

CORPORATE PLAN SUMMARY

2020–2024



Administration de pilotage des Laurentides
Laurentian Pilotage Authority

2020–2024 Corporate Plan Summary
2020 Operating Budget | 2020 Capital Budget

CORPORATE PLAN SUMMARY

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EXECUTIVE SUMMARY

The last two years have been pivotal for the Authority, as the review of the *Pilotage Act* has gone forward and has led the government to make substantial amendments to the *Act*. These amendments are significant for the LPA and will enable it to consolidate its leadership role and implement certain strategic initiatives to improve safety and marine efficiency on its territory, and diversify its service offering while protecting the public and the environment.

The Authority will pursue its vision to be a world leader in marine pilotage by focusing on continuous improvement, optimizing the use of new resources and technology tools, and expanding its outreach. All of these elements are aimed at having a greater impact on navigation safety, increasing the efficiency of pilotage services, helping to protect the environment, and contributing to the economic development of the St. Lawrence and the Saguenay River throughout the territory served by the Authority.

The key initiatives to reach these objectives include the implementation of the new provisions set out in the *Act*, the enactment of our regulatory proposal, the renewal of service agreements with pilotage corporations according to the new principles set out in the *Act*, the rollout of its navigation simulator action plan, and the advent of smart pilotage service, while ensuring navigation safety throughout its territorial waters including the Gulf of St. Lawrence and through other improvement projects presented in this Corporate Plan Summary.

As solid financial health is essential to realize its strategic and operating objectives, the Authority will continue to ensure the sound management of its operations. To do so, it will be important to find the right balance between controlling costs, realizing adequate margins, mitigating financial risks, and making sound investments—particularly with regards to asset renewal and new technology acquisitions. This approach has enabled the Authority to fulfill its mandate, make investments, and maintain a favourable balance sheet while keeping tariffs at a reasonable and acceptable level.

Accordingly, in order to enable the Authority to fulfill its obligations and preserve sufficient liquidity to fund the maintenance and upgrade of assets and invest in order to meet its strategic objectives and carry out its projects, a tariff increase of 2.25% was implemented in January 2019 and a second increase of 2.70% is planned for April 2020. The Authority is presently

reviewing its tariff program to ensure that the current program continues to serve the public interest in terms of mitigating the Authority's financial risks while keeping costs for the industry at a reasonable level. The tariff proposal will be adjusted to enable the Authority to recover charges required by Transport Canada to fund its new regulatory and inspection functions related to the amended *Pilotage Act*.

The financial forecasts presented in this Corporate Plan are the result of projections that take into account the priorities and key issues, and their inherent constraints and opportunities. These forecasts are subject to fluctuations resulting from a tight economic environment.

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1. OVERVIEW OF LAURENTIAN PILOTAGE AUTHORITY

1.1 Mandate

As the gateway for marine pilotage services on its territory, the Laurentian Pilotage Authority (the Authority or LPA) is responsible for all aspects related to pilotage, making it a turnkey organization. Accordingly, its legislative mandate is based on the following principles and objectives:

- The provision of pilotage services contributes to navigation safety, including the safety of the public and marine personnel; it is also aimed at protecting human health, property and the environment;
- The provision of pilotage services is effective and efficient;
- Risk management tools are used effectively and technological development is taken into account;
- The Authority's pilotage fees are designed to enable it to be financially self-sufficient.

The Authority reports to the government through the Minister of Transport, and is accountable to the Canadian Parliament for its actions.

1.2 Vision Statement

By assuming a leadership role in the marine sector, the Laurentian Pilotage Authority strives for excellence and continuous improvement in the provision of effective and efficient pilotage services that contribute to navigational safety, environmental protection and the marine industry's competitiveness.

1.3 Mission Statement

The Authority's mission is to serve the interests of the public and marine personnel by operating, maintaining and managing for the safety of navigation, an effective and efficient pilotage service on the St. Lawrence and the Saguenay Rivers, while safeguarding its financial self-sufficiency. The Authority employs sound risk management and state-of-the-art technology in order to ensure the protection of human health, property and the environment.

1.4 Principal Activities

To fulfill its mandate, the Authority has established three compulsory pilotage districts: Port of Montreal (District No. 1.1), the navigable waters between Montreal and Quebec City (District No. 1), and the navigable waters between Quebec City and Les Escoumins, including the Saguenay River (District No. 2). These districts cover a distance of 265 nautical miles between Montreal and Les Escoumins and another 70 nautical miles on the Saguenay.

Map of Compulsory Pilotage Districts and LPA Territorial Waters



Ships are subject to compulsory pilotage based on a number of criteria established by the Authority through regulations. For Canadian-registered ships navigating districts No. 1 or No. 1.1, compulsory pilotage applies to those that are over 70 metres in length and over 2,400 gross tons. For Canadian-registered ships navigating District No. 2, compulsory pilotage applies to ships over 80 metres in length and over 3,300 gross tons. Lastly, for ships not registered in Canada, all ships longer than 35 metres are subject to compulsory pilotage, regardless of the district.

Pilotage services offered in each of the three districts are provided by the Authority through contract pilots from two separate corporations: the Corporation of Mid St. Lawrence Pilots (CPSLC), and the Corporation of Lower St. Lawrence Pilots (CPBSL), under separate service contracts negotiated between the Authority and each of the corporations. There are currently almost 200 pilots and apprentice pilots covering the compulsory pilotage waters served by the Authority.

Pilots are assigned to ships by the Authority's Dispatch Centre, which operates 24 hours a day, 365 days a year and serves all pilotage districts. The Authority manages and operates the Dispatch Centre from its headquarters in Montreal, which also houses maritime safety and efficiency services as well as financial and administrative personnel.

The supervision and oversight of pilotage services are handled by the Authority's marine safety and efficiency department. This department is also responsible for developing policies and procedures pertaining to pilotage and navigation safety, investigating marine accident/incidents involving pilots, developing exemplary pilotage practices, approving the periodic pilot training and assessment program, and recruiting apprentice pilots.

Lastly, the Authority uses five boarding stations for its licenced pilots. Quebec City, Trois-Rivières, Sorel and Montreal stations are owned and administered by Groupe Océan, with whom the Authority has a service contract. The fifth station, in Les Escoumins, is owned and operated by the LPA, which operates two pilot boats on site. The Escoumins pilot boarding station has two pilot boats, which are owned by the LPA. These boarding stations are used to ferry pilots from shore to ship, and vice versa.

2. OPERATING ENVIRONMENT

Unlike other industries where companies have the power to attract more clients and adjust their expenses accordingly, the LPA must provide service to all ships subject to compulsory pilotage that are operating within its territory. The LPA has no discretion as to the number of ships that will require its services. Traffic is influenced by a variety of economic factors such as natural resource prices, the strength of the economy, trade agreements, competition with other modes of transport, etc. However, the Authority cannot unilaterally determine the tariffs charged to its clients and the fees paid to pilot corporations. These two variables may be disputed. Accordingly, service contracts with pilot corporations are subject to final offer arbitration if the parties are unable to come to an agreement. The tariffs set by the Authority may be disputed before the Canadian Transportation Agency. Hence, the LPA must determine its budgets while continuing to provide quality service at fair rates to clients, ensure navigation safety and maintain its financial self-sufficiency in this environment over which it has limited control.

In this type of operating environment, the Authority's strategic issues gravitate largely towards challenges related to managing the pilotage system and the provision of pilotage services in order to maintain safe, effective and efficient navigation on the territory served. The main strategic issues facing the Authority are:

Amendment of the *Pilotage Act*

The results of the process to amend the *Pilotage Act* were much anticipated by the LPA. The Authority has made significant requests that have a considerable impact on its operations. The amended *Act* takes many of the LPA's recommendations into account. The following aspects are the principal changes that affect operations:

- **Governance:** Integration of the principles upon which the *Act* has been designed; these principles determine how the Authority's mission is to be interpreted in terms of efficiency, environmental protection, protection of the public and property, etc.
- **Contract with corporations:** now public, these contracts may no longer deal with matters or topics covered by regulatory powers. Moreover, the amended *Act* indicates to potential arbitrators that they must now take into account the principles and objectives set out in the *Act* with respect to the effectiveness and efficiency of pilotage services in their decisions and final offer selection.
- **Regulation:** regulatory powers are being repatriated to Transport Canada. However, when these regulatory functions are fully repatriated by TC, the Authority will have to administer and apply the regulations without hindering service contracts with pilot corporations. The amended *Act* will also allow the implementation of management systems by authorities through regulatory means—a tool that was not previously available.
- **Issuing of licences:** the issuing of licences will be managed by the authorities, but will now be issued by TC upon recommendation by an authority. The amended *Act* now authorizes, through regulatory means, the imposition of conditions for maintenance of pilotage licences and certificates, and their

suspension and revocation for non-compliance with the *Act* and regulations. TC will be responsible for the suspension and revocation of licences.

- Tariffs: once the applicable amendments are in effect, tariffs may be put into place and amended upon resolution by the Board of Directors. However, a tariff-setting methodology must first be published and rigorously followed. Authorities may henceforth charge fees for services other than piloting.
- New provisions on the application of the *Act* and its compliance have also been implemented, along with the feasibility of imposing administrative monetary sanctions by TC.

Overall, the amendments to the *Pilotage Act* represent opportunities for the LPA. They clarify situations that have historically given rise to conflicts with pilot corporations because of differing interpretations of the LPA's mandate and certain navigation safety characteristics. Moreover, the amendments reinforce pilotage oversight and control and thus facilitate the role of the Authority, which was previously unable to adequately apply this type of control.

2.1 Macroeconomic Outlook

The Authority has seen a traffic increase in recent years—primarily in oil tankers, container ships and bulk carriers. According to our forecasts and the current economic situation, the highest growth during the target period will be in container ship traffic. The desire of numerous ports to handle a greater number of cruise ships in the next few years has also been predicted. Given the economic uncertainty, we believe that traffic for other types of ship will remain stable.

Ultimately, the LPA is basing its forecasts on stable, but conservative growth, and a GDP increase not exceeding 2%.

2.2 External Environment

Background

Shipowners, who adopt new technologies on vessels with the aim of optimizing travel times, the quantity of fuel used and the profitability of voyages, are sensitive to the cost and efficiency of pilotage services. The transit times of the various networks is another important consideration for shipowners, and their perception of the quality of the service provided will be impacted in the event of recurrent service delays.

For this reason, the LPA understands that cost control to an acceptable level, and efficiency of its services contribute significantly to the competitiveness and economic development of the region and beyond. Moreover, the LPA must be vigilant with regards to changes in marine traffic, as voyages are more frequent and vessels are much bigger. The emergence of new technologies in the navigation industry is one of the developments being monitored by the Authority.

Changes in Marine Traffic

The area served by the Laurentian Pilotage Authority is considered to be a difficult route to navigate. With even larger vessels and ever-increasing traffic, the Authority will have little choice but to adapt to ensure that service delivery continues to be effective, efficient and safe. This adaptation involves the addition of new technologies at the Montreal dispatch centre in order to optimize dispatch management. Better systems for tracking navigation, communications, and planning and managing transits could also improve the traffic flow of larger vessels.

Aware that the industry in general is changing, the LPA is keeping abreast of major trends such as the emergence of smart ships and other developments.

Although the Authority operates under a law that requires users to use its services the marine transportation industry is in competition with other transportation methods such as trains and trucks. However, the pilotage authority, the marine industry it serves and the port authorities on its territorial waters are themselves subject to competition from the US east coast and other countries. This competition could have a positive or negative influence on traffic managed by the Authority, and thus on its income.

Pilot Corporations

Service contracts with pilot corporations are increasingly complex. In addition to pilot compensation, negotiations cover a variety of topics that impact the cost and efficiency of pilotage services. This includes pilotage requirements or navigation restrictions that go beyond the current regulations.

The LPA is confident that the new provisions of the *Pilotage Act* concerning contract exclusions on topics covered by the regulatory authority, such as rules on navigation safety, the obligation of a judge or arbitrator to take the objectives and principles of the *Act* into consideration and the requirements that pilotage services be effective and efficient will help position the LPA in its future negotiations to make improvements to the service contract.

The current service contract with the Corporation of Mid St. Lawrence Pilots will expire on June 30, 2020. The service contract with the Corporation of Lower St. Lawrence Pilots will expire on December 31, 2021.

Business Partners

The LPA wishes to maintain solid relationships with various marine industry stakeholders. The Authority believes that maintaining good relations—with groups representing shipowners such as the Shipping Federation of Canada or the Chamber of Maritime Commerce, or with pilot corporations and other partners, representatives of port authorities, the Canadian Coast Guard, and Transport Canada—are essential for it to effectively carry out its mandate. These good relationships allow more open information flows and solutions to difficulties encountered to be found more easily. They allow the LPA to influence these contributors and better coordinate activities in partnership with several of them, such as the Canadian Coast Guard. This helps to mitigate risks stemming from a lack of coordination and efficiency during crisis management, as we saw with the 2019 winter ice jams. The LPA has in recent years consolidated its influence in working groups in which it is a member and has also set up a pilotage advisory committee that brings together the stakeholders concerned. Moreover, the Chief Executive Officer and senior executives regularly visit the Authority's principal clients.

Suppliers

Other than the services provided by pilot corporations, the Authority's main service provider is Groupe Océan. Groupe Océan provides pilot boarding services in Montreal, Sorel, Trois-Rivières and Quebec City. As Groupe Océan is one of the only companies able to provide this type of service, the LPA has very little leeway to negotiate various contracts or to fulfill the mandate in the event that Groupe Océan is no longer able to do so.

Leadership Role

It is imperative that the LPA be positioned as a leader and an influential member of the maritime community on all issues having an impact on pilotage and on the Authority's ability to ensure the safe and efficient movement of marine traffic. It requires close cooperation with the marine community, and with the pilot corporations in particular. Although they are not employees, pilots account for the quality of the services provided by the LPA. There continue to be instances where stakeholders do not consult or involve the LPA in matters related to marine safety. Not providing leadership in this area risks compromising the adequate application of the safety measures promulgated by the Authority.

Accordingly, a number of initiatives have been implemented. These include maintaining an advisory committee chaired by the Chief Executive Officer and composed of key industry stakeholders. The Authority has, in recent years, joined committees and working groups involved in navigation, environmental protection and marine transportation competitiveness that may have a direct or indirect influence on pilotage, and therefore share its opinions and give its recommendations.

As marine safety is not limited to districts already served by the LPA, its leadership and involvement with navigation safety on its territorial waters in the other regions surrounding the Gulf of St. Lawrence is another key issue for the LPA.

Public Positioning

The Authority and its mandate are still relatively unknown to the general public, and even to certain contributors and authorities. It is imperative that the Authority adopt a public positioning to make its role known, to be the primary point of contact with regards to pilotage and marine safety matters in its region, and to increase its visibility with the public. Moreover, it is in the Authority's interest to promote its wider mandate regarding protection of the public, property and the environment for the benefit of navigation. The risks stemming from a failure in that regard are similar to those related to leadership development.

2.3 Internal Environment

Background

In order to effectively fulfill its mandate, the Authority has been working to better define its role by taking its rightful place in managing pilotage on the waters under its responsibility and as a prime reference in marine safety. The LPA has established an internal structure that enables it to develop and maintain expertise that is more relevant and better equipped to fulfill its mission. In addition to taking part in committees and working

groups in the marine, environmental protection and economic development sectors, the Authority has taken the necessary steps to become the main point of contact for marine pilotage—and will continue to do so.

Developing, Retaining and Attracting Expertise

In the industry in which the LPA operates, technical expertise is important and scarce, and recruiting a workforce to meet requirements can prove to be difficult. The Authority must have a plan which not only will allow it to attract high-potential candidates, but also retain its existing talent. Over the past few years, the LPA has been able to fill important positions requiring special expertise in navigation and information technology. A human capital development plan has been implemented to help improve employee retention, particularly during the current labour shortage.

As the LPA is also responsible for recruiting apprentice pilots, it must strive to attract more candidates to the profession to ensure it has sufficient resources to continue providing quality services in a timely manner.

Workforce

As at December 31, 2019, the Authority will have a total of 63 employees working in its Montreal headquarters and its pilot boarding station in Les Escoumins. Of these, a total of 37 employees are covered by collective agreements, while the remaining 28 are non-unionized employees. The LPA has created five new master positions in order to meet the needs of the new shuttle service at the Port of Montreal, which accounts for the variance in the number of resources.

We note that the rate of staff turnover remains relatively low. Despite difficulties in hiring for certain positions, the LPA has been able to engage the services of competent, experienced and reliable resources.

The Authority's organization chart is attached.

Labour Relations and Compensation

The Laurentian Pilotage Authority is working with two unions, the Public Service Alliance of Canada (PSAC) and the Canadian Merchant Service Guild (the Guild) representing certain employees. The PSAC represents dispatching and billing employees, as well as deckhands at the pilot boarding station in Les Escoumins, while the Guild represents masters and marine engineers at the same pilot boarding station.

The collective agreement for employees represented by the PSAC is valid for a period of six years and expires on June 30, 2019. Negotiations are underway, and it is hoped they will be concluded at the end of 2019. The collective agreement covering Guild-affiliated employees was renewed in April 2018 and will expire on June 30, 2022.

All in all, the negotiations are an opportunity for the LPA to maintain its good relationships with its employees and optimize various aspects pertaining to the management of this particularly sensitive group of employees (night shifts, rotating schedules, etc.).

With respect to compensation, the LPA is reviewing its pay structure and job assessment tools. This is being done in order to offer fair and equitable compensation, ensure gender pay equity and enable the Human Resources Department to better determine parameters for new positions, as applicable.

Commitment to Employees

Open communication with personnel is an essential part of the LPA's commitment to its employees. Semi-annual meetings conducted by the Chief Executive Officer are a proof in point. An employee engagement program was set up in 2018 and its rollout has continued in 2019. The LPA is proud to note that the engagement index obtained from the first survey of this program is within a performance zone. Concrete steps have also been taken to promote a healthy work environment, raise awareness among employees about the importance of good mental health, and encourage diversity. This is an opportunity for the LPA to offer employee retention incentives and help reduce risks to mental health. The Authority will continue to focus on and develop tools, policies and measures to promote these important workplace initiatives and become an employer of choice.

New Service

The Authority inaugurated a shuttle service at the Port of Montreal in June 2018. This 24/7 service ferries pilots from one service point to another or from a departure point to a service point. This new service has helped increase pilot availability and improve the flexibility of dispatch rules, this improving service to clients.

NUMBER OF EMPLOYEES AND LICENCED PILOTS

	ACTUAL	FORECAST	PLAN				
	2018	2019	2020	2021	2022	2023	2024
Employees							
Management	5	5	5	5	5	5	5
Administrative	14	14	14	14	14	14	14
Operations and dispatch	26	27	27	27	27	27	27
Ship employees	13	17	17	17	17	17	17
Total	58	63	63	63	63	63	63
Pilots							
Licensed	183	186	188	188	192	196	200
Apprentices	13	14	17	20	20	20	20

Performance and Exams

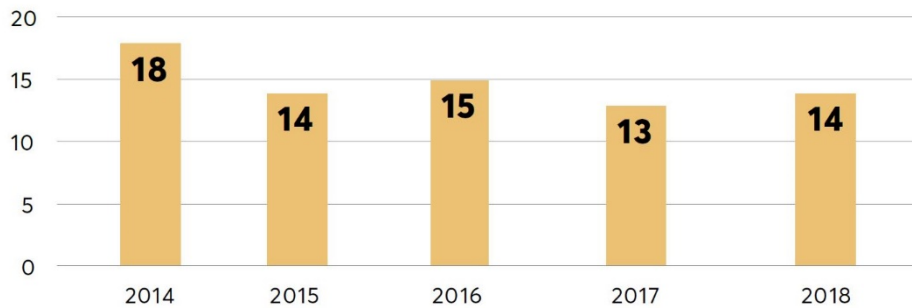
Sound management of the Authority's finances has produced results that outperform the budget. In 2018, the realized loss was 58% lower than that forecast in the last corporate plan.

Despite an increase of almost 10% in the number of ships and assignments in 2018 compared with the previous year, the number of incidents/accidents and delays remained very low. This demonstrates exemplary service efficiency.

NUMBER OF ASSIGNMENTS PER QUARTER

	2015	2016	2017	2018
1 st quarter	3,808	4,371	4,313	4,578
2 nd quarter	5,556	5,200	5,714	6,231
3 rd quarter	5,748	5,765	5,880	6,541
4 th quarter	6,383	7,096	6,825	7,600
TOTAL	21,495	22,432	22,732	24,950

NUMBER OF INCIDENTS/ACCIDENTS



SERVICE EFFICIENCY

	Percentage of pilotage missions with no pilot-related delays	Percentage of pilot-related service delays
2018	99.5%	5.6% (438 h)
2017	99.8%	1.6% (92 h)
2016	99.8%	3.3% (171 h)

3. PRINCIPAL ISSUES, OBJECTIVES AND INDICATORS

The Authority has initiated and implemented major initiatives in recent years to further its leadership role and vision to become a world leader set out in its corporate mandate.

The Authority continues to insist on maintaining an appropriate balance between controlling costs, maintaining adequate margins and mitigating financial risks to fulfill its obligations and preserve sufficient liquidity to fund the maintenance and upgrade of assets, while investing in order to meet its strategic and operational objectives. Maintaining pilotage tariffs at a reasonable level as to contribute to the industry's economic development is thus a major concern.

In terms of operations, the priority continues to be to offer safe, effective and efficient pilotage service. However, the new aspects that have been integrated into the Authority's mandate through the *Pilotage Act* have made it necessary to review our strategic priorities in order to ensure that our actions are focused in the right direction.

3.1 Objectives and Activities

Strategic priorities have been established to help the Authority achieve its vision and fulfill its mission. The recent changes to the LPA's mission following the adoption of the *Act* have made necessary a review of the Authority's strategic priorities. Three major priorities, including the various aspects and issues related to our vision and mandate, have thus been redefined.

1. Optimize the establishment, operation, maintenance and management, for navigation safety, of an effective and efficient pilotage service in the navigable waters under its jurisdiction and ensure sound risk management that takes technological developments into account.
2. Maintain the Authority's financial self-sufficiency in order to reach its strategic objectives, ensure the sustainability of its assets, cover unforeseen circumstances and provide quality services while maintaining pilotage tariffs at a reasonable level.
3. Support the Government's objectives with respect to safety, the efficiency and effectiveness of the marine transportation system, the safety of marine personnel and the protection of the public, property and the environment in keeping with the policies, directives and instructions of the Minister of Transport and the Government of Canada.

The Authority conducted a strategic planning exercise and identified a number of initiatives to adequately fulfill the aforementioned strategic issues and priorities. Moreover, the LPA has analyzed and taken into account the various amendments to the *Pilotage Act* in determining its objectives. These activities determine the Authority's strategy and comprise objectives specific to each of the three strategic priorities.

3.2 Strategic Priorities

As previously indicated, the Authority's objectives and activities are defined according to its three strategic priorities.

1. **Optimize the establishment, operation, maintenance and management, for navigation safety, of an effective and efficient pilotage service in the navigable waters under its jurisdiction and ensure sound risk management that takes technological developments into account.**

Advance the work resulting from the risk analysis completed for the North Shore, in particular the adoption of regulations by TC

Risk studies on the four major North Shore ports were completed in 2018. Consultations have been started with the industry, local stakeholders, pilots and Transport Canada to discuss the results and recommendations and to determine the next steps.

Begin analyzing risks on the South Shore

As indicated in its initial plans, the Authority will also undertake a risk study at the main ports on the South Shore of the St. Lawrence. Steps have already been taken to launch the risk assessment, including the call for tenders. The LPA wishes to select the consulting firm that will perform the work in fall 2019, so that the project may begin in the first quarter of 2020.

Risk analysis on pilot fatigue

Further to the risk analysis on the safe duration of a voyage in District No. 1 in 2015, the Authority has hired the same firm to carry out a second risk analysis on pilot fatigue in District No. 2. This study will identify risks related to long-duration navigation by a single pilot and help the Authority to determine after how many hours it would be safer to have a ship operate with two pilots on board. This study was begun in the spring of 2019 and the conclusions are expected at the beginning of 2020.

Develop elements and measures to put "smart pilotage" services in place to optimize ship transits

Increasing marine traffic and larger commercial ships are leading to certain navigation constraints. These can include restrictions on the draft or air draft of ships, the availability of docks or anchorage points, speed reductions and the availability of tugs or pilots. Certain ships are unable to cross in the channel, except in specific locations.

In order to limit the impacts on navigation and improve the transits of certain ships, the LPA has begun to advise various users as they transit through its territory. This free service, described as "smart pilotage," has been very well received by its beneficiaries. The Authority wishes to develop and expand this offering to its clientele in order to make it a complete service. This option would help optimize transits on the river by increasing navigation flow and safety along the Les Escoumins—Montreal section and would permit users to realize savings. To do so, the Authority must equip itself with modern and appropriate tools so that

comprehensive information on transits can be entered and all of the restrictions that apply to a ship can be taken into account to analyze various scenarios. An additional resource will be required to develop, put in place and operate this system.

The development of such a service is in keeping with the LPA's mandate to provide efficient pilotage services and contribute to the protection of the public interest and the environment.

Develop and integrate the databases required to make the LPA's navigation simulator "pilot grade"

A navigation simulator was acquired at the end of 2018. Although it is functional, the simulator requires additional programming in order to make it "pilot grade." In order to meet this standard, the Authority will have to develop certain simulation models and databases, improve the visual environment and create ships that possess the correct technical characteristics. The time required to bring the simulator to this level is approximately one year.

Although the simulator is not yet certified as "pilot grade," it is already being used for several projects. One of these projects concerns situational awareness amongst marine pilots, another deals with integrating images to enable 3D reality, and a third project concerns interactions amongst ships. In addition to these projects, training with Transport Canada inspectors should be offered at the start of 2020.

Continue updating our computer network and our billing, dispatch, accounting and business intelligence software

The Authority's strategic objectives for the next few years require it to have a high-performance computer network. Its infrastructures were modernized in 2018, and the necessary investments will continue in 2019–2020. One of the principal changes will be the modernization of its dispatch and billing system, which is currently at the configuration stage and is expected to be rolled out at the beginning of 2020. The current system is obsolete, is unable to integrate additional tools to manage assignments and is at the end of its life as it will no longer be supported by the original supplier.

A project to implement business intelligence (BI) tools was also begun in September 2019 and its implementation should continue throughout 2020. This tool will provide the LPA with better options for analyzing historical data, making more accurate forecasts and analyzing scenarios.

Set up a working group to develop solutions for recruiting more apprentice-pilots

Recruiting apprentice-pilots is important to ensure that sufficient personnel are available to fulfill our mission. It is difficult to meet apprentice-pilot recruitment targets year after year. In order to compensate, the Authority plans to set up a working group composed of LPA representatives and two pilot corporations to explore ways to improve recruitment.

Pilot boat services

An analysis has been conducted on the subcontracted pilot boat service. The analysis found a number of performance issues and shortcomings. The LPA is therefore working with the service provider to remedy these situations, particularly for the ports of Sorel, Trois-Rivières and Quebec City.

Client satisfaction survey (2020)

The LPA wishes to conduct a client satisfaction survey to find out the opinions of our clients and business partners regarding the quality of our services. One of the goals of the survey is to find out whether they consider the pilotage services they are receiving to be safe, effective and efficient. This survey will be rolled out to agencies, shipowners and masters as well as industry representatives such as the Shipping Federation of Canada, SLS, SODES and the Chamber of Marine Commerce. The results of the survey will enable the Authority to take actions to improve service, where applicable.

Reconstruction of Les Escoumins wooden wharf

The LPA is the owner of a wooden wharf adjacent to the pilot boarding station at Les Escoumins. Its primary purpose is to act as a breakwater to protect our facilities and operations. This wharf also has a tourism and economic function in the region, serving as a lookout point for tourists and a landing for boats. The wharf is in need of repairs. It has undergone temporary repairs in the past year to keep it safe and operational. However, the Authority needs to analyze various options to ensure the wharf's sustainability. The reconstruction of the wooden wharf entails a number of complexities; in addition to its use as protection for pilot boats, it plays an important role for tourists in the region. We must therefore analyze whether the reconstruction is to address only the LPA's needs or those of the municipality as well. Furthermore, we need to consider whether major reconstruction is sufficient or a full replacement is required. Lastly, if the wharf is replaced, further analyses concerning positioning, materials used and additional facilities will also be required.

- 2. Maintain the Authority's financial self-sufficiency in order to reach its strategic objectives, ensure the sustainability of its assets, cover unforeseen circumstances and provide quality services while maintaining pilotage tariffs at a reasonable level.**

Review our tariff program pertaining to the increases set out in the Corporate Plan and reduction of financial risks to the LPA

In order to achieve its objectives and overcome related risks, sound financial management is required on a continuing basis. Moreover, billing rules should be fair for all LPA clients. The Authority is seeking to present a fair tariff program that includes stable increases enabling it to meet its obligations and make the necessary investments set out in this Plan. The Authority wishes to limit the imposition of special tariffs or fees to fund future investments.

Review our pilot boat service tariffs to ensure full cost recovery that will allow renewal of assets at Les Escoumins

The majority of LPA assets are at Les Escoumins station. It goes without saying that the Authority must set adequate tariffs in order to optimize the life of these assets and maintain service quality. To do so, it must ensure full recovery of associated costs and plan future necessary investments. Such an exercise will take place during the period covered by this Plan, and the tariffs may be reviewed depending on the conclusions of this exercise.

Develop a fee methodology

Working closely with other pilotage authorities, the LPA will develop a fee methodology that is consistent with the *Pilotage Act* and harmonized as much as possible with the other authorities, while taking into account specific and regional needs as well as the various services offered. This work will be completed by the first quarter of 2020, in time for the coming into force of the pilotage authorities' new fee-setting powers and responsibilities.

Establish a dashboard to track financial indicators more closely

The LPA has developed various tools and indicators over the years to help management track work trends and operations performance. However, there is no complete dashboard currently in use. Such a tool would permit managers greater autonomy in tracking their department budget or projects, without having to request the assistance of the financial controller. An effective dashboard would provide a more consistent overview of the various indicators. This tool would allow us to track the performance of our operations and provide an indication of the effectiveness and efficiency of pilotage services. This dashboard will be put into production at the same time as the rollout of the business analysis tool, which is planned for 2020.

3. **Support the Government's objectives with respect to the marine transportation system and the protection of the public and the environment in keeping with the policies, directives and instructions of the Minister of Transport and the Government of Canada.**

Close involvement in the implementation of the amended Act and the development of regulations by TC

Having been an active participant and major stakeholder in the *Pilotage Act* review process, the LPA wishes to work closely with Transport Canada and other pilotage authorities to develop the regulations pertaining to the amended *Act*. Accordingly, we have conducted an analysis comparing the regulations in effect at the four pilotage authorities. As a next step, we will work closely with the other pilotage authorities and Transport Canada to submit proposals to develop national regulations.

This includes the development of regulatory proposals by TC with respect to section 52, which will provide pilotage authorities working with non-employee pilots with new management tools and systems enabling us to better fulfill our mandate under the amended *Pilotage Act*.

Submit the LPA's proposed regulation for publication in the Canada Gazette

Proposed changes to the LPA's regulations have been drafted to improve safety and to meet certain TSB recommendations. The changes also aim to ensure that certain essential safety rules are contained in the Authority's regulations.

Renegotiate service contracts with the CPSLC in 2020 and with the CPBSL in 2021

The current service contract with the Corporation of Mid St. Lawrence Pilots will expire on June 30, 2020. The service contract with the Corporation of Lower St. Lawrence Pilots will expire on December 31, 2021.

Negotiations with the pilot corporations have become increasingly complex as they now cover a variety of topics impacting the cost and efficiency of pilotage services, in addition to pilot compensation. This includes pilotage or safety requirements, and navigation restrictions that go beyond the current regulations.

With the coming into force of the amended *Act*, several contract changes will have to be made as the *Act* prohibits service contracts from containing navigation safety provisions, which are covered by the regulatory authority.

The LPA will put in place a multidisciplinary committee to analyze and cost the various options and requests in order to maintain the Authority's sustainability and stability.

Implement policies concerning exchange of information between pilots and masters and the sharing of voyage plans

The LPA will implement a new policy on information exchange between pilots and masters upon boarding vessels. This information exchange is essential to a safe and efficient passage and some aspects should not be

overlooked. Therefore, the LPA wishes to establish rules to be followed during this exchange. In addition, the Authority will develop and implement a voyage plan policy and share them with the industry and the public.

Implement a memorandum of understanding with the Canadian Coast Guard

Although the LPA maintains good relations with its government partners, it is sometimes necessary to sign memoranda of understanding with various parties in order to formalize certain objectives such as improving communications and the coordination of our respective activities. Concretely, the Authority is working on a memorandum of understanding with the Canadian Coast Guard in order to formalize its relationship at the strategic, operational and crisis management level. This memorandum of understanding should be signed by the end of 2019 and will come into effect on the date of its signature. The effects of this memorandum of understanding should have an impact on operations during the period covered by this Corporate Plan.

Take measures to support the government's objectives to support workplace mental health, diversity and pay equity

The LPA has taken concrete steps to promote a healthy work environment, raise awareness amongst its employees about the importance of good mental health and encourage diversity. The Authority will continue to focus on and develop tools, policies and measures to promote these important workplace initiatives.

The Authority recognizes the importance of maintaining and enhancing the multicultural heritage of Canadians. For this purpose, the LPA is committed to ensuring equality of all Canadians within its organization.

Moreover, a strategic human resources management plan for optimizing and developing human capital and pay equity will be updated.

Develop and implement an action plan on employee engagement based on the results and observations from the 2018 survey

The Authority carried out an employee engagement survey in 2018. In order to provide its employees with a stimulating and engaging work environment and foster talent retention in a challenging full-employment environment, the LPA will conduct a new engagement survey at the start of 2020. We hope to maintain a high participation rate (85% in 2018) and exceed the 75% engagement rate for 2018. A lack of employee organization and motivation can affect company performance and thus impact service effectiveness and efficiency. Action plans have been implemented and the 2020 survey will confirm the adequacy of these plans or any necessary modifications.

4. RISK AND PERFORMANCE MANAGEMENT

4.1 Corporate Risk Management

The Authority is exposed to various risks in the course of its operations and management. The LPA conducts an annual review of its principal risks as part of its risk management strategy. Moreover, a complete risk identification exercise is conducted every three to five years. The operational, strategic, reputational and financial components are reviewed as part of this exercise. Thus, the risks faced by the Authority, and which must be mitigated, are monitored and updated according to environmental changes (internal and external) at the LPA.

Following the recent update of risks and corresponding mitigation measures, the LPA believes that identified risks are, in general, well controlled.

4.2 Performance Indicators

The Authority has implemented a series of operational and strategic activities to carry out its mission and achieve its objectives. These objectives consist of short-term targets (one-year horizon) and long-term targets (four-year horizon). Indicators stemming from these targets are presented in Appendix 2 of this Plan.

In addition to these indicators, the LPA follows a series of performance indicators that apply to these key activities. The points concerned specifically relate to marine safety, service efficiency and cash reserves.

Safety and Efficiency

The provision of safe, effective and efficient pilotage services is central to the LPA's mandate. Consequently, the rate of accident/incident-free assignments is carefully monitored. The LPA achieved an accident-free rate of more than 99% in 2018. The LPA aims for 100% of its assignments to be free of accidents/incidents. However, the established objective is for an accident/incident rate of under 0.10% of assignments to reflect that certain situations beyond the LPA's control may—and certainly will—occur. The incident-free service rate was 99.94% in 2018.

Regarding efficiency, the Authority was able to provide pilotage services without pilot-related delays in 99.5% of cases in 2018.

The ultimate objective for the current year and the period covered by this Plan is to provide 100% efficiency in all pilotage services in terms of pilot-related service delays. However, the acceptable threshold has been set at 99.9%, which gives the Authority a margin of 0.10% for delays as it recognizes that certain situations outside of its control could affect performance.

Thanks to the efforts of the Authority and the two pilotage corporations, the LPA has been able to maintain encouraging results in recent years.

Cash Position

The LPA maintains stringent management of its cash position, which is essentially composed of accounts receivable and cash.

In terms of accounts receivable, which are mainly composed of client accounts, the average collection time of client accounts related to pilotage services is generally under 30 days. The objective is to maintain accounts receivable more than 30 days past due to less than 10%.

In terms of cash position, stringent monitoring of investment and operational expense requirements serves as a basis for cash management to maximize investment income. The goal is to maintain an overall cash reserve equivalent to 10% of total revenue. This percentage reached 12% in 2018. This strategy allows the LPA to deal with contingencies and deploy its investment strategy while keeping tariff increases to a stable and reasonable percentage.

5. FINANCIAL OVERVIEW

5.1 Variance Between Budget 2018—Actual 2018

Revenues

Pilotage revenues were \$974,000 (1%) lower than budgeted, mainly due to container and oil tanker traffic that differed from forecasts, as well as bulk carriers transporting ore.

Fees

Pilotage fees were \$273,000 lower than forecast. These variances are due in part to changes in traffic volume, which also affected revenues. The mix in maneuvers carried out and required non-billable services also explain this variance. Pilotage fees are not expected to exceed targets in the next few years.

Administrative and Operational Expenses | Other Expenses

Administrative expenses are \$348,000 lower than what had been budgeted. The difference is largely due to a drop in professional service fees of around \$338,000, which is largely the result of hiring an in-house lawyer to replace the outsourcing of legal services.

Comprehensive Income

For the above-mentioned reasons, the actual comprehensive loss of \$608,000 for 2018 is \$26,000 less than the projected budget amount of \$634,000. Through sound expense management, the Authority has been able to absorb operational contingencies so as to avoid negatively impacting its comprehensive income.

Operating Budget and Sensitivity Analysis

The tariff freeze implemented by the LPA in 2016 ended in 2018. As expected, the Authority was able to assume its losses through its cash reserves. Pilotage tariffs have been increased by 2.25% since April 2018. Beginning in 2019 and for the five subsequent years, the LPA is targeting stability in its tariff increases.

The drafting of budget estimates (2020 to 2024) is based on the following key assumptions: estimated Consumer Price Indices; estimated volume of marine traffic; pilot fees and the acceptance of new tariff increases for future years.

Any variation in one or more of these assumptions will result in a favourable or unfavourable change in the Authority's financial position. Each 1% variation in the tariff represents about \$990,000 in 2020, whereas any 1% variation in the fees of pilots on contract represents a variation of about \$885,000. This high percentage of variable costs gives the LPA substantial financial flexibility.

Pilot fees account for the majority of LPA expenditures and are the direct result of agreements negotiated by the two pilot corporations and the LPA.

Implementation of the Plan depends on assumptions made during its preparation.

Key Assumptions and Forecasts

Revenue

Pilotage Fees

Pilotage fees have been set based on the growth in certain significant parameters of the current and budgeted tariffs. Forecasts on ship sizes and the number of assignments are determined on the basis of internal statistical reports, financial and economic trends published by research organizations (such as the Conference Board of Canada), by the Bank of Canada and by other Canadian institutions, such as chartered banks. In addition, this analysis was supplemented by discussions and analyses with various representatives and consultants involved in the marine industry.

Fees for Administration of the Pilotage Act

Transport Canada fees for the administration of the *Pilotage Act* are expected from April 1, 2020. These fees are for the recovery of expenses claimed by Transport Canada from the LPA for the implementation and application of the regulations to the amended *Pilotage Act*. The additional fees are determined by allocating the total fees charged to the LPA to the total number of expected assignments for each year that is subject to billing by Transport Canada.

Pilot Transfer Services

a) Pilot transfer services provided by subcontractors

Revenue from pilot transfer services provided at the Montreal, Lanoraie, Sorel, Trois-Rivières and Quebec City pilot stations equals forecast expenditures under the various service contracts, plus an additional 4.8% for administrative overhead.

b) Pilot transfer services provided by Authority employees

Revenue from pilot transfer services provided at Les Escoumins pilot station was determined on the basis of forecast expenditures for providing the transfer services plus an additional 4.8% for administrative overhead.

Expenses

Pilot Fees

Training costs for pilots and apprentice pilots, communications and portable units, and expenses of review panels are included in this expenditures category. Pilot training usually includes ship-handling courses where pilots work with models and simulators. Training courses in the handling of post-Panamax ships are also given at the Maritime Simulation and Resource Centre in Quebec City. This centre offers other courses that pilots must take to obtain a higher certificate.

In the case of apprentice pilots, the Authority covers all costs relating to these expenses, for both corporations.

Pilot Transfer Services

a) Pilot transfer services provided by subcontractors

Projected expenditures were determined based on contracts in effect with the various Groupe Océan entities which provide services in Montreal, Sorel, Trois-Rivières and Quebec City. These contracts were negotiated for a 10-year period and came into effect on January 1, 2014. The costs for 2020 to 2024 have been estimated on the basis of rates agreed upon by the Authority and contractors.

b) Pilot transfer services provided by Authority employees

These costs include several types of expenses, and the following assumptions were used:

- Projected salaries have been forecast based on provisions in the existing collective agreements. For years not covered by the collective agreements, the salaries take an estimated increase in the Consumer Price Index (CPI) into account.
- Costs associated with the operation of pilot boats and their replacements are taken into consideration based on assumptions relative to their service life, mandatory inspections under current regulations and historical data from recent years.
- The majority of other expenditures were estimated by taking CPI increases into consideration.

TC Administration Fees

These fees are for the recovery of expenses claimed by Transport Canada from the LPA for the implementation and application of the regulations to the amended *Pilotage Act*. No increases or other costs are included in these fees.

Administrative/Operational and Salary Expenses

Expenditures from 2020 to 2024 were determined on the basis of actual 2018 expenditures and estimated 2019 expenditures, as well as on the basis of assumptions made by Authority management.

Projected salaries have been forecast based on provisions in the existing collective agreements. Although the agreement covering the majority of unionized LPA employees is currently under negotiation, management is confident there will not be any substantial pay increases that significantly exceed the CPI. Salaries of employees not covered by collective agreements were determined by taking estimated Consumer Price Index increases into account. The amounts of employee benefits vary between 20% and 24% of salaries.

Consolidated statement of comprehensive income, actual 2018, forecast 2019 and budget 2020–2024

(in thousands)	Actual	Forecast	Budget				
	2018	2019	2020	2021	2022	2023	2024
Revenues	105,902	111,665	115,472	117,892	120,085	122,121	124,322
Direct Expenses	99,551	103,249	106,066	108,549	110,517	112,498	114,624
Administrative Expenses	6,962	8,128	8,803	8,966	9,083	9,135	9,284
Comprehensive Income	(611)	288	603	377	485	488	414

5.2 Variance Between Budget 2020 and Forecast 2019

Revenue

Different assumptions were made based on traffic analysis and the economy in general. As a result, revenues have been adjusted to reflect growth in traffic as per our expectations. The largest impact comes from container ships, whose traffic should be larger in the coming years. Bulk carrier and oil tanker traffic should also increase, but the impact will be less.

Expenses

Fees vary according to traffic increase, as well as according to change in pilotage fees determined in service contracts. As for administrative expenses, adjustments to be made after signature of collective agreements of unionized employees, various service contracts and the general cost of living increase have also been taken into account.

Capital Budget

The capital budget for 2020 and subsequent years will include the following principal investments:

PPU

Replacement of the portable units (PPUs) used by the Lower St. Lawrence pilots has been postponed to 2020. A new agreement is about to be signed with this corporation.

The replacement strategy for PPU's used by Corporation of Mid St. Lawrence Pilots has been modified. We had noted in the previous Corporate Plan (2019–2023) that all units were to be replaced in 2021. Better knowledge of the equipment acquired in 2018 and currently in use has enabled us to plan unit replacements differently. Instead of replacing units in bulk, we will stagger these investments on an annual basis. Thus, 25 PPU's will be replaced each year beginning in 2022.

5.3 Capital Budget Comparison

Variance Between Budget 2018 and Actual 2018

The Authority provided for a capital budget of \$4.59 million in 2018. The bulk of this sum was earmarked for the rebuilding of a wharf and road at the pilot station at Les Escoumins. This project has been postponed; the only expenditures have been to maintain the station's wooden wharf in a safe condition. The remaining investments of significance were the purchase of a simulator and the upgrade of the dispatch/billing system. The new PPU's for the Corporation of Mid St. Lawrence Pilots had to be acquired. Lastly, the renovation and expansion of the LPA's head office was completed. Actual investments in 2018 totalled \$3.04 million.

Variance Between Budget 2019 and Forecast 2019

The Authority had a capital budget of around \$2.19 million in 2019. The bulk of this amount was for the upgrade of the dispatch/billing software and the purchase of portable units (PPU) for pilots of the Corporation of Lower St. Lawrence Pilots. As previously indicated, the investment in PPU's has been postponed to 2020 and the investment strategy has been modified. As a result, the investments included in the 2019 forecasts are mainly for the upgrade of the dispatch/billing system.

Debts

The Authority currently has no debt and does not anticipate any need to take on any long-term debt to carry out its plan.

Earnings Management

The Authority must manage its activities in order to remain self-sufficient. Its activities must enable it to provide for a reasonable cash reserve necessary to, amongst other things, replace its assets.

Access to a Line of Credit

The Authority has access to a line of credit consisting of an authorized overdraft facility of up to \$1.5 million.

6. GUIDANCE OR MANDATE LETTER TO THE MINISTER

Guidance or Mandate Letter to the Minister

Mr. Ricky Fontaine
Chairperson
Laurentian Pilotage Authority
418 Françoise-Garnier
Quebec City, QC G1E 0J3

Dear Mr. Fontaine:

I am pleased to provide you with a copy of the official documentation of your appointment by the Governor General in Council, by P.C. 2017-1599, dated December 14, 2017, as Chairperson of the Laurentian Pilotage Authority (LPA) for a term of five years. I would also like to take this opportunity to thank you for agreeing to serve in this capacity as well as convey my expectations for the corporation.

As you know, the LPA is a Crown corporation, with a mandate set out in the *Pilotage Act* (the Act) to establish, operate, maintain and administer in the interests of safety, an efficient pilotage service. Moreover, the LPA is empowered to set tariffs that are fair and reasonable and permit the Authority to operate on a self-sustaining financial basis. My role as the Minister of Transport is to exercise oversight in accordance with the accountability regime set out in the *Financial Administration Act*, (FAA) Part X. In this context, one of my key responsibilities is to answer for the LPA in Cabinet and in Parliament.

As Chairperson, you are the representative of the LPA to outside parties as well as the leader and facilitator of the board as it carries out its duties. You are also the primary link between the board and myself, as the representative of the Government. The responsibilities of the board of directors include the oversight of the business and activities of the corporation. As such, the board is expected to: ensure that the strategic direction of the corporation is in line with the Government's broad policy objectives and priorities; ensure that appropriate risks have been recognized and appropriate systems are in place to manage these risks; ensure the corporation's information systems and management practices meet its needs; assume accountability for the integrity of the information produced by the corporation.

The Chief Executive Officer (CEO) is a member of the board and the key link between the board and the management of the corporation. The CEO is accountable to the board for the management and performance of the corporation. Just as I am expected to hold the board accountable, I expect the board to hold the CEO accountable. My normal interactions with the board shall be through you, the Chairperson. I trust that all board members will provide you with the support needed to ensure sound management and maintain success of this corporation.

As a Crown corporation within the Transport Canada portfolio, the LPA provides specific services on a commercial basis, with considerable operational autonomy. I would however remind you that being part of the federal public sector, the LPA plays an important public policy role and is subject to obligations that are unique to the public sector.

Since the corporate plan is at the centerpiece of the accountability regime put in place for Crown corporations, its timely approval is critical to ensure sound management. One of the key success factors

to the timely approval of corporate plans is early and meaningful consultations with all relevant officials. This is even more important if there are activities being proposed in the corporate plan that may pose questions on mandate or of a strategic nature. In these instances, you are to seek my views before undertaking any such activities, including planning or consultations.

I would also like to take this opportunity to thank the LPA for contributing to the *Pilotage Act* Review. I understand that your CEO and board members had an opportunity to engage with Mr. Marc Grégoire and put forward issues of interest to the LPA. I appreciate your commitment to this process and look forward to receiving Mr. Grégoire's final recommendations.

As you may know, the Government of Canada is committed to diversity and inclusion as a tremendous source of strength for our country. I encourage the LPA to continue its best practices in this regard by hiring, when possible, more women, Indigenous peoples, members of visible minorities and persons with disabilities.

Given that I am accountable to Parliament for the overall effectiveness of the Corporation, and in the general interest of openness and transparency, please ensure that the LPA continues to give my office and Transport Canada notice of issues that might be of interest to the public so that I am adequately prepared to answer any question concerning the LPA in Parliament. For any communication with my office, Mr. Shane McCloskey will be your contact person and he can be reached at (613) 991-0700.

Finally, I would like to underscore how pleased I am that you have agreed to serve as Chairperson of the LPA. I would also like to extend my appreciation to the LPA staff that continue to work closely with Transport Canada representatives. I look forward to continuing and building upon this successful working relationship in the future.

Yours sincerely,

The Honourable Marc Garneau, P.C., M.P.
Minister of Transport

Enclosure

c.c. Mr. Fulvio Fracassi, Chief Executive Officer
Laurentian Pilotage Authority

Mr. Mario St-Pierre, Corporate Secretary
Laurentian Pilotage Authority

Mr. Michael Keenan, Deputy Minister of Transport
Transport Canada

7. COMMITMENT BY THE CHIEF EXECUTIVE OFFICER

I, Fulvio Fracassi, Chief Executive Officer of the Laurentian Pilotage Authority, am accountable to the Board of Directors of the Authority for achieving the objectives of this Corporate Plan and for achieving the results described in this Plan and the various appendices. I confirm that this commitment is supported by the balanced use of all available and relevant performance assessment information.

Fulvio Fracassi
Chief Executive Officer

8. CORPORATE GOVERNANCE STRUCTURE

Since September 2012, Fulvio Fracassi is the Authority's Chief Executive Officer. His responsibilities include developing the organization's overall strategy, providing leadership and overseeing the stewardship of the Authority's resources and assets in order to fulfill the LPA's mission pursuant to the *Pilotage Act*. Before joining the Authority, Mr. Fracassi was Director General of Transport Canada's National Marine Security Program and is a lawyer by training. He chairs the Executive Committee as well as the Internal Management Committee, which is made up of the Authority's managers, and which meets on a regular basis. He is also responsible for chairing the Pilotage Advisory Committee composed of representatives from the marine industry, pilot corporations and representatives from Transport Canada and the Canadian Coast Guard.

Mr. Fracassi is assisted by three executives: Josée Leroux, Executive Director, Finance and Administration, Alain Richard, Executive Director, Marine Safety and Efficiency, and Anaïs De Lausnay, General Counsel.

8.1 Board of Directors

The Authority maintains a modern governance structure that enables it to fulfill its mandate. For this reason, various powers are exercised by the Board of Directors.

The Board is composed of six members appointed by the Minister, with the approval of the Governor-in-Council. The position of Chairperson was filled in December 2017 by Ricky Fontaine. The Governor-in-Council appointed three new members in September 2018—Sophie-Emmanuelle Chebin, Christiane Chabot and George J. Pollack—for terms ranging from three to four years. Moreover, Julius Spivack, Frank Di Tomaso and Michel Tosini were reappointed for terms ranging from two to four years. The Chief Executive Officer, who reports to the Board of Directors, is employed on a full-time basis by the Authority, and also sits on the Board.

Members are appointed for an initial term of up to four years; thereafter, the term of office may be renewed for a period not exceeding four years. It should be noted that the *Pilotage Act* does not prescribe any limit on the number of re-appointments for a board member.

The *Pilotage Act* amended in June 2018 limits representation from industry members on boards of directors. However, the legislation includes a "grandfather clause" which allows current members who are part of the marine industry to keep their seat on the board.

The Board of Directors is responsible for the Authority's strategic planning, including its Corporate Plan, finances and overall stewardship. This includes the identification of major risks, succession planning and the setting up of an information system to meet its requirements.

The members of the board are presented on the following table.

Name	Role	Term expiry
Ricky Fontaine	Chairperson	December 2022
Julius Spivack	Vice-Chairperson	September 2022
Christiane Chabot	Member	September 2021
Sophie-Emmanuelle Chebin	Member	September 2022
Frank Di Tomaso	Member	September 2020
George J. Pollack	Member	September 2021
Michel Tosini	Member	September 2021

Total compensation for the members of the Board of Directors is subject to the actual number of committee meetings held during the year. This amount is \$90,711 for 2018.

In carrying out its responsibilities, the Board has two committees composed of three members.

Audit Committee

This committee is responsible for monitoring and supervising the Authority's financial situation and its various management practices, including, but not limited to, the various financial controls and the efficient operation of its information systems. It is also mandated under the law to ensure that internal audits are carried out according to its judgment and to follow up recommendations, if any. The Audit Committee maintains ties with the Office of the Auditor General of Canada (OAG) and takes cognizance of reports issued by the OAG with respect to the Authority. The Audit Committee also ensures that the auditor's recommendations, if applicable, are implemented by management. The committee meets about five times per year. This committee is composed of:

- Julius Spivack, Chairperson
- George J. Pollack, Member
- Christiane Chabot, Member

Governance and Human Resources Committee

This committee is responsible for reviewing the Authority's governance practices and, where necessary, making changes to the employment management strategy, including current policies. The committee members meet about four times per year. This committee is composed of:

- Frank Di Tomaso, Chairperson
- Sophie-Emmanuelle Chebin, Member
- Michel Tosini, Member

9. OBJECTIVES AND PERFORMANCE INDICATORS

The following chart outlines the implementation strategies and performance indicators that the Authority adopted during the annual strategic planning process in order to pursue its strategic objectives.

Optimize the establishment, operation, maintenance and management of an effective and efficient pilotage service for navigation safety			
Results objectives	Strategy and indicators	2020 target	2021–2024 target
Review the continued training/evaluation program for pilots/apprentice pilots, for skills acquisition and maintenance and incident prevention	LPA approval of the corporations' training programs Follow-up of incidents via our database and written report provided by the pilot	Incident rate below 0.10%	Incident rate below 0.10%
Help maintain and expand safe, effective and efficient pilotage service with business partners	Take part in the advisory committee by advocating for files related to the safety, efficiency and effectiveness of pilotage services	Two (2) meetings per year	Two (2) meetings per year
Issue policies detailing standards, procedures and practices to be followed in certain situations	Implementation of policies on the exchange of information between pilots and masters (MPX) Development and sharing of voyage plans in keeping with guidelines	Policy 100% used by pilots.	Policy 100% used by pilots.
Carry out studies and analyses via the simulator to highlight pilotage safety and the development of best practices	Upgrade the simulator to pilot-grade level	50% of development achieved (Port of Mtl.)	100% of development achieved (Port of Mtl.) Grow other ports/districts as needed
Reduce delays and the causes of pilot shortages related to pilots being retained aboard ships	Recruit/increase the number of pilots Increase pilot availability by reducing detentions aboard ships that are not ready to leave when the pilot arrives	Number of delays less than 0.10% the number of assignments	Number of delays less than 0.10% the number of assignments
Maintain the efficiency and reliability of the pilot boats and shuttle	Keep the maintenance program updated over and beyond applicable standards Renegotiate service agreements with Groupe Océan and include KPIs for pilot boats and service quality	100% compliance with the program and KPIs	100% compliance with the program and KPIs

Implement sound risk management and adapt to technological changes

Results objectives	Strategy and indicators	2020 target	2021–2024 target
Ensure that navigation risks are low, including unregulated areas that are not compulsory pilotage districts	Phase I: Identify risk mitigation measures identified on the North Shore	Mitigation work underway	
	Phase II: Analyze risks on the South Shore	Analysis 100% complete	Begin mitigation work
Improvement of sleep cycles of pilots on District No.1 in accordance with the recommendations implemented following the risk study on the safe duration of a voyage	Increased predictability of night voyages	Adherence to new assignment rules for night voyages	100% compliance with night assignment rules
		100% pilot-voyage pairing	100% pilot-voyage pairing
Evaluate the safe duration of a voyage by a single pilot in District No. 2	Conduct a risk assessment on the safe duration of a voyage by a single pilot	Finalize the study in winter 2020	Initiate mitigation measures, if any.
Maintain an adequate number of pilots	Plan marine traffic and pilot turnover with the pilot corporations	Recruit/train 10 pilots per year	Recruit/train 10 pilots per year
Make sure the systems relied on by operations are efficient and effective	Update and monitor the IT Master Plan	100% followed up and updated	100% followed up and updated
	Monitor new developments	Continuous	Continuous
Make sure that pilots' use of technology meets LPA usage and safety criteria	Agreement with the two pilot corporations on the use of portable units (PPUs)	Agreement with the two pilot corporations on 100% of PPUs used	Agreement with the two pilot corporations on 100% of PPUs used
Provide efficient service 24/7	Update and test the emergency measures and operations continuity plan	Test once a year	Test once a year
Ensuring monitoring and sound management of the LPA's risks	Review the LPA risk catalogue according to legislative environment changes in 2019 Ensure that mitigation measures are kept up to date	Review 100% of LPA risks Review 100% of mitigation measures	Update 100% of risks Review 100% of mitigation measures

Ensure financial self-sufficiency by keeping pilotage tariffs at a reasonable cost

Results objectives	Strategy and indicators	2020 target	2021–2024 target
Maintain LPA expenditures at a sufficiently low level	Determine a budget in accordance with excessive expenditure restrictions Perform periodic follow-up and forecasting	Annual budget determined in accordance with sound financial management Follow-up and update forecasts four times a year	Annual budget determined in accordance with sound financial management Follow-up and update forecasts four times a year
Keep rates and income at a level sufficient to assume 100% of costs and investments	Annual planning of tariff review in accordance with indicators Long-term planning and limitation of investments according to expected income (avoid special tariff increases)	Once a year, according to the CPI and contractual agreements Prioritize investments according to available cash forecast	Once a year, according to the CPI and contractual agreements Prioritize investments according to available cash forecast
Minimize gaps between the comparison of actual and budgeted comprehensive results (predictability of results)	Develop a Market Intelligence approach that permits building of more realistic commercial budget assumptions	Less than 2% variance between actual and budget	Less than 2% variance between actual and budget
Maintain labour costs at a reasonable level and attract good candidates	Limit pay and benefit increases (unionized and non-unionized) Implement new compensation rules (classification parameters and equity)	Increases limited to CPI and market development 100% of parameters implemented	Increases limited to CPI and market development In application
Avoid losses due to bad debts	Weekly follow up of accounts and ongoing communication with clients	Less than 1% bad debts	Less than 1% bad debts

Protect the public and the environment			
Results objectives	Strategy and indicators	2020 target	2021–2024 target
Ensure that our pilot boats meet the usual environmental protection criteria	Ensure Green Marine certification is maintained Update the boat maintenance manual after dry dock maintenance	Certification maintained and 100% of inspection program passed	Certification maintained and 100% of inspection program passed
Contribute to the protection of rivers and residents	Ongoing monitoring of conditions that could affect water levels	100% speed adjustment and navigation conditions during alerts	100% speed adjustment and navigation conditions during alerts
Protect pilot boat users and visitors (non-employees)	Maintain clear instructions for on-board user safety	Zero incidents	Zero incidents

Maintain sound and effective management and good relations with our partners			
Results objectives	Strategy and indicators	2020 target	2021–2024 target
Update LPA regulations	Identify the key provisions and pursue consultations	Review complete Publication and entry into force	-
Increase cooperation and communication with our partners	Organization of regular meetings	Continuous	Continuous
	Participation in our partners' work/committees	Continuous	Continuous
Increase LPA's public positioning	Rollout of the external communication plan	Rollout of a newsletter Send out at least one message per month on social networks	Send out at least one message per month on social networks
Ensure there is a sufficient, competent and diversified pool of future employees	Update of the succession and skills development plan	Once a year	Once a year
	Follow-up performance plans	3 meetings per year	3 meetings per year

10. DECLARATION BY THE EXECUTIVE DIRECTOR OF FINANCE

I have examined the five-year Corporate Plan and corresponding budgets, as well as the supporting information that I considered to be necessary, on the date indicated below, in my capacity as Executive Director of Finance of the Laurentian Pilotage Authority.

Further to this due diligence review, I declare that:

1. The nature and scope of financial and related information and the various assumptions that may have a substantial influence on results are reasonable and justifiable;
2. The main risks that could have an influence on financial results or assumptions set out in this Plan have been identified and appropriate mitigation measures have been duly disclosed and put in place;
3. Financial resources requirements have been disclosed and comply with assumptions, and cost containment options have been considered;
4. As applicable, the necessary financing has been determined and is sufficient to meet financial requirements during the period covered by this Corporate Plan;
5. The Corporate Plan and budgets comply with applicable financial management laws and regulations, and appropriate financial management authorizations are in place;
6. The necessary financial controls are in place to support implementation of the proposed activities and the ongoing operation of the Crown corporation.

In my opinion, the financial information contained in this Corporate Plan and the corresponding budgets are generally adequate to support decision-making.

Josée Leroux, CPA, CA
Executive Director, Finance and Administration

11. FINANCIAL INFORMATION

11.1 Significant Accounting Policies

Please refer to the audited financial statements of the Laurentian Pilotage Authority included in the LPA's 2018 Annual Report for the description of these methods.

Adoption of IFRS 16

The Authority adopted international financial reporting standard IFRS 16 for the fiscal year ending on December 31, 2019. This standard requires the Authority to account for leases as liabilities at a value equivalent to the current amortized value of future lease payments, regardless of whether these leases had been previously reported as an operating lease or a financing lease.

Consequently, the Authority reported \$2,211,343 in assets and \$2,730,717 in liabilities for existing leases as a result of the new standard. This new liability, and the corresponding asset, will be amortized until expiry. The Authority does not expect to sign any new agreements during the period covered by this Plan.

11.2 Regulations Prescribing Tariffs of Pilotage Charges

Currently, and until the coming into force of the provisions to this effect included in the amended *Pilotage Act*, the Authority must, with the approval of the Governor in Council, make regulations prescribing tariffs of pilotage charges to be paid to the Authority. The tariff approval process is set out in the *Pilotage Act*. Consequently, the Authority must first publish the proposed tariff regulation in the Canada Gazette. Any person who has reason to believe that a charge in this proposal is not in the public interest may file a notice of objection, setting out the grounds therefor, with the Canadian Transportation Agency within thirty days following publication of the proposed regulation in the Canada Gazette. In such a case, the Agency must investigate the proposed regulation as necessary or desirable in the public interest, including the holding of public hearings. Once its investigation is complete, the Agency must make a recommendation within 120 days following the receipt of notices of objection, and the Authority is required to govern itself accordingly.

The tariffs may come into force 30 days after their publication in the Canada Gazette. However, where the Agency recommends a pilotage charge that is lower than that set by the Authority, the Authority is required to reimburse the difference between this charge and the charge recommended by the Agency, plus interest. The *Pilotage Act* stipulates that the Governor-in-Council may amend or cancel a recommendation of the Canadian Transportation Agency.

However, this process will change according to the coming into force of the provisions on fee-setting powers set out in the amended *Act*. Under these new provisions, the fee increases will be determined by the Authority and subsequently amended and applied upon resolution by the Board of Directors. A tariff-setting methodology must first be developed and published.

The tariffs of pilotage charges must still be fair and reasonable, and enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs set are intended to allow the Authority to recover its costs and to provide for a reasonable financial reserve necessary to, amongst other things, replace its assets.

In order to recover the fees required by Transport Canada to apply and maintain the regulations concerning the amended *Act*, the *Act* allows Authorities to charge these fees back to the industry. Once this provision has come

into force, the LPA will implement a supplemental charge on pilotage fees to fund the administration of the *Pilotage Act* by Transport Canada.

12. 2020-2024 FINANCIAL STATEMENTS FORECAST

12.1 Statement of Comprehensive Income

Actual 2018, forecast 2019 and 2020–2024 budget

(in thousands of \$CDN)

(\$ '000)

	Actual 2018	Forecast 2019	2020	2021	Budget 2022 2023 2024		
INCOME							
Pilotage charges	105,660	111,449	115,251	117,671	119,864	121,900	124,101
Other income	243	216	221	221	221	221	221
	105,902	111,665	115,472	117,892	120,085	122,121	124,322
DIRECT EXPENSES							
Pilot fees	87,349	91,533	93,386	95,789	97,516	99,426	101,466
Operating costs of pilot-boats	12,202	11,716	12,680	12,760	13,001	13,072	13,158
	99,551	103,249	106,066	108,549	110,517	112,498	114,624
GROSS PROFIT							
	6,352	8,416	9,407	9,343	9,568	9,623	9,698
ADMINISTRATIVE AND OPERATING EXPENSES							
Personnel Costs	4,569	5,092	5,804	6,165	6,283	6,283	6,403
Professional and Special Services	1,255	1,514	1,079	833	833	783	733
Rental	406	319	350	356	362	368	374
Utilities, Supplies and Procurement	244	208	246	255	266	255	255
Transport and Communications	236	240	239	239	239	240	240
Information	73	103	92	108	92	108	92
Amortization	80	420	709	709	712	806	899
Repairs and Maintenance	13	54	101	126	129	132	135
Bad Debts	0	0	0	0	0	0	0
Interest	0	96	89	80	72	65	58
Other	86	82	94	95	95	95	95
	6,962	8,128	8,803	8,966	9,083	9,135	9,284
COMPREHENSIVE INCOME							
	(610)	288	604	377	485	488	414

12.2 Statement of Financial Position

Actual 2018, forecast 2019 and 2020–2024 budget

(in thousands of \$CDN)

	Actual 2018	Forecast 2019	2020	2021	Budget 2022	2023	2024
ASSETS							
Current							
Cash position	8,457	7,434	8,589	11,147	12,561	9,253	10,900
Accounts receivable	14,699	15,503	16,390	16,368	16,673	16,956	17,262
Short-term investment	5,153	5,200	5,280	5,360	5,440	5,520	5,600
	28,309	28,137	30,259	32,875	34,674	31,729	33,762
Non current							
Property and equipment (net)	16,366	15,674	14,420	13,043	12,260	16,308	15,220
Assets under the Right of Use	–	2,017	1,791	1,564	1,340	1,178	1,015
Intangible assets (net)	1,387	1,761	2,006	1,526	1,287	957	737
	17,753	19,452	18,217	16,133	14,887	18,443	16,972
Total Assets	46,062	47,589	48,476	49,008	49,561	50,172	50,734
LIABILITIES							
Current							
Accounts Payable and Incurred Liabilities	16,499	15,648	16,140	16,510	16,802	17,087	17,405
Current Portion of Lease Obligations	–	222	232	241	180	187	194
	16,499	15,870	16,372	16,751	16,982	17,274	17,599
Non current							
Employee Benefits	317	320	334	351	368	385	402
Lease Inducement	418	–	–	–	–	–	–
Lease Obligations	–	2,283	2,051	1,810	1,630	1,444	1,250
	735	2,603	2,385	2,161	1,998	1,829	1,652
Total Liabilities	17,234	18,473	18,757	18,912	18,980	19,103	19,251
EQUITY							
Retained Earnings	28,828	29,116	29,719	30,096	30,581	31,069	31,483
Total Liabilities and Equity	46,062	47,589	48,476	49,008	49,561	50,172	50,734

12.3 Statement of Changes in Equity

Actual 2018, forecast 2019 and 2020–2024 budget

(in thousands of \$CDN)

	Actual	Forecast	Budget				
	2018	2019	2020	2021	2022	2023	2024
Retained Earnings, Beginning of the Year	29,438	28,828	29,116	29,719	30,096	30,581	31,069
Comprehensive Income for the Year	(610)	288	603	377	485	488	414
Retained Earnings, End of the Year	28,828	29,116	29,719	30,096	30,581	31,069	31,483

12.4 Statement of Cash Flows

Actual 2018, forecast 2019 and 2020–2024 budget

(in thousands of \$CDN)

	Actual 2018	Forecast 2019	Budget				
			2020	2021	2022	2023	2024
<u>OPERATING ACTIVITIES</u>							
Comprehensive Income for the Year	(610)	288	603	377	485	488	414
Adjustment to Determine the Net Cash Flows Generated by (Used for) Operating Activities							
Amortization	1,314	1,762	2,109	2,104	1,697	1,895	1,922
Changes in the Long-Term Portion of Employee Benefits	7	3	14	17	17	17	17
Changes in the Long-Term Portion of the Lease Inducement/obligations	246	1 865	(232)	(241)	(180)	(186)	(194)
Decrease (Increase) in Accounts receivable	(1,598)	(804)	(887)	22	(305)	(283)	(306)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2,074	(629)	502	379	231	292	325
Cash Flows from Operating Activities	1,433	2,485	2,109	2,658	1,945	2,223	2,178
<u>INVESTING ACTIVITIES</u>							
Net Additions to Fixed Assets, Intangible Assets and Long-Term Investment	(2,542)	(3,508)	(954)	(100)	(531)	(5,531)	(531)
Cash Flows from Investing Activities	(2,542)	(3,508)	(954)	(100)	(531)	(5,531)	(531)
<u>CASH</u>							
Change for the Year	(1,109)	(1,023)	1,155	2,558	1,414	(3,308)	1,647
Balance, Beginning of the Year	9,566	8,457	7,434	8,589	11,147	12,561	9,253
Balance, End of the Year	8,457	7,434	8,589	11,147	12,561	9,253	10,900

13. CAPITAL BUDGET

Budget 2020–2024

(in thousands of \$CDN)

ACQUISITION OF CAPITAL ASSETS AND CAPITAL BUDGET

	ACTUAL	BUDGET	FORECAST	PLAN				
	2018	2019	2019	2020	2021	2022	2023	2024
Pilot Boat	--	--	--	--	--	--	5,000	--
IT infrastructure and printers	1,846	2,084	1,203	181	20	450	450	450
Leasehold improvements, furniture	603	--	--	--	--	--	--	--
Other intangible assets	588	59	59	693	--	--	--	--
Waiting room, boarding station and others	--	46	46	--	--	--	--	--
	3,037	2,189	1,308	874	20	450	5,450	450

14. BORROWING PLAN AND CASH RESERVES

14.1 Cash Reserves

The Board of Directors approved cash reserves of \$5 million based on the Authority's obligation to fulfill its mission while maintaining its financial self-sufficiency as the Authority does not receive parliamentary appropriations. These reserves can be used in the following situations:

- The purchase of portable units for the pilot corporations in a very short timeline;
- Delays during the long approval process of the tariff regulations modifications, as was the case in 2014;
- Delays caused by the retrieval and/or laying of priority buoys by the Canadian Coast Guard within District No. 1. Any laying delay of these buoys after April 7 of each year or removal prior to December 7 of each year produces additional costs payable to the Corporation of Mid St. Lawrence Pilots in the amount of up to around \$250,000 per week of delay. In spring 2019, the Authority had to contend with a delay of more than two weeks to lay priority buoys, resulting in additional expenses of close to \$480,000. These additional pilotage expenses are due to the LPA's obligation to assign a second pilot on board the ship for assignments in these situations;
- Settlement of non-provisioned dispute which occurred in 2018 for \$1.281 million.

The Authority has achieved its cash reserves objective through the sound and efficient management of its operations and stringent expense tracking. During 2018, the LPA had to use its reserves to settle a dispute totalling \$1.281 million. However, various cost savings and sound management of expenditures made during the year have allowed the LPA to maintain its cash reserves at close to \$5 million.

The financial reserve set up by the Authority is therefore strategically important to allow it to adequately carry out its mission to establish, operate, maintain and manage, for the safety of navigation, an effective and efficient service in the navigable waters under its jurisdiction.

14.2 Borrowing Plan

Borrowing Approval

In accordance with section 36 of the *Pilotage Act* as well as subsection 127(3) of the *Financial Administration Act*, the LPA is required to obtain approval from the Minister of Finance to borrow funds, including the terms and conditions thereof.

Background

LPA's management requires the approval of the Minister of Finance with regards to its borrowing plan for the 2020–2024 period for an amount of \$1.5 million; such amount is currently authorized as a credit facility allowing for bank overdrafts. Despite the existing cash reserve, this request is justified in the event that a significant disbursement must be made while expiry dates of investments do not allow for an immediate access of the required funds, or to cover any unexpected situation where disbursements could not have been planned. A borrowing authorization of \$1.5 million is therefore required to deal with this situation.

Continuity of Short-Term Borrowing

The Laurentian Pilotage Authority requires that the following credit facility be continued:

OVERDRAFT

Lender:	Any financial institution in Canada that is a member of the Canadian Payments Association
Amount:	Up to \$1.5 million
Currency:	Canadian dollars
Interest Rate:	Prime
Maturity:	One year maximum

Historical Usage of Short-Term Credit Facility

The following table details the history of the past five years in regard to the maximum amount of credit used during a given year and the average monthly credit used during that year. It should be noted that the LPA modified its current cash management practices in 2018 such that short-term credit is not to be used.

HISTORICAL USAGE OF SHORT-TERM CREDIT FACILITY

YEAR	HIGHEST AMOUNT	MONTHLY AVERAGE
2015	\$425,000	\$100,000
2016	\$892,000	\$0
2017	\$915,660	\$0
2018	\$1,040,924	\$0
2019 (Forecast)	\$0	\$0

Long-Term Borrowings to be Undertaken in 2020

No long-term borrowings have been contracted or are expected to be contracted.

Contingent Liabilities

The Authority is subject to various claims or lawsuits within the normal course of business. No monetary claim had been submitted to the Authority at the time of writing.

Total Borrowings—New and Outstanding

No new borrowings are expected, and no year-end overdraft is expected in coming years.

Operating Leases

The Authority does not expect to sign any new leases during the period covered by this Plan.

15. GENERAL DECLARATIONS

The LPA has incorporated all opportunities for operational efficiencies into the Corporate Plan.

As part of its commitment to the *Canadian Multiculturalism Act*, the LPA conducts its activities with due consideration to Canada's multicultural reality, as witnessed by the cultural diversity in its workplaces. In recognition of the heritage and the role of First Nations in the history of pilotage, as they were the first "pilot" guides on the St. Lawrence in the Nouvelle France era, the LPA named one of its two pilot boats "Taukamaim," meaning "to take to the open sea" in the Innu language.

The Authority also balances its responsibilities relative to the Canadian economy and its partners by ensuring that it can provide all levels of required services. Given the high proportion of costs that vary according to pilotage revenues, the capacity to partially reduce these costs is very limited, and any reduction in these expenditures would have a negative impact on the Authority's revenues, resulting in lower earnings.

15.1 Promoting a Healthy Workplace

Engagement activities, including training sessions on tools and methods in order to act and prevent problems of civility in the workplace and also on management of known mental health issues and workplace stress were carried out last year. The activities involved managers and the entire staff of the organization, and were intended to educate all staff in the promotion of healthy work practices. The engagement survey carried out in spring 2018 has served as the basis of an action plan for each sector of the organization. A new survey to measure the impact of the actions taken is planned for the beginning of 2020.

15.2 Building a Diverse Public Service

The Authority recognizes the importance of maintaining and enhancing the multicultural heritage of Canadians. Accordingly, it acknowledges the importance of diversity in the Canadian population in terms of race, nationality of origin, ethnic origin, colour and religion, which is a fundamental characteristic of Canadian society. The LPA is therefore committed to ensuring diversity within its organization by encouraging, for example, women, indigenous people, disabled people, or members of visible minorities to apply for available positions. The Authority has, amongst other things, included terminology inviting candidates from designated groups (women, visible minorities, indigenous people and disabled people) to apply for employment opportunities published on its website. It should be noted, however, that the participation of women in the marine sector continues to face challenges. The LPA is in the process of identifying relevant programs with diversity objectives according to its needs, and then determine activities required to increase social and cultural diversity within the organization.

15.3 Quarterly Financial Statements

The LPA posts its unaudited quarterly financial statements on its website.

15.4 Guidelines on Travel, Hospitality and Conference Expenses

In July 2015, a certain number of Crown corporations, including the Authority, were directed by the Governor-in-Council to align their policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures.

Through the values expressed in its vision and mission statements, the LPA has made a further commitment to make effective use of the resources provided. Accordingly, the LPA discloses the travel, hospitality and conference expenses of the board chairperson, the chief executive officer and other board members on its website each quarter, in accordance with regulations. Moreover, the LPA has implemented the recent changes requested by the Treasury Board Secretariat in 2017.

For fiscal year 2019, expenses in these categories total about \$59,000 for the chief executive officer and about \$23,000 for other board members, including the chairperson. In addition, for the 2020 to 2024 period covered by this Plan, these expenses are estimated at an average of \$50,000 each year for the chief executive officer and at \$23,000 for other board members. The increase is due to the nature of current and future work on the North Shore and South Shore of the St. Lawrence.

15.5 Auditor General Recommendations

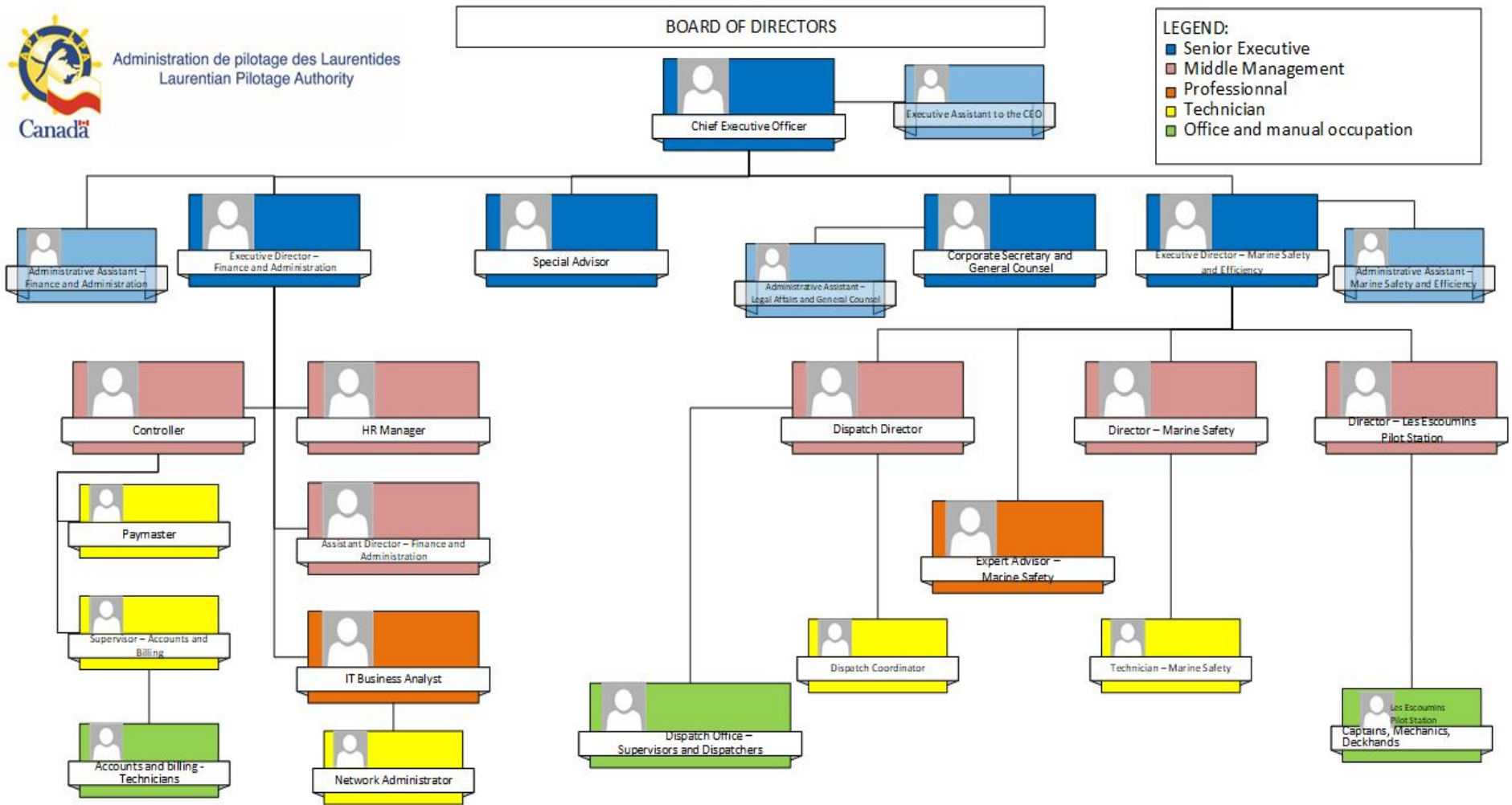
The last special examination of the LPA performed by the OAG was in 2013. The report filed by the OAG noted that no major deficiency was identified. Furthermore, the OAG reported that the LPA has sound governance practices, a rigorous strategic planning process, that its resources are managed economically and efficiently and that appropriate systems are in place to ensure that the pilotage services are safe, efficient and of high quality.

APPENDIX 1

LPA Organization Chart as at September 5, 2019



Administration de pilotage des Laurentides
Laurentian Pilotage Authority



APPENDIX 2

Risks and Reaction to Risks

CORPORATE RISK MANAGEMENT

To ensure the continued delivery of safe, effective and efficient pilotage services and achieve its strategic objectives, LPA's management conducts an annual review of its risks. This exercise makes it possible to identify the main risks faced by the LPA and to implement mitigation measures which will help the Authority maintain its financial self-sufficiency and carry out its mandate, as well as meet its strategic objectives.

APPENDIX 3

Government-wide priorities

As a Crown corporation, the Laurentian Pilotage Authority endorses and supports the government's various initiatives and priorities. The following actions and measures have thus been put forward to harmonize our management practices with the stated priorities:

- **Transparency and open government:**
 - ✓ Increase the level of consultation and information sharing with our business partners;
 - ✓ Increase the amount of information provided on significant changes that impact pilotage and concerned stakeholders.

- **Gender-based analysis:**
 - ✓ Male—female ratio of 30% women, constantly increasing. A challenge in an unconventional industry for female personnel;
 - ✓ Review pay scales with one of the objectives being pay equity;
 - ✓ Neutral hiring process;
 - ✓ Hiring of female personnel in a function largely represented by males—a female executive as well as a female captain on the management team.

- **Employment diversity and equity:**
 - ✓ Neutral hiring process;
 - ✓ LPA's adherence to employment diversity specified in our job postings.

- **Indigenous peoples:**
 - ✓ LPA's adherence to employment diversity specified in our job postings;
 - ✓ The pilotage consultation process has been widened to include First Nations (e.g., consultation on the impact of North Shore pilotage safety will include the Inuit community);
 - ✓ Integration of First Nations members from the start of new projects: First Nations will be consulted on the next phases of the risk analysis for the South Shore.

- **Sustainable development and greening of government operations:**
 - ✓ Acquisition of environmentally responsible equipment when selecting replacements;
 - ✓ Implementation of measures and practices to reduce the environmental footprint (particularly at Les Escoumins Pilot Station);
 - ✓ Receipt of Green Marine certification for LPA pilot boarding vessels in July 2019;
 - ✓ Smart pilotage service implementation project, one impact of which is to reduce vessels' fuel consumption;
 - ✓ LPA facilities and equipment, more specifically facilities and property at the Les Escoumins Pilot, are made available to environmental studies on flora and fauna;
 - ✓ Participation as an expert on the Federal Environmental Assessment Panel and with our business partner on certain projects that affect the environment.

APPENDIX 4

Compliance with legislative and strategic requirements

Access to Information and Protection of Privacy Act

As part of its commitment to clear and transparent governance, the LPA publishes a summary of completed access to information requests it has received each month on its website. The Authority receives very few requests. The LPA also communicates its statutory annual reports and statistical reports to the Treasury Board Secretariat concerning access to information requests and any questions concerning protection of personal information.

Official Languages Act

The LPA ensures that its public communications (news releases or documents/publications/information on its website) are available in both official languages. Moreover, data from the Official Languages Information System concerning the LPA is communicated annually to the Treasury Board Secretariat. No questions relating to official languages have been submitted about the LPA so far this year.

Directive on Travel, Hospitality, Conference and Event Expenditures

The LPA's internal policies on travel, hospitality, conference and event expenditures have been harmonized under the Treasury Board's 2015 Guideline on Travel, Hospitality, Conference and Event Expenditures; these expenditures are promptly compiled at the end of each quarter and approved information is then disclosed on the LPA's website within 30 days following the end of each quarter.

Directives on the Reform of Pension Plans

The LPA pension plan, which is a contributory defined benefit plan sponsored by the Government of Canada, complies with the directives on the reform of pension plans.

Trade Agreements

The LPA is not directly involved in activities related to trade agreements. The LPA complies with the provisions and requirements of applicable trade agreements and has a policy in place to award contracts for goods and services to obtain the best overall value for money. The LPA deals with suppliers that meet our requirements and can provide quality goods and services at competitive prices that meet our needs in a timely manner. As a Crown corporation, the LPA must negotiate its supplier contracts, where applicable, through a competitive bidding process in accordance with laws, regulations, agreements, international conventions, and internal policies. Covered procurement activities that are subject to the Comprehensive Economic and Trade Agreement (CETA) and the Canadian Free Trade Agreement are published on the Government Electronic Tendering Service (GETS).

Others

The LPA has implemented certain internal policies to ensure compliance with its values (see the LPA Annual Report) and that reflect its commitment to and compliance with the following laws and directives:

- . *Canada Labour Code*
- . *Pilotage Act*
- . *Public Servants Disclosure Protection Act*
- . *Financial Administration Act*
- . *Canadian Human Rights Act*
- . *Employment Equity Act*

Although they affect the LPA's activities indirectly or very little, the Authority also complies with the following directives and requirements:

- . *Conflict of Interest Act*
- . *Corruption of Foreign Public Officials Act*

COMPANY INFORMATION

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