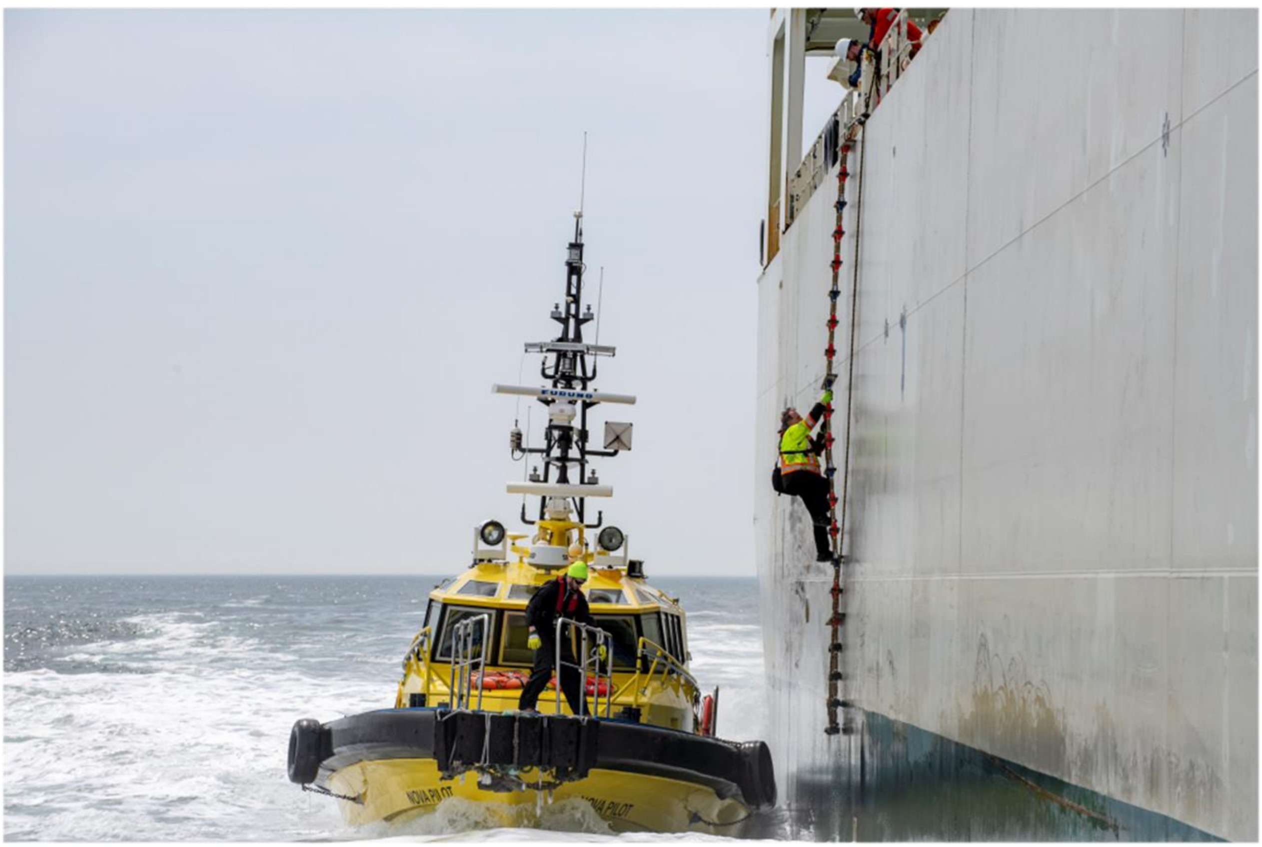
Atlantic Pilotage Authority

Administration de Pilotage de l'Atlantique

Corporate Plan Summary (2021-2025)



The Atlantic Pilotage Authority
1791 Barrington Street, Suite 1801
Halifax, Nova Scotia

Executive Summary

The Atlantic Pilotage Authority (APA) provides a valuable and necessary service to the marine community in Atlantic Canada. The highly skilled marine pilots employed by the Authority make a vital contribution to the protection of the environment, to safeguarding the lives of mariners, and to preserving and promoting the economic wellbeing of ports in Atlantic Canada while allowing Canadian businesses to remain competitive in the global marketplace.

The Authority has an exemplary safety record while also maintaining strong relationships and support from its customers and the marine community. Management's regular consultations with its stakeholders continue to provide vital input on the service levels, operational issues, and pilotage charges within each of its major ports. These stakeholder meetings provide open dialogue with customers and allow the management of the Authority to stay connected to actual or potential developments in its region.

Traffic began to decline in various ports before the Novel Coronavirus pandemic (or "COVID-19") impacted the world economy. The pandemic and resulting global economic contraction has had an unprecedented negative impact on traffic for the Authority. The reduced demand for oil products and many other goods have impacted ship movements and reduced revenues in all of the ports and districts in the Atlantic region. The largest impact on the Authority has been the cancellation of the cruise ship season that generated $3.0 million in pilotage revenue in 2019. In order for the Authority to maintain its financial self-sufficiency in fiscal 2021, it will adjust its base rates to offset pre-pandemic declining traffic and implement a deficit reduction additional charge to recover the COVID-19 losses over the medium-term outlook.

Major Objectives

The Corporate Plan (2021 – 2025) is the output of the Authority's strategic planning process. The Authority has set five corporate objectives to help fulfill the mandate to establish, operate, maintain and administer in the interests of safety an efficient pilotage service in the Atlantic region.:

1. To deliver safe and effective marine pilotage services in Atlantic Canada.
2. To maintain financial self-sufficiency by exercising effective cost management and establishing charges that are fair and reasonable.
3. To provide a reliable and self-sustaining service by safeguarding the Authority's people and assets while planning for succession and asset replacement.
4. To assume a leadership role in marine navigation by providing an expertise in navigational safety and marine operations.
5. To contribute to the Federal government's environmental, social, and economic policies as they apply to the marine industry in Atlantic Canada.

Key Capital Projects and Related Financing

During this planning period there will be a focus on upgrading the pilot boat fleet through the procurement of new assets. This capital investment will require additional debt. A capital budget is included in this plan that includes investments in new or used pilot boats, wharves and structures, and portable pilotage units. The approval of the Minister of Finance for the Authority to secure a new loan facility of $8 million is being requested to finance the construction of two new pilot boats or be used towards procurement of used vessels. The Authority is also requesting the approval to increase the line of credit from $2.5 million to $7.5 million to be able to fulfill its mandate during the COVID-19 recovery.

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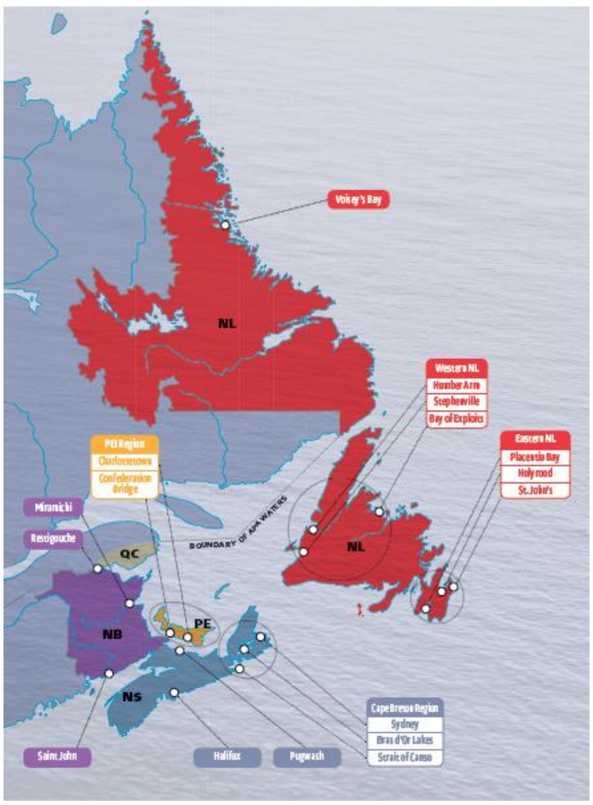
I) Overview

Background

The Atlantic Pilotage Authority was established February 1, 1972, pursuant to the *Pilotage Act*.

Since 1972, the Authority has operated, in the interest of safety, a marine pilotage service for all Canadian waters surrounding the four Atlantic Provinces, including the waters of the Bay of Chaleur in the Province of Quebec. This is the only program of business for the Authority.

The Authority provides licensed pilots to ships that enter Atlantic Canadian Ports to ensure that these ships travel within the pilotage area as safely as possible. The Authority also examines qualified mariners, and issues pilotage certificates to successful candidates to enable them to navigate their ships within designated compulsory areas without a licensed pilot on board.



The Authority organizes its operations according to geographic location and has designated seventeen areas as requiring compulsory pilotage. The Authority also endeavors to provide pilotage service to other areas, referred to as non-compulsory areas, upon request.

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

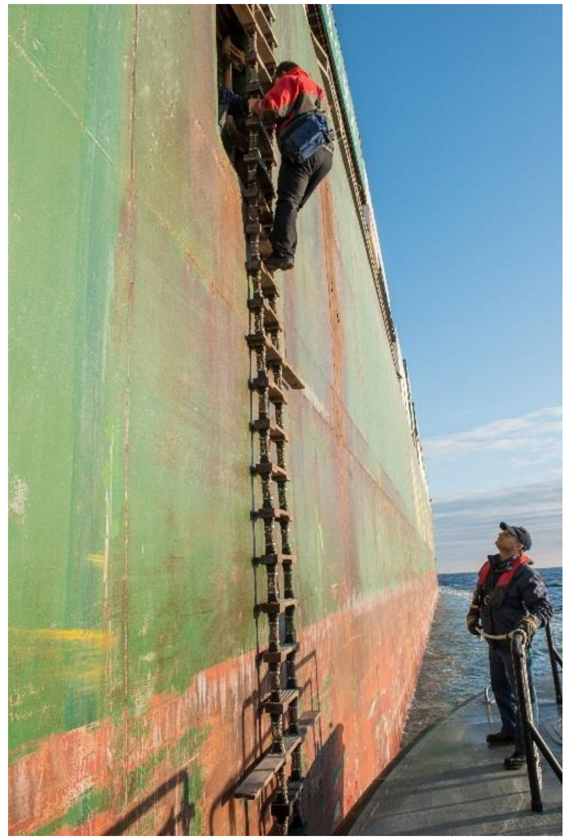
The Authority has not received parliamentary appropriations since 1995 and, under provisions of the *Pilotage Act*, is not eligible for future appropriations.

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

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

Mandate

The mandate of the Authority is to establish, operate, maintain and administer in the interests of safety an efficient pilotage service in the Atlantic region. Its fees shall be fixed at a level that permits the Authority to operate on a self-sustaining financial basis and shall be fair and reasonable.



Mission

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

Vision

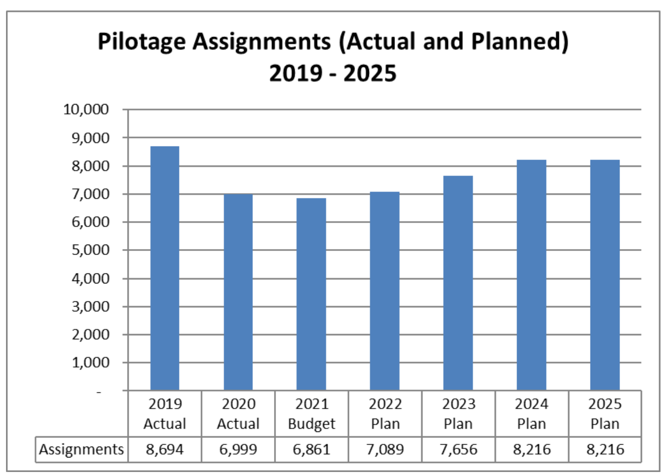
The Vision of the Atlantic Pilotage Authority is to be a respected leader in marine pilotage, safeguarding people, property and the environment.

To achieve the vision, the Authority must demonstrate:

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

Pilotage Traffic Trends

The chart to the right illustrates the annual assignments for 2019 and 2020, and the forecast for 2021-2025. The planning assumptions of the Authority are based on historical traffic levels, shipping announcements, and information provided directly to the Authority by stakeholders through consultation. The Authority had experienced declines in traffic, reaching a low in 2016 and since that year, traffic had increased until the COVID-19 related reductions. The budget is based on what is known at this time with input from consultation meetings and conservatively projects a slow recovery from COVID-19. There are projects being considered by industry that may grow traffic within this planning period, but the Authority is taking a conservative stance on possible growth.



The Authority's mandate does not specifically mention compulsory and non-compulsory pilotage. Pilotage service is provided to non-compulsory ports upon demand and is requested by users in specific circumstances where they believe risks are elevated. The Authority has pilots licensed for seventeen non-compulsory ports and conducted assignments in the majority of these areas in 2020. The total number of assignments for 2021 is estimated to decrease from the previous year as there was regular traffic for the first quarter of 2020, prior to the pandemic. The estimated activity for 2021 is 6,861 assignments, a significant decrease from pre-COVID activity levels of approximately 8,700 assignments. The amount of activity in ports serviced by the APA can vary significantly due to factors that are beyond its control.

Traffic has been impacted negatively by an increase in certificated masters. These are masters who have passed a certification exam that allows them to pilot their own vessels without the services of an Atlantic Pilotage Authority pilot. There were 2,732 movements by certificated masters in 2019 and will decline as all traffic declines due to the pandemic.

With daily challenges in scheduling and weather threats, the Authority offers great flexibility in ordering a pilot with no special nighttime order rules. This requirement is in competition with the need to keep costs as low as possible while the Authority has to be flexible and nimble to meet these requirements with a limited workforce.

As mentioned earlier, the Authority does not receive parliamentary appropriations and is required to generate revenues to be financially self-sufficient. The Authority must fix charges that allow it to be financially self-sufficient while also being fair and reasonable and not placing an excess burden on industry. The Authority closely monitors changes in traffic and the corresponding impact on revenues as fluctuations may impact its ability to accomplish its mandate. With the large amount of fixed assets and the majority of pilots being salaried employees, most of the costs do not fluctuate significantly with changes in traffic levels. A decrease in the number of assignments would mean a decrease in revenues without the ability to substantially adjust expenses. The Authority does have entrepreneurial, or contract pilots, who provide service in ports with low levels of activity and whose costs fluctuate with traffic variance.

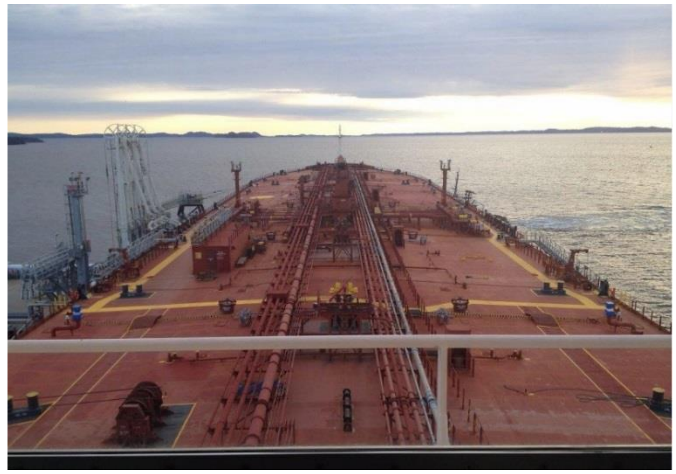
II) Operating Environment

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

External Environment

- **The Economy**: The Authority and demand for its services are impacted by the state of local and broader international economic conditions in a number of ways. These include effects derived from commodity pricing, employment and productivity, trade agreements, and currency exchange rates that have a large impact on tourism that drives cruise vessel traffic.

a. Much of the activity in the Atlantic region is affected by commodity pricing. Recently, the major oil producing countries had ramped up production that created an over-supply at the same time world demand for oil plummeted due to Coronavirus. This impacted oil tanker traffic negatively for the Authority.



Bulk and dry cargo vessels have been affected by falling commodity prices. Potash exports continued to move through the Port of Saint John as Nutrien transfers product from its Saskatchewan mine to Saint John for export. A coal transshipment operation in the Strait of Canso is very sensitive to the market prices of coal and is very difficult to predict moving forward. Currently, there is very little activity.

b. The demand for goods locally, provincially, nationally, and internationally drive much of the traffic in terms of imports and exports that flow through our ports. General employment and economic health enhance local commerce that increases shipping. Stable and/or a growing international business climate contributes to the creation of a well-remunerated population that has the disposable income for spending and investing nationally and internationally. Many of these goods are transferred by container vessels, RORO vessels, and auto carriers. This traffic has declined during the pandemic as supply has been interrupted and demand has fallen.

c. Currency exchange rates affect imports and exports that flow though the ports or areas serviced by the Authority. The commercial attractiveness of Canadian export goods to foreign buyers and/or the affordability of desirable import goods can be driven by exchange fluctuations. Currency also impacts tourism in the region with a lower Canadian dollar contributing in normal times to a thriving cruise industry.

d. The outcome of trade negotiations as well as the imposition or removal of nationalistic trade barriers and charges on import/export dependent businesses could positively, or negatively, impact the amount of cargo flowing into and out of our ports. This impacts many types of cargo, including container traffic and auto carriers.

- ***<u>Customer Operational Interruptions</u>***: Usually without warning the Authority loses expected traffic to operational decisions or circumstances that interrupt the demand for services. These can be extended interruptions that negatively impact the financial position of the Authority and threaten its goal to be area-by-area financially self-sufficient. This was evident in 2018/2019 with an incident at the Saint John, NB refinery that caused a major slowdown in tanker traffic. In 2020 the floating production storage and offloading (FPSO) unit for the Terra Nova Oil Field in Newfoundland will be off station for the year. Also, in 2020, an agreement was signed for Irving Oil to purchase the Come-by-Chance oil refinery in Placentia Bay, NL. This purchase did not proceed, and the refinery remains for sale. The future of the refinery, and its related pilotage movements, is currently unknown and raises a considerable risk to the Authority as the refinery provides approximately $3 million in annual revenues. The Authority is currently in discussions with the remaining users in the port to determine the immediate future of the pilot boat replacement project, and the pilot strength desired for the area. These types of commercial decisions impact the Authority's revenues and may occur without significant warning.

- ***COVID-19 Related Declines***: The global pandemic has devastated business in many areas and has also impacted the Authority's traffic levels and related revenues. The largest impact has been created with the cancellation of the cruise season. There were over 1,000 assignments on cruise vessels in 2019 with $3 million in related revenues. The Authority has also had a decline in tanker movements, which is the largest driver of its revenues. Other traffic related to consumer demand of commercial goods has also declined. The total impact is expected to be approximately a 20% decline in activity and related revenues in 2020 without significant growth in 2021.

- ***Pilotage Act* Reform**: Amendments to the *Pilotage Act* received Royal Assent in June 2019. The implementation will present challenges for the Authority as operations are adjusted to reflect changing roles and responsibilities, while at the same time continuing to provide services under the existing *Act*. With regulatory functions being moved to Transport Canada, the efficiency and effectiveness of the service provided by the Authority may be impacted if the timely advancement of pilot licences and certificates is jeopardized. At the same time, the amendments present opportunities in terms of business development and charge setting that will allow the Authority to be much more responsive to changing economic and business factors. This will make it easier to be financially self-sufficient and produce charges that are fair and reasonable.

- **Climate Change**: Due to changes in patterns, the Authority is dealing with severe marine conditions that are more frequent and are lasting for longer periods. This is causing severe challenges to the ability to deliver safe, effective, and efficient services as marine conditions are worsening and there are longer port closures and delays. It is adding risk to pilot transfers under these severe conditions and it makes maneuvering vessels more difficult. Infrastructure, such as wharves and breakwaters, are also at risk to damages due to changing environmental factors which impacts safety. Some marine operations, specifically the coal transshipment in the Strait of Canso, have moved away from the area during the winter due to the higher risks, causing a reduction in traffic and related revenues for the Authority that is expected to extend indefinitely.

- **Cyber Security**: Threats to IT infrastructure are growing and Cyber Security is growing in concern.

- **Technology**: The rapid pace of changing technology presents both challenges and opportunities for the Authority. The adoption of new technologies, like Portable Pilotage Units (PPU) helps the Authority provide a more effective and more efficient service. On the other hand, vessels continue to arrive with increasingly modern technologies that present challenges in terms of pilot training. It is critical that pilots, and the Authority, remain current with new technologies and there are many tools in development to assist with navigation. The Authority must stay current with these technological changes and adopt those which would benefit the port pilotage it conducts.

- **Certificate Use**: The Authority has had an increase in certificated masters. These are masters who are examined by the Authority and certified to pilot their own vessels.
    - **Low Risk Movements**: There are a number of very low risk movements or moves that are handled safely by certificated masters. This allows for pilotage resources to be targeted towards areas of higher risk and adds to the efficiency of pilotage.
    - **Performance Evaluations**: There is currently no mechanism in regulation or policy that requires the certificated masters to have performance evaluations. The Authority has developed a policy to review certificated masters' performance at the time of their renewal and this has been accepted by industry. There are approximately 2,800 movements performed annually by these masters while the Authority's pilots are expected to conduct approximately 7,000 assignments and are assessed on a three-year cycle.
    - **Lost Revenues:** This number of certificates has a financial impact on the Authority with approximately $6.5 million lost in pilotage fees in 2019. This is especially challenging in a port like St. John's, NL where there were over 2,200 ship movements in the harbour, with 80% performed by certificated masters and 20% by pilots. When industry loses a certificated master, or replaces a vessel in its fleet, which happens often, the Authority must supply a pilot for these movements. The lead time to train pilots does not allow for the provision of short-term pilot resources, therefore, the Authority must maintain the resources in the port to handle more traffic than it is currently receiving, yet those costs are only being absorbed by the users that supply the 20% of the traffic that is piloted. This negatively impacts the efficiency of the service and the Authority's ability to be financially self-sufficient.
- **Relationships with Stakeholders:** The Authority has strong relationships with its stakeholders that is maintained through regular consultation. The users of the services support pilotage in the Atlantic and their cooperation has been greatly valued in solving the challenges that have faced the industry in the region. This cooperation allows for a more effective and efficient service as information and scheduling is shared openly. It also increases the ability to achieve financial self-sufficiency as traffic levels are more easily predicted and appropriate charge levels set without objection.
- **Seasonal Traffic Patterns:** The Authority faces periods of higher than usual volumes due to seasonal cruise ship traffic, daily variances in industry scheduling, and weather closures. The seasonal nature of the cruise industry presents challenges for the Authority because there is a constant labour force of pilots in each port. Seasonal surges in demand for pilotage means the authority must manage overtime and hours of rest without compromising safety, but risks increased delays and the efficiency of service delivery. This is particularly challenging because beyond the Authority's interest in meeting its mandated obligations, the Authority is also conscious of Canada's need to ensure that Atlantic Canada remains an attractive and viable destination for the cruise industry in the region.

- **Marine Labour Market:** Pilots are licenced for specific ports or districts and do not perform assignments outside of their licenced areas, which makes the coverage of assignment fluctuations more challenging. To reach the target for pilot numbers, and maintain it through planned retirements, the Authority must be continuously adding pilots and training them from apprentice level to unlimited full class A licence level. Finding qualified mariners in Canada is becoming more challenging as fewer Canadians are choosing this industry for their careers. The increase in technology on vessels that has enhanced maneuverability has also eroded the hands-on shiphandling skills of current masters and increased the amount of time required to train new pilots as they are not arriving with the same level of skill or experience as their predecessors. The pandemic has not led to an increase in retirement and has not had a negative impact on recruitment. There is evidence that the opposite may be true, that declines in other sectors of the marine industry has increased the availability of qualified and interested mariners.

Internal Environment

- **Board Composition:** The Board of the Authority consists of a part-time Chairperson and not more than six other members, all appointed by the Governor in Council. The current members bring varied experiences and backgrounds and includes four master mariners, one of which is a retired pilot, members with successful business experience, and a Chartered Professional Accountant (CPA). This CPA's term expires in December 2020 and is not seeking reappointment. This varied composition is a strength as they bring varied experiences, including marine experience, to help inform decision making. The appointment process of new members named can be delayed which is a challenge. There is currently one vacancy on the Board.

- **Administration:** The Authority has a staff of 11 in administration with the technical qualification of the staff being a strength. The Executive/Managers includes four master mariners who occupy the positions of Chief Executive Officer (CEO), Chief Operating Officer (COO), Marine Superintendent, and Quality, Health, Safety and Environment Manager (QHSE). The CEO also has a Master of Business Administration (MBA). The Chief Financial Officer (CFO) is a CPA with an MBA and the Director of Human Resources is a Chartered Professional in Human Resources (CPHR) and holds an MBA. The workload on the operations staff remains high with little redundancy, which is a challenge.

- **Operations – Pilots:** The pilots are a strength for the Authority. They are highly skilled and highly trained mariners at the top of their profession. The Authority has targeted a steady workforce of 50 employee pilots and 12 entrepreneurial pilots to cover projected activity. There is very little turn over in these positions as they are viewed as the pinnacle in a mariner's career. The Authority has a strong, cooperative relationship with its employee pilots. The pilots are represented by the CMSG and negotiations have begun on a new collective agreement as their current agreement expired on December 31, 2019.

- **Pilot Boat Crews:** The crews consist of employee launchmasters and deckhands for Halifax, NS and Saint John, NB. There are eight employees in each location and there is no current expectation to alter these numbers. These highly trained individuals are essential to providing safe transport to pilots and effectively providing pilotage service. There is very little turnover in these positions.

The Launchmasters are represented by the CMSG and are currently in the middle of a five-year agreement that expires on December 31, 2020. The agreement for the deckhands and dispatchers was negotiated in 2019 with the Public Service Alliance of Canada (PSAC Union). It is a 4-year agreement that expires on December 31, 2022.

- **Maintenance Managers:** The Fleet Technical Manager and the Pilot Boat Manager are responsible for the maintenance of the pilot boat fleet. These two individuals manage the maintenance for the entire fleet of pilot boats. They contribute to the effectiveness of the service by assuring pilot boats are available when pilots are required to be transported to vessels.

- **Dispatchers:** The department is headed by the Dispatch Manager with four full-time dispatcher positions that provide 24/7 coverage for the Authority's dispatch centre. A fifth dispatcher does the billing for the Authority and provides coverage for the area. These individuals dispatch for all districts with normally only a single person on duty, as strength for the Authority and its users. These are very high demanding positions that take an extended period to be fully trained, which is a challenge in terms of recruitment.

The following table summarizes the Authority's staffing situation.

Function	Actual 2017	Actual 2018	Actual 2019	Projected 2020	Plan 2021	Plan 2022	Plan 2023	Plan 2024	Plan 2025
Administration									
Executive Officers	2	2	3	3	3	3	3	3	3
Directors/Managers	3	3	2	3	4	4	4	4	4
Support	6	5	5	5	4	4	4	4	4
Total Admin	**11**	**10**	**10**	**11**	**11**	**11**	**11**	**11**	**11**
Operations									
Pilots	49	50	50	50	49	49	52	52	52
Pilot Boat Crews	16	16	16	16	16	16	16	16	16
Function	**Actual 2017**	**Actual 2018**	**Actual 2019**	**Budget 2020**	**Plan 2021**	**Plan 2022**	**Plan 2023**	**Plan 2024**	**Plan 2025**
Maintenance Managers	1	2	2	2	2	2	2	2	2
Dispatch Managers	1	1	1	1	1	1	1	1	1
Dispatchers	5	5	5	5	5	5	5	5	5
Total Operations	**72**	**74**	**74**	**75**	**73**	**73**	**76**	**74**	**74**
Total Employees	**83**	**84**	**84**	**86**	**84**	**84**	**87**	**87**	**87**
Entrepreneurial Pilots	**10**	**11**	**11**	**12**	**12**	**12**	**12**	**12**	**12**

- **Aging Pilot Boats**: Providing port pilotage means that virtually all areas require the service of a pilot boat to transfer the pilot to and from a pilotage assignment. As these vessels age, the Authority has to maintain them to keep them as safe a platform as possible while also planning for their eventual replacement. This challenge is also impacted by the changes in weather and marine conditions, as heavier and more robust vessels may be required in more of the ports. An aging or insufficient pilot boat fleet impacts the Authority's ability to provide a safe, efficient, and effective service. The risk is that platforms may not be robust enough for the conditions or may not be operational, increasing the likelihood that pilotage services may be interrupted.

- **Marine Infrastructure:** The Authority leases, or owns and maintains, several marine assets, including a breakwater, wharves, floating docks, and pilot offices. These assets are a strength in that they provide safe transfer points, shorter service times, and operational headquarters for the pilots and crews. As these items are always exposed to severe elements and constant use, they are inspected, repaired and occasionally replaced. Wear and tear on these items is a challenge that may grow with the changing climate and will impact safety and future costs. In September 2019, Hurricane Dorian caused severe damage to the breakwater in Herring Cove, and less significant damages to other docks. All are expected to be repaired in 2020 or early in 2021 at a considerable cost to the Authority.

- **Safety Culture**: The Authority has increased its focus on improving its safety culture. ISO 9001 Certification was achieved in 2018 and has been maintained since. A dedicated resource was added in early 2019, the QHSE Manager, to increase the focus on this area. Having 17 compulsory ports through four provinces adds to this challenge, as does having numerous contractors and service providers.

- **Financial Resources**: The Authority has had four consecutive years with healthy profits. Contingency funds had been maintained at targeted levels and savings accumulated for capital asset replacement and future severance payments. The contingency fund will be exhausted in 2021 due to COVID-19 and the capital asset replacement fund will be used for Herring Cove and new vessels.

- **Performance and Reviews:** The Authority has performed a safe, effective, and reliable service while maintaining efficiency for its users. The incident free rate for 2019 was 99.94% (99.95% in 2018) of assignments and there were no incidents that caused injury or environmental damage. The number of assignments performed without delay caused by the Authority was 99.10% (99.20% in 2018) of the assignments. The Authority measures a delay when a pilot is not provided to a vessel within one hour of customer's order time. When surveyed by the Authority, 100% of its participating users were satisfied with the Authority's dedication to safety and 95.6% were satisfied with its efficiency.

- **Alignment with Government Priorities:** The activities of the Authority support all of the Government's economic priorities. The efficient and safe transport of marine vessels through the ports of Atlantic Canada delivers economic growth and prosperity for all Canadians. The industries that are dependent on shipping feeds job creation, economic opportunities and expanded markets for Canadian companies. The Authority contributes to the safe and efficient movement of goods and people for Canadians, while protecting the environment from harm. Pilotage plays a key role in ensuring there are no ship source environmental disasters in Canadian waters. The Authority's work benefits Canadians by protecting marine ecosystems, a sustainable fishing industry, a vibrant tourism industry, and local infrastructure.

Compliance with Ministerial Directives:

The Authority is in compliance with Ministerial directives and their spirit of intent and supports open and transparent governance by using its website to proactively disclose information to the public and through regular consultation meetings with its stakeholders. More details regarding this compliance can be found in Appendix 9.

Special Examination, 2016:

The Office of the Auditor General of Canada presented its Independent Audit Report covering selected systems and practices that were in place between October 1, 2015 and March 31, 2016 to the Board of the Authority on September 1, 2016. There were ten recommendations, all of which have been fully addressed.

Additional information on the Authority's alignment with Government priorities can be found in Appendix 10.

III) Strategic Objectives, Activities, Results and Risks

On an annual basis, the Authority engages in strategic planning sessions involving the Board and management. In the summer of 2016 these sessions were conducted with an external facilitator. At this session, the mission, vision, and core values were updated for the Authority. Five corporate objectives were set at this session and replaced the previously set areas of focus. These strategic objectives were established for a five-year period but are reviewed annually.

1) Objective: To deliver safe and effective marine pilotage services in Atlantic Canada

The critical outcome the Authority is striving to achieve in this area is to improve upon the Authority's exemplary safety record by maximizing the number of shipping movements conducted without any injury to people, or damage to property or the environment. The Authority plays an essential role in the safety of the marine industry by providing highly trained pilots and boat crews that provide guidance for transits and dockings to assure they are done safely.

To achieve this objective, in 2021 the Authority will focus on the following:

- **Pilot Training**: Review and improve the training plan for pilots to include increased use of simulators and investigate more targeted tug escort and manned model training. Training courses were cancelled in 2020 due to COVID-19, therefore the immediate objective will be rescheduling this training as soon as possible. (ongoing)
- **Capital Asset Recapitalization – Pilot Boats**: In 2019, the Board approved a long-term pilot boat replacement strategy. In adherence with this plan, the development of a design for two new vessels began in 2020 with an expectation that construction would take place in 2021 and 2022. These vessels will be planned for worsening climate and will be expected to provide a safer platform for pilot transfers under more difficult conditions. Financing will be required for much of this purchase

and will have to be negotiated with a bank. The financial position of the Authority will be examined along with traffic expectations before final commitments are made on construction. The option of procuring used, and less expensive, vessels remains. (ongoing)

- **Capital Asset Renewal - Facilities**: The Authority has numerous marine facilities that require repairs or replacement and will be undertaking the following in 2021:
  - An engineering assessment was updated for the wharf and breakwater in Herring Cove after Hurricane Dorian in 2019. Longer-term repairs were initiated in 2019 and are expected to be completed in 2020 or early 2021. (ongoing)
  - Floating docks in several locations will be inspected and repairs completed. (ongoing)
  - The pilot office and crewing quarter options for Saint John' NB will be evaluated to determine if a move is necessary and when the move may be required by the port authority. Currently, the expectation is that a move will be required late in 2021. (new)
- **Technology**: The Authority will monitor advances in marine technology, specifically regarding portable pilotage units, weather monitoring, and communications in search of improvements that can be made to improve safety and effectiveness of pilotage. It will do this by attending the International Marine Pilots Association conference, the Shipping Federation's Mariners Workshops, regular Safety and Technology summits, work boat conferences, and other technology conferences or meetings in 2021. This will be dependant on travel restrictions and the status of the pandemic. (ongoing)
- **Pilot Evaluations:** Use the pilot assessment program to determine areas of improvement and training opportunities to assure performance targets are achieved. Competency evaluations will be performed for certificate holders to assure their performance is acceptable. (ongoing)

2) Objective: Maintaining financial self-sufficiency

The critical outcome the Authority is striving to achieve in this area is to generate income at a level that supports the annual operating expenses of the Authority, provides for the required capital asset replacement, and allows for a reserve to be maintained in case of unexpected downturns in activity or costs of operation. The charges required are fair and reasonable and should not become a hardship for users.

Due to the financial losses caused by the reduced traffic associated with the pandemic, the short-term objectives will be as follows for 2021:

- **Charge Adjustments:** Charges for 2021 will be adjusted to achieve the following while also being fair and reasonable:
  - **Pre-pandemic declines:** The Authority was experiencing a decline in several ports before the pandemic. Base rates will be adjusted in these areas in anticipation of port-by-port profits when traffic rebounds post-pandemic. For most ports, they will not have positive financial results until cruise traffic returns. (new)

  - **Pandemic caused losses**: The pandemic has caused reduced traffic in all of the Authority's ports and districts. The Authority anticipates this to be a decline that lasts through 2021 with a slow recovery to follow. Over this time, the Authority will use short-term financing to assure it meets its mandate. To reduce the impact of this decline, and recover lost revenues beyond the Authority's accumulated reserves, a 4% surcharge will be applied for a period of five years. Stakeholders have been consulted and this rate was determined based on the feedback received. (new)

- **<u>Future Charging Opportunities</u>**: With the changes to the *Pilotage Act* and charge setting process, the Authority will look for additional opportunities to more directly recover incurred costs. (new)

- **<u>Targeted Savings:</u>** Beyond maintaining a reserve fund, the Authority has accumulated savings towards future capital asset replacement and long-term severance liabilities.
  - As the Authority will be procuring pilot boats, the savings that have been accumulated for capital asset replacement will be exhausted during this period. (ongoing)
  - Savings for future severance liabilities was ahead of plan but will have to be used as cash flows decrease due to COVID-19. Additional savings will not be possible until the Authority fully recovers from the impacts of the pandemic. (new)

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

The critical outcome the Authority is striving to achieve in this area is to provide on demand service without delay while protecting the Authority's people from harm.

To achieve this objective, in 2021 the Authority will focus on the following:

- **<u>Pilot Recruitment</u>**: Add three new qualified apprentice pilots during 2021 in anticipation of planned retirements. The pool of qualified mariners nationwide has been growing smaller. Finding qualified masters who are interested in positions in Saint John, NB has been challenging thus far during a period that has had a number of announced retirements in the port. A familiarization program was introduced to allow mariners from other areas to apply and the Authority is planning additional incentives for this program with the aim to increase the number of people who may be interested. (new)
- **<u>Pilot Contract Collective Bargaining</u>**: The contract for the Authority's employee pilots expired at the end of 2019. Bargaining began in 2020 but was delayed due to COVID-19. The goal is to finalize an agreement that is fair for the employees, can be supported with minimal impact to stakeholders during the period of COVID-19, and supports the service mandate of the Authority. A resolution agreement has been made between the parties to ensure service continuation in the event that a contract cannot be negotiated, and the process moves toward arbitration. (ongoing)
- **<u>Employee Wellness:</u>** Policies, programs, or activities that are intended to maintain a healthy workplace will be monitored and continually improved upon. In 2020, the Authority created a Wellness Committee as a sub-committee of Occupational Health and Safety. The vastness of the

Authority's region and disbursement of its employees provides a challenge to designing effective policies and programs. New policies and procedures have been developed to keep the Authority's employees safe from COVID-19 while maintaining this essential service. There has been a significant increase in communication to employees and education during the pandemic. (ongoing)

- **Implement Cyber defenses:** A Cyber Security audit was completed in 2019. (ongoing)

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

The critical outcome the Authority is striving to achieve in this area is to provide comprehensive marine pilotage and related services in the Atlantic region. Marine pilots in Canada are viewed as being at the top of their profession and are relied on to provide an expert opinion in navigation and ship handling. With this understanding, the Authority offers services to industry as consultants on marine infrastructure and projects and how they impact future navigation.

To achieve this objective, the Authority will focus on the following:

- **Contributing to efficiency and economic growth through consultation:** Authority personnel will participate in regular port operating committees in each area in which they are active. Services will also be offered to individual users with projects or operations that will benefit from marine pilotage expertise. (ongoing)

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

The critical outcome the Authority is striving to achieve in this area is to support the Government of Canada's priorities of a strong middle class; open and transparent governance; a clean environment and a strong economy; strength through diversity; and security and opportunity.

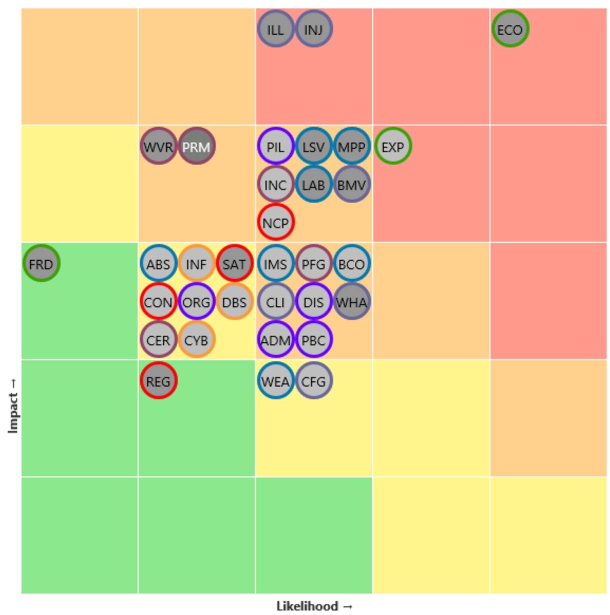
To achieve this objective, the Authority will focus on the following:

- **Consultation**: The Authority delivers on the commitment to maintain relationships with stakeholders through increased disclosures on its website and frequent consultation meetings with interested parties. Information will be expanded on the website and regular consultation meetings held in each district. (ongoing)
- ***Pilotage Act* Reform:** There is a considerable workload on Transport Canada to adopt the approved changes to the *Act*. The Authority will assist wherever possible so that these reforms will be implemented successfully. (ongoing)

Risk Overview

Each year, the Authority follows a procedure for Risk Assessment and Treatment that identifies new risks, performs a risk analysis through the scales related to likelihood and impact, proposes risk treatments in the form of mitigations, and performs risk monitoring and review. This process was the subject of an internal audit in 2020 and recommended changes to the process were made. This procedure has been assigned to the Risk Committee of the Board for their oversight and bi-annual review.

Risk Register | 33 items



Code	Title	Owners
ECO	External Economic Risk	CFO
ILL	Risk that Employees are exposed to Injury or Illness in the Workplace	HSEQ MG
EXP	Operating costs exceeding amount budgeted	CFO
INJ	Injury to pilot/crew member while transferring	HSEQ MG
PIL	Risk of being unable to Attract and Retain Pilots to meet Demand	DHR
LSV	Loss of Launch Services causing Major Interruption of Service	Fleet Tech
IMS	Ineffective Management System	HSEQ MG
PFG	Safety Compromised due to Pilot Fatigue/Under the Influence	HSEQ MG
BCO	Loss of Contracted Launch Services or Crewing Contract	COO
CLI	Safety Compromised due to Conditions caused by Weather or Climate	HSEQ MG
MPP	Pilotage Service Cannot be Provided in Minor Ports due to Lack of Proficiency	COO
INC	Risk of Accident Caused by the Human Element	COO
WVR	Safety and reputational risk associated with Pilotage Waivers	COO
LAB	Interruption of Service due to Breakdown in Labour Relations	DHR
DIS	Service Compromised due to Interruption to the Dispatch Operation	DHR
WHA	Safety Compromised due to Condition of APA Infrastructure	Fleet Tech
PRM	Safety Compromised due to Inappropriate Pilotage Area Designation	COO
BMV	Safety Compromised due to Frequent Pilot Boats Movements in Open Water	COO
ADM	Administration Staff Coverage	DHR
PBC	Unable to Attract and Retain Adequate and Trained Relief Pool for Pilot Boat Crew	DHR
NCP	APA Involvement in Non Comp Ports	CFO
WEA	Service Interruptions due to Weather or Climate	COO
CFG	Safety Compromised due to Boat Crew Fatigue/Under the Influence	HSEQ MG
ABS	Pilot Vessels not passing class Inspections	Fleet Tech
INF	Management Information (Available IT and information)	CFO
SAT	Poor Customer Satisfaction	COO
CON	Conflict of Interest Impact reputation	CFO
ORG	Governance/Organizational Structure/Succession Planning	DHR
DBS	Business Continuity (Dispatch Centre)	CFO
CER	Certificate Holders Evaluations	COO
REG	Non-Compliance with Regulations and Legislation	CFO
CYB	Loss or Misuse of Information, Data, or Other Assets (Cyber Risks, other lost assets)	CFO
FRD	Fraud	CFO

The residual risk, considering active mitigations, for areas of concern that were measured as extreme or vary high during the 2020 assessment were:

Extreme

- <u>External Economic Risk</u>: The pandemic has caused a reduction in shipping that has greatly impacted the Authority's financial position. This is a substantial risk to the Authority's goal to maintain financial self-sufficiency. With the loss of approximately 20% of its assignments and related revenues, the financial reserves and savings will be exhausted in order to meet the mandate. Without an increase in its ability to borrow, the Authority would be at risk of not being able to provide a service if further declines were to occur.
    - The Authority is planning to increase its line of credit approvals so that it can carry on with operations should revenues fall further in the near term. Capital projects may be deferred until traffic levels are more stable. Charges will be adjusted to recover these shortfalls from industry over the next four years. If traffic does not recover as projected, these rates will be adjusted in future years.

Very High

- <u>Risk that Employees are exposed to Injury or Illness in the Workplace</u>: This is another risk category that has been elevated during the pandemic. While the virus remains active in the world, there is increased risk for all employees of the Authority, especially pilots and boats crews. This is a risk to the Authority's goal to provide a reliable and self-sustaining service by safeguarding the Authority's people and assets while planning for succession and asset replacement.

- The Authority has a pandemic plan that has been followed during Covid. Numerous mitigations have been actioned to keep the employees safe while maintaining the pilotage service. Federal and local authorities, along with all stakeholders, have coordinated mitigation efforts that have kept shipping and commerce uninterrupted in the region.

- Operating Costs Exceeding Amount Budgeted: Increased costs associated with pandemic planning and mitigation have been offset with savings in travel and training. There are areas outside of the Authority's control, like damages to infrastructure caused by extreme storms. With the Authority's savings exhausted in 2021, there is greater consequence to these unknown costs that are possible. This is a substantial risk to the Authority's goal to maintain financial self-sufficiency.

  - The Authority is planning to increase its capacity to borrow while reserves are depleted. This would allow for the service and safety to be maintained if unexpected events occur, increasing costs beyond what was planned.

- Injury to pilot/crew member while transferring: The Authority has pilots injured while transferring occasionally with various levels of injury, but the transfer at sea is a dangerous maneuver for which the Authority must be diligent in making as safe as possible. This is a risk to the Authority's goal to provide a reliable and self-sustaining service by safeguarding the Authority's people and assets while planning for succession and asset replacement.

  - The Authority has the technologies and procedures in place to minimize the likelihood of a pilot or crew member being injured during the act of transferring a pilot and minimizing the impact if this occurs. The Authority has numerous investments and procedures towards this end. The most recent mitigations include annual vessel inspections, the addition of more modern vessels, personal protective equipment, personal locator beacons, and established operating parameters with respect to adverse weather.

IV) Financial Overview

Financial Position

The Authority is a “non-appropriated” or self- financing Crown Corporation with the requirement to be financially self-sufficient through the use of charges that are fair and reasonable. The costs of the Authority are charged to the users of the service in the form of a charge on each assignment for which pilotage services are provided. The Authority controls its administration costs while assuring any increased operating costs are offset by fair and reasonable charges. Pre-Covid, the annual goal is to have a profit that allows for reserves to weather downturns, savings for capital replacement, and savings towards future severance liabilities. Due to the pandemic, the Authority will use the accumulated savings to maintain service without impacting its ability to fulfil its mandate. The medium-term goal will be to recover cash shortfalls that were beyond the amounts held in reserve. Over the long-term, the Authority will return to its goal to have each area become financially self-sufficient to prevent cross-subsidization among ports, while rebuilding its reserves. The Authority relies on projections of future traffic levels and the corresponding revenue and expenses to determine the financial health of the individual ports.

The 2019 Annual Report for the Atlantic Pilotage Authority is posted at:

https://www.atlanticpilotage.com/wp-content/uploads/2020/06/Annual-Report-APA-2019-English.pdf

Financial Strategy

The Authority recognizes these three following factors that are important in maintaining financial self-sufficiency:

1 Maintaining a reserve fund to allow the Authority to remain financially sound during economic downturns.

The Authority had set a target to maintain a current ratio of 2:1. Current assets were to be maintained at a level that is twice the current liabilities that are not covered by allocated savings. This goal had been achieved in each of the previous four years and represented the reserve fund that allowed the Authority to remain financially sound during this economic downturn caused by the pandemic. Due to COVID-19 related declines, the reserve has been needed to fund the operation and the Authority expects it will use short-term financing at times for several years to fulfill its mandate. The current plan is to begin accumulating a reserve again by the end of 2024 and moving towards achieving the target by the end of 2026.

2 Maintaining the financial capacity to borrow or fund the cost of acquiring new pilot boats.

The Authority has established a long-term fleet renewal strategy that includes an investment in new vessels that began with a new design in 2020. Also included in this strategy are mid-life refits and scheduled future construction.

At the end of 2019, the Authority had accumulated $2.7 million in dedicated savings for capital asset replacement. These savings will be exhausted with capital replacement during the current downturn. The plan assumes an increase in the previously anticipated long-term borrowing towards these projects as the cash balances of the Authority have been negatively impacted by COVID-19. The Authority will not contribute future funds towards this dedicated savings purpose until the financial reserve targets are met.

3 Maintaining sufficient reserves for an unfunded liability pertaining mainly to severance payments

This liability was $1.568 million on December 31, 2019 and will grow through 2021 before it begins to decline. In 2012, the benefit was removed from non-union employees' benefits, was negotiated out of two collective agreements, and was eliminated for new employees in the third collective agreement. The Authority set an annual target for savings for this purpose and surpassed this minimum target in each of the previous two years. The Authority had accumulated $900,000 in savings for this purpose by the end of 2019 and was well ahead of schedule. The plan is to use these savings to offset the severance payments required while in the current downturn. The Authority will not contribute future funds towards this dedicated savings purpose until the financial reserve targets are met.

The budgeting outlook from 2021 to 2025 assumes significant declines in traffic in most areas due to COVID-19 and includes specific impacts in particular industries where information was received; operational behaviour that is consistent with current approaches; and, adjustments made for typical, predictable economic factors such as inflation. Based on these projections, the Authority will have an accounting loss of approximately $1.4 million in 2021 and a slow recovery through the planning period. The Authority will borrow over the short-term to fulfill its mandate and will aim to eliminate its annual deficit by the end of the planning period.

Capital Investments

The Authority has over $26 million in capital assets that have to be replaced or upgraded over the long-term. It is a large portion of the financial capital of the Authority that is needed for this purpose. These expenditures are primarily for pilot boats, but also includes investments in wharves and structures, maintenance vehicles, leasehold improvements, and computers and office equipment. With the changes to lease accounting for the Authority under IFRS16 a recognition of Right-of-Use assets associated with leases began in 2019. A Right-of-Use asset is recorded to represent the value of an asset the Authority is using under lease but does not own. The Authority did not have any capital leases as defined under the previous accounting rules.

In 2020, the Authority currently expects to invest $4.3 million in capital projects, all of which funded by operating cash flows and accumulated savings. This is $1.6 million less than budgeted as the procurement of a used pilot boat was cancelled, and the new pilot boat construction project is delayed. Included in the investment for 2020 is $1.3 million to repair the Herring Cove breakwater. A natural disaster occurred in Nova Scotia in early September 2019 with Hurricane Dorian causing severe damage to the breakwater. The breakwater protects a wharf in Herring Cove that the Authority uses to transfer pilots when there is peak traffic. Even though the conditions at the wharf do not allow for the pilot boats to be docked there regularly, this wharf is closer to the pilot station and allows for quicker transfers. This improves efficiencies, saves resources, and avoids possible delays when the port is at its busiest.

The Authority budgets for projects that are planned, but under IFRS, there are unanticipated repairs that also must be capitalized. An allowance is assumed for these items, but depending on the components that fail, the Authority can be well over, or well under, budget on the capital portion of these repairs.

2021:

As the two Placentia Bay vessels reach 15 years of age, the Authority is beginning a project to replace these vessels. The expenditure for 2020 is expected to be $0.4 million and will complete the design process. With the uncertainty in traffic levels, especially in Placentia Bay, this project will be delayed until the ultimate future of the Come-by-Chance oil refinery is determined. When these new vessels are launched in Placentia Bay, the older vessels will be redeployed to Halifax and Saint John where they will be larger and more robust platforms in these ports during the winter months. With the delay in this project to construct two new vessels, the option will be open to use a portion of this capital budget towards used vessels instead, if needed to maintain service. These vessels would be less costly than a new build.

The requirements included in the 2021 Capital Budget include planned upgrades to the vessels and for the estimated capital portion of regular repairs. This includes critical spares that are budgeted to be added based on recommendation from an internal audit.

Planned capital investment in wharves and structures is primarily due to floating dock requirements in several ports, and a new pilot and crew facility in Saint John, NB. The Authority will have to move its boat location in the port, but it is unknown whether it will be in 2021 or 2022. Further investment in portable pilotage units is planned for 2021 as well as software replacement and upgrades.

Refer to Appendix 6 for more information.

Debt

As the Authority has invested in capital assets, it has done so by entering into financing arrangements to fund the portion of major capital projects that cannot be covered within available funding in reserve. These funding activities are governed by section 36 of the *Pilotage Act* and section 127 of the Financial Administration Act. As outlined by Order in Council, the APA is subject to a statutory borrowing approval constraint which limits total amount outstanding at any time at $20 million. This does not include amounts to be recognized as capital leases. The Authority's borrowing strategy is developed to always stay well within this borrowing constraint, but the future impacts on the finances of the Authority of COVID-19 and the pending sale of the Come-by-Chance oil refinery are currently unknown.

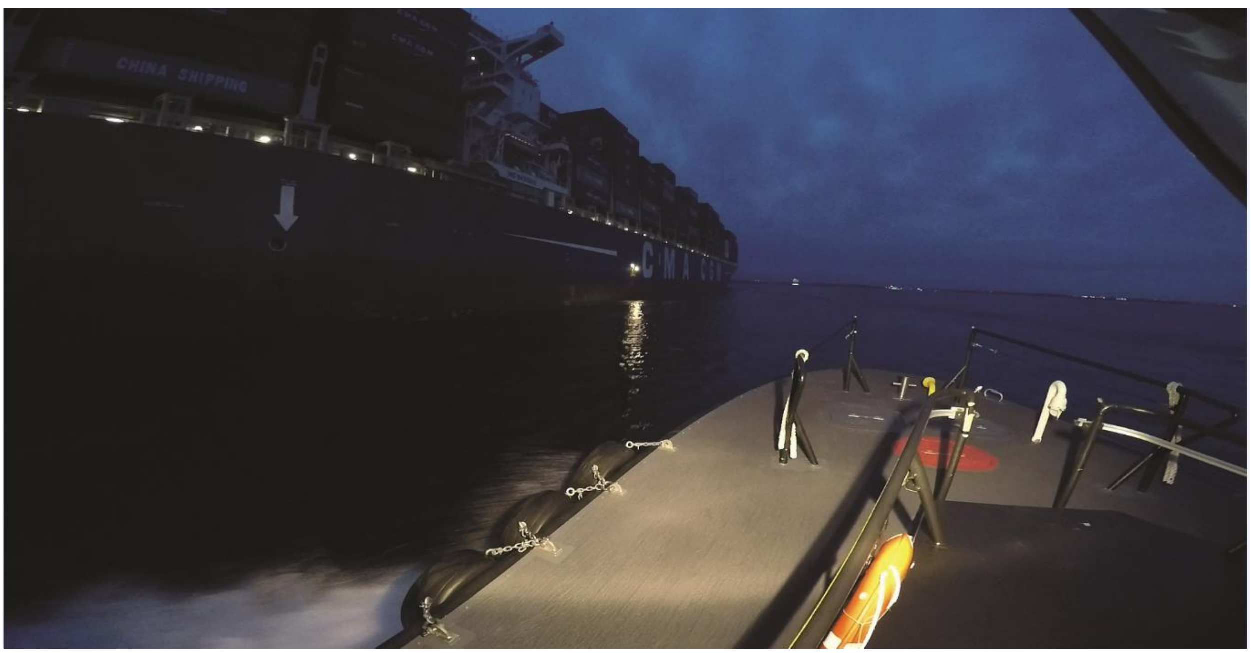
The Authority is requesting approval of the Minister of Finance to enter into a new loan facility in 2021 in the amount of $8 million to be used towards the construction of two new pilot boats, or purchase of used pilot boats if the construction project is delayed. These funds are expected to be drawn in 2021. The Authority is also requesting approval to increase its short-term borrowing from $2.5 million to $7.5 million to deal with COVID-19 traffic reductions and traffic declines in Placentia Bay. The Authority anticipates that it will be drawing on its line of credit by the end of the first quarter of 2021. In accordance with section 36 of the *Pilotage Act* and 127(3) of the Financial Administration Act, the Authority requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. Refer to Appendix 7 for more information.

Financial Investments

Under the most recent changes to the *Pilotage Act*, under section 37, the Authority may, with the approval of the Minister of Finance, invest any moneys not immediately required for the purposes of the Authority in any class of financial asset. The Authority is requesting the approval of the Minister of Finance to invest in guaranteed investment certificates that are eligible for Canada Deposit Insurance Corporation insurance.

Appendices

1. Ministerial Direction
2. Corporate Governance Structure
3. Planned Results
4. Chief Financial Officer Attestation
5. Traffic Analysis
6. Financial Statements and Budgets
7. Borrowing Plan
8. Risk Management
9. Covid-19 Pandemic Impacts
10. Compliance with Legislative and Policy Requirements
11. Government Priorities and Direction



1. Ministerial Direction

The Atlantic Pilotage Authority is operating in accordance with the guidance expressed in the Honourable Marc Garneau, Minister of Transport's letter to the incoming Chair of March 14, 2019.

Minister of Transport Ministre des Transports

Ottawa, Canada K1A 0N5

MAR 1 4 2019

Mr. Robert Jack Gallagher
[redacted]

Dear Mr. Gallagher:

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. 2019-109, dated February 27, 2019, as Chairperson of the Atlantic Pilotage Authority (APA) for a term of five years. I would also like to take this opportunity to thank you for agreeing to serve in this capacity and to convey my expectations for the corporation.

As you know, the APA is a Crown corporation, with a mandate set out in the *Pilotage Act* to establish, operate, maintain and administer, in the interests of safety, an efficient pilotage service. Moreover, the Authority is empowered to set tariffs that are fair and reasonable and that allow 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*, Part X. In this context, one of my key responsibilities is to answer for the APA in Cabinet and in Parliament.

As Chairperson, you are the representative of the APA 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 include the oversight of the business and activities of the corporation. As a result, 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 that the corporation's information systems and management practices meet its needs; and 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 the success of this corporation.

Canada

As a Crown corporation within the Transport Canada portfolio, the APA 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 Authority 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 the mandate or of a strategic nature. In these instances, you are to seek my views before undertaking any such activities, including planning or consultations.

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 APA to continue its best practices in this regard by hiring, when possible, more women, Indigenous individuals, 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 APA 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 APA in Parliament. For any communication with my office, [redacted] will be your contact person and he can be reached at [redacted].

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

Yours sincerely,

Marc Garneau

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

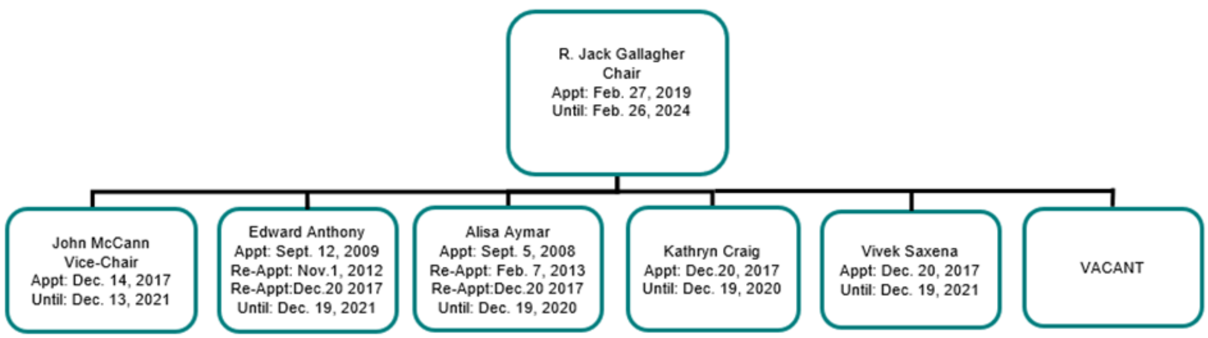
Enclosure

2. Corporate Governance Structure

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

The Chair and Members of the Board are appointed by Governor-in-Council for terms of two to five years. The Board is composed of members with various experiences and an effort is made to have the Board reflect the widespread geographical area within the Atlantic Pilotage Authority's jurisdiction.

The following organizational chart indicates the composition of the Board as at September 1, 2020, followed by a chart indicating the Board committees that are in place. The Members remain on the Board until a re-appointment, or replacement is made by Order-in-Council, minimizing the risk to the Authority of these expiring terms. The Chair does not serve beyond the end of their term.



The previous Vice-Chair resigned on March 21, 2019, leaving a vacancy on the Board that has yet to be filled. The Vice-Chair roll was assigned to another member.

APA Board Members

G. Jack Gallagher, Chair

Captain Gallagher was appointed to the Board on February 27, 2019. He is a Master Mariner, formerly with the Coast Guard and owns an international maritime consulting practice.

John McCann, Vice-Chair

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

Captain Edward Anthony

Captain Anthony has served on the Authority's Board for 5 terms and was a Southeast NL marine pilot with the Authority for 13 years. Captain Anthony has also held various marine-related positions in the federal government, private industry and academia.

Alisa Aymar

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

Kathryn Craig

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

Vivek Saxena

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

APA Board Role

The Board is responsible for the oversight and strategic direction of the Authority. It sets corporate objectives and direction, ensures good governance, monitors financial performance, approves budgets and financial statements, approves policies and by-laws, as well as ensures that risks are identified and managed.

The Board meets at least quarterly with other meetings scheduled as needed. The Board has created a number of committees with specific responsibilities. The Board has established Terms of Reference for each standing Committee and guidelines that govern the operations of all committees. The Board may establish other committees as required to assist the Board in meeting its responsibilities. Further information on these committees is provided below.

The total of Board remuneration and expenses are projected to be $125,000 in 2020 and are below the $150,000 budgeted for the year due to the board vacancy and reduced travel.

Committees

Audit Committee

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

Governance, Nominating and Regulations Committee

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

Human Resources Committee

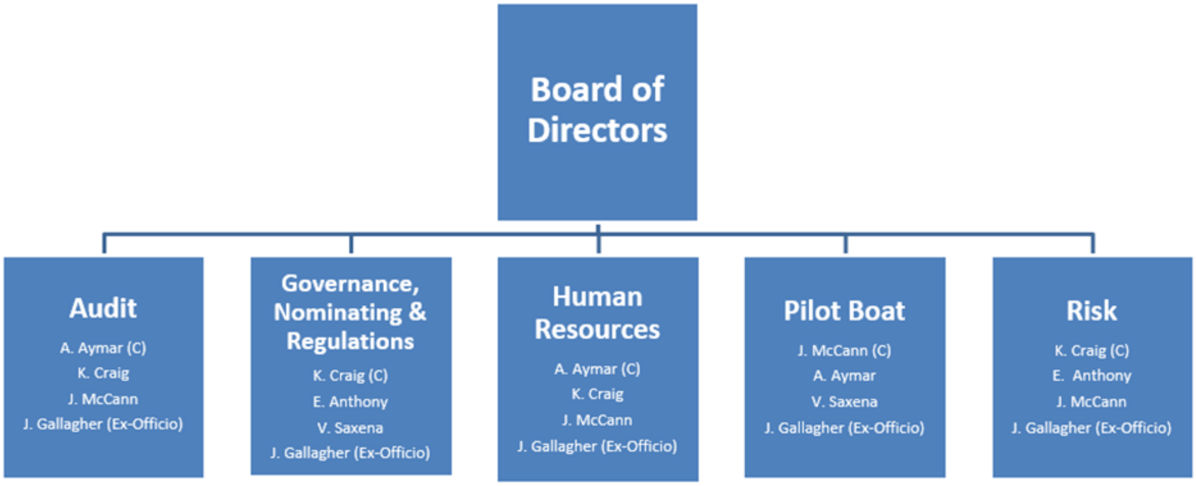
This committee meets as needed and is made up of three members. The committee's responsibilities include the CEO's performance evaluation, reviewing significant changes to the organizational structure, reviewing the mandate for collective bargaining, and monitoring succession planning for management and pilot resources**.**

Pilot Boat Committee

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

Risk Committee

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



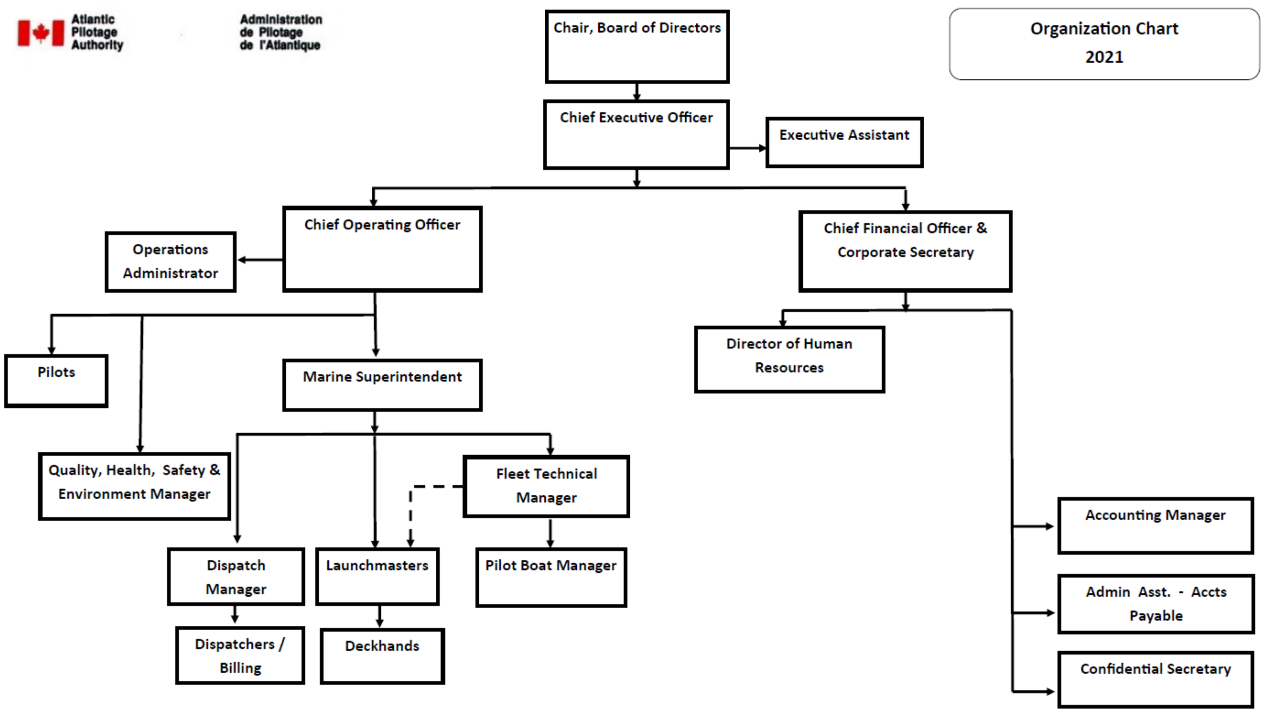
Senior Executives

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

Name	Title
Sean Griffiths	Chief Executive Officer
Brian Bradley	Chief Financial Officer and Corporate Secretary
Gary Joyce	Chief Operating Officer
Jennifer Campbell	Director of Human Resources
David Anderson	Marine Superintendent

The total cost of this senior executive group is projected to be $933,000 in 2020. This will be below the $981,000 budgeted for the year. The increase over previous years is due to the addition of the Marine Superintendent.

The senior executives are supported by six administrative staff members. The following chart indicates the organization structure of the administration of the Authority for 2020 even though all of the positions listed may not be occupied by year-end:



Operations Personnel

Employee Pilots

The Authority recruits highly skilled mariners with a significant and diversified experience within the shipping industry. Recruiting a mariner with this level of certification and career experience is a targeted audience, specifically those who have sea time experience in the compulsory district for which we are recruiting. The Authority established the familiarization program upon the amendment of our APA Regulations - Section 14 General Qualifications – Experience at Sea – Applicants 14.1 (2) in 2014. The intention of the regulation is to aid in the recruitment of qualified mariners that otherwise would not meet the trip qualifications within the district. This program increases our eligible pool of highly skilled and competent candidates to hire for future district pilot positions. Operating in a dynamic maritime industry, this program becomes increasingly important to ensuring our future personnel have the professional expertise and work experience to meet our high standard for providing a safe and efficient pilotage service.

The Authority stresses the work/life balance it can offer, the retirement benefits, and that being a pilot is seen by many as the pinnacle of a mariner's career. These factors can be attractive to a number of mariners and offset some shortages in wages.

The Authority's pilot age demographic is weighted towards those individuals nearing retirement. As historically, pilot progression takes between 24 – 36 months to reach a full Class A Unlimited Licence, it is critical to have access to competent and qualified resources to ensure continuity of service during times of increased traffic due to lost time injury. In 2013, the Authority reached a Memorandum of Agreement with the CMSG in which there is an incentive for pilots to provide notice of retirement. This agreement provides the Authority with an opportunity to properly plan pilot strength by pro-actively hiring new apprentices. Subsequent to this agreement, the Authority has received notice from many pilots regarding their plans to retire. Pilots are being added as replacements so that they can have two years of training before each pilot retires. Having a pilot retire without a suitable replacement able to compensate can have a negative effect for users.

The licence structure is outlined below:

Licence	Gross Tonnage	Note
Apprentice Licence	Training capacity	At the end of this phase, the apprentice must receive a passing mark on an extensive written and oral exam for their district.
Class C Licence	Does not exceed 10,000 GT	
Class B Licence	Does not exceed 40,000	Class B Limited
		Class B Unlimited
Class A Licence	Over 40,000 GT	Class A Limited
		Class A Unlimited

An apprentice licence restricts the holder to training trips under the supervision of a senior Class A Unlimited pilot within his/her district. Training is conducted on various types and sizes of ships. At no point during the apprentice phase, does the holder complete pilotage assignments without supervision. As licence progression continues, he/she will perform pilotage assignments independently within their corresponding gross tonnage limitation. During this time, he/she performs training trips with senior district pilots on assignments above their current licence level. This process continues until the pilot receives a full Class 'A' Unlimited licence, allowing them to take all assignments within their district.

The following outlines the general application of training courses as related to the pilot progression through their increasing level of pilotage licence.

Mandatory Training Course	Location	Pilotage Licence Level Required
SeaIQ/PPU	Quebec	Apprentice
H2S Alive	Local Area	Apprentice
H2S Refresher	Local Area	Class C, B or A as required
Basic Manned Model	United Kingdom	Class B

Mandatory Training Course	Location	Pilotage Licence Level Required
Advanced Bridge Resource Management (BRM-P)	Quebec	Class C or Class B
Radar Errors	Quebec	Class C or Class B
Tug Escort	PEI/Quebec	Class C, B or A
Z-Drive Tug	Quebec	Class B or Class A
Azipod	Quebec	Class B or A
Advanced Manned Model	France	Class A
Advanced Manned Model refresher	France	Class A (7 years after Advanced Manned Model)

The average cost to the Authority to train a pilot to an unlimited Class A licence over the initial two to three years is $250,000. The Authority has budgeted $350,000 for training courses for 2020.

Pilot Boat Crews

The pilot boat crews encompass three groups of employees that are considered operational.

Vessel Maintenance

The Authority employs two people that manage and maintain the APA vessels. The Fleet Technical Manager and the Pilot Boat Manager. These positions allow for increased leadership, technical management and preventative maintenance of our fleet.

Launchmasters

There are eight launchmasters who are employees of the Authority, four in Saint John and four in Halifax. They are the captains of the pilot boats and are highly skilled boat handlers that are able to guide the pilot boats along side much larger, fast moving vessels, to allow the pilots to transfer safely.

Deckhands

There are eight deckhands who are employees of the Authority, four in Saint John and four in Halifax. The deckhands most important responsibility is assisting and protecting the pilots while transferring between moving vessels.

Dispatchers

Included in the dispatchers' category is the Dispatch Manager position, who manages the dispatch centre and five full-time dispatchers, one of whom handles the billing. High quality dispatchers are essential to providing an efficient and effective service as they are the point of contact for all operational partners in each port, coordinating pilots, pilot boats, and transportation with the moving vessel orders and requirements, while adhering to mandatory rest periods and safety requirements.

Entrepreneurial Pilots

Entrepreneurial Pilots are not employees of the Authority and derive their income from receiving a share of the charge levied for an assignment. Therefore, the Entrepreneurial Pilot assumes the financial risk related to changes in activity. They are used in areas where there is very little traffic, no investment in assets by the

Authority, or potential for large fluctuations in assignments. They do not provide service in the same districts as employee pilots.

Directive on Pensions:

Section 16 of the *Pilotage Act* specifies that the Authority is deemed to be a Public Service corporation for the purposes of section 37 of the Public Service Superannuation Act. Employees of the Authority are members of the Public Service Superannuation Plan and contributions are made by the employees and the Authority to fund their future annuity. This plan aligns with the Government priorities and has the employee/employer cost sharing ratio of essentially 50:50.

3. Planned Results

The following provides an overview of the Authority's intended results for the planning period:

Short-Term Performance Assessment

Outcome	Performance Indicators	2021	2025	Data Strategy
The Authority is committed to providing pilotage services free of shipping incidents	Number of assignments under the conduct of a licenced pilot, or certificated master, on which there were no shipping incidents	99.97% (10% annual improvement)	99.98%	Logged Incident Reports
	Percentage of customers who reported that they are satisfied with the Authority's commitment to safety as registered through the annual customer survey process	90%	95%	Annual Customer satisfaction Survey
The Authority will maintain financial self-sufficiency by exercising effective cost management and establishing charges that are fair and reasonable	Annual Short-term borrowing balance	Less than $2.5 million	0	Annual data from APA's financial systems
	Accumulated Short-term borrowing	Less than $2.5 million	Less than $5 million	Annual data from APA's financial systems
	Number of registered objections to proposed charges	0	0	Government logs of objection
The Authority is committed to providing pilotage services that do not cause delay or service interruptions	Number of assignments under the conduct of a licenced pilot on which there were no delays of greater than one hour	99.58% (10% annual improvement)	99.72%	Annual data from APA's financial systems
	Number of registered complaints as reported through the Authority's non-compliance reporting process	99.72% (10% annual improvement)	99.82%	Annual data from APA's non-compliance logs
	Percentage of customers who reported that they are satisfied with the efficiency of marine pilotage services provided by the Authority as registered through the annual customer survey process	80%	85%	Annual Customer satisfaction Survey

Outcome	Performance Indicators	2021	2025	Data Strategy
The Authority is committed to the safety of its people	Hours of case management time associated with work related injuries	9 days (10% improvement)	5 days	Employee medical case manager reports

Medium-Term Performance Assessment

Outcome	Performance Indicators	2021	2025	Data Strategy
The Authority is committed to supporting efficiency & consistency through consultation	The number of consultation meetings held between the Authority and its stakeholders	15 meetings	15 meetings	Meeting logs and records
The Authority will support the Government in its efforts to implement the regulation changes required under *Pilotage Act* reform	The regulation changes and changing policies/procedures will be implemented successfully as determined by Transport Canada	100% as per TC schedule	-	Transport Canada schedule for changes
The Authority supports the Federal Sustainable Development Strategy and Greening Government Strategy by reducing its environmental footprint	Reduction in environmental footprint as boats and facilities are replaced	There will be no environmental spills or damages to be reported that are related to pilot boat operations	Investments focused more on green technology and improved efficiency	

Chief Executive Officer Results Commitment

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

September 17, 2020

Chief Executive Officer
The Atlantic Pilotage Authority

Date

4. Chief Financial Officer Attestation

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

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

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

September 17, 2020

Chief Financial Officer
The Atlantic Pilotage Authority

Date

5. Charge Analysis

The 2020 Forecast of Pilotage Requirements in Compulsory Pilotage Areas is the basis for the planning assumptions of the Authority and is based on historical levels, shipping announcements, and information provided directly to the Authority. The Authority reviews each port to arrive at a projected traffic level for the port and rolls these numbers into the overall forecast as presented. A brief discussion of traffic trends is in the body of the report with a more detailed traffic summary and discussion provided below.

TRAFFIC SUMMARY								
	ASSIGNMENTS							
	ACTUAL	PROJECTED	BUDGET	BUDGET	PLAN			
	2019	2020	2020	2021	2022	2023	2024	2025
COMPULSORY TRAFFIC								
SALARIED PORTS								
HALIFAX	2,682	2,315	2,933	2,223	2,268	2,437	2,664	2,664
SAINT JOHN	1,844	1,600	1,843	1,547	1,589	1,655	1,757	1,757
STRAIT OF CANSO	621	554	696	532	532	580	611	611
SYDNEY	441	191	485	172	236	313	426	426
BRAS D'OR	4	4	4	4	4	4	4	4
PLACENTIA BAY	1,373	1,056	1,177	1,181	1,181	1,253	1,280	1,280
ST. JOHN'S	559	451	535	376	360	422	474	474
HOLYROOD	33	30	34	32	32	32	31	31
HUMBER ARM	205	199	234	211	221	231	240	240
BAY OF EXPLOITS	67	64	90	64	64	64	67	67
STEPHENVILLE	34	40	40	40	40	40	40	40
TOTAL SALARIED PORTS	**7,863**	**6,504**	**8,071**	**6,382**	**6,527**	**7,031**	**7,594**	**7,594**
ENTREPRENEURIAL PORTS								
PUGWASH	90	88	100	87	87	87	87	87
MIRAMICHI	25	18	20	18	18	18	18	18
RESTIGOUCHE	24	2	2	2	2	2	2	2
BELLEDUNE	-	-	125	-	125	125	125	125
VOISEY'S BAY	41	37	10	16	16	16	16	16
CHARLOTTETOWN	277	71	260	78	124	176	275	275
CONFEDERATION BRIDGE	106	73	120	75	85	94	99	99
TOTAL ENTREPRENEURIAL PORTS	**563**	**289**	**637**	**276**	**457**	**518**	**622**	**622**
NON-COMPULSORY TRAFFIC								
BELLEDUNE	125	98	-	98	-	-	-	-
OTHER NON-COMP	143	108	112	105	105	107	-	-
TOTAL NON-COMP TRAFFIC	**268**	**206**	**112**	**203**	**105**	**107**	**-**	**-**
TOTAL TRAFFIC	**8,694**	**6,999**	**8,820**	**6,861**	**7,089**	**7,656**	**8,216**	**8,216**

Halifax

The port of Halifax has rebounded in recent years with increased container, auto carrier, and cruise traffic. The cruise traffic in 2020 was expected to increase slightly from 2019 as cruise was scheduled to grow throughout the region. The auto carrier traffic was exceptionally strong in 2018 but has fallen to levels closer to the historical traffic rates in 2019. COVID-19 has eliminated the cruise traffic in the port for 2020 and a slow recovery is projected. Consumer goods traffic has also fallen, impacting container traffic and auto carriers. A slow recovery is budgeted for each of these sectors.

Saint John

Cruise ship traffic in the port has been growing after a sharp decline in 2012, but like in Halifax, COVID-19 has eliminated this activity for 2020 and reduced it significantly through the planning period. Oil tanker assignments in the area have not been impacted by the pandemic and are expected to remain strong. A bunker vessel has been deployed in the area and added a number of small revenue assignments for the Authority. These revenues will be lost when the masters of this vessel are able to write for their pilotage certificates. The potash mine closed in 2016 but in 2017 there was an increase in large cargo vessel traffic as potash began being moved from Saskatchewan by rail to be exported through Saint John. This activity has grown again in 2020. Other than the cruise segment and the eventual loss of bunker vessel assignments, all other traffic is expected to be steady for the planning period.

Cape Breton

Cargo traffic in the port is partially generated from ship-to-ship coal transshipment operations that had decreased dramatically in 2016 due to low coal prices. These are very large vessels for the area and their decline has been very detrimental to revenues in the area. With a rebound in coal prices, this operation picked up again in 2017, but in 2019 the year-round operation scaled back in the winter months to avoid the worst weather in the port and has not rebounded. There remains a proposal to build a new container terminal in the Strait of Canso area and an LNG export facility. Neither project is expected to have any impact on activity in the near future. For Sydney, there is normally tanker traffic, coal movements, and cruise traffic that drives the activity. The cruise traffic expected in the port for 2020 has also been cancelled due to COVID-19 and not expected to return in 2021.

Southeast Newfoundland

In Placentia Bay, traffic continues to fluctuate depending on many factors that normally include the length of maintenance shutdowns done annually. The Come-by-Chance oil refinery was in the initial stages of planning for expansion that would increase traffic over the longer term. This facility was shutdown for a minimum of 5 months in 2020 due to the declining oil market caused by COVID-19. During this period, an agreement was made to sell the refinery to Irving Oil and is pending at this time. The impacts of this sale on the planned expansion and future traffic levels is currently unknown. The Whiffen Head transshipment terminal has had a large increase in traffic as the Hebron field has been in operation. This activity began stronger than originally anticipated but the facility was expected to show a decline in 2020 as the FPSO for the Terra Nova Oil Field was planned to go off station for the year. COVID-19 has impacted this plan and is no longer taking place in 2020. Cargo assignments are primarily for the removal of sulfur from the refinery. There is a nickel smelter at Long Harbour in Placentia Bay that provides just over a monthly caller. The refinery began operating a bunker vessel for fueling vessels late in 2016. The amount of pilotage activity this provides to the Authority is determined by whether the current masters are certificated but the operation is also drawing additional traffic to the area. In St. John's, the Authority pilots much less than half of the ship movements in the area due to pilotage certificates.

Other Notes

Belledune, NB is expected to become a compulsory port during the planning period when the regulation to change its status is finalized.

6. Financial Statements and Budgets

This Corporate Plan is presented under International Financial Reporting Standards (IFRS).

For 2020, revenues will underperform the budget as COVID-19 related impacts have impacted activity. Forecasted pilotage service revenue for the current fiscal year is $24.9 million, which represents a shortfall of $5.4 million (17.9%) from the Authority's approved fiscal 2020 budget. The reduced activity has caused a decline in variable expenses. Total expenses for 2020 are projected to be $27.0 million, $2.0 million below budget. This leaves the Authority with a projected loss of $2.1 million and cash inflows not sufficient to cover the projected spending. Most of the Authority's costs are fixed or cannot be reduced without severely impacting service levels and fulfilment of its mandate. The Authority had budgeted a $1.3 million profit for 2020.

The budgeting outlook beyond 2021 assumes the following; no rebound of cruise traffic; a very slow recovery in other traffic for Halifax and Cape Breton; traffic in Western Newfoundland to remain steady; the refinery in Placentia Bay to return, but below capacity; operational behaviour remains consistent with current approaches; and, adjustments made for typical, predictable economic factors such as inflation.

Financial Planning Factors

When preparing its forecast and budgets, the Authority considers a variety of elements, both financial and nonfinancial. Information is gained through consultation meetings within each port or area which allows for projections and budgeted activity over the near term. Budgets are prepared for each administrative cost centre as well as each operating segment.

Projected and Budgeted Revenue

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

When creating the Corporate Plan for 2021-2025, the Authority used several sources of information to predict traffic levels. The traffic patterns of previous years were combined with changes within individual business sectors, announced or expected expansions or contractions, and general financial conditions. The Authority also reached out to stakeholders, including the marine industry and port authorities, during consultation meetings and direct communications, to solicit feedback on projected changes to future volumes or activity.

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

Based on the operating budgets, the following pilotage charge adjustments are being proposed:

Charges Adjustment 2021

Due to the unique nature of pilotage in the Atlantic region, the Authority strives for area-by-area and port-by-port financial self-sufficiency over the longer-term. This is in an effort to minimize cross-subsidization between stakeholders.

1) Effective January 1, 2021 there will be increases in port-by-port charges for one-way trips, thru trips, and movages in sixteen compulsory ports to offset decreasing activity or increasing capital investments as described earlier. The impact of these increases represents a 2.1% increase in total revenues, or $535,000. The rate increases and annual expected impact by port are summarized below:

Port	Charge Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Strait of Canso, NS	3.00%	$61	($508)	($448)	Recent declines in traffic Pre-COVID-19.
Bay of Exploits, NL	3.00%	$6	($65)	($59)	Recent declines in traffic Pre-COVID-19.
Stephenville, NL	3.00%	$3	($61)	($58)	Offset increase in allocated costs due to addition of pilot boat service.
Pugwash, NS	2.00%	$2	($11)	($11)	Increase to assure service availability (Entrepreneurial Pilots)
St. John's, NL	3.00%	$27	($227)	($200)	Recent declines in traffic Pre-COVID-19 due to pilotage certificates.
Holyrood, NL	3.00%	$2	$4	$6	Has same rates and shares resources with St. John's.
Halifax, NS	3.00%	$159	($1,305)	($1,145)	Recent declines in traffic Pre-COVID-19.
Sydney, NS	3.00%	$15	($576)	($561)	Recent declines in traffic Pre-COVID-19.
Saint John, NB	3.00%	$136	($772)	($637)	Expected decline in traffic Pre-COVID-19.

Port	Charge Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Bras d'Or Lakes	2.00%	$1	($11)	(10)	Offset increase in allocated costs
Charlottetown, PE	2.00%	$3	($3)	($3)	Increase to assure service availability (Entrepreneurial Pilots)
Confederation Bridge, PE	2.00%	$3	($7)	($7)	Increase to assure service availability (Entrepreneurial Pilots)
Miramichi, NB	2.00%	$1	($3)	($2)	Increase to assure service availability (Entrepreneurial Pilots)
Restigouche, NB	2.00%	$1	($1)	$0	Increase to assure service availability (Entrepreneurial Pilots)

2) Effective January 1, 2021 there will be an increase in in the pilotage charge for the compulsory pilotage area of Voisey's Bay, NL. The daily rate will increase from $1,000 to $1,200. This rate has not changed in the past 12 years. The increase is meant to assure the Authority can attract and maintain a pool of licenced entrepreneurial pilots for the area.

Port	Charge Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Voisey's Bay, NL	20%	$19	($1)	$2	Increase to assure service availability (Entrepreneurial Pilots)12-year period with no increase.

3) Effective January 1, 2021 there will be increases in port-by-port charges for one-way trips and movages for all non-compulsory ports. The Authority provides pilots for these areas upon request if there are licenced pilots available. There is no requirement to do so, therefore the charge must be set at a rate that attracts these entrepreneurial pilots to accept these requests when desired by industry.

The unit charge for a one-way trip will be increased by 3.0%, while the minimum charge for these trips will be set at $800. The movage charge will be a flat fee of $680.

Port	Trip Charge Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Belledune, N.B.	3.00%	$12	$0	$2	Increase to assure service availability (Entrepreneurial Pilots)
Sheet Harbour, N.S.	3.00%	$2	$1	$1	Increase to assure service availability (Entrepreneurial Pilots)
Summerside, P.E.I.	3.00%	$1	$0	$0	Increase to assure service availability (Entrepreneurial Pilots)
Any port or harbour area that is a non-compulsory pilotage area	3.00%	$1	$0	$0	There have been no assignments recently in any other area.

4) Pilot Boats

Effective January 1, 2021 a charge for the use of a pilot boat, equal to the actual cost of hiring a pilot boat, will apply to Stephenville, NL. The pilot boat used to be charged directly through the port authority in the area but is now the responsibility of the Authority. The Authority did not have this captured in its previous charges for the area. The current rate being charged to the Authority is $1,500 per assignment.

Port	Pilot Boat Charge	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Stephenville, NL	$1,500	$60	($58)	$2	Recover the cost of the pilot boat that used to be paid by the users directly.

5) Other Changes

Effective January 1, 2021 the Authority will be increasing other charges that include oil rigs, detentions, and cancellations in order to better align them with the costs associated with those activities. These rates have not been changed in the previous 10-year period. The annual impact of all these changes is estimated to be approximately $20,000.

6) Deficit Additional Charge

For a period of five years that begins on January 1, 2021, an additional charge of 4.0% will be payable on each flat charge, minimum charge, unit charge, basic charge and cancellation charge payable to the Authority for pilotage service provided in the following pilotage areas:

I. Bay of Exploits (Botwood and Lewisporte), N.L;
II. Holyrood, N.L;
III. Humber Arm, N.L;
IV. Placentia Bay, N.L;
V. St. John’s, N.L;
VI. Stephenville, N.L;
VII. Cape Breton (Zone A, Sydney), N.S;
VIII. Cape Breton (Zone B, Bras d’Or Lake), N.S;
IX. Cape Breton (Zones C and D, Strait of Canso), N.S;
X. Halifax, N.S; and
XI. Saint John, N.B.

This charge is intended to stabilize the Authority’s available cash balance for operating by the end of the fourth year. The Authority will review this charge annually to assess whether it is required to continue to its expiration date.

The main charge increases for 2021 – 2025 are estimated at 0% to 4.0% depending on the port and future investments. The deficit additional charge will be in a addition to these amounts. If the refinery in Placentia Bay remains completely shut down, an additional charge increase will be proposed for the area following this initial proposal.

Expense Budgets

Expenses are derived for each administrative cost centre and each operating segment based on actual contractual arrangements and estimated future costs. During the budget preparations, the following estimates have been applied:

Inflation rate:
Rates for inflation are based on contractual arrangements and assumptions applied on a line-by-line basis. On average, these rates range from 1.5% to 3% based on category.

Discount rate:
The discount rate as used for the valuation of the Right-of-Uses assets and corresponding liabilities has been set at 3.29%, the latest quoted borrowing rate the Authority received on a 10-year term loan.

Sensitivity of Forecast to Changes:

The most significant estimate that impacts financial results is the number of assignments. Small variances in the number of pilotage assignments forecast do not generally affect the overall performance of the Authority. But a variance from expectations in high revenue ports can occasionally cause unexpected results. By having seventeen independent ports that rely on different users and industries, this risk is partially mitigated as some ports may be underachieving while others are over achieving or meeting expectations.

Pilot recall costs, productivity bonuses, and pilot boat contracts are all impacted by the volume of assignments. Fluctuations in the cost of fuel and transportation have been mitigated by direct recovery charges for these items. For vessels owned by the Authority, there is exposure to significant fluctuations in costs, especially the price of fuel and costs related to repairs and maintenance.

Administrative expenses are generally fixed for a year, at least, and are not related to volume of activity during the year.

For illustrative purposes, the scenarios being followed include whether cruise traffic returns in part for 2021 and whether the Come-by-Chance refinery returns to full capacity.

1. The current budget (Corporate Plan) assumes no cruise traffic in 2021 and the refinery returning a reduced activity.

   Forecast volume-expected net loss of $1,435,000.

2. The impact on the 2021 budgeted profit for the Authority if an extended facility shutdown occurs at the refinery (weak recovery) is as follows:

   Volume decline of 5% (374 assignments) from budget - expected net loss of $2,891,000.

3. The impact on the 2021 budgeted profit for the Authority if the refinery returns with very strong activity, while cruise traffic returns at 50% of historical levels (strong recovery) is below:

   Volume growth of 9% (617 assignments) from budget - expected net profit of $87,000.

Financial Position

STATEMENT OF FINANCIAL POSITION								
(in thousands of dollars)	ACTUAL	PROJECTED	BUDGET	BUDGET		PLAN		
	2019	2020	2020	2021	2022	2023	2024	2025
ASSETS								
CURRENT								
CASH	$ 4,360	$ 886	$ 3,844	$ 128	$ -	$ -	$ 1,443	$ 3,109
CASH - SEVERANCE FUND	900	700	1,000	500	-	-	-	-
CASH - BOAT REPLACEMENT FUND	2,700	1,000	-	1,386	-	-	-	-
ACCOUNTS RECEIVABLE	3,510	3,208	3,915	3,300	3,350	3,400	3,450	3,500
PREPAID EXPENSES	117	158	103	160	162	164	166	168
	11,587	5,952	8,862	5,474	3,512	3,564	5,059	6,777
FIXED								
LEASE ASSET	1,646	2,697	2,468	3,106	3,106	3,106	3,106	3,106
CAPITAL AT COST	24,534	27,943	31,643	36,352	39,023	40,358	42,278	44,233
LESS ACCUMULATED AMORTIZATION	13,087	15,039	15,384	17,312	19,896	22,430	24,952	27,590
	13,093	15,601	18,727	22,146	22,233	21,034	20,432	19,749
TOTAL ASSETS	**$ 24,680**	**$ 21,553**	**$ 27,589**	**$ 27,620**	**$ 25,745**	**$ 24,598**	**$ 25,491**	**$ 26,526**
LIABILITIES								
CURRENT								
ACCOUNTS PAYABLE	$ 3,151	$ 2,297	$ 2,450	$ 2,600	$ 2,700	$ 2,750	$ 2,800	$ 2,850
SHORT TERM BORROWING	-	-	-	-	778	211	-	-
CURRENT PORTION OF BANK LOANS	677	817	749	1,134	843	850	867	712
CURRENT PORTION LEASES	-	-	-	-	-	-	-	-
CURRENT LEASE LIABILITY	172	241	206	289	299	309	319	250
TERMINATION BENEFITS	217	235	224	211	71	62	205	244
	4,217	3,590	3,629	4,234	4,691	4,182	4,191	4,056
LONG TERM								
BANK LOANS	4,270	3,453	6,516	10,319	9,476	8,626	7,759	7,047
LEASE LIABILITY	1,246	1,814	1,680	1,915	1,616	1,307	988	738
TERMINATION BENEFITS	1,351	1,218	1,177	1,109	1,128	1,155	1,039	866
	6,867	6,485	9,373	13,343	12,220	11,088	9,786	8,651
TOTAL LIABILITIES	11,084	10,075	13,002	17,577	16,911	15,270	13,977	12,707
CONTRIBUTED CAPITAL AND EQUITY								
EQUITY	13,596	11,478	14,587	10,043	8,834	9,328	11,514	13,819
	13,596	11,478	14,587	10,043	8,834	9,328	11,514	13,819
	$ 24,680	**$ 21,553**	**$ 27,589**	**$ 27,620**	**$ 25,745**	**$ 24,598**	**$ 25,491**	**$ 26,526**

- The pandemic and the related loss in traffic will lead to a reduction in cash and savings in 2020.
- The budget for 2020 expected the new pilot boat construction to have started, but it has been delayed.
- The current projections have the Authority in a financial deficit due to COVID-19 for the majority of the planning period. Savings for capital replacement will be used for the new build project through 2021 and for the repairs to Herring Cove. Excess cash will be used to service short-term debt balances required to survive the COVID crisis.

Income

For 2020, forecasted revenues are 18% below budget as traffic has fallen due to the pandemic. The cancellation of the cruise season accounts for $3.2 million of this shortfall. Newfoundland oil sector has also declined with the oil refinery shutting down and causing the Authority to lose approximately $300,000 in revenues each month while it is offline. The decrease in activity in several ports has reduced variable costs meaning projected total expenses are under budget. There have also been savings in transportation and other activities linked directly to travel, like conferences and training. The Authority is projecting an $2.1 million loss for 2020.

The annual targeted profit margin as set by the Board is between 3.5% and 5.0%. The Authority has met or surpassed these targets in each of the previous four years. The Authority is planning to return to these margins by 2024, assuming traffic recovers modestly over this period.

STATEMENT OF COMPREHENSIVE INCOME								
(in thousands of dollars)	ACTUAL	PROJECTED	BUDGET	BUDGET	PLAN			
	2019	2020	2020	2021	2022	2023	2024	2025
INCOME								
PILOTAGE CHARGES	$ 29,572	$ 24,870	$ 30,272	$ 25,603	$ 26,919	$ 29,687	$ 32,375	$ 33,147
INTEREST & OTHERS	119	50	64	29	21	22	24	24
TOTAL INCOME	29,691	24,920	30,336	25,632	26,940	29,709	32,399	33,171
EXPENSES								
PILOTS FEES, SALARIES, AND BENEFITS	13,300	12,967	14,209	13,156	13,664	14,525	15,273	15,701
PILOT BOATS	6,504	5,459	6,023	5,597	5,749	5,972	6,125	6,186
STAFF SALARIES AND BENEFITS	1,952	2,075	2,085	2,038	2,149	2,213	2,279	2,347
PILOT BOAT CREWS' SALARIES AND BENEFITS	2,087	2,036	1,956	2,078	2,137	2,191	2,240	2,290
OPERATIONS TRANSPORTATION	865	745	794	695	705	742	777	800
ADMINISTRATIVE TRAVEL	105	93	105	140	142	145	148	150
HOSPITALITY	30	23	30	20	30	30	30	30
CONFERENCES	15	-	25	10	15	25	15	20
PROFESSIONAL AND SPECIAL SERVICES	343	561	563	621	587	551	560	560
TRAINING	443	187	350	345	320	320	320	320
RENTALS	143	149	88	89	89	90	85	87
COMMUNICATION	178	154	153	153	152	154	154	154
UTILITIES, MATERIALS, AND SUPPLIES	395	479	422	489	504	507	517	464
AMORTIZATION	1,852	1,952	1,987	2,273	2,584	2,534	2,522	2,638
FINANCING COSTS	182	158	213	268	277	272	267	262
TOTAL EXPENSES	28,394	27,038	29,003	27,972	29,104	30,271	31,312	32,009
NET INCOME BEFORE SURCHARGE	$ 1,297	$ (2,118)	$ 1,333	$ (2,340)	$ (2,164)	$ (562)	$ 1,087	$ 1,162
DEFECIT ADDIONAL CHARGE REVENUE	-	-	-	905	955	1,056	1,099	1,143
PROFIT/LOSS FOR THE YEAR	$ 1,297	$ (2,118)	$ 1,333	$ (1,435)	$ (1,209)	$ 494	$ 2,186	$ 2,305
RATE OF RETURN	4.37%	-8.5%	4.4%	-5.41%	-4.3%	1.6%	6.5%	6.7%

- Traffic is projected to be weak in 2020 with lost traffic in several sectors due to the pandemic. Similar traffic is budgeted for 2021 before beginning to recover in 2022 and beyond.
- The average pilot strength in 2021 will be 49.0 pilots which is a decrease from 2020. The Authority will continue to add pilots due to retirement notices received, but this number will be fairly steady in as the retirements become effective. The number of pilots will then be expected to grow in 2023 as additional pilots are added. Recall or overtime costs have decreased in 2020 due to traffic reductions. These costs are expected to increase in the future with traffic rebounding and the reduction in pilots due to retirements. The Authority will be adding more pilots in the future, carrying over 52 by 2023/2024.

- Pilot Boat costs are increasing with higher fuel prices, and additional vessels.
- Staff salaries increased in 2020 with the addition of executive position.
- Operations Transportation is activity based and influenced by the number of assignments and recent declines.
- Administration travel increases in 2021 from a depressed 2020 (pandemic) and with the additional travel by the Marine Superintendent.
- Professional and Special Services includes consultation/internal audit fees associated with being ISO 9001 compliant, as well as legal fees and board costs. The expense line increased, beginning in 2020, with Transport Canada recovery costs.
- Training costs fell in 2020 with the travel restrictions but will increase in future years when interprovincial and international travel returns. Training is triggered by levels of experience, new technology, and the pilot evaluation process.
- The Amortization and Financing Costs items are impacted by the additional capital investment in boats, wharves/structures, and equipment.
- The deficit additional charge revenue would begin in 2021 and be collected until the end of 2024.
- The Authority expects losses to accumulate during the COVID-19 caused downturn and then begin to recover in 2023.

Regarding the Transport Canada recovery costs, one provision in the new *Pilotage Act* gives the Minister of Transport the authority to request payments from a Pilotage Authority (Authority) for the administration of the Act.

As stated in the *Pilotage Act*:

Payment to Minister
37.1 For the purpose of defraying the costs of the administration of this Act, including the development of regulations, and the enforcement of this Act, an Authority shall, on request, pay to the Minister an amount specified by the Minister in a time and manner specified by the Minister.

With a view to assisting each Pilotage Authority in its corporate planning activities, Transport Canada's has estimated its costs for administering the Act for the period 2020-21 to 2023-24, inclusively, and allocated these costs to each Authority based on their share of revenues using a five-year average. For the Atlantic Pilotage Authority, the costs are:

2020-2021	$137,960
2021-2022	$234,512
2022-2023	$244,296
2023 and Beyond	$224,671

A 1% increase on pilotage fees is proposed for an effective date of September 1, 2020. This date is when the Transport Canada fee also becomes effective. This charge adjustment will recover the specified fees each year.

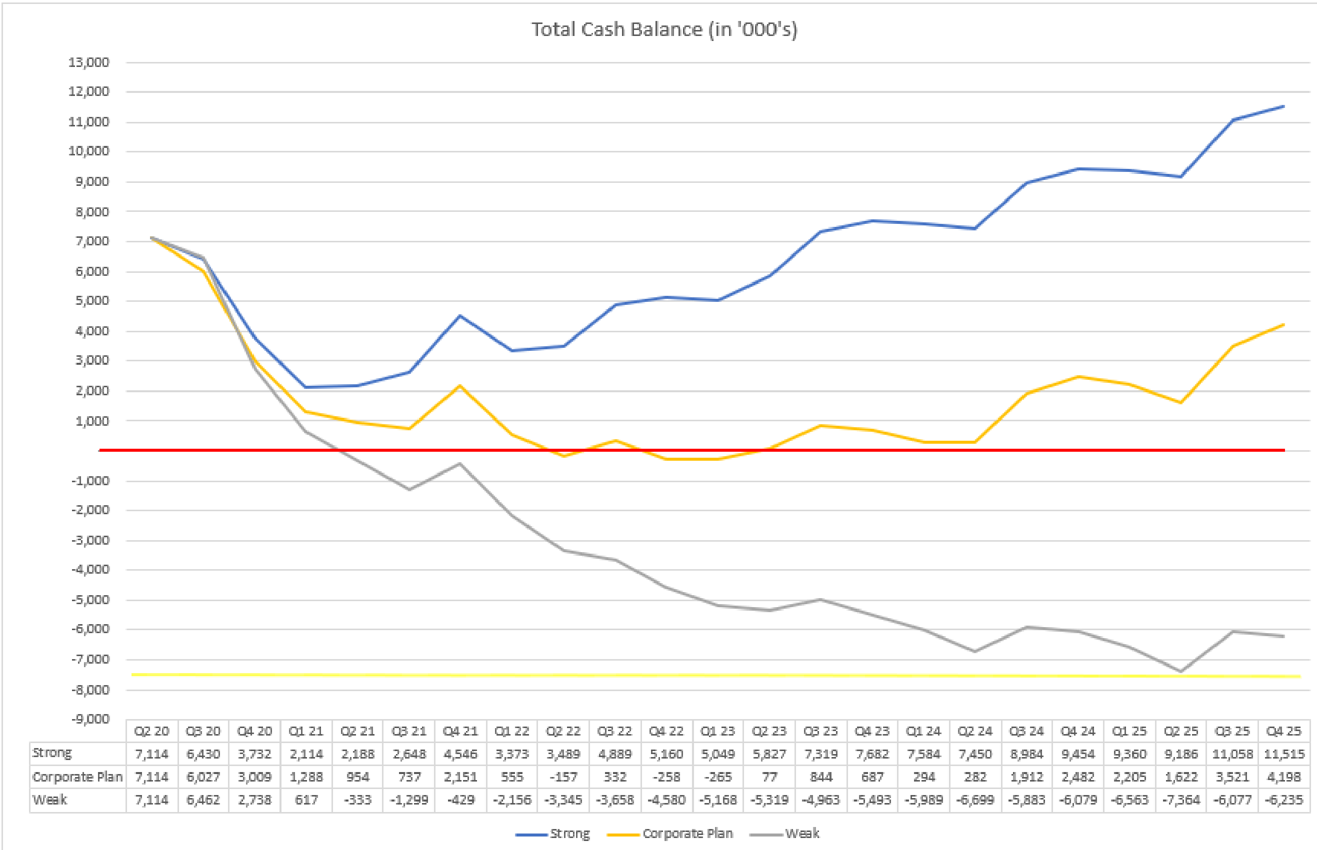
Cash Flows

STATEMENT OF CASH FLOWS								
(in thousands of dollars)								
	ACTUAL	**PROJECTED**	**BUDGET**	**BUDGET**	**PLAN**			
	2019	**2020**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
CASH FLOWS FROM OPERATING ACTIVITIES								
NET PROFIT FOR YEAR	$ 1,297	$ (2,118)	$ (3,047)	$ (1,435)	$ (1,209)	$ 494	$ 2,186	$ 2,305
ITEMS NOT REQUIRING CASH								
AMORTIZATION	1,852	1,952	1,842	2,273	2,584	2,534	2,522	2,638
ASSET WRITE OFF	422	75	75	100	100	100	100	100
INCREASE (DECREASE) IN EMPLOYEE TERMINATION BENEFITS- SEVERANCE	118	111	114	121	106	95	94	87
	3,689	20	(1,016)	1,059	1,581	3,223	4,902	5,130
CASH PROVIDED BY (USED FOR)								
NON-CASH WORKING CAPITAL	927	(818)	(593)	209	48	(2)	(2)	(2)
DEFERRED LEASE INDUCEMENTS	-	-	-	-	-	-	-	-
EMPLOYEE TERMINATION BENEFIT PAYMENTS	(207)	(226)	(217)	(254)	(227)	(77)	(67)	(221)
CASH PROVIDED BY OPERATING ACTIVITIES	**4,409**	**(1,024)**	**(1,826)**	**1,014**	**1,402**	**3,144**	**4,833**	**4,907**
CASH FLOWS FROM FINANCING ACTIVITIES								
CASH PROVIDED BY FINANCING								
CAPITAL LOAN RECEIVED ACTIVITIES	-	-	3,000	8,000	-	-	-	-
LINE OF CREDIT BALANCE DRAWS			-	-	778	(567)	(211)	-
PROCEEDS OF LEASE		825	827	409				
REPAYMENT OF LEASE INDUCEMENTS	-	-	-	-	-	-	-	-
LOAN PAYMENTS	(644)	(677)	(677)	(817)	(1,134)	(843)	(850)	(867)
CAPITAL LEASE PAYMENTS	(165)	(189)	(187)	(260)	(289)	(299)	(309)	(319)
CASH PROVIDED BY (USED FOR) FINANCING	**(809)**	**(41)**	**2,963**	**7,332**	**(645)**	**(1,709)**	**(1,370)**	**(1,186)**
CASH FLOWS FROM INVESTING ACTIVITIES								
(INCREASE) DECREASE IN INVESTMENTS	-	-	-	-				-
ADDITIONS TO CAPITAL ASSETS	(1,730)	(4,308)	(3,890)	(8,918)	(2,771)	(1,435)	(2,020)	(2,055)
DISPOSAL OF CAPITAL ASSETS	-	-	-	-	-	-	-	-
CASH USED FOR INVESTING ACTIVITIES	**(1,730)**	**(4,308)**	**(3,890)**	**(8,918)**	**(2,771)**	**(1,435)**	**(2,020)**	**(2,055)**
INCREASE IN CASH AND SAVINGS DURING THE YEAR	**$ 1,870**	**$ (5,373)**	**$ (2,753)**	**$ (572)**	**$ (2,014)**	**$ -**	**$ 1,443**	**$ 1,666**
CASH, BEGINNING OF YEAR	**6,089**	**7,959**	**7,960**	**2,586**	**2,014**	**-**	**-**	**1,443**
CASH, END OF YEAR	**$ 7,959**	**$ 2,586**	**$ 5,207**	**$ 2,014**	**$ -**	**$ -**	**$ 1,443**	**$ 3,109**
SHORT-- TERM BORROWING BALANCE, END OF YEAR	**$ -**	**$ -**	**$ -**	**$ -**	**$ (778)**	**$ (211)**	**$ -**	**$ -**

Changes in Equity

STATEMENT OF CHANGES IN EQUITY								
(in thousands of dollars)								
	ACTUAL	**ACTUAL**	**BUDGET**	**BUDGET**	**PLAN**			
	2019	**2020**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
RETAINED EARNINGS, BEGINNING OF YEAR	$ 12,374	$ 13,596	$ 13,254	$ 11,478	$ 10,043	$ 8,834	$ 9,328	$ 11,514
(LOSS) GAIN FOR THE YEAR	1,297	(2,118)	1,333	(1,435)	(1,209)	494	2,186	2,305
OTHER COMPREHENSIVE (LOSS)	(75)	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	1,222	(2,118)	1,333	(1,435)	(1,209)	494	2,186	2,305
RETAINED EARNINGS, END OF THE YEAR	$ 13,596	$ 11,478	$ 14,587	$ 10,043	$ 8,834	$ 9,328	$ 11,514	$ 13,819

Cash Flow Scenario Planning



Due to the impacts of the pandemic, the Authority developed three cash models based on a strong recovery, a moderate recovery (Corporate Plan), and a weak recovery. The differences are based on how quickly the cruise industry returns, and the future of the Come-by-Chance oil refinery.

The Corporate Plan model demonstrates that the Authority will have to draw on its line of credit in 2021 but assumes a significant return at the refinery in 2021. It also assumes cruise returns in 2022 and grows through the planning period. The weak model includes the option that the refinery does not return at full capacity and cruise returns more slowly.

CAPITAL EXPENDITURE COMPARISON								
	ACTUAL	ACTUAL	BUDGET	BUDGET		PLAN		
	2019	2020	2020	2021	2022	2023	2024	2025
(in thousands of dollars)								
CAPITAL PURCHASES	$ 1,996	$ 3,483	$ 5,884	$ 8,509	$ 2,771	$ 1,435	$ 2,020	$ 2,055
RIGHT-OF-USE LEASE ADDITIONS								
WHARVES AND STRUCTURES	-	825	996	409	-	-	-	-
TOTAL	$ -	$ 825	$ 996	$ 409	$ -	$ -	$ -	$ -

As described earlier, the Authority has not progressed in its new pilot boat procurement to the stage budgeted for 2020. It is expected that the design will be completed in September 2020 and proposals to build received from shipyards soon after. The plan to purchase a used or lower cost vessel in 2020 was cancelled due to financial restrictions related to the pandemic and the ability to arrange contractor provided alternatives. All of the 2020 capital purchases have been funded by operating cash flows generated during the year and accumulated savings targeted for capital replacement. The Authority budgets for projects that are planned, but under IFRS, there are unanticipated repairs that also must be capitalized. An allowance is assumed for these items, but depending on the components that fail, the Authority can be well over, or well under, budget on the capital portion of these repairs.

Hurricane Dorian caused substantial damage to the breakwater in Herring Cove and less significant damage to other assets. Repairs and upgrades to this infrastructure began in 2019 but will now extend into 2020/2021. The previous plan projected $1.3 million for the repair, split over 2019 and 2020. This plan assumes this entire investment will be made in 2020. The leasehold improvements were included in the budgeted Right-of-Use Lease Additions in 2020. But the actual cost is split out as per IFRS16.

The requirements included in the 2021 Capital Budget include:

- New vessel construction project that will extend from 2020 – 2022. The timing of this project will depend on the finances of the Authority in this pandemic, and the long-term future of the refinery in Placentia Bay. If this project is substantially delayed, the Authority may be required to procure used vessels to maintain a reliable and safe service.
- Spare equipment recommended by internal audit of critical spares. New generators and HVAC system upgrades for the Halifax vessels as well as engine rebuilds on various other vessels in the fleet.
- The increase in wharves and structures is due to repairs and replacements of floating docks required in several ports and a possible relocation of the pilot and crew offices in Saint John, NB. The timing of the move in Saint John is not known at this point but likely be in mid-2021. The budgeted leasehold improvements are related to this project as well.
- Further investment in the replacement of portable pilotage units is planned annually as well as software replacement and upgrades.
- A Right-of-Use asset is budgeted for 2021 as the new facility for Saint John is expected for the docking of the vessels and pilot office. The exact cost of this asset is not known at this time, but an estimate has been made based on the most recent information.

The amounts included in the Plan for the years of 2022 – 2025 include:

- The continuation of the new build program that was started in 2020.
- Midlife maintenance on the older Placentia Bay vessels in 2024-2025.
- Regular annual maintenance and capital asset replacement for pilot boat and electronic equipment.

Before Hurricane Dorian

After Hurricane Dorian with 12 metres broken off and remainder damaged

7. Borrowing Plan

Borrowing Authority

The Authority funds a portion of major capital projects through loans with financial institutions when they cannot be fully covered by available reserves or savings. Coinciding with the changes to IFRS16 the Authority also recognises implicit financing arrangements through material leases that provide the right to use an asset for an extended period of time. The Authority's funding activities are governed by section 36 of the *Pilotage Act* and section 127 of the *Financial Administration Act*. Pursuant to Section 127(3) of the *Financial Administration Act*, the borrowing by the Authority has to be approved by the Minister of Finance. A request has been made to increase the borrowing limit for the Authority from $15 million to $20 million by Order in Council.

Overview of Borrowing

Short-Term Borrowings to be Undertaken/Maintained in 2021

The Authority wishes to increase its short-term borrowing from $2.5 million to $7.5 million in overdraft protection and/or short-term operating borrowing. This would allow the Authority to fulfil its mandate during the worst of the pandemic and provide protection against further declines.

Commercial Line of Credit
<u>Proposed Terms and Conditions</u>

Amount:	$7.5 million - Fluctuating by Way of Overdraft or Short-term notes
Rate of Interest:	The Lender's Prime Commercial Lending Rate
Term:	Advances to be made as overdraft situations occur and balances revolving and not to exceed one year
Lender:	One or more of the Major Banks

The five-year summary of short-term borrowing usage is below:

Year	Highest Amount	Days in Overdraft
2016	$236,000	6
2017	$0	0
2018	$0	0
2019	$0	0
2020	$0	0

Long-Term Borrowings to be Undertaken/Maintained in 2021

The Authority requests the Minister of Finance's approval to enter into a new loan facility of $8 million in 2021 to finance capital investment. A new build process was launched to add two state of the art vessels to the fleet. The purchase of used vessels may also be required to maintain service. A substantial investment also has to be made in the Herring Cove breakwater. The Authority will provide the balance of the funds for these projects through accumulated savings. The loan will be a bank term loan with a 5 to 10-year term and amortized over 15 to 25 years.

Capital Loan (Existing Borrowing)

The Authority negotiated Capital Loans in the amount of $4.5 million to finance two new pilot boats for Placentia Bay in 2007. The boats cost a total of $6.7 million. The principal balance remaining on this loan as at December 31, 2020 will be $707,000. This loan is split into two parts at 2.93% and 3.28% interest, maturing in January 2023 and September 2022.

The Authority launched two new pilot vessels for the ports of Halifax and Saint John. The total cost of these vessels was $5.8 million, and approval for financing up to $4.0 million was provided by the Minister of Finance pursuant to the Authority's 2011-2015 Corporate Plan. Draws on this loan facility totaled $2.0 million, and the remainder of the facility was not required for the build. The Authority was able to self-finance a larger portion of the construction costs than originally anticipated. The principal balance remaining on this loan as at December 31, 2020 will be $1.205 million and is locked in at 3.14% until January 2024.

The Authority purchased two used pilot vessels for the ports of Halifax and Saint John. The total cost of these vessels was $3.4 million, and approval for financing up to $3.0 million was provided by the Minister of Finance pursuant to the Authority's 2016-2020 Corporate Plan. Draws on this loan facility were completed in 2017 with $2.356 million remaining at December 31, 2020. This loan is locked in at 1.80% interest until May 2022.

Material Leases to be Undertaken/Maintained in 2021

In 2017, the Authority entered into a 10-year lease for its head office space. In 2019 the Authority adopted IFRS16 that requires a lease liability to be recognized. No borrowing authority was required for this transaction at the time.

Table 1: Borrowings outstanding, as at December 31(in millions of dollars)

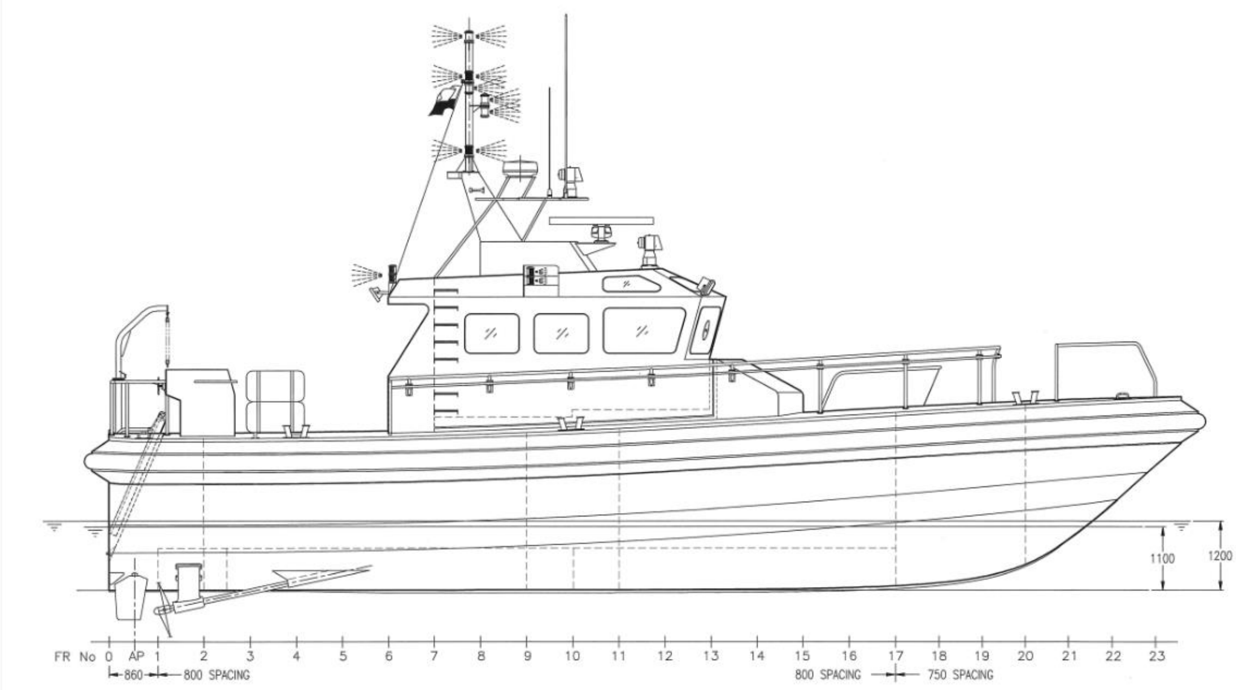
	2019 Actual	2020 Projected	2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan
Bank Overdraft							
Line of Credit	$0	$0	$0.314	$0	$0	$0	$0
Short-term Borrowings	$0	$0	$0.314	$0	$0	$0	$0
Long-term Borrowings	$4.947	$4.270	$11.453	$10.319	$9.476	$8.626	$7.759
Total	$4.947	$4.270	$11.767	$10.319	$9.476	$8.626	$7.759

The aggregate principal amount outstanding of borrowings will not exceed the maximum limit of $20 million. Due to COVID-19 the requirement for short-term borrowing is unknown. Traffic may materially fluctuate from projections. The excess in the request for short-term financing is meant to be able to absorb these fluctuations.

Table 2: Short-term outstaning borrowing as of December 31							
	2019 Actual	2020 Projected	2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan
Canadian dollars	$0	$0	$0.314	$0	$0	$0	$0
Total Short-term outstanding borrowings	$0	$0	$0.314	$0	$0	$0	$0

Table 3: Long-term borrowings (in millions of dollars)							
	2019 Actual	2020 Projected	2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan
Opening Balance	$5.591	$4.947	$4.270	$11.453	$10.319	$9.476	$8.626
Maturities	0.644	0.677	0.817	1,134	0.843	0.850	0.867
New Issuances	0	0	8.000	0	0	0	0
Closing Balance at December 31	$4.947	$4.270	$11.453	$10.319	$9.476	$8.626	$7.759

Table: Existing Material Leases outstanding (in millions of dollars)							
	2019 Actual	2020 Projected	2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan
Asset: Office Space							
The Authority signed a 10-year lease beginning in June 2017 for its Head Office premises. The lease has been recorded under IFRS 16.							
Maximum expected liability on the lease	$1.567	$1.407	$1.241	$1.069	$0.888	$0.698	$0.502
Maximum expected number of years to be agreed	7.4	6.4	5.4	4.4	3.4	2.4	1.4


FR No 0 AP 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23
860 800 SPACING
800 SPACING 750 SPACING
1100
1200


19m Pilot Boat
PILOT
ATLANTIC PILOTAGE AUTHORITY
PILOT
CAMARC DESIGN

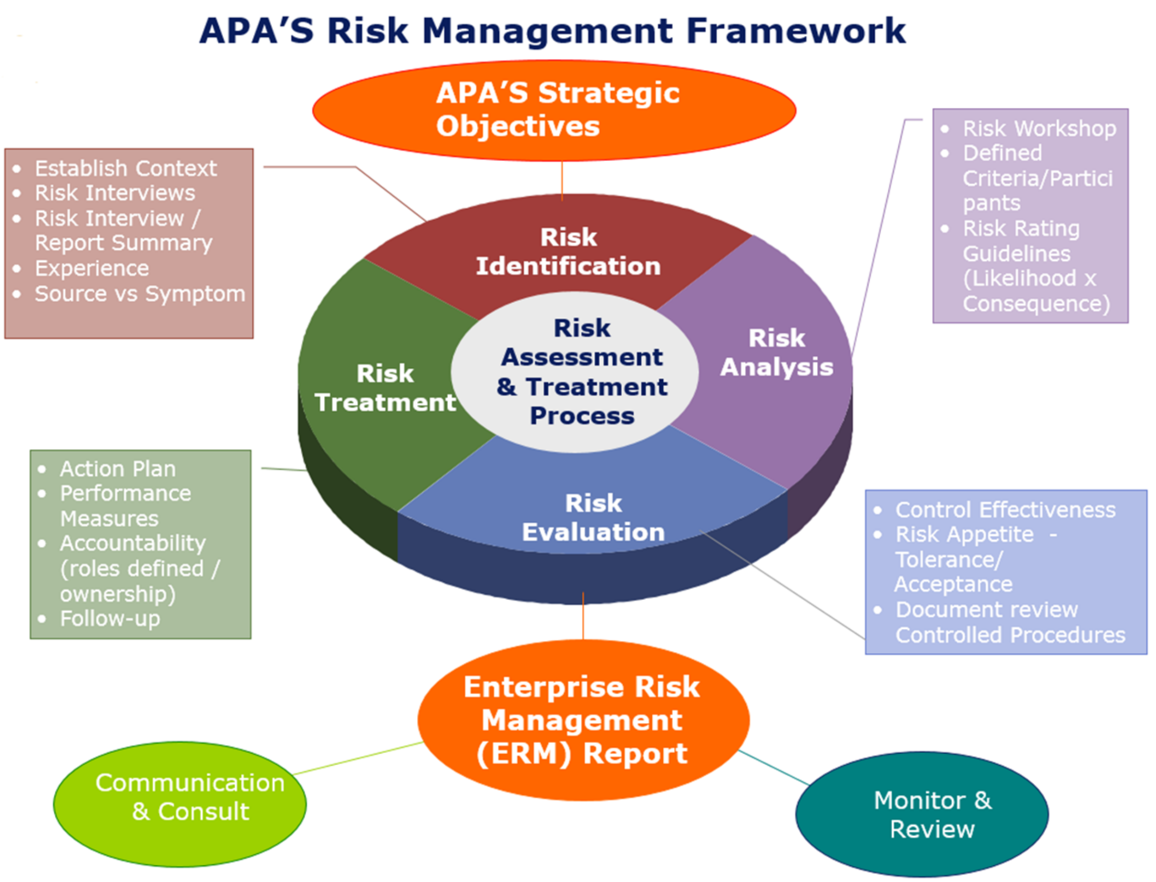
IFRS 16 Adoption

In 2019, the Authority adopted the International Financial Reporting Standard 16 (IFRS 16), entitled Leases. This requires the Authority to account for all material leases as a liability equal to the discounted present value of future lease payments, regardless of whether these leases were previously determined to be capital or operating leases. This standard became effective in January 1, 2019.

The Authority applied the full retrospective approach for its head office lease that resulted in an increase in capital assets of $1.043 million and an increase in lease liabilities of $1.085 million. This liability (and corresponding asset) will be amortized to May 2027.

8. Risk Management

The Authority has developed its risk-assessment practices to allow it to undertake a complete assessment of risk factors, by implementing a formal comprehensive risk management framework that covers the entire organization and supports the realization of the Authority's mandate, business goals, and objectives. The Authority had this process audited in 2020 and all recommendations were implemented.



Purpose

This procedure outlines the requirements and processes for maintaining an Enterprise Risk Management (ERM) system that is designed to:

- Assist the Board of Directors to identify, understand, clarify and prioritize the risks facing the Authority
- Assist the management team to identify, understand, clarify and prioritize the operational risks facing the Authority
- Assist the Authority's employees to bring forward identified hazards that could become emerging risks
- Provide for multi-directional information flow, and reporting structure, within the organization regarding new and existing risks and their mitigation strategies

Procedure Statement

The ERM system will use the measurement-driven approach for identifying and mitigating risk (see ERM Risk Ranking Criteria).

This model focuses on understanding the materiality and probability of occurrence of the identified risks facing the Authority, as well as velocity of possible onset and ability for further mitigation. Risk mitigation activities are focused on creating and applying appropriate mitigation strategies.

Atlantic Pilotage Authority / Administration de Pilotage de l'Atlantique

Risk Assessment Matrix

Consequence / Severity	Health & Safety	Environmental / Property	Financial	Operational	Human Resources	Regulatory Compliance	Information Technology
5 Catastrophic	Fatality or Long term disability	A significant event with potential to cause major damage to both the immediate area and the surrounding community	> $5M	Threatens the viability of APA in the medium or long term	Long term suspension of pilotage services OR loss of management capacity requiring Board intervention	Acting outside of Pilotage Act leading to an incident	Server access and/or information lost without possible restoration or personal information stolen
4 Major	Multiple LTI's OR short term disability	A significant even with potential to cause major damage, OR Causes alarm in the surrounding communit	$1M - $5M	Threatens viability of APA in a major port for the short term OR Threatens viability of APA in minor port for medium to long term	Reduction or short term suspension of pilotage services OR significant reduction in management oversight	Loss of confidence of Board OR substantial fine	Server access and information lost with restoration possible but will take greater than one day to restore or ransom-ware installed
3 Moderate	Medical Treatment Case that results in Lost Time (LTI)	An event with potential to cause damage or may cause alarm in the immediate vicinity	$100K - $1M	Threatens viability of APA in a major port for the short term OR Complaints received from major clients	Long term, signifcant changes in work loads or work flows OR >	Complaints from major clients OR Minor fine OR pilot boat certificate suspended or revoked	Server access and information lost with restoration possible between 12 and 24 hours or an employee's email is hacked
2 Minor	Medical Treatment Case	An event which has minimal impact outside of the immediate area and is quickly brought under control	$10K - $100K	Temporary disruption of service in a major port	Temporary changes in work flows or work loads required to maintain operational and management activities	Complaints from clients OR Non compliance from external audit OR repetition of audit observations	Server access and information lost with restoration possible within 12 hours or local instances of computer viruses
1 Insignificant	First Aid Case	An insignificant even unlikely to cause damage which is resolved by routine management activities	<$10K	Temporary disruption of service in a minor port	No reduction in operational or management capacity	Observations from internal / external audits; Suggestons for improvement from governance / regulator	Server access lost with restoration possible within 1 hour

The impact rating chart is used to assess the Impact of the risk assuming that it has occurred. Consideration is given to the main types of impacts that would accrue if the risk did occur. Then for each of the types selected an example is chosen from the table that best equates to what the impact would be. The risk impact is then rated to the highest of these choices.

For emerging risks, the impacts are initially based on the absence of controls and then later adjust ratings based on the produced controls. When controls are identified there are three main types to consider (preventative, detective and reactive).

Probability / Likelihood				
1 - Rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Almost Certain
May occur in some exceptional circumstances.	could occur in some circumstances, perhaps once every 20 years.	will probably occur in some circumstances, perhaps once every 5 to 10 years.	will probably occur in most circumstances, perhaps once every several years.	is expected to occur in most circumstances, at least once per year.
5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10
1	2	3	4	5

After the impact is rated, the table above is used to rate the probability, or likelihood, of the event occurring.

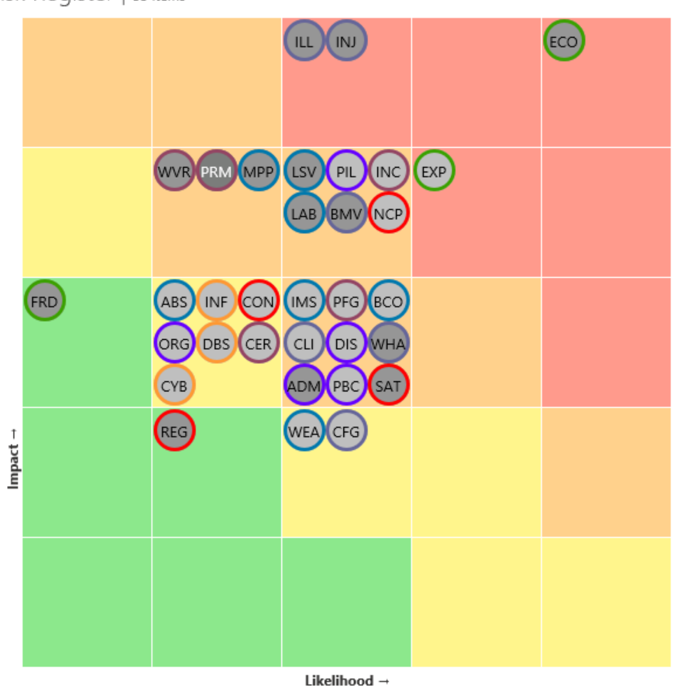
Risk Ranking Score Key

To achieve the risk's score, the impact score and the likelihood score are multiplied. The overall rankings are the following:

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

The full list of 33 identified risks in the Risk Register that follows:

Risk Register | 33 items



Code	Title
ECO	External Economic Risk
ILL	Risk that Employees are exposed to Injury or Illness in the Workplace
EXP	Operating costs exceeding amount budgeted
INJ	Injury to pilot/crew member while transferring
LSV	Loss of Launch Services causing Major Interruption of Service
IMS	Ineffective Management System
PFG	Safety Compromised due to Pilot Fatigue/Under the Influence
BCO	Loss of Contracted Launch Services or Crewing Contract
PIL	Risk of being unable to Attract and Retain Pilots to meet Demand
CLI	Safety Compromised due to Conditions caused by Weather or Climate
INC	Risk of Accident Caused by the Human Element
WVR	Safety and reputational risk associated with Pilotage Waivers
LAB	Interruption of Service due to Breakdown in Labour Relations
DIS	Service Compromised due to Interruption to the Dispatch Operation
WHA	Safety Compromised due to Condition of APA Infrastructure
PRM	Safety Compromised due to Inappropriate Pilotage Area Designation
MPP	Pilotage Service Cannot be Provided in Minor Ports due to Lack of Proficiency
BMV	Safety Compromised due to Frequent Pilot Boats Movements in Open Water
ADM	Administration Staff Coverage
PBC	Unable to Attract and Retain Adequate and Trained Relief Pool for Pilot Boat Crew
NCP	APA Involvement in Non Comp Ports
WEA	Service Interruptions due to Weather or Climate
CFG	Safety Compromised due to Boat Crew Fatigue/Under the Influence
SAT	Poor Customer Satisfaction
ABS	Pilot Vessels not passing class Inspections
INF	Management Information (Available IT and information)
CON	Conflict of Interest Impact reputation
ORG	Governance/Organizational Structure/Succession Planning
DBS	Business Continuity (Dispatch Centre)
CER	Certificate Holders Evaluations
REG	Non-Compliance with Regulations and Legislation
CYB	Loss or Misuse of Information, Data, or Other Assets (Cyber Risks, other lost assets)
FRD	Fraud

At present, there was one risks rated as extreme and three risks that were identified as very high. For the Authority the top five risks were:

Issue	Residual Risk Level	Details	Present Status
The risk is that economic conditions outside of the Authority's control will lead to actual traffic levels or mix and/or costs being materially different than that forecasted by the Authority (Financial)	**Extreme**	Traffic reductions during the pandemic have elevated this risk as reserves are exhausted and the Authority operates within its line of credit.	The Authority has mitigations already in place for this risk, including: • A reserve fund and targeted savings had been accumulated. • Frequent consultation meetings with industry produce information used to forecast. • An increase to the borrowing approvals will allow for more short-term borrowing, if necessary, to finance operations during unexpected downturn. • Deficit additional charge on industry will reduce the impact of the downturn and recover any amounts borrowed. • New charge setting process will allow for more timely charge adjustments. • Deferral of costly projects will be considered based on projected traffic.
The risk that work conditions or policies will not mitigate the likelihood of injury or illness in the workplace. (Health and Safety Risk)	**Very High**	The global pandemic has increased the risk that employees will be exposed to significant illness.	The Authority has mitigations already in place for this risk, including: • The Authority has developed and actioned a pandemic plan that includes numerous mitigations. • There is a robust OHS Committee that meets frequently, more so during the worst of the pandemic. • A safety officer is on staff that oversees all mitigations. • The Authority achieved and maintains its ISO 9001 certification.

Issue	Residual Risk Level	Details	Present Status
The risk that charges will not cover operating costs due to costs exceeding the amount budgeted when charges are determined. (Financial)	**Very High**	As the pandemic related downturn creates cash shortfalls, the consequences of unexpected expenditures become more severe. There are currently risks of significant increased capital costs related to the Herring Cove repairs and pilot boat repairs. The collective agreement for the pilots is currently expired and future pay levels may be determined by an arbitrator.	The Authority has mitigations already in place for this risk, including: • A reserve fund and targeted savings had been accumulated. • An increase to the borrowing approvals will allow for more short-term borrowing, if necessary, to finance operations during unexpected downturn. • Deficit additional charge on industry will reduce the impact of the downturn and recover any amounts borrowed. • New charge setting process will allow for more timely charge adjustments. • Deferral of costly projects will be considered based on projected traffic. • Competitive bid process open for Herring Cove. • Preventative maintenance program reduces unexpected repair costs for pilot boats.

Issue	Residual Risk Level	Details	Present Status
Injury to pilot/crew member while transferring (Health and Safety Risk)	**Very High**	These transfers are done thousands of times annually in all types of weather conditions involving many types of vessels. It is this activity that exposes some of our employees to the greatest danger. that the risk level is always deemed to be very high.	The Authority has many mitigations already in place for this risk, including: • Empowering employees to refuse transferring if ladders or equipment are not suitable. • Providing Personal Locator Beacons and updating AIS technology to quickly find employees if in the water. • Providing state-of-the-art vessels now in Placentia Bay, Saint John, and Halifax that provide a more stable platform for over 50% of the APA's assignments. • Pilot boats supplied by the Authority or the contractors are deemed suitable platforms for the areas serviced. The boats are also well maintained to assure proper operation and surfaces for transfer and inspected annually. • Boats are equipped with man overboard equipment, crews are trained to utilize the equipment, and regular drills are conducted. • Robust OHS system is in place with updated manuals and regular committee meetings. Standard Operating Procedures are constantly monitored and updated in support of pilot transfers. • Pilots have access to H2S Gas monitors in areas where they may be exposed to this hazard. • Dispatchers inquire on all orders whether there is a hazard present and records this. Pilots are notified of all potential hazards. • All pilots are required to have medicals every year to assure ability to do physical component of job • Pilots have the authority to suspend pilotage operations if the weather is deemed to be too severe to provide the service. • An electronic procedure was put in place to allow for easier reporting of near-misses and will be presented for "lessons learned" at each OHS committee meeting.

Issue	Residual Risk Level	Details	Present Status
Loss of Launch Services causing Major Interruption of Service (Operational Risk)	**High**	The risk that the APA loses launch service, which severely disrupts operations has been mitigated substantially by the addition of more vessels.	The Authority has mitigations already in place for this risk, including: • Fleet Tech Manager and Pilot Boat Manager are in place to plan maintenance and manage the fleet of vessels and crew. • Additional spare equipment and vessels have been added within close proximately to primary vessels minimize down time. • Drawings of each boat are being updated to facilitate quicker and more efficient responses to equipment breakdowns. • New vessels have been deployed to add reliability in the ports of Saint John and Halifax while freeing up older boats to add redundancy. • Vessels are maintained constantly to reduce the amount of down time that will also reduce the risks of available boats. • An internal audit of critical spares was completed in 2019 and equipment sourced by 2021. • Additional vessels are in the plan to be added and in service by 2021.

9. COVID-19 Pandemic Impacts

In March 2020, the World Health Organization declared a global pandemic as a result of COVID-19. The pandemic, and resulting global economic contraction, has had an unprecedented negative impact on traffic for the Authority. The reduced demand for oil products and many other goods has impacted ship movements and reduced revenues in all ports and districts in the Atlantic region. The largest impact on the Authority has been the cancellation of the cruise season. The Authority had over 1,000 cruise assignments in 2019 that generated $3.0 million in pilotage revenue. This was scheduled to increase in 2020 and beyond. The negative impacts of COVID-19 are expected to continue through 2021.

Forecasted pilotage service revenue for the current fiscal year is $24.9 million, which represents a shortfall of $5.4 million (17.9%) from the Authority's approved fiscal 2020 budget. The forecast for 2021 revenues for the fiscal year beginning on January 1, 2021, before giving effect to the proposed pilotage service charge revision, is $25.0 million, which represents a 0.4% increase from current year forecast revenue, and a 17.5% shortfall from the current year budget.

Pursuant to section 36.01 of the Pilotage Act, "No payment to an Authority may be made under an appropriation by Parliament to enable the Authority to discharge an obligation or liability. This section applies notwithstanding any authority given under any other Act, other than an authority given under the Emergencies Act or any other Act in respect of emergencies". There has been no such authority passed.

In evaluating other actions that could be taken, the provision of safe and efficient service is always a primary concern. The Authority must establish, operate, maintain, and administer, in the interests of safety of navigation, an efficient pilotage service within the region. The localized nature of the pilotage operation means that resources have to be maintained in each port or area to provide the service in the short-term and to be available when traffic rebounds. The extended training period and high related costs do not allow for pilot numbers to be reduced for a short-term reduction in activity. Capital investments will be evaluated regarding their critical need and whether they can be deferred or delayed.

Notwithstanding reduced variable expenses caused by a reduction in vessel movements, cash inflows experienced by the Authority will not be sufficient to offset regular cash outflows. Most of the Authority's costs are fixed or cannot be reduced without severely impacting service levels and fulfilment of its mandate. Despite large variations in levels of marine traffic, the Authority is mandated to provide for the safe movement of marine vessels as an essential service, even in times of a global pandemic. As a result, the Authority is experiencing significant monthly net cash outflows that are expected to continue through 2021. Net cash outflows for the current fiscal year are forecast at $5.4 million, and for the 2021 fiscal year at $3.3 million, before giving effect to the proposed service charge revisions and additional borrowings. These amounts, which total $8.7 million, would have the Authority exceed its available lines of credit at times within 2021. The Authority is addressing this liquidity issue through a combination of increased customer service charge revenues and additional debt financing through increased short-term borrowing authorities and an increase in long-term capital loans.

10. Compliance with Legislative and Policy Requirements

Official Languages Act

The Authority continues to fulfill the duty to have an Official Languages Program (hereafter, Program) in support of the *Official Languages Act*.

The Authority has assigned an Official Languages Champion to monitor and promote the use of official languages within the organization. The assigned Champion shows leadership through creating and executing an official languages action plan to support the Authority's obligations annually.

The Multiculturalism Act and Employment Equity Act

The Authority continues to fulfill its duties as established under our Diversity, Inclusion and Employment Policy in support of The *Multiculturalism Act and Employment Equity Act*.

The Authority has assigned a Champion to monitor and promote the use of the core principles of accommodation, equity, and inclusion within the organization. The assigned Champion shows leadership through respecting the requirement for fulfilling the established objectives within the policy annually.

Public Service Disclosure Protection Act

The Authority continues to fulfill the duty to have a Public Service Disclosure Protection Policy and a means of confidential disclosure for employees (hereafter, Policy) in support of the *Public Service Disclosure Protection Act (PSDPA)*.

The Authority has assigned a member of the senior management staff to monitor and promote the use of these core principles within the organization. The responsible individual shows leadership through respecting the requirement for fulfilling the following objectives annually educate employees on their rights and the procedure for disclosure of information in confidence, and without reprisal, about suspected wrongdoing in the work place.

Occupational Health and Safety Regulations of the Canada Labour Code

The Authority continues to fulfill the duty to submit the Employer's Annual Hazardous Occurrence Report (EAHOR) detailing the total number of disabling injuries, deaths, minor injuries, occupational diseases and other hazardous occurrences that have occurred in federally regulated workplaces in the past year.

The Authority has assigned a member of the senior management staff to monitor and promote the use of these core principles within the organization. The assigned individual shows leadership through respecting the requirement by establishing objectives, accurately recording and reporting on these requirements annually.

Access to Information Act

The Authority has a clear commitment to transparent governance. The APA reports, through its website, monthly summaries of all requests related to the *Access to Information Act* received, reports that have been tabled in Parliament, and proactively discloses travel and hospitality expenses for the board members and key management positions. There have been no ATIP requests received in 2020.

Directive on Travel, Hospitality, Conferences and Event Expenditures

The Authority has established travel, hospitality, conference and event expenditure policies, guidelines and practices that are in alignment with Treasury Board policies and directives. The policies were implemented in June 2016 and revised in June 2017. The Authority confirms that the requirements of the directive have been met.

The Atlantic Pilotage Authority's area of operation is defined as all the Canadian waters in and around the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, including the waters of Chaleur Bay in the Province of Quebec.

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

Pension Plan Reforms

Section 16 of the *Pilotage Act* specifies that the Authority is deemed to be a Public Service corporation for the purposes of section 37 of the *Public Service Superannuation Act*. Employees of the Authority are members of the Public Service Superannuation Plan and contributions are made by the employees and the Authority to fund their future annuity. This plan aligns with the Government priorities and has the employee/employer cost sharing ratio of essentially 50:50.

Trade Agreements

As a matter of principle, the Authority conducts its expenditure contracting activities with due regard to applicable laws, regulations, international agreements and conventions, internal policies and competitive tendering processes. The Authority does this in such a way as to convey its high standards of professionalism and business ethics to the external community. The procurement practices of the Authority are disclosed on its website at: https://www.atlanticpilotage.com/about-us/procurement-practices/

11. Government Priorities and Direction

Results linked to Government priorities

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

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

Transparency and Open Government

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

- Increased Proactive Disclosures
- Financial reporting (Annual and Quarterly)
- Corporate Plan Summaries
- Special Examinations Reports
- Information on InfoSource
- Forward Regulatory Plan
- Procurement Practices
- Completed *Access to Information Act* inquiries
- Live Feed of Current Assignments

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

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

Gender-Based Analysis / Diversity and Employment Equity

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

The Workplace Equity Division of the Canada Labour Program within Employment and Social Development Canada has deemed the Authority as exempt from the Employment Equity due to having less than 100 permanent full-time or permanent part-time employees. However, the Authority will uphold the spirit of Employment Equity Program in its related policies and procedures.

The Authority's staffing levels are on average less than 100 full-time equivalent personnel and thus prevents a statistically significant analysis for diversity. The Authority conducted a joint Multiculturism and

Employment Equity Survey of all employees to allow for all to voluntarily self-identify as a federally designated group.

The Authority has a visible representation of women on its Board of Directors and within its management team. The challenge remains in two key personnel segments, Pilots and Pilot Boat Crew (Launchmasters and Deckhands). In total across the Atlantic districts, these job positions represent nearly 80% of our overall full-time workforce. The recruitment and hiring statistics for these positions reflect the demographics of the greater Canadian maritime industry. The Canadian maritime industry has historically seen a lack of equity and diversity of those individuals with senior navigation credentials. There is a trend towards greater equity and diversity in the nautical schools, and the Authority is proud of its active participation in supporting their efforts. The Authority is committed to continuing to work with its industry and government partners to ensure it has a pulse on the best practices for recruitment, selection and retention of a diverse populations within the maritime labour force. The maritime labour force is a sector from which approximately 80% of the Authority's working positions are drawn. Initiatives such as engaging in career fairs with educational institutions and partnering with Atlantic region Indigenous groups to participate in career development and education, is an example of this work.

In 2020, the Authority continues to work towards establishing policy and programs which actively support the obligations and outcomes for the Gender-Based Analysis (GBA+).

Indigenous Relationships

The Authority reached out to the Atlantic Policy Congress of First Nations Chiefs Secretariat to notify them of available positions on the Authority Board. Management intends to engage this group further to discuss whether there are opportunities for cooperation between their members and the Authority. The Authority also intends to continue to support and participate in working groups, events and educational sessions provided by Nova Scotia Community College Nautical Institute.

The Authority is taking steps towards education of its employees in Indigenous awareness and relations. The goal is move towards engagement with Atlantic Canadian Indigenous community leaders and to build informed, effective, and respectful relationships with Indigenous Peoples and their communities.

Sustainable Development and Greening of Government Operations

The Authority supports sustainable development by protecting the environment from potential spills and contamination through marine incidents. This is done as an essential part of the Corporation's mandate and is achieved through successful pilotage service as well as through consultation and expertise that is provided to customers during the design of their facilities or operations. As specified in its core values, the Authority prioritizes safety over any competing goals or pressures.

Greening of the operations is a goal that is being pursued by the Authority. In 2017 the head office was moved to a Class "A" Smart Building that is Leadership in Energy and Environmental Design (LEED) Gold Core and Shell certified. The Authority has invested in its Halifax dock to allow for greener shore power to be used to power Heating, ventilation, and air conditioning (HVAC) systems on its pilot boats. Fueling facilities are also being moved closer to the vessels to save on unnecessary boat movements. As the Authority is designing new pilot boats, advanced active emissions control technology is being utilized in the exhaust system to improve emissions and other efficiency standards will be considered.

Safe Workspaces and Accessibility

Safe Workspaces

The Authority will uphold the practice of respect, fairness and courtesy and the importance of demonstrating human dignity within all professional relationships. Success in the practice of these values for the Authority will foster a safe and healthy workplace free from discrimination, violence, and harassment.

The Authority fulfills this duty through its established Prevention of Discrimination, Violence and Harassment in the Work Place Policy and its supporting procedures. The Authority has assigned a member of the senior management staff to take a leadership role in this area, including the planning of a work place assessment and the continuation of employee education.

Accessibility

In support of initiatives to build a diverse public service, the Authority is committed to developing an inclusive, barrier-free work environment in which all persons have equal access to opportunities within our organization. The Authority fulfils its duties for persons with disabilities as established under our Diversity, Inclusion and Employment Policy in support of the *Employment Equity Act* and associated relevant Acts. The Authority has assigned a member for the senior management staff to take a leadership role in this area and to monitor requirements under the proposed *Accessible Canada Act*.