Administration de pilotage des Laurentides

Laurentian Pilotage Authority

Canada

Annual Report 2023


Canada
Administration de pilotage des Laurentides
Laurentian Pilotage Authority
Limites géographiques des activités
Geographical limits of activities
Havre-St-Pierre
Sept-Îles
Port-Cartier
Port-Menier
Golfe du Saint-Laurent
Gulf of Saint-Lawrence
Fleuve Saint-Laurent / Saint-Lawrence River
Rivière Saguenay
Saguenay River
Baie-Comeau
Matane
Gaspé
Les Escoumins
Port Saguenay
La Baie
Rimouski
Gros Cacouna
Pointe-au-Pic
Cap-aux-Meules
Québec
Trois-Rivières
Bécancour
Sorel
Montréal
Québec / Les Escoumins
circonscription no 2
Montréal / Québec
circonscription no 1
Montréal / Pointe-aux-Trembles
circonscription no 1.1

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Mandate and activities

MANDATE

The Laurentian Pilotage Authority is charged with providing marine pilotage services in the waters of the St. Lawrence River, the Gulf of St. Lawrence and the Saguenay River. It is responsible for all aspects of compulsory pilotage services, making it a turnkey organization. The legislative mandate guiding the LPA's activities is based on the following four principles:

1. The provision of pilotage services contributes to navigation safety, including the safety of the public and marine personnel; it is also aimed at protecting human health, property and the environment.
2. Pilotage services are provided in an efficient and cost-effective manner.
3. Efficient use of risk management tools that takes technological evolution into account.
4. The LPA's pilotage charges are set at levels that enable it to be financially self-sufficient.

The LPA reports to the government through the Minister of Transport and is accountable to the Parliament of Canada for its actions.

PUBLIC INTEREST ROLE

The LPA is a key instrument of public policy in supporting the resilience and sustainability of the Canadian supply chain. Its services help ensure Canada's economic prosperity, the quality of life of Canadian's and the protection of our great natural endowment.

VISION

To be a leader in managing a resilient, smart, and sustainable pilotage service as an important link in Canada's supply chain, founded on human expertise and technological innovation, and empowered by inclusive partnerships.

MISSION

The LPA's mission is to provide effective and efficient pilotage services that promote the safety of navigation, including the safety of the public and marine personnel, on the St. Lawrence and Saguenay Rivers, and in the Gulf of St. Lawrence. Financially self-sufficient, the LPA conducts its activities with a view to protecting human health, property and the environment. It also employs sound risk management and state-of-the-art technology.

VALUES

Honesty, Integrity and Respect

LPA employees are committed to honesty and integrity in the performance of their duties. They work in a spirit of openness and transparency that fosters commitment, collaboration and respect.

Professionalism and Quality Services

The LPA team strives for excellence in all its activities, notably in customer service, by constantly striving to learn, develop and improve.

Collaboration

Collaborating with partners, including those in the marine shipping industry, the pilots and their representative organizations is key to achieving the LPA's vision and mission. The LPA strives to maintain positive relationships and collaborates with all its partners to better serve the public interest.

Accountability

The LPA's employees are committed to effectively using the resources under their responsibility, upholding the highest standards of probity consistent with the regulations and rules governing the organization.

Adaptability and Innovation

The LPA fosters innovation and creativity. It encourages and supports originality and diversity of ideas. We welcome new methods or ideas that could improve our service and the use of our resources, both individually and collectively.


TRATION DE PILOTAGE DES LAURENTIDES

-1.72 %

21,734

assignments

1,024

unique ships served

17,230

pilotage missions

99.92%

incident-free missions

99.97%

service efficiency (without delays)

+6.56 %

$115.3M

revenues

Highlights

Mission : a mission is generated at each transit through a district or from one sector to another.

Assignment : an assignment is generated each time a pilot is assigned to a ship.

Message from the Chairperson of the Board of Directors and the CEO

In 2023, the Laurentian Pilotage Authority (LPA) underwent significant transitions at the operational, regulatory, and governance levels.

Having weathered the pandemic, the LPA's activities continue to reflect a cautious return to economic normalcy. In 2023, the LPA recorded only a slight decrease of 1.73% in assignments compared with the previous year, with 21,734 ship movements recorded. The period was also characterized by work disruptions in the maritime sector lasting seven days, during which the LPA played a key role in the orderly shutdown and restart of the Seaway.

Overall, the work of the dedicated LPA team and its partners continues to be essential to the well-being of Canadians and to a number of critical economic sectors, including the iron ore and minerals that support the steel and automotive industries in Canada and the United States, grain exports from the Prairies, Ontario and Québec, the petroleum products that fuel strategic refining operations, along with the consumer goods that line the shelves of national department stores.

To ensure the continuation of safe, efficient and reliable pilotage services, the LPA undertook a number of important steps in 2023. It renewed its agreements for pilot boat operations and pilotage district services, invested in fleet maintenance and the renewal of PPU technologies, and laid the foundations to green its activities by adopting its first sustainable development policy and by taking stock of its environmental footprint. Despite a reduction in the LPA's surplus due to these necessary measures, our balance sheet remained positive and efforts were made to rebuild our reserves.

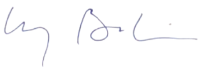
The LPA also continued its work in support of Transport Canada on a number of strategic files, including new pilotage regulations, along with preparations for the potential extension of compulsory pilotage to ports on the Québec Lower North Shore. Notified by Transport Canada and industry stakeholders, significant steps were taken to adapt the LPA's distribution systems and put in place the necessary elements to support the region's continued economic growth in the event of a government decision to clarify pilotage governance structures.

The last 12 months have also seen a number of important internal transitions, with the departure of two directors and the arrival of a new Chief Executive Officer, along with a new Executive Director, Marine Safety and Efficiency. A sturdy transition helped the LPA's Board of Directors and management team remain focused on our service objectives and we are grateful for our collective achievements over the past year. The LPA's renewal was reinforced by the Government's launch of a recruitment process to reconstitute the LPA's Board of Directors.

We also wish to acknowledge the dedication, agility and commitment to excellence shown by the LPA's employees. Thanks to each and every one of them, we were able to answer the call of duty in times of both calm and crisis, 24 hours a day, seven days a week, and 365 days a year.

Looking ahead, we will continue our efforts to support the maritime sector and the well-being of our fellow citizens. In doing so, we will remain focused on our core mission while working to increase value for the maritime industry, coastal communities, and all those who depend on a resilient pilotage service.

Julius Spivack
Acting Chairperson of the Board of Directors



Marc-Yves Bertin
Chief Executive Officer

The year in figures

RESULTS SUMMARY AND STATISTICS

In figures, an analysis of the LPA's comprehensive income compared to previous years. The results must be read in conjunction with the audited Financial Statements and accompanying notes.

Fiscal year ended December 31 (in thousands of dollars)

	2023	2022	2021	2020	2019
Revenues	**$115,314**	$108,177	$98,914	$93,971	$108,293
Expenses	**$114,821**	$107,551	$100,269	$96,535	$107,680
Comprehensive income	**$493**	$626	($1,355)	($2,564)	$613
Working capital	**$4,197**	$6,039	$11,321	$11,370	$13,182
Retained earnings	**$26,641**	$26,148	$25,522	$26,877	$29,441
Number of assignments	**21,734**	22,115	21,153	21,215	24,670

Human Resources

	2023	2022	2021	2020	2019
Management	**6**	6	5	5	5
Administration and Operations	**20**	21	19	17	15
Dispatch	**24**	21	20	22	19
Boat Crews	**19**	17	18	14	15

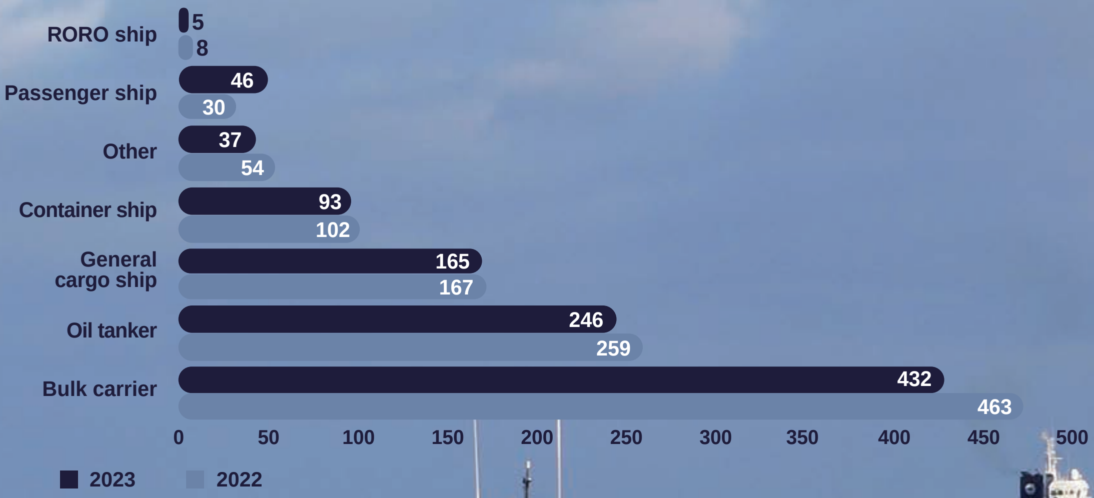
Pilots and Certificates

	2023	2022	2021	2020	2019
Contract Pilots*	**203**	204	198	195	180
Apprentice Pilots	**11**	10	20	19	14
Pilotage Certificate Holders	**1**	2	2	2	2

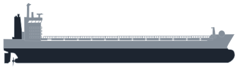
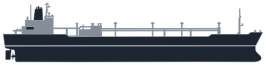
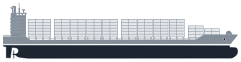
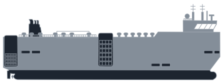
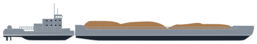
* Number of active licences, in pilot years. This figure is adjusted to account for suspended licences (long-term disability, etc.), semi-retirements and for pilot corporation directors.

LEVEL OF SERVICE

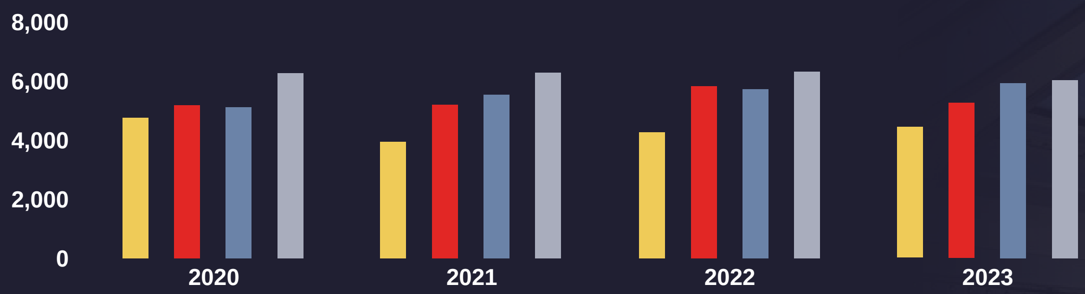
Number of different ships served by the LPA, regardless of the number of voyages performed



Number of voyages performed by type of ship

		2023		2022	
Bulk carrier		2,795	40.24 %	2,830	40.83 %
Oil tanker		1,764	25.40 %	1,807	26.07 %
Container ship		806	11.60 %	812	11.72 %
General cargo ship		853	12.28 %	879	12.68 %
Passenger ship		346	4.98 %	250	3.61 %
RORO ship		183	2.63 %	158	2.28 %
Other		199	2.86 %	195	2.81 %
		6,946	100.00 %	6,931	100.00 %

Number of assignments per quarter



	2020	2021	2022	2023
1st quarter	4,534	4,076	4,260	4,382
2nd quarter	5,252	5,268	5,828	5,394
3rd quarter	5,172	5,526	5,718	5,929
4th quarter	6,257	6,283	6,309	6,029
Total	**21,215**	**21,153**	**22,115**	**21,734**

SERVICE EFFICIENCY

	% of pilotage missions with no pilot-related delays	% of pilot-related service delays	
2023	99.9 %	0.13 %	(6h)
2022	99.9 %	0.13 %	(9h)
2021	99.9 %	0.98 %	(51h)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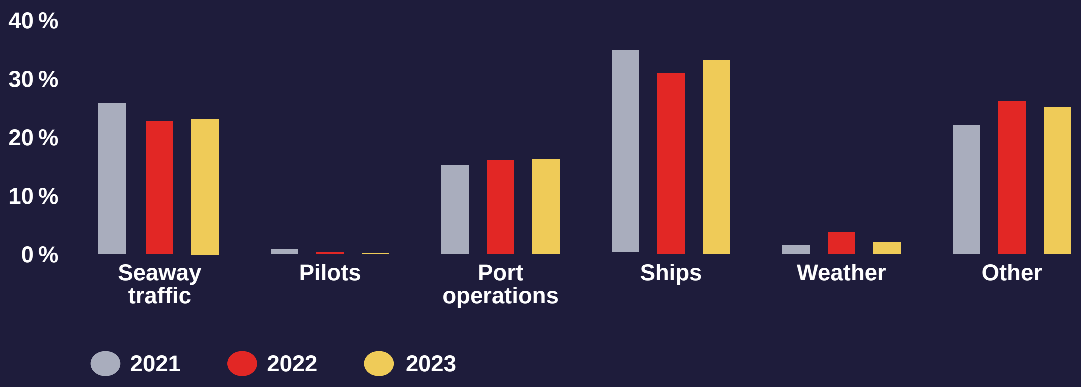
Breakdown of the number of delays by cause

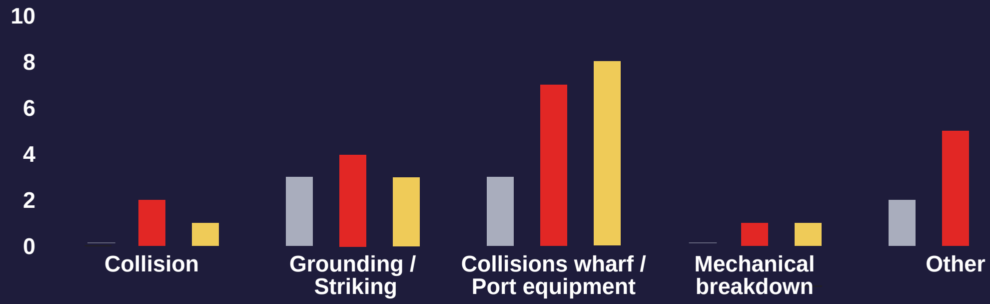


Of the 2,569 delays recorded in 2023, only six (0.2%) were attributable to a lack of pilot availability.

SAFETY AND MARINE OCCURRENCES – INCIDENTS/ACCIDENTS

Number of incidents/accidents

Breakdown of the number of incidents/accidents by cause



	Collision	Grounding / Striking	Collisions wharf / Port equipment	Mechanical breakdown	Other
2021	0	3	3	0	2
2022	2	4	7	1	5
2023	1	3	8	1	0

Description of activities

FROM MONTREAL TO LES ESCOUMINS

To fulfill its mandate, the LPA has established three compulsory pilotage districts: Port of Montreal (District No. 1.1) waters, the navigable waters between Montreal and Quebec City (District No. 1), and navigable waters between Quebec City and Les Escoumins, including the Saguenay River (District No. 2). These districts cover 265 nautical miles between Montreal and Les Escoumins and another 70 nautical miles on the Saguenay River.

Several ports east of Les Escoumins are within waters under LPA jurisdiction but are not subject to compulsory pilotage. The LPA is awaiting instructions from Transport Canada with respect to the potential regulation and implementation of compulsory pilotage in four ports on the North Shore.

SHIPS SUBJECT TO COMPULSORY PILOTAGE

Ships are subject to compulsory pilotage based on a number of criteria established through regulations. For Canadian-registered ships navigating districts No. 1 or No. 1.1, compulsory pilotage applies to those over 70 metres in length and over 2,400 gross tons. For Canadian-registered ships navigating District No. 2, compulsory pilotage applies to ships over 80 metres in length and over 3,300 gross tons. Lastly, for ships not registered in Canada, all ships over 35 metres in length are subject to compulsory pilotage, regardless of the district.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ADM. DE PILOTAGE DES LAURENTIDES
LAURENTIAN PILOTAGE AUTHORITY
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LAURENTIAN PILOTAGE AUTHORITY

SERVICE OFFERING

The provision of pilotage services entails a series of precise activities that must be meticulously orchestrated by LPA employees. When a request for service is received, LPA dispatchers must assign the right pilot to the vessel at the right time, while planning the activities involved for their notification, deployment and transshipment by pilot boat to a vessel. A vessel can only transit once the LPA has aligned the services of several marine actors to ensure effective transit within our service area.

The LPA Dispatch Centre, located in the Montreal headquarters, is the nerve centre for pilotage services on the St. Lawrence and Saguenay rivers. Its dispatchers are responsible for organizing pilotage services for each client. The Dispatch Centre serves all three districts and is operational 24 hours a day, 365 days a year. In addition to senior management activities, the Montreal headquarters is also home to the Marine Safety and Efficiency, Finance and Administration, Talent and Communications, and Legal departments.

The Marine Safety and Efficiency department oversees pilotage services and supervises operational activities. It is also responsible for issuing policies and procedures related to the safety of pilotage services and navigation safety. In addition, it is entrusted with developing best practices in pilotage, approving the training program and recruiting apprentice pilots. This department is also responsible for the development and operation of the LPA's Marine Simulation Centre, located in Montreal, which features a main navigation bridge and two secondary bridges.

To transfer each licensed pilot from shore to ship or ship to shore, the LPA uses five pilot stations located in Les Escoumins, Quebec City, Trois-Rivières, Sorel and Montreal. These facilities constitute the LPA's forward bases for deploying pilots to and from ships operating in the LPA's corridor. They are served by a fleet of pilot boats and operated by dedicated crews who meet the constant demands of the maritime trade, 24/7 year-round.

Once dispatched aboard a vessel, the LPA's contracted pilots work to maintain a safe route through the capricious and challenging waters of the St. Lawrence. Over 200 pilots and apprentice pilots work for the LPA in securing its compulsory pilotage waters.

Three other pilotage authorities provide similar services in Canada. Although the clientele may be the same at times, each Authority has sole jurisdiction in the waters for which it is responsible.

LPA'S STRUCTURE

Full-time employees

Montreal	Montreal	Montreal and Les Escoumins	Partners
Headquarters and Operations Centre	**Dispatch Centre**	**Pilot Station, Pilot Boats and Shuttle Operations**	**Pilot Stations**
Management, supervision and provision of marine pilotage services	Monitoring of maritime traffic in waters under the LPA's jurisdiction	Pilot boarding and shuttle service	Subcontracted pilot boarding services
Implementation of regulations, development and implementation of pilotage policies and procedures	Point of contact for customers' pilotage service requests	Operation of pilot boats and shuttle	Standards set by the LPA and set out in service contracts
Review of incidents/ accidents	Dispatch of pilots according to licence category and type of ship	Point of contact with customers	Québec City Trois-Rivières Sorel Montreal (Saint-Lambert)
Approval of training plans and programs including the periodic evaluation of pilots' competencies	Open 24/7	**19 employees**	**203 pilots** **11 apprentice pilots** **1 certified** **And many other businesses and service partners**
Operation of the marine simulation centre	**24 employees**		
26 employees			

Achievements in 2023

NEW ADDITIONS TO SENIOR MANAGEMENT

The position of Chief Executive Officer of the Laurentian Pilotage Authority, held on an interim basis by internal succession between the fall of 2022 and the spring of 2023, was filled during the second quarter. Marc-Yves Bertin was appointed by the Board of Directors, strengthening the leadership team with his high-level management qualifications and extensive experience in policy and program development, governance, and the maritime sector, notably with Transport Canada.

Julie Bédard joined the LPA during the last quarter as Executive Director, Marine Safety and Efficiency. In the past, she helped develop and implement the modernized *Pilotage Act* and worked to create the latest pilotage regulatory framework in Canada.

DEVELOPING A PILOTAGE MANAGEMENT SYSTEM

The development of a pilotage management system under the *Pilotage Act*, which began in 2021, is still underway through close collaboration with Transport Canada (TC). Preparatory work has been carried out pending new regulations, including a mapping of the main operational processes, as well as the review and filing existing documents, such as policies and procedures governed by the organization with regard to assignments, boarding, pilotage, customer billing, and safety concepts.

The administrative processes will be mapped out in a subsequent phase of work. As a preliminary step, clauses included in pilot corporation service contracts have been removed and transferred to the management system to comply with the amended *Pilotage Act*. The latter reinforces the importance of navigation safety, the protection of human health, property and the environment, the provision of pilotage services, technological developments, and the maintenance of financial autonomy for Canadian pilotage authorities.

SERVICE CONTRACTS WITH THE ST. LAWRENCE PILOT CORPORATIONS

Negotiations initiated in 2021 for the renewal of the Corporation of Lower St. Lawrence Pilots service contract proved inconclusive despite the willingness of both parties to reach an agreement. The LPA and the CPBSL therefore referred the issue to an arbitrator who retained the LPA's proposal in the spring of 2023. The resulting agreement will expire on December 31, 2024.

With respect to the renewal of the service contract with the Corporation of Mid St. Lawrence Pilots, which expired on June 30, 2023, representatives for the two parties involved agreed on a one-year extension. The new contract will sunset on June 30, 2024.

BOARDING SERVICES

The LPA conducted an analysis of the pilot boarding services offered in the various districts between Les Escoumins and Montreal. Potential scenarios were identified with a view to improving and standardizing service quality for customers. A decision on whether to redesign boarding services is expected in 2024. A project of this scale would demand several years to implement.

OPERATIONAL PILOTAGE SERVICES IN THE FOUR NORTH SHORE PORTS

In the past, an increase in ship sizes and maritime traffic prompted the conduct a risk assessment involving the ports of Baie-Comeau, Sept-Îles, Port-Cartier and Havre-Saint-Pierre. In 2023, TC presented the results to the stakeholders, including shipowners, port authorities, and mining companies, with the intention to recommend to the Government the implementation of new compulsory zones.

The LPA has been busy putting in place the necessary arrangements should it be called upon to provide public pilotage services in this region.

RISK ANALYSIS FOR SOUTH SHORE PORTS

In 2021, work was initiated to study of navigation risks at the ports of Rimouski, Matane, Gaspé, Les Méchins, Cap-aux-Meules and Mines Seleine. According to the first phase of this study, the last three ports do not require compulsory pilotage, since navigation safety was deemed sufficient. The other three ports on the South Shore of the St. Lawrence are undergoing further assessment. A report is due to be submitted to the LPA in 2024 before its recommendations can be analyzed and forwarded to Transport Canada.

COMPLEMENTARY FINANCING STRATEGY

The Board of Directors and senior management spent the past year analyzing the organization's financial framework while discussing possible solutions to increase its self-financing capacity. To a large extent, the revenue generated depends on maritime traffic along the St. Lawrence, all of which is influenced by an increasingly complex and uncertain global economy. In accordance with the Act, the LPA will leverage the talent of its human capital with a view to leveraging newly developed technologies that greatly benefit its customers and business partners through its simulation centre and optimized pilotage services.

OPTIMIZED PILOTAGE SERVICES

The LPA's Optimized Pilotage Services (OPS) software further developed in 2023. By combining administrative, regulatory and physical parameters in real time, the program enables the LPA to plan the best passage windows for ships transiting along the River. The proposed transit scenarios provide economic benefits to users in the form of reduced fuel consumption, along with time spent in berth, anchored, or at lockage, while also reducing the greenhouse gases emitted by vessels.

The LPA has spent the past year integrating data parameters that will capture dock availabilities and integrate zones that pose risks for wide beam and long vessels (VN-301). A comprehensive solution should be available in 2025.

DEVELOPING AND COMMERCIALIZING MARINE SIMULATION

In Montreal, the LPA is home to a marine navigation simulator that features a main navigation bridge and two secondary bridges. Its development and use are intended to make piloting and navigation safer, more efficient, and more effective. In recent months, the development team has been modelling environments for Les Escoumins, Baie-Comeau, Sept-Îles, Port-Cartier, Havre-Saint-Pierre, and Port-Alfred, while also improving upon Montreal and Quebec City's port facility models. Digitized vessels have also been updated in the database and preliminary testing has begun to better understand underwater wave effects.

As of December 31, 2023, a simulator marketing plan was still under analysis. A new management structure and marketing strategy will be established in 2024.

NEW PILOT BOAT ACQUISITION AND COMMISSIONING

Custom-built in a shipyard in Estonia, the Shipeku was delivered by container ship to the Port of Montreal in the spring of 2023 (in the Innu language, "shipeku" means "the sea," or "the ocean"). This three-season pilot boat meets the specific operational realities of Les Escoumins and is equipped with the latest navigational technologies. It was officially commissioned in June after testing and certification in Quebec City. Its benefits are readily apparent: Crew safety and comfort have been enhanced; energy consumption has been considerably reduced; and boarding times have been cut by approximately 50% when compared with older pilot boats. The Grandes-Eaux, another three-season LPA property, will be chartered to Groupe Océan for pilot boarding in the port of Trois-Rivières.

PILOT MOBILITY

Operating at the Port of Montreal between Saint-Lambert to the west and Pointe-aux-Trembles to the east, the Ville-Marie maritime shuttle has seen a steady increase in usage since its launch in 2019. Between April and December 2023, 2,767 pilots were ferried, an increase of 4.02% over the previous year. Offered 24/7, the fluidity of LPA port operations has been maximized by avoiding road traffic when accessing boarding points, resulting in greater flexibility in working hours and assignment rules.

The intra-port land shuttle service was maintained; this service is offered in collaboration with the Corporation of Mid St. Lawrence Pilots to mitigate the impact of public works in the metropolitan area. In total, 2,446 pilots were recorded in Montreal.

INFORMATION TECHNOLOGY

Completed in 2022, APL’s business intelligence system enables users to interact with multiple data sets, then track financial results and performance indicators in near-real time. This system has been used by senior management and the Board of Directors to refine forecasts and facilitate decision-making.

The platform for managing pilot assignments and customer invoicing was also upgraded. As the LPA’s flagship operational tool, its ongoing development is intended to improve performance and stability on a continual basis. With regard to cybersecurity risks, the LPA continues to strengthen its defences, starting with awareness campaigns and employee training. These measures were achieved by strengthening the network. Network systems and redundancy measures were upgraded in partnership with a specialized supplier.

CURRENT BILLING SYSTEM ANALYSIS AND REDESIGN

Over the past fifty years, the maritime ecosystem has undergone a number of navigational changes, in addition to the appearance of ever-larger ships using ever more advanced technologies. This observation prompted the LPA to analyze a billing system that dates back to 1972 in an effort to provide customers with more equitable pilotage charges. Recommendations are expected in 2024 and could lead to methodology and calculation adjustments.


GRANDES EAUX

RECRUITMENT OF SHIPBOARD LABOUR

Committed to providing customers with a world-class pilotage service, now and in the future, the LPA recruited ten new pilots and apprentice pilots in 2023. Four pilots obtained their pilot licences and six apprentice pilots completed their apprenticeships, in accordance with the LPA's requirements. These new resources help replenish a pilot pool that is essential to maintaining transport activities on the St. Lawrence and Saguenay rivers.

ORGANIZATIONAL DECISION-MAKING CENTRED ON SUSTAINABLE DEVELOPMENT

Consistent with the federal government's sustainability agenda, the LPA adopted its first sustainable development policy. Over the coming year, the LPA will consider a range of new measures to more systemically integrate sustainability into its planning, investments and operations. Starting with clear internal governance structures and a better understanding of climate risks, work is underway to articulate a coherent action plan.

In accordance with its commitment to sustainability, the LPA was the first pilotage authority to join the Green Alliance of Canada. This past year, the LPA was once again able to renew its environmental certification which comprised of an assessment of atmospheric emissions (NOx, SOx, PM, and GHG), oily residuals, and underwater noise generated by its pilot boats, as well as on its management of residual materials.

ONGOING DEPLOYMENT OF THE STRATEGIC HR PLAN AND PROMOTION OF A HEALTHY WORKPLACE

Developed with a 20/24 horizon in mind, the HR strategic plan is key to the LPA's efforts to attract, develop and retain talent. It is complemented by an action plan that defines avenues for improvement requiring the direct involvement of managers and employees. Over the last few months, we have carried out an assessment of existing talent, as well as a review of the knowledge and skills required by our various departments, with a view to meeting future organizational challenges.

Senior management prioritized efforts to improve the work climate, and the results have been tangible, including a more stimulating, healthy and inclusive environment, along with a reduction in the number of grievances filed, as compared to the previous year. To promote synergy and information sharing at every level, meeting practices have become more inclusive, monthly "anchoring days" for all Montreal-based employees have been established to complement weekly in-person work days, and an employee day has been organized by the CEO. An intranet went online in the spring, providing employees with access to the organization's reference documents and enabling direct communication on a range of topical issues. To contribute to the overall health and well-being of individuals and their families, the LPA has continued to promote the Employee Assistance Program (EAP), along with the available telemedicine services, as well as healthy lifestyle practices.

THE LPA AS THE EMPLOYER OF CHOICE

For the fourth consecutive year, the LPA has been named one of Montreal's top employers by the editors of *Canada's Top 100 Employers*. Its range of progressive and cutting-edge employee programs made a strong impression on jury members. Among the key measures that set the LPA apart from other organizations are the available number of annual holiday/leave days, support for new parents with complementary benefits, the possibility of extending their parental leave and converting it into unpaid leave, and the opportunity to save for the future through a highly advantageous defined benefit pension plan.

EQUITY, DIVERSITY AND INCLUSION

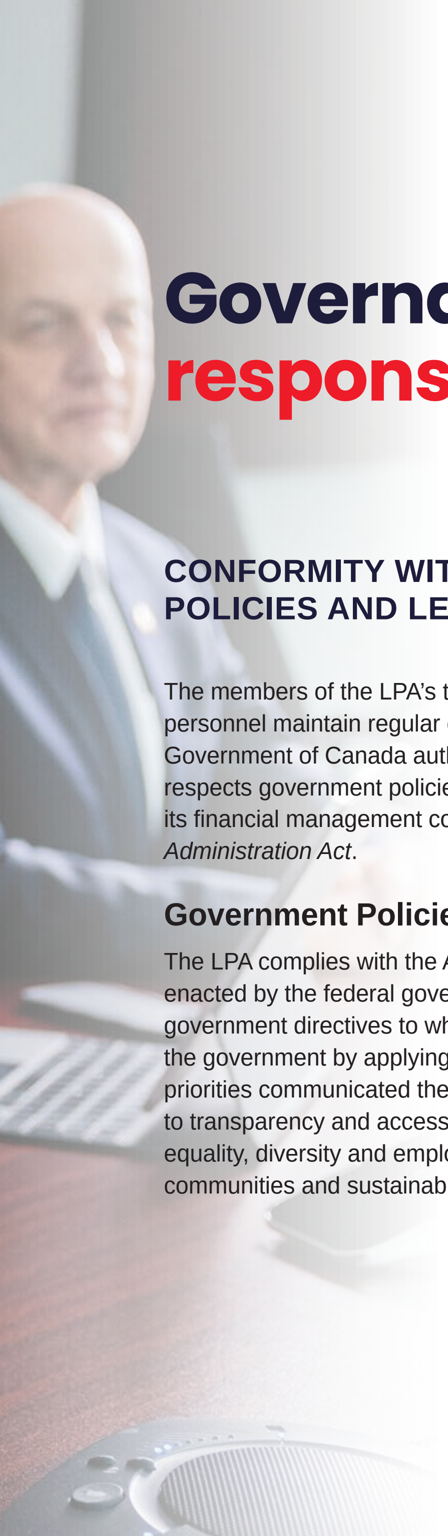
In 2023, the LPA pursued its efforts to achieve a fair representation of visible minorities within its ranks, in accordance with the objectives set by the federal government. It also continued to listen to all of its employees while actively seeking their opinions to create a sense of involvement in the senior management's decision-making whenever possible. Launched in the fall of 2022, the "Equity, Diversity and Inclusion" scholarship fund, offered exclusively to students at the *Institut Maritime du Québec* (IMQ) in Rimouski, has been renewed. The four 2023 winners have overcome personal and academic obstacles in line with these issues while demonstrating an exemplary commitment to the well-being of their community.

LPA VISIBILITY AND OUTREACH

In partnership with its key collaborators, the Authority worked to foster public understanding of the key issues facing its services and the broader maritime sector. It has been active in the national mainstream media and in the specialized media while also taking part in information and sponsorship campaigns. For example, with the *Institut Maritime du Québec* (IMQ) and the St. Lawrence Pilot Corporations, the LPA promoted maritime career opportunities to maintain the resilience of its services over the long-term. It has also seized opportunities to participate in initiatives organized with industry partners, such as the National Pilotage Committee, while also establishing new business partnerships, notably at the technological level.

As part of this work, the LPA has also maintained its presence on social media to advance its mandate and underline its activities and achievements. An increase in the number of page visitors has been observed, along with an increase in the amount of printing and the number of consultations regarding its publications. The number of subscribers to its LinkedIn and Facebook profiles rose by 20.84% and 9.89%, respectively.


PILOTE



Governance and responsibilities

CONFORMITY WITH GOVERNMENT POLICIES AND LEGISLATION

The members of the LPA's team and its management personnel maintain regular contact with designated Government of Canada authorities. The LPA respects government policies and instructions, and its financial management complies with the *Financial Administration Act*.

Government Policies

The LPA complies with the Acts and regulations enacted by the federal government and complies with government directives to which it is subjected. It supports the government by applying the various governmentwide priorities communicated thereto, such as those relating to transparency and access to information, gender equality, diversity and employment equity, Aboriginal communities and sustainable development.

Audit Regime

The Auditor General of Canada acts as the LPA's auditor. The Auditor General conducts an annual audit of the organization's activities in accordance with the Financial Administration Act by auditing the financial statements and ensuring that they comply with the International *Financial Reporting Standards* (IFRS).

Access to information | Travel Expenses

In 2023, no access to information requests were filed with the LPA. In accordance with the Travel, Hospitality, Conference and Event Expenditures Policy (Order in Council P.C. 2015-1114), the expenses incurred for the past year are presented in the following table.

	Expenses Incurred in 2023	Expenses Incurred in 2022
Travel	$54,168	$40,961
Hospitality	$4,299	$2,969
Conferences	$0	$0
Total	**$58,467**	**$43,930**

GOVERNANCE PRACTICES

Board of Directors

Under the *Pilotage Act*, the LPA has a Board of Directors responsible for approving its strategic plan, including the recommendation of its corporate plan, finances and general stewardship.

The Board of Directors is comprised of seven members who sit as chairperson, vice chairperson and board members. The members, including the Chair and Vice-Chair, are appointed by the minister upon Governor-in-Council approval. The terms of the members of the Board are for a duration of up to four years with the possibility of renewal. The LPA's Chief Executive Officer, who is a full-time officer, reports directly to the Board of Directors. At the end of 2023, six board positions needed to be either filled or renewed.

The Board of Directors met on ten occasions over the past year, including seven regular meetings, one special meeting, one annual meeting, and one annual public meeting. During the attendance of the three oversight committees (audit, governance and human resources, and sustainable development), the members focused on negotiations for the Corporation of Lower St. Lawrence Pilots service contract, risk management, the LPA's financial statements and the replacement of the Chief Executive Officer position. Other subjects included equity, diversity & inclusion, sustainable development, cyber security, as well as the development of LPA simulator and Optimized Pilotage services.

On June 16, 2023, the LPA held its annual public meeting in downtown Montreal with online simulcasting. During this meeting, the Acting Chairperson of the LPA Board of Directors, the LPA Chief Executive Officer, the Acting Executive Director of Marine Safety and Efficiency, the Executive Director of Finance and Administration, the Executive Director, Talent and Communications, along with the Acting General Counsel and General Secretary, took turns briefing the audience on the activities that were carried out in 2022, which also included the guidelines and strategic objectives for 2023.

Committees

Audit Committee

Mr. Frank Di Tomaso (President)
Mr. George J. Pollack (Member)
Ms. Christiane Chabot (Member)
Mr. Julius Spivack (Ex-officio member)

The Audit Committee mandate is responsible for monitoring, analyzing and supervising the LPA's financial situation and management practices. This includes various financial controls, compliance with strategic planning and proper functioning of information systems. The mandate also includes an audit of the state of internal compliance under the *Financial Administration Act* (FAA). In 2023, this committee met five times in regular sessions.

Governance and Human Resources Committee

Mr. George J. Pollack (President)
Mr. Frank Di Tomaso (Member)
Ms. Christiane Chabot (Member)
Mr. Julius Spivack (Ex-officio member)

The Governance and Human Resources Committee is responsible for reviewing LPA's practices, policies and procedures that apply to governance and human capital. In 2023, this committee met five times.

Sustainable Development Committee

Ms. Christiane Chabot (President)
Mr. George J. Pollack (Member)
Mr. Frank Di Tomaso (Member)
Mr. Julius Spivack (Ex-officio member)

This committee was created in 2022 to identify the best practices and trends surrounding environmental protection and sustainable development, as well as the LPA's eco-responsibility. Its role is to recommend appropriate measures to the Board of Directors and other committees. In 2023, its members met on three occasions.

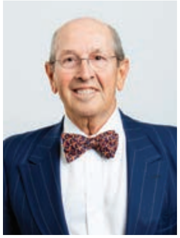
Biographies of Board Members

Julius Spivack
B. Comm.
Acting Chairperson of the Board

Mr. Julius Spivack has been a consultant and involved in international trade for more than 30 years. He has managed several Canadian companies over the years. Mr. Spivack has been a director of organizations based in Africa.

Christiane Chabot
B.Sc.
Director

Ms. Christiane Chabot is an experienced career manager specializing, notably, in project, risk and process management as well as communication, and has developed a particular expertise in the food industry. Ms. Chabot has successfully led and developed teams of professionals within several renowned companies and has participated as a member of numerous industry-government advisory committees. She holds a Bachelor of Science degree from McGill University and also has a background in business administration. Ms. Chabot now acts as an independent strategic advisor and has also been a jury member for several years for the Retail Council of Canada's Canadian Grand Prix New Product Awards.



Frank Di Tomaso
FCPA, IAS.A
Director

Mr. Frank Di Tomaso is a Chartered Professional Accountant and holds the Fellowship and IAS. A designation. He is a corporate director and was a partner and consulting partner at Raymond Chabot Grant Thornton LLP until 2013. In addition to being a director of the Laurentian Pilotage Authority, he is also a director of several other companies. He is involved in both the business world and the community. In this regard, he received, in 2004, the Award of Distinction from Concordia University's John Molson School of Business in recognition of his outstanding contribution to the business world and the community.

George J. Pollack
LL.B., LL.L
Director

Mr. George J. Pollack is a partner at Davis Ward Phillips & Vineberg. He is one of Canada's leading transportation lawyers, representing and advising public and private companies on a wide range of complex commercial issues, including governance, civil liability and insurance matters. A member of the Québec and Ontario Bars, Mr. Pollack is a graduate of the Université de Montréal and McGill University. He is also a member of the Canadian Maritime Law Association and the Canadian Board of Marine Underwriters.

Management

The management team reports to the Chief Executive Officer. Its primary responsibilities are to define the LPA's strategies, provide leadership thereto, and ensure stewardship of its financial and human resources in order to achieve its objectives and fulfill its mission. The CEO is supported in his duties by three executive directors and a general counsel/corporate secretary.

Management holds an Internal Management Committee meeting which includes about fifteen employees representing all departments. At these meetings, subjects pertaining to the LPA's operations and current affairs are discussed. Senior management also meets at regular intervals to discuss strategic issues and future directions. It maintains close ties at all times with government representatives, pilotage corporations and the various partners and clients in the marine industry.

Biographies of Management

Marc-Yves Bertin
Chief Executive Officer

Before joining the Laurentian Pilotage Authority, Marc-Yves Bertin held a number of strategic positions. He was Director General of Marine Policy at Transport Canada and President of the Asia-Pacific Economic Cooperation (APEC) Port Services Network. He has also worked at Global Affairs Canada and the Privy Council Office, and served as Chief of Staff to the Deputy Minister of International Development. He currently chairs the Pilotage Advisory Committee, which includes representatives of the maritime industry, pilot corporations, the Seaway Management Corporation, the Montreal and Québec City port authorities, along with TC representatives and the Canadian Coast Guard.

Julie Bédard
Executive Director,
Marine Safety and Efficiency

Ms. Bédard began her public service career at Transport Canada (TC) while still a student, working for the department's various maritime sectors (policy, programs, safety and security). She was then appointed Senior Policy Analyst for the International Labour Program at Employment and Social Development Canada. She was an active member of the Canadian delegation that negotiated the Maritime Labour Convention, 2006 (MLC, 2006), which provides seafarers with proper working conditions. Upon her return to TC, Ms. Bédard held the positions of Pilotage Manager, Head of the Area Response Planning Initiative, and Manager/Senior Policy Adviser for the Navigation Safety and Environmental Program. She recently served as Director of Marine Pilotage Programs, where she helped implement the modernized Pilotage Act, along with TC's new regulatory framework for pilotage in Canada. Before joining the LPA, she held the position of Regional Director, Marine Safety and Security for the Québec Region.

Claudine Bishop
CRHA, CAPM
Executive Director,
Talent and Communications

For the past fifteen years, Ms. Claudine Bishop has worked in human resources where she has distinguished herself both by her ability to align the employee experience with the mission and objectives of the various organizations that she has been a part of. Her expertise in placing leadership at the core of a work environment where HR is the catalyst of the organization’s collective success. Before joining the Laurentian Pilotage Authority, she held the position of Senior Director of Culture and Human Resources at a private management firm. Previously, she worked as a human resources director at a financial institution in various positions dedicated to organizational development and also at a Crown corporation in the entertainment sector. Ms. Bishop is a CPHR and holds a bachelor’s degree in communications as well as an MBA from the Université du Québec à Montréal. She also obtained the CAPM certification, in project management.

Anaïs de Lausnay
General Counsel
and Corporate Secretary

As senior legal counsel, maître Anaïs de Lausnay heads the LPA’s legal affairs and ensures that solutions to various issues are implemented that respect the LPA’s business, strategic and governance interests. Her extensive legal expertise acquired over the years combined with a professional and human approach ensures sound and efficient management of the LPA’s legal needs. An integral part of the LPA since the summer of 2019, Anaïs de Lausnay previously held a position as a general counsel at Groupe Robert as well as for a non-profit early childhood organization.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the 2023 achievements described in this annual report, the following provides comments and analyses from management regarding the most recently recorded financial results.

Financial Results

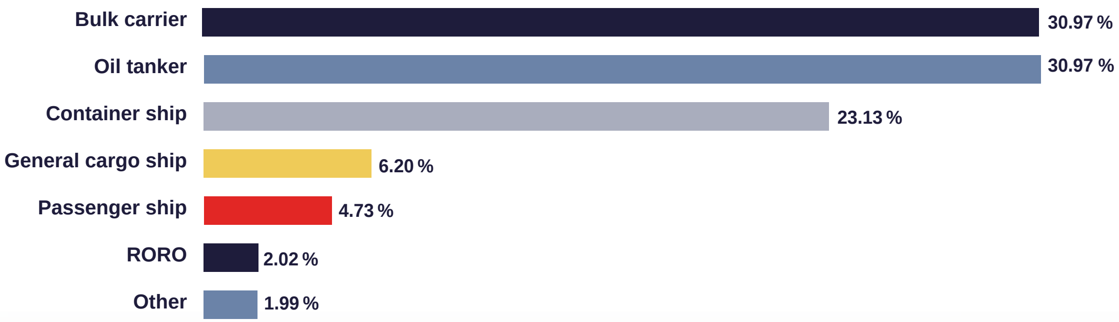
The 2023 financial year confirmed an upward momentum in Québec's maritime industry, despite the instability observed on world markets. The LPA recorded total revenues of $115.3 million, compared with $108.2 million for the previous year. This increase is directly linked to an average 3% increase in the rates of charge, in line with the industry, as well as to the actual traffic composition. Sound budgetary control combined with an increase in revenues led to a positive result of $493K for the 2023 fiscal year, as compared to $626k in 2022.

Pilotage Charges

The LPA is mandated to evaluate and set pilotage charges payable by its clients. Such charges must be fair and reasonable while allowing the LPA to remain autonomous while sustaining operations and finance asset replacement.

At the end of 2023, the LPA submitted a pilotage charge review notice for 2024, in accordance with the established methodology. A new charge review schedule was produced in 2021 to ensure that the new rates for the following year can come into effect at the very start of the year, thereby avoiding revenue reporting discrepancies.

Revenue distribution by type of ship (2023)



Pilotage Services

Pilotage services for the three districts under the LPA's jurisdiction are provided by non-employee contract pilots. These pilots are represented by two corporations: the Corporation of Mid St. Lawrence Pilots and the Corporation of Lower St. Lawrence Pilots, with which it negotiates separate service contracts.

The *Pilotage Act* does not allow competition. This greatly influences the negotiation dynamic between the LPA and pilot corporations, which hold a monopoly. In the event of a dispute between the parties during negotiations, the Act provides a dispute resolution mechanism that makes it possible for the business relationship to continue without affecting customers' commercial activities.

Each year, the pilotage contracts account for more than 80% of the LPA's total expenses. The outcome of contract negotiations therefore has a crucial impact on the LPA's current and future financial situation and on its capacity to respect the stated aim of the *Pilotage Act* which requires that pilotage authorities set fair and reasonable charges while enabling them to maintain their financial self-sufficiency.

Pilotage services are supported by a pilot boarding service provided by a subcontractor to all ports, with the exception of Les Escoumins. Pilot boarding services provided by pilot boats represents around 10% of the LPA's total expenses.

Marine Traffic

Marine traffic on the St. Lawrence and Saguenay Rivers varies significantly with the seasons. In winter, during the first quarter of the year, traffic is generally at its lowest level. Since the Seaway is closed to navigation during this period, the routes end in the Port of Montreal. Inclement weather and the presence of ice jams sometimes make navigation difficult, to the point of slowing down transits.

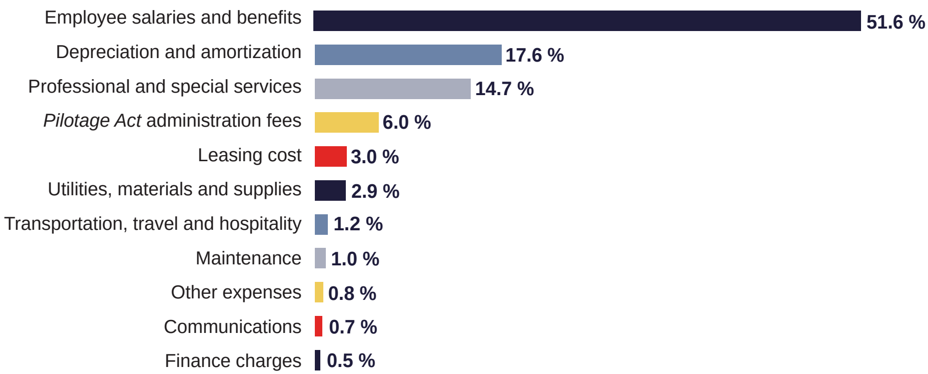
In the spring, during the second quarter, traffic gradually resumes its pace. Traffic usually peaks during the fourth quarter in the fall, with the arrival of dozens of international and domestic cruise ships. Before the winter shutdown of the Seaway, bulk carriers leave loaded with cereals, legumes, salt, sugar, ore, aluminum and steel.

Fluctuating marine traffic is an important factor in planning cash inflows to meet the LPA's financial obligations, as are ship size and transit times. Notwithstanding a detailed analysis of the state of the current market and a thorough estimate of generated income, the LPA cannot predict or influence traffic volume in the coming months. Factors that affect traffic volume and over which the LPA has no control include:

- Provincial, federal, North American and global economic conditions
- Weather conditions
- Value of the Canadian dollar on the international market
- Inflation, interest rates, import/export taxes
- Competition with other modes of transportation
- Competition from American ports and other Canadian ports

Administrative Expenses (2023)

Administrative expenses account for approximately 11% of the LPA's total expenditure. The largest proportion of these expenses is related to employee salaries and benefits, amortization, and professional and special services.



Results Analysis

Revenues

Despite stable traffic and a 1.73% drop in the number of assignments, revenues generated through pilotage increased by $5.4 million in 2023. These revenues, which exclude those generated by pilot boat operations, totalled $99.6 million, compared with $94.2 million in 2022, an increase of 5.7%. This increase is mainly due to the increase in the rate of charge. Revenues from pilot boat operations were up 11.8% compared to the previous year. For 2023, the LPA's total revenues reached $115.3 million, a net increase of 6.6% compared to 2022.

Pilotage and Boarding Fees

Pilotage fees payable to pilot corporations operating under the LPA's jurisdictions, along with pilot boat and shuttle operating costs, increased by $5.6 million, reaching a total of $101.8 million. This increase is the direct result of the various vessel characteristics considered when billing fees, combined with an increase in the cost of service contracts negotiated with the various suppliers.

Administrative and Operational Expenses

Administrative and operational expenditures totalled more than $13 million in 2023, compared to $11.4 million in 2022, an increase of 14.2%. Among other things, this difference can be explained by an increase in amortization (39.5%), an increase in professional and special services costs (39%), an increase in administration costs for the *Pilotage Act* (13.1%), statutory and annual increases in employee salaries and benefits, along with changes in personnel composition (8.8%). The sum of these costs represents 90% of the LPA's administrative and operating expenses for 2023.

Net Income

Considering the revenues and expenditures detailed above, the LPA completed its 2023 fiscal year with a net income of $493K. This income is consistent with the budgeted estimated income of $626K.

RISK MANAGEMENT

The LPA believes that risk management is a fundamental component of the overall management of a business. In 2021, management carried out a complete risk identification and assessment exercise, accompanied by an expert consultant. Recently, this fiscal year produced a corporate risk management framework to help target, measure and control risks, which are classified into six distinct categories: occupational health and safety risks, environmental risks, operational risks, information technology-related risks, financial risks, and reputational risks. These risks are evaluated according to their probability of occurrence and potential impact and are accompanied by a variety of concrete mitigation measures. Senior management issues regular reports to the Audit Committee regarding the risks to which the LPA is exposed.


BRATTINGSBORG
MONROVIA

2024 Outlook

Since the end of the pandemic, maritime traffic along the St. Lawrence has stabilized, along with the number of pilot assignments recorded at the LPA. Over the last four years, an average of 21,554 assignments have been made, with no significant gaps between them. Economic forecasts for 2024 divide analysts, with some predicting a recession due to market uncertainty, while others foresee, at best, slight market growth. At the end of 2023, persistent political tensions around the world, supply chain disruptions, rising freight rates, container shortages, drought in the Panama Canal, and the hijacking of ships in the Suez Canal pointed to a difficult global economic recovery in 2024, which has a direct impact on LPA's expected results.

Despite its inability to influence marine traffic and its relative lack of control regarding cash flow, the LPA continues to look ahead. It is working to offer safe, effective and efficient pilotage services to its customers now and in the future while charging these same customers fair charges, which allows it to maintain its financial autonomy. As a responsible corporate citizen that cares about the Canadian population, it will continue to take the necessary steps to protect human health, property and the environment when providing its services.

This mandate has given rise to five major guiding themes and a host of structuring projects that have prompted dedication from the entire team. For 2024, the LPA's Board of Directors and senior management decided to focus their efforts on establishing a better framework for pilotage operations, navigation and boarding operations, financial autonomy and sustainability for the organization, and concrete and sustainable development initiatives while developing internal talent and technologies and creating or maintaining alliances with stakeholders in the maritime industry.

Recognizing the many challenges shared by every stakeholder in the maritime sector, the LPA is committed to forging closer ties with its regional, national and international partners, ties that remain fair and beneficial to all. Close collaboration in the search for solutions to contemporary issues, such as the optimal management of growing maritime traffic and its resulting environmental impacts, demographic issues and their consequences on the availability of a qualified and competent workforce, the role of technology and its integration into a world in transition, and reconciliation with the Indigenous nations along our coasts represent priorities for the Laurentian Pilotage Authority in the coming months.

2024 STRATEGIC PRIORITIES

The LPA has adopted five strategic priorities to guide its decision-making and to help define and prioritize projects to be implemented by team members:

- Provide an efficient, safe and reliable pilotage service.
- Maintain financial self-sufficiency and fair charges.
- Integrate sustainable development into the organization's planning, investments and operations.
- Pursue innovation by drawing on in-house human talent.
- Promote a resilient, interconnected maritime trade corridor through strategic partnerships.


MSC

Financial statements

Statement of management's responsibility

The management of the Laurentian Pilotage Authority is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards ("IFRS") 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 controls, 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 the *Pilotage Act* and its regulations, the *Financial Administration Act* and its regulations, notably the instruction given under article 89 pertaining to its travel, hospitality, conference and event expenditures, and the by-law and policies 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 fulfill 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 discuss the audit of the financial statements. The financial statements 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 the *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.

Marc-Yves Bertin
Chief Executive Officer

Montreal, Canada
March 27, 2024

Pierre-Luc Beauregard, CPA, M. Sc.
Director, Finances

Montreal, Canada
March 27, 2024

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

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Laurentian 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 Laurentian Pilotage Authority, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Laurentian 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 Laurentian Pilotage Authority's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Laurentian 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 auditor
Principal
for the Auditor General of Canada

Montréal, Canada
27 March 2024

LAURENTIAN PILOTAGE AUTHORITY
Statement of Financial Position as at December 31

(in Canadian dollars)

	2023	2022
Assets		
Current		
Cash and cash equivalents	$5,765,926	$7,633,495
Accounts receivable and other receivables (note 5)	14,457,200	13,305,789
Prepaid expenses	416,477	2,006,808
	20,639,603	22,946,092
Non-current		
Property and equipment (note 6)	21,098,365	19,214,416
Intangible assets (note 7)	2,045,123	1,584,497
Right-of-Use Asset (note 10)	1,180,184	1,342,170
Total Assets	$44,963,275	$45,087,175
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	$16,255,706	$16,727,336
Lease obligation (note 10)	186,638	180,013
	16,442,344	16,907,349
Non-current		
Employee benefits	436,346	401,350
Lease obligation (note 10)	1,443,588	1,630,219
Total Liabilities	18,322,278	18,938,918
Equity		
Retained earnings (note 12)	26,640,997	26,148,257
	26,640,997	26,148,257
Total Liabilities and Equity	$44,963,275	$45,087,175

Commitments (Note 11) and Contingencies (Note 15)

The notes to the Financial Statements form an integral part thereof.

Approved by the Board of Directors
for publication on March 27, 2024 :

JULIUS SPIVACK
Acting Chairperson
Board of Directors

FRANK DI TOMASO
Chair
Audit Committee

LAURENTIAN PILOTAGE AUTHORITY
Statement of Comprehensive Income
for the Year Ended December 31

(in Canadian dollars)

	2023	2022
Revenues		
Pilotage charges	$99,629,170	$94,248,203
Pilot boat revenue	15,310,884	13,691,662
Other revenues	373,822	236,916
	115,313,876	108,176,781
Expenses		
Pilots' fees	88,384,552	84,079,200
Pilot boat service – Outsourced	10,376,074	9,291,181
Employee salaries and benefits – Others	6,734,793	6,591,690
Depreciation and amortization	2,300,717	1,659,591
Employee salaries and benefits – Boarding services	1,914,761	1,796,565
Professional and special services	1,911,391	1,277,917
Pilot boat and shuttle maintenance and operating costs	1,103,122	965,254
Pilotage Act administration fees	780,543	567,311
Leasing cost	385,612	333,552
Utilities, materials and supplies	372,110	410,990
Transportation, travel and hospitality	150,430	114,443
Maintenance	127,399	114,444
Communications	88,175	74,085
Finance charges	70,777	79,029
Other expenses	120,680	195,110
	114,821,136	107,550,362
Comprehensive Income for the Year	$492,740	$626,419

Statement of Changes in Equity
for the Year Ended December 31

(in Canadian dollars)

	2023	2022
Retained earnings, beginning of the year	$26,148,257	$25,521,838
Comprehensive income for the year	492,740	626,419
Retained earnings, end of the year	$26,640,997	$26,148,257

The notes to the Financial Statements form an integral part thereof

LAURENTIAN PILOTAGE AUTHORITY
Statement of Cash Flows
for the Year Ended December 31

(in Canadian dollars)	2023	2022
Operating Activities		
Comprehensive income for the year	$492,740	$626,419
Adjustments to determine net cash flows generated by (used for) the operating activities:		
Depreciation and amortization	2,300,717	1,659,591
Interest on lease obligation	63,361	70,818
Change in long-term portion of employee benefits	34,996	18,478
Loss on asset disposals	-	75,770
Interest income	(303,870)	(160,381)
Net change in working capital items:		
Change in account receivable and other receivables	(1,151,411)	(596,897)
Change in prepaid expenses	(230,259)	(1,684,130)
Change in accounts payable and accrued liabilities	(631,037)	1,680,187
Cash flows from operating activities	575,237	1,689,855
Investing Activities		
Acquisition of property and equipment	$(1,795,395)	$(7,262,604)
Acquisition of intangible assets	(1,026,728)	(219,538)
Government assistance	318,814	-
Interest received	303,870	160,381
Cash flows from investing activities	(2,199,439)	(7,321,761)
Financing Activities		
Repayment of lease obligations	$(180,006)	$(241,276)
Interest paid on lease obligations	(63,361)	(70,818)
Cash flows from financing activities	(243,367)	(312,094)
Cash and Cash Equivalents		
Change for the year	$(1,867,569)	$(5,944,000)
Balance, beginning of the year	7,633,495	13,577,495
Balance, end of the year	$5,765,926	$7,633,495
Represented by:		
Cash	$3,633,386	$4,615,844
Cash equivalents	$2,132,540	$3,017,651

The notes to the Financial Statements form an integral part thereof.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR-ENDED DECEMBER 31, 2023

1. Authority and Objectives

The Laurentian Pilotage Authority (the “Authority”) was established in 1972 in Canada under the *Pilotage Act*. Its mission is to establish, operate, maintain and administer, for the safety of navigation, an efficient and effective pilotage service within certain designated Canadian waters in and around the Province of Québec. The Act provides that the pilotage charges must allow the Authority to operate on a self-sustaining financial basis and be fair and reasonable. In accordance with the *Canada Marine Act* assented on June 11, 1998 that modified the *Pilotage Act*, the Authority no longer uses parliamentary appropriations.

The Authority is a Crown corporation listed under Part I of Schedule III to the *Financial Administration Act*. In July 2015, the Authority received a directive (C.P. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to harmonize 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 and to report on the implementation of this directive in its next Corporate plan. The Authority has been complying with the instruction since 2016.

The Authority is not an agent of the Crown and is exempt from income tax.

The *Pilotage Act* regulates the approval process for the establishment and revision of pilotage charges. The Authority may, by resolution, determine the charges applicable for the provision of services involving compulsory pilotage. The Act provides that the pilotage charges must be fair and reasonable and allow the Authority to operate on a self-sustaining financial basis. Thus, the required pilotage charges are intended to create a reasonable financial reserve that allows, among other things, the renewal of its capital assets.

Under the *Pilotage Act*, the Authority must pay the Minister of Transport the amount specified by the Minister to cover the costs associated with the administration of the Act, including the development of regulations and the enforcement of the act.

2. Basis of Preparation

Statement of Compliance

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Measurement Basis

Unless otherwise specified, these Financial Statements have been prepared on a historical cost basis.

3. Material Accounting Policy Information

The accounting policies set out below have been applied consistently to the periods presented in these Financial Statements.

Cash and Cash Equivalents

Cash includes amounts held by the Authority in the bank account and cash equivalents consist of amounts deposited in a savings account with a Canadian chartered bank.

Property and Equipment

Purchased property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of fixed assets built by the Authority includes design, project management, materials and shipyard construction costs. When amounts are reported as work in progress, they are transferred to the appropriate class of property and equipment when the work is completed and are subsequently depreciated.

The depreciation of property and equipment is calculated on the depreciable amount, which is the cost of the asset less its residual value, on a straight-line basis, at rates based on the estimated useful life of the assets, except for leasehold improvements related to the leasing of buildings, which are depreciated over the lesser of the term of the lease or the estimated useful life. Where significant parts of a property and equipment have different useful lives, such parts are recognized as separate components of the property and equipments.

For the purposes of calculating the depreciation, the expected useful lives for each main class of property and equipment are the following:

Buildings and leasehold improvements	10 to 30 years
Pilot boats and shuttle	
Hull and design	10 to 20 years
Mechanics	3 to 20 years
Electricity	15 years
Equipment	5 to 10 years
Trailer	5 to 10 years
Pilot-boat inspection	4 years
Furniture and fixtures	5 to 10 years
Communications equipment	5 to 10 years
Computer equipment	3 to 10 years
Boarding facilities	10 to 25 years
Wharfs	
Piles and anchors	30 years
Sheet pile	30 years
Bracing steel	40 years
Concrete and stone	40 years
Fenders	25 years
Bollards	40 years
Mechanical system and gangway	20 years
Fixed structure	15 years

The depreciation methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted prospectively as needed.

The gains or losses arising from the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized, based on the net amount, in the comprehensive income of the fiscal year.

Intangible Assets

Intangible assets are recognized at cost less accumulated amortization and accumulated impairment losses, and consist in the right to use a launching ramp, located at Les Escoumins, used for the operation of the Authority's pilot boats, as well as in software and in contributions, made to pilot corporations, to purchase portable units. The amortization of intangible assets is calculated on a straight-line basis, with estimated useful lives ranging from 3 to 15 years. The amortization method, useful life and residual value of the intangible assets are reviewed at each fiscal year-end and adjusted prospectively as needed. The cost of intangible assets developed by the Authority includes the design and project management costs. The amounts reported as work in progress are transferred to the appropriate class of intangible assets when the work is completed and are subsequently amortized.

Impairment of Non-Financial Assets

The Authority reviews the carrying amount of its non-financial assets, namely the property and equipment and intangible assets, at each fiscal year-end to identify any indication of impairment. If any such indication exists, the asset's recoverable value is estimated and impairment losses are recognized in the comprehensive income.

Government Assistance

Government assistance is recognized once reasonable assurance is obtained that the Corporation will receive assistance and has complied with all relevant conditions. Government assistance relating to the acquisition of intangible assets is recorded as a reduction of the cost of the related asset. Government assistance intended to offset incurred expenses is recorded as a reduction of the related expenditures. Amounts received as government assistance prior to the acquisition of the related asset or prior to the incurrence of the related expenditures are recorded as deferred government assistance and included within accounts payable and accrued liabilities.

Employee Benefits

Short-Term and Long-Term Employee Benefits

Employees are entitled to paid leave as provided for in their collective agreements or conditions of employment. This involves days of sick leave and special leave, which accumulate, but do not vest, enabling the employees to be paid during their absence in recognition of services previously rendered. As employees render services, the value of paid leave for these services is recognized both as a liability and as an expense based on assumptions and management's best estimates, such as the discount rate, the age of retirement, the rate of use of days in excess of the sick leave granted annually, the rate of use of the special leave, the probability of employees leaving and salary review rate to determine the present value of the sick leave and special leave obligation. These assumptions are reviewed annually. The short-term portion of the obligations is presented with Accounts Payable and Accrued Liabilities and the long-term portion is presented as Employee Benefits on the Statement of Financial Position.

Pension Plan

All employees of the Authority are covered by the Public Service Pension Plan (the Plan), which is a contributory plan established by law and sponsored by the Government of Canada. Employees and the Authority must contribute to the Plan to cover the cost of services rendered during the fiscal year. Under current legislation, the Authority has no legal or constructive obligation to pay additional contributions to cover past services or a funding shortfall of the Plan. Consequently, contributions are charged to expenses in the fiscal year during which the employees render the services and represent the total pension obligation of the Authority. The Authority is not required by law to make up for the actuarial deficits of the Plan.

Revenue Recognition

The Authority's revenues come mainly from pilotage charges and pilot boat operation. These revenues are based on a known price and recognized at a specific point in time, namely at the time when the Authority has fulfilled its pilotage mandate or provided the pilot boat service. In exchange, the Authority recognizes a receivable since the consideration is due as soon as the service is rendered.

Financial Instruments

The financial instruments are initially recognized at fair value. Subsequent measurement depends on their classification.

The classification of financial assets depends on both:

- How an entity manages the financial assets in the context of its economic model; and;
- The contractual cash flow characteristics of the financial asset.

Financial assets are measured at amortized cost if they meet the following conditions:

- They are held according to an economic model whose objective is to hold financial assets in order to collect the contractual cash flows;
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, they are measured at amortized cost using the effective interest rate method, less any impairment losses. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Authority's cash and cash equivalents, as well as accounts receivables, are included in this category of financial instruments.

After initial recognition, the financial liabilities are measured at amortized cost using the effective interest rate method. The Authority's financial liabilities consist of accounts payable.

Lease

The Authority has recognized a right-of-use asset and a lease obligation for a lease on the date upon which the underlying asset was available for use by the Authority (the "start date").

The right-of-use asset is presented on the Statement of Financial Position. The asset is initially measured at cost, which includes the initial amount of the lease obligation, adjusted for the lease payments made on or before the commencement date, plus the initial direct costs incurred and an estimate of any costs for the dismantling and removal of the underlying asset, less any lease inducement received.

The right-of-use asset is depreciated over the shorter of the useful life of the underlying asset and the lease term on a straight-line basis. In addition, the cost of a right-of-use asset is reduced by the accumulated impairment losses and, where applicable, is adjusted for revaluations of the related lease obligation.

The lease obligation is initially measured at the present value of the lease payments that have not yet been made at the start date, calculated using the interest rate implicit in the lease or, if this rate is not readily determinable, the Authority's incremental borrowing rate. Currently, the Authority uses its incremental borrowing rate as the discount rate.

The Authority has elected not to separately account for the non-lease components of the leases for office space (building). As a result, the lease payments and the lease obligation include the payments relating to both the lease and non-lease components.

The interest expense relating to the lease obligations is recognized as an expense in the comprehensive income, using the effective interest rate method.

The lease payments relating to leases with a lease term of 12 months or less and the leases with a low value underlying asset are recognized as an expense in the comprehensive income on a straight-line basis over the term of the lease. Low value assets include computer equipment and small pieces of office furniture.

4. Use of Estimates and Judgment

In preparing Financial Statements, management must use judgments and make estimates and assumptions that affect both the application of accounting policies and the carrying amount of assets, liabilities, revenues and expenses.

a. Significant Accounting Estimates

Significant accounting estimates are estimates and assumptions made by management that may result in material adjustments in the amount of assets and liabilities within the next year. In preparing these Financial Statements, management has not made any significant accounting estimates, except for the useful life of property and equipment and intangible assets.

b. Significant Judgments

Significant judgments regarding the carrying amount of assets and liabilities involve assumptions made by management and are based on previous experience and various other factors deemed reasonable under the circumstances. Management's most important judgments involve the accounting treatment when determining the property and equipment and intangible asset components, and the depreciation and amortization methods applied to property and equipment and intangible assets.

5. Accounts Receivable and Other Receivables

	December 31, 2023	December 31, 2022
Accounts receivable	$12,962,072	$11,976,816
Other receivables	1,495,128	1,328,973
	$14,457,200	$13,305,789

6. Property and Equipment

	Land	Buildings and leasehold improvements	Pilot boat and shuttle	Pilot boat inspections
Cost				
Balance as at January 1, 2022	$3,300	$1,017,943	$8,825,911	$–
Acquisitions	–	–	90,746	–
Disposals	–	–	–	–
Transfer - Work in progress	–	–	–	–
Balance as at December 31, 2022	$3,300	$1,017,943	$8,916,657	$–
Acquisitions	$–	$–	$648,781	$736,971
Disposals	–	–	–	–
Transfer - Work in progress	–	–	2,700,533	–
Balance as at December 31, 2023	**$3,300**	**$1,017,943**	**$12,265,971**	**$736,971**
Depreciation and impairment losses				
Balance as at January 1, 2022	$–	$379,140	$3,574,758	$–
Depreciation for the year	–	63,865	370,968	–
Disposals	–	–	–	–
Balance as at December 31, 2022	$–	$443,005	$3,945,726	$–
Depreciation for the year	$–	$63,067	$477,050	$92,441
Disposals	–	–	–	–
Balance as at December 31, 2023	**$–**	**$506,072**	**$4,422,776**	**$92,441**
Carrying amounts				
As at December 31, 2022	$3,300	$574,938	$4,970,931	$–
As at December 31, 2023	$3,300	$511,871	$7,843,195	$644,530

Furniture and fixtures	Communications equipment	Computer equipment	Boarding facilities	Wharfs	Work in progress	Total
$348,085	$174,942	$2,776,809	$81,845	$9,793,484	$59,542	$23,081,861
4,560	–	48,209	67,750	4,350,806	2,700,533	7,262,604
–	–	–	–	(612,807)	–	(612,807)
–	–	–	–	59,542	(59,542)	–
$352,645	$174,942	$2,825,018	$149,595	$13,591,025	$2,700,533	$29,731,658
$11,132	$–	$2,029,917	$29,777	$–	$–	$3,456,578
–	–	(626,504)	–	–	–	(626,504)
–	–	–	–	–	(2,700,533)	–
$363,777	**$174,942**	**$4,228,431**	**$179,372**	**$13,591,025**	**$–**	**$32,561,732**
$210,426	$96,538	$2,092,378	$40,410	$3,632,020	$–	$10,025,670
26,311	26,942	188,529	4,132	347,862	–	1,028,609
–	–	–	–	(537,037)	–	(537,037)
$236,737	$123,480	$2,280,907	$44,542	$3,442,845	$–	$10,517,242
$27,065	$25,359	$491,029	$10,496	$386,122	$–	$1,572,629
–	–	(626,504)	–	–	–	(626,504)
$263,802	**$148,839**	**$2,145,432**	**$55,038**	**$3,828,967**	**$–**	**$11,463,367**
$115,908	$51,462	$544,111	$105,053	$10,148,180	$2,700,533	$19,214,416
$99,975	$26,103	$2,082,999	$124,334	$9,762,058	$–	$21,098,365

7. Intangible Assets

	Right to use a boat lauching ramp	Software	PPU financial contribution
Cost			
Balance as at January 1, 2022	$200,000	$2,342,834	$435,773
Acquisitions	–	194,303	25,235
Transfer - Work in progress	–	195,775	–
Balance as at December 31 2022	$200,000	$2,732,912	$461,008
Acquisitions	$–	$853,715	$–
Disposals	–	(249,741)	–
Balance as at December 31, 2023	**$200,000**	**$3,336,886**	**$461,008**
Amortization and impairment losses			
Balance as at January 1, 2022	$150,079	$1,035,660	$216,869
Amortization for the year	13,324	273,900	119,591
Balance as at December 31, 2022	$163,403	$1,309,560	$336,460
Amortization for the year	$13,324	$428,615	$124,163
Disposals	–	(249,741)	–
Balance as at December 31, 2023	**$176,727**	**$1,488,434**	**$460,623**
Carrying amounts			
As at December 31, 2022	$36,597	$1,423,352	$124,548
As at December 31, 2023	$23,273	$1,848,452	$385

Work in progress	Total
$195,775	$3,174,382
–	219,538
(195,775)	–
$–	$3,393,920
$173,013	$1,026,728
–	(249,741)
$173,013	**$4,170,907**
$–	$1,402,608
–	406,815
$–	$1,809,423
$–	$566,102
–	(249,741)
$–	**$2,125,784**
$–	$1,584,497
173,013 $	$2,045,123

8. Credit Facility

The Authority has a credit facility in the form of a bank overdraft, authorized to a maximum amount of $1,500,000 in 2023 ($1,500,000 in 2022), bearing interest at the bank's base rate per annum. This bank overdraft is available as needed and renewable annually. It is secured by a $3,000,000 ($3,000,000 in 2022) first rank chattel mortgage on accounts receivable. As at December 31, 2023, the Authority was not using this overdraft (nil in 2022).

9. Accounts Payable and Accrued Liabilities

	December 31, 2023	December 31, 2022
Accounts Payable	$16,051,115	$16,676,948
Government Assistance	159,407	–
Employee Benefits	45,184	50,388
	$16,255,706	**$16,727,336**

10. Lease

An office space lease is recognized as a right-of-use asset and a lease obligation.

Right-of-Use Asset

Cost as at January 1, 2023 and as at December 31, 2023	**$1,990,114**
Accumulated depreciation as at January 1, 2023	**$(647,944)**
Depreciation	(161,986)
Accumulated depreciation as at December 31, 2023	**$(809,930)**
Net book value as at December 31, 2023	**$1,180,184**

Lease Obligation

Balance as at January 1, 2023	**$1,810,232**
Interest on lease obligation	63,361
Lease payments	(243,367)
Balance as at December 31, 2023	**$1,630,226**
Current portion	$186,638
Non-current portion	$1,443,588

The undiscounted contract payments to be made in respect of the lease obligation are as follows:

	December 31, 2023
Less than 1 year	$243,367
Between 1 and 5 years	1,026,194
More than 5 years	590,715
Total	**$1,860,276**

Future contract payments in connection with the variable lease payments are as follows:

	December 31, 2023
Less than 1 year	$395,500
Between 1 and 5 years	1,704,262
More than 5 years	1,052,344
Total	**$3,152,106**

Other Amounts Recognized in Comprehensive Income

Interest Expense on Lease Obligation	$63,361
Expense recognized in respect of the variable lease payments not included in the lease obligation	$355,539

Lease for Office Space

The lease has an initial term of 17 years and contains a wide range of different conditions.

Variable Lease Payments

The leases for office space provide for additional lease payments to reimburse a portion of the lessor's share of payments made for property taxes, insurance costs and operational costs such as energy, maintenance, administration and security costs, which vary according to the use and wear and tear of the office space. The final payment amounts are determined annually and are not included in the lease obligation.

Renewal Options

The lease for the office space is subject to an option to renew at the discretion of the Authority only. This option is used to maximize the operational flexibility of the Authority's operations. This option is not taken into account in the assessment of the lease obligation, as the Authority does not have reasonable certainty of exercising them. The Authority's practice is to ensure that the space meets its needs, which change over time.

11. Commitments

As at December 31, 2023, the Authority had entered into agreements for expenditures related to pilotage services and for property and equipment and intangible assets. The amounts contracted at the end of the reporting period but not yet incurred are the following:

2024	$2,782,063
2025	572,044
2026	323,055
2027	196,503
2028 and more	157,420
	$4,031,085

As at December 31, 2022, the Authority had entered into agreements for expenses related to pilotage services and property and equipment and intangible assets in the amount of $5,225,730.

12. Capital Management

The Authority's capital structure consists of its retained earnings.

The Authority is subject to the financial management and accountability provisions of the *Financial Administration Act*, which imposes restrictions regarding borrowings and investments. On an annual basis, the Authority must receive approval for all borrowings from the Minister of Finance. The Act limits investments to bonds or other obligations of, or guaranteed by, His Majesty in right of Canada or any province, or any municipality in Canada. During the year, the Authority complied with the requirements of the Act.

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings to ensure that its objectives are achieved efficiently. 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 was no change in the Authority's method of managing its capital during the year.

13. Related Parties

The Authority is related in terms of common ownership to all departments, agencies and Crown corporations created by the Government of Canada. 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.

The other related party transactions entered into by the Authority are with key executives, including members of the Board of Directors. Their compensation were as follows:

	2023	2022
Compensation and other short-term benefits	$1,480,786	$1,753,001
Post-employment benefits	92,498	157,158
	$1,573,284	$1,910,159

14. Financial Instruments

Fair Value

The financial assets and liabilities include cash and cash equivalents, accounts receivable and accounts payable. The carrying amount of each of these items is a reasonable approximation of fair value by their short-term maturity.

The fair values of financial instruments are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy that applies in the determination of the fair value requires the use of observable market inputs, whenever such inputs are available. A financial instrument for which a significant unobservable input has been considered in measuring the fair value is classified to the lowest level of the hierarchy. The fair value measurement hierarchy consists of the following levels:

Level 1: the fair value is based on the quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 : the fair value is based on input-based measurement techniques for assets or liabilities, other than the quoted market prices included within Level 1, that are directly or indirectly observable.

Level 3 : the fair value is based on measurement techniques that are based on a significant portion of inputs that are not observable in the market.

As of December 31, 2023 and 2022, cash and cash equivalents are measured at fair value at Level 1, while accounts receivable and accounts payable are measured at Level 2.

Credit Risk

Credit risk is the risk that the Authority will incur a financial loss if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. It arises primarily from the Authority's accounts receivable.

There is no significant credit risk with the Authority's accounts receivable as the Pilotage Act stipulates that the owner, master, and agent of a ship are jointly and severally liable for pilotage charges and provides a mechanism to withhold custom clearance if pilotage charges are unpaid. As at December 31, 2023, no receivable is delinquent (nil in 2022). The maximum credit risk associated with accounts receivable is $12,962,072 ($11,976,816 as at December 31, 2022). There is no concentration of accounts receivable.

The Authority deals only with Canadian chartered banks and recognized financial institutions with higher credit ratings. The maximum credit risk associated with cash and cash equivalents is $5,765,926 ($7,633,495 as at December 31, 2022).

Interest Rate Risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Authority may be exposed to interest rate risk through the use of its operating credit facility, since it bears interest. As at December 31, 2023, the operating credit facility was not used (nil in 2022).

Liquidity Risk

The 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-sustaining financial basis and is not funded through parliamentary appropriations; it is therefore dependent on funding sources and cash flows from operating activities to meet its funding requirements. The Authority manages this liquidity risk by monitoring its actual and projected cash flows on a continuous basis. In addition, as presented in Note 8, the Authority has a credit facility, which is available as needed and renewable annually. The accounts payable and accrued liabilities are due within a period of three months.

None of the Authority's risk exposure, objectives, policies and processes to manage and assess the liquidity risk have changed significantly from the previous fiscal year.

15. Contingencies

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

16. Reclassification

Certain comparative figures from the Statement of Financial Position, the Statement of Comprehensive Income, and the Statement of Cash Flows have been reclassified to conform with the current period's adopted presentation; these reclassifications primarily consist of the *Pilotage Act* administration fees previously included in pilots' fees, prepaid expenses previously included in accounts receivable and other receivables, and the right-of-use asset previously included in property and equipment.

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Laurentian Pilotage Authority

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