Great Lakes Pilotage Authority
Administration de pilotage des Grands Lacs

Canada

2023 ANNUAL REPORT

SUMMARY

MISSION

Proactively deliver quality marine pilotage services by collaborating with stakeholders, leveraging technology, and recruiting proficient pilots and staff.

VISION

To be a leader in marine pilotage services that ensure the safe, efficient, sustainable, and reliable movement of goods through the Great Lakes region.

VALUES

The GLPA is guided by the following values:

Service Excellence	We are committed to being an agile organization that delivers safe, high-quality services to our stakeholders.
Solutions-Focused	We are collaborative and transparent in addressing opportunities and challenges to create value for our stakeholders.
Care for Our People	We are an organization that is diverse, inclusive and creates opportunities for the professional growth of our people.
Care for the Environment	We are an organization that values and strives to be environmentally responsible.

TAKING THE HELM

The Great Lakes Pilotage Authority (GLPA), a federal crown Corporation established in 1972 following the introduction of the *Pilotage Act*, works diligently in the public interest to deliver comprehensive, best-in-class pilotage services. We are responsible for administering and providing marine pilotage and related services in the Great Lakes region, an area covering some 250,000 km^2 of navigable waters. Our mandate includes pilotage operations, training, and the application of pilotage regulations in our operating area.

The GLPA provides safe, efficient, and reliable pilotage services in the Great Lakes and in the St. Lawrence Seaway. The free flow of trade on this vital maritime route depends on it.

In 2023, the GLPA faced significant challenges that influenced both its operations and financial position. Despite these hurdles, the organization's response was marked by proactive, transparent, and responsible actions. Faced with the departure and absences of key senior management figures, alongside the complexities of negotiating labour contracts concurrent with addressing tax-related issues, the Board, management team, and employees demonstrated commendable commitment and effectiveness. Their collective efforts not only addressed the immediate challenges but also underscored the resilience and adaptability of the GLPA.

Consequently, the organization upheld its commitment to delivering safe and efficient pilotage services, achieving a 99.9% incident-free rate. Simultaneously, it remained focused on fulfilling its legislated mandate of financial self-sufficiency.

2023 HIGHLIGHTS

8,823

ASSIGNMENTS

5% decrease over 2022
102 winter work assignments

69

FULL-TIME EQUIVALENT PILOTS

Up 4% from 2022
(66.5 FTE Pilots in 2022)

288

NAVIGATION DAYS

2-days increase over 2022

$45.3

MILLION IN TOTAL REVENUES

99.9%

INCIDENT-FREE ASSIGNMENTS

0 major incidents
6 minor incidents

2023

AT A GLANCE

KEY FINANCIAL INDICATORS (in millions of Canadian dollars)	**2023**	2022	2021	2020	2019
Total revenues	**45.3**	46.0	45.0	38.2	40.5
Direct operating expenses	**45.8**	38.7	32.6	34.8	37.8
Contribution margin	**(0.5)**	7.3	12.4	3.4	2.7
Indirect operating expenses	**2.5**	2.3	2.1	2.1	1.9
Administrative expenses	**3.6**	2.9	2.4	2.1	2.0
Other comprehensive gain (loss)	**(0.5)**	0.1	0.0	(0.2)	(0.1)
Net Surplus (deficit)	**(7.1)**	**2.2**	**7.9**	**(1.0)**	**(1.3)**

KEY OPERATING STATISTICS					
Assignments – Navigation Season	**8,823**	9,315	8,179	9,061	9,928
Assignments – Winter work	**102**	73	113	229	165
Total Assignments	**8,925**	9,388	8,292	9,290	10,093
% of incident-free total assignments	**99.9%**	99.9%	99.9%	99.8%	99.9%

Cost per assignment Including winter work	**5,881**	4,662	4,477	4,224	4,135
Number of vessel delay hours due to a shortage of pilots	**2,355**	3,802	3,924	5,673	8,166
Full-time equivalent employees during the year:					
Pilots	**69.0**	66.5	64.0	60.1	59.1
Apprentice-pilots	**6.0**	3.6	7.4	7.2	8.2
Dispatchers	**10.0**	9.5	9.5	9.5	9.0
Administrative staff	**15.5**	14.5	14.5	12.5	11.5
Total	**100.5**	**94.1**	**95.4**	**89.3**	**87.8**

MESSAGE

On behalf of the Board of Directors and management of the Great Lakes Pilotage Authority (GLPA), we are pleased to submit, pursuant to Section 150 of the *Financial Administration Act*, our Annual Report for the year ended December 31, 2023.

Notwithstanding short-term challenges related to management succession and financial self-sufficiency and longer-term issues related to pilot succession, changing traffic patterns and evolving stakeholder relations, the organization remained steadfastly focused on achieving its vision.

Thanks to the most important asset we have - our entire team - and guided by values that are integral to decision-making, we were able to continue delivering on our mission.

FROM THE CHAIRPERSON

AND INTERIM CHIEF EXECUTIVE OFFICER

Financial Self-Sufficiency

The GLPA's government mandate is to balance two objectives: achieve financial self-sufficiency while facilitating the safe movement of traffic to minimize vessel delays in the Great Lakes region.

After accumulating a deficit of $2.8 million in 2020, we were able to establish a necessary financial reserve of $7.2 million by 2022. The plan was to use this reserve for investing in the organization's assets, mitigating the impact of potential uncertainties in the Canadian and global economies, reducing the risk of volatility in maritime traffic, and financing the effects of labour shortages.

In 2023, the GLPA identified a potential issue regarding the tax implications of travel allowances paid to pilots. The organization collaborated with tax consultants to assess whether these allowances should be classified as taxable benefits, noting that they were not taxed previously.

Based on review and advice by the tax consultants, the GLPA concluded that these allowances were, in fact, taxable under both Canadian and Québec tax regulations, and we revised procedures to comply with these tax requirements. This scenario introduced a financial liability of approximately $4.2 million for the GLPA and the pilots.

In a tangible demonstration of good faith, the GLPA proactively volunteered to shoulder some of the responsibility for the tax liabilities incurred by our pilots due to this income tax revision. By the end of 2023, we successfully incorporated this provision into two of the four new collective agreements. We anticipate finalizing the remaining agreements in 2024, further solidifying our commitment to supporting our pilots through this transition.

By addressing this situation proactively, the organization aims to minimize the associated risks.

Operations

Every year, our foremost operational goal is the provision of safe pilotage services. We are pleased to report that, consistent with our achievements in 2022, we successfully maintained a 99.9% incident-free rate for all assignments in 2023.

On a daily basis, our aim is to balance the demand for safe and efficient pilotage services with the availability of resources. In 2023, we completed 8,823 pilotage assignments (excluding winter operations), marking a 5% decrease from the previous year. The assignments per pilot – a measure of workload – saw a reduction of 8.6%, leading to an average of 128 assignments per pilot, down from 140 in 2022.

"When I came in as Interim CEO, I saw first-hand how solid the organization really is; everybody stepped up to deliver on our mandate and to take care of our stakeholders. As someone who started as a deck hand, was a ship's Captain for 10 years and 20 years in management, this was both reassuring and inspiring."

In 2023, vessel-delay hours due to pilot shortages during the navigation season decreased by 38% compared to 2022, totalling 2,355 hours. The GLPA aims to keep delays under 5,000 hours. Much of this reduction was due to decreased traffic compared to the previous year. To ensure we have enough pilots to meet demand and improve efficiency, we aim for 115-120 assignments per pilot. This target is expected to further reduce delays and pilotage costs by minimizing assignments that require overtime.

While the GLPA has historically benefitted from a stable pilot workforce with minimal turnovers, like other maritime industry stakeholders, we have more recently faced workforce shortages due to an aging workforce and a growing industry. The high level of pilot retirements experienced since 2015 – an ongoing trend – has resulted in pilot succession planning and pilot recruitment being a high priority for the GLPA. This issue affects us operationally as we worked to balance forecasted demand for pilotage services in the Great Lakes region with the number of pilots available.

In 2023, the GLPA provided pilotage services utilizing a team of 69 full-time equivalent (FTE) pilots, which included 66 full-time pilots and 6 part-time pilots, each accounted for as 0.5 FTE. The organization also focused on developing its future capabilities by training 6 apprentice pilots. Anticipating an increase in demand for pilotage services and aiming to minimize delays and control costs, the GLPA is planning a workforce expansion. This strategy involves a targeted 15-20% increase in the pilot workforce by 2027, ensuring the organization is adequately equipped to meet near to medium-term future demands.

Succession of Key Management Positions

During 2023, the GLPA experienced changes at the senior leadership level. These included the departure of our Chief Executive Officer (CEO), an unexpected short leave taken by our Director of Operations, and the hiring of a new Chief Financial Officer (CFO) in late 2022.

Notably, as Chair, I was called upon to step in as Interim CEO during the year, a role that I accepted gladly. More than anything, I appreciated the opportunity to leverage my experience from decades both as a ship's Captain and as an executive in the shipping industry and to work even more closely with our incredible team.

The recruitment of a new CEO is ongoing, as is preparation for the expected retirement of the Director of Operations in the next few years.

I must also highlight the work done by the Chief Operating Officer and dispatch supervisor and the team of dispatchers and others who really rose to the occasion during the absence of Director of Operations. We are very happy to report that the Director of Operations has returned to help guide this business forward.

I would like to take this opportunity on behalf of the Board and the entire crew, to thank Michele Bergevin for her dedication, hard work, and much valued guidance during her tenure as CEO. A tremendous amount of progress was achieved under her watch, and she will be missed.

The GLPA will continue its effort to recruit and onboard key roles to ensure business continuity and minimal operational disruption.

Looking Forward

While 2023 did present its challenges, the way the Board and the team united to address them effectively, efficiently and responsibly instills confidence for the years ahead. Looking forward to 2024, we are excited to welcome a new CEO who will contribute to the GLPA's success.

Captain James Pound
Chairperson of the Board and Interim CEO

ABOUT

THE GLPA

The Great Lakes Pilotage Authority (GLPA) is responsible for administering and providing marine pilotage and related services in all Canadian waters in the Provinces of Manitoba, Ontario, and in Québec south of the northern entrance to the St. Lambert Lock near Montréal. The GLPA is one of four such authorities in Canada, the three others covering the Atlantic, Laurentian and Pacific regions.

The GLPA was established in February 1972 pursuant to the *Pilotage Act* and was incorporated as a limited company in May of that year until October 1, 1998. Pursuant to the *Canada Marine Act* – which received Royal Assent on June 11, 1998 – the GLPA was established as an independent Crown Corporation.

On behalf of the Government of Canada, the GLPA is mandated to provide safe, efficient, and reliable pilotage services in the Great Lakes region and the Port of Churchill, Manitoba, and administers and monitors an extensive Pilotage Certification Program for all Canadian domestic ships trading in the Great Lakes.

Safety is our prime concern, as we exercise a leadership role in safeguarding navigation, marine personnel, the environment, and the public.

MANDATE

The GLPA's mandate is to establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service in its area of responsibility.

Operational Context

Maritime shipping in the Great Lakes-Seaway system is vital to Canada's prosperity and is an essential link to international markets. North American farmers, steel producers, construction firms, food manufacturers, power generators and Canadian households depend on the raw materials and finished goods that are delivered by ships every year to and from the Great Lakes region. In addition, the passenger cruise industry in the Great Lakes is increasingly contributing to the local economies by generating tourism opportunities and employment for the surrounding communities.

The delivery of pilotage services in compulsory pilotage areas supports the economic and environmental goals of the federal government. Safe and reliable pilotage services ensure the movement of goods and people, as well as yielding economic benefits to Canada and the industries dependent on these transports that create jobs, increase economic opportunities, and expand markets for Canadian companies. The services also contribute to fulfilling environmental goals through the safe transportation of commodities and hazardous materials. The GLPA's pilotage services benefit Canadians by protecting marine ecosystems, a vibrant tourism industry, and local infrastructure.

The GLPA is a non-agent Crown corporation – listed in Schedule III, Part I of the *Financial Administration Act*. Given that the GLPA is not eligible for appropriations, the Corporation is mandated to deliver services on a basis of financial self-sufficiency. To do this, the *Pilotage Act* provides that pilotage charges must be fair and reasonable and – together with any revenue from other sources – shall permit the GLPA to operate on a self-sustaining financial basis, including having reasonable reserves for future expenditures and contingencies.

Public Policy Role

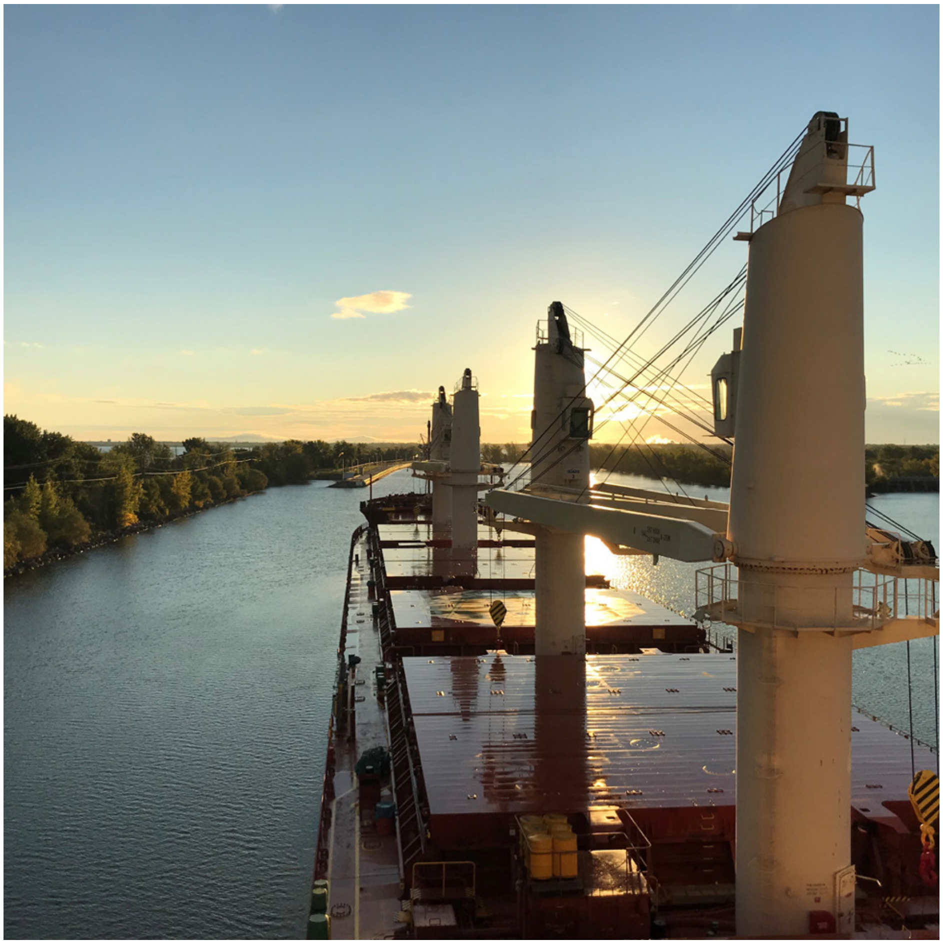
The GLPA plays an important role in public policy. The delivery of pilotage services in compulsory pilotage areas supports both the economic and environmental goals of the federal government. Safe and reliable pilotage services ensure the movement of goods and people as well as generating economic benefits to Canada. Our services also contribute to fulfilling environmental goals through the safe transportation of commodities and hazardous materials.

Strategic Plan

In October 2023, the Board of Directors and the senior management team continued the process of developing an updated and refreshed Strategic Plan for the 2024 to 2028 planning period. The purpose of this effort was to update and enhance the GLPA's Strategic Plan so that the organization can continue to optimize the establishment, operation, and administration of safe and efficient pilotage services across the Great Lakes region.

Through a multi-phase process, the Board and senior management team worked together to update and align the key drivers of the business, including operating environment, financial assumptions, objectives, activities, risks, expected results, performance indicators, and others. All of these will continue to support short- and long-term decision making.

WHAT



WE DO

Safe Pilotage

Along with our partners, we ensure safe passage to all vessels navigating through the Great Lakes system of lakes, locks, and narrow channels.

Pilotage Charges

We establish pilotage charges at levels we believe are fair and reasonable for our customers, in keeping with our objective to be financially self-sufficient.

Pilotage Training and Certification

In light of the amendments to the *Pilotage Act*, the GLPA's involvement in the marine pilotage certification and training program has transitioned to a monitoring role. This shift ensures ongoing compliance with the General Pilotage Regulations by Canadian masters and officers, thereby safeguarding the safe passage of vessels through Canada's compulsory pilotage zones. Since June 2021, Transport Canada has assumed full responsibility for the issuance, suspension, and cancellation of pilot licenses and pilotage certificates.

The GLPA's current focus is on monitoring compliance with these standards and reporting any instances of non-compliance to Transport Canada. This role is crucial in maintaining the high standards of safety and efficiency in Canadian waters. The GLPA remains committed to working closely with Transport Canada and all stakeholders, ensuring that the certification program continues to meet the industry's needs and regulatory requirements.

Pilotage Areas

The GLPA has five compulsory pilotage areas (referred to as districts) within the Great Lakes region, and a sixth within the limits of the Port of Churchill, Manitoba:

- Cornwall District;
- International District No. 1;
- International Lake Ontario District;
- International District No. 2;
- International District No. 3; and
- Port of Churchill, Manitoba.

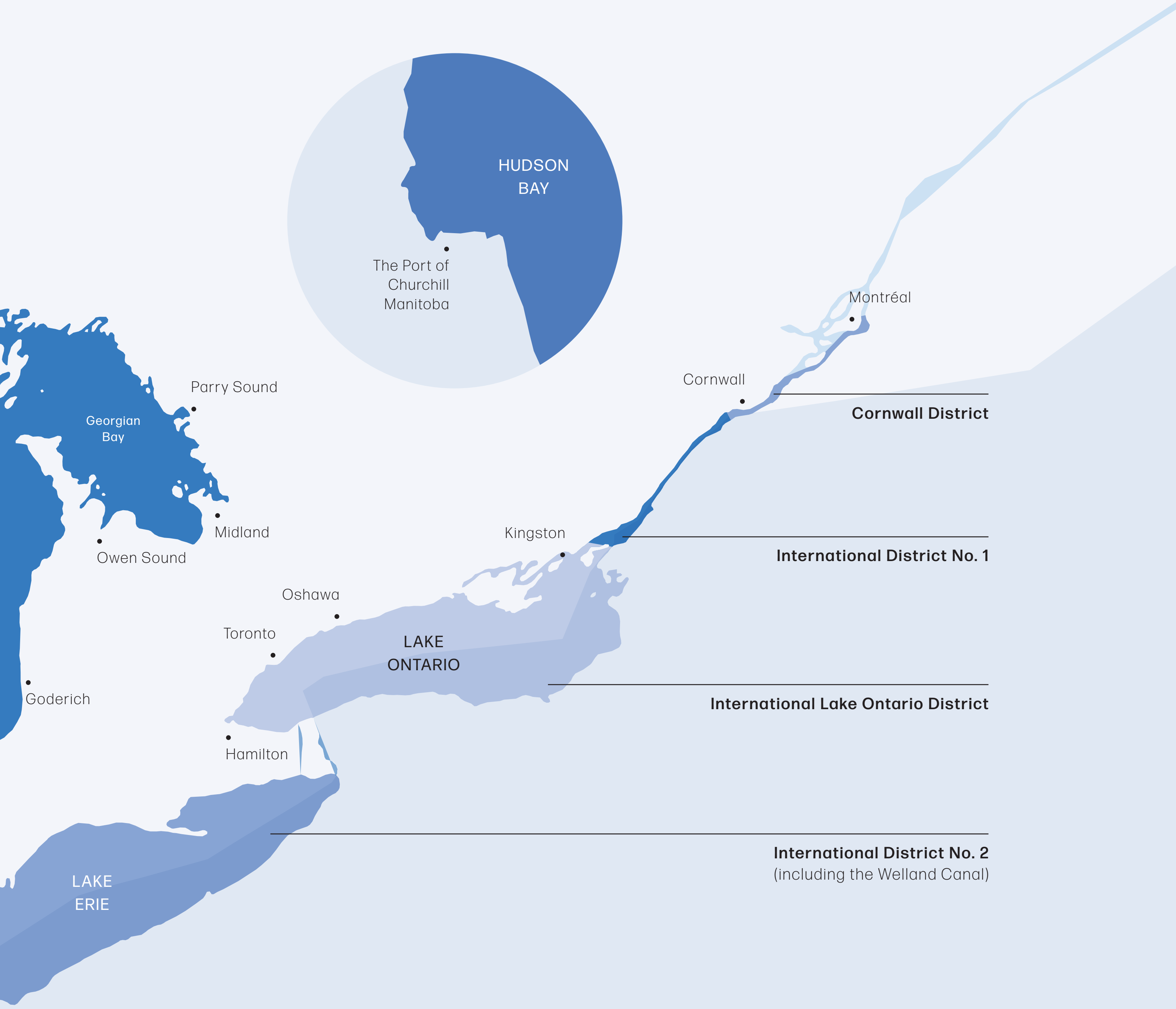
Pilotage services on the Great Lakes are shared between the United States and Canada, therefore the GLPA collaborates and coordinates with other organizations to ensure that reliable, effective, and efficient pilotage services are provided to its customers.

These organizations include:

- The St. Lawrence Seaway Management Corporation and the United States St. Lawrence Seaway Development Corporation, which are responsible for operating the lock facilities and maintaining traffic control system within the region;
- The Canadian Coast Guard, which is responsible for marine search and rescue (SAR), communication, navigation, and transportation issues in Canadian waters, such as navigations aids and icebreaking; and
- The United States Coast Guard, which is responsible for United States pilotage matters in international waters. Because Canada shares much of the St. Lawrence Seaway and Great Lakes with the United States, ships that travel through the region may cross the international boundary many times in a single voyage.


Nipigon
Marathon
Thunder Bay
LAKE
SUPERIOR
Wawa
Sault Ste. Marie
International District No. 3
(including waters and ports of Lakes Huron,
Michigan and Superior)
LAKE
HURON
LAKE
MICHIGAN
Sarnia
Windsor

OPERATIONAL AREA



Looking Ahead

Maritime Economy

According to the United Nations, 90% of world trade travels by sea. The maritime economy, fundamental to global trade, has shown remarkable resilience in the face of recent global crises, such as the war in Ukraine. According to a 2023 analysis of global maritime trends, maritime trade is expected to grow by 2% annually from 2024 to 2028. However, the maritime industry faces potential vulnerabilities, particularly in critical passageways that are essential for the smooth flow of global commerce. The Suez Canal and Bab el-Mandeb Strait, the Strait of Hormuz, the Straits of Malacca and Taiwan, and the Panama Canal are identified as strategic chokepoints. These areas are at risk of becoming obstructed due to geopolitical or environmental factors, which could severely impact global supply chains and economic stability.

The conflict in the Red Sea, while currently prominent in the news, underscores the broader issue of maritime chokepoints and their susceptibility to disruptions. Whether due to geopolitical tensions or environmental changes, any obstruction in these critical maritime passageways could lead to significant delays, increased shipping costs, and broader economic repercussions.

The maritime industry's response to these challenges involves not only navigating current geopolitical landscapes but also adapting to environmental pressures and regulatory changes aimed at promoting sustainability. As maritime trade continues to grow, the industry's ability to manage these risks effectively will be crucial for maintaining the flow of global commerce and supporting the continued growth of the maritime economy. With over 500 port facilities, 800 fishing harbours and 120 recreational harbours, Canada's water transportation moves over $150 billion of trade annually and marine shipping and support activities employ some 20,000 people in Canada. Marine shipping helps Canada meet its economic goals and provides vital services to remote and Northern communities with essential goods as well.

Marine pilotage makes an essential contribution to the economic engine that is marine shipping. By boarding a vessel to navigate it through ports, straits, lakes, rivers and other waterways, marine pilots use their seafaring experience and superior local knowledge of the waterways they serve to safely move vessels to and from their destinations. Canadian pilots carry out over 50,000 assignments annually, often navigating ships with either precious or potentially hazardous cargo. And they provide service 24 hours a day, 7 days a week, all year long, in all types of weather.

Strategic Goals

To continue to play a key role in maritime shipping in Canada over the long-term, the GLPA has established four strategic goals:

- **Be an Employer and Partner of Choice:** Create a people and customer-centric organization that is an employer and partner of choice within the marine sector.
- **Deliver Safe, Reliable, and Innovative Service:** Be proactive and agile in delivering safe, reliable, and cost-effective marine pilotage services.
- **Create Value for Stakeholders:** Create organizational and stakeholder value through effective, efficient, and responsive processes, structured services and programs.
- **Deepen Industry Relations and Engagement:** Deepen and sustain strong reciprocal relationships with stakeholders to continuously strengthen service excellence and the GLPA's reputation.

Operational Imperatives

The shipping industry in Canada depends on the GLPA to be proactive and agile in delivering safe, reliable, and effective marine pilotage services in a way that considers leading practices and sector innovations. To meet these expectations, the GLPA continues to improve customer service and work with industry stakeholders to develop approaches that minimize avoidable delays. This includes continuing to maintain a strong record of safety by ensuring a 99.9% incident-free assignments. This also involves working with United States counterparts to harmonize processes and practices to deliver a more seamless service to stakeholders. Other specific actions the GLPA undertake include:

- Recruit and train an appropriate number of apprentice-pilots;
- Revise and update the Pilot Quality Assurance Program to ensure the highest safety standards;
- Ensure the Apprentice-pilot Training Program reflects current pilotage trends enabling the GLPA to provide the most comprehensive and up-to-date training for future pilots;
- Offer stress management support for its pilots;
- Achieve minimal delays and improve inefficiencies;
- Ensure enough Canadian ship transits are audited to demonstrate that Canadian ships are transiting under the conduct of a valid certificate holder; and
- Develop pilotage charge strategies that will generate sufficient revenues to record annual surpluses to maintain a reasonable financial reserve.

A PILOT'S DAY

Marine Pilots are trusted guides.

They use their local knowledge and experience to help Captains navigate their ships to the destination while factoring in such challenges as constantly shifting marine traffic and conditions on the water and even geography given the evolution of shoals and water levels during the season.

Their main priority: to ensure the safety of the ship, its crew, passengers, other boaters, shoreline residents, dock workers, infrastructure, and the environment while vessels transit through the GLPA's operational area.

For foreign crews (the bulk of GLPA's customers) travelling in an often unfamiliar, narrow waterway (including a long series of locks) and subject to both Canadian and US regulations, this is a crucial service.

While the Captain always remains in command of the vessel, Pilots are responsible for its navigational conduct while at the helm, working in conjunction with the Captain and crew on such tasks as steering the ship into or out of a docking berth, plotting safe courses, and directing speed.

In the above picture, the GLPA pilots skillfully navigate a ship through Lock 8 of the Welland Canal, showcasing their expertise in maneuvering through the remarkably narrow waterway. This image captures the precision and skill required for such operations, highlighting the critical role of GLPA pilots in ensuring safe and efficient passage through one of Canada's most vital maritime corridors.

For Scott Balko, a seasoned Captain before becoming a pilot for GLPA, this is a typical day.

5:00
GLPA dispatch calls him at home with the assignment*

5:00
Travels to Port Colborne

6:30
Arrives at port and boards the pilot boat

7:00
Arrives and boards the ship using its rope ladder (if the weather** is too bad, the ship would be at anchor until it was safe to make this "pilot transfer")

Has briefing with Captain, and consults the GLPA Pilot-Master Exchange of Information Checklist (see next page)

Takes navigational conduct of the ship, remaining in communication with Captain and crew as they make their way east

9:30
Arrives at Lock 8, the first of many today

18:30
Having transited Locks 7 through 1, proceeds out into Lake Ontario where he hands over the conduct of the ship to a Lake Ontario pilot

Debarks the ship and takes the pilot boat back to dock

19:00
Returning to a GLPA's base station accommodation for the night, he awaits the next assignment

Like most pilots, Scott will spend between 10 and 14 hours on a typical pilotage assignment (depending on traffic and conditions) during his two weeks on/one week off tour. As he puts it: "Piloting is a great way to balance the challenges and adventure of a seafaring life with the benefits of being close to home."

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* GLPA typically knows the ship's ETA with a 12-hour notice, although this may vary significantly
** Pilots who are "on tour" consult weather and traffic conditions daily to be prepared for next assignment

Pilot-Master exchange of information checklist

GENERAL INFORMATION

- ☐ Pilot introduction and introduction of apprentice pilot if applicable;
- ☐ Establish common communication language;
- ☐ Review the vessel's information card and consult additional references if necessary;
- ☐ Consult with the master to find out if there are errors or deficiencies (nav.aids, propulsion system, steering gear, etc.);
- ☐ Confirm the vessel's intended destination, vessel's current drafts and where/when the next pilot exchange will occur;
- ☐ Discuss briefly the ships specific manoeuvring characteristics (type of propeller, type of fuel being used, type of rudder and number of pumps, critical revolutions, bow thruster, etc.);
- ☐ Confirm the presence of a navigational officer on the bridge at all times that can understand and communicate in English. He/she will be responsible to monitor closely the helmsman/lookout in their functions and assist the pilot as required;
- ☐ Inform the master that the pilot will initiate communications with the Marine Communications and Traffic Services and other ships. The pilot will communicate to the bridge team the details and/or arrangements made for meeting and passing other ships;
- ☐ Communicate to the bridge team the VHF radio channels to be used along the transit.

PASSAGE PLAN INFORMATION

- ☐ Inform master of expected weather conditions including wind/currents and other;
- ☐ Inform master of expected traffic/delays/restrictions and intended manoeuvers if applicable;
- ☐ Relay information regarding navigation notices and any local anomalies, if applicable;
- ☐ Request the notice time required for the crew to reduce the engine to manoeuvering speed, if applicable;
- ☐ Inform the master when his presence will be required on the bridge during the transit;
- ☐ Inform the anticipated times for lock/mooring/anchoring/tug manoeuvers and required personnel;
- ☐ Discussion with the master of the methods of execution anticipated for mooring, undocking, locking, use of tugs or any particular manoeuvers;

  Verity if the vessel has the Seaway mooring service;
- ☐ Inform master on arrangements for embarking or disembarking a pilot at the next station;
- ☐ Reference to the online accessible GLPA passage plan for the compulsory pilotage areas of the Great Lakes;
- ☐ Discussion of passage plan being used for information purpose and that the pilot can diverge of planned courses and speed whenever necessary;
- ☐ Discussion of any other items considered applicable regarding the transit.

Great Lakes Pilotage Authority | Administration de pilotage des Grands Lacs

Canada

OUR TEAM

Piloting massive ships that contain goods and resources that fuel the Canadian economy requires deep experience, local knowledge, and a steady hand.

When faced with challenges, the same qualities apply to everyone in the organization who works alongside our pilots and, in 2023, the team – from dispatchers to accountants – stepped up to meet them.

“Increasing our pilots’ base compensation, combined with hiring new talent over the next five years, will stabilize the succession situation.” **– Patrick Martel**

Front (from left to right) Nathalie Archambault, Accounting Supervisor; Kim Pecore, Payroll and Benefits Administrator; Jim Pound, Interim Chief Executive Officer and Board Chair; Antony Sebastiampillai, Chief Finance Officer; Julie Beaulieu, Billing and Pricing Clerk; Sylvie Bissonnette, Operations Clerk.

Back (from left to right) Richard Quenneville, Director of Operations; Patrick Martel, Director of Human Resources; Melanie Poirier, Executive Assistant; Paul Lacroix, Dispatch Supervisor; Caitlin Simpson, Operations Analyst; Eren Kizilirmakli, QHSE Manager; Christian Ouellet, Chief Operating Officer; Bilal Ahmed, Director of Operations.

“While a challenging year, everyone – and I mean everyone, from clerks to trainers to dispatchers – pitched in. And we made important progress on recruiting new and promising talent.” **– Christian Ouellette**

“After 25 years with GLPA, it was difficult to have to leave on short notice, but the team delivered. A special thanks to the Dispatch supervisor, Paul Lacroix for guiding everyone during this period.” **– Richard Quenneville**

Operations Management

Richard Quenneville, Paul Lacroix, Bilal Ahmed, Christian Ouellet

"I think GLPA's decision to shoulder some of the pilots' tax liabilities reflects GLPA's commitment to its team. Such an initiative is a good example of GLPA's dedication and care for its personnel." **– Antony Sebastiampillai**

Administration team

Front – Kim Pecore, Julie Beaulieu, Nathalie Archambault
Back – Antony Sebastiampillai, Melanie Poirier, Patrick Martel

> “Last year, as I fulfilled my regular duties as Dispatch supervisor and administrator, and stepped in as temporary director, I gained a deeper appreciation for my team. Bouncing ideas and scenarios off them proved invaluable in filling the operational gaps.” **– Paul Lacroix**

Paul Lacroix and Richard Quenneville

> “As the new Quality, Environment and Safety Manager, it’s great to be able to leverage my background in quality engineering and experience with integrated management systems under ISO certifications to help improve the performance here at the GLPA.” **– Eren Kizilirmakli**

Operations Team

Front – Paul Lacroix, Sylvie Bissonnette, Eren Kizilirmakli
Back – Richard Quenneville, Caitlin Simpson, Christian Ouellet, Bilal Ahmed

REVIEW

OF OPERATIONS

Managing the flow of traffic at such a scale requires a combination of real-life experience, technical skills, personal judgment, and the analytical ability.

LEGEND

S

Navigational **S**afety

F

Financial Self-sufficiency

L

Good **L**abour Relations

R

Pilotage **R**eliability

E

Organizational **E**fficiency

Key Performance Indicators

S R F

The GLPA uses the following strategic and operational performance indicators as an integral part of its decision-making process. For more details on financial performance, please consult the Management Discussion and Analysis section.

STRATEGIC PERFORMANCE INDICATORS	2023	Target	Vs Target	2022	Vs 2022
Navigational Safety					
Number of major marine incidents	**0**	–		0	
Number of minor marine incidents	**6**	–		14	
As a % of incident-free assignments	**99.9%**	99.9%	●	99.9%	●
Pilotage Reliability					
Number of vessel delays due to shortage of pilots (hours)	**2,355**	5,000	●	3,802	●
Financial Self-sufficiency					
Net (loss) income (in millions)	**($7.1)**	$0.8	○	$2.2	○

OPERATIONAL PERFORMANCE INDICATORS					
Navigational Safety					
Number of audited Canadian vessel transits	**1,768**	1,334	●	1,467	●
Certificate holder monitoring - up-to-date	**Yes**	Yes	●	Yes	●
Pilotage Reliability					
Number of apprentice-pilots recruited	**5**	7	○	5	●
Number of pilots newly licensed and retained	**4**	5	○	3	●
Financial Self-sufficiency					
Cost per assignment	**$5,881**	$4,865	○	$4,662	○

● Target Met

○ Target Not Met

Economy and Traffic

Economic Conditions

The confluence of surging inflation, escalating interest rates, a contracting global economy, fluctuating supply and demand for bulk commodities, and political turmoil presents formidable challenges to the Canadian economy, casting a shadow of uncertainty over numerous sectors, including shipping. Predicting traffic volumes has always been complex, a task now compounded by the current and anticipated economic conditions. In response, the GLPA commits to heightened vigilance in its observation of emerging trends. We will continuously refine our business practices and operational strategies, ensuring we navigate these turbulent times with resilience and adaptability.

Additionally, the challenge of forecasting future traffic needs is exacerbated by the fact that container contracts with numerous Canadian and United States ports are not negotiated well in advance. This practice restricts the GLPA's capability to project traffic volumes accurately. Given the pivotal role of budgeted traffic levels in determining pilot staffing requirements and setting appropriate pilotage charges – which are primarily fixed – having access to reliable advance information is indispensable. Such foresight is fundamental to the GLPA's mission to maintain financial self-sufficiency. As we navigate the complexities of the global economy and the shipping industry, the GLPA will continue to seek out enhanced forecasting methods and information sources. Our aim is to refine our strategic planning processes, ensuring our organization remains resilient and financially robust in the face of unpredictability.

To ensure close alignment between GLPA and its customers, the organization focuses on gaining and maintaining the open and transparent demand-side information needed to manage traffic, minimize ship delays, and contain costs while responding to changes in traffic flows.

In 2023, there were 8,925 pilotage assignments, including winter work assignments (8,823 assignments during the navigation season and 102 winter work assignments), an 8% difference compared to the budgeted assignments for the year (9,616 assignments, excluding winter work). This represents a 5% decrease in pilotage assignments in comparison to 2022 assignments.

While assignments for domestic vessels increased by 5%, those for foreign vessels decreased by 8%. By the end of 2023, the distribution of pilotage assignments by vessel type was as follows: Bulk carriers at 40%, Oil/tankers at 31%, General cargo at 19%, Passenger cruises at 8%, and Other at 2%. The GLPA projects 8,331 assignments for 2024, excluding winter work.

YTD Assignments – Navigation Season

	2023	2022	Var %
Cornwall District	**2,836**	2,992	-5%
International District no. 1	**1,488**	1,649	-10%
Lake Ontario International District	**848**	951	-11%
International District no. 2	**3,194**	3,190	0%
International District no. 3	**447**	521	-14%
Churchill	**10**	12	-17%
Total	**8,823**	9,315	-5%

NOTE – *Churchill assignments are completed by the GLPA's licensed pilots in the International Lake Ontario District.*

Traffic Summary

Pilotage assignments in the Great Lakes are mainly provided to bulk carriers, oil tankers and general cargo ships transporting liquid bulk, grain and steel products. The decrease in pilotage assignments in 2023 was primarily driven by the decrease in foreign vessel assignments. At the end of 2023, the breakdown of pilotage assignments by vessel type was as follows: bulk carriers 40% (40% in 2022), oil/tankers 31% (27% in 2022), general cargo 19% (21% in 2022), passenger vessels 8% (8% in 2022), and other 2% (4% in 2022).

Many vessels enter the Great Lakes system in ballast to load cargo for external markets and leave the system in ballast for products earmarked for Great Lakes markets. In 2023, vessels with no cargo represented 41%, liquid bulk 15%, general cargo 16%, dry bulk 9%, grain 10%, passenger vessels 6%, dangerous goods 1%, container 1%, and other cargo 1%.

While the pilotage demand from the foreign industry decreased by 8% compared to the same period in 2022, pilotage demand from the Canadian domestic industry remained steady with an increase of 5%. The split between the foreign industry and the Canadian domestic industry represented 79%/21% in 2023 respectively.

In 2023, Class 4 vessels, the largest ships that can navigate in the Seaway locks, accounted for 33% of the vessels piloted, compared to 35% in 2022. Class 3 vessels accounted for 5%, Class 2 accounted for 57% and Class 1 accounted for 5% in 2023 compared to 6%, 53% and 6% respectively in 2022.

The 8,823 pilotage assignments during 2023 navigation season were serviced by 69 full-time equivalent pilots, representing an average of 128 assignments per pilot. The GLPA is targeting 115-120 assignments per pilot. The GLPA continues to be focused on hiring and training apprentice-pilots to ensure it meets the demand for pilotage services to eliminate costly delays to its customers. In 2023, we hired 5 pilots and 4 were licensed.

Based on feedback from industry stakeholders, the GLPA is forecasting 8,331 pilotage assignments for 2024. Given previously noted traffic forecasting challenges, anything beyond one year is difficult to predict.

Assignments by Vessel Type

	2023	2022	Var %
Bulk carriers	**3,496**	3,756	-7%
Oil/tankers	**2,721**	2,546	7%
General cargo ships	**1,632**	1,921	-15%
Passenger vessels	**669**	709	-5%
Tug and barge	**172**	98	76%
Container ships	**–**	97	-100%
Heavy lift	**73**	77	-5%
Other	**60**	111	-46%

NOTE – *Not including 102 winter work assignments.*

Allocation of Total Assignments

	2023	2022	Var %
Domestic vessels	**1,854**	1,774	4.5%
Foreign vessels	**6,969**	7,541	-7.6%
Total	**8,823**	9,315	-5.3%

Service Levels

Balancing the demand for pilotage services with available pilots is a crucial factor in the GLPA's ability to minimize costly shipping delays given that scheduling and call-backs (assignments on overtime) during peak periods are established by collective agreements.

In addition, the GLPA can face delays beyond its control, including Seaway system breakdowns, environmental events (wind, currents, etc.), and vessel incidents. In total, delays to ships requiring pilots in 2023 were 10,515 hours, of which 22%, or 2,355 hours, were directly attributable to a shortage of pilots. In 2022, by comparison, total delays accounted for 8,301 hours, of which 46% or 3,802 hours, were attributable to a shortage of pilots.

When compared to the previous year, the 38% decrease in pilotage delays hours due to a shortage of pilots was mainly attributable to an increase of 2.5 full-time equivalent pilots and a 5% reduction in traffic.

Always committed to improving the delivery of reliable pilotage services with fewer vessel delays, the GLPA continued to work jointly with Seaway officials, industry partners and the United States pilot associations to ensure traffic management strategies were implemented. The GLPA also continued to advise customers of any major delays due to surges and resulting pilot availability/unavailability.

Delay Hours as a % of Total Delays

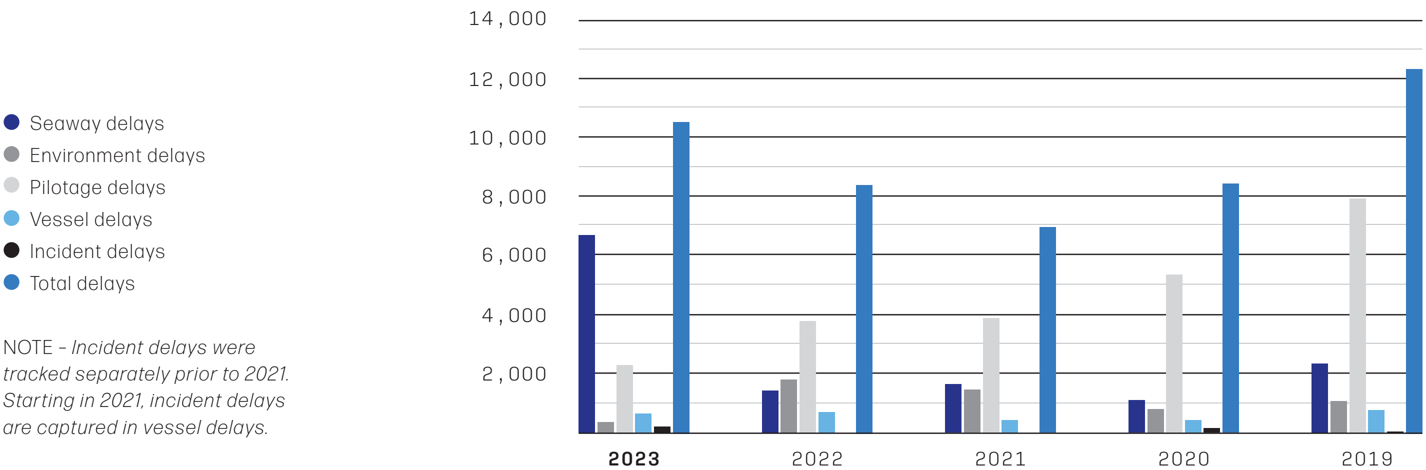
	2023	2022
Shortage of pilots	**22%**	46%
Seaway	**63%**	21%
Vessel	**8%**	10%
Environment	**4%**	23%
Other	**3%**	0%

NOTE - *Delays are accounted from the minute a delay occurs.*

Number of vessels reporting delays

	2023	2022
Shortage of pilots	**186**	202
Seaway	**248**	224
Vessel	**162**	125
Environment	**41**	91
Other	**67**	0

Delays to Vessels
(in hours)



NOTE - *Incident delays were tracked separately prior to 2021. Starting in 2021, incident delays are captured in vessel delays.*

Financial Self-Sufficiency

Mandate

The *Pilotage Act* requires the GLPA to operate in a financially self-sufficient manner, thus assuring Canadians that it is committed to financial responsibility and fiscal transparency.

From 2003 until 2020, the GLPA operated in a deficit position and to ensure the GLPA met its legislated mandate of financial self-sufficiency, in 2020 the GLPA modified its strategy by introducing a more targeted, cost-recovery approach resulting in the Shipping Federation of Canada filing an objection with the Canadian Transportation Agency.

By the beginning of 2021, the GLPA had an accumulated deficit of $2.8 million.

In 2021, the Canadian Transportation Agency rendered a decision favourable to the GLPA and, as a result, the GLPA was able to recognize approximately $5.0 million in pilotage charges previously under objection as revenues. This allowed the GLPA to recover from its accumulated deficit and report a $7.2 million accumulated surplus by the end of 2022.

Tax Liability

In 2023, the GLPA collaborated with tax consultants to ascertain whether the various allowances paid to pilots, as per the collective agreement, should be considered taxable benefits. Previously, these were not taxed. Based on tax consultants review and advice, the GLPA concluded that these allowances are deemed taxable benefits under both Canadian and Québec tax regulations. As a result, the GLPA revised its procedures to comply with these tax requirements.

In an exemplary display of support for our pilots, the GLPA took on part of the burden associated with the tax liabilities, amounting to $4.2 million. This proactive approach not only underscores the GLPA's dedication to supporting its pilots but also significantly mitigates potential financial and regulatory risks for both the GLPA and its pilots.

Through these actions, the GLPA reaffirms its commitment to operational integrity, financial responsibility, and the welfare of its pilots.

Pilotage Charges

The primary source of revenue for the GLPA comes from pilotage charges. In 2023, the GLPA increased its tariffs by 2.5%.

Strategy

While the tax matter contributed to a significant one-time charge, the GLPA remains committed to maintaining a reasonable reserve so it can sustain its operations during unpredictable situations and significant reductions in traffic. The GLPA's financial objective is to generate a sufficient annual surplus to maintain a reasonable reserve on an ongoing basis. To achieve this goal, the GLPA develops annual pilotage charge strategies to cover its operational expenditures while containing pilotage costs. Simultaneously, the GLPA is unwavering in its commitment to safety, which remains our paramount goal. To this end, we are continuously investing in our pilot and apprentice-pilot training programs. These programs are meticulously tailored to meet evolving business needs and regulatory requirements, ensuring that our personnel are equipped to uphold our standard of 99.9% incident-free assignments.

Financial Position in 2023

In 2023, the GLPA reported revenues of $45.3 million, representing a decrease of $0.7 million compared to 2022. This decline primarily resulted from a 5% decrease in the number of assignments, although it was partly offset by a 2.5% tariff increase and interest income.

In 2023, the GLPA incurred expenses totalling $52.4 million, marking a 20% increase compared to 2022. The increase can be primarily attributed to the revised tax procedures, which resulted in a one-time expense of $4.2 million, and pilot wage increases due to new collective agreements amounting to $2 million. The majority of the GLPA's expenses are allocated to pilot wages, benefits, as well as pilot travel and pilot boat services, all directly related to vessel servicing and subject to fluctuations based on assignment demand. Notably, even with a 5% decrease in assignments, the costs for contracted pilot boat services rose substantially due to a new contract negotiated in 2023, exacerbated by the limited availability of pilot boat operators which hindered the GLPA's ability to secure more favourable pricing.

As of the end of 2023, the GLPA reported a $0.1 million accumulated surplus. The GLPA's financial objective remains focused on ensuring it meets its legislated obligation of being financially self-sufficient.

Pilotage

Pilotage Act Reform

Amendments to the *Pilotage Act* received Royal Assent in June 2019 and the provisions of the amended Act have now come into force.

On June 9, 2022, the four existing regional marine pilotage regulations were consolidated under the General Pilotage Regulations with administrative amendments to align the Minister's authority under the *Pilotage Act*. As such, the *Great Lakes Pilotage Regulations* were repealed, and all provisions are now under Division 3 of the *General Pilotage Regulations*.

The GLPA's highly successful certification program has played a significant role in upholding the highest safety standards within the Great Lakes region. The GLPA, in collaboration with stakeholders and customers, is now working with Transport Canada to develop a new national certification program.

The GLPA continues to work in close collaboration with Transport Canada in the transition of the amended *Pilotage Act*. The GLPA has provided feedback to Transport Canada on all proposals and is committed to working with departmental officials to ensure a smooth transition for its stakeholders.

Transport Canada is proceeding with the requirement for Pilotage Authorities to implement quality management systems within their organizations. The GLPA has hired a Quality Manager who, in collaboration with Transport Canada, will oversee the development and management of this system.

Management

The GLPA's mandate is to operate, in the interest of safety, a marine pilotage service for all foreign and domestic ships subject to compulsory pilotage in Canadian waters in the Provinces of Manitoba, Ontario, and Québec, south of the northern entrance to the St. Lambert Lock.

Pilotage services are provided mainly to ocean-going ships, also referred to as foreign vessels, and has historically represented approximately 85% of assignments, with the remaining 15% attributed to Canadian tankers and non-ocean-going ships.

To do so, the GLPA must match the forecasted demand for pilotage services with trained, qualified, and licensed pilots available to ensure it is financially self-sufficient, contains cost and to ensure delays are kept at a minimum.

Ships enter and leave the system with no set schedules and the GLPA must provide a complement of pilots in response to uneven traffic flows in the compulsory waters of the Great Lakes region. The requirement for financial self-sufficiency does not allow the GLPA to maintain a complement of pilots to cover sudden and temporary surges in traffic.

While the GLPA has historically a stable pilot workforce with minimal turnovers, like other stakeholders in the maritime industry, it is facing challenges with workforce shortages due to an aging workforce and a growing industry. The high level of pilot retirements experienced in the last several years and those anticipated in the coming years, have made pilot succession planning and recruitment a top priority for the GLPA.

To address this, the GLPA continued to:

- Recruit and train an appropriate number of apprentice- pilots, as part of its pilot succession plan;
- Explore collaboration with industry stakeholders to review traffic management strategies to alleviate traffic surges;
- Actively collaborate with industry partners and customers to develop the least costly strategies when delays are beyond its control;
- Work with its pilot groups to jointly find acceptable ways to increase pilot availability;
- Explore opportunities to certify qualified foreign pilots; and
- Work with academic institutions to develop a long-term supply of candidates for the maritime industry.

Qualified Licensed Pilots

Given the importance of pilot succession planning and execution, in 2023, 4 pilots completed their training program and 5 were hired (as in 2022). To meet anticipated demand for pilotage services, to minimize delays, contain costs, and to account for retirements, the GLPA aims to increase the number of pilots by approximately 15-20% over the next five years.

Regulatory Changes

Transport Canada is in the process of introducing regulatory reforms expected to have a notable impact on the responsibilities and accountabilities of the GLPA. The GLPA will stay abreast to these changes, assess their impact on the organization (operations, revenue, people, etc.) and respond appropriately through organizational adjustments and/or working with partners at Transport Canada to mitigate negative impacts and maximize on identified opportunities.

While regulatory changes are designed to bring about consistency and cohesion across Canada's pilotage authorities, with this change comes some uncertainty about the exact impacts on the operations and strategic focus of the GLPA.

A key part of the GLPA's approach to enterprise risk management and strategic planning is to ensure that it effectively addresses regulatory changes ahead and their impact on how the organization operates; this allows the organization to mitigate potential disruptions to operational continuity between the previous, current, and future regulatory environment.

The GLPA is optimistic about the expected regulatory changes and acknowledges that it will be critical to collaborate with Transport Canada, its stakeholders and partner with the other pilotage authorities to enable a smooth transition.

Marine Pilotage Certification and Training Program

Since 2011, the Great Lakes Pilotage Regulations (now under Division 3 of the General Pilotage Regulations) require that all Canadian officers who intend to perform pilotage duties in the Great Lakes hold a valid pilotage certificate.

As such, in addition to the management and training of its employee pilots, the GLPA also administers a marine pilotage certification and training program of approximately 250 certificate holders to ensure Canadian vessels subject to compulsory pilotage are under the conduct of a valid certificate holder when the services of a pilot are not requested per the General Pilotage Regulations.

The GLPA is responsible for all certificate holders complying with the requirements of the regulations by ensuring that all pilotage certificates are valid.

In 2023, 1,768 transits of Canadian domestic vessels transiting in the Great Lakes without a pilot onboard were randomly audited, representing 17% of total transits (10,517). In situations of non-compliance, the GLPA informs Transport Canada, given the enforcement powers were transferred to the Minister of Transport in 2020. In 2023, 1 vessel was in non-compliance and was reported to Transport Canada.

Pilotage (cont’d)

Quality Assurance

It is the GLPA’s responsibility to assure the shipping industry that only qualified pilots perform pilotage duties. To do this, every pilot must undergo an assessment of their competencies and service quality at least once every five years. This exercise also allows the GLPA to identify areas of professional development and improvements in service delivery.

In 2023, 19 pilots and 5 apprentice-pilots, which represent 33% of the pilot workforce, completed the pilotage simulator training program. All pilots were evaluated by their peers and the Director of Operations. Pilots were trained in:

- Error Detection and Use of Advanced Radar Techniques in Restricted Waters;
- Basic and Advanced Azimuthing Propulsion Manoeuvres, the Use of Standard Terminology and Appropriate Commands for Use with Azipods;
- Advanced Shiphandling (including emergency situations) for Pilots; and
- Bridge Resource Management (Level 2).

Apprentice-pilots were trained in:

- Shiphandling for apprentice-pilots on different types of vessels with different types of propulsion system and rudders; and
- Bridge Resource Management (Level 1).

Labour Relations

The GLPA’s four collective agreements with its pilot groups expired as of March 2022. In June 2022, the GLPA entered into a *Resolution of Contract Renewal Disputes Agreement* with the Canadian Merchant Service Guild (the Guild) – the union representing the pilots. This agreement ensures continued pilotage services by having an agreed-upon mechanism to resolve disputes during the collective bargaining process should the parties fail to reach a settlement. At the end of 2023, two of the four collective agreements, specifically for Cornwall and Districts 2 and 3, were ratified. Negotiations for the other two districts are still in progress. Through these negotiations, the GLPA aims to transition components of variable compensation to fixed compensation. This change is intended to enhance forecasting accuracy, improve the organization’s capacity to attract and retain pilots, and maintain competitiveness in the market.

Compliance

In the 2018 Special Examination Report, the Office of the Auditor General of Canada (OAG) noted significant deficiencies related to the GLPA's Board oversight and appointments, as well as its process for monitoring the transits of Canadian ships. The report contained 10 recommendations. The Board and management have addressed all but one recommendation, namely the need to conduct a review of compulsory pilotage areas. The review is being deferred given the responsibility for establishing compulsory pilotage areas has been transferred from the GLPA to the Minister of Transport per s. 52(f) of the *Pilotage Act*.

The OAG also conducts an annual audit of the GLPA's financial statements. It verifies that they fairly reflect the operating results and position and ensures transactions have been carried out according to International Financial Reporting Standards (IFRS), and Part X of the *Financial Administration Act*. The GLPA received an unqualified opinion and its 2023 audited financial statements are available.

In compliance with the *Financial Administration Act*, the GLPA conducts periodic internal audits to strengthen accountability, risk management, resource stewardship, and good governance. As part of its risk-based audit plan, an internal audit was conducted to assess the GLPA's Human Resources planning procedures and activities as they relate to managing marine pilot capacity. The focus of the audit was workforce planning, recruitment activities, procedures, and the onboarding process. The results of this audit were presented to the Board in August 2023, with recommendations to create a Human Resources Plan for Marine Pilots with measures implemented in December 2023.

Employer of Choice

As an organization, we believe that our people are our greatest asset. To that end, we strive to be an employer of choice by promoting a positive and inclusive culture that fosters collaboration, innovation, and growth. Our leadership team is grounded with a good understanding of the importance of listening to our employees and valuing their input.

The GLPA is also working to strategically build capacity within the organization, so it has the talent and succession planning needed to reliably deliver on its strategic and operational priorities.

The GLPA continued its efforts to build partnerships with education and training institutions and industry stakeholders to attract new talent and build a more enduring pipeline of talent for key roles, including pilots, dispatchers, and key administrative and leadership roles.

Organizational Efficiency

Mandate

To effectively support the GLPA's mandate of safe, reliable, and efficient pilotage services, it must have a sound organizational structure to ensure that its responses to legislation, regulations, and policies are pertinent, reflect the current realities, and consider the public's trust. To achieve this priority, the GLPA undertook a variety of organizational initiatives in 2023.

Optimization

Aside from retirements, the GLPA boasts a low turnover rate. This stability is highlighted by the fact that only a small number of employees have chosen to leave the organization voluntarily over the past 25 years.

Following an organizational optimization exercise initiated in 2019, an independent consulting firm concluded that the GLPA's current organizational structure and limited resources may not enable the GLPA to meet its mandate and drive the organization's current and future strategic and operational objectives. In addition to 3 full-time equivalent positions added to the organization's structure in 2022 (Director of Human Resources, Dispatch Supervisor and Finance Manager), two more roles were added: a replacement for the Director of Operations, who is set to retire in few years, and a Quality, Health, Safety, and Environment Manager. The GLPA also has plans to onboard an IT specialist in 2024.

Executive Leadership

Regarding executive leadership transitions, the GLPA has experienced significant changes. In 2022, the organization welcomed a new Chief Financial Officer to its team. Subsequently, the GLPA faced the retirement of its CEO in mid-2023, leading to an active search for a successor.

Stakeholder Relations

The Board and management continually communicate with stakeholder organizations to ensure that important issues are identified and managed effectively. Consulting provides the organization with excellent opportunities for input related to planning and operations and to make sure that all issues with stakeholders, including pilots, are resolved. That said, the GLPA will never compromise on safety to avoid a third-party issue.

The three primary stakeholders are the Federal government, the marine industry, and the pilots.

Shipping interests in the Great Lakes region are the responsibility of the Shipping Federation of Canada and the Chamber of Marine Commerce while pilot interests are handled by the four Pilot Corporations represented by the Canadian Merchant Service Guild and the Canadian Marine Pilots' Association.

The Government has several stakeholders, including the Minister of Transport and departmental officials, the Canadian Coast Guard, the Transportation Safety Board, the Canadian Transportation Agency, and central agencies.

The GLPA's customers represented by the Shipping Federation of Canada and the Chamber of Marine Commerce must be consulted and provide support to the GLPA's decisions, as they have access to the Canadian Transportation Agency for a review whenever issues are not satisfactorily resolved. Solutions with consensus, when possible, are preferred versus legislated ones, as they create a win-win situation for all parties. Furthermore, the GLPA must manage potentially differing expectations from its various stakeholders. Striking a proper balance while achieving the GLPA's objectives can be challenging at times.

In addition to the GLPA's three primary stakeholders, there are others that have an interest in safe, efficient, and effective pilotage in the Great Lakes region. They include:

- St. Lawrence Seaway Management Corporation (Canada);
- St. Lawrence Seaway Development Corporation (United States);
- International Lake Ontario-St. Lawrence River Board;
- United States Pilotage Associations;
- Canadian Port Authorities in the Great Lakes region;
- Ports and harbours in the Great Lakes region;
- Environmental groups;
- Recreational boaters; and
- Private citizens living along the GLPA's area of responsibility.

During a given year, the GLPA formally meets with the Shipping Federation of Canada and the Chamber of Marine Commerce.

In 2023, the GLPA initiated Customer Relation meetings at the beginning and the end of the navigation season to share key operational information and to listen to valuable feedback from its customers.

The GLPA remained in regular communication with the St. Lawrence Seaway Management Corporation, the St. Lawrence Seaway Development Corporation, the United States Coast Guard, and the United States Pilot Associations as part of its commitment to provide safe and efficient pilotage services.

The GLPA also meets regularly with the other three Canadian pilotage authorities to share best practices and discuss common areas of expertise.

Finally, the GLPA works in collaboration with the Canadian Merchant Service Guild and the Canadian Marine Pilots' Association representatives to address any issues that may arise to ensure continued quality pilotage services to our customers while addressing any concerns from GLPA pilots. Continued communication and consultations between the GLPA and these organizations is essential as it provides a common understanding and a way forward to challenges faced by the industry.

Responsibility

Economic Contribution

The GLPA plays a pivotal role in the maritime sector, significantly bolstering both the Canadian and international economies. By ensuring the safe and efficient navigation of vessels through the Great Lakes and St. Lawrence Seaway, the GLPA enables local businesses to expand their reach into foreign markets, thereby driving domestic economic growth. Additionally, the GLPA's efforts in facilitating the seamless importation of goods are crucial for providing Canadians access to affordable consumer products. This, in turn, directly contributes to enhancing the cost of living in Canada by ensuring a steady flow of diverse goods. Through its commitment to maritime safety and efficiency, the GLPA not only supports commercial trade but also reinforces the economic interconnectivity between Canada and the global market.

Indigenous Relations

Many Indigenous communities are located on the border of the St. Lawrence River and the Great Lakes, and the GLPA remains focused on the navigation impacts on these communities. The GLPA also wishes to be seen among Indigenous Peoples as an employer of choice and is continuing its engagement efforts.

Environment

In alignment with federal Greening Government vision, the GLPA is forging a path towards sustainability. We have engaged a local specialist with expertise in aiding businesses reduce their carbon footprint. Supporting the Government of Canada's goal of achieving net zero emissions by 2050, we are currently developing our inaugural GHG inventory which will establish a baseline to guide our emissions reduction initiatives. We've initiated the measurement of our operational emissions by demarcating boundaries for our Scope 1, 2, and 3 GHG profiles based on relevance, data accessibility, and calculation feasibility. Furthermore, in alignment with the Task Force on Climate-related Financial Disclosures, the GLPA will make its first disclosure in 2024.

As part of the *Canadian Net-Zero Emissions Accountability Act*, the GLPA is exploring green procurement requirements for its entire supply chain, including land transportation.

Changes in climate patterns have led to more frequent and severe environmental conditions such as high winds, extreme ice conditions and high-water levels, all of which can create serious operational challenges for the GLPA in its ability to provide safe, efficient, and cost-effective pilotage services. The 2023 opening and end of the navigation season were not impacted by environmental factors such as heavy ice or high waters.

Diversity, Equity, and Inclusion

The GLPA is committed to developing an inclusive and barrier-free work environment in which all persons have equal access to opportunities within its organization. To that end, the GLPA's practices related to recruitment, selection, conditions of employment, training, career development and performance management all focus on equity and creating a sense of value.

In 2023, women represented 57% of the Board, 25% of the leadership team, 44% of office staff, and 27% of dispatchers, but only 3% of the pilot workforce, an area requiring more long-term effort.

Employee Safety

Employee safety continues to be a top priority for the GLPA and, among a variety of workplace policies and initiatives implemented following a previous employee engagement survey and a health and safety audit conducted in late 2021, the GLPA implemented new safety measures in the fall of 2022 to ensure compliance with the *Canada Labour Code*.

The GLPA, in collaboration with the workplace health and safety committee, has implemented the following health and safety programs in response to the occupational health and safety audit conducted in fall 2021:

- An incident reporting and investigation program;
- A hazard prevention program;
- A workplace inspection program; and
- Expanded training on occupational health and safety matters for all safety committee members.

Canadian Vessel Monitoring

To effectively monitor Canadian vessel transits under the conduct of a certificate holder, the GLPA ensures that enough Canadian ship transits are audited to demonstrate that Canadian ships are transiting under the conduct of a valid pilotage certificate holder. Any deficiencies are reported to Transport Canada.

Of the 1,768 audits of vessel transits in 2023, all except 1 vessel was under the conduct of a valid certificate holder. As a result of this single non-compliance, the shipping company was informed and charged as if the ship had been under the conduct of a licensed pilot per section 44 of the *Pilotage Act*. In addition, with Transport Canada now responsible of enforcing the *Pilotage Act*, the GLPA communicated this deficiency to Transport Canada.

Marine Incidents

Given that the risk of marine incidents is inherent in every action taken by the GLPA's employees, training policies for all pilots and apprentice-pilots ensure that proper levels of knowledge and experience in this area are in place. The GLPA continues to promote ongoing communications with all employees on the importance of embracing a safety-minded culture with the goal of limiting environmental risks.

This effort requires each pilot to complete simulator training at least once in a five-year cycle. It will continue this practice as it provides pilots with a means to train on different ships, manage various conditions, and cope with specific issues, such as slow rudders or crew responses. The GLPA reviews incidents and trends to continually reassess the training program.

The GLPA also participates in various joint initiatives and associations to keep up to date on emerging safety concerns and best practices, as well as participates in the International Marine Pilots' Association's conference every two years, where it interacts with other pilotage service providers from around the world.

In 2023, the GLPA reported 6 minor marine incidents compared to 14 in 2022. None of these resulted in the loss of life, serious injuries, or any environmental spills and the GLPA remained in compliance with section 71 of the *Canadian Environmental Assessment Act* (2012).

To reduce the risk of potential marine incidents and maintain a 99.9% incident-free assignments, the GLPA initiated the following strategies:

- Recruited and trained all apprentice-pilots;
- Sourced new state-of-the-art Portable Pilotage Units.

Collaboration with the Maritime Simulation and Resource Centre in Québec City, aimed at equipping our pilots with in-depth training on the latest trends and scenarios prevalent within the maritime industry. This partnership is a testament to the GLPA's dedication to providing state-of-the-art training programs, thoughtfully designed to address the dynamic needs of the maritime sector and our pilots. Leveraging the Centre's advanced simulation technology, we are able to recreate an extensive range of navigational scenarios, including those that present high risks. This initiative ensures that our pilots are immersed in a realistic yet secure training environment, significantly enhancing their ability to navigate complex maritime situations safely.

Marine Incidents

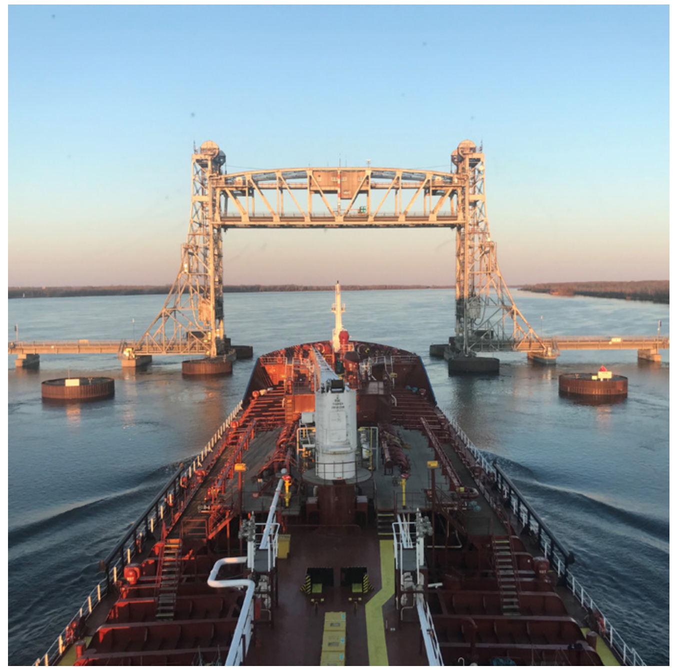
(for the five most recent years)

	2023	2022	2021	2020	2019
Major marine incidents	**0**	0	0	0	0
Minor marine incidents	**6**	14	10	14	8
Total assignments (navigation season and winter work)	**8,925**	9,388	8,292	9,292	10,093
% of incident-free total assignments	**99.9%**	99.9%	99.9%	99.8%	99.9%

Transparency

The GLPA is fully committed to openness and transparency with all stakeholder interactions and respects the requirements to openly publish various reports, including its Annual Report, Quarterly Financial Reports, Summary of the Corporate Plan, Proactive Disclosure of Travel and Hospitality Expense Reports, and *Access to Information Act* inquiries on its website.

The GLPA has complied with the Federal Government to post responses to the requests it received under the *Access to Information Act* on the www.open.canada.ca website. In 2023, the GLPA received 1 request under the *Access to Information Act* and the *Privacy Act* and has 1 outstanding request as of December 31, 2023.



Travel, Hospitality and Conference Expenses

The following travel, hospitality, and conference expenses were submitted during 2023:

Captain James Pound Chairperson and Interim CEO (from July)	$ 25,672
Michèle Bergevin CEO (until June 2023)	$ 20,343
Board of Directors (6 members)	$ 11,657
Senior Management (3 members)	$ 66,042
Total	**$ 123,714**

GOVERNANCE

The Great Lakes Pilotage Authority is dedicated to full transparency and disclosure in all matters regarding its administration and operations.

Indeed, the GLPA takes an approach to corporate governance that is fully consistent with the philosophy and objectives of Part X of the *Financial Administration Act* and the Treasury Board of Canada Guidelines for Crown corporations.

Board of Directors

Over the course of 2023, there were 8 Board meetings to discuss Board business. In addition, the Committees met 8 times in total during the year. The attendance rate of Board members at these meetings was 94%. Cumulative fees and annual retainers paid to Board members during the year totalled $60,313.

Audit

The Audit Committee is a standing committee of the Board. The Committee provides financial oversight, as well as the oversight of corporate books, records, general and management control, information systems and management practices.

Governance and Human Resources

The Governance and Human Resources Committee is a standing Committee of the Board responsible for overseeing governance and human resources issues. The committee ensures good corporate governance and implements best practices in discharging its responsibilities.

Enterprise Risk Management

An Enterprise Risk Management program has been incorporated as part of the GLPA's strategies to manage risks and to seize opportunities in achieving its objectives. The Board reviews the risk register with a view to updating risk assessments and ensures that appropriate mitigating controls are in place. The Enterprise Risk Management program for the GLPA is now managed at the Board level, with risks delegated to the two committees (Audit and Governance and Human Resources).

The GLPA manages risks based on an inventory of risk categories that align with strategic, external, financial, operational, environmental/health and safety, human capital, technological and regulatory risks.

The top risks for the organization in 2023 which are examined in greater detail in the Management Discussion and Analysis section are as follows:

- Change in leadership.
- Tax compliance and pilot tax reimbursement.
- Union contract negotiation.
- Pilot succession planning (recruitment and retention).

Committees of the Board

The Board and Committee structure is composed of the following Committees:

Audit	Governance and Human Resources
Julie Mills, Chairperson	Josée-Christine Boilard / Oksana Exell, Chairperson
Vered Kaminker	David Souliere
David Souliere / John St. Marseille	Captain James Pound, ex-officio
Captain James Pound, ex-officio	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MANAGEMENT DISCUSSION

AND ANALYSIS

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

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

Financial Highlights – Statement of Comprehensive Income

(in millions of Canadian dollars)

The following table shows the highlights of the Statement of comprehensive income of the GLPA for the years ending December 31, 2023, and December 31, 2022, per the International Financial Reporting Standards (IFRS).

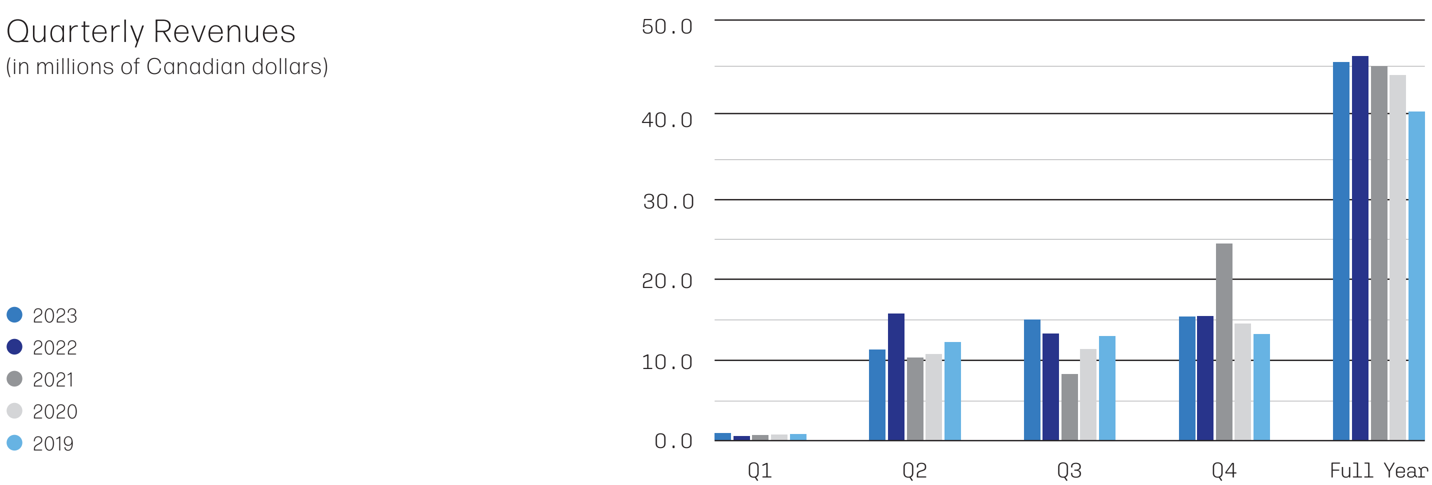
	2023	2022	Var $	Var %
Pilotage Revenues	**44.2**	45.5	(1.3)	-2.9%
Other Revenues	**1.1**	0.4	0.7	175.0%
Total Revenues	**45.3**	46.0	(0.7)	-1.5%
Total Operating Expenses	**52.0**	43.9	8.1	18.5%
Operating Profit (Loss)	**(6.7)**	2.1	(8.8)	-419.0%
Other Comprehensive Income (Loss)	**(0.4)**	0.1	(0.5)	-500.0%
Comprehensive Income (Loss)	**(7.1)**	**2.2**	**(9.3)**	**-422.7%**

For 2023, the GLPA recorded revenues of $45.3 million, $52.0 million of expenses and an other comprehensive loss of $0.4 million, resulting in a comprehensive loss of $7.1 million by the end of the year.

The following tables show quarterly financial results for the five most recent years.

Quarterly Revenues

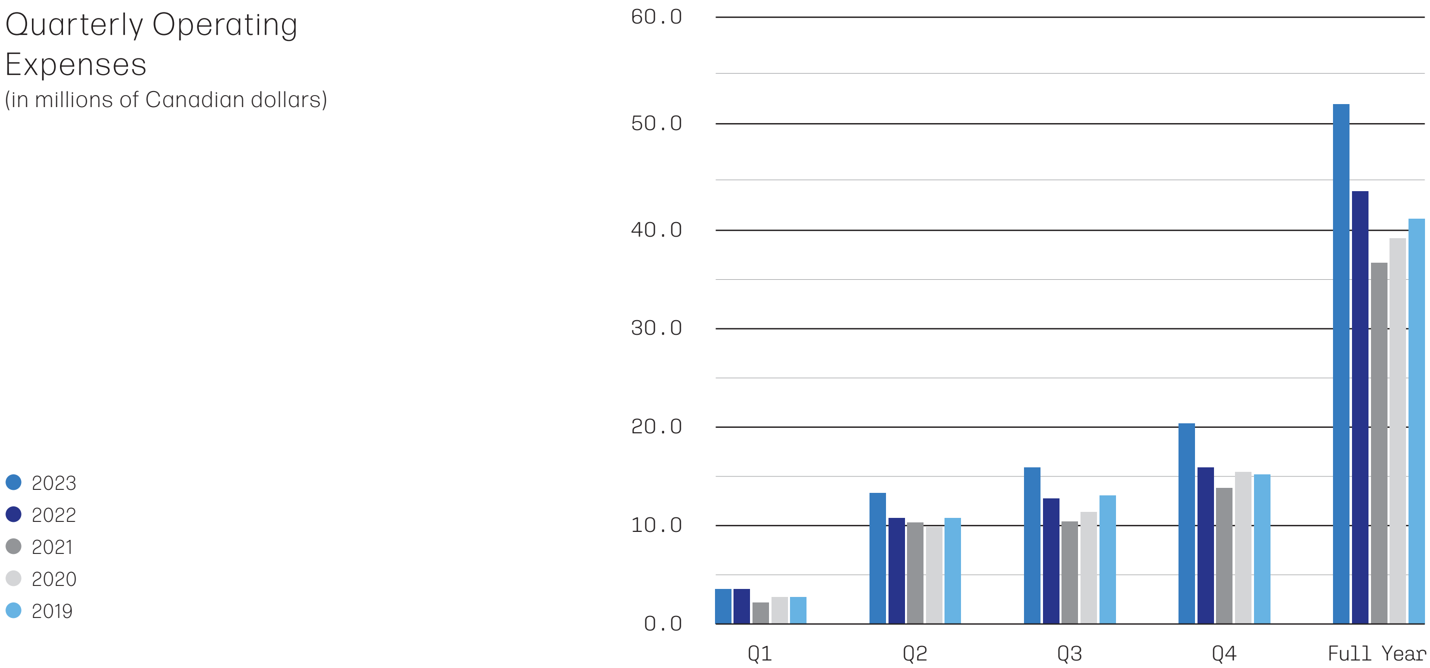
(in millions of Canadian dollars)



Revenues vary throughout the year, reflecting the seasonality of operations. The GLPA operates in the St. Lawrence Seaway, which is usually closes at the end of December due to winter conditions, and re-opens in late March of each year. The highest demand for services tends to occur in the fourth quarter.

Quarterly Operating Expenses

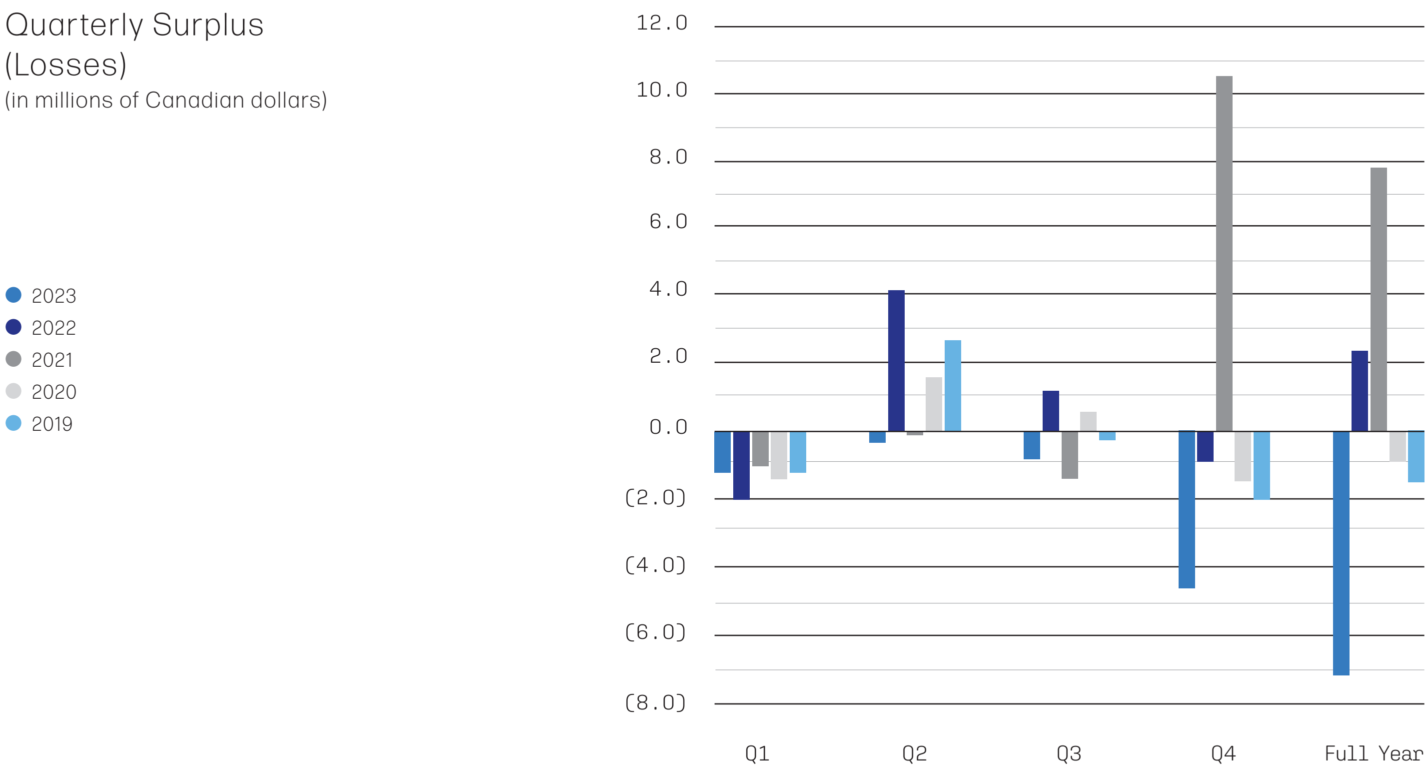
(in millions of Canadian dollars)



Approximately $6.1 million of operating expenses are administrative and indirect operational costs that are fixed throughout the year. With the exception of the base salary for pilots, all other pilot compensation and direct operating expenses are variable and fluctuate based on pilotage demand.

Quarterly Surplus (Losses)

(in millions of Canadian dollars)



Revenues

(in millions of Canadian dollars)

The following table shows the various sources of revenue for the years ended December 31, 2023, and December 31, 2022.

	2023	2022	Var $	Var %
Basic pilotage fees	**37.3**	38.6	(1.3)	-3.4%
Docking/undocking	**2.8**	2.6	0.2	7.7%
Surcharges	**2.1**	2.1	0.0	0.0%
Pilot Boat charges	**0.8**	0.8	0.0	0.0%
Delays/detentions	**0.3**	0.6	(0.3)	-50.0%
Pilot transfers	**0.3**	0.3	0.0	0.0%
Cancellations	**0.4**	0.3	0.1	33.3%
Pilotage Act administration fee recovery	**0.3**	0.3	0.0	0.0%
Total pilotage charges	**44.2**	45.5	(1.3)	-2.9%
Pilot boat income	**0.3**	0.2	0.1	50.0%
Interest and other income	**0.8**	0.2	0.6	300.0%
Total revenues	**45.3**	46.0	(0.7)	-1.5%

For 2023, the GLPA recorded revenues of $45.3 million, a decrease of $0.7 million over 2022. The revenue decrease is mainly due to a decrease in volume by 5% and total pilotage charges increased by 2.5% compared to 2022.

Operating Expenses
(in millions of Canadian dollars)

The following table shows the various sources of operating expenses for the years ended December 31, 2023, and December 31, 2022.

	2023	2022	Var $	Var %
Pilots' salaries and benefits	37.7	31.5	6.2	19.7%
Transportation and travel	4.0	3.5	0.5	14.3%
Pilot boat services	3.3	2.4	0.9	37.5%
Operation staff salaries and benefits	2.1	1.9	0.2	10.5%
Administration staff salaries and benefits	1.6	1.6	0.0	0.0%
Professional fees	1.3	0.7	0.6	85.7%
Pilot training and recruiting costs	0.3	0.4	(0.1)	-25.0%
Pilot transfer services	0.3	0.3	0.0	0.0%
Amortization and depreciation	0.3	0.3	0.0	0.0%
Other	1.1	1.2	(0.1)	-8.3%
Total operating expenses	**52.0**	**43.9**	**8.1**	**18.5%**

For 2023, the GLPA recorded expenses of $52.0 million, an increase of $8.1 million compared to 2022. The majority of these expenses comprise pilot wages and benefits, along with pilot travel and pilot boat services, directly linked to vessel servicing and subject to fluctuations based on assignment demand. Pilot salaries and benefits increased by $6.2 million in 2023, primarily attributed to the new collective agreements negotiated during the year and a one-time provision of $4.2 million for revised taxable benefits relating to the years 2019-2022.

Comprehensive Income (Loss)
(in millions of Canadian dollars)

The following table shows the comprehensive income (loss) for the years ended December 31, 2023, and December 31, 2022.

	2023	2022	Var $	Var %
Profit (loss) for the year	(6.7)	2.1	(8.8)	-419.0%
Other comprehensive income (loss)	–	–	–	–
Actuarial gain (loss) on employee benefits	(0.4)	0.1	(0.5)	-500.0%
Other comprehensive income (loss) for the year	**(7.1)**	**2.2**	**(9.3)**	**-422.7%**

Further information on employee benefits is provided in Note 12 of the audited financial statements.

Cash Flow and Financial Position

(in millions of Canadian dollars)

The following table shows the cash flow and financial position for the years ended December 31, 2023, and December 31, 2022.

	2023	2022	Var $	Var %
Balance, beginning of the year	**19.1**	17.3	1.8	10.4%
Net cash (used in) provided by operating activities	**(1.7)**	2.6	(4.3)	-165.4%
Net cash (used in) provided by investing activities	**(0.2)**	(0.7)	0.5	-71.4%
Net cash (used in) provided by financing activities	**(0.1)**	(0.1)	0.0	0.0%
Balance, ending of the year	**17.1**	**19.1**	**(2.0)**	**-10.5%**

The GLPA has a $5.0 million line of credit. Due to the seasonal nature of the navigation season, at times the GLPA leverages its line of credit until revenues are collected after the start of the navigation season. In 2023 the GLPA did not need to source funds from its line of credit. As of December 31, 2023, the GLPA had a cash balance of $17.1 million ($19.1 million in 2022) and no short-term investments.

Capital Investments

(in Canadian dollars)

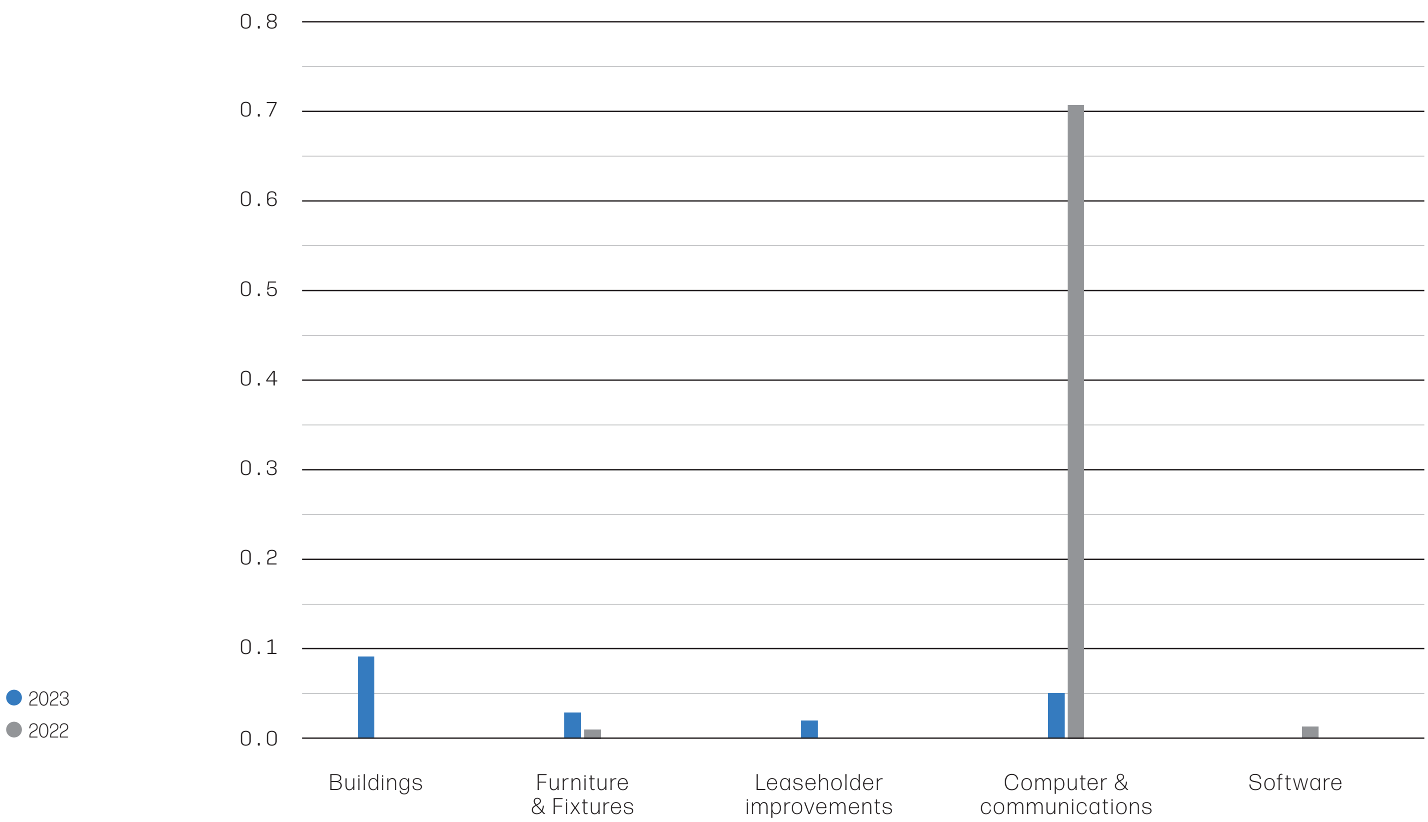
The following table shows a decrease of $112,563 in property & equipment and intangible assets which includes capital investments of $199,692 and depreciation & amortization of $312,255 for 2023.

	2023	2022	Var $	Var %
Buildings	**306,797**	235,532	71,265	30%
Furniture	**76,936**	69,946	6,990	10%
Leasehold improvements	**10,150**	28,531	(18,381)	-64%
Communications and computer equipment	**409,804**	550,927	(141,123)	-26%
Software	**22,565**	53,879	(31,314)	-58%
Total	**826,252**	**938,815**	**(112,563)**	**-12%**

Capital Investments (cont'd)

(in millions of Canadian dollars)

The following graph shows the capital investments for the years ended December 31, 2023, and December 31, 2022.



Accrued Salaries and Benefits

(in millions of Canadian dollars)

	2023	2022	Var $	Var %
Accrued salaries and benefits	**21,047**	15,982	5,065	31.7%

For 2023, the accrued salaries and benefits increased by $5.065 million. Within this increase, $4.2 million is attributed to a one-time provision for taxable benefits related to the years 2019-2022.

RISK ANALYSIS

This section provides an overview of the GLPA's top risks in 2023. The following analysis offers key insights into how the GLPA overcomes its main challenges, as these risks potentially impact operational and financial results. The trend status indicates how the risk profile has changed, if at all, over the course of 2023.

↑ Risk Increasing

→ Risk Stable

↓ Risk Decreasing

Change in leadership

Nature of Risk	Risk Trend	Current Situation
The GLPA is currently navigating through a phase of leadership transition, which includes several pivotal changes. The Chief Financial Officer (CFO) was onboarded in December 2022, followed by the departure of the previous CEO in June 2023. Furthermore, the anticipated retirement of the Director of Operations, a key figure with over two decades of service at the GLPA, alongside the recruitment and current training of his successor, marks a significant period of adjustment for the organization. These transitions present challenges to maintaining leadership continuity and ensuring the effective transfer of institutional knowledge. Addressing these transitions effectively is a primary focus, emphasizing the need for the new CEO to rapidly assimilate into the GLPA's cultural, procedural, and strategic framework. The leadership must embody the requisite skills and experience for proficient governance and strategic direction. The potential for knowledge transfer gaps, which could culminate in a loss of institutional knowledge and introduce operational risks, highlights the necessity of implementing robust measures to ensure a seamless leadership transition. Key among these measures is the development of an extensive knowledge transfer plan. To mitigate the risks posed by these leadership changes, the GLPA is committed to proactive risk management strategies. This includes the meticulous selection of suitable candidates, the execution of comprehensive knowledge transfer initiatives, and the cultivation of an environment characterized by open communication and collaborative effort. These steps are crucial in safeguarding the organization's continuity and fostering its ongoing success amid these transitions.	↑	The GLPA is proactively preparing for leadership transitions to ensure the smooth integration of new team members. By meticulously planning and anticipating these changes, the GLPA aims to facilitate a seamless leadership handover and foster effective collaboration among all team members. Following the departure of the previous CEO, the Chairperson of the Board has taken on the role of Interim CEO for the remainder of 2023, ensuring continuity in leadership without disrupting business operations. In February 2024, the Board of Directors successfully appointed a new CEO. Additionally, the new Director of Operations is currently undergoing training and acclimating well to their role. To guarantee a smooth transition of leadership, the GLPA is dedicated to offering comprehensive training to both the new Director of Operations and the new CEO. The organization understands the significance of having a well-prepared team to uphold stability and continuity amid changes. It is crucial that these key positions are carefully and effectively onboarded to secure a successful leadership succession for the organization. This strategic approach not only mitigates the risk of potential disruptions during the transition period but also positions the GLPA for sustained success and resilience in the face of change.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

Tax compliance and pilot tax reimbursement

Nature of Risk	Risk Trend	Current Situation
In 2023, the GLPA engaged tax consultants to evaluate the tax implications of allowances provided to pilots under their collective agreement. After much research and analysis, the conclusion reached, was that these allowances should be classified as taxable income according to Canadian and Québec Income Tax law. This result necessitated a review and adjustment of the GLPA's tax processes and past filings, including retroactive corrections to 2019, thereby introducing financial and labour relation risks. The financial implications of this adjustment are significant, with projected costs of approximately $4.2 million to cover interest, penalties, and income tax costs for both the GLPA and its pilots.	↑	Throughout the year, the GLPA revised all pilot T4 and Relevé 1 tax slips back to 2019 and updated its internal procedures to ensure compliance with tax laws regarding these travel allowances on a going forward basis. This retroactive adjustment, inadvertently imposed a financial burden on pilots, leading to some discontent. To navigate these complexities, the GLPA actively sought the insight of tax consultants for a comprehensive review in collaboration with the pilot presidents, who represent the pilot group. Additionally, the GLPA engaged with legal counsel hired by the Guild, the union representing the pilots, to ensure a thorough and balanced approach to resolving the issue. The retroactive adjustments of these travel allowances will result in pilot's incurring additional income tax, interest, and penalties. Recognizing the financial strain placed on pilots due to these tax adjustments, the GLPA has committed to compensate the pilots for a portion of these additional costs. It is important to note, however, that such compensation will itself, also be subject to taxation as a benefit to the pilots adding another layer to the financial implications for the pilots.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

Union contract negotiation

Nature of Risk	Risk Trend	Current Situation
The GLPA union's collective agreement with its pilots expired in March 2022. Negotiations are currently underway for four collective agreements covering five districts, which can be a time-consuming process. Although negotiations started in late 2022, the GLPA signed a *Resolution of Contract Renewal Disputes Agreement* with the Canadian Merchant Service Guild (the Guild), the union representing all pilots at the GLPA. This agreement also provides for a no strike/no lock out arrangement to ensure the continuous movement of people and goods in the Great Lakes without disruption. The GLPA and Guild reached freely bargained agreements with District 2 and District 3 in Q2 and Cornwall district in Q4. Collective bargaining will continue in 2024 with Lake Ontario and District 1. However, negotiating a fair and reasonable agreement can be challenging, and there are several risks associated with these negotiations. One such risk is not being able to reach a mutually beneficial agreement due to a significant gap between the union's demands and the GLPA's offers. This could result in an impasse, and ultimately: arbitration. An adverse result of arbitration can have significant financial consequences for the GLPA and potentially impact the market's satisfaction. In arbitration, a neutral third party makes a binding decision that both parties must accept. If the arbitrator's decision favours the union's demands more than what the GLPA can offer, it can result in increased labour costs for the GLPA, leading to financial strain. To cover the increased labour costs, the GLPA may need to raise pilotage charges, which can create dissatisfaction in the market and potential objection with the Canadian Transportation Agency. Another potential risk is a breakdown in communication between the union and management, leading to disagreements. This could result in low morale and job dissatisfaction among the pilots. The GLPA may also face external pressure from regulatory bodies or the media, which can influence the negotiations and create further complications. Additionally, if negotiations drag on for too long, it could result in delayed contract agreements and uncertainty for pilots and customers. This could lead to operational disruptions and financial losses for both the GLPA and its customers. Overall, it is crucial for the GLPA and its pilots to negotiate a fair agreement that meets both parties' needs while considering the market's economic realities. Failure to do so could have significant financial and operational consequences for the GLPA, its pilots, and the market. It is essential to maintain open communication and transparency throughout the negotiation process to minimize risks and ensure a successful outcome.	↑	As part of our ongoing commitment to managing risks and protecting the best interests of the GLPA and pilots, the GLPA has implemented a proactive strategy by hiring a highly skilled and experienced lead negotiator. With expertise in negotiating union contracts, the lead negotiator is well-equipped to bridge the gap between the union's demands and the GLPA's offers. By finding common ground and negotiating a fair agreement that meets both parties' needs, we can hope to achieve the best possible outcome for both parties. We are confident that this approach will effectively safeguard the GLPA's interests and support our ongoing efforts to promote cost containment. Signing a no-strike and no-lock out agreement with the pilots due to their critical role in Great Lakes pilotage can help ensure uninterrupted traffic flow in the Great Lakes. This can prevent disruptions that could lead to costly financial losses for the GLPA and the shipping industry. Furthermore, the 2 out of 4 freely bargained agreements with District 2, District 3, and Cornwall set expectations for the remaining two groups. Other strategies to mitigate risks in negotiating union contracts include maintaining open communication and transparency throughout the negotiation process, involving all stakeholders, and seeking external mediation or arbitration if necessary. These strategies can help prevent misunderstandings, maintain positive relationships with union members, and ensure a successful outcome for all parties involved. Overall, it is crucial to approach union contract negotiations with a strategic mindset, considering the risks and developing effective strategies to mitigate them. By doing so, the GLPA can negotiate fair agreements that meet both parties' needs, maintain positive relationships with union members, and ensure uninterrupted operations.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

Pilot succession planning (recruitment and retention)

Nature of Risk	Risk Trend	Current Situation
The GLPA faces risk in its pilot succession planning, which could result in the organization being unable to provide safe and efficient pilotage services due to a shortage of qualified pilots. Recruitment, training, and evaluation of pilots have been the key focus areas of the GLPA for many years and are crucial elements in the organization's strategic planning process. To ensure the availability of a skilled and experienced pool of pilots, the GLPA needs to address the challenges it faces in pilot recruitment and retention. The GLPA is experiencing a higher-than-average number of retirements, a trend that mirrors what is observed across the marine industry. Furthermore, the length of time required to train new pilots has increased due to the lack of experience that candidates have in navigating the Great Lakes. The GLPA is also competing for a limited pool of candidates. Additionally, the marine industry as a whole is facing a shortage of candidates interested in pursuing a career in this profession. To mitigate the risk associated with pilot succession planning, the GLPA must develop a comprehensive strategy that addresses recruitment, training, and retention. This strategy must include initiatives to attract new candidates to the profession, offer attractive benefits packages to retain existing pilots-with cost containment objectives in mind, and develop innovative training programs that provide candidates with the necessary skills to navigate the Great Lakes safely and efficiently.	→	GLPA conducts an annual retirement poll of its pilots, aiding in retirement planning and facilitating recruitment. Additionally, GLPA offers part-time contracts to retired pilots to ensure a sufficient pool of pilots available to meet the demand for pilotage services, especially during apprentice-pilot training. The GLPA anticipates above-average retirements in the coming years. To address this challenge, the GLPA revised its pilot recruitment program to ensure a sufficient number of candidates apply for apprentice-pilot positions. Moreover, the GLPA has implemented a long-term strategy to strategically position itself and gain visibility among future pilots by promoting itself within maritime academia. This approach aims to foster a mutually beneficial relationship between the GLPA and the academic community. The pilot training committees work continuously to revise and update the apprentice-pilot training program, integrating feedback and results from recently licensed pilots. The GLPA developed more flexible and innovative training programs that can accelerate the training of new recruits and provide ongoing professional development opportunities for existing pilots. This may include the use of simulation and other advanced training technologies to enhance skills development and competency assessment. To ensure the continued success of its pilot succession planning efforts, the GLPA remains proactive in addressing the challenges it faces. This includes exploring new ways to attract and retain pilots, such as offering additional training opportunities or benefits packages. Through negotiations, the GLPA has updated pilot wages to reflect market conditions and shifted a portion of variable compensation to fixed compensation. This initiative will make pilotage more attractive to new candidates and ensure retention. In 2022, the GLPA worked with Transport Canada to add some much needed flexibility in the candidates applying for an apprentice-pilot position given Transport Canada's new role in issuing licenses to pilots. More specifically, candidates can apply for a position at the GLPA without having completed the necessary Bridge Resource Management (BRM) course but is required to complete it as part of their apprenticeship.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

FINANCIAL

STATEMENTS


HUISMAN

MANAGEMENT REPORT

The management of the Authority is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for all other information presented in the annual report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgment in establishing reasonable estimates. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis. These systems and practices provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that the transactions are in accordance with section 89 and Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-law of the Authority.

The Board of Directors is comprised of Directors who are not employees of the Authority. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee oversees the entity's systems of internal accounting and administration control. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The external auditor, the Auditor General of Canada, is appointed under the *Financial Administration Act* and *Pilotage Act* and has audited the financial statements in accordance with Canadian generally accepted auditing standards. Her report outlines the nature of the audit and expresses her opinion on the financial statements of the Authority.

Jason Rimmer
Chief Executive Officer

Antony Sebastiampillai, CPA
Chief Financial Officer

Cornwall, Ontario
March 14, 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 Great Lakes Pilotage Authority (the Authority), which comprise the statement of financial position as at 31 December 2023, and the statement of operations and comprehensive income (loss), 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 its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the management discussion and analysis 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 on the other information obtained prior to the date of this auditor's report, 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 Great Lakes 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 Great Lakes Pilotage Authority, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Great Lakes 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 Great Lakes Pilotage Authority's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Great Lakes 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.

N. Chartrand

Nathalie Chartrand, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
14 March 2024

Statement of Financial Position

(in Canadian dollars)

	December 31, 2023	December 31, 2022
ASSETS		
Current		
Cash	$ 17,115,594	$ 19,130,468
Trade and other receivables	7,138,323	6,544,940
Prepaids	46,632	70,892
	24,300,549	25,746,300
Non-current		
Property and equipment (Note 7)	803,687	884,936
Intangible assets (Note 8)	22,565	53,879
Right-of-use asset (Note 9)	6,866	69,797
	$ 25,133,667	$ 26,754,912
LIABILITIES		
Current		
Accrued salaries and benefits	$ 21,046,637	$ 15,981,516
Other accounts payable and accrued charges	1,870,242	1,675,182
Employee benefits (Note 12)	16,500	220,200
Lease liability (Note 13)	7,095	84,914
	22,940,474	17,961,812
Non-current		
Employee benefits (Note 12)	2,098,900	1,564,000
	25,039,374	19,525,812
EQUITY		
Accumulated surplus	94,293	7,229,100
	$ 25,133,667	$ 26,754,912

Contingent liability (Note 14)
Commitments (Note 18)

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

Approved by the Board of Directors and authorized for issue on March 14, 2024.

J. Pound
Chairperson

J. Mills
Director

Statement of Operations and Comprehensive Income (Loss)

For the year ended December 31 (in Canadian dollars)

	2023	2022
REVENUES		
Pilotage charges (Note 16)	$ 44,219,003	$ 45,537,831
Pilot boat income	301,093	216,754
Interest and other income	758,933	213,144
	45,279,029	45,967,729
EXPENSES		
Pilots' salaries and benefits	37,696,003	31,544,075
Transportation and travel	3,962,145	3,548,385
Pilot boat services	3,270,934	2,441,066
Operation staff salaries and benefits	2,116,167	1,868,374
Administration staff salaries and benefits	1,598,955	1,561,818
Professional and special services	1,323,316	685,786
Amortization and depreciation	312,255	300,289
Pilot transfer services	301,060	329,386
Pilot training and recruiting costs	294,605	433,216
Utilities, materials and supplies	288,932	220,428
Purchased dispatching services	269,449	182,686
Pilotage Act administration fees	124,801	316,919
Portable pilotage units and navigation software	112,900	115,823
Communications	102,409	125,864
Depreciation of right of use asset	67,276	64,430
Repairs and maintenance	57,791	70,252
Interest and bank charges	40,481	18,711
Rentals	13,988	16,882
Interest on lease liability	2,969	24,596
	51,956,436	43,868,986
(Loss) profit for the year	(6,677,407)	2,098,743
Other comprehensive income		
Items that will not be reclassified to net results		
Actuarial (loss) gain on employee benefits (Note 12)	(457,400)	105,600
Comprehensive (loss) income for the year	$ (7,134,807)	$ 2,204,343

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

Statement of Changes in Equity

For the year ended December 31 (in Canadian dollars)

	2023	2022
Accumulated surplus, beginning of year	$ 7,229,100	$ 5,024,757
(Loss) profit for the year	(6,677,407)	2,098,743
Other comprehensive (loss) income for the year	(457,400)	105,600
Total comprehensive (loss) income for the year	(7,134,807)	2,204,343
Accumulated surplus, end of year	**$ 94,293**	$ 7,229,100

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

Statement of Cash Flows

For the year ended December 31 (in Canadian dollars)

	2023	2022
OPERATING ACTIVITIES		
(Loss) profit for the year	$ (6,677,407)	$ 2,098,743
Adjustments to determine net cash (used in) provided by operating activities:		
Employee benefits paid	(215,000)	(343,700)
Interest cost on employee benefits	85,600	50,300
Retirees' contributions for death benefits	3,200	2,800
Amortization and depreciation	312,255	300,289
Depreciation of right of use assets	67,276	64,430
Changes in non-cash working capital items:		
Increase in trade and other receivables	(593,383)	(633,060)
Decrease (increase) in prepaids	24,260	(10,966)
Increase in accrued salaries and benefits	5,065,121	1,364,521
Increase (decrease) in other accounts payable and accrued charges	195,060	(352,025)
Net cash (used in) provided by operating activities	(1,733,018)	2,541,332
INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets	(199,692)	(735,427)
Cash used in investing activities	(199,692)	(735,427)
FINANCING ACTIVITIES		
Payment of the lease liability	(82,164)	(55,340)
Cash used in financing activities	(82,164)	(55,340)
CASH		
Net (decrease) increase in cash during the year	(2,014,874)	1,750,565
Balance, beginning of year	19,130,468	17,379,903
Balance, end of year	$ 17,115,594	$ 19,130,468

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

Notes to the Financial Statements

December 31, 2023 (in Canadian dollars)

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. (the Authority) was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. and was a subsidiary of the St. Lawrence Seaway Authority. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority was established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act (FAA)*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters.

In July 2015, the Authority was issued a directive (P.C. 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 Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. The Authority continues to meet the requirement of this directive.

The Authority is exempt from income taxes.

Regulation of tariff of pilotage charges

The 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.

As per the *Pilotage Act*, the Authority shall pay the Minister of Transport an amount specified by the Minister for defraying the costs of the administration of the Act, including the development of regulations and the enforcement of the Act.

2. Basis of presentation

(a) Statement of compliance

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on a historical cost basis, as set out in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

3. New and revised accounting standards

No new or revised standard had a significant impact on the Authority's financial statements.

4. Material accounting policy information

The material accounting policies are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. The Authority had no cash equivalents as at December 31, 2023 (2022 – nil).

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on a straight-line basis and is based on the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of the year, with the effect of any changes in estimate being accounted for on a prospective basis. The following useful lives are used in calculation of depreciation:

Asset category	Estimated useful life
Buildings	20 years
Furniture	10 years
Leasehold improvements	Shorter of the term of the lease and the useful life of the leasehold improvement
Communication and computer equipment	Up to 5 years

Property and equipment are reviewed annually for indications of impairment or changes in estimated future economic benefits. If any such indications exist, the asset's carrying value is adjusted accordingly. Depreciation is not charged on projects in progress.

(c) Intangible asset

Intangible assets are recorded at cost. Amortization is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Asset category	Estimated useful life
Software	Up to 5 years

Intangible assets are reviewed annually for indications of impairment or changes in estimated future economic benefits. If any such indications exist, the asset's carrying value is adjusted accordingly. Amortization methods, useful lives and residual values are reviewed at each year end and adjusted on a prospective basis. Projects that are in progress are not subject to amortization.

(d) Right-of-Use asset and lease liability

The Authority assesses whether a contract is or contains a lease, at inception of a contract. The Authority recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases which, at the commencement date, have a term of 12 months or less) and leases of low-value assets. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the liabilities. The cost includes the amount of lease liability recognized, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs.

Right-of-use assets are depreciated on a straight-line basis as follows:

Asset category	Estimated useful life
Building	Shorter of the term of the lease and the useful life of the building

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lease's implicit rate. If this rate cannot be readily determined, the Authority uses the incremental borrowing rate. It is subsequently measured when there is a change in future leases payments arising from change in an index or rate, or if the Authority changes its assessment of whether it will exercise an extension or termination option.

The right-of-use asset and the lease liability are presented as separate line items in the Statement of Financial Position.

(e) Pension benefits

Substantially, the employees of the Authority are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority 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.

(f) Severance benefits

Employees are entitled to severance benefits, as provided under labour contracts and conditions of employment. The cost of the severance benefits earned by employees is determined annually on an actuarial basis using the projected unit credit method prorated with years of credited service and management's best estimate assumptions, such as the discount rate, rate of salary increase, inflation, retirement ages of employees and other factors. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The benefit costs are determined using the cost of employee benefits for the current years' service, the interest cost on the accrued benefit obligation, the benefits paid and net actuarial gain or loss for the year.

(g) Retirees' death benefits

Former employees who retired prior to 1999 have been granted a death benefit. The liability amount for this benefit is determined annually on an actuarial basis using the projected unit credit method. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The annual cost of this benefit comprises the amount of benefits paid in the year, the interest cost on the accrued benefit obligation plus the change in the actuarial liability during the year, reduced by a retiree contribution.

(h) Short-term employee benefits

The Authority's short-term employee benefits consisting of compensated absences, are evaluated on an undiscounted basis and are expensed as the related services are rendered.

(i) Revenue recognition

Revenue is recognized as control is transferred, at a specific point in time, namely when the pilot assigned to a vessel has completed the pilotage assignment. Revenues earned from pilot boat operation are recognized as services are rendered. Interest and other income are recognized using the effective interest method as they are earned.

(j) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. After initial recognition, cash and cash equivalents are measured at fair value through profit or loss and trade and other receivables are measured at amortized cost. Other accounts payable and accrued charges, accrued salaries and benefits, and lease liability are subsequently measured at amortized cost. Due to the short term nature of these accounts, their carrying values are deemed to approximate their fair values.

(k) Impairment

For trade and other receivables, any impairment provision must be measured by applying the simplified approach as their payment terms do not include significant financing components. Under the simplified approach, the loss allowance is measured at an amount equal to the lifetime expected credit losses. The carrying amount of trade and other receivables is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in profit or loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

5. Critical accounting 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 revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

(a) Significant accounting estimates

Significant 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.

Employee benefits
The Authority engaged an external actuary to evaluate its post-employment benefits as well as the death benefits for retirees. These obligations are evaluated annually on December 31.

Amortization and Depreciation rates
Refer to Note 4(b), 4(c) and 4(d) for estimated useful lives of property and equipment, intangible assets, and right-of-use asset.

(b) Significant accounting judgments

Management has made a significant accounting judgment in the preparation of these financial statements, see note 14.

6. Financial instruments

Risk management

The Authority, through its financial assets and financial liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk. The Authority manages these risk exposures on an ongoing basis.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. To mitigate this risk, the Minister of Finance authorizes the Authority to invest only on certain categories of investments.

The carrying amount of cash and cash equivalents, and trade and other receivables represents the maximum credit exposure.

The Authority's trade and other receivables had a carrying value of $7,138,323 as at December 31, 2023 (December 31, 2022 – $6,544,940). There is no concentration of accounts receivable with any one customer. As at December 31, 2023, 0.6% (December 31, 2022 – 0.2%) of accounts receivable were over 90 days past due, whereas 99.4% (December 31, 2022 – 99.8%) were current, or less than 30 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The Authority's allowance for doubtful accounts was nil at December 31, 2023, and at December 31, 2022.

The credit risk related to cash is minimized as these assets are held with a Canadian chartered bank.

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 must operate on a self-sufficiency basis and does not have access to Parliamentary appropriations and, as a result, depends on its funding sources, borrowing and cash flows from operating activities to meet its financial requirements. The Authority manages liquidity risk by continuously monitoring actual and projected cash flows. The Authority has a revolving demand credit facility with a Canadian chartered bank of up to $5.0 million to provide working capital financing. The interest rate is equivalent to the bank's prime rate. The Minister of Finance authorizes this amount. The credit facility is available to the Authority as required and is renewed annually. At December 31, 2023, the Authority was not using the line of credit (December 31, 2022 – nil). During the year, the interest expense was nil (2022 – nil). As at December 31, 2023, and December 31, 2022, the Authority's financial liabilities were limited to accrued salaries and benefits and other accounts payable and accrued charges.

The Authority's financial liabilities had a carrying value of $22,916,879 (December 31, 2022 – $17,656,698). As at December 31, 2023 (December 31, 2022 – 100%), all of the Authority's accrued salaries and benefits and other accounts payable and accrued charges were current or less than 90 days.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments.

The Authority is not exposed to significant market risks.

Fair values

Financial instruments that are initially recognized at fair value are subsequently measured at amortized cost and 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.

Cash and cash equivalents are measured at fair value at Level 1, while trade and other receivables, accrued salaries and benefits and other accounts payable and accrued charges are measured at Level 2. There are no Level 3 financial instruments held by the Authority.

7. Property and equipment

	Buildings	Furniture	Leasehold improvements	Communication and computer equipment	Projects in Progress	**Total**
Cost						
At January 1, 2022	$ 357,832	$ 266,765	$ 252,837	$ 543,605	$ –	**$ 1,421,039**
Assets Acquired	–	7,128	–	715,024	–	**722,152**
Disposals	–	(6,144)	–	(3,113)	–	**(9,257)**
At December 31, 2022	$ 357,832	$ 267,749	$ 252,837	$ 1,255,516	$ –	**$ 2,133,934**
Assets Acquired	91,823	28,917	20,299	58,653	–	**199,692**
Disposals	–	(24,340)	(2,367)	(405,677)	–	**(432,384)**
At December 31, 2023	**$ 449,655**	**$ 272,326**	**$ 270,769**	**$ 908,492**	**$ –**	**$ 1,901,242**
Accumulated depreciation						
At January 1, 2022	$ 106,333	$ 185,137	$ 195,775	$ 504,207	$ –	**$ 991,452**
Depreciation for the year	15,967	18,810	28,531	203,495	–	**266,803**
Disposals	–	(6,144)	–	(3,113)	–	**(9,257)**
At December 31, 2022	$ 122,300	$ 197,803	$ 224,306	$ 704,589	$ –	**$ 1,248,998**
Depreciation for the year	20,558	21,927	38,680	199,776	–	**280,941**
Disposals	–	(24,340)	(2,367)	(405,677)	–	**(432,384)**
At December 31, 2023	**$ 142,858**	**$ 195,390**	**$ 260,619**	**$ 498,688**	**$ –**	**$ 1,097,555**
Carrying amounts						
At December 31, 2022	$ 235,532	69,946	28,531	550,927	–	**884,936**
At December 31, 2023	**$ 306,797**	**$ 76,936**	**$ 10,150**	**$ 409,804**	**$ –**	**$ 803,687**

8. Intangible assets

	Software	Projects in Progress	Total
Cost			
At January 1, 2022	$ 649,175	$ –	$ **649,175**
Assets Acquired	13,275	–	**13,275**
At December 31, 2022	$ 662,450	$ –	$ **662,450**
At December 31, 2023	**$ 662,450**	**$ –**	**$ 662,450**
Accumulated amortization			
At January 1, 2022	$ 575,085	$ –	$ **575,085**
Amortization for the year	33,486	–	**33,486**
At December 31, 2022	$ 608,571	$ –	$ **608,571**
Amortization for the year	31,314	–	**31,314**
At December 31, 2023	**$ 639,885**	**$ –**	**$ 639,885**
Carrying amounts			
At December 31, 2022	$ 53,879	$ –	$ **53,879**
At December 31, 2023	**$ 22,565**	**$ –**	**$ 22,565**

9. Right-of-use asset

The Authority recognized a right-of-use asset and lease liability (see note 13) for the head office lease as of January 1, 2019.

		Building		**Total**
Cost				
At January 1, 2022	$	316,556	**$**	**316,556**
Re-measurement		3,713		**3,713**
At December 31, 2022	$	320,269	**$**	**320,269**
Re-measurement		4,345		**4,345**
At December 31, 2023	**$**	**324,614**	**$**	**324,614**
Accumulated depreciation				
At January 1, 2022	$	186,042	**$**	**186,042**
Depreciation for the year		64,430		**64,430**
At December 31, 2022	$	250,472	**$**	**250,472**
Depreciation for the year		67,276		**67,276**
At December 31, 2023	**$**	**317,748**	**$**	**317,748**
Carrying amounts				
At December 31, 2022		69,797		**69,797**
At December 31, 2023	**$**	**6,866**	**$**	**6,866**

10. Bank indebtedness and bank overdraft

Bank indebtedness and bank overdraft at December 31 was nil for 2023 and 2022.

11. Pension plan

The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employee's required contribution. The general contribution rate effective at year end was $1.02 for employees hired prior to January 1, 2013, and $1.00 for employees hired after December 31, 2012 (2022 – $1.02 and $1.00 respectively) for every dollar contributed by the employee. If an employee's annual salary is greater than $196,200 (2022 – $191,300), the portion of the employee's salary above this amount is subject to an employer contribution of $5.29 (2022 – $5.91) for every dollar contributed by the employee. Contributions during the year were as follows:

	December 31, 2023	December 31, 2022
Authority	**$ 1,811,513**	$ 1,458,380
Employee	**1,842,229**	1,478,260
Total contributions	**$ 3,653,742**	$ 2,936,640

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 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

The Authority expects that cash outflows of $1,711,848 will be made to the plan in 2024.

12. Employee benefits

(a) Termination benefits

Termination benefits are provided to all current employees under various collective agreements and employment contracts. The cost of the benefit is fully paid by the Authority. This plan is unfunded and requires no contributions from employees. The Authority measures its accrued benefit obligation of its termination benefits for accounting purposes as at December 31st of each year. The weighted average of the maturity of the plan at December 31 was 2.9 years (2022 – 3.0 years).

Termination benefits mainly include severance benefits. As part of the collective negotiations and changes to conditions of employment of all employees, the accumulation of severance benefits under the severance pay program ceased for some employee groups in 2012 and ceased for the remaining group in 2013. Only one group of employees had an additional termination benefits for which these employees continued to accumulate until the end of their employment. As part of the 2018 collective agreement negotiations, the accumulation of additional termination benefits under this program ceased as of March 31, 2018. With the exception of the pilot groups, all other employees had the benefits paid in full. For the pilot groups, the value of the severance pay benefits will be paid upon termination of employment.

The method to determine the discount rate did not change in 2023 and is based on projected cash flows and a yield curve.

The defined benefit obligation, measured as at the statement of financial position date, is as follows:

	December 31, 2023	December 31, 2022
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$ 1,677,800	$ 2,042,900
Interest cost	80,400	47,100
Benefits paid	(205,000)	(319,800)
Actuarial loss (gain)	459,100	(92,400)
Defined benefit obligation, end of year	$ 2,012,300	$ 1,677,800

Components of expense recognized in profit and loss		
Interest cost	80,400	47,100
Total expense recognized in profit and loss	$ 80,400	$ 47,100

Analysis of actuarial gain or loss		
Experience	$ 443,900	$ –
Change in financial assumptions	15,200	(92,400)
Actuarial loss (gain)	$ 459,100	$ (92,400)

Classification of defined benefit obligation		
Current portion	$ –	$ 205,000
Non-current portion	2,012,300	1,472,800
Defined benefit obligation, end of year	$ 2,012,300	$ 1,677,800

Key assumptions used in the actuarial valuation		
Discount rate	4.60%	5.10%
Estimated salary rate increase	2.50%	2.50%
Age at retirement	65 or current age if older	65 or current age if older

The plan is sensitive to a significant actuarial assumption which is the discount rate.

A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $48,800.
An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $44,700.

(b) Retirees' death benefits

A death benefit is provided to a closed group of pre-1999 retirees and their spouses. This is unfunded but requires a monthly contribution from the retiree of $1.90 per $1,000 of benefit.

The Authority measures the accrued benefit obligation of the retirees' death benefit for accounting purposes as at December 31 of each year.

The method to determine the discount rate did not change in 2023 and is based on projected cash flows and a yield curve.

The defined benefit obligation, measured as at the statement of financial position date, is as follows:

	December 31, 2023	December 31, 2022
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$ 106,400	$ 137,500
Interest cost	5,200	3,200
Benefits paid	(10,000)	(23,900)
Retirees' contributions	3,200	2,800
Actuarial gain	(1,700)	(13,200)
Defined benefit obligation, end of year	$ 103,100	$ 106,400
Components of expense recognized in profit and loss		
Interest cost	5,200	3,200
Total expense recognized in profit and loss	$ 5,200	$ 3,200
Analysis of actuarial gain or loss		
Change in financial assumptions	(1,700)	(13,200)
Actuarial gain	$ (1,700)	$ (13,200)
Classification of defined benefit obligation		
Current Portion	$ 16,500	$ 15,200
Non-current portion	86,600	91,200
Defined benefit obligation, end of year	$ 103,100	$ 106,400

Key assumptions used in the actuarial valuation		
Discount rate	4.60%	5.00%

The weighted average of the maturity of the plan at December 31 was 4.3 years (2022 - 4.7 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $4,700. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $4,400.

13. Lease liability

The Authority's outstanding lease liability is:

	December 31, 2023	December 31, 2022
Cornwall Head Office Lease: Lease payable in monthly instalments including interest at 3.95%, amortized over 5 years, term ending January 31, 2024	**$ 7,095**	$ 84,914
Current portion	**7,095**	84,914
Non-current portion	**–**	–
Carrying amount, end of the period	**$ 7,095**	$ 84,914

Interest expense on the lease for the year 2023 amounted to $2,969.

14. Contingent liabilities

In the normal course of business, the Authority is subject to various claims or legal proceedings. The Authority believes that the final settlement of these claims is not expected to have a material effect on the financial statements.

As at December 2023, the Authority is involved in a legal dispute following the termination of a service contract. The supplier has initiated legal action, claiming loss of profits. However, the claim amount has not been specified. Given the uncertainty surrounding the case's outcome and the inability to accurately estimate any potential financial repercussions, no liability has been recorded.

15. Capital management

The Authority's capital is its equity, which consists of accumulated surplus of $94,293 (2022 – $7,229,100).

The Authority is subject to financial management and accountability provisions of the FAA which imposes restrictions in relation to borrowings and acquisition of investments. On an annual basis the Authority must receive approval of all borrowings and investments from the Minister of Finance.

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 effectively. The pilotage charges must be fair and reasonable and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

There were no changes in the Authority's approach to capital management during the year.

16. Pilotage charges

The following table presents pilotage charges disaggregated by revenue type:

	December 31, 2023	December 31, 2022
Basic Pilotage	$ 37,261,289	$ 38,553,256
Docking/undocking	2,826,730	2,577,211
Surcharges	2,068,161	2,131,999
Pilot Boat charges	760,437	754,227
Cancellations	366,589	287,448
Delays/detentions	336,665	617,258
Pilot transfers	315,285	334,447
Pilotage Act administration fees recovery	283,847	281,985
Total Pilotage charges	$ 44,219,003	$ 45,537,831

17. Related party 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 on trade terms and conditions that apply to unrelated parties. These transactions are recorded at fair value. Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

Compensation of key management personnel

The following table presents the remuneration of directors and other members of key management personnel:

	December 31, 2023	December 31, 2022
Compensation and short-term employee benefits	$ 881,759	$ 1,132,694
Post-employment benefits	72,722	72,776
	$ 954,481	$ 1,205,470

18. Commitments

The Authority has commitments as at the statement of financial position date in respect of pilot boat services, simulator services for pilot training, support for the Authority's dispatch system and an iPad lease agreement. Future minimum rental and contractual payments are as follows:

	December 31, 2023	December 31, 2022
Less than 1 year	**$ 652,007**	$ 342,477
Between 1 and 5 years	**1,470,234**	266,177
More than 5 years	**71,692**	69,316
	$ 2,193,933	$ 677,970

GREAT LAKES PILOTAGE AUTHORITY

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PHOTOS

All photos in this report were taken by Authority Pilots, except for page 57.

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