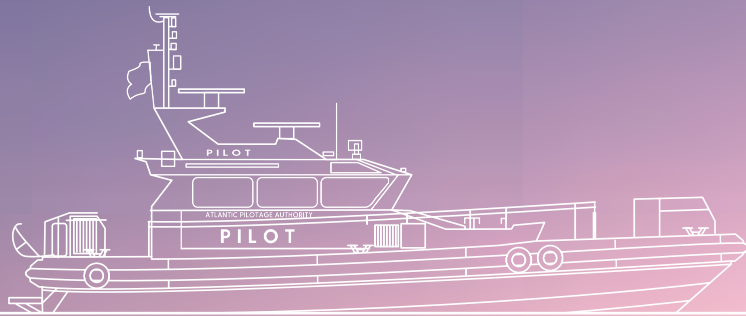

Atlantic Pilotage Authority
2023 Annual Report

Atlantic Pilotage Authority | Administration de pilotage de l'Atlantique

Canada

Mandate

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

Mission

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

Vision

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

To achieve the vision, the Authority must demonstrate the following 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.

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.

Selected Statistics

8,585
Pilotage assignments
Increase 6.2% from 2022

99.94%
Incident free assignments

0
Accidents causing injury or environmental damage

99.67%
Complaint free

97.9%
Assignments without delay

$1,929,000
Income for 2023

75%
Customer efficiency satisfaction

CONTENTS

CORPORATE HEADQUARTERS

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SAI GLOBAL
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Quality

Letter from the Chair & CEO

March 4, 2024

The Honourable Pablo Rodriguez
Minister of Transport
Tower C – 330 Sparks Street
Ottawa, ON
K1A 0N5

Captain John McCann
Vice-*Chair*

Captain Sean Griffiths
Chief Executive Officer

Dear Minister:

Pursuant to Section 150 of the Financial Administration Act, it is our pleasure to present the Atlantic Pilotage Authority's Annual Report for 2023.

The Authority has continued to meet its mandate of providing safe and efficient pilotage services for Atlantic Canada as marine traffic has continued to increase in many economic sectors throughout the Atlantic region. Pilotage operations were provided with minimal delays during this period of increased volume, but resources have been strained with the significant increase in activity.

The safety of these vessel movements remained paramount to the Authority and its stakeholders, so we are therefore pleased to report that there were 8,595 assignments completed during 2023 where 99.94% were executed without a pilotage incident. Also, there were no injuries and no environmental contamination due to any of the incidents.

The Authority aims to provide pilotage service within one hour of the confirmed ordered time, and in 2023, a pilot was provided within this timeframe on 97.9% of the assignments. The Authority has a formal procedure to allow for stakeholders to report service non-compliances and during the year the number of assignments completed without receipt of such notification was 99.7% of the total.

For the Authority, piloted assignments increased by 6.3%, with activity in Halifax, NS, Saint John, NB, Sydney, NS, and Charlottetown, PE, being the areas with the most growth. Shipping activity in several sectors continued to increase which has led to dramatic growth in movements on container ships, cruise vessels, vehicle carriers, and heavy load carriers. The growth in all of these sectors had the greatest impact in Halifax, causing a 9.5% increase in piloted traffic within the port in 2023.

The increase in corporate revenues from this overall growth in activity, other income, and rate adjustments was $2,297 million (7.0%), while expenses grew by $1,825 million (5.8%). These factors have contributed to an operating profit of $1.929 million after having a $1.457 million profit the previous year. The Authority has been able to fulfill its mandate while maintaining an accumulated financial reserve in savings.

The Authority has a fleet of pilot boats and numerous capital assets that require continuous maintenance and reinvestment. A project to construct two new pilot boats continued with delivery of both vessels scheduled for 2024.

Management of the Authority continued to search the used vessel market for pilot boats and found two state-of-the-art vessels that were available in Milford Haven, Wales. These vessels were purchased, reflagged to Canadian standards, and upgraded in 2023 for use in our region. The addition of these four vessels will provide greatly improved safety for the pilots and crews, while increasing the reliability of the pilotage services in the three ports where they will be allocated.

Relationships with Atlantic regional stakeholders have been vital in the efforts of the Authority to provide uninterrupted and effective service. Management's regular consultations with stakeholders continued with both virtual gatherings and in-person meetings. These sessions provided critical input on the service levels, operational issues, and pilotage charges within each of its major ports, allowing for the extraordinary capital reinvestment program that is underway.

The Authority maintained its ISO 9001-2015 designation in 2023, which will be beneficial as the remaining Pilotage Act amendments come into force and a compliant management system is required. This ISO designation focuses on continuous improvement and safety, and it has served the Authority well as pandemic mitigations and workforce safety have dominated operational activities.

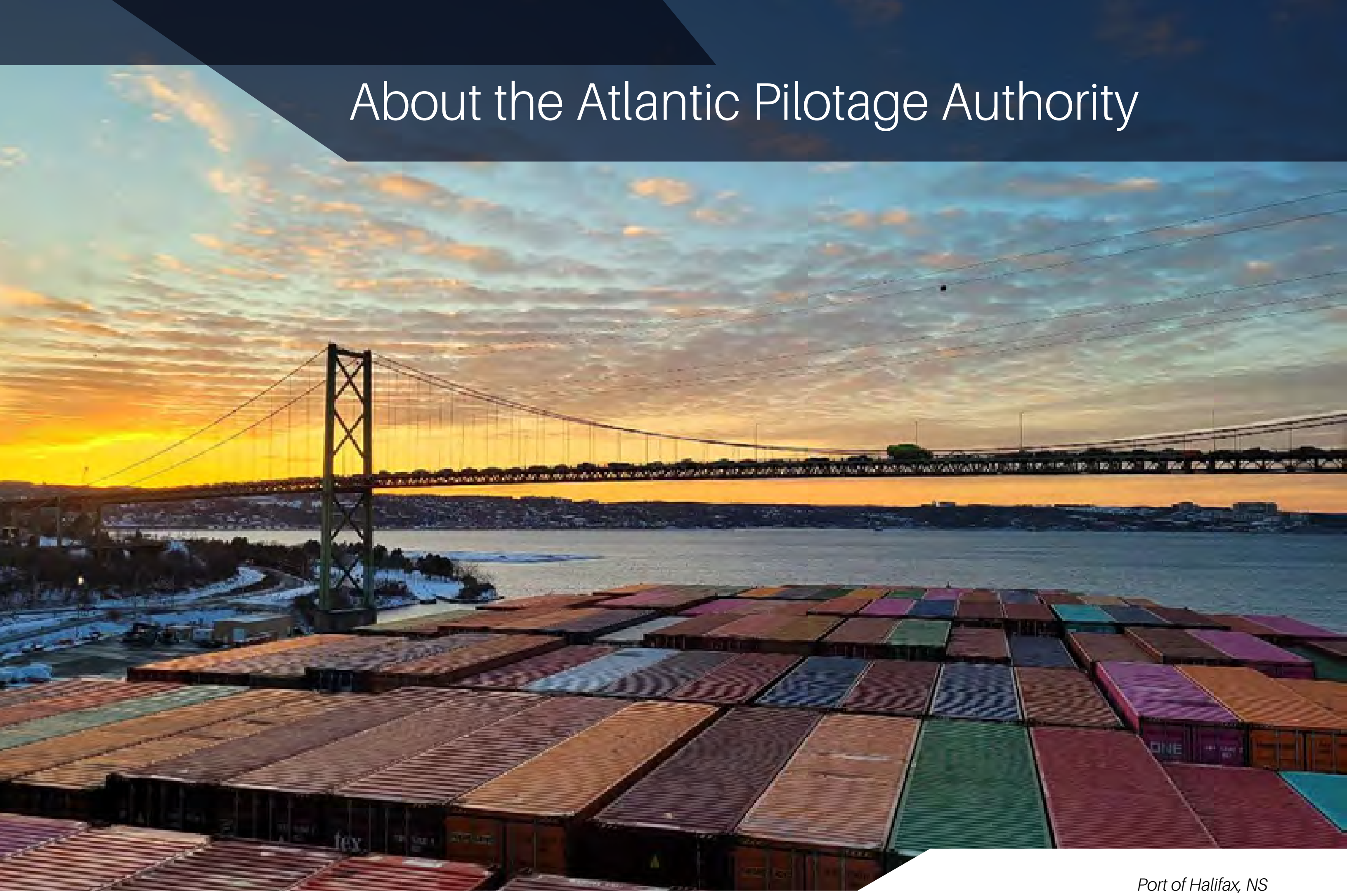
It is once again our pleasure to report that the Atlantic Pilotage Authority continues to provide an exemplary service, in the safest and most economical manner, to the satisfaction of its users, and within the obligations of the Pilotage Act.

Respectfully submitted,

Captain Sean Griffiths, MM, MBA, ICD.D
Chief Executive Officer

Captain John McCann
Vice-Chair

About the Atlantic Pilotage Authority



Port of Halifax, NS

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

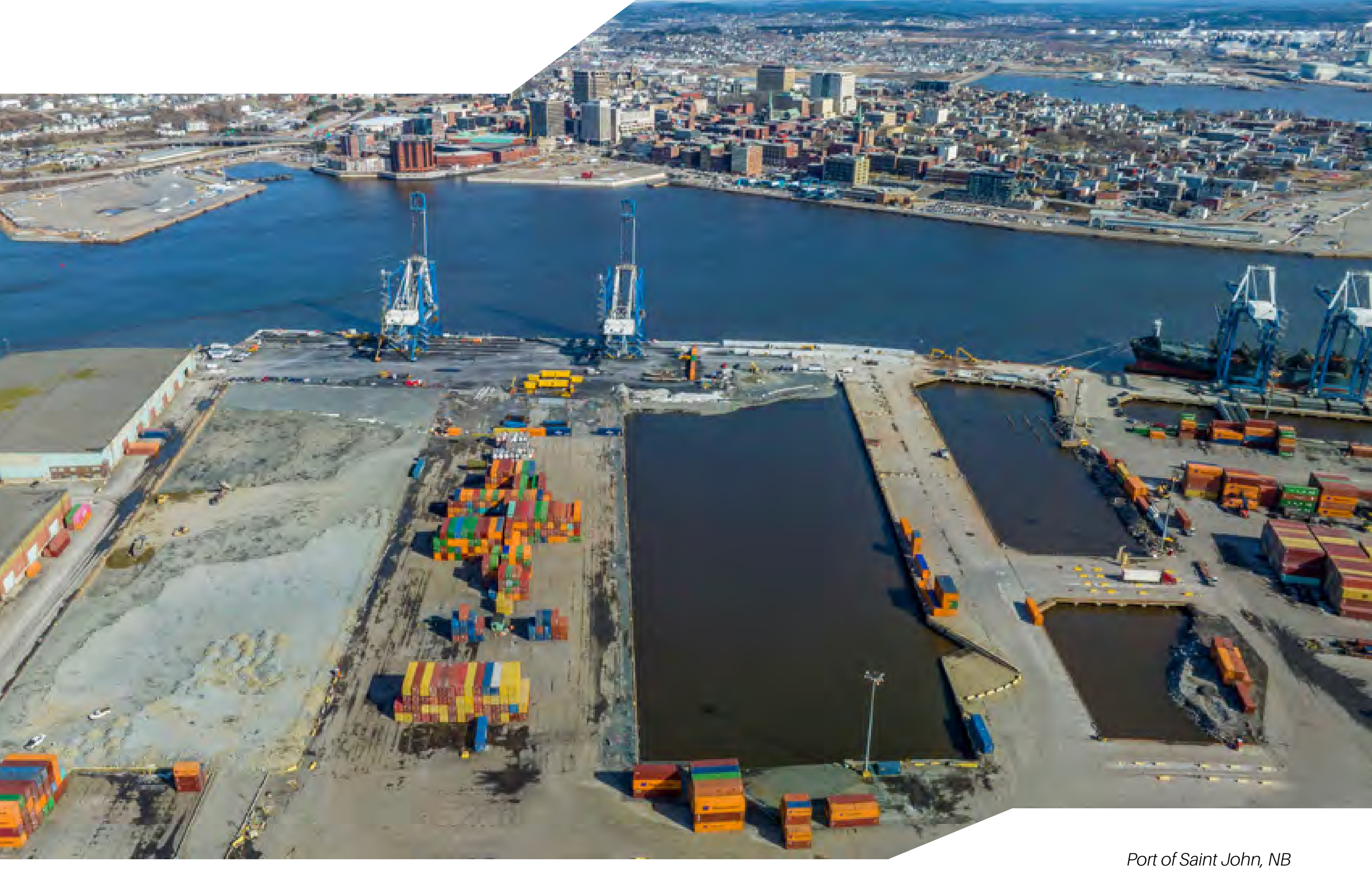
> "to establish, operate, maintain and administer, in the interests of safety of navigation, an efficient pilotage service".
> (*Pilotage Act*, Section 18)

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

Operations are organized according to geographic location, and 20 areas have been designated as requiring compulsory pilotage.

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

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



Port of Saint John, NB

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

POWERS

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

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

Strategic Direction

Corporate Objectives

On an annual basis, the Authority engages in strategic planning sessions involving the Board and management. Four major corporate objectives were set in 2022 for a period of five years but are reviewed annually.

The Authority's corporate objectives are the following:

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 PERFORMANCE INDICATORS

	2023 Actual	2023 Target	Versus Target	2022 Actual
Operational Excellence Operational excellence, efficiency and sustainability with priority and focus on the protection of people, property and the environment				
% of incident-free assignments	99.94%	99.95%		99.98%
% of assignments without complaint	99.67%	99.75%		99.73%
% of assignments without 1+ hour pilotage delay	97.94%	99.20%		98.89%
Hours of case management time associated with work related injuries	8.00	8.0		4.75
% of customers who reported that they are satisfied with the Authority's commitment to safety as registed through the annual customer survey process	100%	100%		96%
Delays caused by unplanned pilot boat maintenance issues	14	0		4
Total downtime caused by unplanned maintenance as a % of time available	0.82%	1.00%		0.95%
% 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	75%	90%		85%
Future Readiness Organizational readiness for industry transformation and development; with a special focus on innovation, technology, environmental stewardship and new competencies.				
Formal Consultation Meetings	27	15		21
Short-term borrowing ($ 000's)	$ —	$ —		$ —
Profit Before Loss on Disposal of Assets ($ 000's)	$ 1,929	$ 1,655		$ 1,457
Operating Cash on Hand ($ 000's)	$ 3,999	$ 4,000		$ 3,405
Accumulated Savings ($ 000's) Severance	$ 500	$ 500		$ 500
Accumulated Savings ($ 000's) Capital	$ 2,500	$ 2,500		$ 6,500
New pilots hired	4	3		2
Number of environmental spills or damages related to pilot boat operations	0	0		0

on or above target
slightly below target
below target

Operational Excellence

KEY SERVICE INDICATORS

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

Non-Compliance reports

The Authority developed a structured methodology for handling complaints that is designed to be as user-friendly as possible, and the goal of the Authority is to ensure that timely feedback is provided to the complainant. The most common reason for a complaint to be submitted was due to a delay in an assignment. The Authority received 28 (22 in 2022) complaints out of a total of 8,585 (8,079 in 2022) assignments during 2023. The remaining 99.67% (99.73% in 2022) of assignments were performed without receiving a complaint from the customer.

Customer Survey

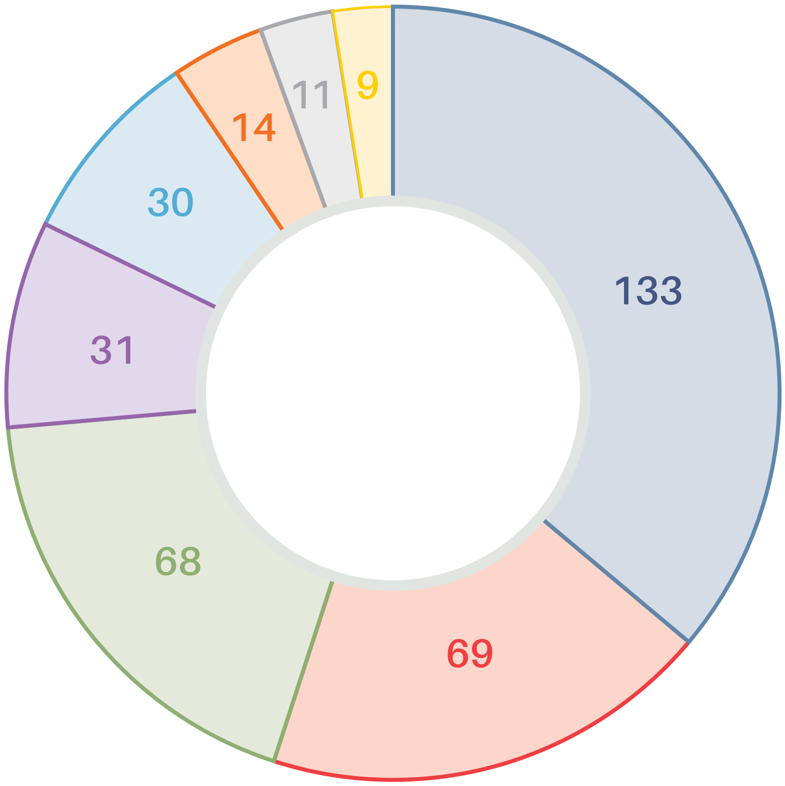
In August 2023, the Authority conducted its seventh Customer Satisfaction Survey to collect feedback from its stakeholders. The number of participants that reported that they were satisfied with the Authority's dedication to safety was 100% (96% in 2022) while 75% said that they were satisfied with the efficiency of the pilotage service (85% in 2022).

Delay Analysis

Delays in vessel movements may be caused by a number of factors that relate to customer operations, the Authority, or other service providers. During 2023, the Authority recorded 365 instances where vessel movements were delayed by greater than one hour (281 in 2022). Most of the delays were caused by circumstances outside the control of the Authority, such as vessels delaying sailing due to cargo, labour, or tug issues. Vessel and other service delays comprised 51.5% of all delays in 2023 (68.0% in 2022). For the remaining 48.5% of delays (32.0% in 2022), the primary contributing factors were a shortage of pilots in the port of Halifax, and mechanical issue with the pilot boat in the Strait of Canso. The average length of all delays was 2.15 hours, with the corresponding time in 2022 being 2.04 hours. The average length of delays caused by the Authority was 2.76 hours (2.78 in 2022) with the total related hours delayed being 488 (251 in 2022).

Delays by Cause 2023

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



DELAYS OF >60 MINUTES

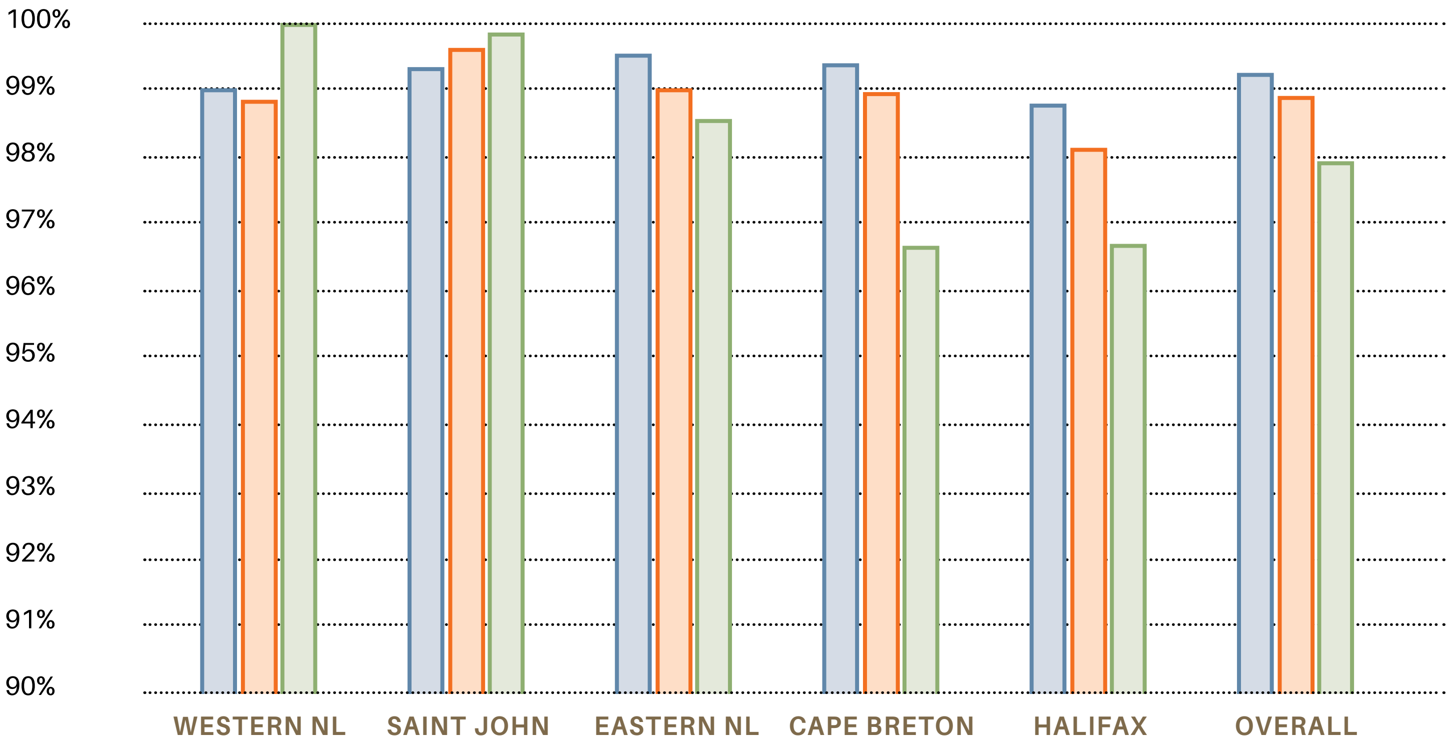
Pilot Availability	133	36.5%
Ship-Cargo Ops	69	18.9%
Ship-Other	68	18.6%
Tugs	31	8.5%
Other APA Related	30	8.2%
Pilot Boat Mechanical	14	3.8%
Other Non-APA	11	3.0%
Ship-Mechanical	9	2.5%
Total	**365**	**100.0%**

The Authority aims to provide service within one hour of the ordered time on a minimum of 99.0% of assignments (excluding delays caused by factors beyond the Authority's control).

In 2023, a pilot was provided within this time frame on 97.9% of the assignments (98.9% in 2022). Performance is also measured for each individual district or port. During 2023, service levels in Halifax, Cape Breton, and Eastern Newfoundland fell below 99% of the assignments.

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

Percentage of Pilotage Assignments without Pilotage Delays 2021–2023



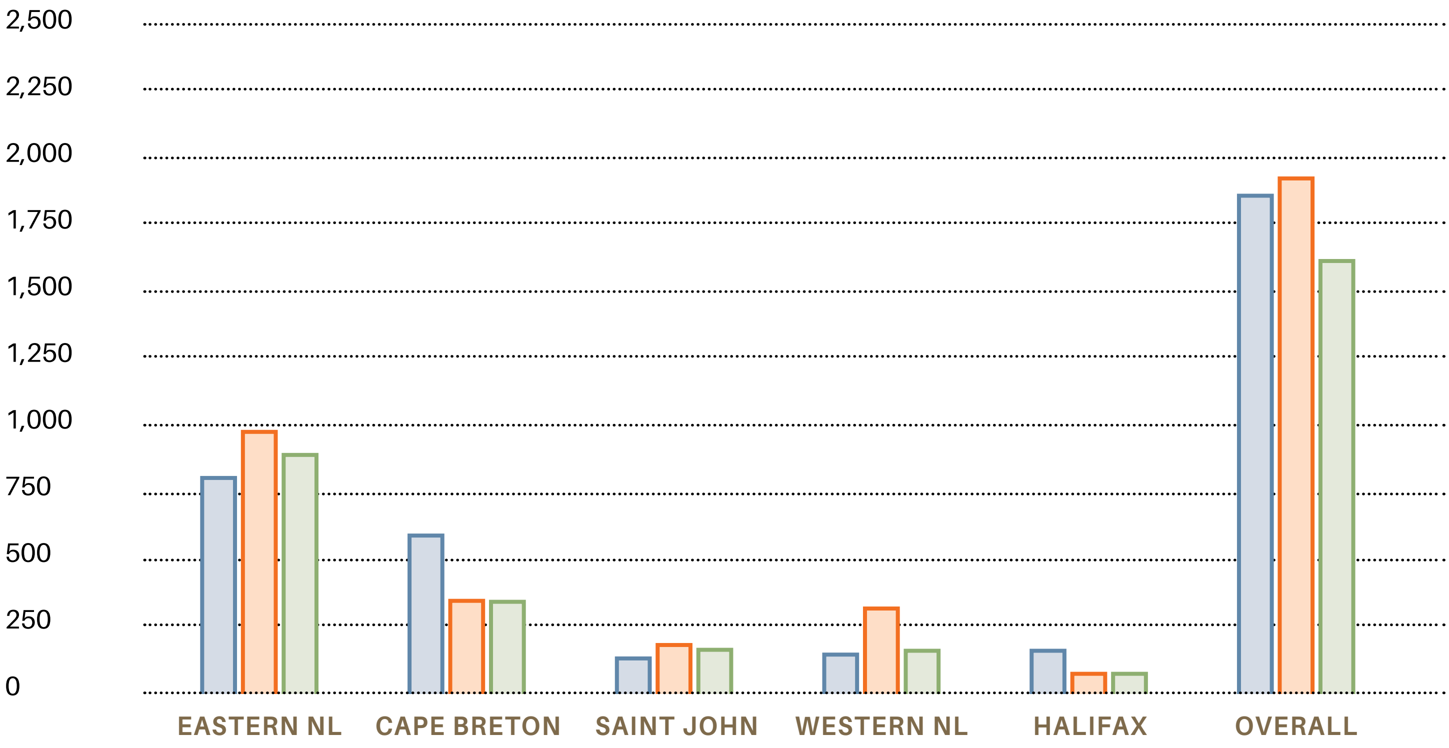
	2021	2022	2023
Western NL	**99.0%**	**98.8%**	**100.0%**
Saint John	**99.3%**	**99.6%**	**99.0%**
Eastern NL	**99.5%**	**99.0%**	**98.6%**
Cape Breton	**99.3%**	**98.9%**	**96.7%**
Halifax	**98.8%**	**98.1%**	**96.7%**
Overall	**99.2%**	**98.8%**	**97.9%**

WEATHER CLOSURES

Climate change is impacting the marine industry and the Authority with intense storms for long durations. In 2023 the Authority was required to suspend pilotage operations due to weather for 1,622 combined hours through its 20 compulsory ports. This was a decrease from the 1,925 hours in 2022.

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

Number of Hours Pilotage was Suspended due to Weather 2021–2023



	2021	2022	2023
Eastern NL	**822**	**983**	**852**
Cape Breton	**604**	**354**	**354**
Saint John	**123**	**186**	**165**
Western NL	**147**	**321**	**162**
Halifax	**168**	**81**	**89**
Overall	**1,864**	**1,925**	**1,622**

SHIPPING INCIDENTS

During 2023, there were five shipping incidents reported on vessels being piloted by the Authority.

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

2023 Shipping Incidents

Type of Incident	2019	2020	2021	2022	2023
Damage to Equipment					
Contact with wharf	4	4	2	1	2
Contact with lock	1	0	0	0	0
Contact with port equipment	0	2	0	1	2
Contact with ship	0	0	0	0	1
Total Shipping Incidents under Pilotage	**5**	**6**	**2**	**2**	**5**
Shipping Incidents with Certificated Master	0	0	0	1	0
Environmental Contamination	0	0	0	0	0
Injury to People	0	0	0	0	0
Year End Total	**5**	**6**	**2**	**3**	**5**

The Authority endeavours to provide a safe and efficient pilotage service in the Atlantic region. The total number of occurrences indicates 99.94% of the assignments were pilotage incident-free. In 2022, 99.98% of assignments were pilotage incident-free.

CONSULTATION – MARINE PROJECTS

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

Newfoundland

- Initial consultation with companies performing the tow-out of the Gravity Base Structure (GBS) from Argentia.
- Feedback for cruise proponents considering maximum size cruise vessel simulations for St John's.
- Ongoing consultation with the Port of Argentia to improve safe access for pilot boarding and development of port practices and procedures.
- Ongoing participation in the nationally recognized Placentia Bay Traffic Committee.
- Participation in the Oceans Protection Plan (OPP) Cumulative Effects of Marine Shipping workshops and report.

Nova Scotia

- Continued collaboration with key stakeholders to develop new safe operating procedures for Ultra-Large Container Ships calling at Halifax. Outputs based on extensive simulation and live trial exercises.
- Collaborated with Canso Locks on further lock repair and upgrade plans.
- Co-chair of newly formed Strait Working Committee; an operational working group with key stakeholders from the Strait of Canso.
- Participate in TERMPOL update for Strait of Canso stakeholder for proposed hydrogen terminal.
- Ongoing participation in key Port of Halifax stakeholder committees (Navigation Safety, Security).
- Initial consultations with proponents for the Little Narrows gypsum mine export plans.
- Consultation with Port of Halifax for future cruise expansion.

New Brunswick

- Collaboration with Port Saint John on implementation of safe working practices for West Side expansion project; implemented for first vessel callers.
- Consultation with marine stakeholders on new build requirements for oil tankers, taking into account upcoming regulatory vessel horsepower output restrictions.
- Collaboration with CHS regarding new sensors and charting tools for Port of Saint John.

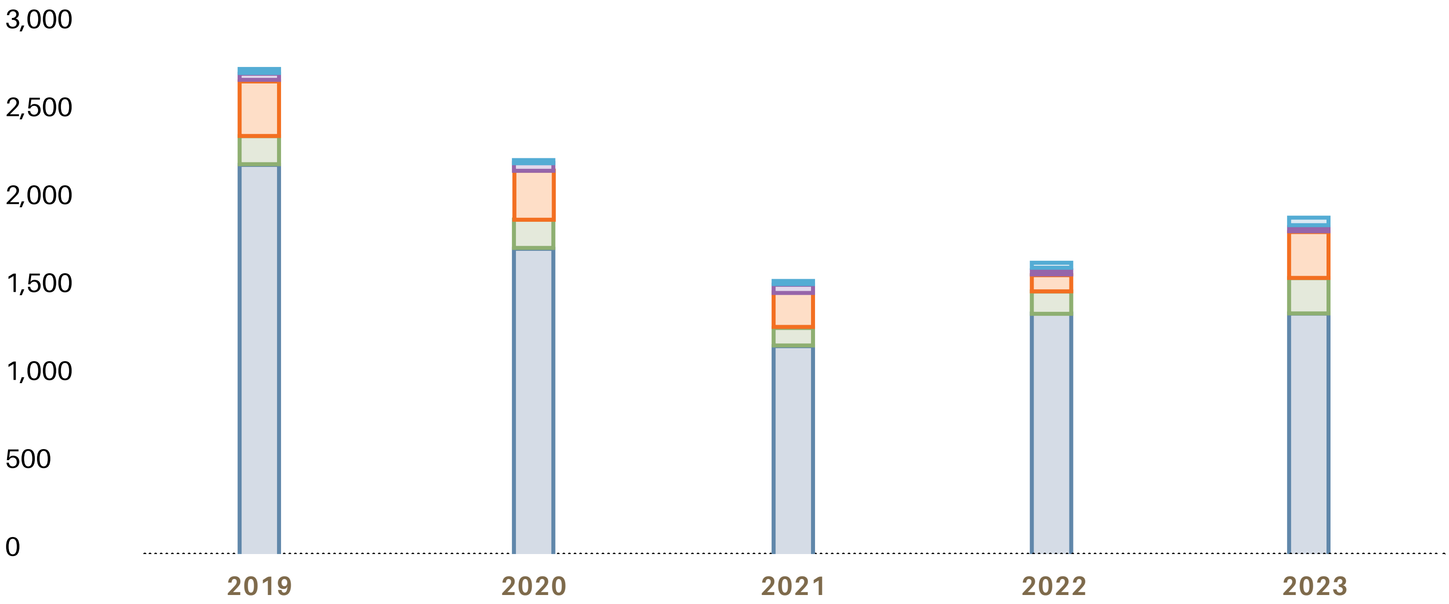
Prince Edward Island

- Consultation with Port of Charlottetown on increasing daily cruise capacity.

CERTIFICATED MASTERS

The Authority is cognizant of the costs of pilotage and the operational needs of the ship operators. Canadian masters have the option of writing pilotage certificate exams in each area they regularly transit and in which they have the required experience. Once they have passed a certificate examination, they have the authority to pilot their own vessels in their designated areas. There are many vessel movements being handled by these certificated masters that otherwise would have been pilotage assignments for the Authority. Just as the piloted assignments were negatively impacted by the economics during the pandemic, so were the movements for certificated masters. There remains a significant amount of these movements in the ports of St. John's and Halifax and in 2023 there were a total of 1,908 movements that were conducted by certificated masters (1,668 in 2022). This represents 18% of the total movements in the region (17% in 2022) saving Canadian Shippers an estimated $5.5 million in pilotage fees in 2023 ($4.8 million in 2022).

Movements by Certificated Masters, 2019 - 2023



	2019	2020	2021	2022	2023
St. John's	2,204	1,712	1,177	1,350	1,355
Placenta Bay	157	182	113	167	209
Halifax	320	292	209	118	285
Saint John	43	45	36	9	7
Other	8	14	9	24	52
Total	2,732	2,245	1,544	1,668	1,908

TRAINING

Pilot training is a combination of hands-on pilotage assignments and is supplemented with mandatory pilot training courses. Pilot training is based on an established progressive program that is determined with the input of senior pilot representatives from each area. As pilot licence progression continues, the junior pilot will perform pilotage assignments independently within their corresponding gross tonnage limitation. During this time, the junior pilot will continue to perform training trips with senior district pilots on assignments above their current licence level.

All pilots attend mandatory training courses associated with their licence level throughout the progression program. Examples of such courses are Bridge Resource Management for Pilots (BRM-P), Radar Errors, and progressive manned model courses, basic and advanced throughout their program. Refresher courses are attended periodically by senior pilots and simulation training for new port-specific activity is conducted as required.

Additional training is planned by the Authority based on the need for exposure to new technologies and new regulatory requirements that may come into force from time to time. Further, the Authority has worked with industry and pilots to develop customized courses in such specialized areas as the use of tractor tugs for tanker escort and the characteristics of Azipod propulsion systems on cruise ships.

For 2023, the Authority returned to a normal training schedule after having to increase training following the pandemic. There were twelve training courses held, with 20 pilot participants (some attending multiple courses).

Training was held for all other employees as dictated to meet a regulatory requirement, requested, or suggested for professional development, based on their performance reviews. All employees are required to be assessed at a consistent interval based on their position. The pilots are assessed at least once every three years, and the Authority has eight trained Check Pilot Assessors.

WORKPLACE SAFETY

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

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

In conjunction with the required Canada Labour Code legislation, the Authority has implemented focused emergency drill programs, detailed review of safety equipment and Personal Protective Equipment, and holds special OHS and Town Hall meetings as required when a specific safety focus is required. Additionally, the management of the Authority conducts periodic workplace inspections and review of procedures to ensure potential hazards are noted and rectified as soon as possible.

With the modernization of the Canada Labour Code and the establishment of the Workplace Violence and Harassment Prevention Regulations coming into force, the Authority fulfilled its obligations under the new regulations, such as conducting a workplace assessment in compliance with this regulation.

The Authority uses the number of hours of case management time associated with work related injuries as a measure of the effectiveness of these efforts. In 2023, 8.00 hours were accumulated for these cases (4.75 hours in 2022). The OHS Committee investigated 43 actions during the year and had eight that remained open at the end of 2023.

ISO 9001 - 2015 CERTIFICATION

The Authority became ISO 9001-2015 certified in 2018 and has maintained this certification in 2023.

Strait of Canso, NS

Future Readiness

CONSULTATION

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

During 2023, the Authority hosted or attended 18 formal consultation meetings that are scheduled each year. Management of the Authority also presented information at nine additional Shipping Federation of Canada District Committee meetings, and attended two National Pilotage Committee meetings.

In addition to these meetings sponsored by the Authority, management and pilot representatives attended many other meetings held by stakeholders throughout the region. During the year, the Authority held a live Annual Public Meeting virtually where a presentation of the 2022 financial results and strategic direction was made to the attendees and interested stakeholders.

STAFFING

Annually, the Authority determines the required pilot strength for each port or district based on forecasted activity, service requirements, succession planning, and consultation with industry. To support this annual strategy, the Authority executes a resource plan that accounts for planned retirements and sustained changes in traffic volume. Resource planning and forecasting led to the hiring of pilots to backfill for the planned retirements, ensuring continued support for service requirements in these areas. The goal was to reach 50 fully effective employee pilots by the end of 2023 with the longer-term target being 52 pilots. There were 48 pilots employed at the end of 2023 after two retired during the year. The Authority has received notices from three additional pilots of their intention to retire within the next three years.

Resource forecasting alerted the Authority to a sub-optimal staffing number of fully licenced pilots in Halifax and Saint John while training pilots are progressing through the licencing system. The Authority may employ retired pilots on a contracted term basis to ensure reliable and effective service standard is maintained for peak times of port activity.

The Authority's target is to have at least one candidate on the eligibility list for each anticipated opening. The Authority held eligibility list competitions for Halifax, Saint John, and the Western Newfoundland District as these lists were exhausted and projections indicate a need for increasing numbers in the short to medium term

Number of Employees, 2019 – 2023

At December 31	2019	2020	2021	2022	2023
Employee Pilots					
Class A Licence	44	45	43	44	46
Class B Licence	4	4	5	3	1
Class C Licence	1	0	1	0	0
Apprentice	1	2	0	2	1
Total Employee Pilots	**50**	**51**	**49**	**49**	**48**
Pilot Boat Crew and Maintenance	18	18	18	19	19
Officers and Administrative	10	10	11	11	12
Dispatch	6	6	6	6	6
Total Employees	**84**	**85**	**84**	**85**	**85**
Entrepreneurial Licences	11	10	10	12	11

PILOT BOATS

Due to the nature of pilotage in the Atlantic Region, which is primarily port pilotage, a large part of operations is related to the provision of pilot boat services. Virtually every port serviced by the Authority requires a reliable boat and service to transport pilots to and from each assignment. To minimize the possibility of service interruption, spare equipment and spare vessels are kept for quick replacement when required. A total of 28 vessels are used to deliver service for the Authority with the goal that they are inspected annually for safety by the Authority. The Authority owns 13 of these vessels with the remainder provided by contractors. A total of 26 vessels were inspected in 2023 (19 in 2022).

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

The Authority has three models for pilot boat operations:

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

Due to significant contractor service delivery failures in 2023, the model of service will be changing in the Strait of Canso in 2024 where the Authority will own and operate the pilot boats and be crewed with employees of the Authority.

The Authority targets zero delays caused by unplanned maintenance issues. Of the 7,926 assignments that required the use of a pilot boat, there were twenty delays caused by maintenance issues in 2023 (four in 2022) including the loss of contractor supplied services. Total downtime of Authority managed vessels caused by unplanned maintenance that doesn't cause a delay is to be kept under 1% of the total time the vessels are available. For 2023, downtime represented 0.82% (0.95% in 2022) of the total time available.

A strategy has been developed for asset replacement and continued renewal of the fleet. In accordance with this strategy, the Authority is building two new vessels with construction having begun in 2022 and delivery expected in 2024. The Authority was able to add two used vessels from the United Kingdom that required upgrades, weatherization, and flag change requirements. The first of these vessels entered service in December 2023 with the second to follow in January 2024. The Authority continues to monitor pilot boat operations in all areas to determine whether improvements can be made in the areas of safety, efficiency, and reliability.

TECHNOLOGY

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

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

Workplace Culture Gender-Based Analysis / Diversity and Employment Equity

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

The Authority will be required to comply with 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 and 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 Authority is committed to continuing to work with its industry and government partners to ensure it has a pulse on the best practices for recruitment, selection, and retention of a diverse population within the maritime labour force. 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.

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 assigningd a member of the executive management staff to take a leadership role in the 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).

The Authority is committed to identifying, removing, and preventing barriers in the workplace to meet the requirements of the Accessible Canada Act in support of making Canada barrier-free by January 1, 2040. The Authority established its Accessibility Plan in 2023 and recognizes that accessibility is an ongoing and key component to making the APA an inclusive place of work. It is for this purpose that APA will continue to improve our Accessibility Plan in the future utilizing the key focus areas described under section 5 of the *Accessibility Canada Act*.

MENTAL HEALTH & WELLBEING

The Authority continues with its commitment to promoting a healthy workplace and focusing on supporting the Federal Public Service Workplace Mental Health Strategy. The Authority developed a Wellness at Work Strategic Plan in 2022. This plan will assist the Authority in striving to create a culture that protects the psychological health, safety, and well-being in all aspects of the workplace through collaboration, inclusivity, and respect; creating a healthy and psychologically safe and engaged workforce.

The Authority executed on initiatives such as training courses in Mental Health Awareness and the Prevention of Violence and Harassment in the Workplace, improved access to Employee and Family Assistance Program through deployment of a mobile application, implementation of a Respectful Workplace Policy, implementation of a Virtual Primary Care service, enhancement to internal employee website for educational resources and tools for employees in mental health space, and the ongoing review and enhancement of personal protective equipment for operational staff.

The Authority continues to provide employee access to a third-party communication program that allows employees to confidentially report sensitive work-related issues.

Further, the Authority utilizes its Wellness Committee, with a membership complement of one representative per working group of the Authority. This is tasked to identify what policies, programs, or activities are required to maintain a healthy workplace, monitor these established programs and activities, and seek to continually improve (or add to) the suite of wellness related services available to employees. Sustainable development and greening of government operations will be discussed below on page 25 and is regarded as a contribution towards future readiness.

Placentia Bay, NL

Financial Self-Sufficiency

The *Pilotage Act* requires that pilotage charges be fixed at a level that permits the Authority to operate on a self-sustaining financial basis, and that the charges are fair and reasonable. To achieve self-sufficiency, rate adjustments are made based on the financial and operational issues within each port, rather than an overall increase that impacts all areas. The goal is to have each area become financially self-sufficient to 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. All aspects of an area's operation are monitored to determine whether efficiencies could be gained that would achieve a positive result before rate increases are considered. The Authority amended its charges at the beginning of 2023, set on a port-by-port basis, with an overall revenue increase expected of 2.8%.

Pilotage revenue for 2023 continued to grow in most areas post-pandemic as traffic in significant sectors exceeded expectations. An increase in container traffic and cruise ship movements have produced most of this revenue growth from $32.9 million in 2022 to $35.1 million in 2023.

With the increase in traffic, variable expense categories grew in proportion, mostly impacting items containing employee overtime costs, pilot boat service costs, and travel expenses. There were also significant investments made in safety equipment following the tragic incident in St. John's the previous year. The total expenses for 2023 were $33.2 million, compared to $31.4 million in 2022.

The positive operating results, and new borrowing, was enough to offset the large-scale capital investments made during the year, leading to cash and cash equivalents of the Authority being essentially unchanged from 2022. The Authority had investments of $3.4 million in Guaranteed Investment Certificates that matured in early 2023 with these resources all used to fund a $9.3 million increase in capital assets. This has allowed for a cash balance and reserve to be maintained at adequate levels while having sufficient dedicated savings available to fund the remainder of the active new vessel construction project.

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

	2019	2020	2021	2022	2023
Revenue	$ 29,691	$ 25,326	$ 27,670	$ 32,868	$ 35,165
Expenses	28,394	26,593	26,996	31,411	33,236
Income (loss) for the Year	$ 1,297	$ (1,267)	$ 674	$ 1,457	$ 1,929
Cash Balance and Reserve	$ 4,359	$ 3,446	$ 3,511	$ 3,405	$ 3,999
Dedicated Savings and Investments	$ 3,600	$ 3,374	$ 2,500	$ 7,000	$ 3,000
Retained Earnings	$ 13,595	$ 12,227	$ 12,935	$ 14,518	$ 16,408

Government Priorities & Direction

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

DIRECTIVE ON TRAVEL, HOSPITALITY, AND CONFERENCE EXPENSES

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

The Atlantic Pilotage Authority's area of operation is defined as all the Canadian waters in and around the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, including the waters of Chaleur Bay in the Province of Quebec. Within this region, the Authority has designated 20 compulsory pilotage areas. Each one has its unique industries and is serviced by licenced pilots and the required infrastructure, such as pilot boat services.

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

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

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

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

Travel, Hospitality, and Conference Expenses

As at December 31 (in thousands of dollars)	2021	2022	2023
Operations	561	738	797
Training	19	63	86
Engineering	25	7	20
Total Operational Travel	**605**	**808**	**903**
Administration	57	168	237
Board	4	15	21
Total Administration Travel	**61**	**183**	**258**
Hospitality	11	16	15
Conference Fees	0	3	13
Total Hospitality and Conference Expenses	**11**	**19**	**28**
Total Travel, Hospitality and Conference Expenses	**677**	**1,010**	**1,189**

RESULTS LINKED TO GOVERNMENT PRIORITIES

The Government of Canada's priorities aim to strengthen the middle class,have 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.

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 a 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 was contracted in 2022 to measure the Authority's carbon footprint across its 20 compulsory areas and administration locations and operations. This analysis formed the baseline to measure future reductions. Actions the Authority is currently implementing are the following:

- Shore Power available at Authority wharves and docks.
- New vessel design has 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 and deployment of new graphite hull paint in hopes of reducing drag and related fuel consumption.
- Agreeing to test biofuels for the pilot boats in Halifax and Saint John should the proposed blend be acceptable to the engine manufacturers.
- Installation of electric car charging stations at Authority properties to encourage purchases of electric vehicles for staff.

TRANSPARENCY AND OPEN GOVERNMENT

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

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

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

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

COMPLIANCE WITH OTHER ACTS AND REGULATIONS

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

Corporate Governance

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

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

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

AUDIT COMMITTEE

The Audit Committee is a core committee of the Authority's Board of Directors and is specifically required by the *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 annual performance evaluation, reviewing significant changes to the organizational structure, reviewing the mandate for collective bargaining, and monitoring succession planning for management and pilot resources.

PILOT BOAT & CAPITAL INFRASTRUCTURE COMMITTEE

This committee 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
John McCann, Ex-Officio	John McCann, Ex-Officio		

INTERNAL AUDIT

During the year, the Authority had an additional internal audit of internal controls that focused on the accounts payable process and the partial automation of this process. The initial report was received late in the year and several recommendations are to be implemented in early 2024.

RISK MANAGEMENT

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

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

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

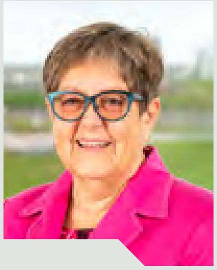
The following table presents the 10 items with the most residual risk as determined by senior management in 2023 based on the process discussed above.

TOP 10 RISK MATRIX

	Risk
The risk that a pilot/crew member suffers an injury while transferring from or to a vessel. These transfers are done thousands of times annually in all types of weather conditions involving many types of vessels. It is this activity that exposes some of our employees to the greatest danger.	Very High
The risk that work conditions or policies will not mitigate the likelihood of injury or illness in the workplace.	High
The risk that economic conditions outside of the Authority's control will lead to actual traffic being materially different than that forecasted by the Authority.	High
The risk that the Authority loses launch service, severely disrupting operations.	High
The risk that a crew member operates a vessel while fatigued or under the influence, causing an unsafe situation.	High
The risk that worsening environmental conditions cause injury during a pilot transfer or pilot boat movements.	High
The risk that frequent pilot boat movements in open water compromises the safety of the crews.	High
The risk that the Authority has a disruption in service due to the loss of a contractor who provides crewing for a pilot boat or crewing and pilot vessel.	Medium
The risk that service levels are compromised due to being unable to attract and retain pilots to meet demand.	Medium
The risk that certificate holders are not assessed for competence after initially receiving their certificate and compromises the safe movement of vessels.	Medium

Board of Directors & Executive Officers

Board of Directors

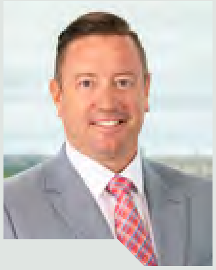
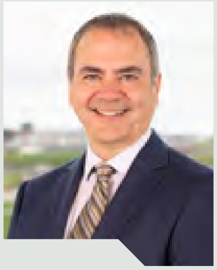
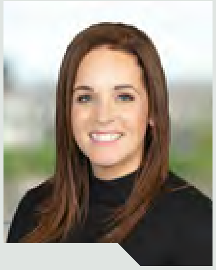




John McCann, Vice-*Chair*
Kathryn Craig

Kyle Gillis
Vivek Saxena

John Suresh Selvaraj

Executive Officers


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

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

Management Discussion & Analysis

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

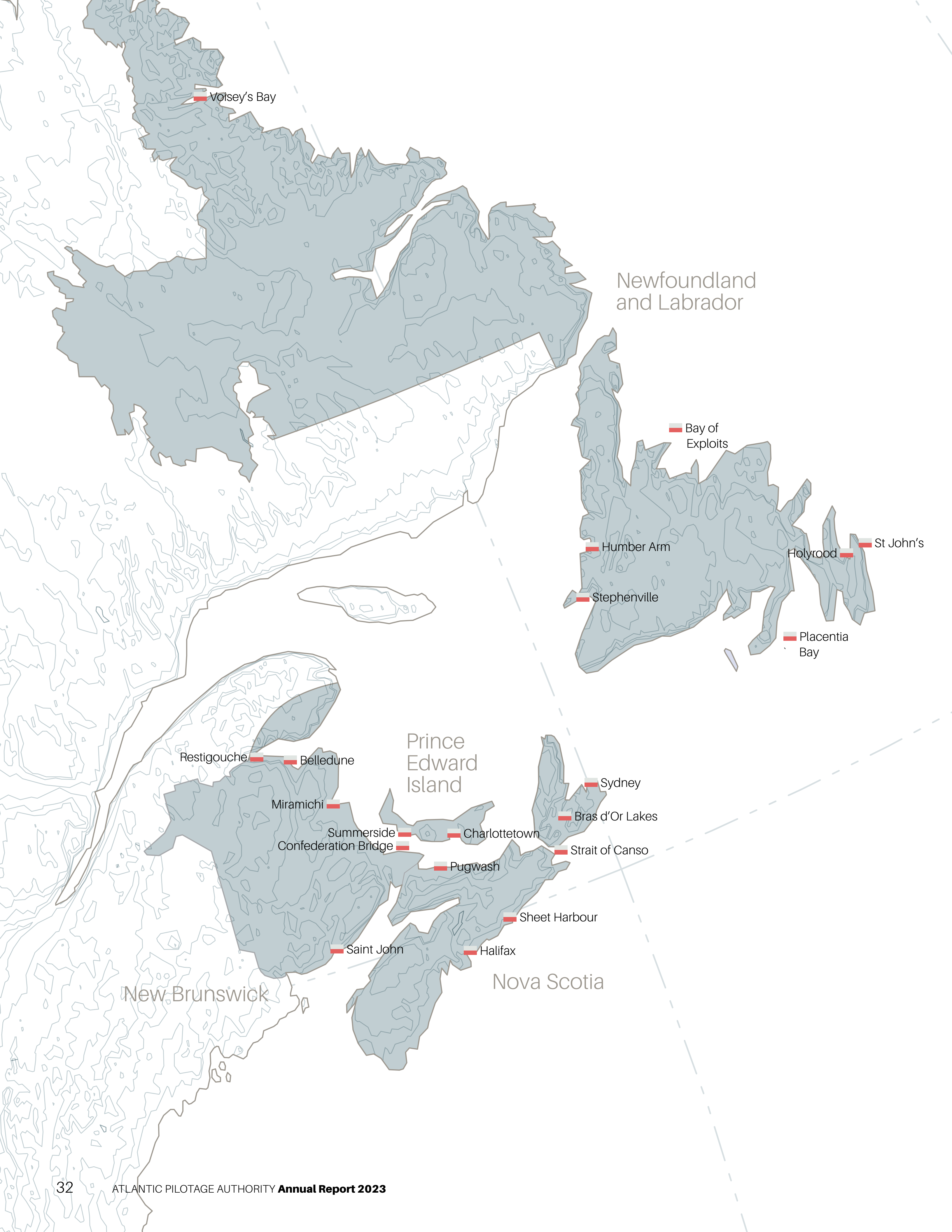
The purpose of this analysis is to facilitate the understanding of the audited financial statements presented in the following pages and to explain variations between 2023 results and the results of the previous year.

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

PILOTAGE TRAFFIC

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

The total number of assignments for 2023 was 8,585, an increase of 6.3%, or 506 movements from the 8,079 assignments in 2022. An increase in container ship calls in Halifax and Saint John produced most of this increase in activity, while cruise ship traffic continued to grow throughout the region. An increase in cruise assignments was expected as the industry recovered from the pandemic, and the Authority provided pilots for 1,099 of these assignments after having 842 cruise assignments in the previous year. Overall, piloted traffic remains slightly below the pre-pandemic level of 8,694 assignments in 2019.


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

Operational Area

Assignments over a 3-year period

	2021	2022	2023
NEW BRUNSWICK			
Saint John	1,748	1,845	1,979
Belledune	0	79	139
Restigouche	14	10	11
Miramichi	5	4	0
NEWFOUNDLAND AND LABRADOR			
Eastern NL			
Placentia Bay	875	921	892
St. John's	371	564	524
Holyrood	27	20	15
Western NL			
Humber Arm	183	239	259
Bay of Exploits	51	71	60
Stephenville	62	30	14
Voisey's Bay	32	19	26
NOVA SCOTIA			
Halifax	2,258	2,805	3,072
Cape Breton Region			
Strait of Canso	678	623	618
Sydney	227	381	432
Bras d'Or	4	16	30
Pugwash	49	63	75
Sheet Harbour	0	14	18
PRINCE EDWARD ISLAND			
Charlottetown	101	212	299
Confederation Bridge	67	83	99
Summerside	0	9	23
Non-Compulsory Areas	198	71	0
Total Pilotage Assignments	**6,950**	**8,079**	**8,585**

The *Pilotage Act* has defined the Atlantic Pilotage Authority's area of operation as all the Canadian waters in and around the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador, as indicated on the map. Within this region, Transport Canada has designated 20 compulsory pilotage areas. Three of these compulsory areas, Belledune, NB, Sheet Harbour, NS, and Summerside, PE, were added in 2022 after having been classified previously as non-compulsory areas.

Tanker movements in Placentia Bay, NL have remained depressed as offshore maintenance projects reduce the frequency of tanker vessel transits in the area and the local refinery is providing fewer movements than previously anticipated. The compulsory area of Placentia Bay was extended in 2022 to include the port of Argentia, increasing the container ship and general cargo activity and offsetting the decline in tanker activity. As previously mentioned, container traffic continued to increase in Halifax, NS and Saint John, NB with additional regular callers added to the region. A decline in tanker activity in the Strait of Canso was mostly offset by an increase in bulk carrier traffic servicing the local quarry. Finally, the region's cruise industry has continued to grow in many of the ports serviced by the Authority.

Foreign flagged vessels provide the great majority of the Authority's business, representing approximately 81% of assignments and related revenues. Assignments on foreign flagged vessels has increased with the return of cruise traffic.

The oil and gas tanker movements accounted for approximately 33% of the Authority's overall assignments and contributed 42% of the overall revenue in 2023. The Authority performed pilotage duties on tankers in 11 of the 20 compulsory areas.

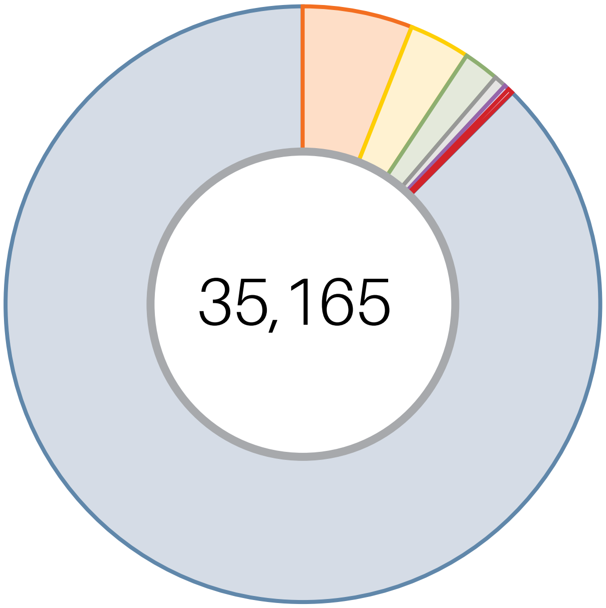
Pilotage Assignments 2021-2023

	2021	2022	2023	2023 change	Var % change
Tankers	2,946	2,861	2,874	13	0.5%
Container Ships	1,477	1,626	1,915	289	17.8%
Cruise Ships	0	842	1,099	257	30.5%
Bulk Carriers	900	953	972	19	2.0%
General Cargo Ships	566	663	607	-56	-8.4%
Other	261	361	499	138	38.2%
Vehicle Carriers	166	201	232	31	15.4%
Tugs & Barges	411	306	230	-76	-24.8%
Supply Ships	223	266	157	-109	-41.0%
Total	**6,950**	**8,079**	**8,585**	**506**	**6.3%**

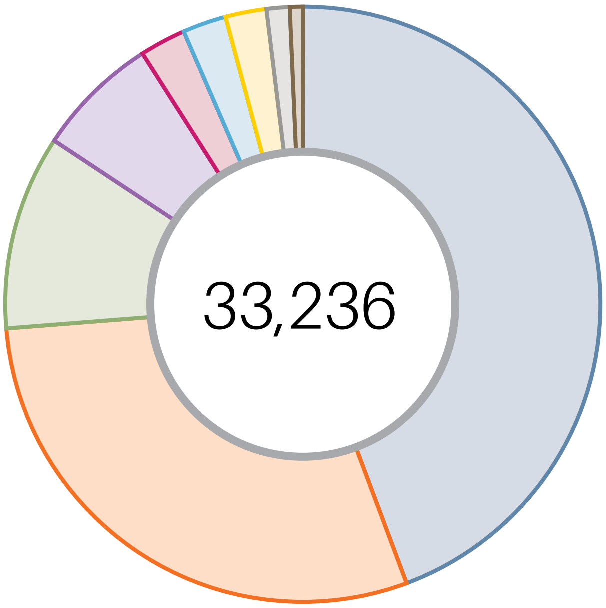
Financial Overview

The Atlantic Pilotage Authority has continued to experience activity growth following the worst of the impacts caused by the pandemic several years ago. Revenues in 2023 have now surpassed the pre-pandemic levels, but expenses have also grown in proportion with this recovery. Also increasing these costs were investments made in safety equipment, extra crew members on vessels, and increased travel expenses to provide additional oversight of operations and pilot boat procurement. The Authority generated a profit of $1.929 million after a profit of $1.457 million in 2022.

Revenues	2023	
Pilotage revenue	30,784	87.5%
Fuel charge revenue	2,097	6.0%
Deficit charge revenue	1,157	3.3%
Transportation recovery revenue	700	2.0%
Transport Canada recovery revenue	259	0.7%
Certificate movement revenue	96	0.3%
Other income	72	0.2%
Total	**35,165**	**100.0%**



Expenses	2023	
Pilot remuneration	14,729	44.3%
Pilot boat operating costs	9,813	29.5%
Administrative overhead costs	3,474	10.5%
Pilot boat fuel costs	2,237	6.7%
Other operating expenses	822	2.5%
Travel costs for operations	799	2.4%
Dispatch centre costs	753	2.3%
Training costs	397	1.2%
Minister of Transport fees	212	0.6%
Total	**33,236**	**100.00%**



REVENUES

The Authority adjusted pilotage rates in multiple stages, beginning with regular rates at the beginning of 2023. There were additional changes during the year with the adoption of a certificate movement charge and targeted increases to begin recovery for the newly added pilot boats. These rate adjustments and increased traffic resulted in a $2.5 million increase in pilotage revenues, or 7.6%. The total revenues include $1.2 million raised by a temporary deficit reduction surcharge that is scheduled to expire at the end of 2025.

An increase in container ship traffic and cruise ship assignments offset the impacts of the reduced tanker traffic activity, especially in Placentia Bay, NL. The growth of container traffic in the ports of Halifax and Saint John accounted for most of the increase in revenues while the continued increase in cruise activity also had a major impact. Vehicle carriers and project-specific movements also increased in the year as movements on smaller vessels, supply ships and tug and barge operations, fell.

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

Pilotage Charges by Vessel Class (in thousands of dollars)

	2021	2022	2023	2023 $ change	Var % change
Tankers	15,148	15,082	14,672	(410)	-2.7%
Container Ships	5,133	6,129	7,927	1,798	29.3%
Cruise Ships	0	2,764	3,687	923	33.4%
Bulk Carriers	3,101	3,678	3,662	(16)	-0.4%
General Cargo Ships	1,328	1,617	1,697	80	4.9%
Other	695	985	1,537	552	56.0%
Vehicle Carriers	555	689	835	146	21.2%
Tugs & Barges	1,013	843	552	(291)	-34.5%
Supply Ships	565	726	428	(298)	-41.0%
Bunker Vessels	105	6	0	(6)	-100.0%
Total	**27,643**	**32,519**	**34,997**	**2,478**	**7.6%**

The changes in traffic and associated revenues impact each port differently depending on the industries that operate in each area. Revenues generated for the Authority in Halifax, NS increased with the additional activity in container ships, cruise vessels, tankers, vehicle carriers, and project cargo. Placentia Bay, NL had a decrease in revenue from the previous year with a decline in tanker movements too large to be offset by more cargo traffic in the port of Argentia. Saint John, NB generated increased revenues with additional container calls, bulk carrier traffic, as well as more cruise assignments.

The Strait of Canso had a small decrease in revenues as larger revenue bulk carrier assignments offset much of the lost revenues generated from tanker traffic that was down from recent years. There were other ports that had increased activity and associated revenues in 2023, led by areas that benefited from cruise traffic and other activity, specifically St. John's, NL, Sydney, NS, Charlottetown, PE, Humber Arm, NL, and Belledune, NB.

Pilotage Charges by Port (in thousands of dollars)

	2021	2022	2023	2023 $ change	Var % change
Compulsory Areas					
Halifax	6,310	8,298	9,909	1,611	19%
Placentia Bay	7,947	8,343	7,700	(643)	-8%
Saint John	5,759	6,529	7,326	797	12%
Strait of Canso	3,256	3,264	3,206	(58)	-2%
Sydney	835	1,545	1,894	349	23%
St. John's	1,008	1,645	1,656	11	1%
Humber Arm	902	1,149	1,242	93	8%
Charlottetown	175	412	622	210	51%
Bay of Exploits	165	258	258	-	0%
Belledune	-	143	247	104	73%
Confederation Bridge	118	154	213	59	38%
Pugwash	83	125	171	46	37%
Voisey's Bay	228	106	148	42	40%
Bras d'Or	13	62	113	51	82%
Holyrood	74	74	80	6	8%
Sheet Harbour	-	53	72	19	36%
Stephenville	260	137	71	(66)	-48%
Summerside	-	13	45	32	246%
Restigouche	41	25	24	(1)	-4%
Miramichi	15	17	-	(17)	-100%
Non-Compulsory Areas	454	167	-	(167)	-100%
Total Pilotage Revenues	**27,643**	**32,519**	**34,997**	**2,478**	**8%**

EXPENSES

The Authority had expenses increase by 5.8% from the previous year with variable costs increasing with activity and investments being made into the safety and service of the operation.

Pilots' fees, salaries, and benefits include all costs associated with the remuneration to employee pilots, as well as shares paid to entrepreneurial pilots who service smaller ports with inconsistent traffic levels. The entrepreneurial pilots receive a portion, or share, of the pilotage revenue in their ports thus limiting the Authority's exposure to traffic pattern changes. The increase in shipping activity has led to increased overtime, share payments to entrepreneurial pilots and productivity costs. Staffing shortages on pilot boats caused by injury/illness and shifts in the labour market caused a dramatic increase in overtime costs. The compliment of administrative staff employees increased in 2023 with additional resources in human resources and accounting/finance, while dispatch costs increased with trainee salaries and overtime requirements.

The increase in pilotage assignments also meant increased contracted pilot boat service costs and transportation and travel costs. These items have a large variable component that fluctuates based on activity. Professional and special services costs were incurred for increased legal and consulting requirements. Training costs have returned to normal levels after being accelerated in 2022 due to pandemic-related delays in prior years. Following a tragic incident in St. John's in 2022, the Authority invested approximately $500,000 in deck safety and subsequent equipment, including training and personal protective equipment that has impacted expenses in several categories.

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

Expenses (in thousands of dollars)

	2021	2022	2023	2023 $ change	Var % change
Pilots' fees, salaries and benefits	12,607	14,030	14,729	699	5%
Contracted pilot boat services	2,863	3,276	3,714	438	13%
Pilot boat crews' salaries and benefits	2,168	2,249	2,632	383	17%
Staff salaries and benefits	2,060	2,311	2,595	284	12%
Fuel	1,327	2,539	2,237	(302)	-12%
Amortization and depreciation	1,993	1,888	1,795	(93)	-5%
Repairs and maintenance	1,308	1,358	1,401	43	3%
Utilities, materials and supplies	865	1,053	1,379	326	31%
Transportation and travel	618	906	1,034	128	14%
Professional and special services	640	684	884	200	29%
Training Costs	150	541	397	(144)	-27%
Communications	158	172	162	(10)	-6%
Finance costs	148	296	141	(155)	-52%
Rentals	91	108	136	28	26%
Total Expenses	**26,996**	**31,411**	**33,236**	**1,825**	**5.8%**

St. John's, NL

CASH FLOWS

The Authority had a net decrease in cash and cash equivalents of $6,000 with $4.8 million in net cash provided by operating activities. There was additional net cash provided by financing activities of $1.0 million, as $2.0 million in additional funding was secured for the capital asset replacement program. These funds were used to invest $5.9 million in capital asset replacement, with $9.3 million in current capital investments partially offset by the $3.4 million of investments that matured. The stable balance in cash and cash equivalents allowed the Authority to maintain a reserve and dedicated savings for capital asset replacement.

Cash and Savings (in thousands of dollars)

	2021	2022	2023
Balance, beginning	6,820	6,011	7,005
Net cash provided by operating activities	1,706	2,760	4,781
Net cash used in investing activities	(1,561)	(6,604)	(5,862)
Net cash (used in) provided by financing activities	(954)	4,797	1,013
Effect of exchange rate change	—	41	62
(Decrease) increase in Cash and cash equivalents	(809)	994	(6)
Balance, ending	6,011	7,005	6,999

CAPITAL INVESTMENT

The Authority has approximately $41 million in capital assets that have to be replaced or upgraded over the long-term. It is a large portion of the financial capital of the Authority that is needed for this purpose. These expenditures are primarily for pilot boats, but also include investments in wharves and structures, a maintenance vehicle, leased office space, software upgrades, and computers and office equipment.

The construction of two new pilot boats continued in 2023, with the vessels to be completed in 2024. The Authority has invested $6.8 million into this project, with an estimated $2.7 million remaining. In 2023, the Authority completed the purchase, weatherization, and upgrades of two vessels from Milford Haven, UK at a total cost of $4.1 million. The addition of these four vessels will produce a considerable upgrade to the safety of operations for the Authority for many years to come. The capital expenditures related to pilot boat refits and equipment is an annual expectation as components fail and are replaced, equipment is upgraded, and regular inspections are conducted. The Authority also invests in the repairs or replacement of other capital assets, including portable pilotage units, additional technology, and other infrastructure required to provide service in 20 compulsory ports.

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

Capital Investment (in thousands of dollars)

	2021	2022	2023	2023 $ change
Pilot boats under construction	42	2,111	4,528	2,417
Used pilot boats purchased and upgraded	-	-	4,107	4,107
Other pilot boat refits and equipment	840	834	1,269	435
Portable pilotage units	49	69	-	(69)
Computer equipment and furniture	38	36	80	44
Wharves, operating structures, and vehicles	94	14	114	100
Computer software	-	12	3	(8)
Leased premises	15	7	411	404
Total Expenses	**1,078**	**3,083**	**10,512**	**7,430**

2024 and Beyond

Pilot Boats

The Authority anticipates the delivery of the two new Camarc-designed pilot boats from Auxiliar Naval del Principado, S.A. of Astilleros Armon, a shipyard in Spain, in 2024. The plan is for the two vessels to be deployed in Halifax, NS and allow for the reallocation of the current assets. These boats will provide state-of-the-art technology and safety equipment for the pilot boat crews and pilots, with enhanced equipment for protection of the environment.

For the Strait of Canso, the Authority will be purchasing the contractor-owned vessel that has been providing service in the area and hiring the pilot boat crews directly. This investment and change in service model for the Strait is expected to increase the safety of the operation while reducing downtime and improving service. The customers of the Authority have been very supportive of these initiatives and the related financing requirements.

Business Prospects

The Authority actively monitors economic developments for the region, as proposed new projects or adjustments to current operations greatly affects the finances of the Authority and the resources required to serve the stakeholders. When developing the plan for 2024, stakeholders were very confident of the continued growth in cruise traffic.

The container terminals in Halifax have merged into a single entity and it continues to aggressively market their facilities and the port. The Port of Halifax continues to invest in their infrastructure as it readies itself for the next generation of larger container vessels while other traffic sectors remain strong.

The expanded CP Rail service for the port of Saint John, NB has increased its logistic capabilities and allowed the port to attract other container lines. This, combined with Port Saint John completing its West Side Modernization Project, a $205 million investment in the container handling capacity in the port, is expected to grow this sector of traffic in the years to come. Like elsewhere, the cruise traffic in the port is expected to be robust in the coming years while bulk carrier traffic in the port will remain strong. The pilotage revenues in the port are driven primarily by tanker traffic and there are no material changes expected for this sector in 2024.

In Placentia Bay, NL, the transformation of the oil refinery in Come-by-Chance to a biofuel operation is expected to deliver additional tanker traffic to the region in 2024. This volume of pilotage traffic generated by the new facility is expected to be significantly less than that generated by the refinery in previous years. The transshipment terminal at Whiffen Head has had several years of strong traffic since the Hebron field came online late in 2017. This provided a large boost in shipping for the area and will provide an ongoing supply when output from other fields taper off. After a period of reduced traffic at the facility due to maintenance, the traffic is expected to grow again beginning in 2024.

The dredging of the harbour in 2012 provides Sydney with the opportunity to attract larger ships. There is interest in developing an enhanced project terminal in the port and expanding coal shipments. The cruise industry in Sydney is a large source of pilotage activity and vital to the local economy. It is expected to remain strong in 2024 with continued growth.

A significant portion of activity and related revenues in the Strait of Canso are generated by the oil products stored at a transshipment facility and is influenced by world oil markets and prices. This facility intends to produce green hydrogen and ammonia at the location in the future by using renewable energy. It is unknown at this time what the impacts will be for marine traffic in the Strait. The coal transshipment (vessel to vessel) operation in the area is highly sensitive to the global demand and corresponding world market prices for metallurgical coal. There are very few of these assignments currently and this activity is not expected to grow in 2024.

Port authorities and operators are determinedly searching for business opportunities and growth in Western Newfoundland. This generated increased pilotage traffic in Humber Arm with strong container traffic and significant growth in cruise traffic in 2023 that is expected to also continue.

Economics

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

When creating the Corporate Plan for 2024-2028, 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.

Confederation Bridge, PEI

Changes in the energy sector, especially oil, and other commodities have the largest effect on the Authority's activity. With over fifty percent of the revenues generated by the oil industry, fluctuations in demand, or any changes in the methods of crude oil delivery, can greatly affect the financial results of the Authority. Container shipping is highly competitive with shipping line consolidation and a shift to larger vessels, while ports that can accommodate these larger vessels are expected to have growth from this sector. Cruise ship traffic has rebounded from the pandemic and is expected to continue to grow.

Based on recent traffic levels and expected growth in several sectors, the Authority has estimated activity of 8,367 piloted assignments and 2,040 movements by certificated masters in 2024. The Authority is also budgeting a $1,216,000 accounting profit before any loss on disposal of capital assets. The current projection, and expectation, is for the Authority to remain profitable through the 2024-2028 planning period.

Pilotage Act Reform

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

Amended Pilotage Charges for 2024

The Authority published its revised charges in compliance with the amended *Pilotage Act* which were effective on January 1, 2024. After reviewing the performance of each port, and investment levels required to deliver a safe, efficient, and effective service, this proposal encompassed pilotage charges impacting its compulsory ports or areas. The amendments were applicable to regular base charges, set on a port-by-port basis, and were estimated to increase total revenues by approximately 4.02%.

With the planned changes to the pilot boat service model in the Strait of Canso, the Authority had a meeting with the local users in December 2023 to discuss the related cost structure. Based on this consultation, an additional targeted rate adjustment will be proposed to be effective June 1, 2024, which will add another 0.95% to total revenues.

Sustainable Development and Greening of Government Operations

The Authority had a measurement of its carbon footprint across its 20 compulsory areas and administration locations and operations completed in 2023 that will form the baseline to measure future reductions. Planned actions will continue in 2024 that will lower this footprint on a pathway to becoming carbon neutral by 2050.

Management's Responsibility for Financial Reporting

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

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

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

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

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

Sean Griffiths, MM, MBA, ICD.D
Chief Executive Officer

Brian Bradley, CPA, CGA
Chief Financial Officer

Halifax, Canada
March 4, 2024

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Atlantic Pilotage Authority (the Authority), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2023, and its financial performance and it cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also:

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

Halifax, Canada
4 March 2024

Statement of Financial Position

As at December 31, 2023
(in thousands of Canadian dollars)

	2023	2022
ASSETS		
Current		
Cash and cash equivalents	**$ 6,999**	$ 7,005
Trade and other receivables (Notes 5 and 6)	**3,516**	3,605
Investments (Note 7)	**—**	3,400
Prepaid expenses	**385**	159
	10,900	14,169
Non-current		
Intangible assets (Note 8)	**40**	121
Property and equipment (Note 9)	**22,831**	14,296
	22,871	14,417
	$ 33,771	$ 28,586
LIABILITIES		
Current		
Trade and other payables (Notes 5 and 6)	**$ 4,747**	$ 2,739
Bank loans (Notes 6, 11 and 12)	**1,390**	636
Employee severance benefits (Note 14)	**—**	59
Lease liabilities (Notes 10 and 12)	**330**	276
	6,467	3,710
Non-current		
Bank loans (Notes 6, 11 and 12)	**8,553**	7,997
Employee severance benefits (Note 14)	**1,171**	1,028
Lease liabilities (Notes 10 and 12)	**1,172**	1,333
	10,896	10,358
	17,363	14,068
EQUITY OF CANADA		
Retained earnings	**16,408**	14,518
	$ 33,771	$ 28,586

Commitments (Note 18)

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

Approved by the Members of the Authority and authorized for issue on March 4, 2024:

Kyle Gillis
Member

Member

Statement of Comprehensive Income

For the year ended December 31, 2023
(in thousands of Canadian dollars)

	2023	2022
REVENUES		
Pilotage charges (Note 16)	**$ 34,997**	$ 32,519
Other income	**168**	349
	35,165	32,868
EXPENSES		
Pilots' fees, salaries and benefits	**14,729**	14,030
Contracted pilot boat services	**3,714**	3,276
Pilot boat crews' salaries and benefits	**2,632**	2,249
Staff salaries and benefits	**2,595**	2,311
Fuel	**2,237**	2,539
Amortization and depreciation (Notes 8 and 9)	**1,795**	1,888
Repairs and maintenance	**1,401**	1,358
Utilities, materials and supplies	**1,379**	1,053
Transportation and travel	**1,034**	906
Professional and special services	**884**	684
Training	**397**	541
Communications	**162**	172
Finance costs (Notes 10 and 11)	**141**	296
Rentals (Note 10)	**136**	108
	33,236	31,411
Income for the year	**1,929**	1,457
Other comprehensive income		
Amounts not to be reclassified subsequently to net income:		
Actuarial (loss) income on employee severance benefits (Note 14)	**(39)**	126
Other comprehensive (loss) income	**(39)**	126
Comprehensive income	**$ 1,890**	$ 1,583

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

Statement of Changes in Equity

For the year ended December 31, 2023
(in thousands of Canadian dollars)

	2023	2022
Retained earnings, beginning of the year	**$ 14,518**	$ 12,935
Income for the year	**1,929**	1,457
Other comprehensive (loss) income	**(39)**	126
Total comprehensive income	**1,890**	1,583
Retained earnings, end of the year	**$ 16,408**	$ 14,518

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

Statement of Cash Flows

For the year ended December 31, 2023
(in thousands of Canadian dollars)

	2023	2022
OPERATING ACTIVITIES		
Receipts from customers	**$ 35,242**	$ 31,845
Payments to and on behalf of employees	**(19,661)**	(18,453)
Payments to suppliers	**(10,762)**	(10,526)
Finance costs paid	**(141)**	(296)
Other income received	**103**	190
Net cash provided by operating activities	**4,781**	2,760
INVESTING ACTIVITIES		
Purchases of intangible assets	**(3)**	(12)
Purchases of property and equipment	**(9,262)**	(3,310)
Purchase of investments	**—**	(3,400)
Proceeds from sale of investments	**3,400**	—
Interest received	**3**	118
Net cash used in investing activities	**(5,862)**	(6,604)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(297)**	(264)
Proceeds from bank loans	**2,000**	6,000
Repayment of bank loans	**(690)**	(939)
Net cash provided by financing activities (Notes 10, 11 and 12)	**1,013**	4,797
Effect of exchange rate changes	**62**	41
(Decrease) increase in cash and cash equivalents	**(6)**	994
Cash, and cash equivalents, beginning of the year	**7,005**	6,011
Cash and cash equivalents, end of the year	**$ 6,999**	$ 7,005

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

Notes to the Financial Statements

December 31, 2023
(in thousands of Canadian dollars)

1. OBJECTIVES AND ACTIVITIES

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

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

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

2. ESTABLISHING OR REVISING PILOTAGE CHARGES

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

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

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

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

3. ACCOUNTING POLICY INFORMATION

(a) Basis of presentation

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

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. The Authority had cash equivalents totalling $2,549 as at December 31, 2023 (2022 – $2,534).

(c) Financial instruments and investments

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

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

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

(d) Intangible assets

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

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

(e) Property and equipment

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

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

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

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

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

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

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

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

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

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

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

(g) Employee severance benefits

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

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

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

(h) Pension plan

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

(i) Revenue recognition

Revenues from pilotage charges are recognized at a point in time, namely when pilotage services have been completed. At this point, a receivable is recognized for the consideration as it is due upon completion of the service.

4. USE OF ESTIMATES AND JUDGMENTS

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

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

(a) Critical accounting estimates

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

Amortization and depreciation rates

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

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

Pilot boat hulls and structures	10 to 25 years
Pilot boat equipment	3 to 15 years
Pilot boat generators	5 to 15 years
Pilot boat engines	5 to 20 years
Pilot boat inspections	2 to 5 years
Wharves and structures	10 to 50 years
Furniture and equipment	2 to 10 years
Leasehold improvements	shorter of 7 to 10 years or remaining term of the lease
Right-of-use assets	term on the lease

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

Employee severance benefits

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

Valuation of lease liabilities and right-of-use assets

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

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

(b) Critical accounting judgments

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

Impairment test for non-financial assets

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

Valuation of lease liabilities and right-of-use assets

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

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

5. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- interest rate risk
- currency risk

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

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

Credit risk

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

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

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

The Authority's trade and other receivables had a carrying value of $3,516 as at December 31, 2023 (2022 – $3,605). The trade receivables had a carrying value of $2,939 as at December 31, 2023 (2022 – $3,232). There is no concentration of trade receivables with any one customer. As at December 31, 2023, approximately 89% (2022 – 86%) of trade receivables, net of allowance for bad debt, were current, whereas 11% (2022 – 14%) were greater than 30 days outstanding. The Authority recovered nil (2022 – nil) in trade receivables that had previously been recorded as a loss to bad debts. Incurred losses with respect to bad debts in 2023 were nil (2022 – nil). The Authority's allowance for doubtful accounts was $12 at December 31, 2023 (2022 – $12). The Authority's other receivables had a carrying value of $577 as at December 31, 2023 (2022 – $373).

Cash is held with a Canadian chartered bank with Euro and United States Dollar denominated accounts also held in an American federally chartered bank with a Moody's short-term credit rating of P-1 at December 31, 2023. There has been no assessed change in level of risk exposure of the financial instruments held by the Authority.

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Liquidity risk

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

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

The Authority's trade payables had a carrying value of $2,937 as at December 31, 2023 (2022 – $1,461) and are all due within 60 days. The Authority's accrued liabilities had a carrying value of $1,810 as at December 31, 2023 (2022 – $1,278).

The Authority has loans with Canadian chartered banks. At December 31, 2023, these bank loans totalled $9,943 (2022 – $8,633) as disclosed in Note 11.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Authority has limited exposure to interest rate risk as the bank loans have a fixed interest rate which cannot be changed between maturity dates without financial penalty. In addition, the Authority is exposed to interest rate risk for its investments; however, the rates of return being guaranteed, any change in the interest rate would not have a material impact on the Financial Statements.

Currency risk

The Authority has commitments denominated in foreign currency and is exposed to currency risk. This risk has been reduced by maintaining a Euro denominated bank account for the period of this commitment. The commitments denominated in foreign currencies at year end were $1,609 (2022 - $5,586).

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of the investments disclosed in Note 7 is a Level 2 fair value measurement, as is the fair value measurement of the bank loans disclosed in Note 11. No Level 1 or Level 3 financial instruments are held by the Authority.

7. INVESTMENTS

During the year, the Authority had investment in a guaranteed investment certificate that had been earning 2.30% in annualized interest with a maturity date of January 16, 2023. The interest income for the year was $3 (2022 - $54). The investments at December 31 are:

	2023		2022	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Guaranteed Investment Certificates	**$ —**	**$ —**	$ 3,400	$ 3,400

8. INTANGIBLE ASSETS

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

	2023	2022
Cost, beginning of the year	**$ 756**	$ 744
Additions	**3**	12
Disposals	**(68)**	—
Cost, end of the year	**691**	756
Accumulated amortization, beginning of the year	**(635)**	(592)
Amortization of disposals during the year	**—**	—
Amortization for the period	**(16)**	(43)
Accumulated amortization, end of the year	**(651)**	(635)
Carrying amount, end of the year	**$ 40**	$ 121

There is no impairment of intangible assets at December 31, 2023 (2022 – nil).

9. PROPERTY AND EQUIPMENT

2023	Pilot boat hulls and structures	Pilot boat equipment	Pilot boat generators	Pilot boat engines	Pilot boat inspections	Pilot boats under construction	Wharves and structures	Furniture and equipment	Leasehold improvements	Right-of -use assets Note 10(a)	Total
Cost, beginning of the year	$ 12,759	$ 5,702	$ 465	$ 2,947	$ 437	$ 2,281	$ 1,646	$ 948	$ 587	$ 2,551	$ 30,323
Additions	2,690	877	199	1,524	160	4,453	114	80	171	240	10,508
Disposals	(54)	(153)	—	(388)	(81)	—	(119)	(32)	—	—	(827)
Cost, end of the year	15,395	6,426	664	4,083	516	6,734	1,641	996	758	2,791	40,004
Accumulated depreciation, beginning of the year	(6,250)	(4,320)	(369)	(2,274)	(229)	—	(576)	(678)	(180)	(1,151)	(16,027)
Depreciation of disposals during the year	28	140	—	286	68	—	79	32	—	—	633
Depreciation for the year	(602)	(320)	(20)	(258)	(95)	—	(54)	(89)	(57)	(284)	(1,779)
Accumulated depreciation, end of the year	(6,824)	(4,500)	(389)	(2,246)	(256)	—	(551)	(735)	(237)	(1,435)	(17,173)
Carrying amount, end of the year	$ 8,571	$ 1,926	$ 275	$ 1,837	$ 260	$ 6,734	$ 1,090	$ 261	$ 521	$ 1,356	$ 22,831

2022	Pilot boat hulls and structures	Pilot boat equipment	Pilot boat generators	Pilot boat engines	Pilot boat inspections	Pilot boats under construction	Wharves and structures	Furniture and equipment	Leasehold improvements	Right-of -use assets Note 10(a)	Total
Cost, beginning of the year	$12,777	$ 5,779	$ 432	$ 2,806	$ 466	$ 170	$ 1,640	$ 1,023	$ 580	$ 2,551	$ 28,224
Additions	116	336	49	223	110	2,111	14	105	7	—	3,071
Disposals	(134)	(413)	(16)	(82)	(139)	—	(8)	(180)	—	—	(972)
Cost, end of the year	12,759	5,702	465	2,947	437	2,281	1,646	948	587	2,551	30,323
Accumulated depreciation, beginning of the year	(5,738)	(4,285)	(369)	(2,041)	(289)	—	(518)	(744)	(124)	(897)	(15,005)
Depreciation of disposals during the year	82	365	16	40	138	—	2	180	—	—	823
Depreciation for the year	(594)	(400)	(16)	(273)	(78)	—	(60)	(114)	(56)	(254)	(1,845)
Accumulated depreciation, end of the year	(6,250)	(4,320)	(369)	(2,274)	(229)	—	(576)	(678)	(180)	(1,151)	(16,027)
Carrying amount, end of the year	$ 6,509	$ 1,382	$ 96	$ 673	$ 208	$ 2,281	$ 1,070	$ 270	$ 407	$ 1,400	$ 14,296

There is no impairment of property and equipment at December 31, 2023 (2022 – nil).

10. LEASES

(a) Right-of-use assets

2023	Office space	Pilot boat facilities	Land	Total
Balance, beginning of the year	$ 747	$ 653	$ —	$ 1,400
Additions	240	—	—	240
Depreciation	(200)	(84)	—	(284)
Balance, end of the year	$ 787	$ 569	$ —	$ 1,356

2022				
Balance, beginning of the year	$ 916	$ 737	$ 1	$ 1,654
Additions	—	—	—	—
Depreciation	(169)	(84)	(1)	(254)
Balance, end of the year	$ 747	$ 653	$ —	$ 1,400

(b) Lease liabilities

The Authority's lease liabilities consist of:

	2023	2022
Lease liabilities, beginning of the year	**$ 1,609**	$ 1,873
Additions during the year	**190**	—
Principal payments	**(297)**	(264)
Total lease liabilities	**$ 1,502**	$ 1,609
Current portion	**$ 330**	$ 276
Non-current portion	**1,172**	1,333
	$ 1,502	$ 1,609

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

YEAR	
2024	$ 40
2025	2
2026	—
2027	—
2028	—
	$ 42

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

YEAR	
2024	$ 372
2025	373
2026	375
2027	217
2028	97
2029 and beyond	174
	$ 1,608

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

Interest expense on lease liabilities is $47 (2022 – $49).

Expenses and cash paid for leases of low value and short-term leases are $136 (2022 – $108). The expenses associated with low value items are $56 (2022 – $32) and expenses associated with short-term leases are $80 (2022 – $76).

Interest payments of $47 (2022 – $49) are classified in the statement of cash flows as finance costs paid. Principal payments of $297 (2022 – $264) are classified as repayment of lease liabilities.

11. BANK LOANS

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

	2023	2022
Non-revolving term facility, payable in monthly instalments including interest at 2.93%, amortized over 10 years, term ending on January 21, 2023, unsecured.	**$ —**	$ 9
Non-revolving term facility, payable in monthly instalments including interest at 3.14%, amortized over 10 years, term ending on January 14, 2024, unsecured.	**793**	935
Non-revolving term facility, payable in monthly instalments including interest at 4.90%, amortized over 15 years, term ending on May 10, 2026, unsecured.	**1,947**	—
Non-revolving term facility, payable in monthly instalments including interest at 3.71%, amortized over 15 years, term ending on April 21, 2027, unsecured.	**5,487**	5,800
Non-revolving term facility, payable in monthly instalments including interest at 3.68%, amortized over 15 years, term ending on April 21, 2027, unsecured.	**1,716**	1,889
	$ 9,943	$ 8,633
Current portion	**$ 1,390**	$ 636
Non-current portion	**8,553**	7,997
	$ 9,943	$ 8,633

Interest expense on loans amounted to $94 (2022 – $247) and is composed of the following:

	2023	2022
Total interest expense on loans	**$ 361**	$ 247
Interest expense capitalizes into property and equipment	**(267)**	—
	$ 94	$ 247

Interest expense of $267 (2022 – nil) was capitalized where loan proceeds were to be used for the pilot boats under construction.

As at December 31, 2023, the fair value of the bank loans is estimated at $9,786 (2022 – $8,319). The estimate is based on the valuation technique of discounting future cash flows. Expected future interest and principal payments are discounted using Level 2 inputs such as current interest rates for similar loans that are available from Canadian chartered banks at December 31, 2023.

The estimated undiscounted principal repayments on outstanding borrowings as of December 31, 2023 are as follows:

YEAR	
2024	$ 1,745
2025	950
2026	2,550
2027	5,705
2028	—
	$ 10,950

The Authority has an operating credit facility of up to $2,500 available at an interest rate not to exceed the prime lending rate. No amount had been drawn down on the credit facility at December 31, 2023 (2022 – nil). The credit facility is available to the Authority as required and has no renewal date or fixed term.

Subsequent to December 31, 2023, the Authority renegotiated the non-revolving term facility that matured on January 14, 2024 with another financial institution and it remains a non-revolving term facility, payable in monthly instalments, including interest at 4.87%, amortized over 5 years, with a term ending on January 14, 2029.

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

12. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	2023	2022
Finance liabilities, beginning of the year	**$ 10,242**	$ 5,445
Cash used for debt payments	**(690)**	(939)
Cash used for lease payments	**(297)**	(264)
Additional bank loans	**2,000**	6,000
Additional lease liabilities	**190**	—
Finance liabilities, end of the year	**$ 11,445**	$ 10,242

13. PENSION PLAN

The Plan was amended during 2013 which raised the normal retirement age and other age-related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For members with start dates before January 1, 2013, the normal retirement age remains 60.

The general contribution rate effective at December 31, 2023 was 1.02 to 1 of employee contributions (2022 – 1.02 to 1) to a defined salary threshold for all existing plan members contributing to the Public Service Pension Plan on or before December 31, 2012. The general contribution rate effective at December 31, 2023 was 1 to 1 of employee contributions (2022 – 1 to 1) to a defined salary threshold for all new plan members who joined the Public Service Pension Plan on or after January 1, 2013. On the portion of salaries above the defined threshold, the Authority is required to contribute on a ratio of 5.29 to 1 of employee contributions (2022 – 5.91 to 1). Total contributions by the Authority of $1,224 (2022 – $1,229) were recognized as an expense in the current year. The Authority expects to make employer contributions of $1,438 during 2024.

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

Contributions to the Public Service Pension Plan consisted of:	**2023**	2022
Contributions by the Authority	**$ 1,224**	$ 1,229
Contributions by employees	**$ 1,203**	$ 1,189

14. EMPLOYEE SEVERANCE BENEFITS

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

The projected unit credit method of funding was used for the valuation. Under this method the accrued benefit obligation is equal to the actuarial present value of all future benefits, taking into account the assumptions described below, multiplied by the ratio of an employee's service at the valuation date to total service at the assumed termination date. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in that period. These costs, along with the interest cost and experience loss due to settlement are included in the statement of comprehensive income for the year ended December 31, 2023 with $106 (2022 – $89) under pilots' fees, salaries and benefits. The cumulative amount of actuarial losses recognized in other comprehensive income is $445 at December 31, 2023 (2022 – $406).

Information about the plan, measured at December 31, is as follows:	2023	2022
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of the year	**$ 1,087**	$ 1,276
Current service cost	**51**	60
Interest cost	**55**	29
Benefits paid during the year	**(61)**	(152)
Actuarial loss (gain)	**39**	(126)
Accrued benefit obligation, end of the year	**$ 1,171**	$ 1,087
Components of expense recognized in profit and loss		
Current service cost	**$ 51**	$ 60
Interest cost	**55**	29
Total expense recognized in profit and loss	**$ 106**	$ 89
Analysis of actuarial gain or loss		
Cumulative actuarial losses, beginning of the year	**$ 406**	$ 532
Change in discount rate	**21**	(140)
Experience loss	**18**	14
Cumulative actuarial losses, end of the year	**$ 445**	$ 406
Classification of accrued benefit obligation		
Current portion	**$ —**	$ 59
Non-current portion	**1,171**	1,028
Accrued benefit obligation, end of the year	**$ 1,171**	$ 1,087
Key assumptions used in the actuarial valuation		
Discount rate	**4.60%**	5.10 %
Estimated salary rate increase	**2.75%**	2.75%
Age at retirement	**62**	62

Assumed discount rates have an effect on the amounts reported for the accrued benefit obligation. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31, 2023 by $44. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31, 2023 by $41.

The assumed salary increase rates also have an effect on the amounts reported for the accrued benefit obligation. A 1% increase in this assumption would increase the defined benefit obligation at December 31, 2023 by $44. A 1% decrease would reduce the obligation at December 31, 2023 by $42.

When the retirement age assumption is reduced by one year for all employees, the defined benefit obligation increases by $13 for December 31, 2023.

The weighted-average of the maturity of the plan at December 31, 2023 was 3.6 years (2022 – 4.4 years). The Authority expects that benefits paid during 2024 will be nil.

15. CAPITAL MANAGEMENT

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

The Authority is subject to financial management and accountability provisions of the *Financial Administration Act* (FAA) which imposes restrictions in relation to borrowings and acquisition of investments. The Authority must obtain approval of all borrowings from the Minister of Finance on an annual basis. With this approval, the Authority may invest any moneys not immediately required for the purposes of the Authority, in any class of financial asset. During the years ended December 31, 2023 and December 31, 2022, the Authority has complied with these restrictions.

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

The Authority's objectives when managing capital are:

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

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

16. PILOTAGE CHARGES

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

	2023	2022
Pilotage charges	**$ 33,840**	$ 31,433
Deficit additional charge	**1,157**	1,086
Total pilotage charges	**$ 34,997**	$ 32,519

17. RELATED PARTY TRANSACTIONS

(a) Trading transactions

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

The Authority entered into an arrangement with Transport Canada beginning April 1, 2020 for the provision of regulatory services and expertise. This is an on-going arrangement subject to review every 10 years. The costs incurred are included in the statement of comprehensive income for the year ended December 31, 2023 with $212 (2022 – $154) under professional and special services.

(b) Compensation of key management personnel

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

	2023	2022
Executive management compensation		
Short-term employee benefits, such as wages and salaries	**$ 851**	$ 803
Post-employment benefits	**90**	107
	$ 941	$ 910
Board compensation		
Retainer	**$ 21**	$ 21
Per diems	**53**	50
	$ 74	$ 71

18. COMMITMENTS

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

As at	December 31, 2023
Not later than one year	$ 5,370
Later than one year but not later than five years	475
Later than five years	236
	$ 6,081

Minimum payments for low value or short-term leases related to office space and office equipment are listed in Note 10(b).