



Atlantic Pilotage
Authority



Administration de Pilotage
de l'Atlantique

Corporate Plan Summary (2023-2027)



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

Executive Summary

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

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

Traffic has rebounded from the decline caused by the Novel Coronavirus pandemic (or "COVID-19") and cruise traffic has had a strong return in the region. There have been no Authority caused interruptions in the supply chain through this period and none are expected. The Authority is investing in fleet renewal and new technologies and has begun its journey to reduce its carbon footprint. The investments in the pilotage service and capital replacement are possible with industry and stakeholder support, the exceptional talents of the employees, and a strong financial position.

Major Objectives

The Corporate Plan (2023 - 2027) is the output of the Authority's strategic planning process which included an update to our Strategic Priorities. The Authority has set four priorities to help fulfill the mandate to establish, operate, maintain and administer, in the interests of safety of navigation, an efficient pilotage service within the Atlantic region. These priorities are as follow:

Operational Excellence - Operational excellence, efficiency and sustainability with priority and focus on the protection of people, property and the environment.

Future Readiness - Organizational readiness for industry transformation and development; with a special focus on innovation, technology, environmental stewardship and new competencies.

Workplace Culture - A positive workplace culture that achieves business goals and prioritizes learning, psychological health and safety, trust, diversity and inclusion, engagement and connection.

Mental Health & Wellbeing - Leadership in employee mental health and overall wellbeing through workplace support, access, education, reducing stigma, and support for stress management and emotional wellbeing.

Key Capital Projects and Related Financing

Within this plan there is a focus on upgrading the pilot boat fleet through the procurement of new assets. A capital budget is included in this plan that involves investments in pilot boats, wharves and structures, and portable pilotage units. A contract for the construction of two 19-metre pilot boats was awarded, and production began, in 2022, with the two vessels expected to be delivered by mid-2024. The Authority has drawn \$6 million of the \$8 million approved for this project and may draw the remaining \$2 million in 2023, if required. The Authority is also requesting the approval to maintain an approved line of credit of \$7.5 million and to invest excess funds in guaranteed investment certificates.

Contents

| | |
|--|----|
| I) Overview | 1 |
| II) Operating Environment | 4 |
| III) Strategic Priorities, Activities, Results and Risks | 11 |
| IV) Financial Overview | 19 |
| Appendices | 23 |
| 1. Ministerial Direction | 24 |
| 2. Corporate Governance Structure | 27 |
| 3. Planned Results | 33 |
| 4. Chief Financial Officer Attestation | 36 |
| 5. Charge Analysis | 37 |
| 6. Financial Statements and Budgets | 39 |
| 7. Borrowing Plan | 53 |
| 8. Risk Management | 56 |
| 9. Compliance with Legislative and Policy Requirements | 63 |
| 10. Government Priorities and Direction | 65 |

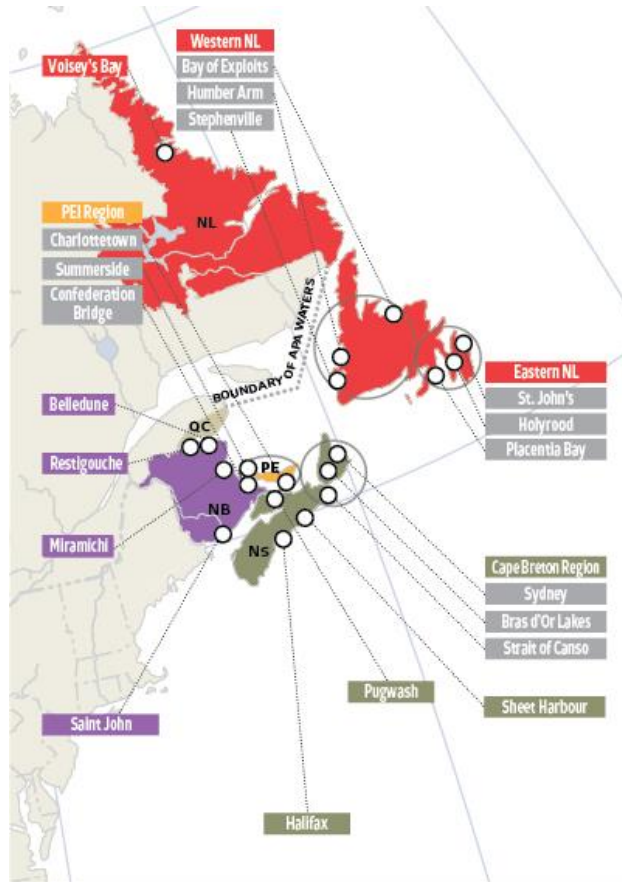
I) Overview

Background

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

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

The Authority provides licensed pilots to ships that enter Atlantic Canadian Ports, or monitors vessels traveling with a certificated master, to ensure that these ships travel within the pilotage area as safely as possible. The Authority also examines qualified mariners, with the observance of Transport Canada, who then issues pilotage licences, or certificates, to successful candidates. A pilotage certificate enables a master to navigate their own ships within designated compulsory areas without a licensed pilot on board.



The Authority organizes its operations according to geographic location and has had twenty areas designated as requiring compulsory pilotage.

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

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

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

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

Mandate

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

Mission

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

Vision

To be a trusted leader in marine pilotage and related services.

Values

Inclusion: We recognize that connection is a core human need and team diversity makes us stronger.

Trust: We recognize that we work in a high-risk industry where no one succeeds on their own.

Respect: We know that words and actions matter, and the absence of words and actions matter.

Integrity: We recognize that our work requires making sound decisions with reliability during high-stress situations.

Learning: We believe the workplace plays an important part in helping employees grow, develop and remain up to date.

Guiding Principles

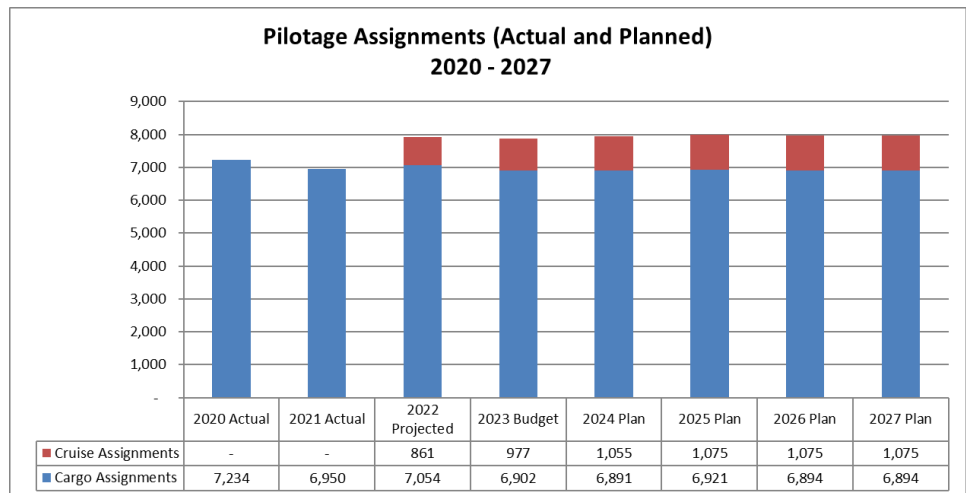
- **Safety and Protection:** We recognize that protecting people, property and assets is the cornerstone of our Authority. Occupational and marine safety will continue to be the priority over all competing interests. To accomplish this, we will:
 - Cooperate, communicate and collaborate daily with each other and our customers to ensure we keep this promise and commitment.
 - Maintain our historical strength at recognizing risk and apply that capability to new developments in our business and industry.
 - Practice staying curious about situations and points of view, and resist assumptions and blame even when under stress.
- **Environment:** We strive to protect the natural environment in the communities we serve and are committed to being a part of the marine industry's transformation to greater environmental sustainability.



- **Financial Sustainability:** We are mandated to remain self-sustaining and will balance costs and customer pilotage charges with fairness and consideration of market forces.
- **Relationships:** We will only be successful in fulfilling our mission and vision when we build and maintain positive relationships inside with each other and outside with customers, partners, and community stakeholders.
- **Accountability:** We stand behind the work we do and the high business and operational standards we maintain.
- **Service Excellence:** We strive for excellence and efficiency in all areas of our business. We recognize our role in advancing the Federal government’s economic, social and environmental priorities and make decisions to support those policies.
- **Innovation and Technology:** We recognize the evolving nature of our industry, technology and social change and are innovating to remain flexible and ready for the future.

Pilotage Traffic Trends

The chart below illustrates the annual assignments for 2020 and 2021, and the forecast for 2022-2027. The planning assumptions of the Authority are based on historical traffic levels, shipping announcements, and information provided directly to the Authority by stakeholders through consultation. There are projects being considered by industry that may grow traffic within this planning period, but the Authority is taking a conservative stance on possible growth.



The total number of assignments for 2023 is estimated to increase from the previous year with the growth in cruise ship traffic. The estimated activity for 2023 is 7,879 assignments. The amount of activity in ports serviced by the Authority can vary significantly due to factors that are beyond its control.

Piloted traffic is reduced in the region by vessels moving with certificated masters. These are masters who have passed a certification exam that allows them to pilot their own vessels without the services of an Atlantic Pilotage Authority pilot. There were 2,245 movements by certificated masters in 2020 and this declined to 1,544 movements in 2021 as all traffic declined due to the pandemic. The number of certificated masters and associated movements is expected to grow during the planning period.

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

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

II) Operating Environment

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

External Environment

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

- a. Much of the activity in the Atlantic region is affected by commodity pricing, which has been strong as the world recovers from COVID-19 and deals with war in Ukraine. The oil refinery in Come-by-Chance is switching to refining waste product and will be producing traffic by the end of 2022. Oil tanker traffic has been strong at other facilities serviced by the Authority in Placentia Bay, NF; the Strait of Canso, NS; and, Saint John, NB, while oil prices have been high in 2022.



Potash exports continued to move through the Port of Saint John as Nutrien transfers product from its Saskatchewan mine to Saint John for export. Bulk carrier traffic in the Strait of Canso has been strong with an increase in demand for aggregate.

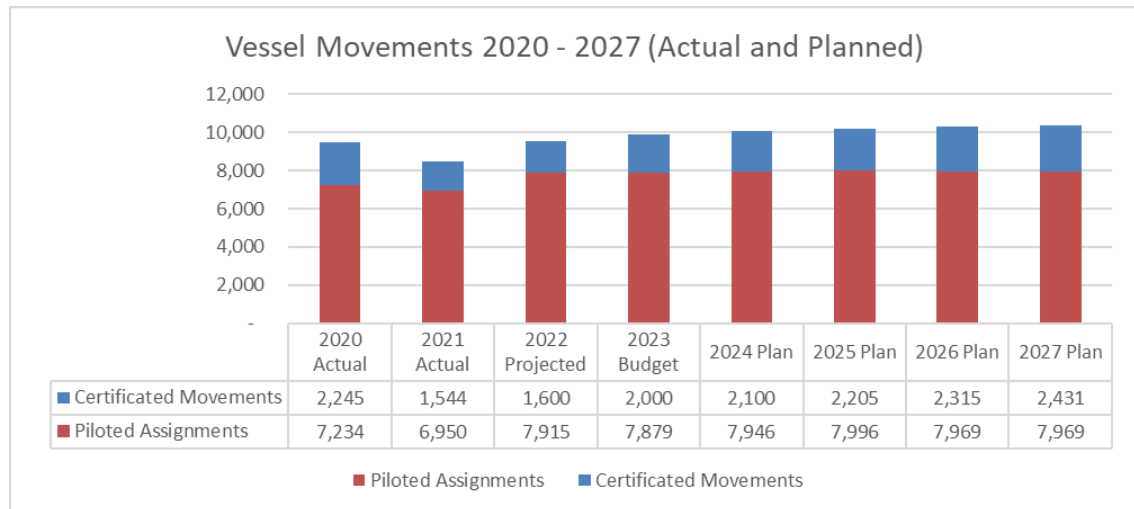
- b. The demand for goods locally, provincially, nationally, and internationally drives much of the traffic in terms of imports and exports that flow through our ports. General employment and economic health enhance local commerce that increases shipping. Stable and/or a

growing international business climate contributes to the creation of a well-remunerated population that has the disposable income for spending and investing nationally and internationally. Many of these goods are transferred by container vessels, RORO vessels, and auto carriers. This traffic declined during the pandemic but has returned in most areas with the exception being in automobiles where supply has been interrupted or delayed, as economies recover from the pandemic. Recession or a broad decline in purchasing power of consumers would impact this sector of marine traffic.

- c. Currency exchange rates affect imports and exports that flow through the ports or areas serviced by the Authority. The commercial attractiveness of Canadian export goods to foreign buyers and/or the affordability of desirable import goods can be driven by exchange fluctuations. Currency also impacts tourism in the region with a lower Canadian dollar contributing in normal times to a thriving cruise industry.
 - d. The outcome of trade negotiations as well as the imposition or removal of nationalistic trade barriers and charges on import/export dependent businesses could positively, or negatively, impact the amount of cargo flowing into and out of our ports. This impacts many types of cargo, including container traffic and auto carriers.
- **Customer Operational Interruptions:** Usually without warning the Authority loses expected traffic to operational decisions or circumstances that interrupt the demand for services. These can be extended interruptions that negatively impact the financial position of the Authority and threaten its goal to be area-by-area financially self-sufficient. In 2020, the floating production storage and offloading (FPSO) unit for the Terra Nova Oil Field in Newfoundland and Labrador went off station for the year and will be returning in 2023, while other offshore maintenance is being completed in 2022 that will impact traffic in Placentia Bay, NL. During 2020, the Come-by-Chance oil refinery in Placentia Bay shutdown operations but has been purchased and is switching to refining waste oil. These types of commercial decisions impact the Authority's revenues and may occur without significant warning.
 - **COVID-19 Related Declines:** The global pandemic has had a significant impact on the Authority's traffic levels and related revenues, with the largest impact created by the cancellation of the cruise season for two consecutive years. There were over 1,000 assignments on cruise vessels in 2019 with \$3 million in related revenues. This traffic has returned in 2022 with an expected 861 assignments in 2022 and further growth budgeted for 2023 and beyond.
 - **Pilotage Act Reform:** Amendments to the *Pilotage Act* received Royal Assent in June of 2019. The implementation has been challenging for the Authority as operations are adjusted to reflect changing roles and responsibilities, while at the same time continuing to provide services under the new *Act*.
 - **Licensing Authority:** With regulatory functions being moved to Transport Canada, the efficiency and effectiveness of the service provided by the Authority has been impacted as the advancement of pilot licences and certificates has slowed.

- **Charging Methodology:** The amendments have created opportunities in terms of business development and charge setting that allows the Authority to be much more responsive to changing economic and business factors. This has made it easier to be financially self-sufficient and produce charges that are fair and reasonable.
- **Compulsory Area Designation:** The Minister of Transport signed an Interim Order that was effective on June 9th, 2022, and designated Belledune, NB, and Sheet Harbour, NS, as compulsory ports for the Authority to service. This order also extended the Placentia Bay, NL, compulsory area to include the port of Argentia. An additional Interim Order was signed on October 18th, 2022, that named Summerside, PE as the twentieth compulsory area for the Atlantic Pilotage Authority. The Authority reacted quickly to assure services could be provided in all of these areas with minimal impact to other users.
- **Climate Change:** Due to changes in weather patterns, the Authority is dealing with severe marine conditions that are more frequent and are lasting for longer periods. This is causing serious challenges to the Authority's ability to deliver safe, effective, and efficient services as marine conditions are worsening and there are longer port closures and delays. It is adding risk to pilot transfers under these severe conditions, and it makes maneuvering vessels more difficult. Infrastructure, such as wharves and breakwaters, are also at risk to damages due to changing environmental factors which impacts safety.
- **Push to Zero-Carbon Economy:** With climate change being a focus for Canadians, there is an impetus to move towards a zero-carbon economy. This will impact the Authority eventually in its reliance on tanker traffic and related revenues, as well as additional capital investment required to lower its carbon footprint. There are numerous projects now under consideration, especially in the areas of wind power and Hydrogen production. As these projects develop, the pilotage service will be impacted by the increase in related shipping.
- **Cyber Security:** Threats to IT infrastructure are increasing and Cyber Security is growing in concern. Like most organizations, the Authority relies on technology to deliver its services with the greatest operational risk exposure in its dispatch centre. The dispatchers rely on numerous technological tools to organize and dispatch for the Atlantic region. Interruption of these tools could impact the efficiency and effectiveness of the service delivery. The Authority is also responsible for safeguarding private information and limits the personal information it holds electronically.
- **Technology:** The rapid pace of changing technology presents both challenges and opportunities for the Authority. The adoption of new technologies, like Portable Pilotage Units (PPU) helps the Authority provide a more effective and efficient service. On the other hand, vessels continue to arrive with increasingly modern technologies that present challenges in terms of pilot training. It is critical that pilots, and the Authority, remain current with new technologies and there are many tools in development to assist with navigation. The Authority must stay current with these technological changes and adopt those which would benefit the port pilotage it conducts.
- **Certificate Use:** Movements performed by certificated masters represents approximately 20% of all movements within the compulsory waters.
These are masters who are examined by the Authority and certified to pilot their own vessels.

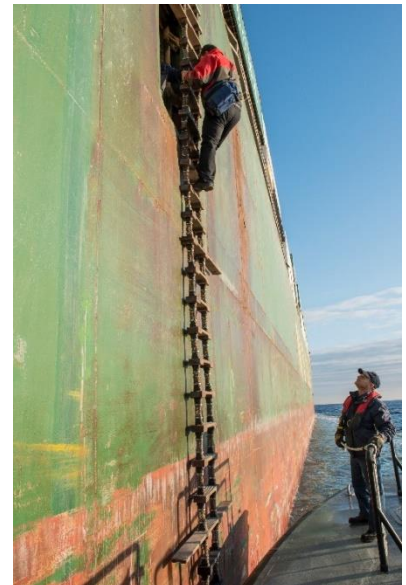
- **Low Risk Movements:** There are a number of very low risk movements or moves that are handled safely by certificated masters. This allows for pilotage resources to be targeted towards areas of higher risk and adds to the efficiency of pilotage.
- **Performance Evaluations:** There is currently no mechanism in regulation that requires the certificated masters to have performance evaluations. The Authority had developed a policy to review certificated masters’ performance at the time of their renewal and this had been accepted by industry. With the Authority no longer responsible for these renewals, it will work with Transport Canada to make sure risks are mitigated in its new National Pilotage Certificate Training Program. There are approximately 1,500 – 2,800 movements performed annually by these masters while the Authority’s pilots are expected to conduct approximately 7,000 – 9,000 assignments and are assessed on a three-year cycle.



- **Lost Revenues and Responsibilities under the *Pilotage Act*:** This number of certificates has a financial impact on the Authority with approximately \$4.64 million lost in pilotage fees expected in 2022. The *Pilotage Act* assures a robust and efficient pilotage regime so that pilotage is available to all ships operating in a compulsory pilotage area and are assured of safe and predictable use on the part of all ships regardless of whether any given ship is boarded by a licensed pilot or handled by a certificate holder. The Authority incurs regular costs in service of this assurance that include operating the pilotage authority as described in the *Act* and the related By-Laws; operating a dispatch centre to monitor and record all movements in compulsory waters subject to compulsory pilotage requirements; develop and maintain the required management system as specified by Regulation; and pay the Minister of Transport a fee for administration of the *Act*. Virtually all of these costs associated with having pilotage services available in Atlantic Canada are borne by the users that do not have certificated masters even though the Authority must make services available to all vessels. This is not a fair cost recovery model, negatively impacts the efficiency of the service, and effects the Authority’s ability to be financially self-sufficient.
- **Relationships with Stakeholders:** The Authority has strong relationships with its stakeholders that is maintained through regular consultation. The users of the services support pilotage in the Atlantic

and their cooperation has been greatly valued in solving the challenges that have faced the industry in the region. This cooperation allows for a more effective and efficient service as information and scheduling is shared openly. It also increases the ability to achieve financial self-sufficiency as traffic levels are more easily predicted and appropriate charge levels set without objection.

- **Seasonal Traffic Patterns:** The Authority faces periods of higher than usual volumes due to seasonal cruise ship traffic, daily variances in industry scheduling, and weather closures. The seasonal nature of the cruise industry presents challenges for the Authority because there is a constant labour force of pilots in each port. Seasonal surges in demand for pilotage means the authority must manage overtime and hours of work/rest without compromising safety, but risks increased delays and the efficiency of service delivery. This is particularly challenging because beyond the Authority's interest in meeting its mandated obligations, the Authority is also conscious of Canada's need to ensure that Atlantic Canada remains an attractive and viable destination for the cruise industry in the region.
- **Marine Labour Market:** Recruiting and training mariners to become pilots is a challenge. Pilots are licenced for specific ports or districts and cannot perform assignments outside of their licenced areas, which makes the coverage of assignment fluctuations more challenging. To reach the target for pilot numbers, and maintain it through planned retirements, the Authority must be continuously adding pilots and training them from apprentice level to unlimited full class A licence level. Finding qualified mariners in Canada is becoming more challenging as fewer Canadians are choosing this industry for their careers. The increase in technology on vessels that has enhanced maneuverability has also eroded the hands-on shiphandling skills of current masters and increased the amount of time required to train new pilots as they are not arriving with the same level of skill or experience as their predecessors.



Internal Environment

- **Board Composition:** The Board of the Authority consists of a part-time Chairperson and not more than six other members, all appointed by the Governor in Council. The appointment process of new members named can be delayed, which is a challenge. There is currently one vacancy on the Board.
- **Operations – Pilots:** The Authority is targeting a steady workforce of 52 employee pilots and 14 entrepreneurial pilots to cover projected activity. The pilots are represented by the CMSG and had a new collective agreement set through binding arbitration that is a 5-year agreement that expires on December 31, 2024.

The pandemic has not led to an increase in retirement and has not had a negative impact on recruitment, but the added sick leave and mental stresses have strained the workforce. Even though the Authority's recruitment is behind schedule, part-time pilots were added for the busiest season

of 2022 and management is collaborating with employees to cover the traffic requirements. There is no interruption to service anticipated.

- **Pilot Boat Crews:** The crews consist of employee launchmasters and deckhands for Halifax, NS and Saint John, NB. There are eight employees in each location and there is no current expectation to alter these numbers. The launchmasters are represented by the CMSG whose agreement expires on December 31, 2024, while the deckhands are represented by the Public Service Alliance of Canada (PSAC Union). The deckhand agreement expires on December 31, 2022 and negotiations will begin prior to the end of the year.

The recruitment of boat crews can be challenging, but the Authority has a casual pool of additional Launchmasters and Deckhands. New programs have been established to prepare casual employees for more fulltime opportunities, and for deckhands to work towards becoming launchmasters. These programs allow for increased coverage and retention.

- **Dispatchers:** The department is headed by the Dispatch Manager with four full-time dispatcher positions that provide 24/7 coverage for the Authority’s dispatch centre. A fifth dispatcher does the billing for the Authority and provides coverage for the area. The dispatchers are covered by the same collective agreement as the deckhands that expires on December 31, 2022.

The dispatcher position is another that requires specific skills and capabilities to fill. A casual pool is also used to provide coverage but this model, in this labour environment, is becoming more challenging and less effective.

The following table summarizes the Authority’s staffing situation.

| Function | Actual 2019 | Actual 2020 | Actual 2021 | Projected 2022 | Plan 2023 | Plan 2024 | Plan 2025 | Plan 2026 | Plan 2027 |
|-------------------------|-------------|-------------|-------------|----------------|-----------|-----------|-----------|-----------|-----------|
| Administration | | | | | | | | | |
| Executive Officers | 3 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Managers | 2 | 3 | 4 | 3 | 3 | 3 | 3 | 3 | 3 |
| Support | 5 | 5 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total Admin | 10 | 10 | 11 | 12 | 12 | 12 | 12 | 12 | 12 |
| Operations | | | | | | | | | |
| Pilots | 50 | 51 | 49 | 49 | 50 | 52 | 53 | 52 | 52 |
| Pilot Boat Crews | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Maintenance Managers | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Dispatch Managers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Dispatchers | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total Operations | 74 | 75 | 73 | 74 | 75 | 77 | 78 | 77 | 77 |
| Total Employees | 84 | 85 | 84 | 86 | 87 | 89 | 90 | 89 | 89 |
| Entrepreneurial Pilots | 11 | 10 | 10 | 13 | 14 | 14 | 14 | 14 | 14 |

- **Aging Pilot Boats:** Providing port pilotage means that all areas require the service of a pilot boat to transfer the pilot to and from a pilotage assignment. As these vessels age, the Authority has to maintain them to keep them as safe a platform as possible while also planning for their eventual replacement. This challenge is also impacted by the changes in weather and marine conditions, as heavier and more robust vessels may be required in more of the ports, and a desire to reduce the Authority's carbon production. An aging or insufficient pilot boat fleet impacts the Authority's ability to provide a safe, efficient, and effective service, while being less environmentally friendly. A risk with these older platforms is that they may not be robust enough for the conditions or may not be operational when needed, increasing the likelihood that pilotage services may be interrupted.
- **Marine Infrastructure:** The Authority leases, or owns and maintains, several marine assets, including a breakwater, wharves, floating docks, and pilot offices. These assets are a strength in that they provide safe transfer points, shorter service times, and operational headquarters for the pilots and crews. As these items are always exposed to severe elements and constant use, they are inspected, repaired, and occasionally replaced. Wear and tear on these items are a challenge that may grow with the changing climate and will impact safety and future costs.
- **Safety Culture:** The Authority has increased its focus on improving its safety culture. ISO 9001 Certification was achieved in 2018 and has been maintained since. A dedicated resource was added, a Quality, Health, Safety & Environment (QHSE) Manager, to increase the focus on this area. Having 20 compulsory ports through four provinces adds to this challenge, as does having numerous contractors and service providers.
- **Financial Resources:** The Authority had four consecutive years with healthy profits prior to the pandemic that caused a reduction in revenues in 2020 and 2021. A contingency fund had been maintained at targeted levels, and savings accumulated for capital asset replacement and future severance payments. These savings, and greater than expected cash flows, has allowed the Authority to service its debt, and have an adequate cash balance at the end of each year.
- **Performance and Reviews:** The Authority has performed a safe, effective, and reliable service while maintaining efficiency for its users. The incident free rate for 2021 was 99.97% (99.92% in 2020) of assignments and there were no incidents that caused injury or environmental damage. The percentage of assignments performed without delay caused by the Authority was 99.20% (99.20% in 2020). The Authority measures a delay when a pilot is not provided to a vessel within one hour of customer's order time. When surveyed by the Authority, 96% (100% in 2021) of its participating users were satisfied with the Authority's dedication to safety and 85% (92% in 2021) were satisfied with its efficiency.
- **Alignment with Government Priorities:** The activities of the Authority support all of the Government's economic, environmental, and social priorities. The efficient and safe transport of marine vessels through the ports of Atlantic Canada delivers economic growth and prosperity for all Canadians. The industries that are dependent on shipping feeds job creation, economic opportunities and expanded markets for Canadian companies. The Authority contributes to the safe and efficient movement of goods and people for Canadians, while protecting the environment from harm and without causing any interruption to the supply chain.

In 2022, the Authority continued to work towards establishing policies and programs which actively support the obligations and outcomes for the Gender-Based Analysis. The Authority continues with its commitment to promoting a healthy workplace and focusing on supporting the Federal Public Service Workplace Mental Health Strategy. Greening of the operations is a goal that is being pursued by the Authority with its pilot boat replacement program and other initiatives.

Compliance with Ministerial Directives:

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

Special Examination, 2016:

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

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

III) Strategic Priorities, Activities, Results and Risks

On an annual basis, the Authority engages in strategic planning sessions involving the Board and management. In the spring of 2022 these sessions were conducted with an external facilitator where the mission, vision, values and guiding principles were updated. Four strategic priorities were set at this session and replaced the previously set corporate objectives. These strategic priorities were established for a five-year period and will be reset by the end of 2027.

1) Operational Excellence:

Operational excellence, efficiency and sustainability with priority and focus on the protection of people, property and the environment.

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

Critical Success Factors:

- Trained and capable mariners will be available upon request for any vessel that is not exempt from compulsory pilotage.
- An efficient and safe pilot boat service must be available in every port or district to allow for an on-demand service without causing delay.

- Operational impacts on the environment will be measured and reduced.
- Charges for the service must be appropriate. Rate levels must be fair and reasonable for the users, while allowing financial self-sufficiency. This includes the ability to accumulate a targeted reserve and savings to fund future investment, liabilities, and survive unexpected business declines.

To achieve this objective, in 2023 the Authority will focus on the following:

- **Capital Asset Renewal - Facilities:** The Authority has numerous marine facilities that require repairs or replacement and will be undertaking the following in 2023:
 - Floating docks in several locations will be inspected, repairs completed, and possible replacement where required. (Short-Term Goal - ongoing)
 - The pilot office and crewing quarter options for Saint John, NB will be evaluated to determine the ideal solution and a new location will be leased or procured in 2023. (Short-Term Goal - ongoing)
- **Pilot and Certificate Holder Evaluations:**
 - **Licensed Pilots:** Use the pilot assessment program to determine areas of improvement and training opportunities to assure performance targets are achieved by licenced pilots. (Short-Term Goal - ongoing)
 - **Certificate Holders:** To treat licenced and certificate holders equally, competency evaluations will be performed for certificate holders to assure their competencies are maintained, in the interest of safety. With the certificate renewal powers transferred to the Minister under the new *Act*, this action will be recommended to Transport Canada for continuation as part of the renewal process within their National Certification Program. (Short-Term Goal - ongoing)
- **Charge Adjustments:** Charges for 2023 will be adjusted to achieve the following while also being fair and reasonable:
 - **Increased Costs of Operation:** The Authority is investing in new vessels and the increase in resources will require adjusted revenues in several areas to cover these costs. Inflationary pressures and increased salaries awarded through arbitration also lead to increased pilotage fees. (Short and Medium-Term Goal - new)
 - **Future Charging Opportunities:** The Authority will be establishing a certificate movement charge to fairly recover allocated costs that are required to have the pilot service available to all marine traffic, track certificated movements, participate in the certification process, and recover amounts payable to the Minister for administration of the *Pilotage Act*. This charge will be structured so that users cannot avoid the costs associated with the availability of compulsory pilotage and to assure pilotage services are available to all vessels when required. (Short-Term Goal - ongoing)
- **Search for Efficiencies:** The Authority will remain ISO 9001 compliant and move towards compliance with ISM certification. These programs enforce regular activities in a search for continuous

improvements. The CEO will continue to participate in the National Pilotage Committee with Transport Canada, the other pilotage authorities, the Shipping Federation of Canada, and other industry representatives with the aim to improve efficiencies in the system. (Short-Term Goal - ongoing)

- **Implement Cyber defenses:** The Authority will continue to work with local experts and the Canadian Centre for Cyber Security to protect its infrastructure and will develop a 5-year Information Technology and Infrastructure Plan. (Short-Term Goal - ongoing)
- **Emission Reductions:** The Authority is in the initial stages of a carbon reduction project as it seeks opportunities to advance measures that support Canada’s transition to net-zero greenhouse gas emissions by the year 2050, with the following initiatives for 2023:
 - **Measure the Footprint:** A local firm will be contracted to work with the Authority to provide initial measurement of our impact on the environment and devise a plan to reach carbon neutral by 2050. (Short-Term Goal - new)
 - i **Immediate Recommendations** – Items from the analysis that can be actioned in the short-term without significant financial consequences not considered in this plan will be actioned. (Short-Term Goal – new)
 - ii **Reporting:** Demonstrate climate leadership by adopting the Task Force on Climate-related Financial Disclosures standards, or more rigorous and acceptable standards for 2024. (Medium-Term Goal – new)
 - **New Boat Design:** The new vessels currently under construction will have Tier III scrubber technology attached to its engines and the number of diesel-powered generators will be reduced by replacing with batteries. (Short-Term Goal- ongoing)
 - **Innovation:** There are many avenues of innovation that are becoming possible as the focus on the reduction of carbon pollution has led to an explosion of invention. The Authority is actively seeking opportunities to reduce carbon consumption and emissions:
 - i **Graphite Paint** – This new hull paint will be trialed on a vessel in Placentia Bay and is expected to reduce drag on the vessel, resulting in improved fuel efficiency. If successful, the paint will be used on the remainder of the fleet. (Short-Term Goal – new)
 - ii **Vessel Electrification** – A study will be done to determine whether there is a reasonable net benefit to replacing the diesel engines in an older vessel with electric power generation and batteries. There is currently a very limited number of ports where this technology would be viable for pilotage operations. (Short and Medium-Term Goal – new)
 - iii **Biofuels for Vessels** – The Authority has agreed to buy biofuels for its pilot boats if made available in the ports of Halifax and Saint John. In conversations with industry, having a committed customer base was a step required to the possible production of this fuel. (Medium and Long-Term Goal - new)

2) Future Readiness

Organizational readiness for industry transformation and development; with a special focus on innovation, technology, environmental stewardship and new competencies.

The Authority will communicate regularly with internal and external stakeholders to assure that resources are planned and secured for future demands. This will include investment in human capital as well as capital assets being upgraded and replaced

Critical Success Factors:

- The appropriate number of fully trained and capable pilots for each port or district must be available. The workforce must be sufficient to provide the service without delays when considering future traffic levels.
- Pilot boat operations, including personnel, must be in place to support future traffic levels.
- Training will be provided to all staff to support continuous growth and readiness for changing technologies.
- Constant communication with all stakeholders will allow for preparations to be made for changes to industry and related markets.

To achieve this objective, in 2023 the Authority will focus on the following:

- **Pilot Recruitment**: Add three new qualified apprentice pilots during 2023 in anticipation of planned retirements. The pool of qualified mariners nationwide has been growing smaller while finding qualified masters who are interested in positions in Saint John, NB has been challenging during a period that has had a greater number of announced retirements in the port than usual. A familiarization program was introduced to allow mariners from other areas to apply and the Authority added incentives for this program with the aim to increase the number of people who may be interested. (Short-Term Goal - new)
 - **Increase Pilot Target Numbers** - Continue to add pilots until 52 employee pilots are regularly on staff (Medium-Term Goal – new) and increase to 55 employee pilots if traffic continues to increase. (Long-Term Goal - new)
- **Pilot Training**: Review and improve the training plan for pilots to include increased use of simulators and investigate more targeted tug escort and manned model training. (Short-Term Goal- ongoing)
- **Capital Asset Recapitalization – Pilot Boats**: In 2019, the Board approved a long-term pilot boat replacement strategy.
 - In adherence with this plan, the development of a design for two new vessels began in 2020 with construction now begun in 2022 and will extend into 2024. These vessels were planned for worsening climate, designed to have less impact on the environment, and will be

expected to provide a safer platform for pilot transfers under more difficult conditions. (Short-Term Goal- ongoing)

- Additional resources will be allocated to life extension activities or replacement of the older vessels that will remain in service. Several vessels are over 45-years of age and are acting as the primary vessel in an area. (Medium-Term Goal - new)
- **Technology:** The Authority will monitor advances in marine technology, specifically regarding portable pilotage units, weather monitoring, environmental efficiencies, and communications in search of improvements that can be made to improve safety, efficiency, and effectiveness of pilotage.
 - Where practical, the Authority will have attendance at the International Marine Pilots Association conference, the Shipping Federation's Mariners Workshops, regular Safety and Technology summits, work boat conferences, and other technology conferences or meetings in 2023. (Short-Term Goal- ongoing)
 - The Dispatch and Billing System (Dabs) that is used for all vessel monitoring, dispatching, and billing will be upgraded. The current system was built in 2010 and has numerous addons that may be incorporated into a new web version that is more accessible for remote access. (Short-Term Goal- ongoing)
 - Accounts payable functions will be automated to provide more security controls, save on paper, and reduce the workload of employees in finance department. (Short-Term Goal- new)
- **Contributing to efficiency and economic growth through consultation:** Authority personnel will participate in regular port operating committees in each area in which they are active. Consultation services will also be offered to individual users with projects or operations that will benefit from marine pilotage expertise. (Short-Term Goal- ongoing)
- **Reserve and Targeted Savings:** In line with the requirements of the *Pilotage Act*, the Authority will aim to maintain a reserve fund so that its ability to satisfy its mandate will not be in jeopardy during periods of unexpected declines in traffic or other events. Beyond maintaining a reserve fund, the Authority has accumulated savings towards future capital asset replacement and long-term severance liabilities. (Short-Term Goal- ongoing)
- **Consultation:** The Authority will deliver on its commitment to maintain relationships with stakeholders through increased disclosures on its website and frequent consultation meetings with interested parties. These interactions are essential to planning resources for the future and facing shared challenges. (Short-Term Goal- ongoing)
 - **Indigenous Outreach:** The Authority will continue its outreach efforts in consulting Indigenous where appropriate and incorporating Indigenous perspectives into organizational operations and planning processes. (Short-Term Goal- ongoing)
- **Pilotage Act Reform:** There is a considerable workload on Transport Canada to adopt the approved changes to the *Act*. The Authority will assist wherever possible so that these reforms will be implemented successfully. For 2023, this will include the development of a Management System that

is in full compliance with the newly developed Marine Pilotage Regulations. (Short-Term Goal-ongoing)

3) Workplace Culture

A positive workplace culture that achieves business goals and prioritizes learning, psychological well-being, trust, diversity, equity, and inclusion, engagement, and connection.

The critical outcome the Authority is striving to achieve in this area is to create a culture that protects the psychological well-being, and in all aspects of the workplace through collaboration, inclusivity, and respect; creating a healthy and psychologically safe and engaged workforce.

Critical Success Factors:

- It is important that the organizational mission, vision, values, and business goals are communicated effectively and discussed with the employees so that they feel part of it, engaged and connected.
- Prioritize psychological well-being of all employees through establishing a stand-alone mental health and wellbeing strategic priority.
- Foster a workplace culture of inclusivity, that embraces the current workforce demographic, while emphasizing organizational education and growth through outreach and recruitment strategies which uphold the principles of equity, diversity, and accessibility.
- Generate positive change to the current workplace culture through education, training, and initiatives that are practical and tailored to our workforce.

To achieve this objective, in 2023 the Authority will focus on the following:

- **Sharing of Direction:** Launch an internal campaign for promotion and communication of revised organizational mission, vision, values, and business goals to all employees. (Short-Term Goal - new)
- **Equity Actions and Reporting:** Increase diversity among workforce population through employment equity initiatives in recruitment and selection and through working with industry partners for the promotion of diversity in the maritime sector. Generate and publish employment equity data for employees to see a more accurate picture of representation gaps. (Short-Term Goal - new)
- **Remove Barriers:** Address systemic barriers through policy review and education and training for senior leadership. Diversity and equity within the workforce will improve as outreach and recruitment strategies uphold the principles of equity, diversity, and inclusion. (Short-Term Goal - ongoing)
- **Engagement and Awareness:** Increase employee engagement and awareness through education, and training of all employees in anti-racism, diversity, equity, and inclusion. (Short-Term Goal - ongoing)

4) Mental Health & Wellbeing

Leadership in employee mental health and overall wellbeing through workplace support, access, education, reducing stigma, and support for stress management and emotional wellbeing.

The critical outcome the Authority is striving to achieve in this area is to create a workplace that promotes psychological health, physical and mental safety, and engagement of the workforce.

Critical Success Factors:

- Prioritize and enhance work-life balance through workload and fatigue management education, training, and initiatives.
- Provide all employees with opportunities to stay well through psychological health and prevention of violence, harassment and bullying in the workplace education, training, and initiatives.
- Build wellness leadership capacity at all levels of the organization through communication of expectations on responsibility, accountability, and engagement.
- Continuously improve and evaluate the wellness culture at the Authority through feedback and metrics.

To achieve this objective, in 2023 the Authority will focus on the following:

- **Workload Management:** Provide educational opportunities and supporting initiatives for all employees and managers that focus on work-life balance, supporting employees with their efforts to disconnect, and promoting active lifestyles and healthy eating at work. (Short and Medium-Term Goal - new)
- **Fatigue Management:** Provide educational opportunities and supporting initiatives for all employees and managers that focus on fatigue management, focusing on impacts of shiftwork, impacts of working independently and alone. Short-Term Goal - new)
- **Psychological Health:** Provide educational opportunities and supporting initiatives for all employees and managers that focus on healthy minds, mental fitness, illness, physical and psychological safety, and dealing with stress. Short-Term Goal - new)
- **Prevention of Violence, Harassment and Bullying:** Provide educational opportunities for all employees and managers that focus on the prevention of violence, harassment and bullying in the workplace. (Short-Term Goal - ongoing)

Risk Overview

Each year, the Authority follows a procedure for Risk Assessment and Treatment that identifies new risks, performs a risk analysis through the scales related to likelihood and impact, proposes risk treatments in the form of mitigations, and performs risk monitoring and review. This Enterprise Risk Management System has been assigned to the Board for their oversight and bi-annual review with specific risks assigned to individual committees of the Board for more frequent updates.

The residual risk, considering active mitigations, for areas of concern that are measured as high, or above, are as follows:

VERY HIGH

- Injury to pilot/crew member while transferring: The Authority has pilots injured while transferring occasionally with various levels of injury, but the transfer at sea is a dangerous maneuver for which the Authority must be diligent in making as safe as possible. This is a risk to each of the Authority's areas of strategic priorities.
 - The Authority has the technologies and procedures in place to minimize the likelihood of a pilot or crew member being injured during the act of transferring a pilot and minimizing the impact if this occurs. The Authority regularly provides training for employees, implements procedures, and make capital investments towards this end, including regular vessel inspections, vessel maintenance and upgrading to more modern vessels, provision of personal protective equipment, including personal locator beacons, and established operating parameters with respect to adverse weather.

HIGH

- Risk that Employees are exposed to Injury or Illness in the Workplace: This is a risk category that has been elevated during the pandemic. While the virus remains active in the world, there is increased risk for all employees of the Authority, especially pilots and boats crews. This is a risk to the Authority's goal to provide a reliable and self-sustaining service by safeguarding the Authority's people and assets while planning for succession and asset replacement.
 - The Authority has a pandemic plan that has been followed during Covid. Numerous mitigations have been actioned to keep the employees safe while maintaining the pilotage service. Federal and local authorities, along with all stakeholders, have coordinated mitigation efforts that have kept shipping and commerce uninterrupted in the region.
- External Economic Risk: The pandemic had caused a reduction in shipping that impacted the Authority's financial position, but traffic has rebounded, and cruise ships have returned. A possible recession and the general volatility in marine traffic means that the remains a substantial risk. The Authority was able to implement a deficit reduction charge that is recapturing revenues lost during the pandemic.
 - The Authority is implementing additional rate increases to recover increasing operating costs.
 - A certificate movement charge will be proposed that will raise more revenues in future years.

IV) Financial Overview

Financial Position

The Authority is a “non-appropriated” or self-financing Crown Corporation with the requirement to be financially self-sufficient using charges that are fair and reasonable. The costs of the Authority are charged to the users of the service in the form of a charge on each assignment for which pilotage services are provided, while the administration and operating costs are discussed with stakeholders through regular consultation. The financial goals are to have positive cash flows that allow for an accumulated reserve and targeted savings to assure the mandate is achieved. Due to the pandemic, the Authority relied on its reserves and savings to maintain service without impacting its ability to fulfil its obligations. The medium-term goal will be to recover from its decline in cash and re-establish an acceptable amount held in reserve and savings. Over the long-term, the Authority will return to its goal to have each area become financially self-sufficient to prevent cross-subsidization among ports. The Authority relies on projections of future traffic levels and the corresponding revenue and expenses to determine the financial health of the individual ports. The 2021 Annual Report for the Atlantic Pilotage Authority is posted at:

<https://www.atlanticpilotage.com/wp-content/uploads/2022/05/APA-annual-report-2021-Eng-Final.pdf>

Financial Strategy

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

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

The Authority has updated its reserve goal for operating cash and savings to be a target of 15% of pilotage service revenues, for the purposes of financing regular operating activities and accumulated reserves. Excess cash beyond this requirement will be moved to savings as described below in paragraphs 2 and 3.

Due to COVID-19 related declines, the reserve has been needed to fund the operation and the Authority expects it will not reach this targeted balance in 2023. The current plan is to reach this target in 2024 but is based on the continuation of a recovery in cruise traffic without declines elsewhere.

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

This liability was \$1.276 million on December 31, 2021 and is not forecasted to grow materially before it begins to decline. In 2012, the benefit was removed from non-union employees’ benefits, was negotiated out of two collective agreements, and was eliminated for new employees in the third collective agreement. The Authority had accumulated savings for this purpose of \$500,000 at the end of 2022 and expects to maintain this balance through 2023. Having these savings

accumulated is an addition to the reserve above and reduces the likelihood of rate increases in the future to fund these sporadic, and sometimes large, cash payments.

3 Maintaining the financial capacity to borrow or fund the cost of acquiring new capital assets.

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

The plan assumes that the new pilot boat construction project will use the accumulated capital replacement savings and funding provided by previously approved long-term borrowing. This intention is consistent with previous builds where the Authority would finance a significant portion of the cost with its reserves and borrow the balance. The Authority will not contribute future funds towards this dedicated savings purpose until the financial reserve targets are met, currently estimated in 2024.

The budgeting outlook from 2023 to 2027 assumes the recovery in cruise traffic continues and is based on feedback received from port authorities and the agents for the industry. The outlook also includes specific impacts in particular industries where information was received; operational behaviour that is consistent with current approaches; and adjustments made for typical, predictable economic factors such as inflation. This information received indicates future growth in several ports and includes the repurposing of the Come-by-Chance refinery to produce product from recycled feedstock. There are other areas, such as automobile deliveries, that have been slower to rebound from the pandemic, but these sectors tend to be less material to the Authority's finances. Based on these projections, the Authority is budgeting an accounting profit of approximately \$1.655 million but includes a \$1.098 million in revenue raised by the deficit additional charge. The Authority did not have to draw on its line of credit during the pandemic to fulfill its mandate and was able to return to an annual accounting profit in 2021, a year ahead of plan.

Capital Investments

The Authority has over \$29 million in capital assets that have to be replaced or upgraded over the long-term. It is a large portion of the financial resources of the Authority that is needed for this purpose. These expenditures are primarily for pilot boats, but also includes investments in wharves and structures, maintenance vehicles, leasehold improvements, and computers and office equipment. The Authority also recognizes Right-of-Use assets associated with leases under IFRS16. A Right-of-Use asset is recorded to represent the value of an asset the Authority is using under lease but does not own.

In 2022, the Authority currently expects to invest \$3.0 million in capital projects (\$1.9 million for the new vessels), all of which will be funded by operating cash flows and accumulated savings. This will leave approximately \$6.9 million owing in future years for the new pilot boat construction project.

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

2023:

The Authority began an \$8.9 million project to replace two vessels that is expected to be fully completed in 2024. The expenditure of \$1.9 million in 2022 is significant, with an additional \$6.9 million to be spent over a two-year period in 2023/2024 to complete the project. When these new vessels are launched, older vessels with less utility for the pilotage will be marked for sale and the new, larger, and more robust platforms will be deployed in Halifax, a port that faces difficult winter months.

With some vessels provided by contractor, and the age of the remaining fleet, the plan includes a total of \$3 million to purchase, or build, two additional 15-17 metre vessels to replace older vessels currently operating as primary vessels in minor ports. This budget would be available for used vessels if there was an immediate need to maintain pilot boat services. These vessels would be less costly than the new 19-metre vessels being built for Halifax.

The requirements included in the 2022 Capital Budget have planned upgrades to the vessels totalling \$705,000 with another \$230,000 budgeted for the estimated capital portion of regular repairs. This includes critical spares in the amount of \$60,000, and \$40,000 to study the possibility of an electric conversion of an older vessel.

Planned capital investment in wharves and structures of \$505,000 includes a pilot and crew office in Saint John estimated at \$350,000, and multiple floating dock requirements. The Authority had to move its boat location in the port of Saint John in 2022 and will be required to add the new offices at this location in 2023. The final structure of this arrangement with the port is currently unknown and the cost may be captured under capital purchases or a right-of-use asset if leased. The amount captured in Leasehold Improvements is \$178,000 and is to expand the office space of the head office in Halifax, NS. The lease associated with this project is also captured as a right-of-use asset in the capital plan. Further investment in portable pilotage units of \$40,000 is planned for 2023 as well as computer, furniture, and software replacement and upgrades.

Refer to Appendix 6 for more information.

Debt

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

The Authority had received approval of the Minister of Finance in 2022 to enter into long-term borrowings of up to \$8 million to be used towards the construction of two new pilot boats, or purchase of used pilot boats if required. This project was delayed and based on the scheduled milestone payments, only \$6 million was drawn for this project in 2022. This leaves \$2 million to finance the remainder of the project and the Authority will draw this in 2023, if necessary. The Authority is requesting approval to maintain the approval of its short-term borrowings of up to \$7.5 million to deal with currently unknown circumstances and traffic reductions. The Authority does not anticipate that it will be drawing on its line of credit by the end of 2023. In accordance with section 36 of the *Pilotage Act* and 127(3) of the *Financial Administration Act*, the

Authority requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction.

Refer to Appendix 7 for more information.

Financial Investments

Under the most recent changes to the *Pilotage Act*, under section 37, the Authority may, with the approval of the Minister of Finance, invest any moneys not immediately required for the purposes of the Authority in any class of financial asset. The Authority is requesting the approval of the Minister of Finance to invest in guaranteed investment certificates offered by one of the major Canadian banks.

Appendices

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



1. Ministerial Direction

The Atlantic Pilotage Authority is operating in accordance with the guidance expressed in the Honourable Omar Alghabra, Minister of Transport's letter to the Chair.



September 6, 2022

Captain Jack Gallagher
Chair of the Board of Directors
Atlantic Pilotage Authority
jackgallagher@hammurabi.ca

Dear Captain Gallagher:

As you know, following the 2021 general election, I had the honour of being reappointed as the Minister of Transport. My priorities have been outlined in the mandate letter the Prime Minister shared with me in December 2021, and today I write to you to set out my expectations as to how the Atlantic Pilotage Authority (APA) will help advance these priorities.

As the Minister accountable to Parliament for the APA, I am committed to continuing our productive relationship to ensure that Canada's transportation system is safe, secure, efficient, and environmentally responsible. I recognise that the pandemic mitigation measures such as restrictions on cruise ships in Canadian ports dramatically reduced APA's operations, and thus revenue. I appreciate APA's efforts to pivot operations and continue to operate safely during this unprecedented time.

My priority upon my reappointment as the Minister of Transport was to enforce vaccination requirements across the federally regulated transportation sector. Thank you for the commitment you have demonstrated in developing and implementing your corporation's vaccination policy. Together, we mitigated the full impact of infection and severity of illness for travellers and workers in the transportation sector, and increased vaccine uptake, providing broader societal protection. As the COVID situation unfolds, we continue to adjust our measures accordingly, as we did in June of this year. I appreciate the corporation's ongoing collaboration as our response to COVID-19 continues to evolve as we learn more about this virus.

Ensuring goods and people can move efficiently throughout our country with robust and reliable supply chains and transportation systems is another key priority further reiterated in Budget 2022. The APA is an important link in Canada's supply chain, and I trust that the corporation will strive to reduce and prevent bottlenecks in Canada's transportation network. I encourage you to work with my officials to ensure the APA continues to be prepared to proactively mitigate and respond to emerging incidents and hazards, including cyber security threats.

The logo for the Government of Canada, featuring the word "Canada" in a serif font with a red maple leaf above the letter 'a'.

Fighting climate change is a cornerstone of the government's plan to rebuild the economy, create middle-class jobs, and ensure Canadian industry remains competitive. The *Canadian Net-Zero Emissions Accountability Act* has legislated Canada's efforts to achieve net-zero greenhouse gas emissions by the year 2050. I expect the APA to seek opportunities to advance measures that support Canada's transition to net-zero, including accelerating the transition to zero-emission vehicles and considering targets related to this cause throughout your operations.

As part of the government's strategy to combat climate change, Budget 2021 announced that Canada's Crown corporations would demonstrate climate leadership by adopting the *Task Force on Climate-related Financial Disclosures* standards, or more rigorous and acceptable standards. I encourage the APA to start reporting its climate-related financial risks by 2024.

Another pillar of the government's plan is to continue to address the profound systemic inequities and disparities that remain present in the core fabric of our society. I expect that the APA will join us as we walk faster and farther along the road to reconciliation, particularly through meaningful partnership and collaboration with local Indigenous communities. This should include, but not be limited to, consulting Indigenous communities where appropriate and incorporating Indigenous perspectives into organizational operations and planning processes.

Diversity and equity within the APA's workforce will improve its ability to deliver on all its objectives, and I expect that as the APA embarks on any hiring, it implements outreach and recruitment strategies that uphold the principles of equity, diversity, and inclusion. I trust that the APA will also continue to ensure that it is doing its part, per the *Accessible Canada Act*, to help make the transportation system more accessible for persons with disabilities.

I also remain committed to open, transparent, and merit-based selection processes to attract qualified candidates for governance and leadership positions in the Transport portfolio. Candidates should also reflect Canada's diversity in terms of linguistic, regional and employment equity groups (women, Indigenous peoples, persons with disabilities and members of visible minorities), as well as members of ethnic and cultural groups. As Chairperson, you will be invited to participate in these processes for your organization, which will inform my ultimate appointment recommendations to the Governor in Council.

I expect that your short-, medium-, and long-term objectives as they relate to the government's priorities in this letter are clearly presented in your upcoming corporate plans and progress to achieving those objectives is reported in your subsequent annual reports. I also ask for your support in ensuring that, to the extent that it is within the APA's control, future corporate plans are prepared sufficiently in advance, with the best information available at the time, to enable timely review and approval.

It is critical that the performance objectives of the corporation, Board and CEO flow within a consistent storyline. I ask that the measures you develop to assess your CEO's performance conform to best practices concerning the development of specific, measurable objectives, based on the observable behaviours in areas where your CEO can exercise sufficient influence to achieve the desired outcomes. The rationale included for the overall rating of your CEO should clearly identify why your Board is providing the rating and which performance objectives were weighed most heavily when arriving at the determination.

As always, the legal, fiduciary, and ethical obligations of public office holders remain. All appointees should abide by the principles found in the Prime Minister's statement on Open and Accountable Government. All boards should ensure ongoing compliance, both for their organization and for themselves, with relevant legislation, Treasury Board policies, Governor in Council and ministerial directives.

It is an honour to serve Canadians as Minister of Transport and a privilege to be able to work with key partners such as the APA.

Sincerely,



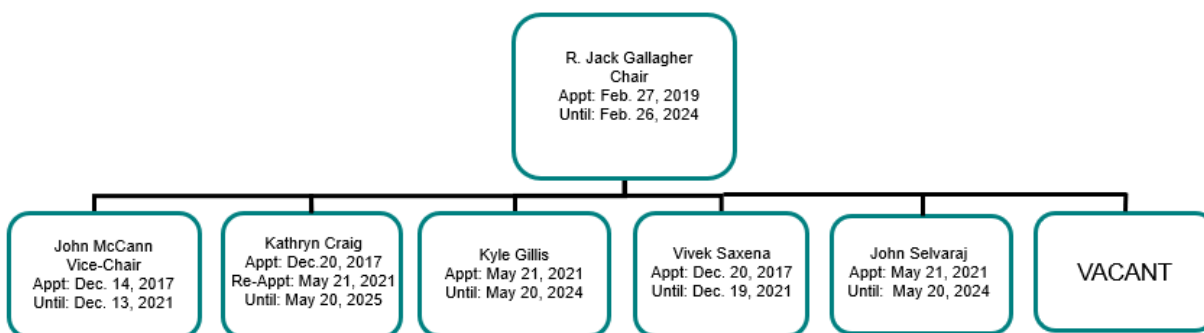
The Honourable Omar Alhabra, P.C., M.P.,
Minister of Transport

2. Corporate Governance Structure

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

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

The following organizational chart indicates the composition of the Board on September 1, 2022, followed by a chart indicating the Board committees that are in place. The Members remain on the Board until a re-appointment, or replacement is made by Order-in-Council, minimizing the risk to the Authority of these expiring terms. The Chair does not serve beyond the end of his/her term.



A long-serving Board Member resigned on June 7, 2021, leaving a vacancy on the Board that has yet to be filled.

Authority Board Members

R. Jack Gallagher, Chair

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

John McCann, Vice-Chair

Captain McCann has served on the Board since December 2017 and is Chair of the Authority’s Pilot Boat & Capital Infrastructure Committee. Captain McCann recently retired as manager for the Halifax Harbour ferry transit system. He is involved in various other organizations in Nova Scotia and previously in Saint John, NB.

Kathryn Craig

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

Kyle Gillis

Mr. Gillis joined the Board in May 2021 and is Chair of the Authority's Audit Committee. Mr. Gillis, of Hatchet Lake, NS is a CPA, CMA, is the Vice-President of Finance at Eigen Innovations Inc. and President of Gillis Financial Inc.

Vivek Saxena

Captain Saxena has served on the Board since December 2017. Captain Saxena is a Master Mariner with over 20 years of experience at sea and is Principal of the NSCC Strait Area Campus, located in Port Hawkesbury, NS.

John Suresh Selvaraj

Mr. Selvaraj joined the Board in May 2021. Residing in Antigonish, NS, Mr. Selvaraj is Academic Chair of the Nautical Institute at NSCC Port Hawkesbury, NS. in Port Hawkesbury. Prior to this, Mr. Selvaraj was an Instructor of Marine Engineering at NSCC and a Fleet Manager at Executive Ship Management PTE Ltd. in Singapore.

Authority Board Role

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

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

The total of Board remuneration and expenses are projected to be \$116,000 in 2022 and are below the \$159,000 budgeted for the year due to the board vacancy and reduced travel. These costs are budgeted in 2023 at \$145,000 and assumes that the board is fully staffed.

Committees

Audit Committee

The Audit Committee is a core committee of the Authority's Board of Directors and is specifically required by *Financial Administration Act (FAA)*. There are three members designated to be on this committee and they meet quarterly. Its responsibilities include providing financial oversight for the Authority, improving the quality of financial reporting, monitoring Information technology and cyber security, and increasing stakeholder confidence in the credibility and objectivity of the corporate performance.

Governance Committee

There are three members of this committee, and they meet at the call of the committee chair. Its mandate includes defining roles and responsibilities for the Board and management, as well as consulting with the Chair regarding the structure of Board committees. This committee recommends candidates for the Board as well as the Chair and CEO positions and critically reviews management recommendations that may impact National Marine Pilotage Regulations.

Human Resources Committee

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

Pilot Boat Committee & Capital Infrastructure Committee

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

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

Senior Executives

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

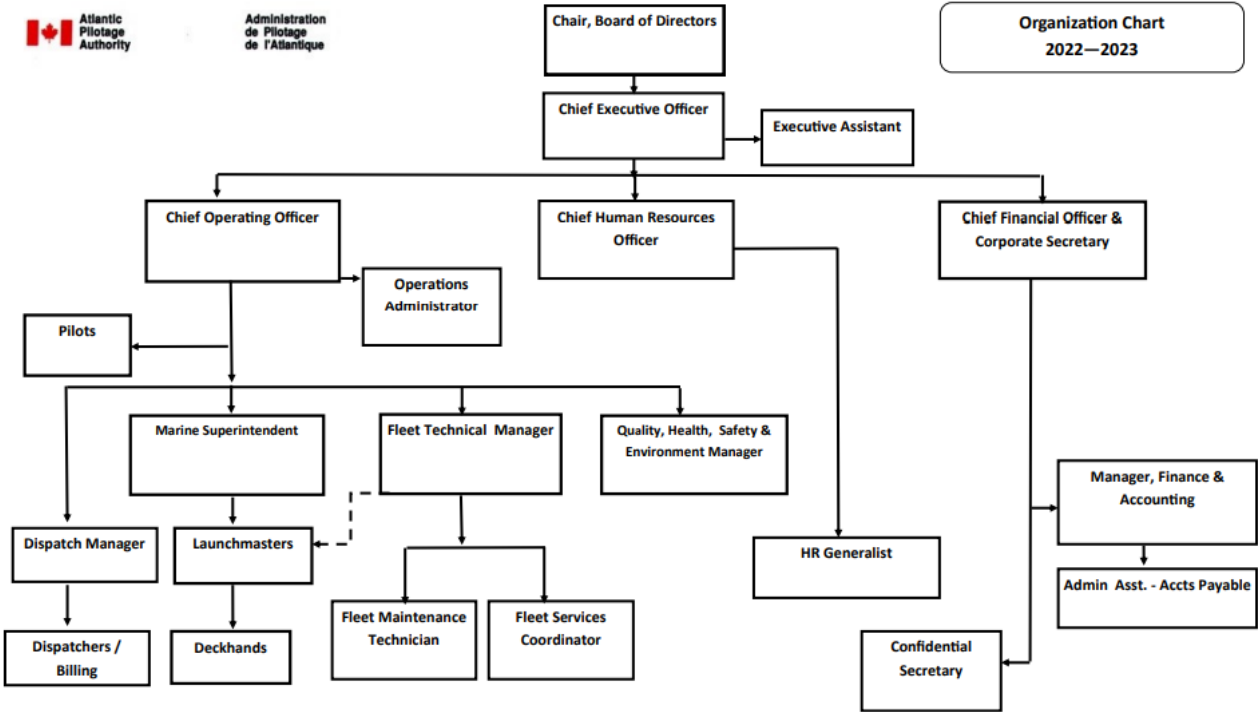
| Name | Title |
|-------------------|---|
| Sean Griffiths | Chief Executive Officer |
| Brian Bradley | Chief Financial Officer and Corporate Secretary |
| Jennifer Campbell | Chief Human Resources Officer |
| David Anderson | Chief Operating Officer |

The total cost of this senior executive group is projected to be \$971,000 in 2022, well above the \$857,000 budgeted for the year. An Order in Council was received during the year that provided retroactive pay adjustments for a four-year period applicable to the CEO. The increased remuneration and pension impacts, including Retirement Compensation Arrangement (RCA), were all incurred in 2022. The 2023 budget is for the cost of this group to be \$967,000.

Administration: The Authority has 12 employees in administration with the technical qualification of the staff being a strength. The Executive/Managers includes four master mariners who occupy the positions of Chief Executive Officer (CEO), Chief Operating Officer (COO), Marine Superintendent (MS), and Quality, Health, Safety and Environment Manager (QHSE). The CEO also has a Master of Business Administration (MBA). The Chief Financial Officer (CFO) is a CPA with an MBA and the Chief Human Resources Officer is a

Chartered Professional in Human Resources (CPHR) and holds an MBA. The workload on the operations staff remains high with little redundancy, but efforts are being made to address this.

The following chart indicates the organization structure of the administration of the Authority for 2022:



Operations Personnel

Employee Pilots

The Authority recruits highly skilled mariners with significant and diversified experiences within the shipping industry. Recruiting a mariner with this level of certification and career experience is a targeted audience, specifically those who have sea time experience in the compulsory district for which they are recruited. The Authority established a familiarization program to aid in the recruitment of qualified mariners that otherwise would not meet the trip qualifications within the district. This program increases the eligible pool of highly skilled and competent candidates to hire for future district pilot positions. Operating in a dynamic maritime industry, this program becomes increasingly important to ensuring future pilots have the professional expertise and work experience to meet the high standard for providing a safe and efficient pilotage service.

The Authority competes with private industry for this skilled labour and wages and benefit packages have to be comparable. The Authority stresses the work/life balance it can offer, the retirement benefits, and that being a pilot is seen by many as the pinnacle of a mariner’s career. These factors can be attractive to a number of mariners and offset some shortages in wages.

Pilot progression takes between 24 – 36 months to reach a full Class A Unlimited Licence, and it is critical to have access to competent and qualified resources to ensure continuity of service during times of increased traffic, or lost time injury. The Authority has a Memorandum of Agreement with the CMSG in which there is an incentive for pilots to provide notice of retirement. This agreement provides the Authority with an

opportunity to properly plan pilot strength by pro-actively hiring new apprentices. Subsequent to this agreement, the Authority has received notice from many pilots regarding their plans to retire. Pilots are being added as replacements so that they can have as much as three years of training before each pilot retires. Having a pilot retire without a suitable replacement able to compensate can have a negative effect for stakeholders.

The licence structure is outlined below:

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

An apprentice restricts the employee to training trips under the supervision of a senior Class A Unlimited pilot within their district. Training is conducted on various types and sizes of ships. At no point during the apprentice phase, does the employee complete pilotage assignments without supervision. Once licenced, they will perform pilotage assignments independently within their corresponding gross tonnage limitation, while performing training trips with senior district pilots on assignments above their current licence level. This process continues until the pilot receives a full Class 'A' Unlimited licence, allowing them to take all assignments within their district.

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

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

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

| Mandatory Training Course | Location | Pilotage Licence Level Required |
|---------------------------------|----------|---|
| Advanced Manned Model | France | Class A |
| Advanced Manned Model refresher | France | Class A (7 years after Advanced Manned Model) |

The average cost to the Authority to train a pilot to an unlimited Class A licence over the initial two to three years is \$275,000. The Authority has budgeted \$375,000 for training courses for 2023.

Pilot Boat Crews

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

Vessel Maintenance

The Fleet Technical Manager, Fleet Maintenance Technician, and Fleet Services Coordinator are responsible for the maintenance of the pilot boat fleet. These three individuals contribute to the effectiveness of the service by assuring pilot boats are available when pilots are required to be transported to vessels.

Launchmasters

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

Deckhands

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

Dispatchers

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

Entrepreneurial Pilots

Entrepreneurial Pilots are not employees of the Authority and derive their income from receiving a share of the charge levied for an assignment. Therefore, the Entrepreneurial Pilot assumes the financial risk related to changes in activity. They are used in areas where there is very little traffic, no investment in assets by the Authority, or potential for large fluctuations in assignments. They do not provide service in the same districts as employee pilots.

Directive on Pensions:

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

3. Planned Results

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

Short-Term Performance Assessment

| Outcome | Performance Indicators | 2021 Actual | 2023 | 2027 | Data Strategy |
|--|---|--|---|---|--|
| The Authority is committed to providing pilotage services free of shipping incidents | Number of assignments under the conduct of a licenced pilot on which there were no shipping incidents | 99.97% | 99.95% | 99.95% | Logged Incident Reports |
| | Number of incidents that cause injury or environmental damages | 0 | 0 | 0 | Logged Incident Reports |
| | Percentage of customers who reported that they are satisfied with the Authority’s commitment to safety as registered through the annual customer survey process | 100% | 100% | 100% | Annual Customer satisfaction Survey |
| The Authority will maintain financial self-sufficiency by exercising effective cost management and establishing charges that are fair and reasonable | Line of credit will be maintained to assure mandate can be achieved and then reserve accumulated | Full expected Operating Cash on Hand – \$3.5 Million | Full expected Operating Cash on Hand will be maintained (\$4.0 Million) | Total Cash and Reserve will be 15% of pilotage service revenues. (not direct recovery revenues) | Annual data from Authority’s financial systems |
| | Accumulated savings as compared to target – Capital Asset Replacement | \$2.0 million accumulated | - | \$2.0 million accumulated | Annual data from Authority’s financial systems |

| Outcome | Performance Indicators | 2021 Actual | 2023 | 2027 | Data Strategy |
|--|---|---------------------------------------|------------------------------------|------------------------------------|--|
| | Accumulated savings as compared to target – Severance Liability | \$500,000 accumulated | \$500,000 | \$1.0 million accumulated | Annual data from Authority’s financial systems |
| The Authority is committed to providing pilotage services that do not cause delay or service interruptions | Number of assignments under the conduct of a licenced pilot on which there were no delays of greater than one hour | 99.20% | 99.20% | 99.20% | Annual data from Authority’s financial systems |
| | Number of registered complaints as reported through the Authority’s non-compliance reporting process | 99.86% | 99.75% | 99.90% | Annual data from Authority’s non-compliance logs |
| | Percentage of customers who reported that they are satisfied with the efficiency of marine pilotage services provided by the Authority as registered through the annual customer survey process | 92.00% | 90% | 95% | Annual Customer satisfaction Survey |
| | Number of delays caused by pilot boat maintenance issues | 1 | 0 | 0 | Delay analysis |
| | Total pilot boat downtime caused by unplanned maintenance | 0.89% of total time vessels available | 1% of total time vessels available | 1% of total time vessels available | Maintenance tracking |
| The Authority is committed to the safety of its people | Hours of case management time associated with work related injuries | 8 hours | 8 hours | 7 hours | Employee medical case manager reports |

Medium-Term Performance Assessment

| Outcome | Performance Indicators | 2021 Actual | 2023 | 2027 | Data Strategy |
|--|--|-------------------------|--|-----------------------------------|---------------------------------------|
| The Authority is committed to supporting efficiency & consistency through consultation | The number of consultation meetings held between the Authority and its stakeholders | 23 meetings | 15 meetings | 15 meetings | Meeting logs and records |
| The Authority will support the Government in its efforts to implement the regulation changes required under <i>Pilotage Act</i> reform | The regulation changes and changing policies/procedures will be implemented successfully as determined by Transport Canada | 100% as per TC schedule | 100% as per TC schedule | - | Transport Canada schedule for changes |
| The Authority supports the Federal Sustainable Development Strategy and Greening Government Strategy by reducing its environmental footprint | Incidents of environmental spills or damage caused by the Authority pilot boats or facilities | 0 | 0 | 0 | Incident Reporting |
| | Reduction in environmental footprint as boats and facilities are replaced | - | An accurate calculation of the Authority's footprint will be achieved and strategies for reduction compiled. Reduction targets to be developed | Reduction targets to be developed | |

Chief Executive Officer Results Commitment

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



September 15, 2022

Chief Executive Officer
The Atlantic Pilotage Authority

Date

4. Chief Financial Officer Attestation

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

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

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



Chief Financial Officer
The Atlantic Pilotage Authority

September 15, 2022

Date

5. Charge Analysis

The 2023 Forecast of Pilotage Requirements in Compulsory Pilotage Areas is the basis for the planning assumptions of the Authority. Budgeted and planned traffic for future years is based on historical levels, shipping announcements, and information provided directly to the Authority during private conversations and scheduled consultation meetings with users. The Authority reviews each port to arrive at a projected traffic level for the port and rolls these numbers into the overall forecast as presented. A brief discussion of traffic trends is in the body of the report with a more detailed traffic summary and discussion provided below.

| TRAFFIC SUMMARY | | | | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | ASSIGNMENTS | | | | | | | | |
| | ACTUAL | ACTUAL | PROJECTED | BUDGET | BUDGET | PLAN | | | |
| | 2020 | 2021 | 2022 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| COMPULSORY TRAFFIC | | | | | | | | | |
| SALARIED PORTS | | | | | | | | | |
| HALIFAX | 2,401 | 2,258 | 2,774 | 2,562 | 2,701 | 2,716 | 2,716 | 2,716 | 2,716 |
| SAINT JOHN | 1,698 | 1,748 | 1,874 | 1,854 | 1,888 | 1,900 | 1,930 | 1,930 | 1,930 |
| STRAIT OF CANSO | 706 | 678 | 641 | 626 | 650 | 650 | 650 | 650 | 650 |
| SYDNEY | 199 | 227 | 371 | 368 | 387 | 403 | 423 | 423 | 423 |
| BRAS D'OR | - | 4 | 10 | - | 4 | 4 | 4 | 4 | 4 |
| PLACENTIA BAY | 1,007 | 875 | 876 | 776 | 921 | 921 | 921 | 921 | 921 |
| ST. JOHN'S | 434 | 371 | 483 | 397 | 450 | 462 | 462 | 462 | 462 |
| HOLYROOD | 26 | 27 | 27 | 22 | 27 | 27 | 27 | - | - |
| HUMBER ARM | 171 | 183 | 214 | 220 | 238 | 238 | 238 | 238 | 238 |
| BAY OF EXPLOITS | 50 | 51 | 64 | 40 | 57 | 57 | 57 | 57 | 57 |
| STEPHENVILLE | 30 | 62 | 62 | 34 | 43 | 43 | 43 | 43 | 43 |
| TOTAL SALARIED PORTS | 6,722 | 6,484 | 7,396 | 6,899 | 7,366 | 7,421 | 7,471 | 7,444 | 7,444 |
| ENTREPRENEURIAL PORTS | | | | | | | | | |
| PUGWASH | 65 | 49 | 39 | 75 | 50 | 50 | 50 | 50 | 50 |
| SHEET HARBOUR | | | 8 | - | 16 | 16 | 16 | 16 | 16 |
| MIRAMICHI | 3 | 5 | 4 | 2 | 4 | 4 | 4 | 4 | 4 |
| RESTIGOUCHE | 1 | 14 | 15 | 2 | 15 | 15 | 15 | 15 | 15 |
| BELLEDUNE | - | - | 58 | - | 84 | 84 | 84 | 84 | 84 |
| VOISEY'S BAY | 26 | 32 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| CHARLOTTETOWN | 112 | 101 | 253 | 214 | 263 | 275 | 275 | 275 | 275 |
| CONFEDERATION BRIDGE | 78 | 67 | 57 | 90 | 57 | 57 | 57 | 57 | 57 |
| SUMMERSIDE | - | - | - | - | 10 | 10 | 10 | 10 | 10 |
| TOTAL ENTREPRENEURIAL PORTS | 285 | 268 | 448 | 397 | 513 | 525 | 525 | 525 | 525 |
| NON-COMPULSORY TRAFFIC | | | | | | | | | |
| BELLEDUNE | 86 | 88 | 26 | 85 | - | - | - | - | - |
| OTHER NON-COMP | 141 | 110 | 45 | 83 | - | - | - | - | - |
| TOTAL NON-COMP TRAFFIC | 227 | 198 | 71 | 168 | - | - | - | - | - |
| TOTAL TRAFFIC | 7,234 | 6,950 | 7,915 | 7,464 | 7,879 | 7,946 | 7,996 | 7,969 | 7,969 |

Halifax

The port of Halifax continues to attract larger container vessels as the industry moves towards capturing efficiencies through increased vessel size. The cruise traffic in the port, as it has throughout the Atlantic Region, rebounded strongly after the moratorium in both the 2020 and 2021. The auto carrier traffic was exceptionally strong in 2018 but has fallen since, and especially during the pandemic, and has not returned to the pre-pandemic levels. Container traffic is expected to continue its growth in numbers and size of vessels in 2023 but will be offset by an increase in certificated masters piloting their own vessels.

Saint John

Oil tanker assignments in the area have been strong and steady throughout the pandemic and through 2022. This traffic is expected to remain while potash exports and container traffic is expected to grow. The port has been aggressive in its efforts to attract additional container callers and is bullish on growth for the port in many sectors. Like other areas, the cruise traffic in the port has been strong in 2022 and scheduled to grow in future years.

Cape Breton

After a significant increase in tanker traffic in the Strait of Canso, it has declined some in 2022. The transshipment terminal in the Strait has been purchased recently by EverWind Fules LLC, with the intention of transitioning to Hydrogen production. Cargo traffic in the port has increased with exports of aggregate and has offset the losses in tanker traffic. For Sydney, there is normally tanker traffic, coal movements, and cruise traffic that drives the activity. The coal movements have declined with the closure of the local mine, but cruise traffic has returned and is expected to grow.

Southeast Newfoundland

In Placentia Bay, traffic continues to fluctuate depending on many factors that normally include the length of maintenance shutdowns. The Come-by-Chance oil refinery is in the final stages of converting to production of biofuels for export to California, with the first ships expected by year end 2022. This activity is expected to grow in 2023 but will not fully replace the revenues that were derived from the facility for the Authority prior to the refinery being sold. The Whiffen Head transshipment terminal has been very steady in its marine traffic, with a slight decline in activity in 2022 that will extend through 2023, even as Terra Nova comes back online. Cargo assignments in the area are primarily for a nickel smelter at Long Harbour that provides just over a monthly caller, and vessels arriving in Placentia Bay for bunker fuel. In 2022, the Port of Argentia was captured as part of the compulsory area of Placentia Bay via interim order, which created more activity in cargo and container traffic in the port but will not have a material impact on the finances of the area. In St. John's, the Authority provides service to less than half of the ship movements in the area due to pilotage certificates. The port does have cruise traffic that has returned and is expected to increase.

Other Notes

Belledune, NB, Sheet harbour, NS, and Summerside, PE became compulsory ports with an interim order in 2022, but none of these ports have a significant impact on the finances of the Authority. Services provided for non-compulsory assignments stopped in June 2022 when the licences expired and were not renewed.

6. Financial Statements and Budgets

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

For 2022, pilotage charges are expected to outperform the budget as traffic has increased in several sectors and multiple ports. Forecasted pilotage service revenue for the current fiscal year is \$28.107 million, which would be \$1.478 million (5.6%) over the Authority's approved fiscal 2022 budget. The deficit reduction charge is expected to add an additional \$1.070 million in revenues, \$54,000 more than budgeted. The rapidly increasing cost of fuel means related expenses will be \$1.172 million more than budgeted, while the Authority's fuel charge that is meant to recover equivalent revenues has lagged behind this pace. Therefore, revenues derived from this charge are expected to be \$871,000 over budget, meaning a loss on net fuel costs of \$301,000. Without this fuel expense, costs for 2022 are projected to be \$27.786 million, \$254,000 over budget. This leaves the Authority with a projected profit of \$1.693 million, but includes the revenues derived by the temporary deficit additional charge.

The budgeting outlook beyond 2023 assumes the following: continued growth in cruise traffic; increased container and other traffic for Halifax and Saint John, with some loss due to certificated masters; traffic in Western Newfoundland to remain steady; and the refinery in Placentia Bay to produce biofuels and increase traffic for the area, offsetting a decrease in activity from Argentina.

Financial Planning Factors

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

Projected and Budgeted Revenue

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

When creating the Corporate Plan for 2023-2027, the Authority used several sources of information to predict traffic levels. The traffic patterns of previous years were combined with changes within individual business sectors, announced or expected expansions or contractions, and general financial conditions. The Authority also reached out to stakeholders, including the marine industry and port authorities, during consultation meetings and direct communications, to solicit feedback on projected changes to future volumes or activity.

Changes in the energy sector, especially oil, and other commodities have the largest effect on the Authority's activity. With almost fifty percent of the revenues generated by the oil industry, fluctuations in demand, or any changes in the methods of crude oil delivery, can greatly affect the financial results of the Authority. The container business is highly competitive and cost sensitive and with the expanded Panama Canal, the container industry has moved towards consolidation and a shift to larger vessels. Ports that can accommodate these larger vessels are expected to have growth from this sector. The pace of return for cruise traffic will make the largest difference for the Authority as the world moves beyond this pandemic.

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

Charge Adjustment 2023

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

- 1) Effective January 1, 2023, there will be increases in port-by-port charges for one-way trips, thru trips, and movages in fifteen compulsory ports to offset increasing costs that include capital investments as described earlier. Rates will be decreased in one compulsory port due to increased traffic providing surplus revenues for the area. The impact of these increases represents a 2.78% increase in total revenues, or \$838,000. The rate increases and annual expected impact by port are summarized below:

| Port | Charge Increase/ (Decrease) | Annual Impact ('000's) | Budgeted Profit (Loss) without Increase ('000's) | Budgeted Profit (Loss) with Increase ('000's) | Comments |
|------------------------------------|--------------------------------|------------------------|--|---|---|
| Ports with Salaried Pilots: | | | | | |
| Humber Arm, NL | (10%) | (\$96) | \$165 | \$72 | Net reduction in charges due to increased activity. |
| Bay of Exploits, NL | 10% | \$18 | (\$49) | (\$31) | Reduce losses due to decline in traffic. |
| Halifax, NS | 5% | \$354 | (\$458) | (\$106) | Offset increased costs and new pilot boats. |
| Saint John, NB | 4% | \$236 | (\$130) | \$106 | Offset increased costs and added capital assets. |
| St. John's, NL | 3% | \$36 | (\$38) | (\$2) | Offset increase in allocated costs |
| Strait of Canso, NS | 3% | \$86 | \$29 | \$115 | Offset increased costs. |
| Bras d'Or Lakes, NS | 3% | \$1 | \$0 | \$1 | Offset increased costs. |
| Sydney, NS | 3% | \$42 | (\$163) | (\$121) | Begin to address recent decline in traffic. |
| Placentia Bay, NL | 2% | \$137 | \$354 | \$491 | Offset increased costs. |

| Port | Charge Increase | Annual Impact ('000's) | Budgeted Profit (Loss) without Increase ('000's) | Budgeted Profit (Loss) with Increase ('000's) | Comments |
|---|-----------------|------------------------|--|---|---|
| Ports with Entrepreneurial Pilots: | | | | | |
| Charlottetown, PE | 3% | \$14 | (\$12) | (\$9) | Increases to assure service availability (Entrepreneurial Pilots) |
| Confederation Bridge, PE | 3% | \$2 | (\$8) | (\$6) | |
| Pugwash, NS | 3% | \$1 | (\$9) | (\$8) | |
| Sheet Harbour, NS | 3% | \$1 | \$1 | \$2 | |
| Miramichi, NB | 3% | \$1 | (\$1) | \$0 | |
| Restigouche, NB | 3% | \$1 | (\$1) | \$0 | |
| Belledune, NB | 3% | \$4 | (\$2) | (\$1) | |

- 2) Effective January 1, 2023, there will be an increase in the pilotage charge for the compulsory pilotage area of Voisey's Bay, NL. The daily rate will increase from \$1,225 to \$1,260.

| Port | Rate Increase | Annual Revenue Impact ('000's) | Budgeted Profit (Loss) without Increase ('000's) | Budgeted Profit (Loss) with Increase ('000's) | Comments |
|------------------|---------------|--------------------------------|--|---|--|
| Voisey's Bay, NL | 3% | \$3 | \$3 | \$4 | Increase to assure service availability (Entrepreneurial Pilots) |

- 3) Effective January 1, 2023, for the compulsory areas of Miramichi, NB, Belledune, NB, and Sheet Harbour, NS, the flat rate charge, and corresponding minimum charges, for movages will be increased to \$1,200. The estimated total impact of this change is less than \$1,000.

| Port | Rate Increase | Annual Revenue Impact ('000's) | Budgeted Profit (Loss) without Increase ('000's) | Budgeted Profit (Loss) with Increase ('000's) | Comments |
|-------------------|---------------|--------------------------------|--|---|--|
| Miramichi, NB | 0% | \$0 | \$0 | \$0 | Increase to assure service availability (Entrepreneurial Pilots) |
| Belledune, NB | 0% | \$0 | (\$1) | (\$1) | |
| Sheet Harbour, NS | 0% | \$0 | \$2 | \$2 | |

4) Effective January 1, 2023, for the compulsory areas of Belledune, NB, and Sheet Harbour, NS, the minimum charge will be increased to \$1,200 for both ports and applied for one-way trips and trips through. The estimated total impact of this change is \$5,000.

| Port | Rate Increase | Annual Revenue Impact ('000's) | Budgeted Profit (Loss) without Increase ('000's) | Budgeted Profit (Loss) with Increase ('000's) | Comments |
|-------------------|---------------|--------------------------------|--|---|--|
| Belledune, NB | 2% | \$4 | (\$1) | \$0 | Increase to assure service availability (Entrepreneurial Pilots) |
| Sheet Harbour, NS | 1% | \$1 | \$2 | \$3 | |

5) Pilot Boats

Effective January 1, 2023, a charge for the use of a pilot boat, will be increased from 100% of the actual cost of hiring a pilot boat, to 115% of the actual cost. This will apply to all areas captured under Section e. Other Pilotage Charges - III Pilot Boats within the current Guide. The estimated total impact of this change is \$58,000.

| Port | Equivalent Rate Increase | Annual Revenue Impact ('000's) | Budgeted Profit (Loss) without Increase ('000's) | Budgeted Profit (Loss) with Increase ('000's) | Comments |
|--------------------------|--------------------------|--------------------------------|--|---|---|
| Pugwash, NS | 6.0% | \$6 | (\$8) | (\$2) | Recover the cost to manage and inspect the contracted pilot boat service, if one is in place or was to be arranged through the Authority. |
| Sheet Harbour, NS | 3.0% | \$2 | \$3 | \$5 | |
| Charlottetown, PE | 2.0% | \$10 | (\$9) | \$1 | |
| Confederation Bridge, PE | 6.5% | \$7 | (\$6) | \$1 | |
| Holyrood, NL | 5.0% | \$6 | (\$4) | \$2 | |
| Humber Arm, NL | 1.5% | \$13 | \$72 | \$85 | |
| Stephenville, NL | 7.0% | \$12 | (\$7) | \$5 | |
| Miramichi, NB | 3.0% | \$1 | \$0 | \$1 | |
| Restigouche, NB | 3.0% | \$1 | \$0 | \$1 | |
| Belledune, NB | 3.0% | \$0 | \$0 | \$0 | |

6) Other Changes

Effective January 1, 2023, the Authority will be increasing other charges as listed below by 5% as they were not adjusted in 2022. The maximum cost of a cancellation will also be increased by 2.4%. The annual impact of these changes is estimated to be approximately \$6,000.

These items in the Guide will change are the following:

- II. Oil Rigs
- IV. Locks

- V. Trial Trips
- VI. Compass Adjustments
- VII. Dry Dock
- XII. In-Transit Charges
- XIII. Overcarriage Charges
- XIV. Safety Watches

Cancelations – The maximum charge for a cancelation will be increased to \$1,050 from \$1,025.

7) Certificate Movement Charge

Effective July 1, 2023, a certificate movement charge will be established as a new paragraph (g) in the Customer Guide to Compulsory Charges to recover a portion of administrative costs, dispatch centre costs, and training costs required to have pilotage services available to these users and fulfill the obligations as set out in the *Pilotage Act*.

Based on the description above, the initial rate will be set at \$100 per movement in 2023 and increase to \$200 in 2024, \$300 in 2025, and a maximum of \$400 for 2026. The total revenues budgeted to be generated in 2023 is \$102,000 and increasing to \$420,000 in 2024, \$662,000 in 2025, and \$926,000 in 2026.

8) Halifax Outer Station Charge

A flat charge of \$590 will be applied on one-way trips, thru trips, and movages in the port of Halifax when a pilot is required to board a vessel in the waters outside of the designated compulsory pilotage area but within the approaches of said area. This charge would raise approximately \$6,000 annually.

Language describing Dead Ship moves and thru trips will be adjusted to reduce confusion. The methodology on calculation of the fuel charge will be adjusted to reduce the time it takes to adjust the charge after the cost of fuel changes.

Expense Budgets

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

Inflation rate:

Rates for inflation are based on contractual arrangements and assumptions applied on a line-by-line basis. On average, these rates range from 1.5% to 3.5% based on category.

Discount rate:

The discount rate as used for the valuation of the budgeted Right-of-Uses assets and corresponding liabilities was provided by a major bank for corresponding terms. The rates used are approximately 5.00%.

Sensitivity of Forecast to Changes:

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

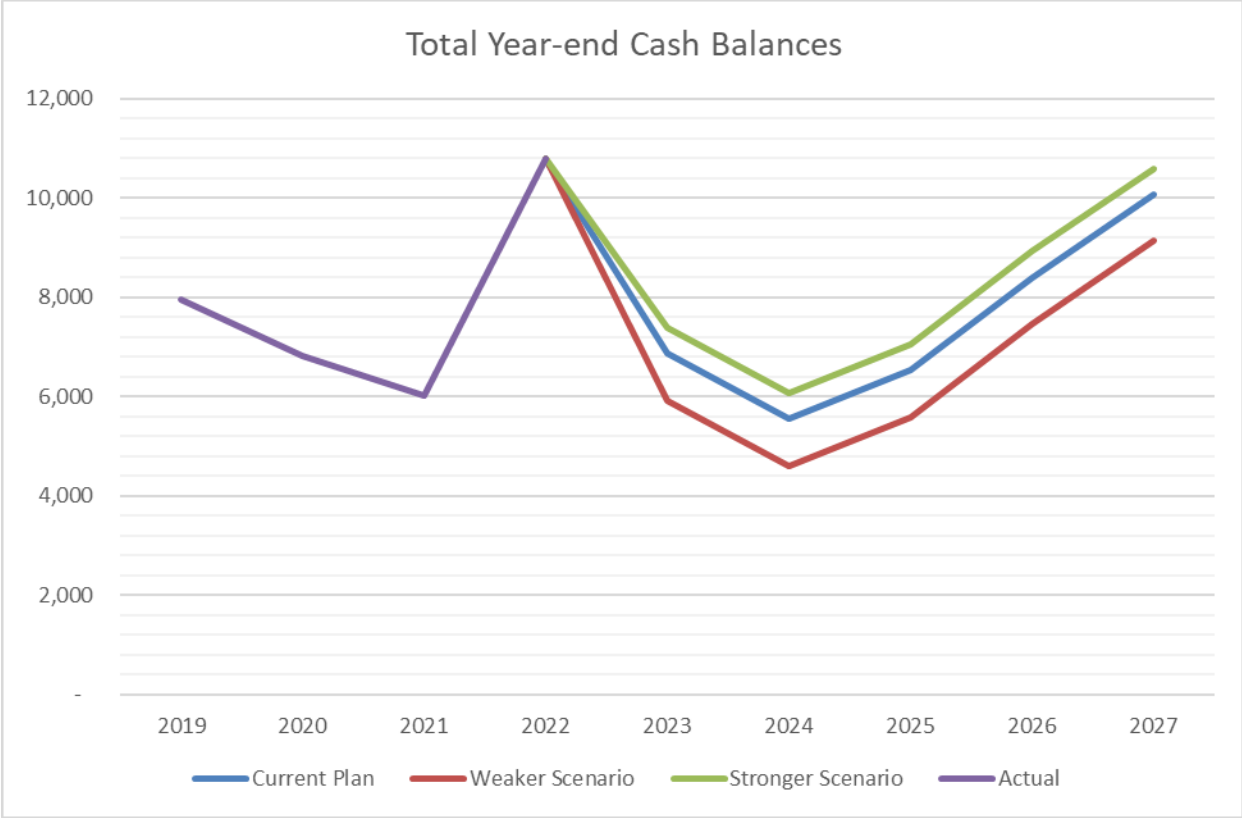
Pilot recall costs, productivity bonuses, and pilot boat contracts are all impacted by the volume of assignments. Fluctuations in the cost of fuel and transportation have been mitigated by direct recovery charges for these items. For vessels owned by the Authority, there is exposure to significant fluctuations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

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

For illustrative purposes, the area of Placentia Bay is where the Authority faces the most consequences of traffic fluctuation. There are two primary customers in the port and the revenues per assignment are relatively large because of the fixed assets required to service the area. The impact on the 2023 budgeted profit for the Authority if assumed traffic fluctuates in the area by 10% is presented below. This is based on most likely traffic to fall short of expectations in the area (tankers), and most likely traffic to be greater than budgeted (other cargo).

- 1) Forecast volume-expected net profit of \$1,655,000.
- 2) Placentia Bay volume decline of 10% (92 assignments) from budget - expected net profit of \$706,000.
- 3) Placentia Bay volume growth of 10% (92 assignments) from budget - expected net profit of \$2,174,000.

The Cash and cash equivalents balances below assume the current payment schedules for the new vessels and the weaker and stronger scenarios for Placentia Bay as captured above. The stronger scenario assumes more Argentinia traffic than budgeted, while the weaker scenario assumes less traffic at the new Come-by-Chance refinery than communicated by industry.



Financial Position

| STATEMENT OF FINANCIAL POSITION | | | | | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| (in thousands of dollars) | ACTUAL | PROJECTED | BUDGET | BUDGET | PLAN | | | |
| | 2021 | 2022 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| ASSETS | | | | | | | | |
| CURRENT | | | | | | | | |
| CASH | \$ 3,511 | \$ 4,258 | \$ 3,842 | \$ 3,769 | \$ 4,436 | \$ 4,667 | \$ 4,848 | \$ 5,023 |
| CASH - SEVERANCE FUND | 500 | 500 | - | 500 | 700 | 900 | 1,000 | 1,000 |
| CASH - BOAT REPLACEMENT FUND | 2,000 | 6,000 | 1,700 | 2,500 | 300 | 850 | 2,450 | 3,950 |
| ACCOUNTS RECEIVABLE | 2,974 | 3,474 | 3,300 | 3,300 | 3,350 | 3,400 | 3,450 | 3,500 |
| PREPAID EXPENSES | 118 | 213 | 160 | 427 | 397 | 367 | 337 | 307 |
| | 9,103 | 14,445 | 9,002 | 10,496 | 9,183 | 10,184 | 12,085 | 13,780 |
| FIXED | | | | | | | | |
| LEASE ASSET | 2,551 | 2,551 | 2,981 | 2,951 | 2,951 | 2,951 | 2,951 | 3,016 |
| CAPITAL AT COST | 26,417 | 29,294 | 33,566 | 34,911 | 35,030 | 36,902 | 37,815 | 40,760 |
| LESS ACCUMULATED AMORTIZATION | 15,597 | 17,556 | 17,683 | 18,499 | 17,517 | 19,835 | 21,985 | 24,125 |
| | 13,371 | 14,289 | 18,864 | 19,363 | 20,464 | 20,018 | 18,781 | 19,651 |
| TOTAL ASSETS | \$ 22,474 | \$ 28,734 | \$ 27,866 | \$ 29,859 | \$ 29,647 | \$ 30,202 | \$ 30,866 | \$ 33,431 |
| LIABILITIES | | | | | | | | |
| CURRENT | | | | | | | | |
| ACCOUNTS PAYABLE | \$ 2,818 | \$ 2,600 | \$ 2,600 | \$ 2,600 | \$ 2,700 | \$ 2,750 | \$ 2,800 | \$ 2,850 |
| CURRENT PORTION OF BANK LOANS | 2,628 | 638 | 1,479 | 650 | 675 | 699 | 725 | 519 |
| CURRENT LEASE LIABILITY | 264 | 318 | 344 | 351 | 365 | 379 | 393 | 250 |
| TERMINATION BENEFITS | 148 | 64 | 144 | 85 | 139 | 99 | 272 | 286 |
| | 5,858 | 3,620 | 4,567 | 3,686 | 3,879 | 3,927 | 4,190 | 3,905 |
| LONG TERM | | | | | | | | |
| BANK LOANS | 944 | 7,994 | 8,489 | 7,344 | 6,669 | 5,970 | 5,245 | 4,726 |
| LEASE LIABILITY | 1,609 | 1,291 | 1,677 | 1,340 | 975 | 596 | 203 | 1,953 |
| TERMINATION BENEFITS | 1,128 | 1,154 | 1,196 | 1,159 | 1,110 | 1,081 | 879 | 653 |
| | 3,681 | 10,439 | 11,362 | 9,843 | 8,754 | 7,647 | 6,327 | 7,332 |
| TOTAL LIABILITIES | 9,539 | 14,059 | 15,929 | 13,529 | 12,633 | 11,574 | 10,517 | 11,237 |
| CONTRIBUTED CAPITAL AND EQUITY | | | | | | | | |
| EQUITY | 12,935 | 14,675 | 11,937 | 16,330 | 17,014 | 18,628 | 20,349 | 22,194 |
| | 12,935 | 14,675 | 11,937 | 16,330 | 17,014 | 18,628 | 20,349 | 22,194 |
| | \$ 22,474 | \$ 28,734 | \$ 27,866 | \$ 29,859 | \$ 29,647 | \$ 30,202 | \$ 30,866 | \$ 33,431 |

- The financial results have been stronger for the Authority in 2022 with revenues projected to be over budget and the expected costs similar to budget, when the cost of fuel is removed. An increase in cash is expected and greater than planned.
- The budget for 2022 expected the new pilot boat construction to have started in the previous year but has only begun midway through 2022.
- The current projections have the Authority in a financial surplus throughout the planning period. Savings for capital replacement will be used for the new build project through 2024 and excess cash will be used to replenish the reserves.

Income

For 2022, forecasted revenues are 8.6% over budget as there has been increased traffic in most areas. Over 3.0% of this increased revenue is attributed to the cost recovery charge on fuel. The increase in activity, driven mostly by the return of cruise assignments, has increased variable costs. Fuel cost increases were the line item with the largest, unexpected increase, but was partially recovered by the fuel recovery charge. The budget also assumed additional costs associated with a new vessel being delivered, but this is now scheduled for the end of 2023. With the deficit reduction charge revenues applied, the Authority is projecting a \$1.693 million profit for 2022.

The annual targeted profit margin as set by the Board is between 3.5% and 5.0%. The Authority had met or surpassed these targets in each of the four years prior to the pandemic. The Authority is planning to return to these margins in 2022 and maintaining them throughout the planned period, omitting a possible asset write-down in 2024.

| STATEMENT OF COMPREHENSIVE INCOME | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|
| (in thousands of dollars) | ACTUAL | PROJECTED | BUDGET | BUDGET | PLAN | | | |
| | 2021 | 2022 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| INCOME | | | | | | | | |
| PILOTAGE CHARGES | \$ 24,981 | \$ 28,107 | \$ 26,629 | \$ 28,899 | \$ 30,232 | \$ 32,213 | \$ 33,018 | \$ 33,844 |
| FUEL RECOVERY CHARGES | 1,169 | 1,890 | 1,019 | 1,732 | 1,743 | 1,750 | 1,400 | 1,400 |
| TRAVEL EXPENSE CHARGES | 549 | 606 | 547 | 625 | 631 | 636 | 629 | 637 |
| CERTIFICATE MOVEMENT CHARGE | - | - | - | 102 | 420 | 662 | 926 | 972 |
| INTEREST & OTHERS | 27 | 35 | 26 | 12 | 12 | 12 | 12 | 12 |
| TOTAL INCOME | 26,726 | 30,638 | 28,221 | 31,370 | 33,038 | 35,273 | 35,985 | 36,865 |
| EXPENSES | | | | | | | | |
| PILOTS FEES, SALARIES, AND BENEFITS | 12,607 | 13,640 | 13,730 | 14,462 | 15,293 | 16,200 | 16,767 | 17,354 |
| CONTRACTED PILOT BOAT SERVICES | 2,863 | 3,080 | 2,896 | 3,165 | 3,246 | 3,327 | 3,360 | 3,394 |
| STAFF SALARIES AND BENEFITS | 2,060 | 2,321 | 2,172 | 2,454 | 2,524 | 2,597 | 2,675 | 2,755 |
| PILOT BOAT CREWS' SALARIES AND BENEFITS | 2,168 | 2,255 | 2,232 | 2,284 | 2,350 | 2,417 | 2,471 | 2,527 |
| FUEL | 1,327 | 2,226 | 1,054 | 1,807 | 1,797 | 1,804 | 1,600 | 1,600 |
| REPAIRS AND MAINTENANCE | 1,308 | 1,176 | 1,149 | 1,229 | 1,229 | 1,129 | 1,140 | 1,151 |
| OPERATIONS TRANSPORTATION | 561 | 643 | 578 | 671 | 667 | 676 | 684 | 692 |
| ADMINISTRATIVE TRAVEL | 57 | 143 | 133 | 138 | 141 | 145 | 145 | 145 |
| HOSPITALITY | 11 | 31 | 26 | 32 | 32 | 34 | 35 | 36 |
| CONFERENCES | - | 1 | 10 | 14 | 14 | 14 | 14 | 14 |
| PROFESSIONAL AND SPECIAL SERVICES | 430 | 438 | 365 | 423 | 423 | 446 | 451 | 455 |
| PILOTAGE ACT ADMINISTRATION FEES | 210 | 279 | 235 | 294 | 288 | 288 | 288 | 288 |
| TRAINING | 148 | 377 | 450 | 373 | 373 | 373 | 448 | 448 |
| RENTALS | 91 | 105 | 90 | 108 | 108 | 110 | 112 | 115 |
| COMMUNICATION | 158 | 158 | 157 | 162 | 162 | 165 | 165 | 165 |
| UTILITIES, MATERIALS, AND SUPPLIES | 854 | 858 | 991 | 873 | 989 | 999 | 998 | 997 |
| AMORTIZATION | 1,995 | 1,959 | 2,193 | 1,954 | 2,529 | 2,641 | 2,622 | 2,600 |
| FINANCING COSTS | 148 | 325 | 128 | 370 | 340 | 294 | 289 | 284 |
| TOTAL EXPENSES | 26,996 | 30,015 | 28,589 | 30,813 | 32,505 | 33,659 | 34,264 | 35,020 |
| NET INCOME BEFORE SURCHARGE | \$ (270) | \$ 623 | \$ (368) | \$ 557 | \$ 533 | \$ 1,614 | \$ 1,721 | \$ 1,845 |
| DEFICIT ADDITIONAL CHARGE REVENUE | 944 | 1,070 | 1,016 | 1,098 | 1,151 | - | - | - |
| LOSS ON SALE OF ASSETS | - | - | (1,260) | - | (1,000) | - | - | - |
| PROFIT/LOSS FOR THE YEAR | \$ 674 | \$ 1,693 | \$ (612) | \$ 1,655 | \$ 684 | \$ 1,614 | \$ 1,721 | \$ 1,845 |
| RATE OF RETURN | 2.4% | 5.3% | -2.1% | 5.1% | 2.0% | 4.6% | 4.8% | 5.0% |

- Fuel charge revenue is budgeted to remain high but may fall more significantly over this period. This will be mostly offset by reduced expenses if it were to occur.
- The certificate movement charge is in the budget to begin in July 2022.
- The deficit surcharge is projected to be removed for 2025 but will be re-evaluated each year.
- The weighted Average pilot strength in 2022 is 47.9 full Class A equivalent pilots. The average number will increase in 2023 to 49.5, 49.8 in 2024 and 52.4 in 2025. The arbitration awarded increases are included and average 3.53% per year in 2023 and 2024. Overtime costs will increase with increased salary rates and traffic.
- Repair costs budgeted with new vessels and with the addition of a mechanic on staff as part of crew salaries, offsetting some of the increased repair work.
- Fuel expenses budgeted to remain higher than normal.
- Staff salaries have increased with an additional compliment, and retroactive adjustments based on OIC issued in 2022.
- Crewing costs are based on a collective agreement that is in place and an estimate for the deckhands' expiring agreement. The mechanic position was also added later in 2022.
- Training costs are based on estimated pilot progression and targets that trigger attendance at courses. Costs were higher in 2022 while catching up due to COVID travel restrictions being lifted.
- The finance costs increase in 2022 and 2023 with the Saint John pilot office move, head office expansion, and borrowing related to new pilot boat construction. The loans for the Placentia Bay boats are paid in full early in 2023.
- New pilot boat additions and new leased premises increases amortization in the planned period.
- The plan includes the selling of the two jet boats once newly constructed boats are launched. Once these vessels are available for sale, the carrying value will have to be marked to market. At this time, that is expected to be a \$1.000 million write-down. There is a chance that this may happen in 2023 or 2024.

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

With a view to assisting each Pilotage Authority in its corporate planning activities, Transport Canada's had estimated its costs for administering the Act for the period 2020-21 to 2023-24, inclusively, and allocated these costs to each Authority based on their share of revenues using a five-year average. The actual costs invoiced, and the new projections are considerably higher than those original estimates.

For the Atlantic Pilotage Authority, the most recent costs and estimates are:

| | |
|-----------|-----------|
| 2021-2022 | \$236,174 |
| 2022-2023 | \$293,533 |
| 2023-2024 | \$293,533 |
| Ongoing | \$286,257 |

Cash Flows

| STATEMENT OF CASH FLOWS | | | | | | | | |
|---|-----------------|------------------|-----------------|-------------------|-------------------|-----------------|-----------------|-----------------|
| (in thousands of dollars) | ACTUAL | PROJECTED | BUDGET | BUDGET | PLAN | | | |
| | 2021 | 2022 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| NET PROFIT FOR YEAR | \$ 674 | \$ 1,693 | \$ (612) | \$ 1,655 | \$ 684 | \$ 1,614 | \$ 1,721 | \$ 1,845 |
| ITEMS NOT REQUIRING CASH | | | | | | | | |
| AMORTIZATION | 1,993 | 1,959 | 2,193 | 1,954 | 2,529 | 2,641 | 2,622 | 2,600 |
| ASSET WRITE OFF | 154 | 154 | 1,260 | 75 | 1,075 | 75 | 75 | 75 |
| INCREASE (DECREASE) IN EMPLOYEE TERMINATION BENEFITS- SEVERANCE | 88 | 88 | 113 | 90 | 90 | 70 | 70 | 60 |
| | 2,909 | 3,894 | 2,954 | 3,774 | 4,378 | 4,400 | 4,488 | 4,580 |
| CASH PROVIDED BY (USED FOR) NON-CASH WORKING CAPITAL | (879) | (756) | 90 | (40) | 80 | 30 | 30 | 30 |
| EMPLOYEE TERMINATION BENEFIT PAYMENTS | (324) | (156) | (147) | (64) | (85) | (139) | (99) | (272) |
| CASH PROVIDED BY OPERATING ACTIVITIES | 1,706 | 2,982 | 2,897 | 3,670 | 4,373 | 4,291 | 4,419 | 4,338 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| CASH PROVIDED BY FINANCING | | | | | | | | |
| CAPITAL LOAN RECEIVED ACTIVITIES | - | 6,000 | 8,000 | - | - | - | - | - |
| PROCEEDS OF LEASE | | | | | | | | |
| LOAN PAYMENTS | (697) | (940) | (1,604) | (638) | (650) | (675) | (699) | (725) |
| CAPITAL LEASE PAYMENTS | (257) | (264) | (291) | (318) | (351) | (365) | (379) | (393) |
| CASH PROVIDED BY (USED FOR) FINANCING | (954) | 4,796 | 6,105 | (956) | (1,001) | (1,040) | (1,078) | (1,118) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| (INCREASE) DECREASE IN INVESTMENTS | - | - | - | - | - | - | - | - |
| ADDITIONS TO CAPITAL ASSETS | (1,561) | (3,031) | (8,288) | (6,703) | (5,905) | (2,270) | (1,460) | (1,545) |
| CASH USED FOR INVESTING ACTIVITIES | (1,561) | (3,031) | (8,288) | (6,703) | (4,705) | (2,270) | (1,460) | (1,545) |
| INCREASE IN CASH AND SAVINGS DURING THE YEAR | \$ (809) | \$ 4,747 | \$ 714 | \$ (3,989) | \$ (1,333) | \$ 981 | \$ 1,881 | \$ 1,675 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 6,820 | 6,011 | 4,828 | 10,758 | 6,769 | 5,436 | 6,417 | 8,298 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 6,011 | \$ 10,758 | \$ 5,542 | \$ 6,769 | \$ 5,436 | \$ 6,417 | \$ 8,298 | \$ 9,973 |

Changes in Equity

| STATEMENT OF CHANGES IN EQUITY | | | | | | | | |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| (in thousands of dollars) | ACTUAL | PROJECTED | BUDGET | BUDGET | PLAN | | | |
| | 2021 | 2022 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| RETAINED EARNINGS, BEGINNING OF YEAR | \$ 12,227 | \$ 12,935 | \$ 12,549 | \$ 14,675 | \$ 16,330 | \$ 17,014 | \$ 18,628 | \$ 20,349 |
| (LOSS) GAIN FOR THE YEAR | 674 | 1,693 | (612) | 1,655 | 684 | 1,614 | 1,721 | 1,845 |
| OTHER COMPREHENSIVE (LOSS) | 34 | 47 | - | - | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) | 708 | 1,740 | (612) | 1,655 | 684 | 1,614 | 1,721 | 1,845 |
| RETAINED EARNINGS, END OF THE YEAR | \$ 12,935 | \$ 14,675 | \$ 11,937 | \$ 16,330 | \$ 17,014 | \$ 18,628 | \$ 20,349 | \$ 22,194 |

Capital Expenditure Plan

| CAPITAL EXPENDITURE COMPARISON | | | | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|
| | ACTUAL | ACTUAL | BUDGET | BUDGET | | PLAN | | |
| | 2021 | 2022 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| (in thousands of dollars) | | | | | | | | |
| CAPITAL PURCHASES | | | | | | | | |
| PILOT BOATS | | | | | | | | |
| CONSTRUCTION OF BOATS - 19 METRES | 128 | 1,920 | 2,000 | 4,965 | 1,965 | - | - | - |
| PURCHASE OF USED OR NEW BOATS | - | - | - | 3,000 | - | - | - | - |
| PILOT BOAT PLANNED REFITS | 424 | 748 | 756 | 705 | 2,015 | 400 | 1,090 | 895 |
| ESTIMATE OF CAPITAL REPAIRS | 400 | 200 | 224 | 230 | 250 | 250 | 250 | 250 |
| WHARVES AND STRUCTURES | 929 | 60 | 110 | 505 | 50 | 25 | 25 | 75 |
| MAINTENANCE AND OTHER VEHICLES | - | - | - | - | 50 | - | - | - |
| LEASEHOLD IMPROVEMENTS | 411 | - | 200 | 178 | - | - | - | 250 |
| COMPUTERS, FURNITURE, AND EQUIPMENT | 29 | 28 | 5 | 55 | 10 | 30 | 30 | 30 |
| PORTABLE PILOTAGE UNITS | 29 | 60 | 40 | 40 | 60 | 60 | 60 | 40 |
| COMPUTER SOFTWARE | 32 | 15 | 5 | 25 | 5 | 5 | 5 | 5 |
| TOTAL | \$ 2,382 | \$ 3,031 | \$ 3,340 | \$ 9,703 | \$ 4,405 | \$ 770 | \$ 1,460 | \$ 1,545 |
| RIGHT-OF-USE LEASE ADDITIONS | | | | | | | | |
| HEAD OFFICE | - | - | - | 212 | - | - | - | 2,000 |
| WHARVES AND STRUCTURES | 904 | - | 430 | 188 | - | - | - | - |
| TOTAL | \$ 904 | \$ - | \$ 430 | \$ 400 | \$ - | \$ - | \$ - | \$ 2,000 |

As described earlier, \$3.0 million in capital expenditures is expected in 2022 (\$1.9 million for the new vessels), all of which will be funded by operating cash flows and accumulated savings. This will leave approximately \$6.9 million owing in future years for the new pilot boat construction project.

The Authority budgets for projects that are planned, but under IFRS, there are unanticipated repairs that also must be capitalized. An allowance is assumed for these items, but depending on the components that fail, the Authority can be well over, or well under budget on the capital portion of these repairs. The requirements included in the 2023 Capital Budget include:

- New vessel construction project that will extend from 2020 – 2024. The timing of the associated payments may vary based on when milestones are reached by the builder.
- The construction or purchase of two smaller vessels to be used as primary boats in minor ports in 2024/2025.
- Capital costs related to scheduled inspections, HVAC system upgrades, as well as engine rebuilds on various other vessels in the fleet are also budgeted. In total, there is \$705,000 budgeted for planned refits, including a study on electrification, and spare equipment, with another \$230,000 budgeted for the estimated capital portion of regular repairs.
- The increase in wharves and structures (capital and Right-of-Use Asset) is due to repairs and replacements of floating docks required in several ports and the relocation of the pilot and crew offices in Saint John, NB. The timing of the move in Saint John is not known at this point but is likely in early 2023.
- The budgeted leasehold improvements are related to a planned expansion of the Head Office space in Halifax. Leasing costs for this arrangement are captured under the Right-of-Use assets.
- Further investment in the replacement of portable pilotage units is planned annually as well as software replacement and upgrades.

The amounts included in the Plan for the years of 2024 – 2027 include:

- The continuation of the new build program that was started in 2020.
- Midlife maintenance on the older Placentia Bay vessels in 2024.
- Regular annual maintenance and capital asset replacement for pilot boat and electronic equipment.
- A new head office lease in 2027 at the expiry of the current commitments.

Pilot Boats to be Delivered in 2023 and 2024



7. Borrowing Plan

Borrowing Authority

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

Overview of Borrowing

Short-Term Borrowings to be Undertaken/Maintained in 2023

The Authority wishes to maintain its short-term borrowing at \$7.5 million in overdraft protection and/or short-term operating borrowing. This would allow the Authority to fulfil its mandate during the worst of any business interruptions.

Commercial Line of Credit

Proposed Terms and Conditions

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

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

| Year | Highest Amount | Days in Overdraft |
|------|----------------|-------------------|
| 2018 | \$0 | 0 |
| 2019 | \$0 | 0 |
| 2020 | \$0 | 0 |
| 2021 | \$0 | 0 |
| 2022 | \$0 | 0 |

Long-Term Borrowings to be Undertaken/Maintained in 2023

The Authority had an approval in 2022 to borrow \$8 million towards the boat replacement project intended to add two state of the art vessels to the fleet. Due to a delayed start to this project, the Authority has only drawn \$6 million of this approved amount thus far while the estimated cost to add these vessels is \$8.9 million. The Authority will draw the remaining \$2 million in 2023, if cash flows deem it necessary. The loan would be a 5-year term bank loan and amortized over 15 years. An Interest Rate Swap may be utilized to secure a fixed interest rate.

Capital Loan (Existing Borrowing)

The Authority negotiated Capital Loans in the amount of \$4.5 million to finance two new pilot boats for Placentia Bay in 2007 that cost a total of \$6.7 million. The principal balance remaining on this loan on December 31, 2022, will be \$9,000. This loan was split into two parts at 2.93% and 3.28% interest, and fully matures in January 2023.

The Authority launched two new pilot vessels for the ports of Halifax and Saint John in 2012 and 2013. The total cost of these vessels was \$5.8 million with \$2.0 million borrowed for the project. The principal balance remaining on this loan on December 31, 2022, will be \$935,000 and is locked in at 3.14% until January 2024.

The Authority purchased two used pilot vessels for the ports of Halifax and Saint John at a cost of \$3.4 million, and approval for financing up to \$3.0 million was provided by the Minister of Finance. Draws on this loan facility were completed in 2017 and the loan was refinanced at the end of its initial 5-year term and is locked in at 3.68% interest until April 2027. There will be \$1.889 million remaining on the loan at December 31, 2022.

A contract was signed in 2022 for the construction of two new vessels for the port of Halifax. As mentioned previously, the total cost of this project is expected to be \$8.9 million. During the year, the Authority borrowed \$6 million towards this sum, less than the approvals received in the Corporate Plan 2022 – 2026 process. The principal balance remaining on this loan on December 31, 2022, will be \$5.800 million and is locked in at 3.71% until April 2027.

Material Leases to be Undertaken/Maintained in 2023

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

| | 2021 Actual | 2022 Projected | 2023 Budget | 2024 Plan | 2025 Plan | 2026 Plan | 2027 Plan |
|------------------------------|-------------|----------------|-------------|-----------|-----------|-----------|-----------|
| Bank Overdraft | | | | | | | |
| Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Short-term Borrowings | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Long-term Borrowings | \$3.572 | \$8.632 | \$9.988 | \$9.238 | \$8.459 | \$7.652 | \$6.815 |
| Total | \$3.572 | \$8.632 | \$9,988 | \$9.238 | \$8.459 | \$7.652 | \$6.815 |

The aggregate principal amount outstanding of borrowings will not exceed the maximum limit of \$20 million.

| | 2021 Actual | 2022 Projected | 2023 Budget | 2024 Plan | 2025 Plan | 2026 Plan | 2027 Plan |
|---|-------------|----------------|-------------|-----------|-----------|-----------|-----------|
| Canadian dollars | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Short-term outstanding borrowings | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

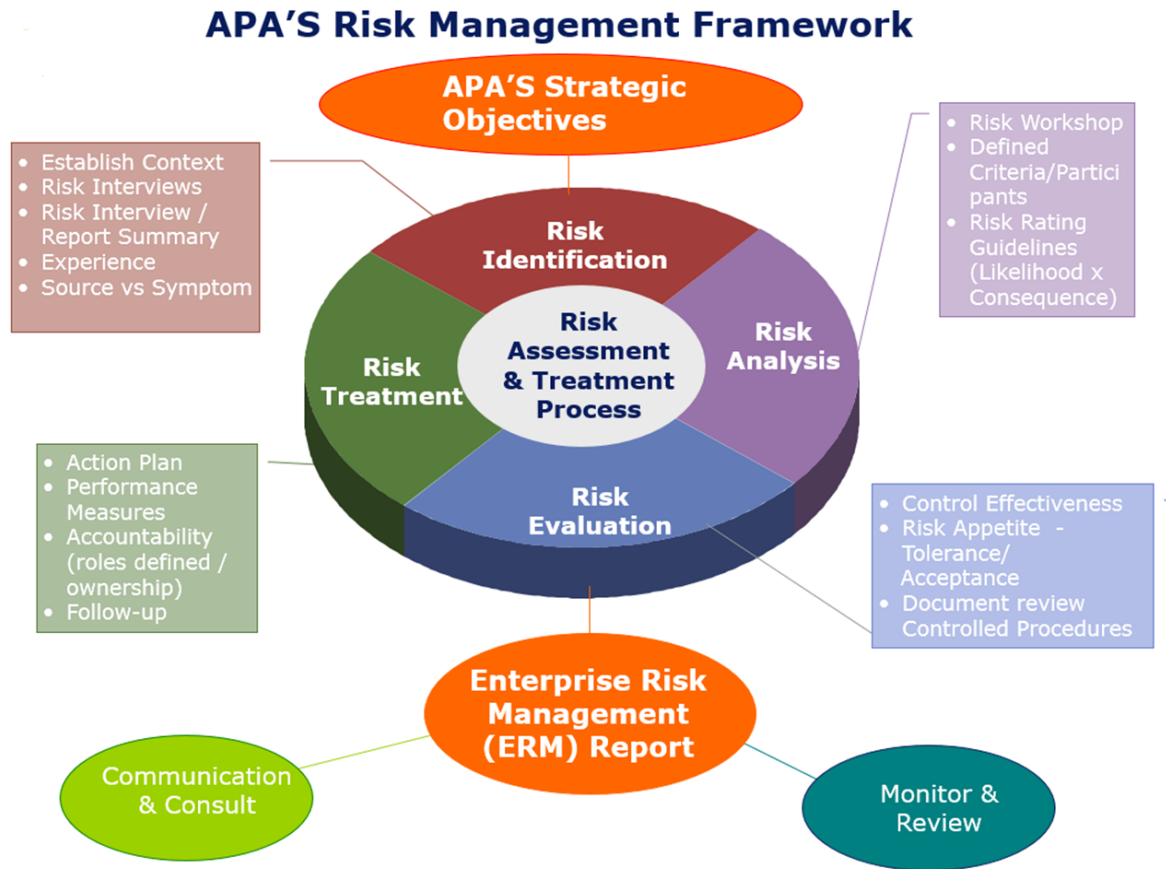
| | 2021 Actual | 2022 Projected | 2023 Budget | 2024 Plan | 2025 Plan | 2026 Plan | 2027 Plan |
|--------------------------------|-------------|----------------|-------------|-----------|-----------|-----------|-----------|
| Opening Balance | 4.269 | 3.572 | 8.632 | 9.988 | 9.238 | 8.459 | 7.652 |
| Maturities | 0.697 | 0.940 | 0.644 | 0.750 | 0.779 | 0.807 | 0.837 |
| New Issuances | - | 6.000 | 2.000 | - | - | - | - |
| Closing Balance at December 31 | 3.572 | 8.632 | 9.988 | 9.238 | 8.459 | 7.652 | 6.815 |

| | 2021 Actual | 2022 Projected | 2023 Budget | 2024 Plan | 2025 Plan | 2026 Plan | 2027 Plan |
|--|-------------|----------------|-------------|-----------|-----------|-----------|-----------|
| Asset: Office Space | | | | | | | |
| The Authority signed a 10-year lease beginning in June 2017 for its Head Office premises. The lease has been recorded under IFRS 16. | | | | | | | |
| Maximum expected liability on the lease | \$1.299 | \$1.119 | \$0.929 | \$0.730 | \$0.525 | \$0.313 | \$0.094 |
| Maximum expected number of years to be agreed | 5.4 | 4.4 | 3.4 | 2.4 | 1.4 | 0.4 | 0 |

8. Risk Management

Enterprise Risk Management (ERM)

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



Purpose

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

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

Procedure Statement

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

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



Risk Assessment Matrix

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

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

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

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

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

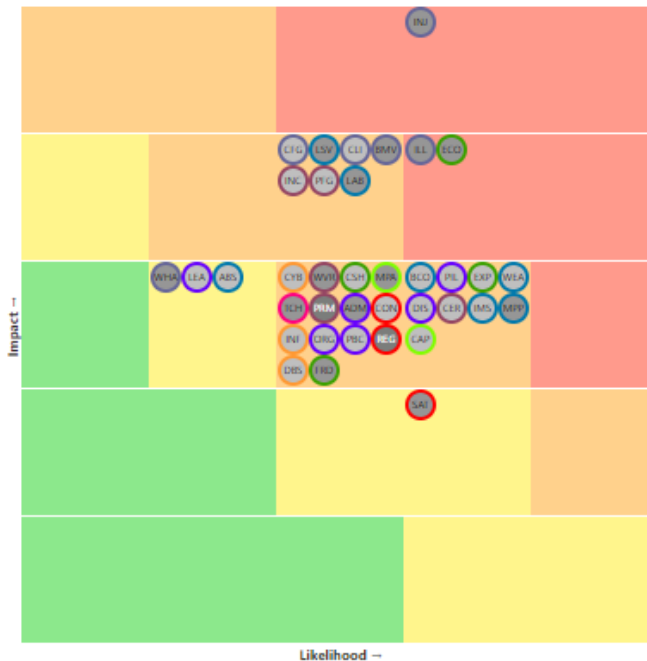
Risk Ranking Score Key

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

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

The full list of 37 identified risks in the Risk Register that follows:

Risk Register | 37 items



- Border: Risk Category**
- Environmental/Property
 - Operational
 - Financial
 - Regulatory Compliance
 - Human Resources
 - Information Technology
 - Health and Safety
 - Strategic
 - External
- Background: Controls**
- 1
 - 2
 - 3
 - 4
 - 5

Code Title

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

At present, there were three risks that are currently identified as Very High or High. For the Authority the top five risks were:

Very High Risk: Injury to pilot/crew member while transferring (Health and Safety Risk)

Details: 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.

Present Status: The Authority has mitigations already in place for this risk, including:

- Empowering employees to refuse transferring if ladders or equipment are not suitable.
- Providing Personal Locator Beacons and updating AIS technology to quickly find employees if in the water.
- Providing state-of-the-art vessels now in Placentia Bay, Saint John, and Halifax that provide a more stable platform for over 50% of the Authority’s assignments.
- Pilot boats supplied by the Authority, or the contractors are deemed suitable platforms for the areas serviced. The boats are also well maintained to assure proper operation and surfaces for transfer and inspected annually.
- Boats are equipped with man overboard equipment, crews are trained to utilize the equipment, and regular drills are conducted.
- Robust OHS system is in place with updated manuals and regular committee meetings. Standard Operating Procedures are constantly monitored and updated in support of pilot transfers.
- Pilots have access to H2S Gas monitors in areas where they may be exposed to this hazard.
- Dispatchers inquire on all orders whether there is a hazard present and records this. Pilots are notified of all potential hazards.
- All pilots are required to have medicals every year to assure ability to do physical component of job
- Pilots have the authority to suspend pilotage operations if the weather is deemed to be too severe to provide the service.
- An electronic procedure was put in place to allow for easier reporting of near-misses and will be presented for “lessons learned” at each OHS committee meeting.

High Risk: The risk that work conditions or policies will not mitigate the likelihood of injury or illness in the workplace. (Health and Safety Risk)

Details: The global pandemic has increased the risk that employees will be exposed to significant illness.

Present Status: The Authority has mitigations already in place for this risk, including:

- The Authority has developed and actioned a pandemic plan that includes numerous mitigations.
- There is a robust OHS Committee that meets frequently, more so during the worst of the pandemic.
- A safety officer is on staff that oversees all mitigations.

- The Authority achieved and maintains its ISO 9001 certification that includes formal incident and near miss reporting with corrections documented.

High Risk: The risk is that economic conditions outside of the Authority's control will lead to actual traffic levels or mix and/or costs being materially different than that forecasted by the Authority (Financial)

Details: Traffic reductions during the pandemic have elevated this risk as reserves are exhausted and the Authority operates within its line of credit.

Present Status: The Authority has mitigations already in place for this risk, including:

- A reserve fund and targeted savings that had been accumulated.
- Frequent consultation meetings with industry produce information used to forecast.
- An increase to the borrowing approvals will allow for more short-term borrowing, if necessary, to finance operations during unexpected downturn.
- Deficit additional charge on industry has reduced the impact of the downturn and recover any amounts borrowed.
- New charge setting process allows for more timely charge adjustments.

Medium Risk: The risk is 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. (Operational)

Details: The Authority relies on a number of contractors to provide pilot boats and/or crew to service several compulsory ports. These entities face similar challenges in maintenance and crewing as the Authority and have fewer financial means to handle downturns in the economy or activity.

Present Status: The Authority has mitigations already in place for this risk, including:

- Excess vessels in its own fleet that can be deployed on short notice to these areas.
- A list of other contractors in these areas that could be mobilized to provide service is maintained.
- Standby arrangements are made during busy periods to provide backup coverage.
- Regular boat inspections are conducted.
- Monthly reporting from the contractors is required.
- The pandemic plan that included numerous mitigations for contractors.

Medium Risk: The risk is that a crew member operates a vessel while fatigued or under the influence of drugs or alcohol causing an unsafe situation. (Health and Safety)

Details: The pandemic has increased stresses on employees and made fatigue at work more likely.

Present Status: The Authority has mitigations already in place for this risk, including:

- Policy in place for Pilot Boat Crew - Hours of Rest.
- Policy in place for Pilot Boat Crew – Watch Schedule.
- Halifax crew was provided crew quarters for rest and Saint John crews will be provided the same in 2023.
- Maximum shift length for employee crews are 14 hours.
- Hours of work and rest logs are received from contractors who provide crew.

Cyber Security

Due to the size of the Authority, IT services are outsourced to a local firm, a relationship that has spanned almost 20 years. The Authority is also registered with the Canadian Centre for Cyber Security who provides regular seminars, cyber threat briefs and bulletins, and active monitoring services of the Authority's IP Addresses. A high-level summary of the infrastructure is below:

Preparations:

- An Incident Response Plan has been developed within the Crisis Management Plan.
- Security Awareness Training - Cyber Security awareness training is provided to everyone that has server and application access and is refreshed annually.
- Practice Recovery – Annual practice and testing of the restoration process is conducted.
- Cyber Insurance - Cyber Security insurance is in place.

Professional Cyber Security Assistance when under attack

The Authority has access to experts at the Canadian Centre for Cyber Security and a private cyber incident response team.

9. Compliance with Legislative and Policy Requirements

Official Languages Act

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

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

The Multiculturalism Act and Employment Equity Act

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

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

Public Service Disclosure Protection Act

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

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

Occupational Health and Safety Regulations of the Canada Labour Code

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

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

Access to Information Act

The Authority has a clear commitment to transparent governance. The Authority reports, through its website, monthly summaries of all requests related to the *Access to Information Act* received, reports that have been tabled in Parliament, and proactively discloses travel and hospitality expenses for the board members and key management positions. There were seven ATIP requests received in 2022.

Directive on travel, hospitality, conferences and event expenditures

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

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

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

Pension plan reforms

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

Trade agreements

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

10. Government Priorities and Direction

Results linked to Government priorities

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

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

Transparency and Open Government

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

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

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

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

Gender-Based Analysis / Diversity and Employment Equity

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

In 2022, the Authority is no longer exempt from the *Employment Equity Act* reporting requirements, due to having more than 100 permanent full-time, permanent part-time, temporary, and casual employees. The Authority fulfilled its requirements for reporting under the *Employment Equity Act* will uphold its requirements in its related policies and procedures. The Authority conducts a voluntary Employment Equity Survey of all new hire employees to allow for collection of self-identifying demographic data as a federally designated group.

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

The Authority's Board of Directors has representation of visible minorities and of women. The challenge remains in the employee groups, where most people come from the maritime industry. This is especially challenging 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 Authority is committed to continuing to work with its industry and government partners to ensure it has a pulse on the best practices for recruitment, selection, and retention of a diverse populations within the maritime labour force. 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.

Indigenous Relationships

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

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

Sustainable Development and Greening of Government Operations

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

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

A firm is being contracted in 2022 to measure the Authority's carbon footprint across its 20 compulsory areas and administration locations and operations. This analysis will form the baseline to measure future reductions. Included in this study will be a pathway to become carbon neutral by 2050. Actions the Authority is currently implementing, before this study is received, are the following:

- Shore Power available at Authority wharves and docks.
- New vessel design to reduce carbon generation through Tier II engine emissions control and reduced diesel-powered generators.
- Utilization of mid-way pilot transfer stations to reduce distance of vessel transits and more efficient operations.
- Testing new graphite hull paint in hopes of reducing drag and related fuel consumption.
- Agreed to test biofuels for the pilot boats in Halifax and Saint John.
- Launching a study on the possibility to convert a pilot boat from diesel power to fully electric.
- Installation of electric car charging stations at Authority properties to encourage purchases of electric vehicles for staff.

Safe Workspaces and Accessibility

The Authority is committed to creating a culture that protects the psychological health, safety, and well-being in all aspects of the workplace through collaboration, inclusivity, and respect. The Authority creates a safe and accessible workspace by:

- Upholding the practice of respect, fairness and courtesy and the importance of demonstrating human dignity within all professional relationships.
- Committing to provide a workplace environment that is free from violence, harassment, discrimination, and bullying.
- Fostering an environment that values diversity, and inclusivity whereas employees are treated, and treat others, with respect and dignity.
- Committing to strive for an inclusive, barrier-free work environment in which all persons have equal access to opportunities within our organization. This includes accessibility barriers.

Success in the practice of these values for the Authority will foster a positive organizational culture and move towards the overall vision of a healthy, physically, and psychologically safe, and engaged workforce.

The Authority fulfills this duty through its established workplace policies and its supporting procedures. The Authority is prioritizing safe workspaces and accessibility by assigned a member of the executive management staff to take a leadership role in area of safe workspace including prevention of violence and harassment, diversity, equity, and inclusion (including accessibility), and well-being of the whole person (physical, psychological, and emotional).

