Atlantic Pilotage Authority

2021 Annual Report

Atlantic Pilotage Authority
Administration de pilotage de l'Atlantique

Canada

Mandate

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

Mission

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

Vision

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

To achieve the vision, the Authority must demonstrate:

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

Core Values

SAFETY

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

ENVIRONMENT

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

SERVICE

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

RELATIONSHIPS

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

ACCOUNTABILITY

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

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CORPORATE HEADQUARTERS

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Certified System
SAI GLOBAL
ISO 9001
Quality

Selected Statistics

6,950
Pilotage assignments
Down 3.9% from 2020

99.97%
Incident free assignments

0
Accidents causing injury or environmental damage

99.86%
Complaint free

99.20%
Assignments without delay

$674,000
Income for 2021

100%
Customer safety satisfaction

92%
Customer efficiency satisfaction

Letter from the Chair & CEO

March 9, 2022

The Honourable Omar Alghabra, M.P.
Minister of Transport
Tower C – 330 Sparks Street
Ottawa, ON
K1A 0N5

Captain Jack Gallagher
Chair

Captain Sean Griffiths
Chief Executive Officer

Dear Minister:

Pursuant to Section 150 of the *Financial Administration Act*, it is our pleasure to present the Atlantic Pilotage Authority's Annual Report for 2021.

By the end of 2021, the Authority had been providing uninterrupted pilotage services for approximately two years since the World Health Organization announced "a public health emergency of international concern" because of COVID-19. Over this period, much of the efforts of the organization has been focused on the Authority's primary responsibility, assuring the safety of its employees while providing an essential service and maintaining local supply chains. As this pandemic continued in 2021, the Authority had increasing demand for pilotage services on vessels with actual or expected cases of COVID-19 infection. Each of these instances required extensive communications and coordination by the Authority and its pilots, with Federal and/or Provincial health authorities, vessel operators, and industry representatives. This coordination assured the safety of the Authority's pilots and boat crews, as the illness of multiple employees could threaten supply chains and commercial activities. Pilotage is an essential service that is required to continue as local communities and commerce rely on the uninterrupted flow of goods.

Under these difficult conditions, safety of vessel movements remained paramount to the Authority and its stakeholders, so we are therefore pleased to report that there were 6,950 assignments completed during 2021 where 99.97% were executed without a pilotage incident. Also, there were no injuries and no environmental contamination due to any of the incidents.

The Authority aims to provide pilotage service within one hour of the confirmed ordered time, and in 2021, a pilot was provided within this time frame on 99.2% of the assignments. The Authority has a formal procedure to allow for stakeholders to report service non-compliances and during the year the number of assignments completed without receipt of such notification was 99.86% of the total.

After the initial year of the pandemic, when global economic demand had plummeted, activity in several sectors rebounded as increased demand for oil products, and many other goods, led to an increase in movements on tankers, container ships, bulk carriers, and general cargo vessels. The cruise ship season was cancelled for the second consecutive year, which had a significant impact on the revenues of the Authority, as did the operational closure of an oil refinery in Newfoundland.

Pilotage assignments during the year decreased by 284 (3.9%) from 2020, but much of the lost activity was on small revenue vessels and anticipated by the Authority. The lost revenues from this decline were more than offset by increased activity in sectors with larger revenue-generating vessels. These changes in activity and the implementation of rate adjustments resulted in an increase in revenues of $2.371 million (9.4%) while expenses grew by only $403,000 (1.5%). These factors have contributed to an operating profit of $674,000 after having a $1.267 million loss the previous year. The Authority has been able to operate through this very difficult period while still fulfilling its mandate and has been able to maintain an accumulated financial reserve in savings.

The Authority has a fleet of pilot boats and numerous capital assets that require continuous maintenance and reinvestment. After a delay in the plan to construct two new pilot boats, the Authority has moved forward on this project with a preliminary design completed and initial construction bids received. By the end of 2021, the evaluation of interested yards had begun with the expectation that a contract will be awarded by mid-2022.

Relationships with Atlantic regional stakeholders have been vital in the efforts of the Authority to provide uninterrupted and effective service during the pandemic. Management's regular consultations with stakeholders continued with both virtual gatherings and in-person meetings, depending on pandemic restrictions. These sessions provided critical input on the service levels, operational issues, and pilotage charges within each of its major ports. In 2021, consultation increased to include several layers of government and were required to address COVID-19 challenges and *Pilotage Act* reform.

The Authority maintained its ISO 9001-2015 designation in 2021, which will be beneficial as the remaining *Pilotage Act* amendments come into force and a compliant management system is required. This ISO designation focuses on continuous improvement and safety, and it has served the Authority well as pandemic mitigations and workforce safety have dominated operational activities.

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

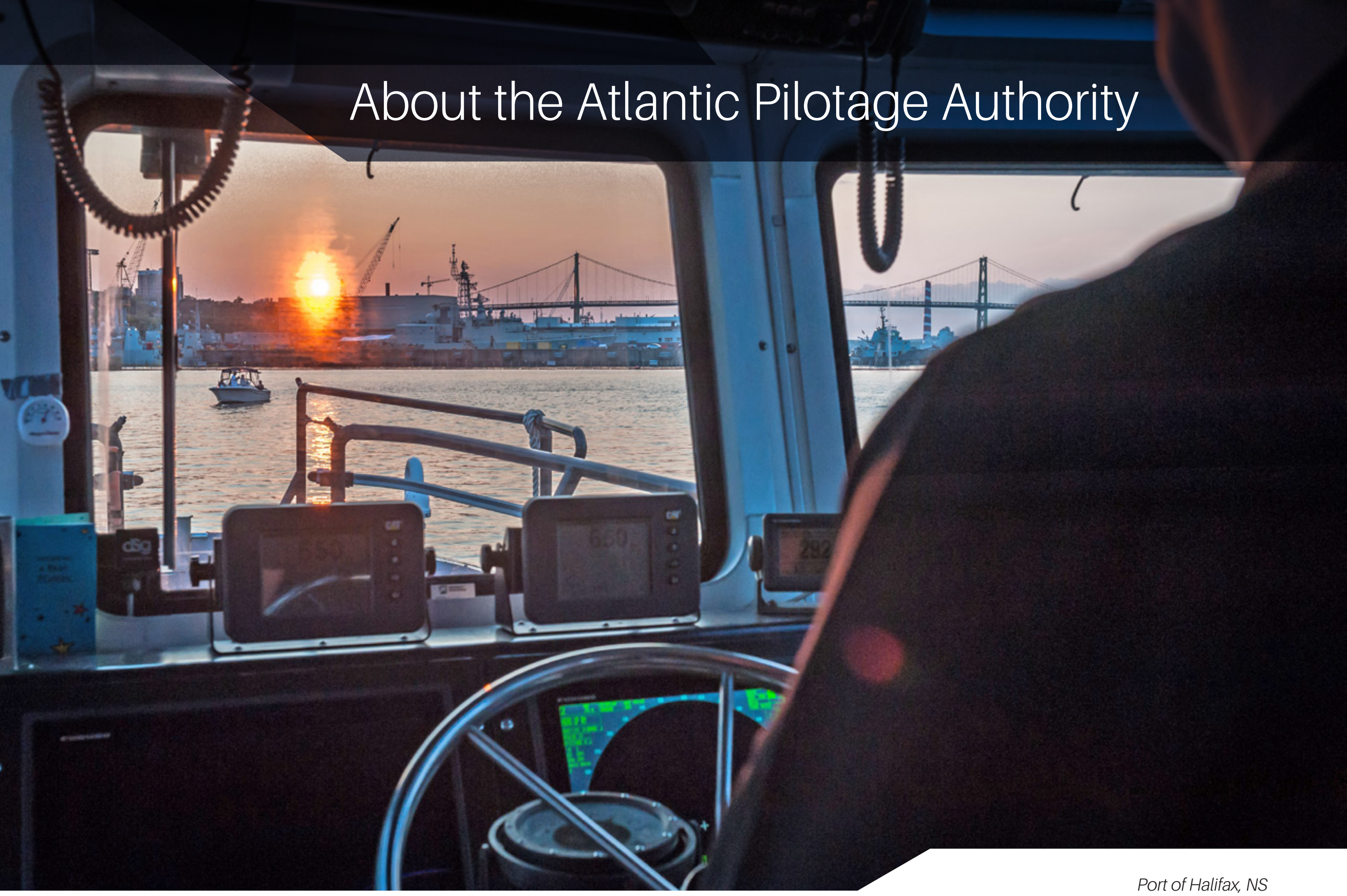
Respectfully submitted,

Captain Sean Griffiths, MM, MBA
Chief Executive Officer

Jack Gallagher

Captain Jack Gallagher
Chair

About the Atlantic Pilotage Authority



Port of Halifax, NS

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

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

The APA provides licensed pilots to ships that enter Atlantic Canadian Ports to ensure that these ships travel within the pilotage area as safely as possible.

Operations are organized according to geographic location, and 17 areas have been designated as requiring compulsory pilotage, with one further area in the regulatory process to become compulsory. The Authority also endeavors to provide pilotage service to other areas, referred to as non-compulsory areas, upon request.

Port of Saint John, NB

The Authority is a non-agent Crown Corporation as defined by the *Financial Administration Act* (FAA) and is listed in Schedule III, Part I to that *Act*.

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

Throughout history and up to the present day, the diverse and challenging coastline and waters of Atlantic Canada have defined the character and development of the region. Marine pilots have played a major role in this development in the past and continue to do so today. The APA works with ports, the shipping industry, and other stakeholders to provide the safest and most efficient marine pilotage service possible to Atlantic Canada.

POWERS

The Authority is empowered under the *Pilotage Act* to:

- Employ such officers and employees, including licensed pilots and apprentice pilots, as are necessary for the proper conduct of the work of the Authority;
- By resolution, establish or revise charges to be paid to the Authority for services that the Authority provides or makes available in relation to compulsory pilotage and other charges;
- Establish internal policies for managing its operation;
- Purchase, lease or otherwise acquire land, buildings, wharves or structures, pilot boats and other equipment and assets deemed necessary, and sell any assets thus acquired;
- Borrow, if necessary, in order to defray the Authority's expenses.

Strategic Direction

Corporate Objectives

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

The Authority's corporate objectives are the following:

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

KEY PERFORMANCE INDICATORS

	2021 Actual	2021 Target	Versus Target	2020 Actual
Safe and Effective Service				
Formal Consultation Meetings	23	15		13
% of incident-free assignments	99.97%	99.97%		99.92%
% of assignments without complaint	99.86%	99.72%		99.70%
% of assignments without 1+ hour pilotage delay	99.20%	99.58%		99.20%
Hours of case management time associated with work related injuries	8.0	9.0		9.3
% of customers who reported that they are satisfied with the Authority's commitment to safety as registered through the annual customer survey process	100%	90%		100%
Financial Self-Sufficiency				
Short-term borrowing ($ 000's)	$ —	$ < 2,500		$ —
Profit (loss) ($ 000's)	$ 674	$ (1,435)		$ (1,267)
Accumulated Cash and Savings ($ 000's)	$ 6,011	$ 2,014		$ 6,820
Reliable and Self-Sustaining Service				
New pilots hired	3	3		3
Delays caused by unplanned pilot boat maintenance issues	1	0		7
Total downtime caused by unplanned maintenance as a % of time available	0.89%	1.00%		0.88%
Number of environmental spills or damages related to pilot boat operations	0	0		0
% 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	92%	80%		96%

on or above target　slightly below target

Safe and Effective Service

CONSULTATION

The Authority conducts frequent meetings with stakeholders throughout the region to determine their requirements, report financial results, discuss operational issues, and exchange information. Due to the pandemic these meetings were held virtually when in-person meetings were not possible.

During 2021, the Authority hosted 13 formal consultation meetings that are scheduled each year. Management of the Authority also presented information at eight additional Shipping Federation of Canada, District Committee meetings, and attended two National Pilotage Committee meetings.

In addition to these meetings sponsored by the Authority, management and pilot representatives attended many other meetings held by stakeholders throughout the region. During the year, the Authority held a live Annual Public Meeting virtually where a presentation of the 2020 financial results and strategic direction was made to the attendees and interested stakeholders.

PILOT STAFFING

The Authority continued to make long-term investments to improve the quality of service it provides. Pilot numbers are monitored closely in combination with service levels to determine the appropriate workforce necessary to provide a safe and effective service. The current goal is to reach and then maintain a steady workforce of 50 fully effective employee pilots, and there were 49 pilots employed at the end of 2021 after five retired during the year. The Authority has received notices from three additional pilots of their intention to retire within the next two years.

PILOT BOATS

Due to the nature of pilotage in the Atlantic Region, which is primarily port pilotage, a large part of operations is related to the provision of pilot boat services. Virtually every port serviced by the Authority requires a reliable boat and service to transport pilots to and from each assignment. A total of 27 vessels are used to deliver service for the Authority with the goal that each one will be inspected annually to assure the safety of the pilots who are being transferred. The Authority owns 11 of these vessels with the remainder provided by contractors. Unfortunately, only 14 vessels were inspected in 2021 (11 in 2020) due to pandemic caused travel and attendance restrictions. The remainder will be inspected as soon as restrictions allow.

Of the 11 vessels owned by the Authority, six have been built within the last 15 years. The remainder are much older with several built in the 1970's. A long-term strategy has been developed for asset replacement and continued renewal of the fleet. In accordance with this strategy, the Authority has launched a project to build two new vessels and completed a preliminary design. By the end of the year a process had begun to evaluate the suitability of the boat yards that have shown interest in the project. The Authority continues to monitor pilot boat operations in all areas to determine whether improvements can be made in the areas of safety, efficiency, and reliability.

TECHNOLOGY

The Authority has been deploying portable pilotage units (PPUs) that are beneficial to the specific port pilotage done in the Atlantic region. The PPU's are brought onboard by the pilot and are setup before the pilot takes conduct of the vessel. The unit receives digital information from the ship, other ships, the shore, cellular transmissions, and satellite. It allows the pilot to independently verify ship information, track and predict ship movements, and record/play back the assignment. It is used by pilots to provide the specific information in real-time and is a decision support tool which also assists with training.

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

KEY SERVICE INDICATORS

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

Non-Compliance reports

The Authority developed a structured methodology for handling complaints that is designed to be as user friendly as possible, and the goal of the Authority is to ensure that timely feedback is provided to the complainant. The most common reason for a complaint to be submitted was due to a delay in an assignment. The Authority received 10 (19 in 2020) complaints out of a total of 6,950 (7,234 in 2020) assignments during 2021. The remaining 99.9% (99.7% in 2020) of assignments were performed without receiving a complaint from the customer.

Customer Survey

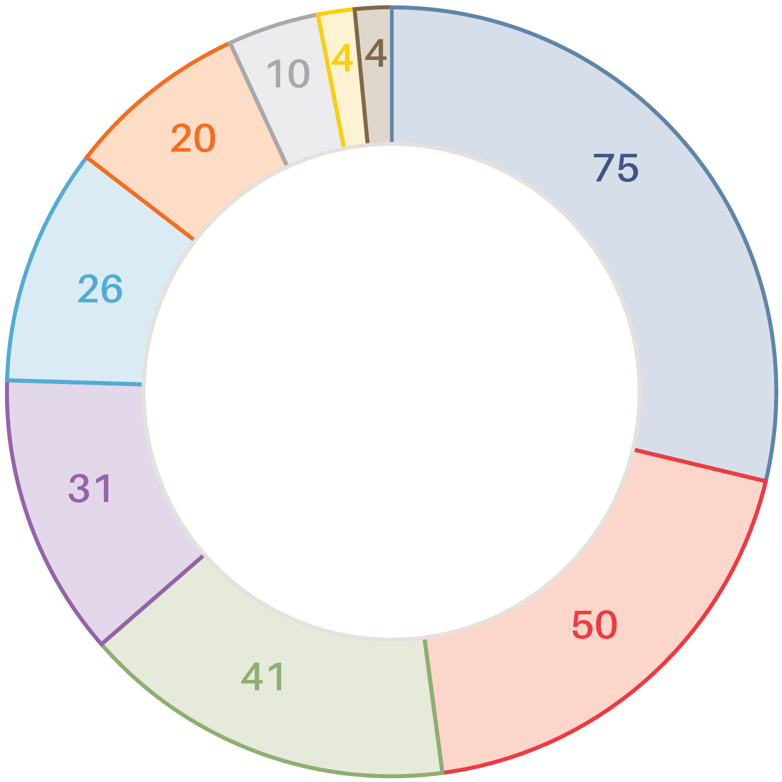
In August 2021, the Authority conducted its fifth Customer Satisfaction Survey to collect feedback from its stakeholders. Participation increased from the previous year, and 100% of responders were satisfied with the Authority's dedication to safety (100% in 2020) while 91.9% were satisfied with the efficiency of the pilotage service (95.6% in 2020).

Delay Analysis

Delays in vessel movements may be caused by a number of factors that relate to customer operations, the Authority, or other service providers. During 2021, the Authority recorded 261 instances where vessel movements were delayed by greater than one hour (243 in 2020). Most of the delays were caused by circumstances outside the control of the Authority, such as vessels delaying sailing due to cargo, labour, or tug issues. Vessel and other service delays comprised 79.6% of all delays in 2021 (75.7% in 2020). For the remaining 20.4% of delays (24.3% in 2020), the primary contributing factor was a shortage of pilots. The average length of all delays was 2.27 hours, with the corresponding time in 2020 being 1.91 hours. The average length of delays caused by the Authority was 2.76 hours (2.24 in 2020) with the total related hours delayed being 149 (116 in 2020).

Delays by Cause 2021

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



DELAYS OF >61 MINUTES

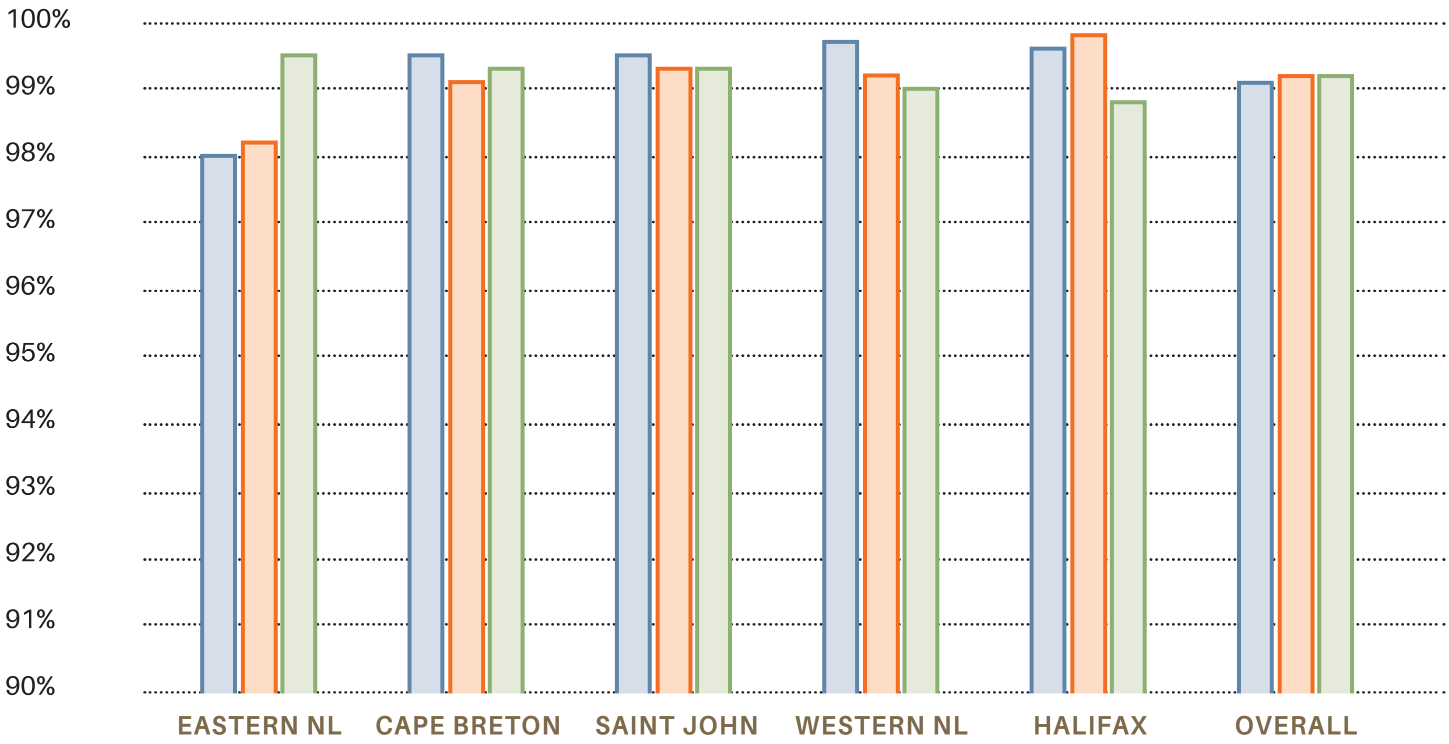
Ship-Cargo Ops	75	28.7%
Pilot Availability	50	19.2%
Ship-Other	41	15.7%
Other Non-APA Related	31	11.9%
Tugs	26	10.0%
Berth Availability	20	7.7%
Ship-Documentation	10	3.8%
Other COVID-Related	4	1.5%
Other APA-Related	4	1.5%
Total	**261**	**100.0%**

The Authority aims to provide service within one hour of the ordered time on a minimum of 99.6% of assignments (excluding delays caused by factors beyond the Authority's control).

In 2021, a pilot was provided within this time frame on 99.2% of the assignments (99.2% in 2020). Performance is also measured for each individual district or port. During 2021, service levels in Halifax fell below 99% with pilots delivered within one hour on 98.8% (99.8% in 2020) of the assignments.

The following chart provides the results for each port or district.

Percentage of Pilotage Assignments without Pilotage Delay 2019–2021



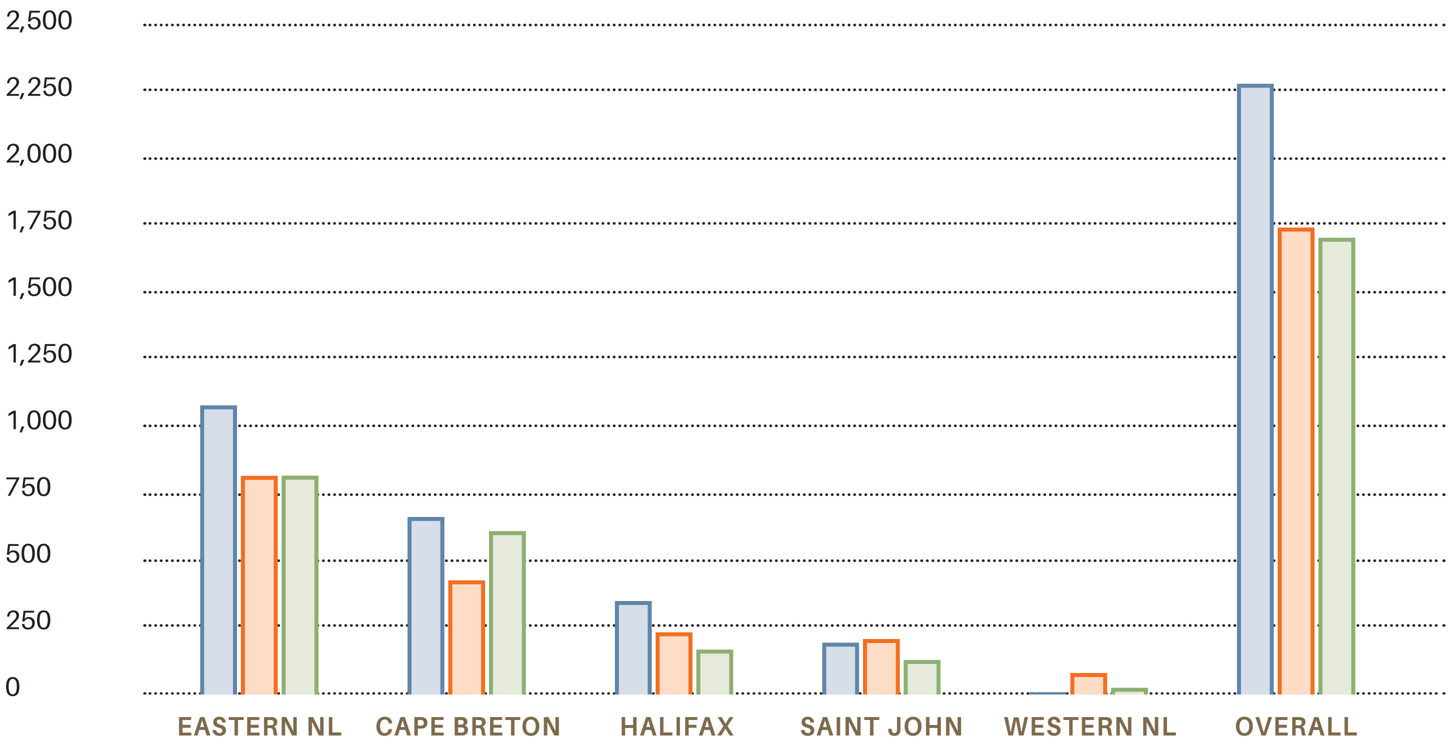
	2019	2020	2021
Eastern NL	**98.0%**	**98.2%**	**99.5%**
Cape Breton	**99.5%**	**99.1%**	**99.3%**
Saint John	**99.5%**	**99.3%**	**99.3%**
Western NL	**99.7%**	**99.2%**	**99.0%**
Halifax	**99.6%**	**99.8%**	**98.8%**
Overall	**99.1%**	**99.2%**	**99.2%**

WEATHER CLOSURES

Climate change is impacting the marine industry and the Authority with more intense storms of a longer duration. In 2021 the Authority was required to suspend pilotage operations due to weather for 1,717 combined hours through its 17 compulsory ports. This was a slight decrease from the 1,746 hours in 2020.

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

Number of Hours Pilotage was Suspended due to Weather 2019–2021



	2019	2020	2021
Eastern NL	**1,078**	**816**	**816**
Cape Breton	**666**	**427**	**604**
Halifax	**343**	**228**	**161**
Saint John	**192**	**198**	**120**
Western NL	**8**	**77**	**16**
Overall	**2,287**	**1,746**	**1,717**

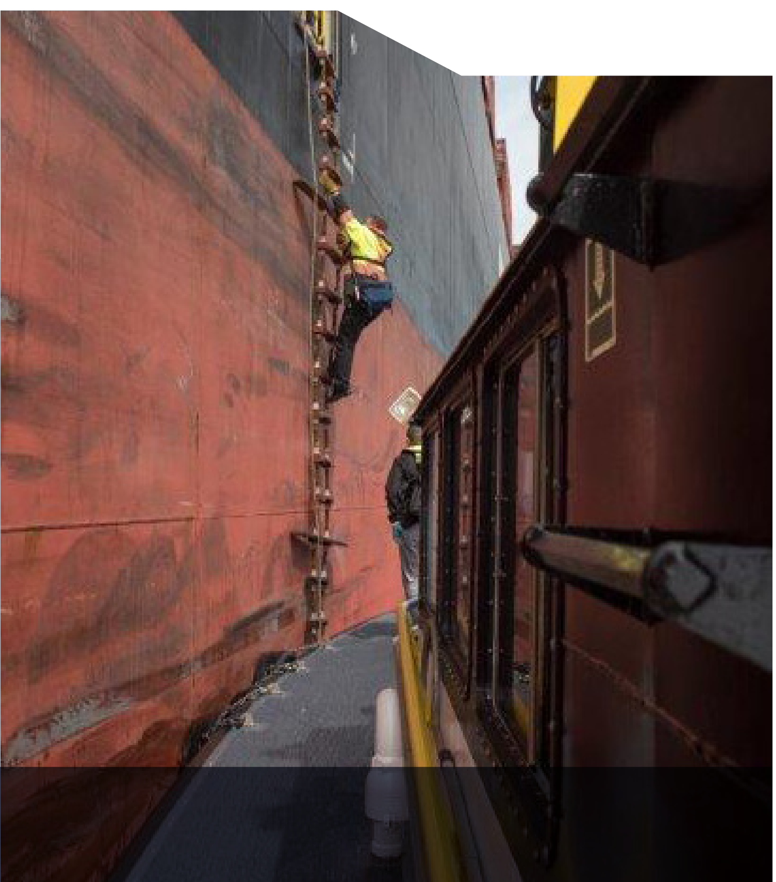
2021 SHIPPING INCIDENTS

During 2021, there were two shipping incidents reported by the Authority's pilots.

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

2021 Shipping Incidents

Type of Incident	2017	2018	2019	2020	2021
Damage to Equipment					
Contact with wharf	3	3	4	4	2
Contact with lock	0	0	1	0	0
Contact with port equipment	1	1	0	2	0
Contact with sea bed	1	0	0	0	0
Total Shipping Incidents	**5**	**4**	**5**	**6**	**2**
Environmental Contamination	0	0	0	0	0
Injury to People	0	0	0	0	0



The Authority endeavours to provide a safe and efficient pilotage service in the Atlantic region. The total number of occurrences indicates 99.97% of the assignments were pilotage incident free. In 2020, 99.92% of assignments were pilotage incident free.

ISO 9001 – 2015 CERTIFICATION

The Authority became ISO 9001-2015 certified in 2018 and has maintained this certification in 2021.

Financial Self-Sufficiency

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

The Authority amended its charges in 2021 in two stages. The first stage of the amendments were approved for the beginning of 2021. These rates were set on a port-by-port basis with an overall revenue increase expected of 2.1%. There was also a 4.0% deficit additional charge added to partially offset the lost revenue created by the pandemic. A second adjustment was made for Placentia Bay, NL that came into force in February 2021 that provided an additional 3.1% of revenues and was in response to the closure of the Come-by-Chance oil refinery.

FINANCIAL IMPACTS OF COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a global pandemic as a result of COVID-19. The pandemic, and resulting global economic contraction, had a significant negative impact on traffic for the Authority. The reduced demand for oil products and many other goods 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.

Pilotage revenue for 2021 remained lower than historical norms as cruise traffic has yet to return and the refinery in Placentia Bay remains inactive. There has been a recovery in other traffic, and combined with the rate increases, revenues in 2021 were $27.7 million, an increase from the $25.3 million in 2020, but remaining below the $29.7 million earned in 2019. The deficit additional charge that was implemented in 2021 accounted for $944,000 of the $2.4 million increase in revenues. The Authority has incurred higher training costs with pandemic restrictions lifted for a portion of the year and had increased fuel costs with elevated diesel prices. The total expenses in 2021 increased by $403,000 from the previous year, or 1.5%.

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. The Authority had a net decrease in cash of $809,000 due primarily to final cash payments made on repairs to the Herring Cove breakwater damaged by Hurricane Dorian.

In evaluating actions that could be taken with the reduced traffic and associated revenues, the provision of safe and efficient service is always a primary concern. 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.

Comparative 5-Year Statement of Income (in thousands of dollars)

	2017	2018	2019	2020	2021
Revenue	$ 27,793	$ 28,831	$ 29,691	$ 25,326	$ 27,670
Expenses	24,888	27,109	28,394	26,593	26,996
Income (loss) for the Year	$ 2,905	$ 1,722	$ 1,297	$ (1,267)	$ 674
Cash Balance and Reserve	$ 1,638	$ 2,789	$ 4,359	$ 3,446	$ 3,511
Dedicated Savings	$ 2,300	$ 3,300	$ 3,600	$ 3,374	$ 2,500
Retained Earnings	$ 10,624	$ 12,373	$13,595	$ 12,227	$ 12,935

Reliable and Self-Sustaining Service

STAFFING

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

The Authority had three pilots from Halifax, one pilot from Southeast Newfoundland, and one pilot from Cape Breton retire in 2021. All five of these pilots had provided the Authority with substantial notice of their plans. At year-end, the Authority had two pilots from Saint John, NB and one pilot from Cape Breton provide notice of their planned retirements within the next few operational years. Resource planning and forecasting led to the hiring of three pilots to backfill for the planned retirements, ensuring continued support for service requirements in these areas. Resource forecasting alerted the Authority to a sub-optimal staffing number of fully licenced pilots in Halifax while training pilots are moving through the licencing system. The Authority may employ retired pilots on a contracted temporary basis to ensure reliable and effective service standard is maintained for peak times of port activity.

The Authority's target is to have at least one candidate on the eligibility list for each anticipated opening. At the end of 2021, the Authority required eligibility lists for two districts, successfully establishing one for Saint John, NB and carrying the process into 2022 for the Cape Breton district.

Number of Employees, 2017 – 2021

At December 31	2017	2018	2019	2020	2021
Employee Pilots					
Class A Licence	44	45	44	45	43
Class B Licence	2	4	4	4	5
Class C Licence	1	1	1	0	1
Apprentice	2	0	1	2	0
Total Employee Pilots	**49**	**50**	**50**	**51**	**49**
Pilot Boat Crew	17	18	18	18	18
Officers and Administrative	11	10	10	10	11
Dispatch	6	6	6	6	6
Total Employees	**83**	**84**	**84**	**85**	**84**
Entrepreneurial Pilots	10	11	11	10	10

Placentia Bay, NL

TRAINING

Training is planned by the Authority based on the need for exposure to new technologies, staged training required by new pilots, the need for refresher courses for senior pilots, and new regulatory requirements that may come into force from time to time.

Training for the Authority is based on an established progressive program that is determined with the input of senior pilot representatives from each area. Training is a combination of hands-on pilotage assignments and is supplemented with pilot training courses.

As licence progression continues, the junior pilot will perform pilotage assignments independently within their corresponding gross tonnage limitation. During this time, the junior pilot will continue to perform training trips with senior district pilots on assignments above their current licence level.

All pilots attend mandatory training courses associated to their licence level throughout the progression program. Examples of such courses are Bridge Resource Management for Pilots (BRM-P), Radar Errors, and progressive manned model courses, basic and advanced throughout their program. Further, the Authority has worked with industry and pilots to develop customized courses in such specialized areas as the use of tractor tugs for tanker escort and the characteristics of Azipod propulsion systems on cruise ships.

Refresher courses are attended periodically by senior pilots and simulation training for new port specific activity is conducted as required. For 2021, the Authority had planned for 21 pilot attendees to fill 51 seats across eight unique courses. Due to the pandemic this plan was not possible to achieve in its entirety and some training has been rescheduled for 2022. The Authority was able to have 11 pilots fill 25 seats across seven available courses.

Training for all other employees may be dictated to meet a regulatory requirement, requested, or suggested, based on their performance reviews. The pilots are assessed at least once every three years and the Authority has eight Check Pilot Assessors. In 2021, the Authority trained and certified five new assessors. Due to the pandemic travel restrictions and internal limitations on person(s) onboard a pilot boat or vessel, only three employee pilots were assessed, as was planned. The pilots due to be assessed in 2021 will move to 2022.

WORKPLACE SAFETY

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

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

With the modernization of the Canada Labour Code and the establishment of the Workplace Violence and Harassment Prevention Regulations coming into force, the Authority strived to fulfil its obligations under the new regulations, such as conducting a workplace assessment as associated to this regulation. The Authority has completed this assessment in joint consultation with the Occupational Health and Safety Committee and will action outcomes for continual improvement into 2022.

The Authority uses the number of hours of case management time associated with work related injuries as a measure of the effectiveness of these efforts. In 2021, 8.0 hours were accumulated for these cases (9.3 hours in 2020) with the annual goal being zero. The OHS Committee investigated 165 issues during the year and had 14 that remained open at the end of 2021.

PILOT BOATS

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

The Authority has three models for pilot boat operations:

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

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

The Authority targets zero delays caused by unplanned maintenance issues. Of the 6,464 assignments that required the use of a pilot boat, there was one delay caused by maintenance issues in 2021 (seven in 2020). Total downtime caused by unplanned maintenance that doesn’t cause a delay is to be kept under 1% of the total time the vessels are available. For 2021, downtime represented 0.89% (0.88% in 2020) of the total time available.

Leadership

CONSULTATION – MARINE PROJECTS

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

Newfoundland

- Participated in Loading Arm replacement project in Placentia Bay.

Nova Scotia

- Procured a Brizo sensor for H1 buoy near pilot station to be integrated to Smart Atlantic website.
- Worked with the Halifax Port Authority (HPA) to support new Harbour Master Directive on Crane Safety and vessel placement at terminals.
- Initial planning/information sessions on Mill Cove Fast Ferry with HPA/Project Managers.
- Continued participation in Sydney Navigation Aids project and planned simulations.
- Sydney iHeave Under Keel Clearance study – facilitated discussion between OMC International and Port of Sydney to start I-Heave study.

New Brunswick

- Consulted with Saint John Port with respect to maintaining buoyed channel through dredging program and participated in simulations to support the West-Side Modernization Project.

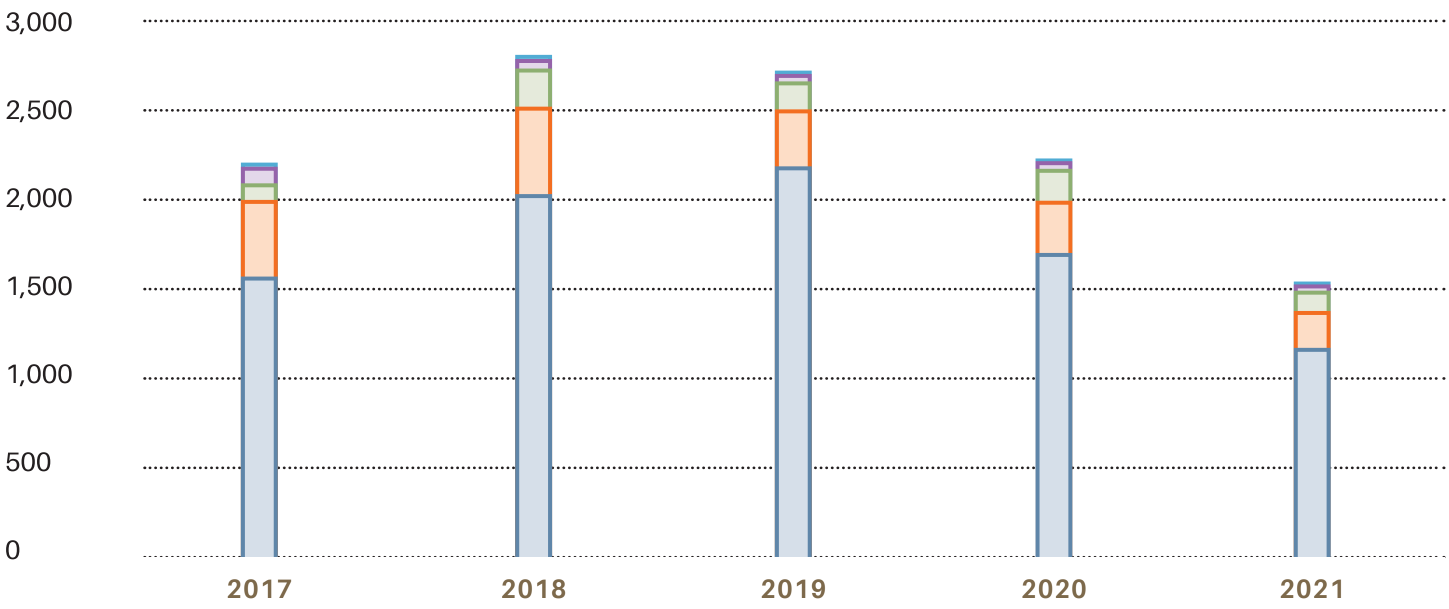
CONSULTATION – COVID-19

During the year, the Authority had 29 vessels arrive to compulsory pilotage areas with confirmed or suspected COVID cases onboard. Each of these required coordination with regulators, pilots, pilot boat crews, vessel operators and agents, and Federal and/or Provincial health authorities to assure safe passage. Each of these was managed by the Authority and services safely provided. The Authority also provided consultation on COVID-19 protocols and mitigations to stakeholders across the Atlantic provinces.

CERTIFICATED MASTERS

The Authority is cognizant of the costs of pilotage and the operational needs of the ship operators. Canadian masters have the option of writing pilotage certificate exams in each area they regularly transit and in which they have the required experience. Once they have passed a certificate examination, they have the authority to pilot their own vessels in their designated areas. There are many vessel movements being handled by these certificated masters that otherwise would have been pilotage assignments for the Authority. Just as the piloted assignments have been negatively impacted by the economics during the pandemic, so have movements for certificated masters. There remains a significant amount of these movements in the ports of St. John's and Halifax and in 2021 there were a total of 1,544 movements that were conducted by certificated masters (2,245 in 2020). This represents 18% of the total movements in the region (24% in 2020) saving Canadian Shippers an estimated $4.4 million in pilotage fees in 2021 ($5.6 million in 2020).

Movements by Certificated Masters



	2017	2018	2019	2020	2021
St. John's	1,582	2,044	2,204	1,712	1,177
Halifax	439	494	320	292	209
Placenta Bay	82	214	157	182	113
Saint John	89	59	43	45	36
Other	29	18	8	14	9
Total	2,221	2,829	2,732	2,245	1,544

Government Priorities & Direction

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

DIRECTIVE ON TRAVEL, HOSPITALITY, AND CONFERENCE EXPENSES

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

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

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

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

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

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

Travel, Hospitality, and Conference Expenses

As at December 31 (in thousands of dollars)	2019	2020	2021
Operations	845	632	561
Training	115	19	19
Engineering	20	42	25
Total Travel for Operations	**980**	**693**	**605**
Administration	123	60	57
Board	36	16	4
Total Administration Travel	**159**	**76**	**61**
Hospitality	28	9	11
Conference Fees	11	4	0
Total Hospitality and Conference Expenses	**39**	**13**	**11**
Total Travel, Hospitality and Conference Expenses	**1,178**	**782**	**677**

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:

- Proactive Disclosures as required in the *Access to Information and Privacy Acts*
- Financial reporting (Annual and Quarterly)
- Corporate Plan Summaries
- Special Examinations Reports
- Information on InfoSource
- Procurement Practices
- Completed *Access to Information Act* inquiries and tabled reports
- Live Feed of Current Assignments
- Voyage Plans and Master Pilotage Exchange Forms
- Service Charge Announcements and a Customer Guide to Charges

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.

In 2021, there was one request received under the *Access to Information Act* and the *Privacy Act*. It was for information deemed to be private and was not disclosed. There were no requests received in 2020.

COMPLIANCE WITH OTHER ACTS AND REGULATIONS

The Authority practices sound governance of the pilotage system by making sure that legislation, regulations and policies are up to date and reflect the most recent standards. This is key to achieving the mission and maintaining the public's trust. Included in this responsibility is assuring the Authority is in compliance with the *Financial Administration Act*, and all governing regulations that are applicable. The Board monitors this compliance, and the Authority was in compliance with these regulations in 2021.

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 Program due to having less than 100 permanent full-time or permanent part-time employees. However, the Authority continues to 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

Strait of Canso, NS

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 population 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 2021, the Authority continued to work towards establishing policy and programs which actively support the obligations and outcomes for the Gender-Based Analysis (GBA+).

WORKPLACE WELLNESS

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

Corporate Governance

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

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

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

AUDIT COMMITTEE

The Audit Committee is a core committee of the Authority's Board of Directors. The *Financial Administration Act* (FAA) specifically requires the Authority to establish an audit committee. 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 COMMITTEE

This committee meets as required. 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 that may impact National Marine Pilotage Regulations.

HUMAN RESOURCES COMMITTEE

This committee meets at least once per year. Its 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 & CAPITAL INFRASTRUCTURE COMMITTEE

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

RISK COMMITTEE

This committee meets as required and its responsibilities include the active solicitation of information regarding significant risks and exposures while reviewing the adequacy of mitigations of those risks identified. Their responsibilities include identifying and analyzing the risks faced by the Authority, setting appropriate risk limits and controls, and monitoring risks and adherence limits.

Audit	Governance	Human Resources	Pilot Boat & Capital Infrastructure	Risk
Kyle Gillis, Committee Chair	Kathryn Craig, Committee Chair	Kathryn Craig, Committee Chair	John McCann, Committee Chair	John McCann, Committee Chair
Kathryn Craig	Kyle Gillis	Kyle Gillis	Vivek Saxena	Vivek Saxena
John Suresh Selvaraj	Vivek Saxena	John McCann	John Suresh Selvaraj	John Suresh Selvaraj
Jack Gallagher, Ex-Officio	Jack Gallagher, Ex-Officio	Jack Gallagher, Ex-Officio	Jack Gallagher, Ex-Officio	Jack Gallagher, Ex-Officio

INTERNAL AUDIT

During the year, the Authority launched an internal audit of internal control procedures with the final report expected early in 2022.

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.

Each potential risk is assigned scores for the likelihood that it will occur and the consequences that would be incurred. The risk's total score is measured by multiplying the likelihood score by the consequence score. The overall rankings are the following:

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

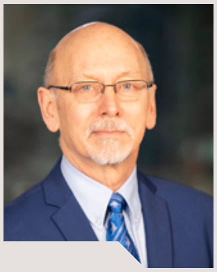
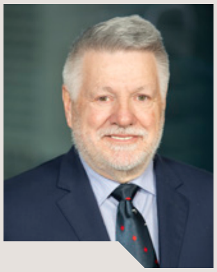
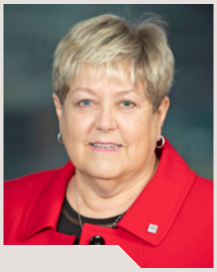
The following table presents the 10 items with the most residual risk as determined by senior management in 2021 based on the process discussed above. A number of risks shown are elevated due to the current pandemic.

TOP 10 RISK MATRIX

	Risk
The risk that economic conditions outside of the Authority's control will lead to actual traffic being materially different than that forecasted by the Authority.	Very High
The risk that work conditions or policies will not mitigate the likelihood of injury or illness in the workplace.	High
The risk that a pilot/crew member suffers an injury while transferring from or to a vessel. These transfers are done thousands of times annually in all types of weather conditions involving many types of vessels. It is this activity that exposes some of our employees to the greatest danger.	High
The risk that emerging technologies will impact the Authority and the service will not be prepared to react to the changes, or capitalize on a related opportunity.	High
The risk that the Authority loses launch service, severely disrupting operations.	Medium
The risk that worsening environmental conditions cause injury during pilot transfer or pilot boat movements.	Medium
The risk that the Authority has a disruption in service due to the loss of a contractor who provides crewing for a pilot boat or crewing and pilot vessel.	Medium
The risk that a pilot will guide a vessel while fatigued or under the influence causing an unsafe situation.	Medium
The risk that the Management System is not fully utilized, creating operating and management inefficiencies.	Medium
The risk that revenues will not produce the cash flows required to cover costs due to operating costs exceeding the amount budgeted when the charges were determined.	Medium

Board of Directors & Executive Officers

Board of Directors

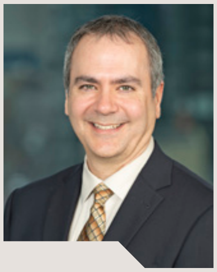
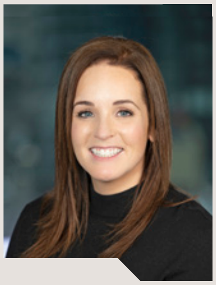





Jack Gallagher, *Chair*
John McCann, *Vice-Chair*

Kathryn Craig
Kyle Gillis

Vivek Saxena
John Suresh Selvaraj

Executive Officers


Sean Griffiths, *Chief Executive Officer*
Brian Bradley, *Chief Financial Officer*

Jennifer Campbell, *Chief Human Resources Officer*
David Anderson, *Chief Operations Officer*

Management Discussion & Analysis

Prepared by senior management of the Atlantic Pilotage Authority (APA), the Discussion and Analysis section presents a more in-depth view of the different factors that impact on operational and financial performance.

The purpose of this analysis is to facilitate the understanding of the audited financial statements presented in the following pages and to explain variations between 2021 results and the results of the previous year.

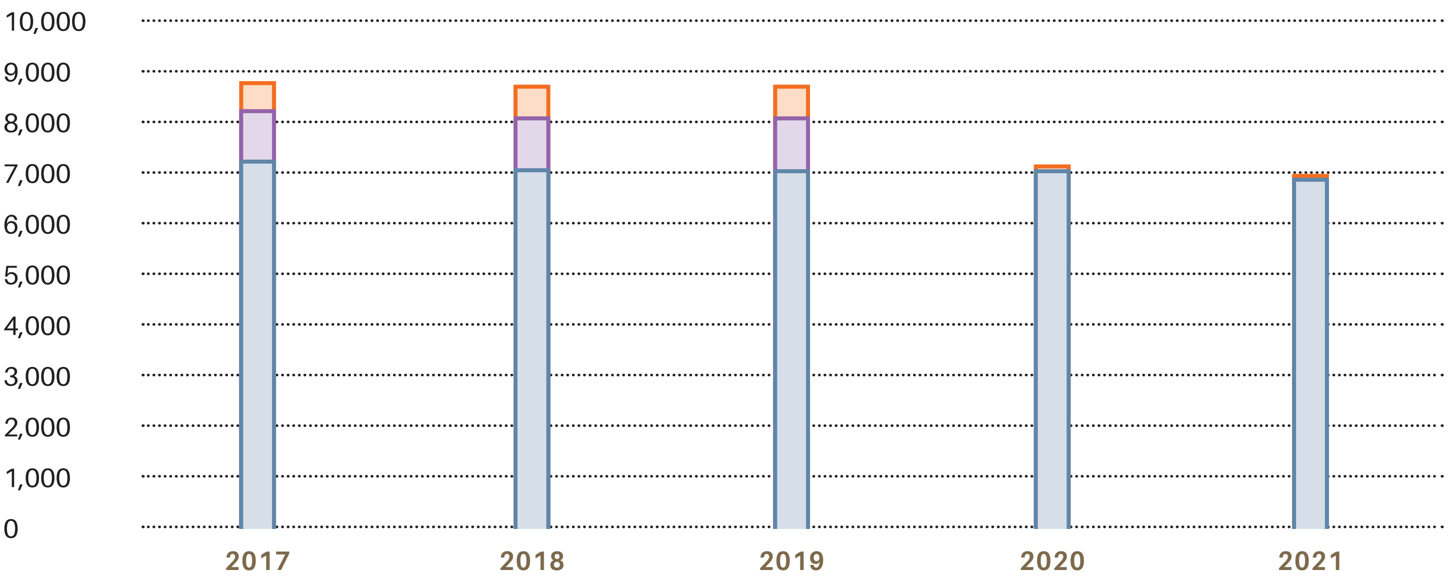
This Discussion and Analysis should be read in conjunction with the audited financial statements and accompanying notes.

PILOTAGE TRAFFIC

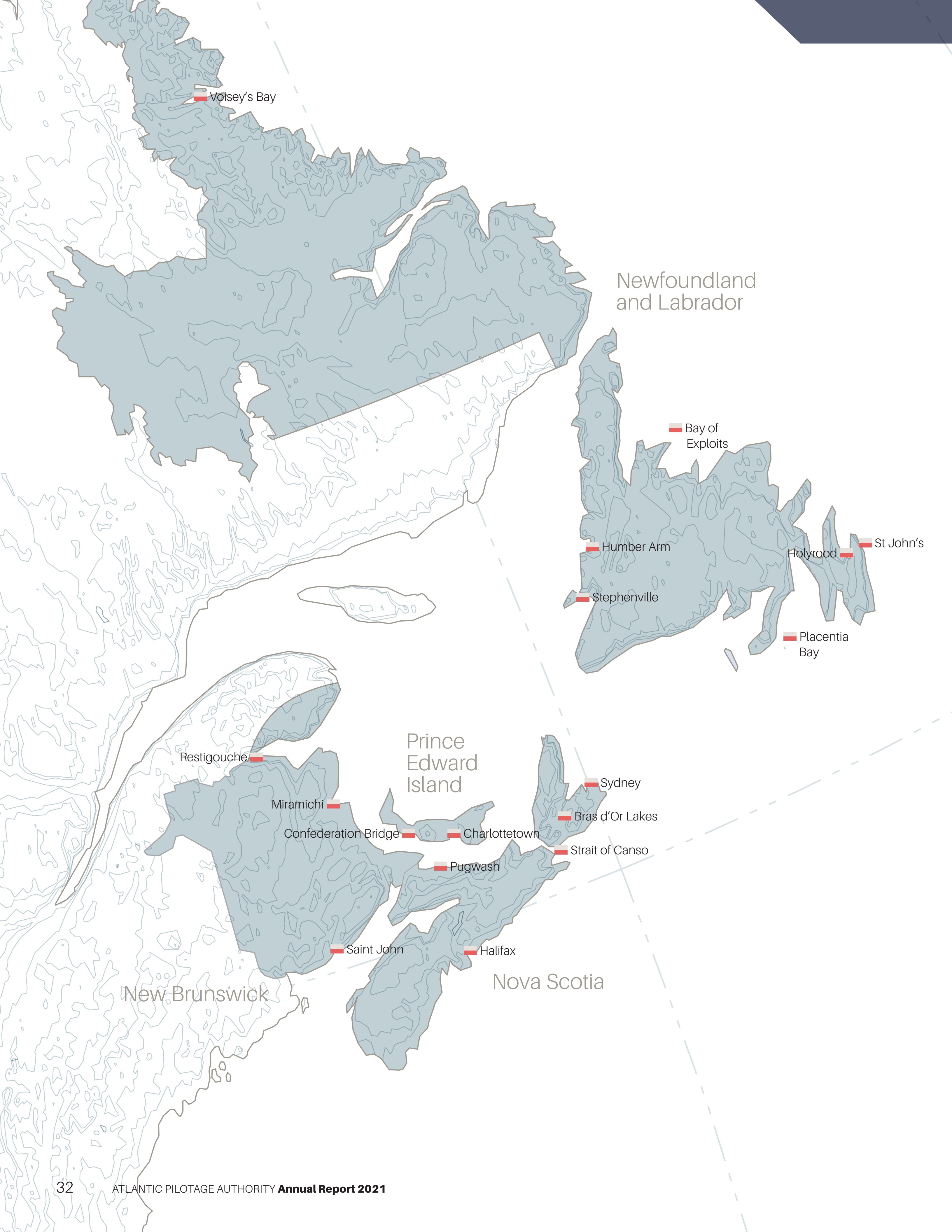
The following discussion regarding the amount of activity in individual ports is referring to pilotage assignments only, and not the level of cargo or vessel traffic experienced by a port. There are several factors that may result in a difference between the activity reported by the Authority and that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

The total number of assignments for 2021 was 6,950, down from the 7,234 assignments in 2020, and significantly below the pre-pandemic levels of 8,694 in 2019. The amount of activity in ports serviced by the Authority can vary significantly due to factors that are beyond its control. The largest impact to traffic continues to be caused by the pandemic and the cancellation of the cruise season, with the next most consequential being the reduction in oil tanker movements from Placentia Bay, NL where the Come-by-Chance Oil refinery ceased production in 2020 and is currently used for importing refined product for the province.

Pilotage Assignments 2017-2021



	2017	2018	2019	2020	2021
Come-by-Chance Oil Refinery	558	567	537	183	43
Cruise Ship Assignments	966	1,055	1,069	—	—
Other assignments	7,285	7,098	7,088	7,051	6,907


Voisey's Bay
Newfoundland
and Labrador
Bay of
Exploits
Humber Arm
Holyrood
St John's
Stephenville
Placentia
Bay
Prince
Edward
Island
Restigouche
Sydney
Miramichi
Bras d'Or Lakes
Confederation Bridge
Charlottetown
Strait of Canso
Pugwash
Saint John
Halifax
Nova Scotia
New Brunswick

Operational Area

Assignments over a 3-year period

	2019	2020	2021
NEW BRUNSWICK			
Saint John	1,844	1,698	1,748
Miramichi	25	3	5
Restigouche	24	1	14
NEWFOUNDLAND AND LABRADOR			
Eastern NL			
Placentia Bay	1,373	1,007	875
St. John's	559	434	371
Holyrood	33	26	27
Western NL			
Humber Arm	205	171	183
Bay of Exploits	67	50	51
Stephenville	34	30	62
Voisey's Bay	41	26	32
NOVA SCOTIA			
Halifax	2,682	2,401	2,258
Cape Breton Region			
Strait of Canso	621	706	678
Sydney	441	199	227
Bras d'Or	4	0	4
Pugwash	90	65	49
PRINCE EDWARD ISLAND			
Charlottetown	277	112	101
Confederation Bridge	106	78	67
Non-Compulsory Areas	268	227	198
Total	**8,694**	**7,234**	**6,950**

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

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

	2019	2020	2021	2021 change	Var % change
Tankers	3,240	3,019	2,946	(73)	-2.4%
Container Ships	1,319	1,279	1,477	198	15.5%
Bulk Carriers	887	801	900	99	12.4%
General Cargo Ships	694	511	566	55	10.8%
Tugs & Barges	353	568	411	(157)	-27.6%
Other	388	228	233	5	2.2%
Supply Ships	176	508	223	(285)	-56.1%
Vehicle Carriers	267	178	166	(12)	-6.7%
Bunker Vessels	301	142	28	(114)	-80.3%
Cruise Ships	1,069	—	—	—	0.0%
Total	**8,694**	**7,234**	**6,950**	**(284)**	**-3.9%**

There was growth in tanker movements in Saint John, NB and the Straight of Canso that mostly offset the loss of assignments in Come-by-Chance. Container movements in Saint John and Halifax, NS both increased from the previous year, with greater volumes in Halifax and an additional caller added in Saint John. Bulk Carrier traffic returned to pre-pandemic levels with increased potash export activity in Saint John. The activity that declined in 2021 was expected as the previous year had various one-time project traffic that generated additional supply ship and tug and barge activity. These assignments are low revenue assignments for the Authority and the financial impacts of their decline are minimal.

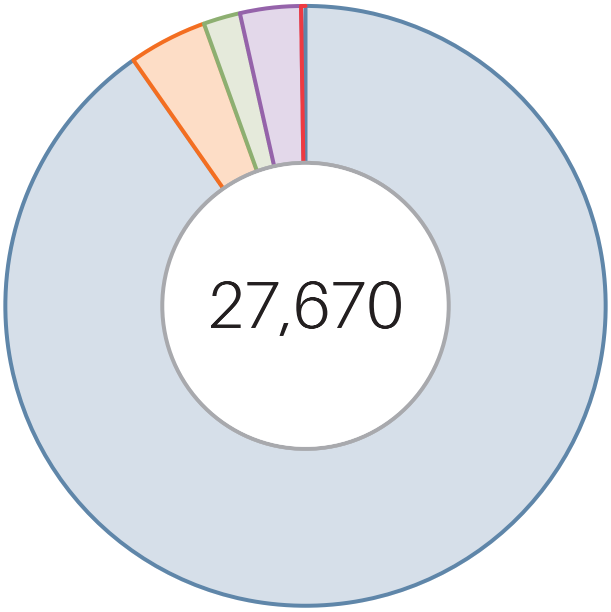
Foreign flagged vessels provide the great majority of the Authority's business, representing approximately 75% of assignments and related revenues. There has been a decline in foreign flagged vessels due primarily to the loss of cruise traffic.

The oil and gas industry accounted for approximately 42% of the Authority's overall assignments and contributed 55% of the overall revenue in 2021. The Authority performed pilotage duties on tankers in 12 of the 17 compulsory areas.

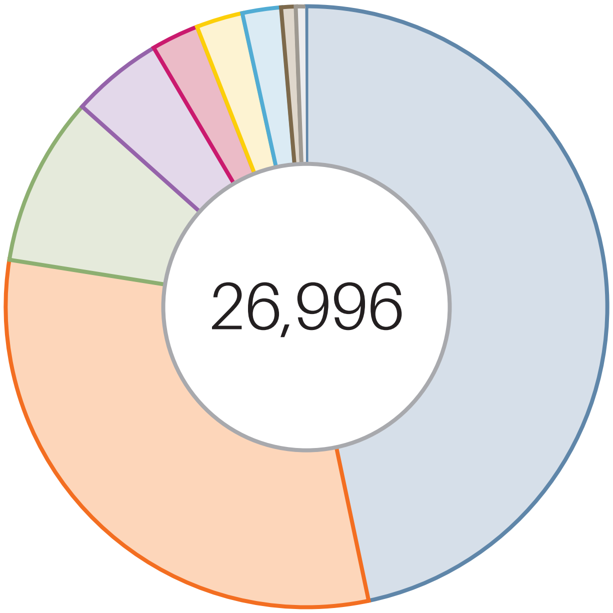
Financial Overview

The Atlantic Pilotage Authority continues to be severely impacted by the reduced traffic that was caused by the pandemic. Revenues in 2021 remained well below pre-pandemic levels but did grow substantially from 2020. Expenses increased primarily in the cost of pilot boat fuel and the Transport Canada fees for administration of the *Pilotage Act*. The Authority generated a profit of $674,000 after incurring a $1.3 million loss in 2020.

Revenues	2021	
Pilotage revenue	24,981	90.3%
Fuel charge revenue	1,169	4.2%
Transportation recovery revenue	549	2.0%
Deficit charge revenue	944	3.4%
Other income	27	0.1%
Total	**27,670**	**100.0%**



Expenses	2021	
Pilot remuneration	12,607	46.7%
Pilot boat operating costs	8,318	30.8%
Administrative overhead costs	2,458	9.1%
Pilot boat fuel costs	1,327	4.9%
Other operating expenses	689	2.5%
Dispatch centre costs	676	2.5%
Travel costs for operations	561	2.1%
Minister of Transport fees	210	0.8%
Training costs	150	0.6%
Total	**26,996**	**100.0%**



REVENUES

During 2021, the Authority increased regular pilotage rates, implemented a deficit additional charge, and increased rates in Placentia Bay to specifically address the reduction in traffic caused by the refinery ceasing refining operations. These adjustments, and the changes in traffic described earlier, resulted in a $2.4 million increase in revenues, or 9.4%. Revenues remain $1.9 million below pre-pandemic levels with the associated loss of revenues generated by lost cruise ship activity.

The rate increase in Placentia Bay, NL allowed for increased tanker revenues with the decline in related activity for the Authority in this class of vessel. Other classes of vessels related to transportation of goods (container ships, bulk carriers, general cargo) increased in 2021 and provided a significant increase in revenues. Vehicle carriers are the one class of consumer good transporters that did not show a recovery during the year. The loss of activity of small pilotage revenue vessels (tugs and barges, supply ships, bunker vessels) was offset by the increase in other classes that tend to be much larger vessels and provide much larger revenue assignments.

The following table provides details on pilotage revenues generated by the various classes of vessel with comparisons to the previous two years:

Pilotage Charges by Vessel Class (in thousands of dollars)

	2019	2020	2021	2021 $ change	Var % change
Tankers	14,751	14,041	15,148	1,107	7.9%
Container Ships	3,862	3,943	5,133	1,190	30.2%
Bulk Carriers	2,830	2,409	3,101	692	28.7%
General Cargo Ships	1,561	1,095	1,328	233	21.3%
Tugs & Barges	826	1,149	1,013	(136)	-11.8%
Other	872	736	695	(41)	-5.6%
Supply Ships	383	1,062	565	(497)	-46.8%
Vehicle Carriers	828	554	555	1	0.2%
Bunker Vessels	674	283	105	(178)	-62.9%
Cruise Ships	2,985	—	—	—	0.0%
Total	**29,572**	**25,272**	**27,643**	**2,371**	**9.4%**

The changes in traffic and associated revenues impact each port differently depending on the industries that operate in each port. Revenues in Placentia Bay increased from the previous year with the rate adjustments that were implemented offsetting lost tanker activity, but it will not return to the revenues generated before the changes at the refinery.

Revenues generated for the Authority in Halifax, NS were boosted with the increase in pilotage charge rates, while increased activity in Saint John, NB generated increased revenues beyond the rate increases. The Strait of Canso had a dramatic increase in larger revenue assignments (tanker, bulk carrier) that more than offset for a loss in smaller vessel movements (tug and barge, supply ships). There were other ports that had increased activity in 2021, including Humber Arm, NL, Sydney, NS, Stephenville, NL, Voisey's Bay, NL, and Restigouche, NB.

Pilotage Charges by Port (in thousands of dollars)

	2019	2020	2021	2021 $ change	Var % change
Placentia Bay	9,070	7,681	7,947	266	3%
Halifax	6,758	5,974	6,310	336	6%
Saint John	5,301	5,020	5,759	739	15%
Strait of Canso	2,504	2,763	3,256	493	18%
St. John's	1,401	1,085	1,008	(77)	-7%
Humber Arm	775	709	902	193	27%
Sydney	1,595	650	835	185	28%
Stephenville	87	80	260	180	225%
Voisey's Bay	298	140	228	88	63%
Charlottetown	501	191	175	(16)	-8%
Bay of Exploits	210	161	165	4	2%
Confederation Bridge	174	132	118	(14)	-11%
Pugwash	136	101	83	(18)	-18%
Holyrood	92	74	74	—	0%
Restigouche	69	2	41	39	1950%
Miramichi	72	7	15	8	114%
Bras d'Or	16	—	13	13	100%
Non-Compulsory Areas	513	502	454	(48)	-10%
Total Pilotage Revenues	**29,572**	**25,272**	**27,643**	**2,371**	**9%**

EXPENSES

The Authority had expenses increase by 1.5% from the previous year with various cost categories below pre-pandemic levels due to reduced activity and travel restrictions.

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

The Authority entered into a property lease at the end of 2020 that was in place for the entirety of 2021. This arrangement increased depreciation costs from the previous year but decreased rental expenses as it replaced an operating lease that was in effect. Pilot boat fuel costs was the largest, unexpected increase in expenses as the Authority paid an average of $0.25 more per litre, or 34%, on fuel consumed during the year. Fuel consumption did fall by 4% with the reduction in activity in Placentia Bay. The reduced activity in Placentia Bay also caused a reduction in travel costs as the area requires the pilots to travel the longest distances. Travel restrictions limited the Authority's ability to provide training to pilots and other employees, but there was more training conducted in 2021 than the previous year. Professional and special services costs increased with an increase in fees charged by Transport Canada for its administration of the *Pilotage Act*.

The following chart indicates the actual expenditures with comparisons to the previous two years and expressed in thousands of dollars.

Expenses (in thousands of dollars)

	2019	2020	2021	2021 $ change	Var % change
Pilots' fees, salaries and benefits	13,300	12,536	12,607	71	1%
Contracted pilot boat services	2,924	2,886	2,863	(23)	-1%
Pilot boat crews' salaries and benefits	2,087	2,175	2,168	(7)	0%
Staff salaries and benefits	1,952	2,111	2,060	(51)	-2%
Amortization and depreciation	1,848	1,847	1,993	146	8%
Fuel	1,457	1,059	1,327	268	25%
Repairs and maintenance	1,693	1,279	1,308	29	2%
Utilities, materials and supplies	846	916	865	(51)	-6%
Professional and special services	343	554	640	86	16%
Transportation and travel	970	691	618	(73)	-11%
Communications	178	152	158	6	4%
Training Costs	442	79	150	71	90%
Finance costs	182	163	148	(15)	-9%
Rentals	172	145	91	(54)	-37%
Total Expenses	**28,394**	**26,593**	**26,996**	**403**	**1.5%**

St. John's, NL

CASH FLOWS

The Authority had a net decrease in cash of $809,000 with $1.706 million in net cash provided by operating activities. This was less than the cash used in investing in capital asset replacement and repayment of bank loans and leases. The decrease in cash reduced the Authority's reserve that it had accumulated in savings. There was an unusually high balance of payables at the end of the previous year that were settled in 2021, including accrued payroll balances for an outstanding employment contract and amounts owing for large capital replacement projects. The Authority's net cash generated by operating activities in 2021 is substantially less than the $4.4 million provided in 2019, prior to the pandemic.

Cash and Savings (in thousands of dollars)

	2019	2020	2021
Balance, beginning	6,089	7,959	6,820
Net cash provided by operating activities	4,409	1,617	1,706
Net cash used in investing activities	(1,730)	(1,885)	(1,561)
Net cash used in financing activities	(809)	(871)	(954)
Increase (Decrease) in Cash	1,870	(1,139)	(809)
Balance, ending	7,959	6,820	6,011

CAPITAL INVESTMENT

The Authority has approximately $29 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 include investments in wharves and structures, a maintenance vehicle, leased office space, software upgrades, and computers and office equipment.

The capital expenditures related to pilot boat refits and equipment is an annual expectation as components fail and are replaced, equipment is upgraded, and regular inspections are conducted. Having operations in 17 compulsory ports means there are numerous wharves and structures that are maintained and replaced. These expenditures were unusually high in 2020 while the Herring Cove breakwater was repaired. The Authority was in the design stage of a pilot boat construction project at the end of 2021 with associated investment expected to grow in the coming years. A 10-year lease was signed for the Halifax dock and office that resulted in a right-of-use asset being recognized in 2020.

The capital expenditures compared to the previous two years are indicated in the following chart.

Capital Investment (in thousands of dollars)

	2019	2020	2021	2021 $ change	Var % change
Pilot boat refit and equipment	1,814	951	840	(111)	-12%
Wharves, operating structures, and vehicles	42	929	94	(835)	-90%
Portable pilotage units	85	29	49	20	69%
Pilot boats under construction	—	128	42	(86)	-67%
Computer equipment and furniture	44	29	38	9	31%
Leased premises - Halifax dock and office	—	1,316	15	(1,301)	-99%
Computer software	11	32	—	(32)	-100%
Total Expenses	**1,996**	**3,414**	**1,078**	**(2,336)**	**-68%**

2022 and Beyond

Business Prospects

The Authority actively monitors economic developments for the region as proposed new projects or adjustments to current operations greatly affects the finances of the Authority and the resources required to serve the stakeholders. When developing the plan for 2022, stakeholders were very confident of a strong return of cruise traffic. The Authority was more conservative in its projection of cruise traffic for 2022 but did include this activity in its plan.

The container terminals in Halifax have a merger that is pending, but they continue to aggressively market their facilities and the port. The Port of Halifax continues to invest in their facilities as it readies itself for the next generation of larger container vessels. Cruise traffic in a normal year would be approximately 200 ships, with the current expectation of most of this activity returning in 2022.

The expanded CP Rail service for the port of Saint John has increased its logistic capabilities and allowed the port to draw container callers from other ports. Container traffic in Saint John has grown with a new service that began in 2021 and Port Saint John is continuing with its West Side Modernization Project, a $205 million investment in the container handling capacity in the port that is expected to grow this sector of traffic in the years to come. The cruise traffic in the port had been experiencing a pattern of recent growth prior to the pandemic, reaching 80 ships in 2019. The pilotage revenues in the port are driven primarily by tanker traffic and this sector is expected to remain strong in 2022.

When the National Marine Pilotage Regulations come into force in 2022, they are expected to designate that the Port of Belledune, NB be added as a compulsory pilotage area but not be subject to the compulsory pilotage requirements until 2023. These Regulations will include other transition provisions for licencing and certification for the area.

In Placentia Bay, NL, the oil refinery in Come-by-Chance was sold and will become a biofuel operation in 2022. The volume of pilotage traffic generated by the new facility is expected to be significantly less than that generated by the refinery in previous years. The transshipment terminal at Whiffen Head has had several years of strong traffic since the Hebron field came online late in 2017. This provided a large boost in shipping for the area and will provide an ongoing supply when output from other fields taper off. Oil production from Terra Nova has been suspended since the end of 2019 as the Floating Production Storage and Offloading vessel (FPSO) has been sent to Europe for a critical refit, but there is a plan to resume operations later in 2022 or early in 2023.

The dredging of the harbour in 2012 provides Sydney with the opportunity to attract larger ships. There is interest in developing a container terminal in the port and expanding coal shipments. The cruise industry in Sydney was a large source of pilotage activity and vital to the local economy. It had been expected to remain strong in 2020 with approximately 120 calls before the pandemic-related moratorium on cruise ships. Local stakeholders expected a strong return of cruise traffic in 2022 prior to the latest waves in the pandemic.

A significant portion of activity and related revenues in the Strait of Canso are generated by the oil products stored at a transshipment facility and is influenced by world oil markets and prices. There has been a recent announcement that this facility has been sold to an organization that intends to produce green hydrogen and ammonia at the location by using renewable energy. It is unknown at this time what the impacts will be for marine traffic in the Strait. The coal transshipment (vessel to vessel) operation in the area is highly sensitive to the global demand and corresponding world market prices for metallurgical coal. There are very few of these assignments currently and this activity is not expected to grow in 2022. Plans are proposed for a new container terminal in the area, and it is estimated that a terminal could be operational within 26 months from the beginning of the construction period.

Port authorities and operators are determinedly searching for business opportunities and growth in Western Newfoundland. This generated increased pilotage traffic with the addition of a container caller in Humber Arm, and continued growth is planned for 2022. The area was impacted by the cancellation of the cruise ship season as they welcome 18 calls annually. This traffic is expected by local stakeholders to be returning in 2022.

Economics

The revenues of the Authority are influenced by the amount of marine traffic, and the composition of that traffic in terms of size and types of vessels. The annual traffic levels are mainly driven by the economics of the maritime 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, and this has only been compounded by the recent pandemic.

When creating the Corporate Plan for 2022-2026, 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.

Confederation Bridge, PEI

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

Changes in the energy sector, especially oil, and other commodities have the largest effect on the Authority's activity. With over fifty percent of the revenues generated by the oil industry, fluctuations in demand, or any changes in the methods of crude oil delivery, can greatly affect the financial results of the Authority. Container shipping is highly competitive with shipping line consolidation and a shift to larger vessels while ports that can accommodate these larger vessels are expected to have growth from this sector. The pandemic has caused the moratorium on cruise ship traffic but has also impacted supply chains and delayed delivery of consumer goods like automobiles.

Based on recent traffic levels and the continuation of the pandemic, the Authority has estimated activity based on 7,464 assignments, which includes a 75% return of cruise assignments. For 2022, the Authority is budgeting a loss of $612,000, or a 2.2% loss on revenue. The current projection is for the Authority to return to profitability in 2023.

Pilotage Act Reform

The amendments to the *Pilotage Act* were made by Order-In-Council (OIC) in four stages. The first OIC was completed in August 2019 and included the restructuring of the Act and the introduction of the labour and governance provisions. The second and third OIC's were completed in 2020 and are intended to strengthen oversight and enforcement by transferring these responsibilities to the Minister of Transport, and to establish the new pilotage charge section and related requirements. The final OIC was completed in 2021 with the final items related to regulations and operations. Modernized marine pilotage regulations are expected to come into force late in 2022 or early in 2023 and will include provisions based on the above OIC's.

Amended Pilotage Charges for 2022

The Authority published its revised charges in compliance with the amended *Pilotage Act* which were effective on January 1, 2022. After reviewing the performance of each port, and investment levels required to deliver a safe, efficient, and effective service, this proposal encompassed pilotage charges impacting its compulsory ports or areas. The amendments were applicable to regular base charges, set on a port-by-port basis, and were estimated to increase total revenues by approximately 2.4%.

Management's Responsibility for Financial Reporting

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

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

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

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

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

Sean Griffiths
Chief Executive Officer

Brian Bradley, CPA, CGA
Chief Financial Officer

Halifax, Canada
March 9, 2022

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

Independent Auditor's Report

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of the Atlantic Pilotage Authority (the Authority), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

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

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

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

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities
Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

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

Halifax, Canada
9 March 2022

Statement of Financial Position

As at December 31, 2021
(in thousands of Canadian dollars)

	2021	2020
ASSETS		
Current		
Cash	**$ 6,011**	$ 6,820
Trade and other receivables (Notes 5 and 6)	**2,974**	2,918
Prepaid expenses	**118**	127
	9,103	9,865
Non-current		
Intangible assets (Note 7)	**152**	202
Property and equipment (Note 8)	**13,219**	14,256
	13,371	14,458
	$ 22,474	$ 24,323
LIABILITIES		
Current		
Trade and other payables (Notes 5 and 6)	**$ 2,818**	$ 4,151
Bank loans (Notes 6, 10 and 11)	**2,628**	696
Employee severance benefits (Note 13)	**148**	315
Lease liabilities (Notes 9 and 11)	**264**	257
	5,858	5,419
Non-current		
Bank loans (Notes 6, 10 and 11)	**944**	3,573
Employee severance benefits (Note 13)	**1,128**	1,231
Lease liabilities (Notes 9 and 11)	**1,609**	1,873
	3,681	6,677
	9,539	12,096
EQUITY OF CANADA		
Retained earnings	**12,935**	12,227
	$ 22,474	$ 24,323

Commitments (Note 17)

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

Approved by the Members of the Authority:

Kyle Gillis
Member

Member

Statement of Comprehensive Income

For the year ended December 31, 2021
(in thousands of Canadian dollars)

	2021	2020
REVENUES		
Pilotage charges (Note 15)	**$ 27,643**	$ 25,272
Other income	**27**	54
	27,670	25,326
EXPENSES		
Pilots' fees, salaries and benefits	**12,607**	12,536
Contracted pilot boat services (Note 18)	**2,863**	2,886
Pilot boat crews' salaries and benefits	**2,168**	2,175
Staff salaries and benefits	**2,060**	2,111
Amortization and depreciation (Notes 7 and 8)	**1,993**	1,847
Fuel (Note 18)	**1,327**	1,059
Repairs and maintenance (Note 18)	**1,308**	1,279
Utilities, materials and supplies (Note 18)	**865**	916
Professional and special services	**640**	554
Transportation and travel	**618**	691
Communications	**158**	152
Training	**150**	79
Finance costs (Notes 9 and 10)	**148**	163
Rentals (Notes 9 and 18)	**91**	145
	26,996	26,593
Income (loss) for the year	**674**	(1,267)
Other comprehensive gain (loss)		
Amounts not to be reclassified subsequently to net income:		
Actuarial gain (loss) on employee severance benefits (Note 13)	**34**	(101)
Other comprehensive income (loss)	**34**	(101)
Comprehensive income (loss)	**$ 708**	$ (1,368)

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

Statement of Changes in Equity

For the year ended December 31, 2021
(in thousands of Canadian dollars)

	2021	2020
Retained earnings, beginning of the year	**$ 12,227**	$ 13,595
Income (loss) for the year	**674**	(1,267)
Other comprehensive gain (loss)	**34**	(101)
Total comprehensive income (loss)	**708**	(1,368)
Retained earnings, end of the year	**$ 12,935**	$ 12,227

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

Statement of Cash Flows

For the year ended December 31, 2021
(in thousands of Canadian dollars)

	2021	2020
OPERATING ACTIVITIES		
Receipts from customers	**$ 27,587**	$ 25,869
Payments to and on behalf of employees	**(17,626)**	(16,715)
Payments to suppliers	**(8,134)**	(7,428)
Finance costs paid	**(148)**	(163)
Other income received	**27**	54
Net cash provided by operating activities	**1,706**	1,617
INVESTING ACTIVITIES		
Purchases of intangible assets	**—**	(32)
Purchases of property and equipment	**(1,561)**	(1,853)
Net cash used in investing activities	**(1,561)**	(1,885)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(257)**	(193)
Repayment of bank loans	**(697)**	(678)
Net cash used in financing activities (Notes 9, 10 and 11)	**(954)**	(871)
Decrease in cash	**(809)**	(1,139)
Cash, beginning of the year	**6,820**	7,959
Cash, end of the year	**$ 6,011**	$ 6,820

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

Notes to the Financial Statements

December 31, 2021
(in thousands of Canadian dollars)

1. OBJECTIVES AND ACTIVITIES

The Atlantic Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act*. The principal registered address of the Authority is 1791 Barrington Street, Halifax, Nova Scotia. The objects of the Authority are to establish, operate, maintain, and administer, in the interests of safety of navigation, an efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable. Under the *Pilotage Act*, no payment to the Authority may be made under an appropriation by Parliament to discharge an obligation or liability.

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

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

COVID-19 Pandemic

On March 11, 2020, the World Health Organization officially declared the coronavirus outbreak (COVID-19) a global pandemic. The Authority has been and will continue to be affected by the pandemic. In March 2020, the Government of Canada implemented restrictions on travel and commerce, including the prohibition of cruise ships in Canadian waters. This prohibition was lifted effective November 2021. Other impacts of the pandemic on the Authority's business could include decline in shipping traffic, additional restrictions on future traffic, closures of shipping terminals, and service disruptions through quarantine of pilots. Effective January 1, 2021, a deficit additional charge was implemented for a period of five years, to offset a portion of the lost pilotage revenues caused by the pandemic. The duration and future impact of the pandemic on the Authority's operations is unknown at this time. As a result, an estimate of the financial impact of the pandemic on the Authority's future results of operations and financial position cannot be made at this time.

2. ESTABLISHING OR REVISING PILOTAGE CHARGES

The approval process for establishing or revising pilotage charges is set out in the *Pilotage Act*. The Authority may, by resolution, determine the charges to be paid to the Authority for the provision of services in relation to compulsory pilotage.

To establish or revise pilotage charges, the Authority must publish a notice of the proposed charges on its website and allow any party at least 30 days to make representations about the proposal to the Authority. After considering all written representations, the Authority shall publish an announcement that sets out its decision in respect of the proposal, including the date on which it will take effect, which is not to be earlier than 60 days after the date the announcement is published.

Within 90 days of the announcement, a person who has reason to believe that the pilotage charges are not in accordance with the charging principles specified in the *Pilotage Act*, or that the Authority did not follow the proper process to establish or revise the charges, may file a notice of objection with the Canadian Transportation Agency (CTA).

If the CTA determines that an objection is well founded, it may order the Authority to cancel the establishment or revision of the pilotage charge and to refund, with interest, each user of compulsory pilotage services the amount paid in excess of the charge previously in effect. The CTA shall also provide the person who filed the notice of objection and the Authority with written reasons for any decision that is made and, if applicable, any decision to fix the period within which the Authority is to make a refund to a user of compulsory pilotage services.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. The Authority had no cash equivalents as at December 31, 2021 (2020 – nil).

(c) Financial instruments

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

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

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

(d) Intangible assets

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

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

(e) Property and equipment

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

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

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

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

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

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

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

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

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

The Authority remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever the following circumstances arise:

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

(g) Employee severance benefits

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

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

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

(h) Pension plan

Substantially all of the employees of the Authority are covered by the Public Service Pension Plan (the "Plan"), a defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

(i) Revenue recognition

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

4. USE OF ESTIMATES AND JUDGMENTS

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

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

(a) Critical accounting estimates

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

Amortization and depreciation rates

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

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

Pilot boat hulls and structures	10 to 25 years
Pilot boat equipment	4 to 10 years
Pilot boat generators	5 to 10 years
Pilot boat engines	5 to 10 years
Pilot boat inspections	2 to 5 years
Wharves and structures	10 to 50 years
Furniture and equipment	2 to 10 years
Leasehold improvements	10 years
Right-of-use assets	9 to 10 years

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

Employee severance benefits

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

Valuation of lease liabilities and right-of-use assets

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

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

(b) Critical accounting judgments

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

Impairment test for non-financial assets

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

Valuation of lease liabilities and right-of-use assets

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

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

5. FINANCIAL RISK MANAGEMENT

Overview

The Authority has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk

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

The Members of the Authority have overall responsibility for the establishment and oversight of risk management. Risk management is reviewed regularly to reflect changes in market conditions and the Authority's activities. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

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

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

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

The Authority's trade and other receivables had a carrying value of $2,974 as at December 31, 2021 (2020 – $2,918). The trade receivables had a carrying value of $2,710 as at December 31, 2021 (2020 – $2,578). There is no concentration of trade receivables with any one customer. As at December 31, 2021, approximately 90% (2020 – 86%) of trade receivables, net of allowance for bad debt, were current, whereas 10% (2020 – 14%) were greater than 30 days outstanding. The Authority recovered nil (2020 – $3) in trade receivables that had previously been recorded as a loss to bad debts. Incurred losses with respect to bad debts in 2021 were nil (2020 – $13). The Authority's allowance for doubtful accounts was $10 at December 31, 2021 (2020 – $10). The Authority's other receivables had a carrying value of $264 as at December 31, 2021 (2020 – $340).

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

Liquidity risk

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

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

The Authority's trade payables had a carrying value of $1,699 as at December 31, 2021 (2020 – $2,466) and are all due within 60 days. The Authority's accrued liabilities had a carrying value of $1,119 as at December 31, 2021 (2020 – $1,685).

The Authority has loans with Canadian chartered banks. At December 31, 2021, these bank loans totalled $3,572 (2020 – $4,269) as disclosed in Note 10.

Interest rate risk

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

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of the bank loans disclosed in Note 10 is a Level 2 fair value measurement. No Level 1 or Level 3 financial instruments are held by the Authority.

7. INTANGIBLE ASSETS

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

	2021	2020
Cost, beginning of the year	$ 744	$ 717
Additions	—	32
Disposals	—	(5)
Cost, end of the year	744	744
Accumulated amortization, beginning of the year	(542)	(512)
Amortization of disposals during the year	—	5
Amortization for the period	(50)	(35)
Accumulated amortization, end of the year	(592)	(542)
Carrying amount, end of the year	$ 152	$ 202

There is no impairment of intangible assets at December 31, 2021 (2020 – nil).

8. PROPERTY AND EQUIPMENT

2021	Pilot boat hulls and structures	Pilot boat equipment	Pilot boat generators	Pilot boat engines	Pilot boat inspections	Pilot boats under construction	Wharves and structures	Furniture and equipment	Leasehold improvements	Right-of -use assets Note 9(a)	Total
Cost, beginning of the year	$ 12,747	$ 5,744	$ 435	$ 2,861	$ 550	$ 128	$ 1,582	$ 989	$ 572	$ 2,551	$ 28,159
Additions	304	98	12	312	114	42	94	87	15	—	1,078
Disposals	(274)	(63)	(15)	(367)	(198)	—	(36)	(53)	(7)	—	(1,013)
Cost, end of the year	12,777	5,779	432	2,806	466	170	1,640	1,023	580	2,551	28,224
Accumulated depreciation, beginning of the year	(5,405)	(3,869)	(358)	(2,034)	(359)	—	(499)	(664)	(75)	(640)	(13,903)
Depreciation of disposals during the year	249	44	4	292	156	—	36	53	7	—	841
Depreciation for the year	(582)	(460)	(15)	(299)	(86)	—	(55)	(133)	(56)	(257)	(1,943)
Accumulated depreciation, end of the year	(5,738)	(4,285)	(369)	(2,041)	(289)	—	(518)	(744)	(124)	(897)	(15,005)
Carrying amount, end of the year	$7,039	$ 1,494	$ 63	$ 765	$ 177	$ 170	$ 1,122	$ 279	$ 456	$ 1,654	$13,219

2020	Pilot boat hulls and structures	Pilot boat equipment	Pilot boat generators	Pilot boat engines	Pilot boat inspections	Pilot boats under construction	Wharves and structures	Furniture and equipment	Leasehold improvements	Right-of -use assets Note 9(a)	Total
Cost, beginning of the year	$12,703	$ 5,782	$ 432	$ 2,618	$ 515	$ —	$ 662	$ 944	$ 161	$ 1,646	$ 25,463
Additions	168	166	3	354	133	128	929	57	411	905	3,254
Disposals	(124)	(204)	—	(111)	(98)	—	(9)	(12)	—	—	(558)
Cost, end of the year	12,747	5,744	435	2,861	550	128	1,582	989	572	2,551	28,159
Accumulated depreciation, beginning of the year	(4,939)	(3,456)	(343)	(2,030)	(325)	—	(448)	(537)	(50)	(447)	(12,575)
Depreciation of disposals during the year	112	85	—	173	98	—	4	12	—	—	484
Depreciation for the year	(578)	(498)	(15)	(177)	(132)	—	(55)	(139)	(25)	(193)	(1,812)
Accumulated depreciation, end of the year	(5,405)	(3,869)	(358)	(2,034)	(359)	—	(499)	(664)	(75)	(640)	(13,903)
Carrying amount, end of the year	$ 7,342	$ 1,875	$ 77	$ 827	$ 191	$ 128	$ 1,083	$ 325	$ 497	$ 1,911	$14,256

There is no impairment of property and equipment at December 31, 2021 (2020 – nil).

9. LEASES

(a) Right-of-use assets

The Authority leases facilities that include office space, pilot boat facilities, and land.

2021	Office space	Pilot boat facilities	Land	Total
Balance, beginning of the year	$ 1,084	$ 821	$ 6	$ 1,911
Additions	—	—	—	—
Depreciation	(168)	(84)	(5)	(257)
Balance, end of the year	$ 916	$ 737	$ 1	$ 1,654

2020	Office space	Pilot boat facilities	Land	Total
Balance, beginning of the year	$ 1,190	$ —	$ 9	$ 1,199
Additions	63	842	—	905
Depreciation	(169)	(21)	(3)	(193)
Balance, end of the year	$ 1,084	$ 821	$ 6	$ 1,911

(b) Lease liabilities

The Authority's lease liabilities consist of:

	2021	2020
Lease liabilities, beginning of the year	**$ 2,130**	$ 1,418
Additions during the year	**—**	905
Principal payments	**(257)**	(193)
Total lease liabilities	**$ 1,873**	$ 2,130
Current portion	**$ 264**	$ 257
Non-current portion	**1,609**	1,873
	$ 1,873	$ 2,130

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

YEAR	
2022	$ 47
2023	2
2024	2
2025	2
	$ 53

The annual lease liabilities for the next five years and thereafter are as follows:

YEAR	
2022	$ 313
2023	316
2024	318
2025	319
2026	321
2027 and beyond	461
	$ 2,048

(c) Amounts recognized in income and in the statement of cash flows

Interest expense on lease liabilities is $54 (2020 – $49).

Expenses and cash paid for leases of low value and short-term leases are $91 (2020 – $128). The expenses associated with low value items are $25 (2020 – $28) and expenses associated with short-term leases are $66 (2020 – $100).

Interest payments of $54 (2020 – $49) are classified in the statement of cash flows as finance costs paid. Principal payments of $257 (2020 – $193) are classified as repayment of lease liabilities.

10. BANK LOANS

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

	2021	2020
Non-revolving term facility, payable in monthly instalments including interest at 1.83%, amortized over 15 years, term ending on May 12, 2022, unsecured.	**$ 2,169**	$ 2,356
Non-revolving term facility, payable in monthly instalments including interest at 3.28%, amortized over 10 years, term ending on September 21, 2022, unsecured.	**195**	448
Non-revolving term facility, payable in monthly instalments including interest at 2.93%, amortized over 10 years, term ending on January 21, 2023, unsecured.	**136**	260
Non-revolving term facility, payable in monthly instalments including interest at 3.14%, amortized over 10 years, term ending on January 14, 2024, unsecured.	**1,072**	1,205
	$ 3,572	4,269
Current portion	**$ 2,628**	$ 696
Non-current portion	**944**	3,573
	$ 3,572	$ 4,269

Interest expense on loans amounted to $94 (2020 – $114).

As at December 31, 2021, the fair value of the bank loans is estimated at $3,567 (2020 – $4,322). The estimate is based on the valuation technique of discounting future cash flows. Expected future interest and principal payments are discounted using Level 2 inputs such as current interest rates for similar loans that are available from Canadian chartered banks at December 31, 2021.

The estimated undiscounted repayments on outstanding borrowings as of December 31, 2021 are as follows:

YEAR	
2022	$ 2,681
2023	180
2024	795
	$ 3,656

The Authority has an operating credit facility of up to $2,500 available at an interest rate not to exceed the prime lending rate. No amount had been drawn down on the credit facility at December 31, 2021 (2020 – nil). The credit facility is available to the Authority as required and has no renewal date or fixed term.

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

11. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Authority's liabilities from financing activities are bank loans and lease liabilities.

	2021	2020
Finance liabilities, beginning of the year	**$ 6,399**	$ 6,365
Cash used for debt payments	**(697)**	(678)
Cash used for lease payments	**(257)**	(193)
Additional lease liabilities	**—**	905
Finance liabilities, end of the year	**$ 5,445**	$ 6,399

12. PENSION PLAN

Substantially all of the employees of the Authority are covered by the Public Service Pension Plan (the "Plan"), a defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at December 31, 2021 was 1.01 to 1 of employee contributions (2020 – 1.01 to 1) to a defined salary threshold for all existing plan members contributing to the Public Service Pension Plan on or before December 31, 2012. The general contribution rate effective at December 31, 2021 was 1 to 1 of employee contributions (2020 – 1 to 1) to a defined salary threshold for all new plan members who joined the Public Service Pension Plan on or after January 1, 2013. On the portion of salaries above the defined threshold, the Authority is required to contribute on a ratio of 3.59 to 1 of employee contributions (2020 – 3.80 to 1). Total contributions by the Authority of $1,150 (2020 – $1,130) were recognized as an expense in the current year.

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

Contributions to the Public Service Pension Plan consisted of:	**2021**	2020
Contributions by the Authority	**$ 1,150**	$ 1,130
Contributions by employees	**$ 1,143**	$ 1,095

13. EMPLOYEE SEVERANCE BENEFITS

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

The projected unit credit method of funding was used for the valuation. Under this method the accrued benefit obligation is equal to the actuarial present value of all future benefits, taking into account the assumptions described below, multiplied by the ratio of an employee's service at the valuation date to total service at the assumed termination date. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in that period. These costs, along with the interest cost and experience loss due to settlement are included in the statement of comprehensive income for the year ended December 31, 2021 with $88 (2020 – $121) under pilots' fees, salaries and benefits. The cumulative amount of actuarial losses recognized in other comprehensive income is $532 at December 31, 2021 (2020 – $566).

Information about the plan, measured at December 31, is as follows:	2021	2020
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of the year	**$ 1,546**	$ 1,568
Current service cost	**67**	74
Interest cost	**21**	47
Benefits paid during the year	**(324)**	(244)
Actuarial (gains) losses	**(34)**	101
Accrued benefit obligation, end of the year	**$ 1,276**	$ 1,546
Components of expense recognized in profit and loss		
Current service cost	**$ 67**	$ 74
Interest cost	**21**	47
Total expense recognized in profit and loss	**$ 88**	$ 121
Analysis of actuarial gain or loss		
Cumulative actuarial losses, beginning of the year	**$ 566**	$ 465
Change in discount rate	**(61)**	94
Experience loss	**27**	7
Cumulative actuarial losses, end of the year	**$ 532**	$ 566
Classification of accrued benefit obligation		
Current portion	**$ 148**	$ 315
Non-current portion	**1,128**	1,231
Accrued benefit obligation, end of the year	**$ 1,276**	$ 1,546
Key assumptions used in the actuarial valuation		
Discount rate	**2.50%**	1.60%
Estimated salary rate increase	**2.75%**	2.75%
Age at retirement	**62**	62

Assumed discount rates have a significant effect on the amounts reported for the accrued benefit obligation. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31, 2021 by $69. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31, 2021 by $63.

The assumed salary increase rates also have a significant effect on the amounts reported for the accrued benefit obligation. A 1% increase in this assumption would increase the defined benefit obligation at December 31, 2021 by $68. A 1% decrease would reduce the obligation at December 31, 2021 by $63.

When the retirement age assumption is reduced by one year for all employees, the defined benefit obligation decreases by $3 for December 31, 2021.

The weighted-average of the maturity of the plan at December 31, 2021 was 5.1 years (2020 – 5.1 years). The Authority expects that benefits paid during 2022 will be $148.

14. CAPITAL MANAGEMENT

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

The Authority is subject to financial management and accountability provisions of the *Financial Administration Act* (FAA) which imposes restrictions in relation to borrowings and acquisition of investments. The Authority must obtain approval of all borrowings from the Minister of Finance on an annual basis. The FAA limits investments to bonds or other obligations of, or guaranteed by, Her Majesty in right of Canada or any province, or any municipality in Canada. During the years ended December 31, 2021 and December 31, 2020, the Authority has complied with these restrictions.

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

The Authority's objectives when managing capital are:

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

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

15. PILOTAGE CHARGES

During 2021, the Authority implemented a 4% deficit additional charge for the 11 ports serviced by employee pilots. The charge will be used to recover a portion of recent losses incurred due to shortfalls in expected revenues. This charge came into force on January 1, 2021 and will be in effect for a 60-month period. The Authority will review the surcharge annually and could suspend early if determined as necessary.

	2021	2020
Pilotage charges	**$ 26,699**	$ 25,272
Deficit additional charge	**944**	—
Total pilotage charges	**$ 27,643**	$ 25,272

16. RELATED PARTY TRANSACTIONS

(a) Trading transactions

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

The Authority entered into an arrangement with Transport Canada beginning April 1, 2020 for the provision of regulatory services and expertise. This is an on-going arrangement subject to review every 10 years. The costs incurred are included in the statement of comprehensive income for the year ended December 31, 2021 with $210 (2020 – $104) under professional and special services. See Note 17 regarding outstanding commitments related to this arrangement.

(b) Compensation of key management personnel

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

	2021	2020
Executive management compensation		
Short-term employee benefits, such as wages and salaries	**$ 663**	$ 813
Post-employment benefits (Note 16(c))	**55**	75
	$ 718	$ 888
Board compensation		
Retainer	**$ 21**	$ 21
Per diems	**47**	48
	$ 68	$ 69

(c) Pension plan

Substantially all of the employees of the Authority are covered by the Public Service Pension Plan ("the Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority while the Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan (Note 12).

17. COMMITMENTS

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

As at	December 31, 2021
Not later than one year	$ 3,330
Later than one year but not later than five years	1,059
Later than five years	674
	$ 5,063

Minimum payments for low value or short-term leases related to office space and office equipment are listed in Note 9(b).

18. RECLASSIFICATIONS AND COMPARATIVE FIGURES

In 2021, the Authority allocated its expenses previously reported under pilot boats, operating costs to other line items to enhance the user's understanding of related costs. As a result, the comparative figures have been adjusted to conform to the current year's presentation to enhance comparability with the current year's financial statements.

The line items were reclassified as follows:

	Previously Reported 2020	After Reclassification 2020
Pilot boats, operating costs	$ 5,676	$ —
Contracted pilot boat services	—	2,886
Repairs and maintenance	—	1,279
Fuel	—	1,059
Utilities, materials and supplies	481	916
Rentals	128	145
	$ 6,285	$ 6,285