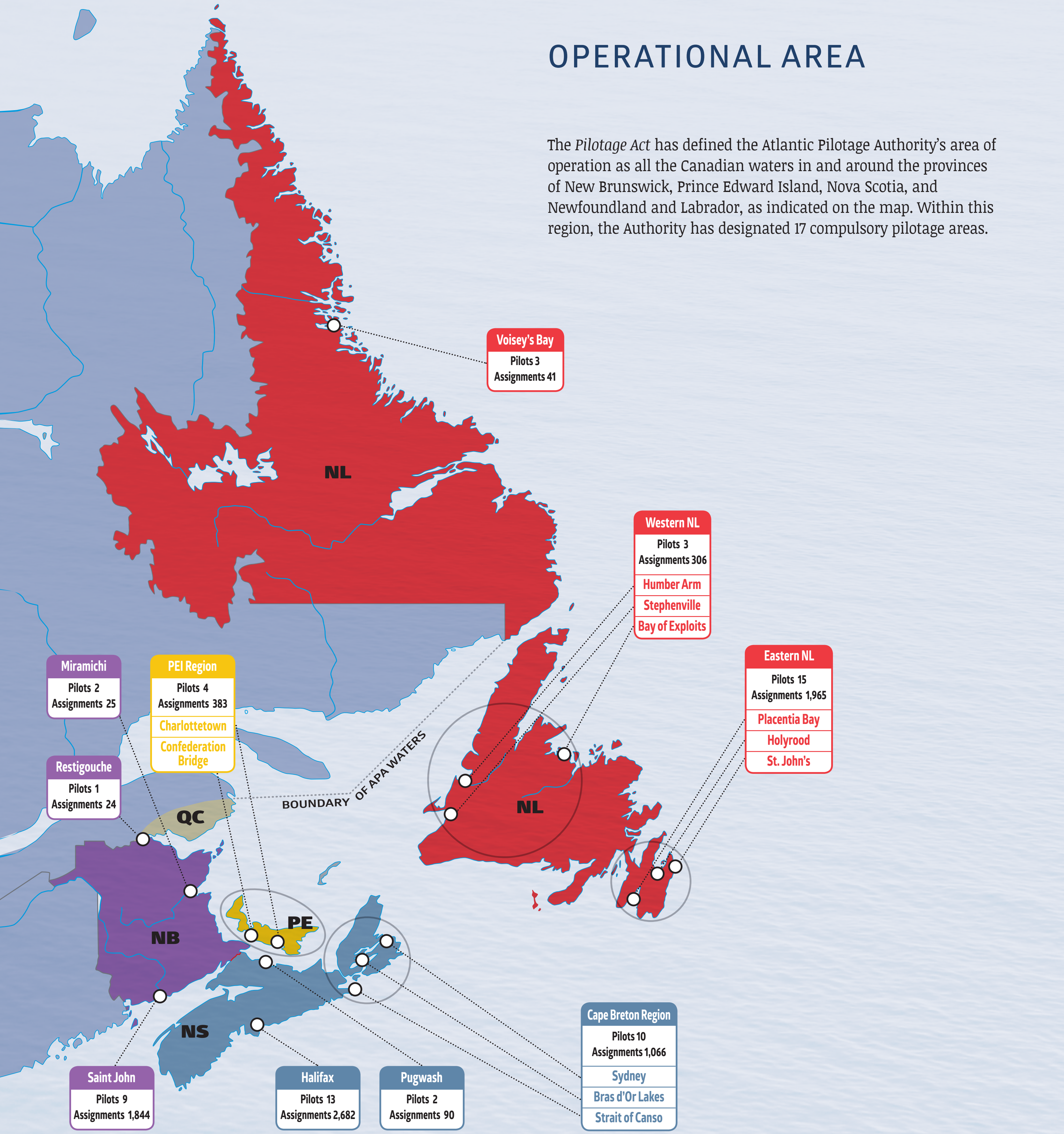


Captain Sean Griffiths, MM, MBA
Chief Executive Officer

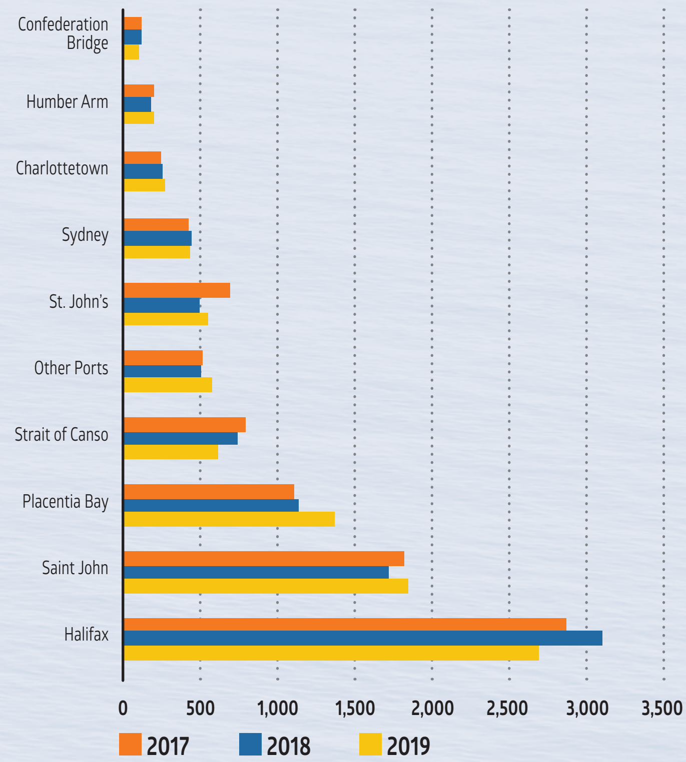
Captain Jack Gallagher
Chair

OPERATIONAL AREA

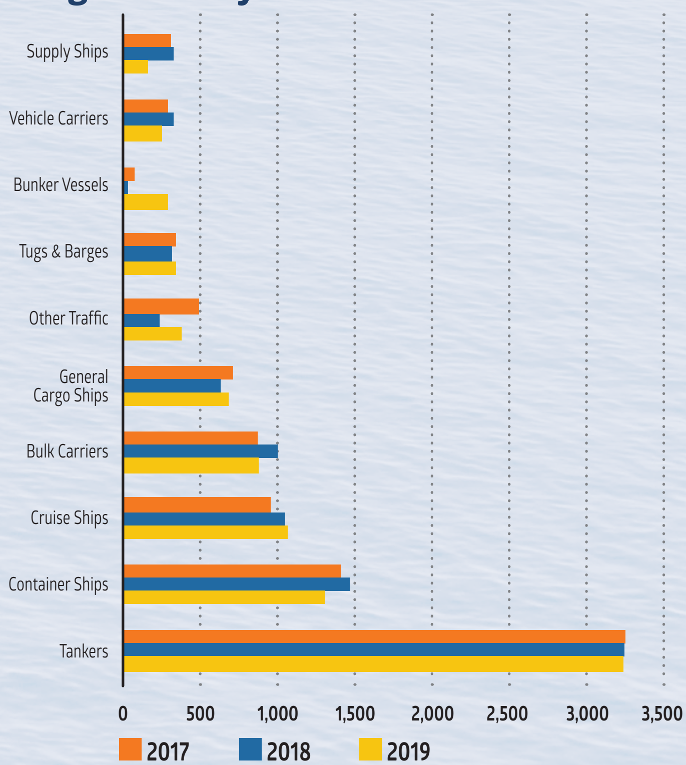
The *Pilotage Act* has defined the Atlantic Pilotage Authority's area of operation as all the Canadian waters in and around the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, as indicated on the map. Within this region, the Authority has designated 17 compulsory pilotage areas.



Total Pilotage Assignments



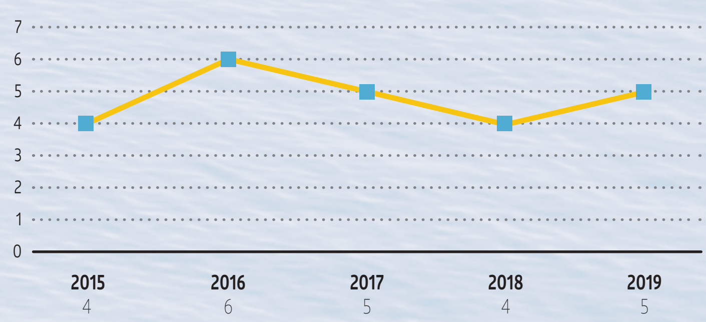
Assignments by Class of Vessel



Pilotage Assignments

Assignments	Pilots	2019	2018	2017
New Brunswick				
Saint John	9	1,844	1,715	1,816
Miramichi	2	25	18	16
Restigouche	1	24	2	9
Newfoundland and Labrador				
Eastern NL	15			
Placentia Bay		1,373	1,137	1,110
St. John's		559	498	700
Holyrood		33	36	39
Western NL	3			
Humber Arm		205	187	207
Bay of Exploits		67	80	89
Stephenville		34	18	12
Voisey's Bay	3	41	14	6
Nova Scotia				
Halifax	13	2,682	3,100	2,863
Cape Breton Region	10			
Strait of Canso		621	739	796
Sydney		441	448	434
Bras d'Or		4	4	6
Pugwash	2	90	98	90
Prince Edward Island	4			
Charlottetown		277	261	247
Confederation Bridge		106	124	121
Non-Compulsory Areas		268	241	248
Total		**8,694**	**8,720**	**8,809**

Total Shipping Incidents



8,694

PILOTAGE ASSIGNMENTS

Down 0.3% from 2018

99.94%

ASSIGNMENTS INCIDENT FREE

0

ZERO ACCIDENTS

that Caused Injury or Environmental Damage

99.60%

ASSIGNMENTS

without Customer Complaint

99.10%

ASSIGNMENTS

without Delay

1.297m

INCOME IN 2019

ABOUT THE Atlantic Pilotage Authority

The Atlantic Pilotage Authority (APA) is a Federal Crown Corporation responsible for providing marine pilotage service to Atlantic Canada. The APA was established in 1972 by the *Pilotage Act*, with the following objective:

> "to establish, operate, maintain and administer in the interests of safety an efficient pilotage service". (*Pilotage Act*, Section 18)

The APA provides licensed pilots to ships that enter Atlantic Canadian Ports to ensure that these ships travel within the pilotage area as safely as possible. This responsibility includes examining qualified mariners and issuing pilotage certificates to successful candidates to enable them to navigate their ships within designated compulsory areas without a licensed pilot on board.

Operations are organized according to geographic location, and seventeen areas have been designated as requiring compulsory pilotage, with one further area in the regulatory process to become compulsory. The Authority also endeavors to provide pilotage service to other areas, referred to as non-compulsory areas, upon request.

The Authority is a Crown Corporation as defined by the *Financial Administration Act* (FAA) and is listed in Schedule III, Part I to that *Act*. The Authority is not an agent of the Crown.

The Authority has not received parliamentary appropriations since 1995 and, under provisions of the *Pilotage Act*, is not eligible for future appropriations.

The Board of the Authority consists of a part-time Chairperson and not more than six other members, all appointed by the Governor in Council.

The Chief Executive Officer (CEO) has the direction and control of the day-to-day business of the Authority. The Authority is administered and controlled at its headquarters, which is located in Halifax, NS.

The APA works with ports, the shipping industry, and other stakeholders to provide the safest and most efficient marine pilotage service possible to Atlantic Canada.

Throughout history and up to the present day, the diverse and challenging coastline and waters of Atlantic Canada have defined the character and development of the region. Marine pilots have played a major role in this development in the past, and continue to do so today.

The Authority provides a valuable and necessary service to the marine community in Atlantic Canada. The highly skilled marine pilots, boat crews, dispatchers, and office staff employed by the APA make vital contributions to the protection of the environment, to safeguarding the lives of mariners, and to preserving and promoting the economic wellbeing of ports in Atlantic Canada.

Powers

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

- Establish compulsory pilotage areas;
- Prescribe ships or classes of ships subject to compulsory pilotage;
- Prescribe classes of pilot licences and pilotage certificates that may be issued;
- Prescribe pilotage charges payable to the Authority for pilotage services.

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

- Employ such officers and employees, including licensed pilots and apprentice pilots, as are required for operations;
- Establish internal regulations for managing its operation;
- Purchase, lease or otherwise acquire land, building, pilot boats and other equipment and assets deemed necessary, and to sell any assets thus acquired;
- Borrow, if necessary, in order to defray the Authority's expenses.

Corporate Governance

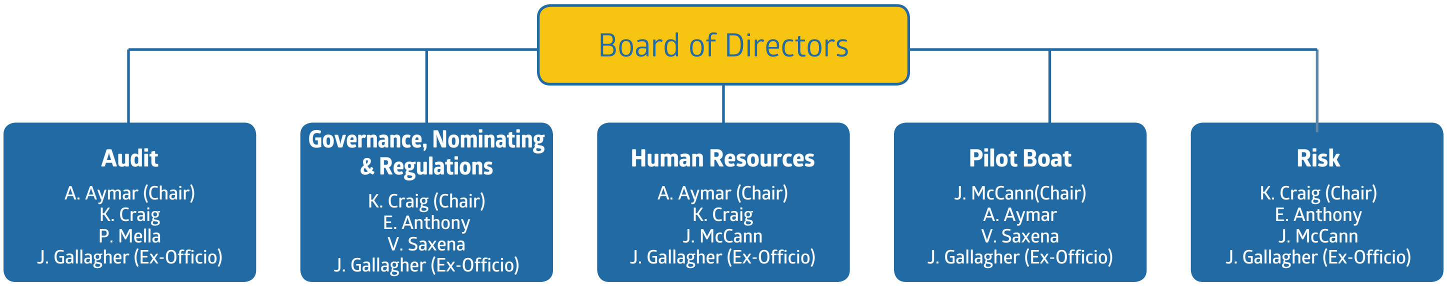
Corporate governance refers to the process and structure for overseeing the direction and management of a corporation so that it carries out its mandate and objectives effectively.

The Authority is composed of a Chair, and not more than six members, referred to herein as the Board of Directors. The Board is appointed by the Governor in Council and is accountable to the Minister of Transport. The Board has a very active committee structure, and new Board Members are provided with an orientation to the Authority, and training in corporate governance upon appointment. Through this process, the Board has built an effective structure for overseeing the direction and management of the Authority so that it fulfills its mandate. Policies regarding the stewardship of the Authority and the functioning of the Board are under continual review, and where necessary, changes are implemented.

The Board has created five committees that focus on the major areas of governance for the Authority. The committees are chaired by a Board member, have terms of reference, and report directly to the Board on a regular basis. Each committee is responsible to identify, document and mitigate their risks on a regular basis.

Audit Committee

The Audit Committee is a core committee of the Authority's Board of Directors. The *Financial Administration Act* (FAA) specifically requires the Authority to establish an audit committee. There are three members on this committee. Its responsibilities include providing financial oversight for the Authority, improving the quality of financial reporting, and increasing stakeholder confidence in the credibility and objectivity of the corporate performance.



Governance, Nominating and Regulations Committee

This committee meets at the call of the committee chair. Its mandate includes defining roles and responsibilities for the Board and management, as well as consulting with the Chair regarding the structure of Board committees. This committee recommends candidates for the Board as well as the Chair and CEO positions and critically reviews management recommendations amending any regulations associated with the *Pilotage Act*, General Pilotage Regulations, and Atlantic Pilotage Authority Regulations.

Human Resources Committee

This committee's responsibilities include the CEO's performance evaluation, reviewing significant changes to the organizational structure, reviewing the mandate for collective bargaining, and monitoring succession planning for management and pilot resources.

Pilot Boat Committee

This committee meets as needed and its responsibilities include the critical review of management reports associated with the operation of pilot boats and technology and monitoring the fleet renewal strategy.

Risk Committee

This committee's responsibilities include the active solicitation of information regarding significant risks and exposures while reviewing the adequacy of mitigations of those risks identified. This includes the monitoring of the Enterprise Risk Management Framework and the progress achieved in mitigating the identified risks. This committee is also responsible for oversight of the process, financial and management control and practices relating to a specific Pilotage Risk Management Methodology (PRMM) critically reviewing facilitator's, stakeholders' and management reports associated with a PRMM ,and then making a recommendation to the Board to accept, reject or amend the recommendation(s).

Internal Audit

During the year, the Authority received an internal audit report on its Cyber Security policies and structures as well as a report on its critical spare strategy for the pilot boats. Late in 2019, the Audit Committee directed that an internal audit review of the Authority's Risk Management Framework be conducted. This report will be presented to Board in the first quarter of 2020.

Risk Management

The Authority has developed its risk-assessment practices to allow it to undertake a complete assessment of risk factors, by implementing a formal comprehensive risk management framework that covers the entire organization and supports the realization of the Authority's mandate, business goals, and objectives.

The following table presents the 10 items with the most residual risk as determined by senior management in 2019.

Red items are graded as having very high residual risk that require detailed research, planning and decision making at senior levels of management.

Items in orange are deemed to have high residual risk that require further attention and action of management.

Blue items require that management specify control responsibility.

Finally, items with residual risk identified in yellow indicate low risk that management has deemed acceptable.

Top 10 Risk Matrix

Rank	Risk	Inherent	Residual
1	The risk that a pilot/crew member suffers an injury while transferring from or to a vessel. These transfers are done thousands of times annually in all types of weather conditions involving many types of vessels. It is this activity that exposes employees to the greatest danger.	!	!
2	The risk that the Authority loses launch service, severely disrupting operations.	!	!
3	The risk that safety or service will be compromised due to worsening weather or climate.	!	!
4	The risk that an accident occurs that is caused by the human element.	!	!
5	The risk that the Authority is unable to attract and retain pilots to meet demand.	!	!
6	The risk that economic conditions outside of the Authority's control will lead to actual traffic levels or mix and/or costs being materially different than that forecasted by the Authority.	!	!
7	The risk that tariffs will not cover operating costs due to: a) Operating costs exceeding the amount budgeted when tariffs are determined. b) Tariff amendments being delayed by the regulatory process.	!	!
8	The risk that safety or service will be compromised by deteriorating infrastructure.	!	!
9	The risk that operators will be injured, or assets lost, during open water pilot boat movements.	!	!
10	The risk that the Authority increases its exposure to losses by offering services in non-compulsory areas.	!	!

YEAR IN REVIEW 2019

Strategic Direction

Corporate Objectives

On an annual basis, the Authority engages in strategic planning sessions involving the Board and management. Five corporate objectives were set in 2016 for a period of 5 years but are reviewed annually.

The Authority's corporate objectives are the following:

1. *To deliver safe and effective marine pilotage services in Atlantic Canada.*

2. *To maintain financial self-sufficiency by exercising effective cost management and establishing tariffs that are fair and reasonable.*

3. *To provide a reliable and self-sustaining service by safeguarding the Authority's people and assets while planning for succession and asset replacement.*

4. *To assume a leadership role in marine navigation by providing an expertise in navigational safety and marine operations.*

5. *To contribute to the Federal government's environmental, social, and economic policies as they apply to the marine industry in Atlantic Canada.*

Safe and Effective Service

Consultation

The Authority conducts frequent meetings with stakeholders throughout the region to determine their requirements, report financial results, discuss operational issues, and exchange information. During 2019, the Authority attended consultation meetings in New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. Meetings were also held with the Shipping Federation of Canada, the Canadian Transportation Agency and the Transportation Safety Board to discuss the overall APA operation. This included 13 formal consultation meetings, two each in Halifax, Saint John, Cape Breton, St. John's and Placentia Bay. The Authority held its first formal consultation meeting for Western Newfoundland this summer which was a great success. In addition to these meetings sponsored by the Authority, management and pilot representatives attended many other meetings held by stakeholders throughout the region. During the year, the Authority held an Annual Public Meeting in Miramichi, NB. The Authority gave a presentation of the 2018 financial results and strategic direction to attendees and interested stakeholders.

Pilot Staffing

The Authority continued to make long-term investments to improve the quality of service it provides. Pilot numbers are monitored closely in combination with service levels to determine the appropriate workforce necessary to provide a safe and effective service. The current goal is to reach and then maintain a steady workforce of 50 fully effective employee pilots, an increase over a low of 42 employed at the beginning of 2014. This goal is dependent on future traffic levels and is reevaluated continuously throughout the year. There were 50 pilots employed at the end of 2019, but the Authority has received notices from five pilots of their intention of retirement within the next two to three years.

Pilot Boats

Due to the nature of pilotage in the Atlantic Region, which is primarily port pilotage, a large part of operations is related to the provision of pilot boat services. Virtually every port serviced by the Authority has to have a reliable boat and service to transport pilots to and from each assignment. A total of 27 vessels are used to deliver service for the Authority with each one inspected annually to assure the safety of the pilots who are being transferred. The Authority owns 11 of these vessels with the remainder provided by contractors

Of the 11 vessels owned by the Authority, 6 have been built within the last 13 years. The remainder are much older with several built in the 1970's. A long-term strategy has been developed for asset replacement and continued renewal of the fleet. The Authority continues to monitor pilot boat operations in all areas to determine whether improvements can be made.

Technology

The Authority has been deploying portable pilotage units (PPUs) that are beneficial to the specific port pilotage done in the Atlantic region. The PPU's are brought onboard by the pilot and are setup before the pilot takes conduct of the vessel. The PPU consists of independent reference systems that remotely connect to a tablet preloaded with Canadian charts. The unit receives digital information from the ship, other ships, the shore, cellular transmissions, and satellite. It allows the pilot to independently verify ship information, track and predict ship movements, and record/play back the assignment. It is used by pilots to provide the specific information in real-time and is a decision support tool which also assists with training. The full deployment and training for these units began in 2016 and was completed early in 2019.

The Authority is promoting the deployment of weather buoys in several key strategic areas to provide more accurate and timely information on weather and sea conditions for pilots, other mariners, and industry. This initiative has been spearheaded jointly by the Authority and the Canadian Marine Pilots Association, with support from Port Authorities, educational institutions, federal and provincial governments, the Canadian Coast Guard, and private industry. This initiative has resulted in buoys being launched and made operational in Halifax and in Saint John.

Key Service Indicators

The Authority consults with its customers to determine the level of service required in each port. In some ports, the pattern of vessel traffic contains numerous spikes of activity, creating a need for more pilots than the overall average number of assignments may indicate. The Authority determines the staffing levels for each compulsory pilotage area based on the customer requirements and the expected activity in each port. Occasionally, if traffic levels peak too high, delays may be incurred. Staffing for these rare peaks would be too costly for the customers of the port. The Authority works with individual ports to deal with peak periods and may include the addition of a retired pilot under a short-term contract to help cover the peak in traffic during this relatively brief period.

Non-Compliance reports

The Authority developed a structured methodology for handling complaints that is designed to be as user friendly as possible, and the goal of the Authority is to ensure that timely feedback is provided to the complainant. The most common reason for a complaint to be submitted was due to a delay in an assignment. In some cases, the delay is caused by factors beyond the control of the Authority, such as cargo operations on the vessel or the non-availability of port services such as tugs. The Authority received 35 (30 in 2018) complaints out of a total of 8,694 (8,720 in 2018) assignments during 2019. The remaining 99.6% (99.7% in 2018) of assignments were performed without receiving a complaint from the customer.

Delay Analysis

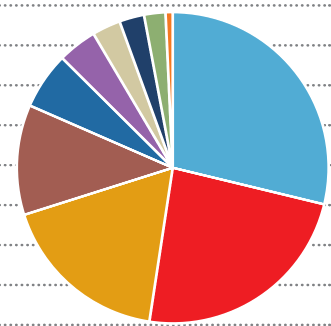
During 2019, 96.9% (96.4% in 2018) of all assignments commenced within one hour of the firm order time. Most of the delays were caused by circumstances outside the control of the Authority, such as vessels delaying sailing due to cargo, labour, or tug issues. Vessel delays comprised 69.4% of all delays in 2019 (61.5% in 2018). For the remaining 30.6% of delays (38.5% in 2018), the primary contributing factor was a shortage of pilots or non-availability of pilot boats. The average length of all delays was 2.00 hours, with the corresponding time in 2018 being 2.63 hours.

The chart below indicates the category of delay for the 271 assignments that were not commenced on time for reasons other than weather.

The Authority aims to provide service within one hour of the ordered time on 100% of assignments (excluding delays caused by factors beyond the Authority's control).

Delays by Cause 2019

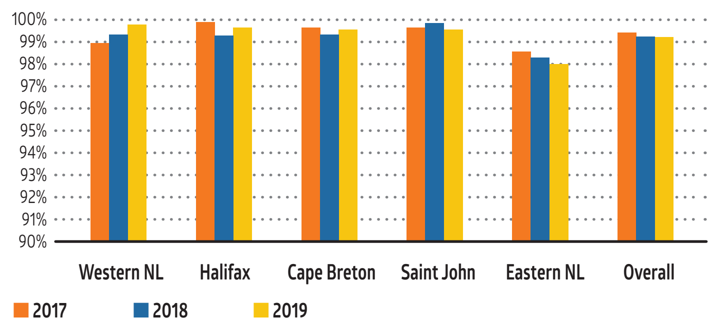
Ship – Cargo Ops	78	28.8%
Ship – Other	64	23.6%
Pilot Availability	48	17.7%
Other Non-APA	31	11.4%
Pilot Boat Conflict	16	5.9%
Ship – Documentation	11	4.1%
Ship – Mechanical	8	3.0%
Tugs	7	2.6%
Berth Availability	6	2.2%
Other APA-Related	2	0.7%
Total	271	100.0%



In 2019, a pilot was provided within this time frame on 99.1% of the assignments (99.2% in 2018). Performance is also measured for each individual district or port. During 2019, Eastern Newfoundland was the only area that fell below 99% with pilots delivered within one hour on 98.0% (98.3% in 2018) of the assignments. Service levels were impacted in Placentia Bay by an unexpected increase in traffic.

The following chart provides the results for each port or district. The total time of delay caused by the Authority in 2019 was 189 hours (215 in 2018). The average length of a pilotage caused delay was 2.88 hours in 2019 (3.21 in 2018).

Percentage of Pilotage Assignments without Pilotage Delays 2019

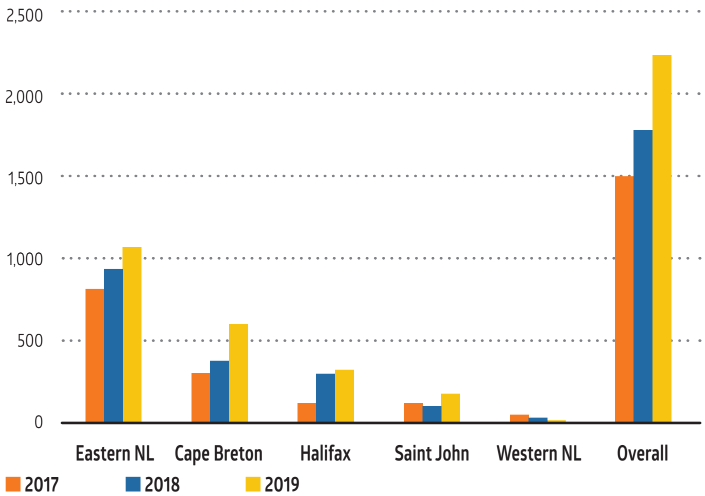


Weather Closures

Climate change is impacting the marine industry and the Authority with more intense storms of a longer duration. In 2019 the Authority was required to suspend pilotage operations due to weather for 2,238 combined hours through its 17 compulsory ports. This was an increase from the 1,788 hours in 2018. The largest increase for 2019 has been in the Cape Breton district, primarily in the Strait of Canso, where the number of hours has increased by 54%.

The chart below shows the number of total hours pilotage was suspended due to weather conditions.

Number of Hours Pilotage was Suspended Due to Weather 2019



2019 Shipping Incidents

During 2019, there were 5 shipping incidents reported by the Authority's pilots.

There were no injuries or environmental contamination associated with any of these incidents, which are categorized below:

Shipping Incidents, 2015-2019

	2015	2016	2017	2018	2019
Damage to equipment					
Contact with wharf	3	3	3	3	4
Contact with lock	0	0	0	0	1
Contact with port equipment	1	2	1	1	0
Contact with sea bed	0	1	1	0	0
Total shipping incidents	**4**	**6**	**5**	**4**	**5**
Environmental contamination	0	0	0	0	0
Injury to people	0	0	0	0	0
Year end total	**4**	**6**	**5**	**4**	**5**

The Authority endeavours to provide a safe and efficient pilotage service in the Atlantic region. The total number of occurrences indicates 99.94% of the compulsory assignments were pilotage incident free. In 2018, 99.94% of assignments were pilotage incident free.

ISO 9001 – 2015 Certification

The Authority became ISO 9001-2015 certified in 2018 and has maintained this certification in 2019.

Financial Self-Sufficiency

The *Pilotage Act* requires that pilotage tariffs be fixed at a level that permits the Authority to operate on a self-sustaining financial basis, and that the tariffs set are fair and reasonable. To achieve self-sufficiency, tariff adjustments are made based on the financial and operational issues within each port, rather than overall tariff increases that impact all areas. The goal is to have each area become financially self-sufficient to eliminate cross-subsidization among ports. The Authority relies on projections of future traffic levels and the corresponding revenue and expenses to determine the financial health of the individual ports. All aspects of an area's operation are monitored to determine whether cost cutting measures are more appropriate to achieve a positive result before tariff increases are considered.

The Authority amended tariff charges in 2019 for fifteen compulsory pilotage areas with an expected impact of less than 1%. The amended tariffs were intended to allow the Authority to remain financially self-sufficient while providing the quality of service requested by the Authority's clients.

Traffic levels decreased slightly from the previous year but remain strong overall. This strength in activity resulted in the Authority finishing the year with income of $1.297 million. This allowed the Authority to absorb unexpected costs related to pilot boat maintenance and initial repairs related to Hurricane Dorian while maintaining its cash reserves and contributing minimal amounts to savings. The Authority has three annual goals to evaluate financial self-sufficiency:

- Maintain a reserve fund measured as a 2:1 ratio of current liquid assets to current liquid liabilities – this was achieved in 2019.
- Contribute a minimum of $200 thousand to savings for future capital asset replacement – this was achieved in 2019 with an increase in savings of $200 thousand for this purpose.
- Contribute a minimum of $200 thousand to savings for future severance liability payments – Due to the balance already saved for this purpose, it was decided that $100 thousand being contributed to savings for this purpose was sufficient in 2019 and will be the new goal for 2020.

The revenues of the Authority are influenced by the amount of marine traffic, and the composition of that traffic in terms of size and types of vessels. The annual traffic levels are mainly driven by the economics of the marine industries of the Atlantic region. The assignments and size of vessels for the Authority in 2019 was similar to the previous year, but traffic levels fluctuate from port to port. Of the major ports, activity grew in Placentia Bay and Saint John, while activity fell in Halifax and in the Strait of Canso from the previous year. Combined assignments decreased by less than 0.3% from 2018, but tariff adjustments and increased revenues generated by the oil industry contributed to an overall increase in revenues of 3.0%.

The Authority has been investing in additional pilots, pilot boats, pilot boat upgrades, technology, and pilot training. These investments in the pilotage service have increased total expenses by 4.7% over 2018. Approximately 2% of these increased costs were related to sizable and unexpected repairs required on multiple pilot boats and wharf repairs caused by Hurricane Dorian. A target has been set to maintain administrative costs at a level that will be no higher than 9% of total revenues. In 2019, administration costs were lower than the previous year and 7.3% of revenues. This is expected to increase in 2020 as the Authority completes its staffing plan by adding a Marine Superintendent in operations.

Comparative 5-year Statement of Income (Restated)

(in thousands of dollars)	2015	2016	2017	2018	2019
Revenue	$ 22,673	$ 24,093	$ 27,793	$ 28,831	$ 29,691
Expenses	23,224	22,896	24,888	27,109	28,394
Income (loss) for the year	**$ (551)**	**$ 1,197**	**$ 2,905**	**$ 1,722**	**$ 1,297**
Working Capital	$ 1,382	$ 2,829	$ 4,943	$ 5,148	$ 7,369
Balance of Dedicated Savings	$ —	$ —	$ 2,300	$ 3,300	$ 3,600
Retained Earnings	$ 6,555	$ 7,749	$ 10,624	$ 12,373	$ 13,595

Reliable and Self-Sustaining Service

Staffing

Annually, the Authority determines the required pilot strength for each port or district based on forecasted activity, service requirements, succession planning, and consultation with industry. To support this annual strategy, the Authority executes a resource plan that accounts for planned retirements.

Early in the year, the Authority had one pilot retire in Western Newfoundland, with two pilots from Saint John following later in 2019. All three of these pilots had provided the Authority with substantial notice of their plans. At year-end, the Authority had another seven pilots who had given notice of their planned retirements. Three pilots have given notice for Halifax, two pilots for Saint John, and one for each of Cape Breton, and Southeast Newfoundland. These seven pilots have a combined 154 years of service with the Authority. Resource forecasting led to the hiring of pilots to backfill for these planned retirements and to ensure continued support for service requirements in these ports or districts. There are also seven mariners on the eligibility lists with another competition to be started early in 2020 for Saint John.

The Authority's target is to have at least one candidate on the eligibility list for each applicable notice of retirement received. At the end of 2019, the Authority had received the seven notices of pending retirement, had already hired one trainee pilot to backfill and had an additional seven mariners on the eligibility lists as discussed above.

Number of Employees, 2015-2019

At December 31	2015	2016	2017	2018	2019
Employee Pilots					
Class A Licence	39.0	44.0	44.0	45.0	44.0
Class B Licence	8.0	1.0	2.0	4.0	4.0
Class C Licence	0.0	1.0	1.0	1.0	1.0
Apprentice	0.0	1.0	2.0	0.0	1.0
Total Employee Pilots	47.0	47.0	49.0	50.0	50.0
Pilot Boat Crew	18.0	18.0	17.0	18.0	18.0
Officers and Administrative	9.5	9.5	11.0	10.0	10.0
Dispatch	5.0	5.0	6.0	6.0	6.0
Total Employees	**79.5**	**79.5**	**83.0**	**84.0**	**84.0**
Entrepreneurial Pilots	11.0	11.0	10.0	11.0	11.0

Training

Training is planned by the Authority based on the need for exposure to new technologies, staged training required by new pilots, the need for refresher courses for senior pilots, and new regulatory requirements that may come into force from time to time. Training for the Authority is a progressive program that is determined with the input of pilot representatives from each area. Apprentice and junior pilots learn through senior pilot mentorship. All pilots attend training courses in manned models or simulators early in their careers, followed after some further experience by a more advanced course. Refresher courses are offered periodically to senior pilots. Other courses, such as Bridge Resource Management, are offered to all pilots as well. In addition, the Authority has worked with industry and pilots to develop customized courses in such specialized areas as the use of tractor tugs for tanker escort and the characteristics of azipod propulsion systems on cruise ships. For 2019, the Authority had planned for 47 total pilot attendees across 7 different courses and this was achieved.

Training for all employees may be requested, or suggested, based on their performance reviews. The pilots are assessed at least once every three years. The Authority performed 10 assessments in 2019 and at year-end every employee pilot had been assessed within the three-year period. The remainder of Authority employees had their annual performance reviews completed within the year and a review program was developed and also communicated to entrepreneurial pilots. They will be assessed on a similar 3-year rotation as applies to employee pilots, with, three entrepreneurial pilots assessed, as scheduled in 2019.

Workplace Safety

One of the ways the Authority maintains a reliable and self-sustaining service is through a strong emphasis on safeguarding its employees. This core value is supported through the Occupational Health and Safety Committee (OHS).

The OHS has annual objectives to maintain a high level of safety and well-being for all parties involved in executing a safe and efficient pilotage operation. Annual OHS objectives are established in compliance with the internal APA OHS system, the Canada Labour Code Part II, Marine Occupational Health and Safety Regulations, and other relevant legislation.

The Authority uses the number of hours of case management time associated with work related injuries as a measure of the effectiveness of these efforts. In 2019, 7.5 hours were accumulated for these cases (12.3 hours in 2018) with the annual goal being zero. The Authority added an experienced Quality, Health, Safety and Environmental Manager (QHSE Manager) as part of its administrative staffing plan to ensure the safety of its employees and contribute to the quality and efficiency of the service.

Pilot Boats

The pilot boat services are essential to the operation of the Authority as these vessels are used to transport pilots to and from their assignments in each of the seventeen compulsory ports.

The APA has three models for pilot boat operations:

- In two of the major ports, Halifax and Saint John, the Authority owns and operates pilot boats, with the crew being employees of the APA.
- In Placentia Bay, Humber Arm, St. John's, and Sydney, the Authority owns the vessels, with the crewing contracted out to a local company.
- In the Strait of Canso, and in minor ports, a contractor provides both boat and crews.

To minimize the possibility of service interruption, spare equipment and spare vessels are kept for quick replacement when required. The Authority owns eleven pilot boats in total with the remainder provided by the local service providers.

The Authority targets zero delays caused by unplanned maintenance issues. Of the 7,998 assignments that required the use of a pilot boat, 3 had delays caused by maintenance issues in 2019 (9 in 2018). Total downtime caused by unplanned maintenance that doesn't cause a delay is to be kept under 1% of the total time the vessels are available. For 2019, downtime represented 1.19% (1.46% in 2018) of the total time available. This does not include the unavailability of two vessels removed to have structural deficiencies corrected.

Leadership

Consultation

The Authority and its pilots are keenly interested in ensuring that safety is not compromised when new facilities are built or a change in traffic patterns is expected in a port. The Authority makes its pilots available to assist industry and communities with various marine projects. On many occasions, ports and industry request the input of the Authority and its pilots during the planning stage of new projects. This advice may involve the positioning of new berths, the feasibility of bringing larger ships to a facility, analysis of required air draft under fixed structures, or the programming of simulators used for marine training. Recent projects on which the Authority provided consultation and assistance include the following:

Newfoundland

- **Holyrood** – The Authority consulted with Terminal Manager regarding safe berthing and facilitating safety at the terminals.
- **Stephenville** – The Authority and representatives for the Port of Stephenville participated in simulations, held in St. John's, NL, for a safe operating window assessment.
- **Placentia Bay** – The Authority participated in the Traffic Committee regarding the facilitation of port closure protocol in case of inclement weather.
- **Placentia Bay** – The Authority participated in simulations for Long Harbour emergency procedures.
- **Voisey's Bay** – The Authority participated in simulations, held in Quebec City (MSRC), regarding safe operation in the Labrador port.

Nova Scotia

- **Halifax** - The Authority participated in simulations held in Quebec City (MSRC) for Review of Nav Aids and Deep-Water Routing of larger vessels.
- **Halifax** - The Authority participated in facilitating the Risk Assessment and planning of New Arctic Patrol vessel Launch.
- **Halifax** - The Authority participated in simulations at the Ft. Lauderdale Star Centre for Cruise Ship Berthing in Dartmouth.
- **Halifax** - The Authority participated in simulations at the Ft. Lauderdale Star Centre, Simulations for maximum sized cruise vessel for Pier 22.

New Brunswick

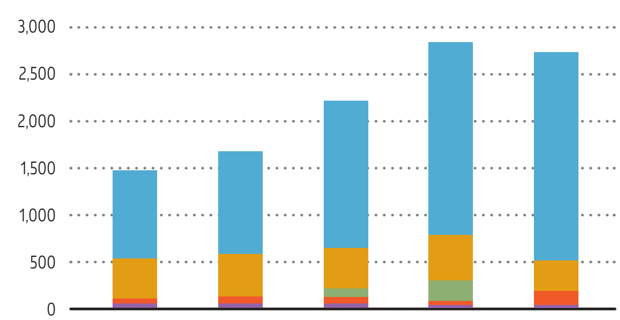
- **Saint John** – Consulted with SJPA for Port/Simulation for Oasis of the Seas in 2020.
- **Miramichi** – The Authority has been involved in assessing the area for year-round Navigation of the river, including the possibility of dredging and Coast Guard support for the breaking of ice in the river.

Prince Edward Island

- The Authority has been involved in consultations regarding the proposed berth extension project in Charlottetown to increase cruise ship traffic in the port.

The Authority is cognizant of the costs of pilotage and the operational needs of the ship operators. The Authority offers pilotage certificate exams in each of its areas two times per year if there are candidates interested in pilot certification. Ship masters who have the required experience, and have passed a certificate examination, have the ability to pilot their own vessels in their designated areas. There are many vessel movements being handled by these certificated masters, that otherwise would have been pilotage assignments for the Authority. There is a significant amount of these movements in the ports of St. John's and Halifax. In 2019, there were a total of 2,732 movements that were conducted by certificated masters (2,829 in 2018). These movements by certificated masters saved Canadian Shippers an estimated $6.5 million in pilotage fees in 2019 ($6.4 million in 2018).

Movements by Certificated Masters, 2015-2019



	2015	2016	2017	2018	2019
St. John's	946	1,109	1,582	2,044	2,204
Halifax	413	461	439	494	320
Placentia Bay	–	–	82	214	157
Saint John	56	80	89	59	43
Other	50	28	29	18	8

Government Priorities and Direction

The Authority strives to contribute to the Federal Government's policies and initiatives. The Board and management are responsible for complying with legislative and other authorities that govern the Authority, including Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the by-laws of the Atlantic Pilotage Authority and the directive issued pursuant to section 89 of the *Financial Administration Act*.

Directive on Travel, Hospitality, and Conference Expenses

This directive instructed the Authority to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with the Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures. The Authority finalized its implementation of this directive in July 2017 and confirms that the requirements of the directive have been met.

The Atlantic Pilotage Authority's area of operation is defined as all the Canadian waters in and around the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, including the waters of Chaleur Bay in the Province of Quebec. Within this region, the Authority has designated 17 compulsory pilotage areas. Each one has its unique industries and are serviced by licenced pilots and the required infrastructure such as pilot boat services.

Conducting regular pilotage operations requires travel by the Authority's pilots and boat crew. These costs are recovered directly from the customers for whom the services were delivered. Travel costs are also incurred for training of operational personnel as much of the training is done in Europe and Quebec City. These costs are included in the Authority's training budget. Included in the Pilot boats operating costs category of the Authority's financial statements are travel costs associated with vessel maintenance personnel performing their regular duties.

Travel of board members and management is required to meet the needs of stakeholders in each area and manage the Authority's resources effectively. Periodic travel outside of the Authority's area of operation is also required to meet with Government representatives, industry associations, and the other pilotage authorities. Conferences include port specific marine business conferences and pilotage specific conferences. Board travel and hospitality costs are captured with all other Board costs under *Professional and special services* in the Authority's financial statements.

The Authority hosts many meetings annually with stakeholders, employees, and board members. Due to the expansive area of operation, many of the attendees are travelling from areas outside of meeting location. Hospitality is provided at these meetings as they extend outside of normal working hours and having people disburse during the meeting would not be practical or cost saving.

The following table shows the travel, hospitality, and conference expenses for the Authority.

Travel, Hospitality, and Conference Expenses

As at December 31

(in thousands of dollars)	**2019**	**2018**
Operations	845	765
Training	115	75
Engineering	20	32
Total Travel for Operations	**980**	**872**
Administration	123	110
Board	36	40
Total Administration Travel	**159**	**150**
Hospitality	28	31
Conference Fees	11	22
Total Hospitality and Conference Expenses	**39**	**53**

Results Linked to Government Priorities

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

The Atlantic Pilotage Authority is facilitating reliable and efficient trade, contributing to the economic growth of Canada while being essential to protecting the environment. The Authority delivers on the commitment for open and transparent governance through increased proactive disclosures on its website and frequent consultation meetings with stakeholders.

Transparency and Open Government

The Authority supports the Government's priority for openness and transparency by using its public website to post the following:

- Increased Proactive Disclosures as required in the new *Access to Information and Privacy Acts*
- Financial reporting (Annual and Quarterly)
- Corporate Plan Summaries
- Special Examinations Reports
- Information on InfoSource
- Forward Regulatory Plan
- Procurement Practices
- Completed *Access to Information Act* inquiries and tabled reports
- Live Feed of Current Assignments

In addition to the public website, the Authority provides secured pages for customers, stakeholders, and employees that allows for more targeted information to be provided to the marine community and to facilitate effective and efficient operations. This access is provided upon request with some stakeholders given direct data feeds for incorporation into their operations or technology.

The Authority also has frequent stakeholder meetings in each of its ports or regions for direct consultation and discussion. The Authority aims to respond to all information requests, as well as reasonably address their associated concerns, in a timely manner.

There have been no requests received under the *Access to Information Act and the Privacy Act* in either 2018 or 2019.

Compliance with Other Acts and Regulations

The Authority practices sound governance of the pilotage system by making sure that legislation, regulations and policies are up to date and reflect the most recent standards. This is key to achieving the mission and maintaining the public's trust. Included in this responsibility is assuring the Authority is in compliance with the *Finance and Administration Act*, and all governing regulations that are applicable. The Board monitors this compliance and the Authority was in compliance with these regulations in 2019.

Gender-Based Analysis / Diversity and Employment Equity

Under the guiding principles of Treasury Board, the Public Service Commission Diversity, and Employment and Social Development Canada programs, the Authority is committed to developing an inclusive, barrier-free work environment in which all persons have equal access to opportunities within our organization as a federal Crown Corporation. This includes, but is not limited to, ensuring all recruitment, selection, and appointments are based on merit, all terms and conditions of employment, including training, career development and performance management, are equitable, and overall ensuring that all employees feel included and valued.

The Workplace Equity Division of the Canada Labour Program within Employment and Social Development Canada has deemed the Authority as exempt from the Employment Equity due to having less than 100 permanent full-time or permanent part-time employees. However, the Authority will uphold the spirit of Employment Equity Program in its related policies and procedures. Further, the Authority has appointed a member of the management team to be responsible for ensuring the principles of Gender-Based Analysis+ are appropriately considered and applied for all policies of the Authority.

The Authority's staffing levels are on average less than 100 full-time equivalent personnel and thus prevents a statistically significant analysis for diversity. The Authority has a visible and equitable representation of women on its Board of Directors and within its management team. The challenge remains in two key personnel segments, Pilots and Pilot Boat Crew (Launchmasters and Deckhands). In total across the Atlantic districts, these job positions represent nearly 80% of our overall full-time workforce. The recruitment and hiring statistics for these positions reflect the demographics of the greater Canadian maritime industry. The Canadian maritime industry has historically seen a lack of equity and diversity of those individuals with senior navigation credentials. Although there is a shift towards greater equity and diversity in the nautical schools, it will be several years before these individuals will receive the required sea time, pass the required Transport Canada examinations for their certification and diversify their senior marine experience to meet the basic requirements for employment at the Authority. The Authority is committed to continuing to work with its industry and government partners to ensure it has a pulse on the best practices for recruitment, selection and retention of the maritime labour force to diversify the Authority's resources.

Mental Health

The Authority continues with its commitment to promoting a healthy workplace and focusing on supporting the Federal Public Service Workplace Mental Health Strategy. This year, the Authority introduced a Wellness Committee, with a membership complement of one representative per working group of the Authority. This is tasked to identify what policies, programs, or activities are required to maintain a well workplace, monitor these established programs and activities, and seek to continually improve (or add to) the suite of wellness related services available to employees. The Authority continues to promote established programs such as the Employee and Family Assistance Program, which provides confidential and immediate assistance for any work, health or life concern to all employees with the costs borne by the Authority. Also, the Authority provides employee access to a third-party communication program that allows employees to confidentially report sensitive work-related issues. This includes the ability to report incidences of violence, harassment, or discrimination as described in the Authority's Prevention of Discrimination, Violence and Harassment in the Workplace Policy.

BOARD OF DIRECTORS, EXECUTIVE & MANAGEMENT

Board of Directors

Jack Gallagher, Chair, Halifax, NS

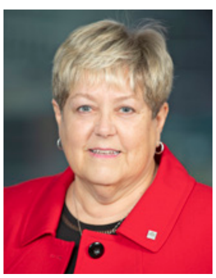
Captain Gallagher, a Master Mariner, enjoyed a twenty-two year career with the Canadian Coast Guard gathering a broad range of operational and management experience. For the past twenty years Captain Gallagher has run an international maritime consulting practice based in Halifax. The spectrum of work has included high level policy and legislation development, program management, auditing against international standards, development and delivery of bespoke training and operational level guidance. Captain Gallagher has been an adjunct instructor at the Center for Marine Simulation and a guest lecturer at several universities and maritime schools in Canada, Taiwan, United Arab Emirates and the Philippines.

John McCann, Vice-Chair, Dartmouth, NS

Captain McCann has served on the Board since December 2017 and is Chair of the Authority's Pilot Boat Committee. Captain McCann is also a manager for the Halifax Harbour Ferry System. He is involved in various other organizations in NS and previously in Saint John, NB.

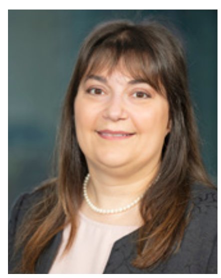
Captain Edward Anthony, St. John's, NL

Captain Anthony has served on the Authority's Board for 5 terms and was a Southeast NL marine pilot with the Authority for 12 years. Captain Anthony has also held various marine-related positions in the federal government, private industry and academia.



Kathryn Craig, Saint John, NB

Ms. Craig has served on the Board since December 2017 and is Chair of the Authority's Governance, Nominating and Regulations Commitee and Risk Committee. Residing in Saint John, NB, Ms. Craig was the CEO of Fundy Linen and has served on a variety of Boards in the Saint John area.



Alisa Aymar, Meteghan River, NS

Ms. Aymar has served on the Board since 2008 and is Chair of the Authority's Audit Committee and Human Resources Committee. Ms. Aymar is also Manager of financial services at Comeau's Sea Foods in Saulnierville, NS and has also served with various other organizations in NS.

Vivek Saxena, Antigonish, NS

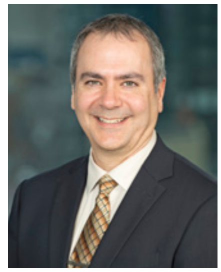
Captain Saxena has served on the Board since December 2017. Captain Saxena is a Master Mariner with over 20 years of experience at sea and is currently the Academic Chair at the Nautical Institute at NSCC Port Hawkesbury, NS.

The Authority is composed of a Chair, and not more than six members, referred to herein as the Board of Directors. The Board is appointed by the Governor in Council and is accountable to the Minister of Transport.

2019 Executive & Management

Sean Griffiths, Chief Executive Officer

Captain Griffiths began his career at sea with the Canadian Coast Guard and obtained his Master Mariner certificate with foreign and domestic command 12 years later. After a further 2 years, he came ashore and spent several years gaining local and international experience as a Marine Superintendent and Vessel Manager for both private and publicly traded companies. He joined the Authority in 2014 as its Chief Operating Officer and was appointed by the Board to CEO in July 2015. Captain Griffiths holds a Master of Business Administration (MBA) from Middlesex University School of Business in the UK, with Merit in Oil and Gas.

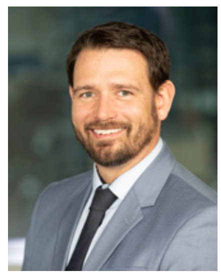


Brian Bradley, Chief Financial Officer

Mr. Bradley is a Chartered Professional Accountant and holds a Master of Business Administration (MBA) degree from Laurentian University. He joined the Authority in 2004 and was named the Chief Financial Officer in 2018.

Jennifer Campbell, Director of Human Resources

Ms. Campbell holds a Master of Business Administration (MBA) and is a Chartered Professional in Human Resources (CPHR), with her experience rooted in the maritime industry. Jennifer joined the Authority in 2014.

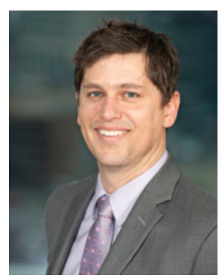


Gary Joyce, Chief Operating Officer

Captain Joyce began his seafaring career with the Canadian Coast Guard. After graduating with a Degree in Nautical Technology, he spent a number of years working as a Watchkeeeping Officer prior to moving into subsea construction. He worked as Master with IT International Telecom conducting subsea cable installations worldwide prior to moving into an Offshore Installation Manager position for Siem Offshore Contractors/Subsea 7 constructing windfarms in Western Europe. Captain Joyce joined the Authority as Director of Operations in 2018.

Brent Carroll, Pilot Boat Manager

Mr. Carroll holds a Bachelor of Science degree from St. Mary's University. He joined the Authority in 2009 and has worked in pilot boat maintenance since 2011.

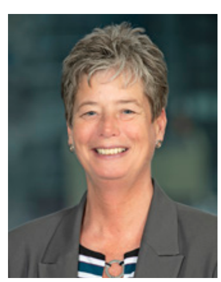


Rufus Percival, Fleet Technical Manager

Mr. Percival is a licensed second-class marine engineering officer. He holds a Bachelor of Communications degree and recently completed two certificates in drydock planning & management and naval architecture from Lloyd's Maritime Academy. Prior to joining the Authority in 2018, he spent 8 years working in the offshore oil and gas sector.

Peter McKenna, HSEQ Manager

Captain McKenna holds a Master Mariner certificate and spent 26 years working in the marine industry. He starting as a Cadet working offshore in Nova Scotia and soon moved up to rank of Chief Officer before moving on to foreign going voyages. The last 10 years at sea were spent working internationally at the rank of Captain, mostly in the subsea construction industry, and recently working as a Marine Manager prior to joining the APA in the role of HSEQ Manager.



Julie Harvey, Dispatch Manager

Ms. Harvey joined the Authority in 2006 as a Dispatcher. Since then she has held several positions within the Dispatch Center, including Billing Clerk and Dispatch Supervisor. Ms. Harvey holds a Certificate in Business Management from Saint Mary's University School of Business and was promoted to Dispatch Manager in 2018.

MAJOR PORT **Summaries**

Of the Authority's seventeen compulsory pilotage ports, the four largest provide more than 80% of the compulsory port revenue.

HALIFAX, NS

Pilotage Assignments

	2017		2018		2019	
	Assignments	**%**	**Assignments**	**%**	**Assignments**	**%**
Container Ships	1,227	42.9%	1,260	40.6%	1,118	41.7%
Cruise Ships	360	12.6%	407	13.1%	374	13.9%
Tankers	271	9.5%	352	11.4%	290	10.8%
Vehicle Carriers	301	10.5%	332	10.7%	267	10.0%
General Cargo Ships	365	12.7%	257	8.3%	256	9.5%
Bulk Carriers	129	4.5%	222	7.2%	171	6.4%
Supply Ships	27	0.9%	125	4.0%	41	1.5%
Other	183	6.4%	145	4.7%	165	6.2%
Total Assignments	**2,863**	**100.0%**	**3,100**	**100.0%**	**2,682**	**100.0%**

2019 Financial Summary

After four years with strong profits, the Authority ended 2019 with a significant loss in Halifax. Revenues for the area finished 7% under budget with the number of pilotage assignments decreasing by 13% from 2018. This decrease was due to reduced movements in virtually all categories of piloted traffic. Expenses were 5% over budget due to extra costs incurred for pilot boat maintenance and repairs to infrastructure caused by Hurricane Dorian. The area finished with a $669 thousand loss, after a four-year period with an accumulated profit of $1.66 million. Excess funds are required in the area over the longer term for debt payment and future capital asset replacement.

Resources

13 Pilots
8 Boat Crew

2 to 3 APA Owned
Pilot Boats

Port Description and Navigational Challenges

As Atlantic Canada's most diverse shipping port, Halifax has many marine facilities in the port, including two container terminals, an auto carrier terminal, an oil terminal, a gypsum dock, cruise ship berths, bulk cargo docks, shipyard facilities, naval docks, offshore supply ship facilities, and several others.

Pilots must become familiar with each facility and with the various types of vessels calling at Halifax. There are also two harbour bridges and the Narrows to navigate through to reach some facilities.

PLACENTIA BAY, NL

Pilotage Assignments

	2017		2018		2019	
	Assignments	**%**	**Assignments**	**%**	**Assignments**	**%**
Tankers	992	89.4%	1,109	97.5%	1,219	88.8%
Bunker Vessels	87	7.8%	–	0.0%	107	7.8%
Other	31	2.8%	28	2.5%	47	3.4%
Total Assignments	**1,110**	**100.0%**	**1,137**	**100.0%**	**1,373**	**100.0%**

Placentia Bay is part of a district that shares pilot resources among three ports, that also includes St. John's and Holyrood, NL.

Resources

15 Pilots in the district
2 APA Owned Pilot Boats

8 Boat Crews provided
by Contractor

Port Description and Navigational Challenges

The two primary facilities in the Bay are an oil refinery at Come-by-Chance and an oil transshipment terminal at Whiffen Head. The transhippment terminal receives oil from the Hibernia, Terra Nova, Hebron, and White Rose oil fields through large shuttle tankers, and exports the oil in smaller tankers that call in ports that do not have the deep draft available in Placentia Bay. The oil refinery is capable of refining many grades of crude oil and sources feedstock from the Gulf of Mexico and offshore Newfoundland, as well as other sources.

Along with the two primary facilities in Placentia Bay, there are other facilities such as the nickel smelter at Long Harbour, an asphalt facility at the head of the Bay, and fish processing plants.

Some of the largest ships afloat call at Placentia Bay, with APA pilots conducting the navigation and berthing of these ships with great precision and skill. Pilots must be constantly aware of weather conditions in the area, with powerful prevailing winds at the pilot boarding station, and very unpredictable winds as they proceed up the Bay. The use of tugs to escort and berth ships must be handled with exceptional co-ordination and teamwork.

2019 Financial Summary

Placentia Bay traffic remains very strong. Activity in the port finished 21% over the previous year with over 100 assignments on a bunker vessel in the area. Like in other ports, this activity is expected to decrease due to certification of its masters. Revenues surpassed budget by 21% as activity generated by the Whiffen Head Transshipment Terminal has been greater than anticipated and offset a small decline in activity generated by the refinery. Total expenses in the port were 5% over the budget with the increased activity. The area finished 2019 with a $1.950 million profit. This is an increase from the $1.461 million profit in 2018. This has allowed for funds to be saved for future capital asset replacement, which will begin in 2020 with planning for two new pilot boats. The Authority is also making payments on the debt for the pilot boats that are currently in service. Additional investments in the area are also being planned due to the increased traffic and related challenges in the area.

STRAIT OF CANSO, NS

Pilotage Assignments

	2017		2018		2019	
	Assignments	%	Assignments	%	Assignments	%
Bulk Carriers	294	36.9%	309	41.8%	315	50.7%
Tankers	379	47.6%	301	40.7%	210	33.8%
Tugs & Barges	62	7.8%	65	8.8%	53	8.6%
Other	61	7.7%	64	8.7%	43	6.9%
Total Assignments	**796**	**100.0%**	**739**	**100.0%**	**621**	**100.0%**

The Strait of Canso is part of a district that includes Sydney and Bras d'Or that shares pilot resources among all three ports.

Resources

9 Pilots in district
Pilot Boats and Boat Crews provided by Contractor

Port Description and Navigational Challenges

The Strait of Canso has one of the best deep-water ice-free ports on the eastern coast of North America. The Strait is home to several facilities, including an oil transshipment terminal, a paper products terminal, a coal terminal to provide fuel to a power plant, a general bulk and breakbulk terminal, and an aggregate facility.

The Strait of Canso has exposure on the eastern side to North Atlantic weather, which can cause unpredictable meteorological conditions for the pilots. The oil transshipment terminal receives some very large crude vessels, which requires skill and co-ordination with the tugs to dock these ships.

2019 Financial Summary

Bulk Carrier vessels have remained strong in 2019 after they rebounded in the area with a return of regular coal transshipment activity in 2017. The number of larger tankers continued to decrease in the area causing a 16% decline in activity from the previous year.

The changes in vessel traffic has resulted in pilotage revenues being 19% under budget. Total expenses were 11% under budget due to the decrease in traffic. The area finished 2019 with a $153 thousand loss. This follows a two-year period that had a combined $687 thousand in profit.

SAINT JOHN, NB

Pilotage Assignments

	2017		2018		2019	
	Assignments	%	Assignments	%	Assignments	%
Tankers	1,160	63.9%	1,051	61.3%	1,076	58.3%
Bunker Vessels	–	0.0%	25	1.4%	192	10.4%
Container Ships	152	8.4%	198	11.5%	173	9.4%
Cruise Ships	131	7.2%	145	8.5%	160	8.7%
Tugs & Barges	156	8.6%	119	6.9%	114	6.2%
Bulk Carriers	134	7.4%	109	6.4%	64	3.5%
General Cargo Ships	52	2.8%	61	3.6%	50	2.7%
Other	31	1.7%	7	0.4%	15	0.8%
Total Assignments	**1,816**	**100.0%**	**1,715**	**100.0%**	**1,844**	**100.0%**

Resources

9 Pilots
8 Boat Crew

2-3 APA Owned Pilot Boats

Port Description and Navigational Challenges

Saint John moves approximately 28 million metric tonnes of cargo annually. The city is home to the largest oil refinery in Canada, an LNG import terminal, a container terminal, and two cruise ship terminals. There are several other terminals providing service to forest products, project cargo, dry bulk cargoes such as potash, and liquid bulk such as molasses.

The port of Saint John has several challenges that Pilots must take into consideration. Firstly, the tidal range in the port can be as much as 28 feet (9 metres) from low to high tide. There are also currents caused by the outflow of the Saint John River, which becomes even more challenging in spring with the freshet caused by snow and ice melt. The combination of fresh water from the river mixing with the denser sea water causes an effect known as a density current. The physical configuration of the harbour, including a narrow gorge at Reversing Falls, contributes to the complex and somewhat unpredictable currents and eddies.

2019 Financial Summary

Tanker traffic in the area began slowly in 2019, as the refinery recovered from an incident late in 2018 but finished the year very strongly. Potash exports through the port slowed after being very strong for several years. A bunker vessel added almost 200 pilotage movements during the year with the expectation that this traffic will decline as the masters become certificated. These changes resulted in an 8% increase in pilotage assignments over 2018, and slightly over budget. Much of the increased activity was on lower revenue assignments for the Authority resulting in revenues being 5% under budget. Expenses in the port were 3% under budget, despite larger than expected pilot boat repair costs, as the Authority is behind schedule for pilot additions. Two pilots were added early in 2020. The area finished with a $60 thousand loss after having a $277 thousand loss in 2018. These two years of losses follows an extraordinary 2017 where a $623 thousand profit was recorded.

MANAGEMENT ANALYSIS

External Operating Environment

The primary business activity of the Authority is to provide a safe and efficient pilotage service. The Authority charges the user, or customer, for the service. An ideal performance would be one in which the service provided was completely safe; i.e. without shipping incidents, and without injury or damage to individuals, vessels, port facilities, or the environment. Historically, the Authority has maintained a low level of shipping incidents; however, it is recognized that the Authority has inherent risks associated with the industry, and the potential for an accident is always present.

Within that operational context, the key strategic issues faced by the Authority include:

The Economy

The Authority is impacted by the state of local and broader international economic conditions in a number of ways. These include effects derived from commodity pricing, employment and productivity, and currency exchange rates that have a large impact on tourism that drives cruise vessel traffic.

Customer Operational Interruptions

Usually without warning the Authority loses expected traffic to operational decisions or circumstances that interrupt the demand for services. These can be extended interruptions that negatively impact the financial position of the Authority and threaten its goal to be area-by-area financially self-sufficient.

Certificate Use

The Authority has had an increase in certificated masters piloting their own vessels in recent years. There are a number of very low risk movements that are handled safely by certificated masters. This allows for pilotage resources to be targeted towards areas of higher risk and adds to the efficiency of pilotage. The number of these movements have had an impact on the Authority's revenues with lost pilotage fees that have to be incurred by the remaining users of the pilotage service.

International Trade Agreements

The outcome of trade negotiations as well as the imposition or removal of nationalistic trade barriers and tariffs on import/export dependent businesses could positively, or negatively, impact the amount of cargo flowing into and out of our ports.

Cyber Security

Threats to IT infrastructure are growing and Cyber Security is growing in concern. Like most organizations, the Authority relies on technology to deliver its services.

Technology

Industry demands that pilotage authorities adopt new technologies to make the service more effective and more efficient. There are many tools in development to assist with navigation including automated ships and dockings. The Authority must stay current with these technological changes and adopt those which would benefit the port pilotage it conducts.

Climate Change

Due to changes in patterns, the Authority is dealing with severe marine conditions that are more frequent and are lasting for longer periods. This is causing severe challenges to the ability to deliver safe, effective, and efficient services as marine conditions are worsening and there are longer port closures and delays. Infrastructure like wharves and breakwaters are also at risk to damages due to changing environmental factors.

Pilotage Act Reform

Amendments to the *Pilotage Act* received Royal Assent in June 2019. The implementation will present challenges for the Authority as operations are adjusted to reflect changing roles and responsibilities, while at the same time continuing to provide services under the existing *Act*.

Relationships with Stakeholders

The Authority has strong relationships with its stakeholders that is maintained through regular consultation. The users of the services support pilotage in the Atlantic and their cooperation has been greatly valued in solving the challenges that have faced the industry on the east coast. This cooperation allows for a more effective and efficient service as information and scheduling is shared openly. It also increases the ability to achieve financial self-sufficiency as traffic levels are more easily predicted and appropriate tariff levels set.

Seasonal Traffic Patterns

The Authority faces periods of higher than usual volumes due to seasonal cruise ship traffic, daily variances in industry scheduling, and weather closures. The seasonal nature of the cruise industry presents challenges for the Authority because there is a constant labour force of pilots in each port. Seasonal surges in demand for pilotage means the authority must manage overtime and hours of rest without compromising safety, but risks increased delays and the efficiency of service delivery.

Marine Labour Market

Recruiting and training for mariners to become pilots is a challenge. Pilots are licenced for specific ports or districts and do not perform assignments outside of their licenced areas, which makes the coverage of assignment fluctuations more challenging.

To reach the target for pilot numbers, and maintain it through planned retirements, the Authority must be continuously adding pilots and training them from apprentice level to unlimited full class A licence level. Finding qualified mariners in Canada is becoming more challenging as fewer Canadians are choosing this industry for their careers. The increase in technology on vessels that have enhanced maneuverability has also eroded the hands-on shiphandling skills of current masters and increased the amount of time required to train new pilots as they are not arriving with the same level of skill or experience as their predecessors..

Most of the strategic issues affecting the Authority are external and not under the direct influence of the organization. These issues are impacting the Authority's financial health, its service delivery, and the safety of its employees.

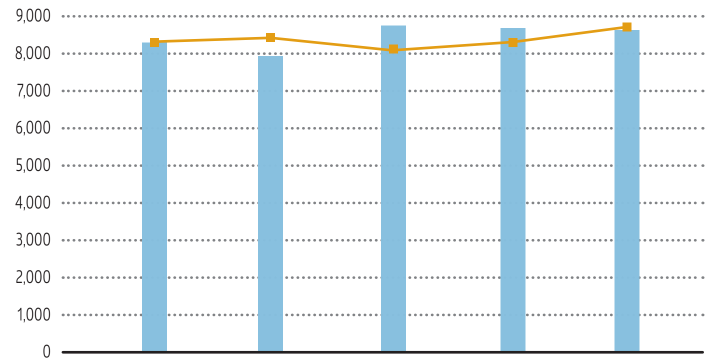
Traffic

The following discussion regarding the amount of activity in individual ports is referring to pilotage assignments only, and not the level of cargo or vessel traffic experienced by a port. There are several factors that may result in a difference between the activity reported by the Authority and that reported by another body such as a port authority. These factors include ships not subject to compulsory pilotage, ships utilizing mariners who have pilotage certificates, and the amount of cargo carried on a ship. The Authority reports on pilotage assignments performed by its pilots, but does not track the amount of cargo being carried on a vessel.

The total number of assignments, 8,694 for 2019, were down slightly from the 8,720 in 2018. The amount of activity in ports serviced by the Authority can vary significantly due to factors that are beyond its control. In 2019 the Authority received assignments from projects or events that were not anticipated in Newfoundland, while coal transshipment activities and tanker movements slowed in the Strait of Canso. There were also declines in activity across various sectors in Halifax in 2019 after having an exceptionally strong 2018. Activity in the Port of Saint John recovered during the year after an incident at the oil refinery in Saint John caused a reduction in tanker traffic for the port late in 2018. The Authority did gain in assignments in both Saint John and Placentia Bay due to bunker vessel operations, but this activity is not expected to be piloted over the longer term as these movements will be eventually done by certificated masters.

In recent years, traffic has been impacted negatively by movements by certificated masters. These are masters who have passed a certification exam that allows them to pilot their own vessels without the services of an Atlantic Pilotage Authority pilot. There were 2,732 movements lost to certificates for the Authority in 2019, which is down slightly from 2018, but is expected to grow again when the bunker vessel masters become certificated.

Budgeted and Actual Pilotage Assignments 2015-2019



	2015	2016	2017	2018	2019
Budget	8,316	8,464	8,119	8,323	8,726
Actual	8,348	7,959	8,809	8,720	8,694

Cumulatively, over the past five years, the actual assignments have been 101.4% of the budgeted assignments.

Foreign flagged vessels provide the great majority of the Authority's business. This fact has become even more pronounced after offshore supply vessels were exempted in 2006, as these vessels are predominately Canadian flagged ships. The foreign vessels represent approximately 78% of assignments and revenue. The oil and gas industry accounts for approximately 41% of the Authority's overall assignments, and contributes 52% of the overall revenue, based on current trends. The Authority performed pilotage duties on tankers in twelve of the seventeen compulsory areas.

The following table provides details on assignments provided by the various classes of vessel with comparisons to previous two years:

Number of Assignments 2017-2019

	2017		2018		2019	
	Assignments	%	Assignments	%	Assignments	%
Tankers	3,251	36.9%	3,250	37.3%	3,240	37.2%
Container Ships	1,422	16.1%	1,478	16.9%	1,319	15.2%
Cruise Ships	966	11.0%	1,055	12.1%	1,069	12.3%
Bulk Carriers	884	10.0%	1,004	11.5%	887	10.2%
General Cargo Ships	722	8.2%	640	7.3%	694	8.0%
Other Traffic	502	5.7%	249	2.9%	388	4.5%
Tugs & Barges	352	4.0%	330	3.8%	353	4.1%
Bunker Vessels	87	1.0%	44	0.5%	301	3.5%
Vehicle Carriers	301	3.4%	332	3.8%	267	3.0%
Supply Ships	322	3.7%	338	3.9%	176	2.0%
Total	8,809	100.0%	8,720	100.0%	8,694	100.0%

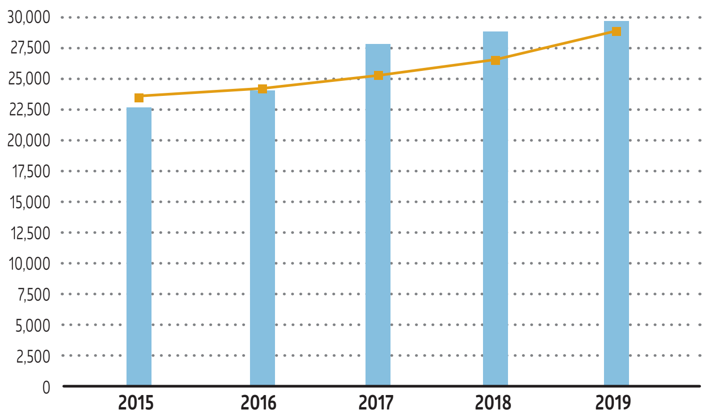
Financial Overview

The Atlantic Pilotage Authority continued its strong financial performance with income surpassing what was planned for the third consecutive year. The Authority budgeted a 3.7% profit margin on expected income of $29.0 million for 2019. Due to traffic being greater than planned in Newfoundland, and the overall increase in tanker movements, the Authority finished 2019 with a 4.4% profit on $29.7 million of income. A $1.3 million profit in 2019 has allowed the Authority to generate an increase in cash provided through these operations of $4.4 million. This allowed for a cash investment of $1.7 million in pilot boats, equipment, and software upgrades, without additional financing. A portion of the generated cash, $809 thousand, is required for debt payments for previously financed capital additions and capital leases. The remainder has been targeted for future capital asset replacement and severance liability payments, or increased reserves.

Revenues

Traffic levels remained steady for the Authority, but increased revenues from tanker vessels, bunker vessels, and tug and barge traffic more than offset declines in revenue generated by container ships and bulk carriers. The revenues generated by the bunker vessels exceeded budget by a significant amount and total revenues surpassed expectations by 2.3%, or $667 thousand, with pilotage activity being 0.4% under budget. The following chart indicates the budgeted and actual revenue for each of the last five years. During this period, the cumulative actual revenue has been 103.6% of cumulative budgeted revenue.

Budgeted and Actual Total Revenue 2015-2019
(in thousands of dollars)



	2015	2016	2017	2018	2019
Budget	23,436	24,283	25,155	26,599	29,024
Actual	22,673	24,093	27,793	28,831	29,691

The average size of vessels fell by 2.3% from the previous year for the Authority with increased activity on tugs and barges, bunker vessels, and other traffic that tends to be smaller in size. These vessels usually pay the minimum tariff in the ports they operate. The largest component of the Authority's tariff revenue is based on the size of vessels, as measured in pilotage units, and the impact varies from port to port based on their individual tariff structure. Most categories of vessels did increase in size over the previous year, including tankers, container ships, and cruise ships.
A variation in tanker assignments has the largest impact on revenue of all vessel types. These vessels tend to be much larger than average, and therefore attract higher average revenue than other ships. In some ports that rely heavily on tanker activity, such as Strait of Canso and Placentia Bay, the pilotage is more challenging in terms of the distance, currents, and the length of time under the conduct of a pilot, and the requirement to have more robust pilot vessels. Activities in Placentia Bay, Saint John, and Western Newfoundland drove the increased revenues for the Authority for this sector, offsetting declines in tanker revenue in Halifax and the Strait of Canso.

Halifax provides a large majority of the container ship traffic for the Authority, followed by Saint John. Both ports generated less pilotage fees from container traffic and bulk carriers than the previous year. The strength in the cruise industry in the region continued in 2019 with similar traffic volume as the previous year, but on larger vessels, leading to increased pilotage revenues for the ports of Halifax, Charlottetown, PE, Saint John, and Sydney.

Pilotage Charges 2017-2019
(in thousands of dollars)

	2017		2018		2019	
	Revenues	%	Revenues	%	Revenues	%
Tankers	13,403	48.3%	14,343	50.0%	14,751	49.9%
Container Ships	4,067	14.7%	4,243	14.8%	3,862	13.0%
Bulk Carriers	2,716	9.8%	3,082	10.7%	2,830	9.6%
Cruise Ships	2,567	9.3%	2,787	9.7%	2,985	10.1%
General Cargo Ships	1,420	5.1%	1,294	4.5%	1,561	5.3%
Vehicle Carriers	828	3.0%	993	3.5%	828	2.8%
Tugs & Barges	683	2.5%	692	2.4%	826	2.8%
Bunker Vessels	306	1.1%	83	0.3%	674	2.3%
Supply Ships	695	2.5%	670	2.3%	383	1.3%
Other Traffic	1,037	3.7%	519	1.8%	872	2.9%
Total	**27,722**	**100.0%**	**28,706**	**100.0%**	**29,572**	**100.0%**

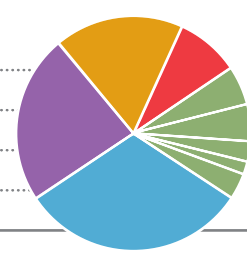
Compulsory Port Revenue

The Authority provides pilotage service in 17 compulsory ports. These compulsory ports provide 98.3% of the pilotage revenue, with the remaining revenue provided by non-compulsory ports.

Four major ports provided 81.3% of the revenue from compulsory ports in 2019. The largest revenue contribution came from Placentia Bay at 31.2%. Halifax was the next largest contributor with 23.3%, while Saint John had 18.2%, and Canso 8.6% of the total compulsory revenue. The remaining thirteen compulsory ports provided the residual 18.7% of revenue, with Sydney having the largest share of these ports. The following chart provides a graphic illustration of the revenue contribution of ports.

Percentage of Compulsory Pilotage Revenue
by Port 2019

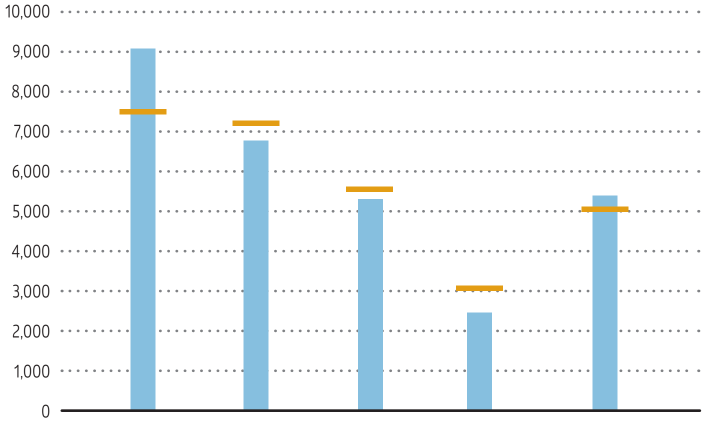
Placentia Bay	31.2%
Halifax	23.3%
Saint John	18.2%
Canso	8.6%
Other	18.7%
Total	100.0%



Sydney	*5.5%*
St. John's	*4.8%*
Humber Arm	*2.7%*
Charlottetown	*1.7%*
Other Compulsory	*4.0%*

The chart below illustrates the actual and budgeted revenue in compulsory areas for 2019.

Comparison of Budgeted and Actual Revenue in Compulsory Areas 2019 (in thousands of dollars)



	Placentia Bay	Halifax	Saint John	Canso	Other Compulsory
Budget	7,515	7,229	5,576	3,102	5,077
Actual	9,070	6,759	5,300	2,504	5,426

Expenses

The Authority had expenses grow to 1.6% over budget due primarily to an increase in pilot boat repairs. Administration and dispatch costs combined to be 2.1% below budget for the year.

Pilots' fees, salaries, and benefits includes all costs associated with the remuneration to employee pilots, as well as shares paid to entrepreneurial pilots who service smaller ports with inconsistent traffic levels. The entrepreneurial pilots receive a portion, or share, of the pilotage revenue in their ports thus limiting the Authority's exposure to traffic pattern changes.

The Authority has an agreement in place with its employee pilots that encourages them to provide a firm retirement date. This allows the Authority to hire replacement pilots where necessary and minimize the impact on service. While there is a short-term cost for this in carrying more salary, in the long term it allows the Authority to have the right number of pilots to provide the service required by its customers. Due to the level of hiring recently being offset by retirements, the Authority had the fulltime equivalent of 50.0 pilots in 2019, a slight increase of 0.5 over 2018. The number of recent additions and new training required has led to significant annual training costs. Training courses are mostly triggered as pilots reach certain levels of experience. Due to the timing of these progressions, training costs were under budget.

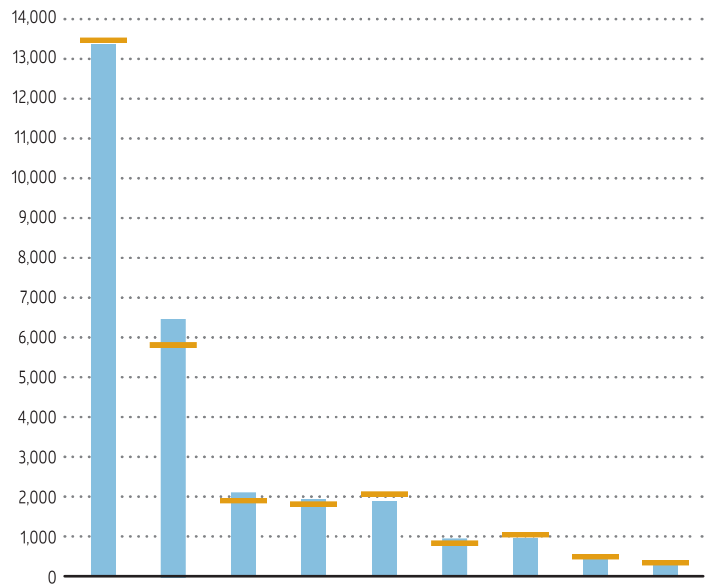
The structural repairs and overhauls required in 2019 raised pilot boat repairs to be $632 thousand over budget. The Authority estimates the amount of work required at planned dockings and uses historical experience to estimate the remainder of costs, but there were significant items discovered during inspections and operations that required considerable investigation, engineering, and correction.

Pilot boat crewing costs also increased with this activity with numerous vessel transits between maintenance yards and vessel movements between ports to assure proper coverage. Administration salaries were over budget as temporary resources were added to implement NS Enterprise boat maintenance software and an additional dispatcher was added and has been in training. Retroactive salary adjustments were made by Privy Council that also increased executive compensation for the year.

The Authority had anticipated the addition of a leased pilot boat but did not move forward with this plan due to reduced traffic in the targeted area. This resulted in depreciation and finance costs being below budget for the year. Transportation costs increased over budget with increased activity in Placentia Bay and Voisey's Bay, two areas with the largest travel costs per assignment. These travel costs are recovered directly from the users as part of the assignment cost.

The following chart indicates the budgeted expenditures against the actual expenditures for 2019, expressed in thousands of dollars.

Comparison of Budgeted and Actual Expenses 2019 (in thousands of dollars)



	Pilot's Salaries, Benefits, and Fees	Pilot Boat Operating Costs	Pilot Boat Crewing Costs	Administration Salaries	Amortization and Depreciation	Transportation and Travel	Other Operating Costs	Training Costs	Professional and Special Services
Budget	13,484	5,864	1,965	1,827	2,063	825	1,093	470	366
Actual	13,300	6,509	2,087	1,952	1,848	970	946	442	340

Capital Investment

The Authority has $25.463 million in capital assets that have to be replaced or upgraded over the long-term. It is a large portion of the financial capital of the Authority that is needed for this purpose. These expenditures are primarily for pilot boats, but also includes investments in wharves and structures, a maintenance vehicle, leased office space, and computers and office equipment.

The Authority budgets for projects that are planned, but under IFRS, there are unanticipated repairs that also must be capitalized. An allowance is assumed for these items, but depending on the components that fail, the Authority can be well over, or well under, budget on the capital portion of these repairs. The Authority had a budget for capital additions of $3.216 million for 2019 but included $1.500 million for a leased pilot boat that was not procured.

Over the first year of operation of the *Nova Pilot* and the *Scotia Pilot* a number of items were discovered that required improvement to operate effectively for the Authority. These upgrades began in 2018 and were completed in 2019 as the vessels were better equipped to operate in a harsh North American winter climate. The main cause of the capital budget being over budget relates to the *Captain E.T. Rogers* and the *Captain A.G. Soppitt*. There were structural failures with both of these vessels that required extensive unplanned dry-dockings and repairs. This resulted in an unexpected capital expenditure of over $800 thousand to have these boats safely back in service.

Planned investments in floating dock repairs was not required in 2019 but engineering planning work did begin for substantial repairs to the Herring Cove Breakwater that will be completed in 2020. The breakwater was damaged during Hurricane Dorian in September 2019. The actual capital expenditure in 2019 was $1.996 million.

The capital expenditure budget and actual expenditures for 2019 are indicated in the following chart.

Budgeted and Actual Capital Expenditures, 2019 (in thousands of dollars)

	Budget	Actual
Pilot boat refit and equipment	1,383	1,814
Portable pilotage units	95	85
Computer equipment and furniture	29	44
Wharves and structures	170	42
Computer software	29	11
Right-of-use asset – pilot boat	1,500	–
Leasehold improvements	10	–
Total	**3,216**	**1,996**

ON THE HORIZON
2020 and Beyond

Business Prospects

The Authority actively monitors economic developments for the region as proposed new projects or adjustments to current operations greatly affects the finances of the Authority and the resources required to serve the stakeholders.

After a number of years with increasing container traffic in Halifax, these assignments have fallen in 2019. Rail service interruptions in early 2020 are expected to negatively impact this, and other, traffic in the port early in the year with longer term consequences not known at this point. One of the container terminals is under new ownership and is aggressively marketing their facility. Future growth is anticipated as the Port of Halifax readies itself for the next generation of larger container vessels. Cruise traffic held steady at around 200 ships in 2019 and is budgeted to increase in 2020.

Cruise traffic in Saint John continues its pattern of growth, with an increase in passengers coming from more vessels and of a larger size. Container traffic in the port fell short of 2018 activity but should remain relatively strong. The West Side Modernization Project is a $205 million investment in the container handling capacity in the port and is expected to grow this sector of traffic in the years to come. The pilotage revenues in the port are driven primarily by tanker traffic and this sector is expected to be strong in 2020. The Authority also anticipates activity on the bunker vessel continuing into the new year.

On the Chaleur Bay, the APA has recommended that Belledune, NB become compulsory. On the south coast of the Gaspe peninsula, the APA is monitoring the development of a cement plant at Port Daniel to determine whether a PRMM is required in that area to determine whether compulsory pilotage is warranted.
In Placentia Bay, NL, the oil refinery in Come-by-Chance continues to improve its efficiency and future production while operating a bunker vessel operation. The transshipment terminal at Whiffen Head began receiving oil from the Hebron field late in 2017 with traffic from the field being stronger than expected. This provided a large boost in shipping for the area and will provide an ongoing supply when output from other fields taper off.

The dredging of the harbour in 2012 provides Sydney with the opportunity to attract larger ships. There is interest in developing a container terminal in the port, expanding coal shipments, and developing expanded cruise ship berthing to allow accommodation of two large cruise ships alongside. The cruise industry in Sydney is expected to remain strong in 2020 with approximately 120 calls. There are two proposals for LNG export facilities in Nova Scotia, one at Goldboro on the Eastern Shore, and the other at Bear Head in the Strait of Canso. The APA is monitoring the development of both projects.

Plans are proposed for a new container terminal at the Strait of Canso. It is estimated that the terminal could be operational within 26 months of the beginning of the construction period. NuStar continues to market their facility and storage capacity in Point Tupper. Pilotage traffic related to the product stored at the facility is influenced greatly by world oil markets and prices. The coal transshipment (vessel to vessel) operation in the area is highly sensitive to the global demand and corresponding world market prices for metallurgical coal. This operation stopped for the winter months and has been reduced significantly for the remainder of the year. This activity is not expected to grow in 2020. These reductions will negatively impact the Authority’s revenues for the area.

Port authorities and operators are determinedly searching for business opportunities and growth in Western Newfoundland. This generated additional traffic in 2019 with additional growth planned for 2020.

Economics

The revenues of the Authority are influenced by the amount of marine traffic, and the composition of that traffic in terms of size and types of vessels. The annual traffic levels are mainly driven by the economics of the marine industries of the Atlantic region. Forecasting the traffic for future years is very challenging as there are many factors involved, all of which are well outside the Authority’s control.

When creating the Corporate Plan for 2020-2024, the Authority used several sources of information to predict traffic levels. The traffic patterns of previous years were combined with changes within individual business sectors, announced or expected expansions or contractions, and general financial conditions.

The Authority also reached out to stakeholders, including the marine industry and port authorities, during consultation meetings and direct communications, to solicit feedback on projected changes to future volumes or activity.

Changes in the energy sector, especially oil, and other commodities have the largest effect on the Authority's activity. With over fifty percent of the revenues generated by the oil industry, fluctuations in demand, or any changes in the methods of crude oil delivery, can greatly affect the financial results of the Authority. The container business is highly competitive and cost sensitive. These factors have led to container industry consolidation and a shift to larger vessels. Ports that can accommodate these larger vessels are expected to have growth from this sector. A weaker Canadian dollar has meant growth in tourism and expected growth in cruise activity in several ports for the Authority.

Based on recent traffic levels, the Authority has estimated activity based on 8,820 assignments. For 2020, the Authority is budgeting a profit of $1.333 million, or a 4.4% return on revenue.

Tariff Adjustments for 2020

After reviewing the performance of each port, and investment levels required to deliver a safe, efficient, and effective service, the Authority had proposed two sets of tariff adjustments impacting 14 ports or areas. The first stage of the amendments was approved for the beginning of 2020. These rates are set on a port-by-port basis and are estimated to increase the overall tariff rates by 1.84% in 2020. The second set of adjustments was expected to come into force later in the year and provide an additional 1% of revenues. A portion of this second stage of the tariff increases was required as the Authority was charged an amount by the Minister of Transportation for the administration of the reformed *Pilotage Act*. This part of the tariff increases was objected to by the Shipping Federation of Canada and is being adjudicated by the Canadian Transportation Agency.

Pilotage Act *Reform*

The amendments to the *Pilotage Act* are being made by Order-In-Council (OIC) in four stages. The first OIC was completed in August 2019 and included the restructuring of the *Act* and the introduction of the labour and governance provisions. The second and third OIC's are expected in 2020 and will include the sections intended to strengthen oversight and enforcement by transferring these responsibilities to the Minister of Transport, and the new pilot charge section and related requirements. The final OIC is expected in 2021 and will include the final items related to regulations and operations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the Authority's management in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate. Management is responsible for the integrity and objectivity of the information in the financial statements and annual report.

Management is also responsible for developing and maintaining a system of internal control which is designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide timely, accurate financial information.

The Authority's management is responsible for conducting its affairs in compliance with the *Pilotage Act* and regulations, Part X of the *Financial Administration Act* and regulations, the by laws of the Authority, and the directive issued under section 89 of the *Financial Administration Act*.

The Members of the Authority are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. These responsibilities are delegated to the Audit Committee. The Audit Committee meets with management and the auditors to satisfy itself that its responsibilities are properly discharged and to review the financial statements. The financial statements and annual report are reviewed and approved by the Members of the Authority on the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the transactions and financial statements of the Authority in accordance with Canadian generally accepted auditing standards, and expresses his opinion on the financial statements. He has full and free access to the Audit Committee of the Authority, and his report follows.

Sean Griffiths
Chief Executive Officer

Brian Bradley, CPA, CGA
Chief Financial Officer

Halifax, Canada
March 27, 2020

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Atlantic Pilotage Authority, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Atlantic Pilotage Authority as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Atlantic Pilotage Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Atlantic Pilotage Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Atlantic Pilotage Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Atlantic Pilotage Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Atlantic Pilotage Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Atlantic Pilotage Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Atlantic Pilotage Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Atlantic Pilotage Authority coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the by laws of the Atlantic Pilotage Authority, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

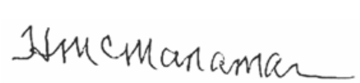
In our opinion, the transactions of the Atlantic Pilotage Authority that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied, after giving retrospective effect to the change in the method of accounting for leases as explained in Note 4 to the financial statements, on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Atlantic Pilotage Authority's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Atlantic Pilotage Authority to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Heather McManaman, CPA, CA
Principal
for the Interim Auditor General of Canada

Halifax, Canada
27 March 2020

STATEMENT OF FINANCIAL POSITION

(in thousands of Canadian dollars)	**December 31, 2019**	December 31, 2018	January 1, 2018
		Restated (Note 4)	Restated (Note 4)
Assets			
Current			
Cash	**$ 7,959**	$ 6,089	$ 3,938
Trade and other receivables (Notes 6 and 7)	**3,510**	3,763	3,712
Prepaid expenses	**117**	103	94
	11,586	9,955	7,744
Non-current			
Intangible assets (Note 8)	**205**	225	188
Property and equipment (Note 9)	**12,888**	13,411	14,134
	13,093	13,636	14,322
	$ 24,679	$ 23,591	$ 22,066
Liabilities			
Current			
Trade and other payables (Notes 6 and 7)	**$ 3,151**	$ 2,462	$ 2,030
Bank loans (Notes 7, 11, and 12)	**677**	1,979	640
Employee severance benefits (Note 14)	**217**	201	35
Lease liabilities (Notes 10 and 12)	**172**	165	96
	4,217	4,807	2,801
Non-current			
Bank loans (Notes 7, 11 and 12)	**4,270**	3,612	5,591
Employee severance benefits (Note 14)	**1,351**	1,381	1,488
Lease liabilities (Notes 10 and 12)	**1,246**	1,418	1,562
	6,867	6,411	8,641
	11,084	11,218	11,442
Equity of Canada			
Retained earnings	**13,595**	12,373	10,624
	$ 24,679	$ 23,591	$ 22,066

Commitments (Note 18)

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

Approved by the Members of the Authority and authorized for issue on March 27, 2020:

Member   Member

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019
(in thousands of Canadian dollars)

	2019	2018
		Restated (Note 4)
Revenues		
Pilotage charges (Note 16)	$ 29,572	$ 28,760
Other income	119	71
	29,691	28,831
Expenses		
Pilots' fees, salaries and benefits	13,300	12,913
Pilot boats, operating costs	6,509	5,816
Pilot boat crews' salaries and benefits	2,087	1,931
Staff salaries and benefits	1,952	1,841
Amortization and depreciation (Notes 8 and 9)	1,848	1,877
Transportation and travel	970	875
Training	442	466
Utilities, materials and supplies	440	494
Professional and special services	343	409
Finance costs (Notes 10 and 11)	182	202
Communications	178	145
Rentals (Note 10)	143	140
	28,394	27,109
Income for the year	1,297	1,722
Other comprehensive gain (loss)		
Amounts not to be reclassified subsequently to net income:		
Actuarial gain (loss) on employee severance benefits	(75)	27
Other comprehensive gain (loss)	(75)	27
Comprehensive income	$ 1,222	$ 1,749

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

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019
(in thousands of Canadian dollars)

	2019	2018
		Restated (Note 4)
Retained earnings, beginning of the year	$ 12,373	$ 10,624
Income for the year	1,297	1,722
Other comprehensive gain (loss)	(75)	27
Total comprehensive income	1,222	1,749
Retained earnings, end of the year	$ 13,595	$ 12,373

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

STATEMENT OF CASH FLOWS

Atlantic Pilotage Authority | Administration de pilotage de l'Atlantique

For the year ended December 31, 2019
(in thousands of Canadian dollars)

	2019	2018
		Restated (Note 4)
Operating activities		
Receipts from customers	**$ 29,799**	$ 28,745
Payments to and on behalf of employees	**(17,113)**	(16,206)
Payments to suppliers	**(8,209)**	(8,231)
Finance costs paid	**(182)**	(202)
Other income received	**114**	48
Net cash provided by operating activities	**4,409**	4,154
Investing activities		
Purchases of intangible assets	**(11)**	(70)
Purchases of property and equipment	**(1,719)**	(1,218)
Net cash used in investing activities	**(1,730)**	(1,288)
Financing activities		
Repayment of lease liabilities	**(165)**	(75)
Proceeds from bank loans	**1,449**	—
Repayment of bank loans	**(2,093)**	(640)
Net cash used in financing activities (Notes 10, 11, and 12)	**(809)**	(715)
Increase in cash	**1,870**	2,151
Cash, beginning of the year	**6,089**	3,938
Cash, end of the year	**$ 7,959**	$ 6,089

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

1. Objectives and Activities

The Atlantic Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act*. The principal registered address of the Authority is 1791 Barrington Street, Halifax, Nova Scotia. The objects of the Authority are to establish, operate, maintain, and administer a safe and efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that pilotage tariffs shall be fair, reasonable, and sufficient to permit the Authority to operate on a self-sustaining financial basis. Under the *Pilotage Act*, no payment to the Authority may be made under an appropriation by Parliament to discharge an obligation or liability.

The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

In July 2015, the Authority was issued a directive (PC 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference, and event expenditure policies, guidelines, and practices with the Treasury Board policies, directives, and related instruments on travel, hospitality, conference, and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Authority's next corporate plan. The Authority finalized its implementation of this directive in July 2017. The Authority confirms that the requirements of the directive have been met.

2. Regulation of Pilotage Charges

The approval process for setting tariffs for pilotage charges is set out in the *Pilotage Act*. The Authority, with the approval of the Governor in Council, makes regulations prescribing tariffs. The Authority must publish proposed tariffs in the *Canada Gazette* and any interested party who has reason to believe that a proposed tariff is prejudicial to the public interest may file a notice of objection, setting out the grounds therefor, with the Canadian Transportation Agency (CTA) within thirty days following publication of the proposed tariff.

The CTA must investigate the proposed pilotage charge set out in the notice of objection. Once its investigation is complete, the CTA must make a recommendation within 120 days following the receipt of the notice of objection, and the Authority must govern itself accordingly.

The tariffs may come into force 30 days after publication in the *Canada Gazette*. However, where the CTA recommends a pilotage charge that is lower than that prescribed by the Authority, the Authority is required to reimburse the difference between this charge and the charge recommended by the CTA, with interest, to any person who has paid the prescribed charge. The Governor in Council may vary or rescind a recommendation of the CTA.

3. Significant Accounting Policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS), as issued by the Accounting Standards Board (AcSB).

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. The Authority had nil cash equivalents as at December 31, 2019 (2018 - nil).

(c) Financial instruments

Trade and other receivables and trade and other payables, classified as other financial liabilities, are measured at amortized cost using the effective interest method. Due to their short-term nature, the cost of these financial instruments approximates their fair value.

Bank loans are classified as other financial liabilities and are initially measured at fair value. After initial recognition, bank loans are measured at amortized cost using the effective interest method.

The Authority is not party to any derivative financial instruments or hedges.

(d) Intangible assets

The Authority's intangible assets are comprised of purchased software. When the software does not form an integral part of the machinery or computer hardware to which it relates, it is separately accounted as an intangible asset. Intangibles are carried at cost less accumulated amortization and impairment losses.

Any impairment is recognized as an expense in comprehensive income and is measured as the amount by which the carrying amount exceeds its recoverable amount.

(e) Property and equipment

Property and equipment are recorded at cost. The cost of pilot boats under construction includes design, project management, legal, material, direct labour, and interest on construction loans. Amounts included in pilot boats under construction are transferred to the appropriate pilot boat classifications upon completion, and depreciation commences.

Any impairment is measured as the amount by which the carrying amount exceeds its recoverable amount and is recognized as a loss for the year. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss. Gains are recognized in other income, while losses are recognized as a loss for the year in pilot boats, operating costs or utilities, materials and supplies depending on the assets that were disposed.

(f) Right-of-use assets and lease liabilities

Right-of-use (ROU) assets are initially measured based on the present value of the lease payments less any lease inducements received. The ROU assets are subject to testing for impairment and any impairment is measured as the amount by which the carrying amount exceeds its recoverable amount and is recognized as a loss for the year.

The Authority assesses whether a contract is or contains a lease, at inception of the contract. A right-of-use asset is recognized, as well as a corresponding lease liability, with respect to all lease arrangements in which the Authority is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as office equipment). For these leases, the Authority recognizes the lease payments as a rental expense in the statement of comprehensive income on a straight-line basis over the term.

ROU assets are included in the heading property and equipment, and the lease liabilities are included in the headings for current liabilities and non-current liabilities.

The ROU assets are depreciated, on a straight-line basis, over the shorter of the lease term or the useful life of the underlying asset.

The lease liabilities were initially measured at the present value of the lease payments payable over the lease term, discounted at the Authority's incremental borrowing rate over a similar term as the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Authority remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(g) Employee severance benefits

Employees are entitled to specified severance benefits as provided for under collective agreements or employment contracts, based on their years of service and final salary. The liability for these payments is estimated and recorded in the accounts as the benefits accrue to the employees.

The costs and the benefit obligation are actuarially determined using the projected unit credit method prorated on service that incorporates management's best estimate of the rate of employee turnover, retirement age, future salary and benefit levels, and other actuarial factors.

Actuarial gains and losses are recognized in other comprehensive income in the period in which they occur and flow into retained earnings.

(h) Pension plan

Substantially all of the employees of the Authority are covered by the Public Service Pension Plan (the "Plan"), a 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. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

(i) Revenue recognition

Revenues from pilotage charges are recognized when pilotage services are provided.

4. Accounting Standards and Amendments Issued and Effective

Effective January 1, 2019, the Authority adopted IFRS 16, "Leases", which sets out the principles that both parties to a contract apply in order to provide relevant information about leases in a manner that faithfully represents those transactions. IFRS 16 requires all leases to be reported on the lessee's balance sheet. There are also changes in accounting over the life of the lease. For lessees the total periodic expenses will generally have a front-loaded expense recognition pattern. Leases that are less than 12 months in duration, or that are for low dollar value items, are not required to be capitalized. Lessors' accounting treatment remains similar to current practice. They will continue to classify leases as finance and operating leases.

The adoption of IFRS 16 also impacts the note disclosures including Note 10.

The Authority made the transitional election to adopt the full retrospective approach, with restatement of comparative information, to value its right-of-use assets (ROU) and lease liabilities under IFRS 16.

The Authority has elected not to recognize ROU assets and liabilities for leases where the total non-cancellable lease term is less than or equal to 12 months, or for leases deemed to be low value leases. The payments for such leases continue to be recognized in the statement of comprehensive income on a straight-line basis over the lease term. The two leases that were over 12 months in duration and not deemed to be of a low value were: the lease for the head office premises in Halifax, Nova Scotia, and the lease for office and land in Saint John, New Brunswick. Lease records were easily accessible to allow for the full retrospective approach.

The tables below show the amount of the adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

	Notes	January 1, 2018 as previously reported	Effect of IFRS 16 adoption	January 1, 2018 Restated
Assets				
Non-current				
Property and equipment (Note 9)	A	$ 12,964	$ 1,170	$ 14,134
Liabilities				
Current				
Deferred lease inducements	A	42	(42)	—
Lease liabilities (Notes 10 and 12)	A	—	96	96
		42	54	96
Non-current				
Deferred lease inducements	A	428	(428)	—
Lease liabilities (Notes 10 and 12)	A	—	1,562	1,562
		428	1,134	1,562
Net impact on total liabilities		470	1,188	1,658
Equity				
Retained earnings	A	$ 10,642	$ (18)	$ 10,624

	Notes	January 1, 2018 as previously reported	Effect of IFRS 16 adoption	January 1, 2018 Restated
Retained earnings, end of the year	A	$ 10,642	$ (18)	$ 10,624

	Notes	December 31, 2018 as previously reported	Effect of IFRS 16 adoption	December 31, 2018 Restated
Assets				
Non-current				
Property and equipment (Note 9)	A	$ 12,368	$ 1,043	$ 13,411
Liabilities				
Current				
Deferred lease inducements	A	59	(59)	—
Lease liabilities (Notes 10 and 12)	A	—	165	165
		59	106	165
Non-current				
Deferred lease inducements	A	439	(439)	—
Lease liabilities (Notes 10 and 12)	A	—	1,418	1,418
		439	979	1,418
Net impact on total liabilities		498	1,085	1,583
Equity				
Retained earnings	A	$ 12,415	$ (42)	$ 12,373

	Notes	December 31, 2018 as previously reported	Effect of IFRS 16 adoption	December 31, 2018 Restated
Retained earnings, end of the year	A	$ 12,415	$ (42)	$ 12,373

	Notes	December 31, 2018 as previously reported	Effect of IFRS 16 adoption	December 31, 2018 Restated
Expenses				
Amortization and depreciation (Notes 8 and 9)	A	$ 1,750	$ 127	$ 1,877
Finance costs (Notes 10 and 11)	A	148	54	202
Rentals (Note 10)	A	297	(157)	140
		2,195	24	2,219
Income for the year		1,746	(24)	1,722
Comprehensive income		$ 1,773	$ (24)	$ 1,749

	Notes	December 31, 2018 as previously reported	Effect of IFRS 16 adoption	December 31, 2018 Restated
Operating activities				
Payments to suppliers	A	$ (8,335)	$ 104	$ (8,231)
Finance costs paid	A	(148)	(54)	(202)
Net cash provided by operating activities		(8,483)	50	(8,433)
Financing activities				
Repayment of lease inducements	A	(25)	25	—
Repayment of lease liabilities	A	—	(75)	(75)
Net cash used in financing activities (Notes 10, 11, and 12)		(25)	(50)	(75)

(A) Right-of-use assets and lease liabilities

For the year ended December 31, 2017 the application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in a cumulative change in property and equipment of $1,170, due to the recognition of right-of-use assets of $1,530, and adjustment of leasehold improvements for a net amount of $360. Lease liabilities of $1,658 were also recognized upon application. Deferred lease inducements of $470 previously recognised with respect to operating leases have been derecognised and the amount was factored into the measurement of the right-of-use assets and lease liabilities. The resulting charge to retained earnings was $18.

For the year ended December 31, 2018 the application of IFRS 16 resulted in a cumulative change in property and equipment of $1,043, due to the recognition of right-of-use assets of $1,364, and adjustment of leasehold improvements for a net amount of $321. Lease liabilities of $1,583 were also recognized upon application. Deferred lease inducements of $498 previously recognised with respect to operating leases have been derecognised and the amount was factored into the measurement of the right-of-use assets and lease liabilities. For the year ended December 31, 2018 application of IFRS 16 also resulted in a decrease in rental expenses of $157 and an increase in depreciation of $127 and interest expense of $54. The resulting charge to retained earnings for the year ended December 31, 2018 was $24 for a cumulative adjustment amount of $42.

Under IAS 17, lease payments on operating leases were presented as a part of payments to suppliers and repayments of lease inducements were presented under financing activities. Under IFRS 16 the interest portion of the lease liability payments are presented under operating activities and the principal portion of payments is recognized under financing activities. This resulted in an increase in finance costs paid by $54 and a repayment of lease liabilities by $75 offset by a decrease in payments to suppliers of $104. The repayment of lease inducements previously recorded as $25 was reduced to nil as amounts previously recorded relating to deferred lease inducements in the statement of financial position per IAS 17 were derecognized and factored into the measurement of the right-of-use assets and leasehold improvements under IFRS 16, therefore these amounts would now be taken into account under the principal payments of $75.

5. Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

(a) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next year. Management has made the following critical accounting estimates or assumptions in preparation of these financial statements:

Amortization and depreciation rates

All the intangible assets have finite useful lives. Amortization of intangible assets is charged on a straight-line basis over the estimated useful lives of the assets. The useful lives used in the calculation of amortization for purchased software is 5 to 10 years.

Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Pilot boat hulls and structures	10 to 25 years
Pilot boat equipment	5 to 10 years
Pilot boat generators	5 years
Pilot boat engines	5 to 10 years
Pilot boat inspections	4 to 5 years
Furniture and equipment	2 to 10 years
Leasehold improvements	10 years
Right-of-use assets	9 to 10 years

Useful lives are based on management's estimates of the periods of service provided by the intangible assets and property and equipment. The useful lives of these assets are reviewed annually for continued appropriateness. Changes to the useful life estimates would affect future amortization or depreciation expense and the future carrying value of the assets.

Employee severance benefits
The Authority engages an external actuary to assess the fair value of its employee severance benefits. The Authority assesses this obligation at December 31 each year. The plan is sensitive to significant actuarial assumptions, the discount rate, the estimate of salary rate increases, and the assumed age at retirement.

Valuation of lease liabilities and right-of-use assets
The application of IFRS 16, "Leases" requires the Authority to make estimates that affect the valuation of lease liabilities and right-of-use assets. This includes determining the Authority's incremental borrowing rate used for discounting of future cash flows.

This is the rate of interest that the Authority would have to pay to borrow, over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

(b) Critical accounting judgments
Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Impairment test for non-financial assets
The non-financial assets with finite useful lives are required to be tested for impairment only when indication of impairment exists. Management is required to make a judgment with respect to the existence of impairment indicators at the end of each reporting period. Some indicators of impairment that management may consider include changes in the current and expected future use of the asset, external valuations of the assets, and obsolescence or physical damage to the asset.

Valuation of lease liabilities and right-of-use assets
The application of IFRS 16, "Leases" requires the Authority to make judgements that affect the valuation of lease liabilities and right-of-use assets. These include determining contracts in scope of IFRS 16, and determining the contract term.

The lease term determined by the Authority comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Authority is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Authority is reasonably certain not to exercise that option. This same term is applied to determine the depreciation rate of right-of-use assets.

6. Financial Risk Management
Overview
The Authority has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- interest rate risk

This note presents information about the exposure to each of the above risks, including the Authority's objectives, policies, and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Members of the Authority have overall responsibility for the establishment and oversight of the risk management framework and established a Risk Committee to identify and analyze the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management is reviewed regularly to reflect changes in market conditions and the Authority's activities. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk
Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's receivables from customers.

The carrying amount of cash and trade receivables represents the maximum exposure to credit risk.

There is no significant credit risk with trade receivables as the *Pilotage Act* stipulates that the owner, master, and agent of a ship are jointly and severally liable for pilotage charges, and the Act provides a mechanism to withhold customs clearance if pilotage charges are unpaid.

The Authority's trade and other receivables had a carrying value of $3,510 as at December 31, 2019 (2018 – $3,763). The trade receivables had a carrying value of $3,225 as at December 31, 2019 (2018 – $3,596). There is no concentration of trade receivables with any one customer. As at December 31, 2019, approximately 79% (2018 – 72%) of trade receivables, net of allowance for bad debt, were current, whereas 21% (2018 – 28%) were greater than 30 days outstanding. The Authority recovered $9 (2018 – $33) in trade receivables that had previously been recorded as a loss to bad debts. Incurred losses with respect to bad debts in 2019 were $16 (2018 – $28). The Authority's allowance for doubtful accounts was $16 at December 31, 2019 (2018 – $27). The Authority's other receivables had a carrying value of $285 as at December 31, 2019 (2018 – $167).

Cash is held with a Canadian chartered bank. There has been no assessed change in level of risk exposure of the financial instruments held by the Authority.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the Authority's reputation.

The Authority monitors its cash balances and cash flows generated from operations on a frequent basis to meet its requirements. As part of this plan, the Authority maintains an operating credit facility of $2,500 that is unsecured and available at an interest rate not to exceed the prime lending rate. The carrying amount of trade and other payables, bank loans, and employee severance benefits represents the maximum exposure to liquidity risk.

The Authority's trade payables had a carrying value of $1,709 as at December 31, 2019 (2018 – $1,318) and are all due within 60 days. The Authority's accrued liabilities had a carrying value of $1,442 as at December 31, 2019 (2018 – $1,144).

The Authority has loans with Canadian chartered banks. At December 31, 2019, these bank loans totalled $4,947 (2018 – $5,591) as disclosed in Note 11.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Authority has limited exposure to interest rate risk as the bank loans have a fixed interest rate which cannot be changed between maturity dates without financial penalty.

7. Fair Value of Financial Instruments

Trade receivables and trade payables are incurred in the normal course of business and are respectively due and payable on demand. The carrying value of these financial instruments approximates fair value because of their short term to maturity.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the bank loans disclosed in Note 11 is a Level 2 fair value measurement. No Level 1 or Level 3 financial instruments are held by the Authority.

8. Intangible Assets

The Authority's intangible assets, which consist of purchased software, at December 31 are:

	2019	2018
Cost, beginning of the year	**$ 706**	$ 636
Additions	**11**	70
Cost, end of the year	**717**	706
Accumulated amortization, beginning of the year	**(481)**	(448)
Amortization for the year	**(31)**	(33)
Accumulated amortization, end of the year	**(512)**	(481)
Carrying amount, end of the year	**$ 205**	$ 225

There is no impairment of intangible assets at December 31, 2019 (2018 – nil).

9. Property and Equipment

2019	Pilot boat hulls and structures	Pilot boat equipment	Pilot boat generators	Pilot boat engines	Pilot boat inspections	Furniture and equipment	Leasehold improvements	Right-of-use assets	Total
Cost, beginning of the year	$ 12,286	$ 5,610	$ 432	$ 2,386	$ 465	$ 1,544	$ 161	$ 1,646	$ 24,530
Additions	1,047	372	—	305	90	171	—	—	1,985
Disposals	(630)	(200)	—	(73)	(40)	(109)	—	—	(1,052)
Cost, end of the year	12,703	5,782	432	2,618	515	1,606	161	1,646	25,463
Accumulated depreciation, beginning of the year	(4,553)	(2,995)	(320)	(1,776)	(266)	(892)	(35)	(282)	(11,119)
Depreciation of disposals during the year	156	45	—	20	39	101	—	—	361
Depreciation for the year	(542)	(506)	(23)	(274)	(98)	(194)	(15)	(165)	(1,817)
Accumulated depreciation, end of the year	(4,939)	(3,456)	(343)	(2,030)	(325)	(985)	(50)	(447)	(12,575)
Carrying amount, end of the year	$ 7,764	$ 2,326	$ 89	$ 588	$ 190	$ 621	$ 111	$ 1,199	$ 12,888

2018 (Restated Note 4)	Pilot boat hulls and structures	Pilot boat equipment	Pilot boat generators	Pilot boat engines	Pilot boat inspections	Furniture and equipment	Leasehold improvements	Right-of-use assets	Total
Cost, beginning of the year	$ 12,246	$ 5,255	$ 413	$ 2,203	$ 515	$ 1,370	$ 161	$ 1,646	$ 23,809
Additions	128	613	19	251	75	256	—	—	1,342
Disposals	(88)	(258)	—	(68)	(125)	(82)	—	—	(621)
Cost, end of the year	12,286	5,610	432	2,386	465	1,544	161	1,646	24,530
Accumulated depreciation, beginning of the year	(4,083)	(2,543)	(283)	(1,595)	(253)	(781)	(20)	(117)	(9,675)
Depreciation of disposals during the year	67	65	—	63	125	80	—	—	400
Depreciation for the year	(537)	(517)	(37)	(244)	(138)	(191)	(15)	(165)	(1,844)
Accumulated depreciation, end of the year	(4,553)	(2,995)	(320)	(1,776)	(266)	(892)	(35)	(282)	(11,119)
Carrying amount, end of the year	$ 7,733	$ 2,615	$ 112	$ 610	$ 199	$ 652	$ 126	$ 1,364	$ 13,411

There is no impairment of property and equipment at December 31, 2019 (2018 – nil).

Included in the above line items are right-of-use assets over the following:

	2019	2018
Halifax head office	**$ 1,605**	$ 1,605
Saint John office and land	**41**	41
	$ 1,646	$ 1,646

10. Leases

The following table provides the Authority's lease costs recognized in the statement of comprehensive income for the year ended December 31, 2019:

	2019	2018 Restated (Note 4)
Lease costs		
Depreciation of right-of-use assets	**$ 165**	$ 165
Interest on lease liabilities	**50**	54
Total lease costs	**215**	219
Short-term lease costs	**114**	109
Low value lease costs	**29**	31
	$ 358	$ 359

The Authority's outstanding lease liabilities are:

	2019	2018 Restated (Note 4)
Halifax head office lease Lease payable in monthly instalments including imputed interest at 3.29%, amortized over 10 years, term ending May 31, 2027	**$ 1,407**	$ 1,567
Saint John office and land lease Lease payable in monthly instalments including imputed interest at 3.29%, amortized over 9 years, term ending December 31, 2021	**11**	16
	$ 1,418	$ 1,583
Current portion	**$ 172**	$ 165
Non-current portion	**1,246**	1,418
	$ 1,418	$ 1,583

The remaining minimum principal payments required are:

	2019
2020	$ 172
2021	178
2022	181
2023	190
2024	196
2025 and beyond	501
	$ 1,418

Amounts recognized in the statement of cash flows:

	2019	2018 Restated (Note 4)
Interest on lease liabilities	**$ (50)**	$ (54)
Principal payments on lease liabilities	**(165)**	(75)
Total cash outflow for leases	**(215)**	(129)

The Authority has also committed to classifying leases either as short-term leases or low value leases related to office space, office equipment, and wharfage. These types of leases require the following minimum payments:

	2019
2020	$ 85
2021	3
2022	2
2023	1
	$ 91

During the year ended December 31, 2019, $143 was recognized in the statement of comprehensive income in respect of expenses incurred under short-term leases and low value leases (2018 – $140).

11. Bank Loans

The Authority's outstanding bank loans at December 31 are:

	2019	2018
Non-revolving term facility, payable in monthly instalments including interest at 1.83%, amortized over 15 years, term ending on May 12, 2022, unsecured.	**$ 2,540**	$ 2,721
Non-revolving term facility, payable in monthly instalments including interest at 3.28%, amortized over 10 years, term ending on September 21, 2022, unsecured.	**693**	929
Non-revolving term facility, payable in monthly instalments including interest at 2.93%, amortized over 10 years, term ending on January 21, 2023, unsecured.	**380**	496
Non-revolving term facility, payable in monthly instalments including interest at 3.14%, amortized over 10 years, term ending on January 14, 2024, unsecured.	**1,334**	—
Non-revolving term facility, payable in monthly instalments including interest at 2.96%, amortized over 15 years, term ending January 12, 2019, unsecured.	**—**	1,445
	$ 4,947	$ 5,591
Current portion	**$ 677**	$ 1,979
Non-current portion	**4,270**	3,612
	$ 4,947	$ 5,591

Interest expense on loans amounted to $132 (2018 – $148). As at December 31, 2019, the fair value of the bank loans is estimated at $4,937 (2018 – $5,492).

The estimate is based on the valuation technique of discounting future cash flows. Expected future interest and principal payments are discounted using Level 2 inputs such as current interest rates for similar loans that are available from Canadian chartered banks at December 31, 2019.

The remaining minimum principal payments required are:

	2019
2020	$ 677
2021	696
2022	2,629
2023	152
2024	793
	$ 4,947

The Authority has an operating credit facility of up to $2,500 available at an interest rate not to exceed the prime lending rate. No amount had been drawn down on the credit facility at December 31, 2019 (2018 – nil). The credit facility is available to the Authority as required and has no renewal date or fixed term.

The Minister of Finance has authorized all of the Authority's borrowing.

12. Reconciliation of Liabilities arising from Financing Activities

The Authority's liabilities from financing activities is borrowing in the form of its bank loans and lease liabilities.

	2019	2018 Restated (Note 4)
Finance liabilities, beginning of the year	**$ 7,174**	$ 7,889
Cash used for debt payments	**(644)**	(640)
Cash used for lease payments	**(165)**	(75)
Finance liabilities, end of the year	**$ 6,365**	$ 7,174

13. Pension Plan

Substantially all of the employees of the Authority are covered by the Public Service Pension Plan (the "Plan"), a defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at December 31, 2019 was 1.01 to 1 of employee contributions (2018 – 1.01 to 1) to a defined salary threshold for all existing plan members contributing to the Public Service Pension Plan on or before December 31, 2012. The general contribution rate effective at December 31, 2019 was 1 to 1 of employee contributions (2018 – 1 to 1) to a defined salary threshold for all new plan members who joined the Public Service Pension Plan on or after January 1, 2013. On the portion of salaries above the defined threshold, the Authority is required to contribute on a ratio of 3.79 to 1 of employee contributions (2018 – 3.20 to 1). Total contributions by the Authority of $1,077 (2018 – $1,040) were recognized as an expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with the Canada/Québec Pension Plan benefits and are indexed to inflation.

Contributions to the Public Service Pension Plan consisted of:

	2019	2018
Contributions by the Authority	**$ 1,077**	$ 1,040
Contributions by employees	**$ 1,058**	$ 1,025

14. Employee Severance Benefits

The post-employment severance benefits were provided to all employees under various collective agreements and employment contracts. As of 2012, this benefit is no longer offered to employees recruited by the Authority, but liabilities remain for employees who did not choose to have the benefit curtailed immediately. The severance benefit is measured at its actuarially determined amount. This benefit plan is unfunded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The projected unit credit method of funding was used for the valuation. Under this method the accrued benefit obligation is equal to the actuarial present value of all future benefits, taking into account the assumptions described below, multiplied by the ratio of an employee's service at the valuation date to total service at the assumed termination date. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in that period. These costs, along with the interest cost, and experience loss due to settlement are included in the statement of comprehensive income for the year ended December 31, 2019 with $118 (2018 – $123) under pilots' fees, salaries, and benefits. The cumulative amount of actuarial losses recognized in other comprehensive income is $465 at December 31, 2019 (2018 – $390).

Information about the plan, measured at December 31, is as follows:

	2019	2018
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of the year	**$ 1,582**	$ 1,523
Current service cost	**70**	73
Interest cost	**48**	50
Benefits paid during the year	**(207)**	(37)
Actuarial (gains) losses	**75**	(27)
Accrued benefit obligation, end of the year	**$ 1,568**	$ 1,582
Components of expense recognized in profit and loss		
Current service cost	**$ 70**	$ 73
Interest cost	**48**	50
Total expense recognized in profit and loss	**$ 118**	$ 123
Analysis of actuarial gain or loss		
Cumulative actuarial losses, beginning of the year	**$ 390**	$ 417
Change in discount rate	**61**	(35)
Experience loss	**14**	8
Cumulative actuarial losses, end of the year	**$ 465**	$ 390
Classification of accrued benefit obligation		
Current portion	**$ 217**	$ 201
Non-current portion	**1,351**	1,381
Accrued benefit obligation, end of the year	**$ 1,568**	$ 1,582
Key assumptions used in the actuarial valuation		
Discount rate	2.85%	3.50%
Estimated salary rate increase	2.75%	2.75%
Age at retirement	33% at age 60, remainder at age 65	

Assumed discount rates have a significant effect on the amounts reported for the accrued benefit obligation. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31, 2019 by $102. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31, 2019 by $91.

The assumed salary increase rates also have a significant effect on the amounts reported for the accrued benefit obligation. A 1% increase in this assumption would increase the defined benefit obligation at December 31, 2019 by $101. A 1% decrease would reduce the obligation at December 31, 2019 by $92.

When the retirement age assumption is reduced by one year for all employees, the defined benefit obligation increases by $1 for December 31, 2019.

The weighted-average of the maturity of the plan at December 31, 2019 was 6.1 years (2018 – 6.4 years). The Authority expects that benefits paid during 2020 will be $217.

15. Capital Management

The Authority's capital is its equity, which is comprised of retained earnings. Equity is represented by net assets.

The Authority is subject to financial management and accountability provisions of the *Financial Administration Act* (FAA) which imposes restrictions in relation to borrowings and acquisition of investments. The Authority must obtain approval of all borrowings from the Minister of Finance on an annual basis. The FAA limits investments to bonds or other obligations of, or guaranteed by, Her Majesty in right of Canada or any province, or any municipality in Canada. During the years ended December 31, 2019 and December 31, 2018, the Authority has complied with these restrictions.

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings to ensure that its objectives are achieved efficiently. The tariffs of pilotage charges must be fair and reasonable and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

The Authority's objectives when managing capital are:

- to safeguard the Authority's ability to continue as a going concern by having enough capital in reserve to offset possible operating losses, so that it can continue to provide a safe and efficient pilotage service;
- to build an allowance for the cost of constructing or purchasing pilot boats; and
- to build an allowance for an unfunded liability pertaining mainly to employee severance benefits

The Authority conducts its business in a manner intended to maintain capital to meet these three requirements. Adjustments to the capital structure are made based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Authority may change its targeted return on pilotage services and tariff structure for a given period, delay possible construction projects, or sell assets to reduce debt. There has been no change to what the Authority defines as capital or its objectives, policies, and processes for managing capital from the prior year.

16. Pilotage Charges

During 2016, the Authority implemented a 1.5% surcharge for the eleven ports serviced by employee pilots. The surcharge was used to recover a portion of recent losses incurred due to shortfalls in expected revenues. This surcharge came into force on March 11, 2016 and was in effect until June 30, 2018.

	209	2018
Pilotage charges	**$ 29,572**	$ 28,584
Surcharge	**—**	176
Total pilotage charges	**$ 29,572**	$ 28,760

17. Related Party Transactions

(a) Trading transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Authority enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. The majority of these transactions are not of significance and do not have a material effect on these financial statements.

(b) Compensation of key management personnel

The remuneration of Members and key management personnel for the year ended December 31 included:

Executive Management Compensation	**2019**	2018
Short-term employee benefits, such as wages and salaries	**$ 714**	$ 754
Post-employment benefits (Note 17(c))	**72**	78
	$ 786	$ 832
Board Compensation		
Retainer	**$ 22**	$ 24
Per diem	**51**	41
	$ 73	$ 65

(c) Pension plan

Substantially all of the 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 while the Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan (Note 13).

18. Commitments

The Authority has entered into contracts for pilot boat services, software maintenance, safety equipment, and support for weather buoy operations requiring the following minimum payments:

As at	**December 31, 2019**
Not later than one year	$ 2,827
Later than one year but not later than five years	403
Later than five years	9
	$ 3,239

19. Event After the Reporting Period

In early 2020, the worldwide spread of COVID-19 resulted in a global pandemic. In response, the Government of Canada has implemented restrictions on travel and commerce, including the deferral of the start of cruise ship season in Canada from April 2, 2020 to July 1, 2020, at the earliest. This deferral of the 2020 cruise ship season is not expected to have a material impact on the Authority's financial position or its results of operations.

The extent of other impacts of the virus on the Authority's business is unknown, but has the potential to have a material impact on the results of operations. Other possible impacts could include additional restrictions on future traffic, closures of terminals, decline in shipping traffic, and service disruptions through quarantine of pilots. As a result, an estimate of the financial impact of COVID-19 on the Authority's future results of operations cannot be made at this time.