Great Lakes Pilotage Authority

Administration de pilotage des Grands Lacs

Canada

2021 Annual Report

Navigating the safest route

The Great Lakes Pilotage Authority, a federal Crown Corporation established in 1972, works diligently in the public interest to deliver comprehensive, best-in-class pilotage services. We are responsible for administering and providing marine pilotage and related services in the Great Lakes region, an area covering some 250,000 km² of navigable waters.

Our mandate includes pilotage operations, training, and the application of pilotage regulations. Our mandate to issue pilot licences and pilotage certificates has been transferred to Transport Canada as part of the modernization of the *Pilotage Act*.

The GLPA provides safe, efficient, and reliable pilotage services in the Great Lakes and in the St. Lawrence Seaway and the free flow of goods on this vital maritime route depends on it. Once again in 2021, we were faced with changing circumstances, including financial challenges, additional waves of the COVID-19 pandemic, shifts in the volume of marine traffic, variable environmental conditions, and the ongoing challenge to recruit pilots.

Despite these issues and uncertainties, we continued to navigate the safest route.

Highlights

8,292

assignments
11% decrease from 2020

64

full-time equivalent pilots
Up 4% over 2020

285

navigation days
4-day increase over 2020

$45.0M

total revenues

99.9%

incident-free assignments
0 major incidents
10 minor incidents

2021 at a Glance

Key Financial Indicators (in millions of Canadian dollars)	**2021**	2020	2019	2018	2017
Total revenues	**45.0**	38.2	40.5	35.4	30.3
Direct operating expenses	**32.6**	34.8	37.8	31.6	26.0
Contribution margin	**12.4**	3.4	2.7	3.8	4.3
Other operating expenses	**2.1**	2.1	1.9	1.8	1.8
Administrative expenses	**2.4**	2.1	2.0	1.7	1.8
Other comprehensive gain (loss)	**0.0**	(0.2)	(0.1)	0.0	0.1
Net Surplus (deficit)	**7.9**	**(1.0)**	**(1.3)**	**0.3**	**0.8**

Key Operating Statistics					
Total assignments	**8,292**	9,290	10,093	8,798	7,636
% of incident-free assignments	**99.9%**	99.8%	99.9%	99.9%	99.8%
Cost per assignment	**$4,477**	$4,224	$4,135	$3,972	$3,878
Number of vessel delay hours due to a shortage of pilots	**3,924**	5,673	8,166	6,850	2,856
Full-time equivalent employees during the year					
Pilots	**64.0**	60.1	59.1	54.7	53.6
Apprentice-pilots	**7.4**	7.2	8.2	8.2	6.9
Dispatchers	**9.5**	9.5	9.0	9.0	9.0
Administrative staff	**14.5**	12.5	11.5	10.5	10.5
Total	**95.4**	**89.3**	**87.8**	**82.4**	**80.0**

Message

from the Chairperson and the Chief Executive Officer

On behalf of the Board of Directors and Management of the Great Lakes Pilotage Authority (GLPA), we are pleased to submit, pursuant to Section 150 of the *Financial Administration Act*, our Annual Report for the year ended December 31, 2021.

Following a year of troubled waters, we were cautiously optimistic that 2021 would improve and we were determined to change what we could. Having already turned most lives upside-down, the pandemic continued with no end in sight. A favourable decision by the Canadian Transportation Agency (CTA) in the matter of the Shipping Federation of Canada's Notices of Objection of the GLPA's pilotage charges, also remained uncertain.

It turned out that, thanks to rigorous health and safety management related to COVID-19, our operations continued smoothly. And we are now able to report that the GLPA received a long-awaited favourable decision by the CTA.

COVID-19

As an essential service provider in the movement of goods for the Canadian population, we continued to ensure continuous uninterrupted operations as we have since the beginning of the pandemic. In 2021, we continued to work in close collaboration with federal and provincial government departments and agencies as well as industry stakeholders to ensure business continuity and the safety of our employees and crew members.

GLPA pilots continued to be equipped with the required protective personal equipment, and they followed the necessary sanitation and safety protocols to reduce the risk of contracting or spreading the virus to vessel crew members while performing pilotage duties in Canadian and American waters. We worked with our counterparts at the Canada Border Services Agency and Transport Canada to ensure pilots could reach their destination in the United States to board ships to avoid any delays to shipping. We also worked with our many land transportation and pilot boat service providers to ensure safe protocols were followed to guarantee the safety of our pilots and apprentice-pilots.

During the year, we also continued a series of preventive protocols and social distancing measures, including working from home to ensure a safe workplace for dispatchers and office staff who support operational needs without disruption. Signage was also prominent in the GLPA's head office in Cornwall and visitors were monitored and their number limited, with most meetings occurring via teleconference. To protect our employees, their families, and the Canadian marine industry, we successfully promoted the vaccine and, as of mid-November 2021, 99% of employees were fully vaccinated.

FINANCIAL SELF-SUFFICIENCY

The GLPA's government mandate requires it to balance two objectives: demonstrate financial self-sufficiency and, at the same time, facilitate the movement of traffic to minimize vessel delays in the Great Lakes region. Previously, we dispatched pilots to vessels as needed despite the financial impacts to the GLPA.

This model was clearly not sustainable; we needed to adopt a different approach to recover our costs, maintain our ability to deliver services, and maintain a reasonable financial reserve. In 2020, we modified our strategy by introducing a more targeted, cost-recovery approach. In January 2020, the Shipping Federation of Canada, which represents most of the ocean shipping industry, filed an objection on our 2020 pilotage charges. In April 2021, given the 2020 objection had not yet been resolved, the Shipping Federation of Canada filed an objection on the 2021 pilotage charges.

On November 4, 2021, the Canadian Transportation Agency rendered a decision favourable to the GLPA. As a result, the 2020 pilotage charges under objection were recognized as revenues in 2021 resulting in a $5.0 million accumulated surplus at the end of 2021. This decision allowed us to cover our $2.8 million accumulated deficit and meet our statutory financial obligations.

OPERATIONS

Our main operational focus is to provide safe pilotage services. We are pleased to report that we reached our goal of providing pilotage services at a rate of 99.9% of assignments incident-free. Our day-to-day operational goal is on how to balance the demand for safe and efficient pilotage services with the supply of available resources. The GLPA reached 8,292 pilotage assignments in 2021, an 11% decrease from 2020. Assignments per pilot (the metric for workload), changed by 16%, resulting in 130 assignments per pilot in 2021 compared to 155 in 2020.

The number of vessel-delay hours due to a shortage of pilots during the navigation season decreased by 31%, reaching 3,924 hours. While still high, the GLPA was able to record this reduction given assignments were down using its limited pilot complement. To ensure we have the proper complement of pilots to service the demand and to ensure efficiencies are gained, our target remains a more reasonable 115-120 assignments per pilot, which is expected to reduce delays and pilotage costs given assignments conducted on overtime would be reduced.

At the same time, we continued to be challenged by a limited number of qualified pilots – a situation in stark contrast to our historical operating environment of stable numbers and limited turnover. Factors for this shift include increasing – and forecasted to increase – pilot retirements and an industrywide recruiting challenge. To address this, we continued to focus our efforts on succession planning and pilot recruiting.

COLLABORATION

While the GLPA is faced with a growing demand for, and a shrinking pool of qualified mariners, we share this burden with the entire Canadian marine industry. Considering that most of our recruits are already qualified masters or senior officers, a long-term solution will only be found through collaboration with our industry partners. This applies to the entire life cycle of seafarers, starting from inspiring and educating young talent to attracting and retaining qualified personnel. It also means working closely with the industry to ensure that we all have the people we need to maintain and grow our industry.

APPOINTMENTS

This year, we were pleased to announce the appointment of Julie Mills as Vice Chair of the Board. Julie is also the Chair of the Audit Committee, and we extend our gratitude to her for taking on more responsibilities in this important role.

Also, during the year, we announced the appointment, by the Administrator of the Governor in Council of Canada, of David Souliere, Chief Administrative Officer of the Mohawks of the Bay of Quinte, to our Board of Directors for a three-year term. David brings extensive experience working with Indigenous Communities, all levels of government and stakeholders, as well as knowledge in project management, communications, and negotiations.

LOOKING AHEAD

Having weathered the storms of the last two years, we are inspired by the resilience, determination and professionalism of our entire staff and we are confident that we will reach our goals and destination in the very near future.

Most respectfully,

Captain James Pound
Chairperson of the Board

Michèle Bergevin
Chief Executive Officer


11M
10M
9M
8M

About the GLPA

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

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

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

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

Mandate

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

Maritime shipping in the Great Lakes-Seaway system is vital to Canada's prosperity and is an essential link to international markets. North American farmers, steel producers, construction firms, food manufacturers, power generators and Canadian households depend on the raw materials and finished goods that are delivered by ships every year to and from the Great Lakes region.

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

The GLPA is a non-agent Crown corporation – listed in Schedule III, Part I of the *Financial Administration Act*. Given that the GLPA has not received federal appropriations since 1995 and is not eligible for future appropriations, the Corporation is mandated to deliver services on a basis of financial self-sufficiency. To do this, the *Pilotage Act* provides that pilotage charges must be fair and reasonable, and – together with any revenue from other sources – shall permit the GLPA to operate on a self-sustaining financial basis, including having reasonable reserves for future expenditures and contingencies.

The GLPA's mission and vision define the framework for its strategic direction, as approved by the Board of Directors.

What we do

SAFE PILOTAGE

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

PILOTAGE CHARGES

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

PILOTAGE CERTIFICATION

The GLPA administers and monitors a certification system designed to ensure Canadian masters and officers comply with the requirements set out in the *Great Lakes Pilotage Regulations* to ensure safe passage of Canadian vessels in compulsory pilotage areas. As part of the recent changes to the *Pilotage Act*, Transport Canada is responsible, as of June 2021, for the issuance, suspension and cancellation of pilot licences and pilotage certificates. The GLPA has and will continue to work with Transport Canada and all its stakeholders to ensure a smooth transition of this responsibility.

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

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

With pilotage services in the Great Lakes region being shared between Canada and the United States and the GLPA having to operate within the confines of the St. Lawrence Seaway, it is crucial for the GLPA to collaborate and coordinate with other organizations to ensure that reliable, effective and efficient pilotage services are provided to its customers.

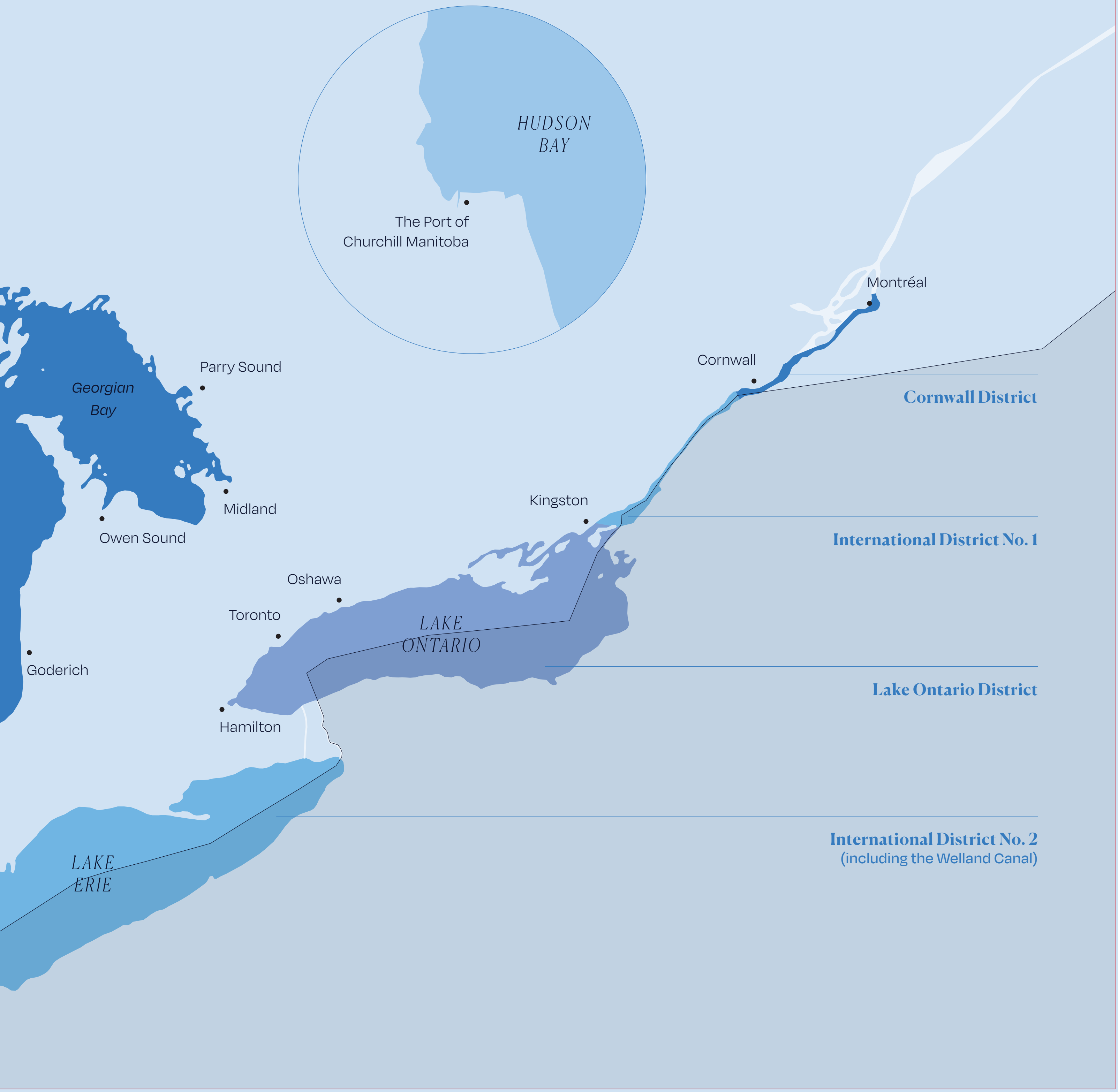
These organizations include:

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

International District No. 3

(including waters and ports of Lakes Huron, Michigan and Superior)

Operational Area



Bulk Carrier, downbound
at Cote Ste-Catherine Lock

Bulk Carrier, entering
Beauharnois Lock 3

General Cargo, berthing at Harvest
States Elevator in Superior, Wisconsin

Tanker, upbound
to St-Louis Bridge

General Cargo, downbound
for St. Lambert Lock

Tanker, downbound at Baillargeon wharf
(Cote Ste-Catherine wharf)

Review of Operations

The year 2021 was characterized by a continuing focus on one priority: establishing the conditions necessary to deliver on our primary mandate of supporting safe, efficient, reliable and environmentally responsible navigation in the waters under our jurisdiction. This meant a never-wavering attention to business continuity (i.e., getting through the pandemic), resolving issues associated with financial self-sufficiency, and addressing the long-term structural issue of recruiting qualified personnel.

The efforts employed in recent years paid off. A broad range of hygiene and sanitation initiatives related to personnel – with the addition of government-sanctioned vaccine requirements – resulted in keeping our people safe. A favourable decision by the CTA resulted in the recuperation of some $5.0 million in pilotage revenues, thus allowing us to pursue our mandate of financial self-sufficiency. And, while we still have a long way to go, we continued to recruit pilots and remain positive in our determination to continuously adjust our recruitment strategies to reach our targets while balancing with the forecasted demand for pilotage services.

LEGEND

S — Navigational **S**afety

R — Pilotage **R**eliability

F — Financial **S**elf-sufficiency

E — Organizational **E**fficiency

L — Good **L**abour Relations

Key Performance Indicators

S R F

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

Strategic Performance Indicators	2021	Target	Vs Target	2020	Vs 2020
1. Navigational Safety					
Number of major marine incidents	**0**	0	○	0	○
Number of minor marine incidents	**10**	8	●	14	○
As a % of incident-free assignments	**99.9%**	99.9%	○	99.8%	●
2. Pilotage Reliability					
Number of vessel delays due to shortage of pilots (hours)	**3,924**	5,500	○	5,673	○
3. Financial Self-sufficiency					
Net income (in millions)	**$7.9**	$0.5	○	($1.0)	○

Operational Performance Indicators	2021	Target	Vs Target	2020	Vs 2020
1. Navigational Safety					
Number of audited Canadian vessel transits	**1,544**	1,334	○	1,574	○
Certificate holder monitoring – up-to-date	**Yes**	Yes	○	Yes	○
2. Pilotage Reliability					
Number of apprentice-pilots recruited	**5**	7	●	9	●
Number of pilots newly licensed and retained	**8**	11	●	7	○
3. Financial Self-sufficiency					
Cost per assignment	**$4,477**	$4,746	○	$4,228	●

○ Target Met

● Target Not Met

Economy & Traffic

ECONOMIC CONDITIONS

The territory served by the GLPA is vast, with some 250,000 km^2 of navigable waters of the Great Lakes supported by our pilots and certificate holders. Accompanying ships carrying grain, iron ore, oil and gas, dry bulk, liquid bulk, general cargo, and passenger cruises, the GLPA's operations mirror global economic conditions. As a result, its ability to accurately forecast traffic to efficiently manage pilot resources is crucial.

This is not an easy task given that container contracts with many Canadian and United States ports are not negotiated well in advance and that the GLPA's planning cycle begins in June when the industry has still limited traffic forecasts for the coming year.

To do this effectively, we depend on industry stakeholders to provide reliable, timely and accurate information which forms the basis for budgeting traffic levels. This, in turn, dictates pilot staffing and appropriate pilotage charges, both highly critical elements to allow the GLPA to be financially self-sufficient given pilot compensation is primarily fixed.

In 2021, as the global economy began to rebound, the demand for oil and gas and other cargos rose gradually, while grain demand was stagnant at best. The cruise industry, which historically represents some 5% of GLPA's assignments, continued to be non-existent in 2021 due to COVID-19.

As a result, there were 8,292 pilotage assignments, including winter work assignments (8,179 assignments during the navigation season and 113 winter work assignments). This represents a 2% difference compared to the budgeted assignments for the year (8,147). Pilotage assignments during the 2021 navigation season decreased 11% in comparison to 2020 assignments.

S R F E L

TRAFFIC SUMMARY

The decrease in pilotage assignments in 2021 is mainly driven by a 25% decrease in pilotage assignments to general cargo vessels, offset by a 13% increase in assignments to tankers. Other drivers include a decrease in bulk cargo vessels (-9%) due to a reduction in grain exports as well as a slight decrease in assignments to tug and barge (-6%), and container and heavy lift vessels in 2021. Passenger cruises which usually represent approximately 5% of pilotage assignments was nonexistent due to the pandemic. While the pilotage demand from the foreign industry decreased by 13.5% compared to the same period in 2020, pilotage demand from the Canadian domestic industry increased by 0.7% due to a slight rebound in tanker demand and additional general cargo vessels.

In 2021, Class 3 and 4 vessels, the largest ships that can navigate in the Seaway locks, accounted for 51% of the vessels piloted, up from 49% in 2020.

The 8,292 pilotage assignments during 2021 were serviced by 64 full-time equivalent pilots, representing an average of 130 assignments per pilot. While the workload is still not at the reasonable number the GLPA is targeting (115-120 assignments per pilot), it is down from the 2020 average of 155 assignments per pilot.

The GLPA continues to be focused on hiring and training apprentice-pilots to meet industry demand. In 2021 we hired 5 pilots and 8 were licensed.

Assignments by Vessel Type

	2021	2020	Var %
Oil/Tankers	**2,420**	2,134	13%
Bulk carriers	**3,510**	3,871	-9%
General cargo ships	**1,940**	2,587	-25%
Tug and barge	**147**	156	-6%
Heavy lift	**65**	204	-68%
Container ships	**53**	53	0%
Other	**44**	56	-21%

NOTE – *Assignments during navigation season.*

Allocation of Assignments

	2021	2020	Var %
Domestic vessels	**1,832**	1,818	0.7%
Foreign vessels	**6,460**	7,472	-13.5%
Total	**8,292**	9,290	-11.0%

Economy & Traffic (cont'd)

SERVICE LEVELS

All scheduling and call-backs (assignments on overtime) of the GLPA's employee pilots during peak periods are pursuant to collective agreements and the GLPA needs to balance pilot numbers – all with fixed remuneration – with the demand for pilotage services. If demand is low, the costs are high. When demand is high, but pilots aren't available, the cost of shipping delays can be significant.

Importantly, the GLPA is subject to delays that are outside of its control. These include delays when breakdowns occur in the Seaway and its locks, environmental delays due to weather, wind, strong currents, etc., and vessel incidents.

In 2021, total delays to ships requiring pilots in the Great Lakes amounted to 6,919 hours, of which 56%, or 3,924 hours, were directly attributable to a shortage of pilots. By comparison, in 2020, total delays accounted for 8,439 hours, of which 74% or 5,673 hours, were attributable to a shortage of pilots.

The 31% decrease in pilotage delays due to a shortage of pilots, when compared to the previous year, was mainly attributable to a 10% decrease in pilotage assignments during the navigation season and an increase of 4% in full-time equivalent pilots.

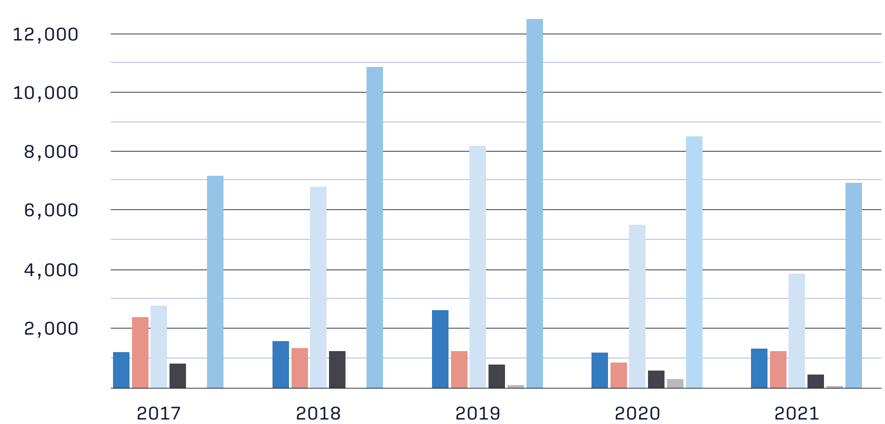
To improve its delivery of reliable pilotage services with fewer delays to vessels, the GLPA worked jointly with Seaway officials, industry partners and the US pilot associations to ensure traffic management strategies were implemented. The GLPA also ensured customers were advised of any major delays due to surges and resulting pilot availability/ unavailability.

Delays to Vessels

(in hours)

- Seaway delays
- Environment delays
- Pilotage delays
- Vessel delays
- Incident delays
- Total delays

NOTE - *Incident delays were tracked separately starting in 2019. These delays were previously captured in the other delay types.*



The Shipping Economy

The Great Lakes and St. Lawrence River have been utilized for transportation since well before the inception of Canada and the United States. In the earliest days, cities along this waterway were founded as trading posts to promote commerce well before railroads and highways were established.

The Great Lakes - St. Lawrence region is the industrial and agricultural heartland of both the United States and Canada – with a combined GDP of more than $6 trillion U.S. dollars. And, according to the Great Lakes St. Lawrence Seaway System, the economic impact of this vital link is impressive.

- A total of 143.5 million tonnes of cargo valued at $19.8 billion moved through the system;
- Marine cargo and vessel activity in the Great Lakes-Seaway system generated a total of $45.4 billion in economic activity in the United States and Canada;
- Maritime commerce on the system supported 237,868 U.S. and Canadian jobs, including 78,400 direct jobs;
- Maritime activity supported $18.5 billion in total personal wage and salary income and local consumption expenditures in the regional economies of the U.S. and Canada. The 78,400 direct job holders received $4.9 billion in wage income;
- Businesses involved in maritime activity in the Great Lakes-Seaway system spent $10.3 billion on purchases in their respective local economies; and
- A total of $8.6 billion in federal, state/provincial and local tax revenue was generated by maritime activity in the Great Lakes-Seaway system.

Financial Self-sufficiency

F

MANDATE

The *Pilotage Act* requires the GLPA to operate in a financially self-sufficient manner, thus assuring Canadians that it is committed to financial responsibility and fiscal transparency during these challenging economic times. From 2003 until 2020, the GLPA operated in a deficit position with a total accumulated deficit of $2.8 million beginning in 2021.

STRATEGY

In considering the GLPA's financial position, its current needs, and the requirement of maintaining a reasonable financial reserve, the GLPA modified its approach to pilotage charge setting in 2020 by introducing a more targeted cost-recovery approach instead of the historical universal pilotage charge amendments.

Our pilotage charge strategy was to generate sufficient revenues to fully eliminate the accumulated deficit and build a sufficient financial reserve to sustain operations during periods of reduced levels of income. The strategy included a combination of reasonable general pilotage charge increases and continued targeted cost-recovery charges so as not to burden the whole industry with higher general pilotage charges.

PILOTAGE CHARGES OBJECTIONS

In February 2020, the Shipping Federation of Canada, which represents owners, operators and agents of ships involved in Canada's world trade, filed a Notice of Objection to the GLPA's 2020 pilotage charge amendments with the Canadian Transportation Agency. In April 2021, given a decision on the 2020 objection had not been rendered, the Shipping Federation of Canada filed an objection on the GLPA's 2021 pilotage charges.

This situation raised concerns with respect to the impact of these objections on the GLPA's financial planning. Under the *Pilotage Act*, the GLPA is responsible for ensuring the safety of pilotage services and vessels transiting within its jurisdiction. The GLPA must do so on a financially self-sufficient basis. The results of the objections initiated by the Shipping Federation of Canada are critical inputs into the GLPA's planning process and any outstanding objections introduce considerable uncertainty into that process.

RESOLUTION

In 2021, the Canadian Transportation Agency rendered a decision favourable to the GLPA on its 2020 pilotage charges and, as a result, the GLPA was able to recognize approximately $5.0 million in pilotage charges previously under objection as revenues. This allowed the GLPA to recover from its $2.8 million accumulated deficit at the beginning of 2021 and report a $5 million accumulated surplus at the end of 2021. Regarding the objection on the GLPA's 2021 pilotage charges, the Shipping Federation of Canada withdrew its objection.

FUTURE PLANNING

Entering 2022, the GLPA's financial objective is to generate sufficient annual profits to maintain a reasonable reserve on an ongoing basis. To achieve this goal, the GLPA develops annual pilotage charge strategies to cover its operational expenditures while containing pilotage costs. The GLPA is dedicated to maintaining a reasonable reserve to ensure it can sustain its operations during unpredictable situations and significant reduction in traffic.

Business Continuity

S R E L

PANDEMIC RESPONSE

As the pandemic continued into 2021, the GLPA continued to work with its employees, marine industry stakeholders, government agencies and service providers to ensure that proper safety and preventative protocols were in place to keep its pilots and customer crew members healthy and safe while ensuring business continuity in providing pilotage services in the Great Lakes region.

To protect its employees, their families, and the Canadian marine industry, the GLPA successfully promoted the vaccine in 2021 and, as of mid-November 2021, 99% of its employees were fully vaccinated. As part of the GLPA's commitment to the health and safety of its employees, customers, contractors, and visitors and with the Prime Minister's October 6, 2021 announcement to require COVID-19 vaccination across the federal public service and federally regulated transportation sectors, the GLPA adopted a mandatory COVID-19 vaccination policy for its employees, officers, directors, and contractors. This policy fully aligned with the public service vaccination requirements, including proof of vaccination by no later than November 15, 2021. The policy was rolled out to GLPA employees on October 18, 2021.

The GLPA, an essential service provider in the movement of goods for the Canadian population, has ensured continuous operations since the beginning of the COVID-19 pandemic in March 2020. The GLPA works in collaboration with federal government departments and agencies as well as other industry stakeholders to ensure business continuity and the safety of its employees and crew members. Pilots, who board ships as essential workers, are equipped with the required protective personal equipment and they follow necessary sanitation and safety protocols to reduce the risk of contracting or spreading the virus to vessel crew members while performing their pilotage duties in Canadian and American waters.

The GLPA also worked with its counterparts at the Canada Border Services Agency and Transport Canada to ensure pilots reach their destination in the United States to board ships to avoid delays to shipping. The GLPA also worked with its land transportation and pilot boat service providers to ensure safe protocols were followed to ensure the safety of its pilots and apprentice-pilots.

In addition, preventive protocols and social distancing, including working from home, ensured a safe workplace for the dispatchers and office staff to support operational needs without disruption. Signage is also prominent in the GLPA's head office in Cornwall and visitors are monitored and kept to a minimum as much as possible with most meetings occurring via teleconference.

With the situation continuously evolving, the GLPA will continue to engage with all key stakeholders and remain up to date on all relevant government mandates to ensure business continuity.

Pilotage

S R F E L

PILOTAGE ACT REFORM

Amendments to the *Pilotage Act* received Royal Assent in June 2019 and the new provisions came into force in four phases:

- Restructuring the *Pilotage Act* and introducing labour and governance provisions (completed in August 2019);
- Oversight and enforcement (completed in March 2020);
- Pilotage charges (completed in June 2020); and
- Transfer of regulation-making powers and authority to issue and suspend pilot licences and pilotage certificates (completed in June 2021).

The GLPA continues to work in close collaboration with Transport Canada in the transition of the amended *Pilotage Act*. In the summer of 2021, Transport Canada shared the drafting instructions for the new National Marine Pilotage Regulations, the Integrated Management Systems, and the Administrative Monetary Penalties. The GLPA provided feedback to Transport Canada on all proposals and is committed to working with departmental officials to ensure a smooth transition for its stakeholders.

MANAGEMENT

The GLPA's mandate is to operate, in the interest of safety, a marine pilotage service for all foreign and domestic ships subject to compulsory pilotage in all Canadian waters in the Provinces of Manitoba, Ontario, and Quebec, south of the northern entrance to the St. Lambert Lock. Pilotage services are provided mainly to ocean-going ships, also referred to as foreign vessels, and has historically represented approximately 85% of assignments, with the remaining 15% attributed to Canadian tankers and non-ocean-going ships.

The GLPA has historically benefitted from a stable pilot workforce with minimal turnover. However, like other stakeholders in the maritime industry, the GLPA has been facing challenges with workforce shortages due to an aging workforce and a growing industry. The high level of pilot retirements experienced in the last five years and anticipated in coming years resulted in pilot succession planning and pilot recruitment continuing to be top of mind for the GLPA.

A main objective it to continue to provide pilotage services in the GLPA's service area by reducing ship delays caused by pilot shortages and thus assuring Canadians that the GLPA is committed to economic improvement, a stronger middle class, and assisting Canadian manufacturers to get goods to market on a timely basis. To improve its delivery of reliable pilotage services with less delays, the GLPA will:

- recruit and train an appropriate number of apprentice-pilots, as part of its pilot succession plan, to efficiently meet the current and anticipated demand for its services;
- explore collaboration with industry stakeholders to review traffic management strategies to alleviate traffic surges;
- actively collaborate with industry partners and customers to develop the least costly strategies when delays are beyond its control;
- work with its pilot groups to jointly find acceptable ways to increase pilot availability; and
- approach the Canadian and United States Coast Guard regarding the timing of installation and removal of the navigational aids to reduce double pilotage (i.e., the need for more than one pilot on board to ensure safe pilotage).

Pilotage (cont'd)

QUALIFIED LICENSED PILOTS

Given the importance of pilot succession planning and execution, in 2021 efforts continued to be focused on developing efficient ways to fill the GLPA's requirements for qualified licensed pilots. Following a year in which 7 pilots were licensed, in 2021, 8 additional pilots completed their training programs and were licensed.

To meet the anticipated demand for pilotage services, ensure delays are minimized and costs are contained, combined with forecasted pilot retirements, the GLPA is aiming to increase its full-time and part-time pilots by approximately 15-20% over the next five years. To reconcile this goal with the current limited pool of candidates, the GLPA will continue to explore recruitment strategies and ensure continued collaboration with industry partners and educational institutions that provide marine industry curricula to ensure a sustainable supply of qualified licensed pilots for the long term.

CERTIFICATION

Since 2011, the *Great Lakes Pilotage Regulations* require that all Canadian officers who intend to perform pilotage duties in the Great Lakes hold a valid pilotage certificate. As such, in addition to the management and training of its employee pilots, the GLPA also administers a pilotage certification system of approximately 275 certificate holders to ensure Canadian vessels subject to compulsory pilotage are under the conduct of a valid certificate holder when the services of a pilot are not requested per the *General Pilotage Regulations* and the *Great Lakes Pilotage Regulations*.

The GLPA is responsible to ensure that all certificate holders comply with the requirements of the regulations by ensuring all pilotage certificates are valid. In situations of non-compliance, the GLPA informs Transport Canada given the enforcement powers were recently transferred to the Minister of Transport. In cases where certificate holders do not fulfill the requirements, certificates are suspended or cancelled. Compared to 2020, when the GLPA had 273 certificate holders permitted to transit in compulsory pilotage areas in the Great Lakes region without having to request the services of a GLPA pilot, there were 253 at the end of December 2021. The GLPA continues to work collaboratively with the Chamber of Marine Commerce and Canadian shipping companies on pilotage certification as this is an integral part in the GLPA's mandate to provide safe, reliable and efficient pilotage services in the Great Lakes region.

The modernization of the *Pilotage Act* – an important component of the Government of Canada's $1.5 billion Oceans Protection Plan – brought several key amendments to pilot licensing and pilotage certification, including a transition of responsibility to Transport Canada. The full changeover to the new pilotage system will take some time to complete and the GLPA is working closely with Transport Canada and other stakeholders to ensure a smooth transition.

QUALITY ASSURANCE

To provide assurance to the shipping industry and the GLPA that only qualified pilots are performing pilotage duties, each pilot must undergo an assessment of their competencies and service quality at least once every five years. This exercise also permits the GLPA to identify areas of development and potential improvements in the delivery of its services.

In 2021, 14 pilots and 9 apprentice-pilots, which represent 30% of the pilot workforce, completed the pilotage simulator training program. All pilots were evaluated by their peers and the Director of Operations.

LABOUR RELATIONS

The GLPA has four collective agreements with its pilot groups. Three of these agreements expire at the end of March 2022. The GLPA is in arbitration with the fourth pilot group – The Pilots Corporation, Lake Ontario and Harbours. The GLPA also has a collective agreement with the Public Service Alliance of Canada representing the dispatchers and office clerks with an expiry date of June 2022.

For the GLPA to realize its long-term objectives and effectively manage its affairs on a day-to-day basis, it needs to attract and retain a team of highly qualified personnel across a range of functions. With ever-present attention to pilot recruiting, in 2021 the GLPA also directed resources at the following labour relations priorities:

- Began developing labour negotiation strategies for the upcoming renewal of the pilot collective agreements;
- Implemented phase 3 of the organizational optimization initiative for office staff;
- Continued to develop succession plans for senior management;
- Continued to partner with the unions to effectively address operational issues; and
- Continued to assess COVID-19 related issues to ensure employee safety.

The 2020 employee engagement survey completed by 82% of GLPA's employees resulted in a 72% rate of overall satisfaction and engagement. While positive drivers included being optimistic about the future of the GLPA, working in a respectful environment, overall satisfaction with their work environment and professional growth, the survey identified some gaps related to employees' adherence to GLPA goals and values, performance feedback and work-life balance. In 2021, action plans have been put into place to address these concerns.

Seafaring life

Seafaring is much more than a career; it's a way of life. With months spent on the water on board ships of different types and sizes plying waters, including inland rivers and lakes and the open ocean, loading and discharging cargoes in different ports around the world, captains and mates are responsible for every element of the voyage and the ship.

When navigating waters such as the Great Lakes system, ships are required to utilize the services of a qualified licensed pilot. The GLPA marine pilots always conduct the ship's movement during a transit through the restricted waters and locks, including during berthing and unberthing, while remaining responsible to the captain for the safe navigation of the ship.

The GLPA marine pilots are highly experienced and trained experts in ship navigation in specific districts of the Great Lakes region and ensure the safe, efficient passage of vessels under their responsibility. Pilots board an inbound vessel in a lock, at a dock via a gangway or by climbing a ladder off the ship's side. They specialize in the knowledge of local weather, tides, water depths and levels, local winds, currents, and marine traffic to navigate a ship safely. Using their extensive knowledge of local conditions, they manoeuvre the ships, through restricted waters, channels and locks under a wide range of weather conditions, including ice-covered waters. Pilots work a roster rotation which means they can be dispatched to a job at any time, day or night. They may work irregular hours, often at night and on weekends and holidays. The roster rotation is designed to ensure that pilot personnel are adequately rested and are available 24/7. Pilotage is a highly responsible, difficult, demanding, and high-risk job. Pilots are considered the elite of the marine professionals and are highly respected in this rewarding career.

To attain the knowledge and expertise required to qualify as a pilot, candidates must hold a navigation officer certificate of competency and must have acquired several years of maritime experience as a ship's captain or senior officer. For many, this begins by attending a maritime academy or a trade school.

During a four-year nautical program, soon-to-be officers learn about maritime navigation, ship constructions and stability, astronomy, international regulations and laws, maritime law, meteorology, cargos, and health and safety at work. Watchkeeping officers, in addition to being in charge of a navigational watch, they are responsible for the passage planning and the navigational and safety equipment. The chief officer is responsible for the ship's stability, loading and unloading of the cargo and the maintenance of the vessel, and the master has the overall command of all personnel and operations aboard the ship and commercial management of the ship.

Practicing the profession in the Canadian Merchant Navy, graduates must hold a certificate of competency issued by Transport Canada. Upon graduation, candidates for watchkeeping mate certificate of competency, for example, must complete the required Transport Canada exams. To obtain a master's certificate – the highest rank in the merchant navy – one must have completed the required sea service and obtained all the prerequisite certificates before taking the exams. Given that sailing will take place during six to nine months per year, would-be masters will need to calculate approximately six to seven years of career to obtain this certificate of competency.

To obtain a pilot licence at the GLPA, an applicant must fulfill all the conditions to become an apprentice-pilot, they must successfully complete the Great Lakes apprentice-pilot training program and be recommended by the training committee before taking the examinations required to obtain the unrestricted pilot's licence. Once qualified, the pilot will be a navigation expert for a given district of the Great Lakes region.


PILOT

Organizational Efficiency

MANDATE

To effectively support the GLPA's mandate of safe, reliable and efficient pilotage services, it must have a sound organizational structure to ensure that its responses to legislation, regulations and policies are pertinent, reflect the current realities and consider the public's trust. To enable organizational efficiency, the GLPA:

- Supports the *Pilotage Act* transformation framework, including the transition of regulatory functions to Transport Canada and the development of an Integrated Management System in support of the National Marine Pilotage Regulatory framework;
- Implements the various phases of our future state information systems to reduce the risks of the ever-increasing cybersecurity threats;
- Explores the repatriation of the dispatching function in international District 3 from the United States pilot association; and
- Rolls out action plans following the 2021 customer satisfaction survey.

TECHNOLOGY

In 2021, the GLPA began to replace the pilots' Portable Pilotage Units (PPU), which include software and hardware with the latest e-navigation advancements, charts geared towards situational awareness and decision support for pilots in high-risk navigation environments.

A PPU is a portable, computer-based system that a pilot brings on board a vessel to use as a decision-support tool for navigating in confined waters. Interfaced to a positioning sensor such as a GPS and using electronic chart display, it shows the vessel's position/movement in real-time. In addition, PPUs provide information about the location/movement of other vessels via an interface. PPUs are also being used to display other types of navigation-related information such as soundings/depth contours from recent hydro surveys, dynamic water levels, current flow, ice coverage, and security zones.

All GLPA pilots are equipped and benefit from this latest technology.

STAKEHOLDER RELATIONS

The GLPA has relationships with a highly diverse group of stakeholders, including the Federal government, the shipping industry, and the pilots. The shipping interests are represented by the Shipping Federation of Canada and the Chamber of Marine Commerce, while pilot interests are handled by the four Pilot Corporations represented by the Canadian Merchant Service Guild, and the Canadian Marine Pilots' Association.

To realize our mandate to provide safe, efficient and environmentally responsible pilotage services – serving the public good – we rely on open and productive engagement with all partners.

S E L

As a result, this means addressing all customer concerns in an honest and transparent manner while respecting the best interests of customers.

The GLPA interacts with a wide range of government stakeholders, including the Minister of Transport and departmental officials, the Canadian Coast Guard, the Transportation Safety Board, the Canadian Transportation Agency, and central agencies. GLPA's customers represented by the Shipping Federation of Canada and the Chamber of Marine Commerce must be consulted and must support the GLPA's decisions, as they have access to the Canadian Transportation Agency for a review whenever issues are not resolved satisfactorily. Solutions with consensus, when possible, are preferred versus legislated ones, as they create a win-win situation for all parties.

In 2021, we worked to engage with key industry partners who had voiced concerns with respect to service costs, vessel delays and double pilotage at the beginning and closure of the season. The first step was to communicate that the GLPA would propose to conduct phase 1 of a review of the compulsory pilotage areas to identify priority areas to be examined. Note that all areas under the GLPA's responsibility are deemed compulsory per the *Great Lakes Pilotage Regulations* to ensure the safety of navigation and the environment. Following further discussions with Transport Canada to whom the responsibility for determining compulsory pilotage has been transferred under the amended *Pilotage Act*, the review was deferred.

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

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

The GLPA is dedicated to timely and robust consultations with its stakeholders as the value of their contribution is critical to successful operational and planning challenges and opportunities.

Responsibility

S R F E

CANADIAN VESSEL MONITORING

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

Of the 1,544 audits of vessel transits in 2021, all were under the conduct of a valid certificate holder except for one Canadian vessel that was not in compliance. As a result, the shipping company was informed and charged as if the ship had been under the conduct of a licensed pilot per section 44 of the *Pilotage Act*. In addition, with Transport Canada now responsible for the enforcement of the *Pilotage Act*, the GLPA communicated this deficiency to Transport Canada.

ENVIRONMENT

The GLPA is responsible for pilotage services in the Great Lakes region that are safe and free of environmental incidents and, given that such risks are inherent in every pilot's actions, training is crucial. To that end, the GLPA provides all apprentice-pilots and pilots with training that ensures that adequate knowledge, experience and protocols are in place. The GLPA also communicates regularly and openly about environmental risks and good practice with all stakeholders to promote a safety-minded culture throughout all operations.

CANADIAN ENVIRONMENTAL ASSESSMENT ACT

In compliance with section 71 of the *Canadian Environmental Assessment Act* (2012), the GLPA confirms that there are no significant environment-related activities to report for 2021.

CLIMATE CHALLENGES

Changes in climate patterns continue to generate more frequent and severe environmental conditions such as high winds, extreme ice conditions and high-water levels – all of which can impact operations. Extreme ice conditions can result in delays in opening the navigation season as was the case in early 2021. It can also result in the decommissioning of pilot boats used to transport pilots to their assignments, requiring pilots to embark/disembark further down the river and causing delays.

Changing water levels – whether the high water levels seen in 2019 or the low water levels experienced in 2021, can also complicate safe and efficient pilotage operations. To address this, the Canada-United States bi-lateral governing body (International Joint Commission) monitors the situation and imposes increased or decreased water outflow strategies in the St. Lawrence River to bring the water-level back to normal. These strategies could force a slowdown of all vessels which in turn means longer trip times and reduced pilot resource availability, also leading to higher pilotage costs. The GLPA and its pilots provide valuable expertise to the St. Lawrence Seaway and the International Joint Commission as they monitor the water level situation.

Responsibility (cont'd)

EMPLOYEE SAFETY

Employee safety continues to be a top priority for the GLPA, and we completed several initiatives in 2021 to ensure the highest standards are met.

- The required amount per the *Canada Labour Code* of Workplace Health and Safety Committee meetings (9) were conducted. Items discussed included COVID-19 precautions, vaccination, safety equipment, fatigue management, and violence and harassment.
- An independent audit of the GLPA's Occupational Health and Safety (OHS) practices was conducted in 2021. The objective of the audit was as follows: *Provide assurance regarding the extent to which GLPA's OHS management control framework supports the safety and well-being of employees, and supports compliance with applicable legislation, regulations, and policies.*
- Overall, the audit found that, while the GLPA's OHS management control framework reflected several good practices and applicable regulatory requirements, there are opportunities to improve several key components to support more proactive practices and compliance with applicable regulations and legislation. These included:
    - The establishment and implementation of a Hazard Prevention Program;
    - The practices and responsibilities of the Workplace Health and Safety Committee;
    - Annual workplace inspection planning and conduct; and
    - Incident reporting and investigation procedures.

S E L

MARINE INCIDENTS

Navigational safety in our operational area is the primary objective of the GLPA and its pilotage system. The GLPA reviews, on an annual basis, all marine incidents in the Great Lakes involving its pilots and Canadian officers.

In 2021, the GLPA reported 10 minor marine incidents compared to 14 in 2020. None of these 2020 or 2021 incidents resulted in the loss of life, serious injuries, or any environmental spills. Despite the number of minor incidents, the effectiveness of the pilot training program and the use of Portable Pilotage Units has allowed pilots to course correct and minimize the incident severity. Even with the planned increase in pilot numbers, the GLPA expects that total incidents will remain within historical results of 99.9% incident-free assignments due to the investments in its apprentice-pilot training program and its pilot quality assurance program.

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

- Recruited and trained all apprentice-pilots;
- Sourced new state-of-the-art Portable Pilotage Units in time for the start of the 2022 navigation season to replace the current units that reached the end of their useful life at the end of 2021;
- Revised and updated the pilot quality assurance program and the apprentice-pilot training program to reflect business requirements and current trends;
- The pilot quality assurance committee, composed of pilots from each district and the Director of Operations, identified new types of vessels and/or ports/docks to be developed for simulator training and reviewed the report highlighting all incidents in 2020 per district;
- Worked collaboratively with the *Centre de simulation et d'expertise maritime* in Quebec City to develop the data and visual areas for the ports to be visited by the new Viking Cruises in 2022;
- Worked with the industry to test the new DIS (Draft Information System); and
- Completed fatigue management training for all pilots in March 2021.

Marine Incidents

(for the five most recent years)

	2021	2020	2019	2018	2017
Major marine incidents	**-**	-	-	-	-
Minor marine incidents	**10**	14	8	11	14
Total assignments	**8,292**	9,290	10,093	8,798	7,636
% of incident-free assignments	**99.9%**	99.8%	99.9%	99.9%	99.8%

Responsibility (cont'd)

TRANSPARENCY

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

The GLPA ensures that it is fully transparent with the industry and the Canadian public. To do this, it ensures timely responses to all information requests and concerns, when feasible; makes available the entire passage plans to provide its customers with a general overview of the transits, as well as publishes its pilot-master exchange of information checklist on its website to ensure all ships are provided with consistent and effective services.

In 2021, the GLPA did not receive any requests under the *Access to Information Act* and the *Privacy Act* and does not have any outstanding requests as of December 31, 2021.

The GLPA has complied with the Federal Government to post responses to the requests it received under the *Access to Information Act* on the www.open.canada.ca website.

DIVERSITY, EQUITY, ACCESSIBILITY

The GLPA continues to support the Government of Canada's mandate to strive for gender parity and to ensure that Indigenous Canadians (whose many communities are located on the border of GLPA's operating areas), minority groups and individuals with disabilities are properly represented and respected. The GLPA is committed to developing an inclusive and barrier-free work environment in which all persons have equal access to opportunities within its organization. This is put into action through the GLPA's employee recruiting, selection, employment conditions, training, career development and performance management practices.

As a result, women represent 72% of the Board of Directors, 40% of the senior management team, 60% of the office staff, 27% of dispatchers, but only 3% of the pilot workforce, an area requiring more long-term effort.

To generate a further statistical analysis, management initiated a new self-declaration form for external recruitment to demonstrate the GLPA's commitment to employment equity and diversity on all job postings.

Travel, Hospitality and Conference Expenses

The following travel, hospitality, and conference expenses were submitted during 2021:

Captain James Pound Chairperson	**$3,490**
Michèle Bergevin Chief Executive Officer	**$6,532**
Board of Directors (6 members)	**$4,144**
Senior Management (3 members)	**$14,556**
Total	**$28,722**

Governance

Charting our Route

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

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

Board of Directors

Starting 2021, the Board consisted of the Chairperson and five other directors appointed by the Governor in Council. In July 2021, Mr. David Souliere was appointed to the Board of Directors and on December 31, 2021, Ms. Ginette Brindle stepped down bringing the total number of members to six out of a seven Board member completement per the provisions of the *Pilotage Act*. The Board is responsible for overseeing the strategic direction and management of the GLPA and reports on the GLPA's operations to Parliament through the Minister of Transport.

Over the course of 2021, there were 8 Board meetings to discuss Board business and one priority setting session. In addition, the 3 Committees met 14 times in total during the year. The attendance rate of Board members at these meetings was 97%. Cumulative fees and annual retainers paid to Board members during the year totalled $80,750.

Committees of the Board

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

Audit	Governance and Human Resources	Risk
Julie Mills, Chairperson	Josée-Christine Boilard, Chairperson	Vered Kaminker, Chairperson
Ginette Brindle / David Souliere	Ginette Brindle / David Souliere	Josée-Christine Boilard
Vered Kaminker	Teena Fazio	Julie Mills
Captain James Pound, ex-officio	Captain James Pound, ex-officio	Captain James Pound, ex-officio

AUDIT

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

GOVERNANCE AND HUMAN RESOURCES

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

RISK

The Risk Committee was a standing committee of the Board in 2021 responsible for overseeing the identification and assessment of key risks, as well as the risk management framework and infrastructure to address and mitigate the risks. This committee is being disbanded as of January 1, 2022 therefore the Enterprise Risk Management program will be managed at the Board level with risks delegated to both the Audit and Governance and Human Resources Committees.

ENTERPRISE RISK MANAGEMENT

An Enterprise Risk Management program has been incorporated as part of the GLPA's strategies to manage risks and to seize opportunities in achieving its objectives. The Board reviews the risk register with a view to updating risk assessments and ensures that appropriate mitigating controls are in place.

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

During the priority setting session held in June 2021, the Board revisited the identification, assessment and prioritization of the main risks, and addressed threats and opportunities as they relate to the GLPA's objectives. The Board also discussed the interconnectivity between risk categories and those risks to be discussed at the committee level with the more strategic risks discussed at the Board level.

The top risks for the organization in 2021 were as follows and are examined in greater detail in the Management Discussion and Analysis section:

- Employee health and safety and business continuity – COVID-19;
- Pilot succession planning (including recruitment and retention); and
- Profitability and pilotage charge objections.

Management Discussion and Analysis

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

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

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

Financial Highlights – Statement of Comprehensive Income

(in millions of Canadian dollars)

The following table shows the highlights of the Statement of comprehensive income of the GLPA for the years ending December 31, 2021, and December 31, 2020, per the International Financial Reporting Standards (IFRS).

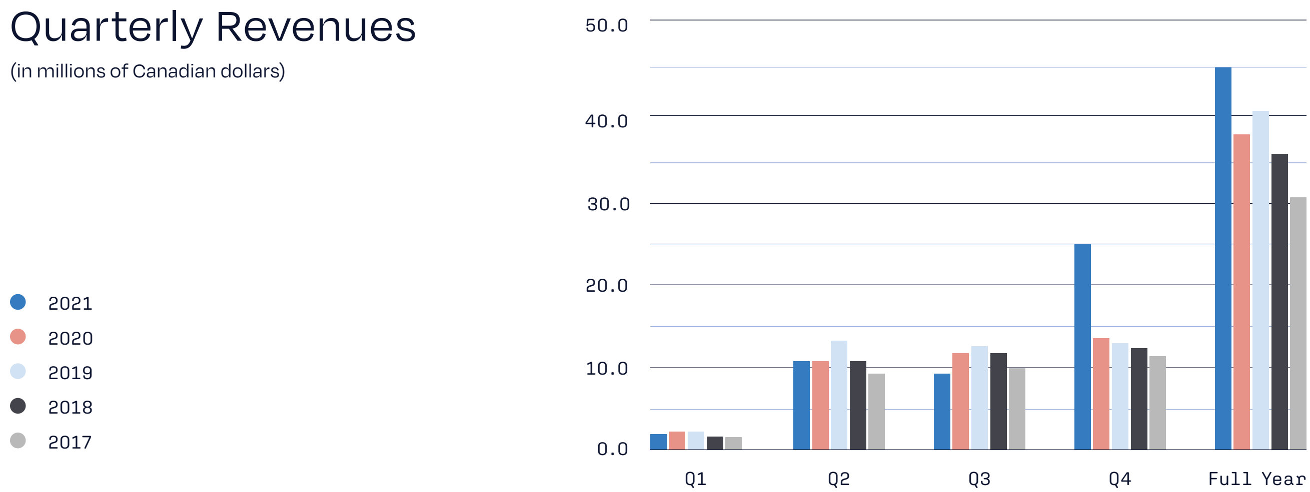
	2021	2020	Var $	Var %
Pilotage Revenues	44.7	37.9	6.8	17.9%
Other Revenues	0.3	0.3	0.0	0.0%
Total Revenues	45.0	**38.2**	**6.8**	**17.8%**
Total Operating Expenses	37.1	**39.0**	**(1.9)**	**(4.9%)**
Operating Profit (Loss)	7.9	**(0.8)**	**8.7**	**1,087.5%**
Other Comprehensive Income (Loss)	0.0	(0.2)	0.2	100.0%
Comprehensive Income (Loss)	7.9	**(1.0)**	**8.9**	**890.0%**

For 2021, the GLPA recorded revenues of $45.0 million and a comprehensive income of $7.9 million, resulting in the accumulated surplus of $5.0 million by the end of the year.

The following table shows quarterly financial results for the five most recent years.

Quarterly Revenues

(in millions of Canadian dollars)



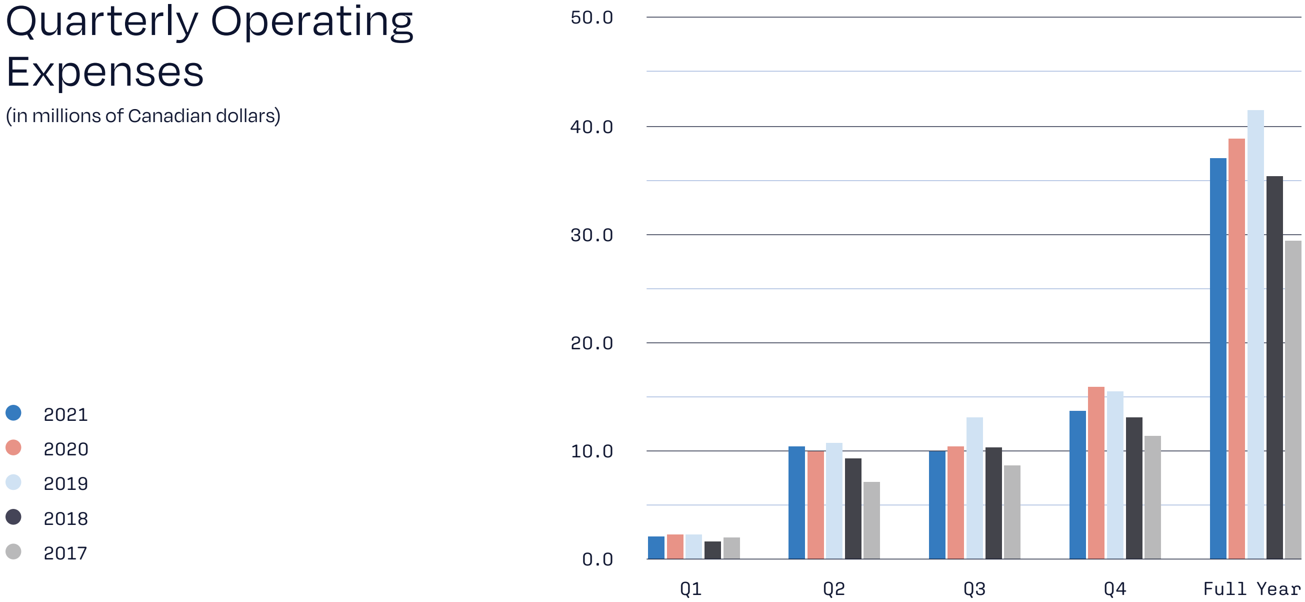
Revenues vary throughout the year, reflecting the seasonality of operations. The GLPA operates in the St. Lawrence Seaway, which is usually closed at the end of December due to winter conditions, and re-opens in late March of each year. The highest demand for services tends to occur in the fourth quarter.

Pursuant to section 34 of the *Pilotage Act*, an interested person may file a notice of objection with the Canadian Transportation Agency (CTA) if that person has reason to believe that the proposed pilotage charges are prejudicial to the public interest that is set out in section 5 of the *Canadian Transportation Act*.

On November 4, 2021, the CTA issued its Decision. Therefore, the 2020 pilotage charges under objection were recognized as revenues in 2021. Thus, the $45.0 million includes the $5.0 million of pilotage charges that were under objection with the CTA in 2020.

Quarterly Operating Expenses

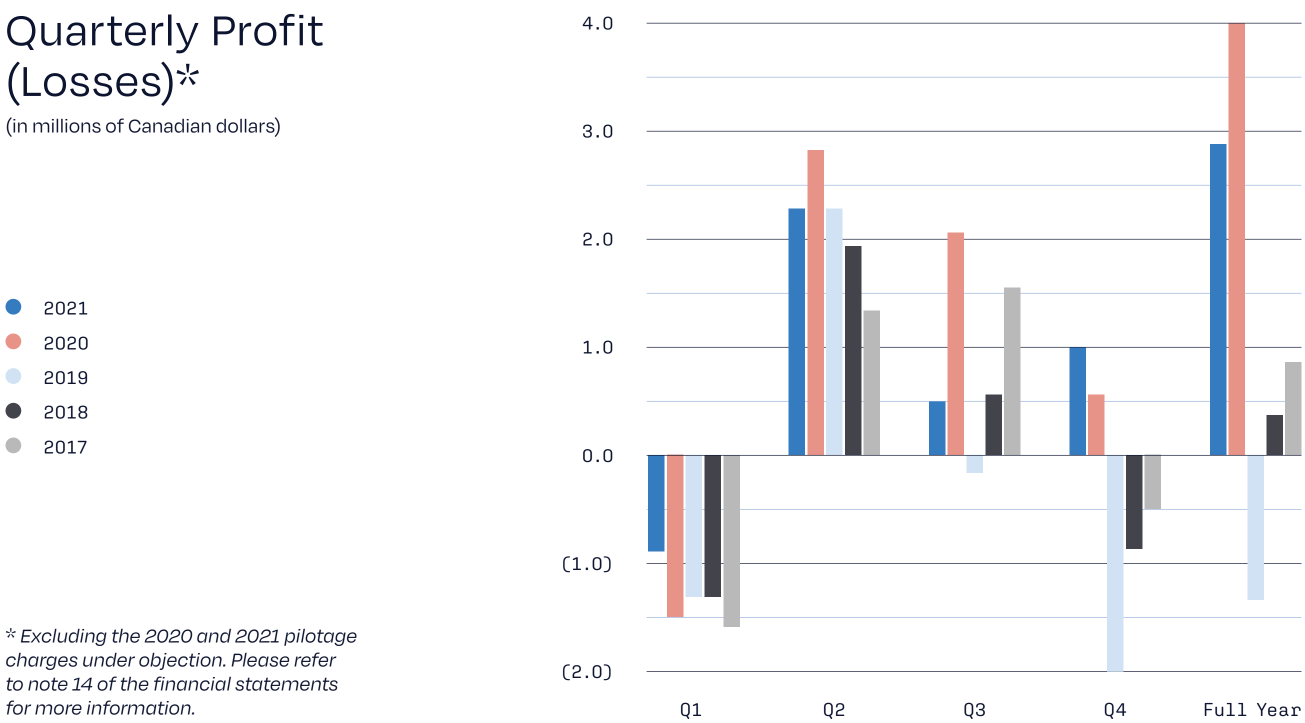
(in millions of Canadian dollars)



Approximately $4.5 million of operating expenses are administrative and indirect operational costs that are fixed throughout the year. With the exception of the base salary for pilots, all other pilot compensation and direct operating expenses are variable and fluctuate based on pilotage demand.

Quarterly Profit (Losses)*

(in millions of Canadian dollars)



** Excluding the 2020 and 2021 pilotage charges under objection. Please refer to note 14 of the financial statements for more information.*

Revenues

(in millions of Canadian dollars)

The following table shows the various sources of revenue for the years ended December 31, 2021, and December 31, 2020.

	2021	2020	Var $	Var %
Basic pilotage fees	**31.3**	33.8	(2.5)	-7.4%
Continued transit charge	**2.5**	3.1	(0.6)	-19.4%
Docking/undocking	**2.2**	2.1	0.1	4.8%
Surcharges	**1.9**	2.0	(0.1)	-5.0%
Pilot Boat charges	**0.7**	0.8	(0.1)	-12.5%
Delays/detentions	**0.3**	0.3	0.0	0.0%
Pilot transfers	**0.3**	0.3	0.0	0.0%
Cancellations	**0.3**	0.3	0.0	0.0%
Pilotage Act administration fee recovery	**0.2**	0.2	0.0	0.0%
Pilotage charges under objection	**5.0**	(5.0)	10.0	200.0%
Total pilotage charges	**44.7**	**37.9**	**6.8**	**17.9%**
Pilot boat income	**0.2**	0.2	0.0	0.0%
Interest and other income	**0.1**	0.1	0.0	0.0%
Total revenues	**45.0**	**38.2**	**6.8**	**17.8%**

For 2021, the GLPA recorded revenues of $45.0 million, an increase of $6.8 million over 2020. This increase is mainly due to the reversal of pilotage charges under objection of $10 million and the basic pilotage fees decrease of $2.5 million.

The basic pilotage fees decrease of $2.5 million is mainly driven by an 11% reduction in traffic and a 2021 basic fees increase.

Operating Expenses

(in millions of Canadian dollars)

The following table shows the various sources of operating expenses for the years ended December 31, 2021, and December 31, 2020.

	2021	2020	Var $	Var %
Pilots' salaries and benefits	**25.9**	28.0	(2.1)	-7.5%
Transportation and travel	**3.6**	3.7	(0.1)	-2.7%
Pilot boat services	**2.0**	2.3	(0.3)	-13.0%
Operation staff salaries and benefits	**1.8**	1.7	0.1	5.9%
Administration staff salaries and benefits	**1.3**	1.1	0.2	18.2%
Pilot training and recruiting costs	**0.3**	0.2	0.1	50.0%
Pilot transfer services	**0.3**	0.3	0.0	0.0%
Professional fees	**0.5**	0.5	0.0	0.0%
Amortization and depreciation	**0.2**	0.3	(0.1)	-33.3%
Other	**1.2**	0.9	0.3	33.3%
Total operating expenses	**37.1**	**39.0**	**(1.9)**	**-4.9%**

For 2021, the GLPA recorded expenses of $37.1 million, a decrease of $1.9 million when compared to 2020. Most of the GLPA's expenses are pilot wages and benefits, as well as pilot travel and pilot boat services, both directly associated to servicing vessels, and subject to increases or decreases with assignment demand.

Pilot salaries and benefits decreased by $2.1 million over 2020. These decreases were mainly driven by overtime and productivity savings due to the 11% assignment decrease offset by the annual wage increase.

The pilot boat services have decreased by $0.3 million. This decrease is mainly driven by a lower assignment demand.

Comprehensive Income

(in millions of Canadian dollars)

The following table shows the comprehensive income (loss) for the years ended December 31, 2021, and December 31, 2020.

	2021	2020	Var $	Var %
Profit (loss) for the year	**7.9**	(0.8)	8.7	1,087.5%
Other comprehensive income (loss)				
Actuarial gain (loss) on employee benefits	**0.0**	(0.2)	0.2	100.0%
Comprehensive income (loss)	**7.9**	**(1.0)**	**8.9**	**890.0%**

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

Cash Flow and Financial Position

(in millions of Canadian dollars)

The following table shows the cash flow and financial position for the years ended December 31, 2021, and December 31, 2020.

	2021	2020	Var $	Var %
Balance, beginning of the year	**14.3**	10.3	4.0	38.8%
Net cash (used in) provided by operating activities	**3.2**	3.1	0.1	3.2%
Net cash (used in) provided by investing activities	**(0.1)**	1.0	(1.1)	-110.0%
Net cash (used in) provided by financing activities	**(0.1)**	(0.1)	0.0	0.0%
Balance, ending of the year	**17.3**	**14.3**	**3.0**	**21.0%**

The GLPA has a $5.0 million line of credit. Due to the seasonal nature of the navigation season, at times the GLPA leverages its line of credit until revenues are collected after the start of the navigation season. As of December 31, 2021, the GLPA had a cash balance of $17.3 million ($14.3 million in 2020) and no short-term investments.

Capital Investments

(in thousands of Canadian dollars)

The following table shows a reduction of $146,361 in property & equipment and intangible assets which includes capital investments of $70,915 and depreciation & amortization of $217,276.

	2021	2020	Var $	Var %
Assets				
Buildings	**251,499**	267,466	(15,967)	-6%
Furniture	**81,628**	93,399	(11,771)	-13%
Leasehold Improvements	**57,062**	75,389	(18,327)	-24%
Communications and Computer Equipment	**39,398**	56,259	(16,861)	-30%
Software	**74,090**	157,525	(83,435)	-53%
Total	**503,677**	**650,038**	**(146,361)**	**-23%**

Risk Analysis

This section provides an overview of the GLPA's top risks in 2021. The following analysis offers key insights into how the GLPA overcomes its main challenges, as these risks potentially impact operational and financial results. The trend status indicates how the risk profile has changed, if at all, over the course of 2021.

Risk Increasing

Risk Stable

Risk Decreasing

Employee Health and Safety and Business Continuity – COVID-19

Nature of Risk	Risk Trend	Current Situation
Employee health and safety risks are the potential that pilots contract the virus, thus compromising their health and leading to a lack of healthy pilots to provide pilotage services. If there is a failure to modify current operational processes accordingly, this situation could lead to a service disruption. Pilots could also develop severe long-term health issues which may result in a lack of pilot resources to service pilotage demand. Given that pilots are required to cross the Canada/United States border to board vessels and have direct contact with foreign and domestic crews in tight spaces, the health and safety risk is inherently very high. Dispatch operations must be offered on a 24/7 basis to ensure pilotage services are offered per the notice times in the regulations.	→	Through effective social distancing protocols, wearing of personal protective equipment and collaboration with federal and provincial departments and agencies as well as industry stakeholders on agreed upon prevention protocols, the GLPA ensured business continuity and the safety of its employees in 2021. All GLPA pilots were fully vaccinated as of November 15, 2021 to meet the GLPA's mandatory vaccination policy. The GLPA worked in close collaboration with the COVID-19 response team on the Great Lakes to ensure timely and clear lines of communication when a suspected case was reported. This included working with local health authorities, sharing timely information with its pilots and removing pilots from the tour-de-role for testing. As the St. Lawrence River and the Great Lakes are in most parts in international waters and that the GLPA shares pilotage services with US pilot associations, the operational infrastructure requires Canadian pilots to board vessels from various stations in the United States pursuant to a Memorandum of Understanding with the United States Coast Guard. The GLPA worked in close collaboration with Transport Canada and the Canada Border Services Agency to ensure its pilots, as essential service providers in the movement of goods for the Canadian population, had unrestricted border access for a continuous uninterrupted operation. Business continuity plans were also updated and made current to ensure business continuity for its dispatch operations and administrative staff.

Risk Increasing ↑

Risk Stable →

Risk Decreasing ↓

Pilot Succession Planning (including Recruitment and Retention)

Nature of Risk	Risk Trend	Current Situation
The pilot succession planning risk is the potential that the GLPA is not able to have a sufficient number of qualified pilots to effectively fulfill its mandate to provide safe pilotage services in an efficient manner. Issues around pilot recruitment, training and evaluation have been the GLPA's focus for a number of years and are key elements in the strategic planning process for the organization. The GLPA needs to ensure a pool of skilled, trained and experienced pilots is available to meet the demand for safe pilotage services and to ensure delays are minimized. The GLPA continues to experience an above average number of retirements given the age of its current pool of pilots. In the past, most of the retired pilots would agree to return on a part-time basis however, it has been challenging over the past couple of years partly due to the COVID-19 challenges. In addition, in recent years, the length to train new recruits has increased given candidates have less experience navigating in the Great Lakes. Not only is the GLPA in direct competition for a limited pool of French speaking candidates needed for the Cornwall District, but the marine industry as a whole is currently experiencing a shortage of candidates interested in the profession.	↑	Annually, the GLPA polls its pilots on their retirement plans. This exercise has proven to be beneficial given the average notification period has increased to approximately six months, thus, facilitating recruitment planning. The GLPA offers part-time employment contracts to retired pilots to provide additional resources when apprentice-pilots are being trained and to ensure the GLPA has a sufficient complement of pilots to service the demand for pilotage services. The GLPA continues to work with its retired pilots to encourage them to return on a part-time basis. Even though the above initiatives provide relevant information before the GLPA starts its recruitment process, the organization is still anticipating above-average retirements in the next four to five years. In 2021, the GLPA revised its pilot recruitment program to ensure a sufficient number of candidates applied for the apprentice-pilot positions and the recruitment processes were adapted due to the COVID-19 restrictions. The pilot training committees continuously revise and adapt the apprentice-pilot training program to keep current and to integrate feedback and results of recently licensed pilots. There were no apprentice-pilots that did not complete the training program in 2021 and a total of 5 apprentice-pilots are still progressing through the training program.

Risk Increasing

Risk Stable

Risk Decreasing

Profitability and Pilotage Charge Objections

Nature of Risk	Risk Trend	Current Situation
The profitability risk is the failure to generate sufficient revenue to recover expenditures or to contain costs to a reasonable level, and therefore to generate sufficient cash inflows to pay the financial obligations in the prescribed timelines even with the assistance of approved short-term borrowing. As part of the *Pilotage Act* provisions, customers can object to the GLPA's pilotage charges. Should the Canadian Transportation Agency rule against the GLPA, all revenues under objection are lost. In early 2021, pleadings closed for the objection on the GLPA's 2020 pilotage charges with a decision being rendered in November 2021. This resulted in the organization having to operate during 2021 under uncertain financial conditions.		As noted above, the decision by the Canadian Transportation Agency in November 2021 resulted in the GLPA recovering from its longstanding accumulated deficit and recording a $5.0 million accumulated surplus at the end of 2021 which has allowed the organization to meet its statutory obligation of financial self-sufficiency.

Financial Statements

Management Report

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

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

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

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

Michèle Bergevin
Chief Executive Officer

Robine St Germain, CPA, CMA,
Finance Manager

Cornwall, Ontario
February 24, 2022

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Tina Swiderski, CPA auditor, CA
Principal
for the Auditor General of Canada

Montréal, Canada
24 February 2022

Statement of Financial Position

(in Canadian dollars)

	December 31, 2021	December 31, 2020
ASSETS		
Current		
Cash and cash equivalents	$ 17,379,903	$ 14,332,841
Trade and other receivables	5,911,880	6,571,659
Prepaids	59,926	55,599
	23,351,709	20,960,099
Non-current		
Property and equipment (Note 7)	429,587	492,513
Intangible assets (Note 8)	74,090	157,525
Right-of-use asset (Note 9)	130,514	191,803
	$ 23,985,900	$ 21,801,940
LIABILITIES		
Current		
Accrued salaries and benefits	$ 14,616,995	$ 15,252,710
Other accounts payable and accrued charges	2,027,207	1,737,408
Employee benefits (Note 12)	500,600	307,800
Lease liability (Note 13)	75,220	72,905
Pilotage charges under objection (Note 14)	-	5,017,598
	17,220,022	22,388,421
Non-current		
Employee benefits (Note 12)	1,679,800	2,114,700
Lease liability (Note 13)	61,321	135,203
	18,961,143	24,638,324
EQUITY		
Accumulated surplus (deficit)	5,024,757	(2,836,384)
	$ 23,985,900	$ 21,801,940

Contingent liability (Note 15)

Commitments (Note 19)

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

Approved by the Board of Directors and authorized for issue on February 24, 2022.

M. Bergevin,
Chief Executive Officer

J. Mills,
Director

Statement of Operations and Comprehensive Income

For the year ended December 31 (in Canadian dollars)

	2021	2020
REVENUES		
Pilotage charges (Note 17)	$ 44,687,507	$ 37,887,923
Pilot boat income	172,074	193,818
Interest and other income	124,018	107,132
	44,983,599	38,188,873
EXPENSES		
Pilots' salaries and benefits	25,931,251	27,955,469
Transportation and travel	3,636,463	3,684,655
Pilot boat services	2,013,061	2,282,132
Operation staff salaries and benefits	1,819,623	1,667,733
Administration staff salaries and benefits	1,323,304	1,056,364
Professional and special services	508,549	550,745
Pilot training and recruiting costs	328,531	222,879
Pilot transfer services	284,111	307,686
Amortization and depreciation	217,276	298,897
Utilities, materials and supplies	203,076	205,994
Pilotage Act administration fees	201,067	156,606
Purchased dispatching services	182,195	160,626
Portable pilotage units and navigation software	163,259	137,345
Communications	117,309	112,570
Repairs and maintenance	98,762	62,781
Depreciation of right of use asset	63,299	61,996
Rentals	27,039	33,157
Interest and bank charges	12,600	35,233
Interest on lease liability	4,183	5,694
	37,134,958	38,998,562
Profit (loss) for the year	7,848,641	(809,689)
Other comprehensive income		
Items that will not be reclassified to net results		
Actuarial gain (loss) on employee benefits (Note 12)	12,500	(237,900)
Comprehensive income (loss) for the year	$ 7,861,141	$ (1,047,589)

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

Statement of Changes in Equity

For the year ended December 31 (in Canadian dollars)

	2021	2020
Accumulated deficit, beginning of year	$ (2,836,384)	$ (1,788,795)
Profit (loss) for the year	7,848,641	(809,689)
Other comprehensive income (loss) for the year	12,500	(237,900)
Total comprehensive income (loss) for the year	7,861,141	(1,047,589)
Accumulated surplus (deficit), end of year	5,024,757	(2,836,384)

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

Statement of Cash Flows

For the year ended December 31 (in Canadian dollars)

	2021	2020
OPERATING ACTIVITIES		
Profit (loss) for the year	$ 7,848,641	$ (809,689)
Adjustments to determine net cash (used in) provided by operating activities:		
Employee benefits	(229,600)	(159,000)
Amortization and depreciation	217,276	298,897
Depreciation of right of use assets	63,299	61,996
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	659,779	(1,137,182)
Increase in prepaids	(4,327)	(30,027)
Decrease in accrued salaries and benefits	(635,715)	(671,976)
Increase in other accounts payable and accrued charges	289,799	532,888
Increase (decrease) in pilotage charges under objection	(5,017,598)	5,017,598
Net cash provided by operating activities	$ 3,191,554	$ 3,103,505
INVESTING ACTIVITIES		
Disposal of investments	-	1,078,999
Acquisition of property and equipment and intangible assets	(70,915)	(101,298)
Net cash (used in) provided by investing activities	(70,915)	977,701
FINANCING ACTIVITIES		
Payment of the lease liability	(73,577)	(71,296)
Net cash (used in) by financing activities	(73,577)	(71,296)
CASH AND CASH EQUIVALENTS		
Net increase in cash during the year	3,047,062	4,009,910
Balance, beginning of year	14,332,841	10,322,931
Balance, end of year	$ 17,379,903	$ 14,332,841
Represented by:		
Cash	$ 17,379,903	$ 14,332,841
SUPPLEMENTAL INFORMATION		
Interest paid during the year	$ -	$ -

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

Notes to the Financial Statements

December 31, 2021 (in Canadian dollars)

1. AUTHORITY AND OBJECTIVES

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

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

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

The Authority has been continually comparing and revising its directive on travel expenses with the Treasury Board directives and related instruments on travel, hospitality, conference and event expenditures. The Authority confirms it is in full compliance with the directive.

The Authority is exempt from any income taxes.

The principal registered address and records office of the Authority are located at 202 Pitt Street, 2nd floor, Cornwall, Ontario.

Regulation of tariff of pilotage charges

The approval process for establishing or revising pilotage charges is set out in the *Pilotage Act*. The Authority may, by resolution, determine the charges to be paid to the Authority for the provision of services in relation to compulsory pilotage. To establish or revise pilotage charges, the Authority must publish a notice of the proposed charges on its website and allow any party at least 30 days to make representations about the proposal to the Authority. After considering all written representations, the Authority shall publish an announcement that sets out its decision in respect of the proposal, including the date on which it will take effect, which is not to be earlier than 60 days after the date the announcement is published.

Within 90 days of the announcement, a person who has reason to believe that the pilotage charges are not in accordance with the charging principles specified in the *Pilotage Act*, or that the Authority did not follow the proper process to establish or revise the charges, may file a notice of objection with the Canadian Transportation Agency (CTA). If the CTA determines that an objection is well founded, it may order the Authority to cancel the establishment or revision of the pilotage charge and to refund, with interest, each user of compulsory pilotage services the amount paid in excess of the charge previously in effect. The CTA shall also provide the person who filed the notice of objection and the Authority with written reasons for any decision that is made and, if applicable, any decision to fix the period within which the Authority is to make a refund to a user of compulsory pilotage services.

2. BASIS OF PRESENTATION

(a) Declaration of conformity

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements were approved by the Board of Directors on February 24, 2022.

(b) Basis of measurement

The financial statements have been prepared at historical cost except for financial instruments classified as at amortized cost, which are measured at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

3. ACCOUNTING STANDARDS

(a) Implemented in the year

There were no new standards, amendments or interpretations issued that required mandatory adoption by the Authority in 2021.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. The Authority had nil cash equivalents as at December 31, 2021 (2020 – nil).

(b) Investments

The objective of the Authority's investment policy is to maximize the investment rate of return in a Government of Canada guaranteed bond.

(c) Property and equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No depreciation is provided for projects in progress.

(d) Intangible asset

Software is recorded at cost. Amortization of software is calculated on a straight-line basis and is based on the estimated useful life of the asset as follows:

Asset category	Estimated useful life
Software	Up to 5 years

Amortization methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No amortization is provided for projects in progress.

(e) Right-of-Use Asset and lease liabilities

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

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

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

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

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

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

(f) Pension benefits

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

(g) Severance benefits

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

The benefit costs are determined using the cost of employee benefits for the current years' service, the interest cost on the accrued benefit obligation, the benefits paid and net actuarial gain or loss for the year. The average remaining service period of the active employees covered by the plan is 7.6 years (December 31, 2020 – 7.6 years). The measurement date is December 31.

(h) Retirees' death benefits

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

The annual cost of this benefit comprises the amount of benefits paid in the year, the interest cost on the accrued benefit obligation plus the change in the actuarial liability during the year, reduced by a retiree contribution. There are 12 (December 31, 2020 – 12) participants in this closed plan with an average age of 88 years (December 31, 2020 – 88) and an average death benefit of $15,300 as of December 31, 2021 (December 31, 2020 – $15,300). There is also a spousal death benefit for 9 (December 31, 2020 – 9) participants at a fixed amount of $2,000 each as of December 31, 2021 and December 31, 2020.

(i) Employee benefits

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

(j) Effects of changes in foreign exchange rate

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the Statement of Financial Position date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at monthly average exchange rates. All exchange gains and losses are included under interest and other income in profit and loss for the year.

(k) Revenue recognition

Revenue is recognized as control is passed. The Authority has assessed that the control for pilotage services is passed at a certain point in time, more specifically when the pilot assigned to a vessel has completed his pilotage assignment, or the assignment is cancelled. Revenues earned from pilot boat income are recognized as services are rendered. Interest and other income are recognized using the effective interest method as they are earned.

Per section 34 of the Pilotage Act, an interested person may file a notice of objection with the Canada Transportation Agency (CTA) if that person has reason to believe that the proposed pilotage charges are prejudicial to the public interest that is set out in section 5 of the Canada Transportation Act. Such pilotage charges under objection will not be recognized as revenue until a CTA decision has been rendered.

(l) Financial assets

Financial assets are classified or designated into one of three categories:

- Amortized cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVTOCI).

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Authority has financial assets in one category, amortized cost.

(i) Amortized cost – Policy applicable to cash, cash equivalent, trade and other receivables and investments

Financial assets are measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contract terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

On initial recognition, financial assets are measured at fair value. Fair value on initial recognition includes transaction cost directly attributable to the acquisition of financial assets. Subsequent to initial recognition, financial assets classified in this category are recognized at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset to its carrying amount. When calculating the effective interest rate, the Authority estimates future cash flows, considering all contractual terms of the financial instrument. Interest income is presented in Interest and Other Income in the Statement of Operations and Comprehensive Income.

(ii) Impairment of financial assets other than those measured at fair value

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of all financial assets, excluding accounts receivables, is directly reduced by the impairment loss. The carrying amount of accounts receivables is reduced through the use of an allowance account. When accounts receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in profit or loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

To assess the impairment of trade and other receivables, the Authority applies a simplified approach in calculating the allowance for expected credit loss (ECLs). Therefore, the Authority does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(iii) Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Authority transfers the financial asset and substantially all risks and rewards of ownership to another entity.

(m) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or amortized cost. The Authority classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL or is required to measure labilities at FVTPL.

(i) Amortized cost – Policy applicable to other accounts payable and accrued charges and accrued salaries and benefits

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Authority has classified other accounts payable and accrued charges and accrued salaries and benefits as financial liabilities at amortized cost. Due to the short-term nature of these accounts, their carrying values are deemed to approximate their fair values.

(ii) Derecognition of financial liabilities

The Authority derecognizes financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

(n) Exchange of services

Exchanges of services are recorded at the estimated fair value of the goods or services received. Revenues from exchange of services are recognized when the related services are rendered. Expenses resulting from exchange of services are recognized during the period when the related goods or services are provided by third parties.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal year are discussed as follows.

(a) Significant accounting estimates

Significant accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next year.

Employee severance and retirees death benefits

The Authority engaged a third party actuary to assess the fair value of its employee severance benefits and the retirees' death benefit. The Authority assesses these obligations at December 31 each year.

Amortization and Depreciation rates

Refer to Note 4 (c), 4 (d) and 4(e) for the estimated maximum useful lives of property and equipment, intangible assets and right-of-use asset.

(b) Significant accounting judgments

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Management has not made any significant accounting judgments in the preparation of these financial statements.

6. FINANCIAL INSTRUMENTS

Risk management

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

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. To manage this risk, the Minister of Finance authorizes the Authority to only invest in bonds or other obligations of or guaranteed by Her Majesty in right of Canada or any province, or any municipality in Canada.

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

The Authority's trade and other receivables had a carrying value of $5,911,882 as at December 31, 2021 (December 31, 2020 – $6,571,659). There is no concentration of accounts receivable with any one customer. As at December 31, 2021, 0% (December 31, 2020 – 2.4%) of accounts receivable were over 90 days past due, whereas 92.9% (December 31, 2020 – 77%) were current, or less than 30 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The Authority's allowance for doubtful accounts was nil at December 31, 2021 and at December 31, 2020.

The credit risk related to cash is minimized as these assets are held with a Canadian chartered bank. The credit risk related to cash equivalents and current and non-current investments is minimized as these assets are deposits held with members of the Canadian Payments Association or bonds or other obligations guaranteed by Her Majesty in right of Canada or any Province, or any Municipality in Canada.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority must operate on a self-sufficiency basis and does not have access to Parliamentary appropriations and, as a result, depends on its funding sources, borrowing and cash flows from operating activities to fill its financing requirements. The Authority manages liquidity risk by continuously monitoring actual and projected cash flows. The Authority has a revolving demand credit facility with a Canadian chartered bank of up to $5.0 million to provide working capital financing. The interest rate is equivalent to the bank's prime rate. The Minister of Finance authorizes this amount. The credit facility is available to the Authority as required and is renewed annually. At December 31, 2021, the Authority was not using the line of credit (December 31, 2020 – nil). During the year, the interest expense was nil (2020 – nil). The Authority took measures to obtain a line of credit in order to meet its financial obligation. As at December 31, 2021 and December 31, 2020, the Authority's financial liabilities were limited to accrued salaries and benefits and other accounts payable and accrued charges.

The Authority's financial liabilities had a carrying value of $16,988,688 (December 31, 2020 – $16,990,118). As at December 31, 2021 (December 31, 2020 – 100%), all of the Authority's accrued salaries and benefits and other accounts payable and accrued charges were current or less than 90 days.

Market risk

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

Currency risk and other risks

The Authority is not presently exposed to any significant currency risk or other price risk.

Fair values

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

There are no Level 1, Level 2 or Level 3 financial instruments held by the Authority.

7. PROPERTY AND EQUIPMENT

	Buildings	Furniture	Leasehold improvements	Communication and computer equipment	Projects in Progress	Total
COST						
At January 1, 2020	$ 355,659	$ 250,833	$ 210,280	$ 499,313	$ -	$ 1,316,085
Assets Acquired	2,173	27,110	37,523	18,324	-	85,130
Disposals	-	(17,505)	(5,170)	-	-	(22,675)
Transfers	-	-	-	-	-	-
At December 31, 2020	$ 357,832	$ 260,438	$ 242,633	$ 517,637	$ -	$ 1,378,540
Assets Acquired	-	6,327	10,204	25,968	-	42,499
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At December 31, 2021	**$ 357,832**	**$ 266,765**	**$ 252,837**	**$ 543,605**	**$ -**	**$ 1,421,039**
ACCUMULATED DEPRECIATION						
At January 1, 2020	$ 74,399	$ 163,785	$ 147,284	332,825	-	718,293
Depreciation for the year	15,967	20,759	25,130	128,553	-	190,409
Disposals	-	(17,505)	(5,170)	-	-	(22,675)
Transfers	-	-	-	-	-	-
At December 31, 2020	$ 90,366	$ 167,039	$ 167,244	$ 461,378	$ -	$ 886,027
Depreciation for the year	15,967	18,098	28,531	42,829	-	105,425
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At December 31, 2021	**$ 106,333**	**$ 185,137**	**$ 195,775**	**$ 504,207**	**$ -**	**$ 991,452**
CARRYING AMOUNTS						
At December 31, 2020	$ 267,466	93,399	75,389	56,259	-	492,513
At December 31, 2021	**$ 251,499**	**$ 81,628**	**$ 57,062**	**$ 39,398**	**$ -**	**$ 429,587**

8. INTANGIBLE ASSETS

	Software	Projects in Progress	Total
COST			
At January 1, 2020	$ 604,591	$ -	$ 604,591
Assets Acquired	16,168	-	16,168
Disposals	-	-	-
Transfers		-	-
At December 31, 2020	$ 620,759	$ -	$ 620,759
Assets Acquired	28,416	-	28,416
Disposals	-	-	-
Transfers	-	-	-
At December 31, 2021	**$ 649,175**	**$ -**	**$ 649,175**
ACCUMULATED DEPRECIATION			
At January 1, 2020	$ 354,746	$ -	$ 354,746
Depreciation for the year	108,488	-	108,488
Disposals	-	-	-
Transfers	-	-	-
At December 31, 2020	$ 463,234	$ -	$ 463,234
Depreciation for the year	111,851	-	111,851
Disposals	-	-	-
Transfers	-	-	-
At December 31, 2021	**$ 575,085**	**$ -**	**$ 575,085**
CARRYING AMOUNTS			
At December 31, 2020	$ 157,525	$ -	$ 157,525
At December 31, 2021	**$ 74,090**	**$ -**	**$ 74,090**

9. RIGHT-OF-USE ASSETS

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

		Building		Total
COST				
At January 1, 2020	$	309,446	$	309,446
Re-measurement		5,100		5,100
Additions		-		-
At December 31, 2020	$	314,546	$	314,546
Re-measurement		2,010		2,010
Additions		-		-
At December 31, 2021	**$**	**316,556**	**$**	**316,556**
ACCUMULATED DEPRECIATION				
At January 1, 2020		60,747		60,747
Depreciation for the year		61,996		61,996
Additions		-		-
At December 31, 2020	$	122,743	$	122,743
Depreciation for the year		63,299		63,299
Additions		-		-
At December 31, 2021	**$**	**186,042**	**$**	**186,042**
CARRYING AMOUNTS				
At December 31, 2020		191,803		191,803
At December 31, 2021	**$**	**130,514**	**$**	**130,514**

10. BANK INDEBTEDNESS AND BANK OVERDRAFT

Bank indebtedness and bank overdraft at December 31 was nil for 2021 and 2020.

11. PENSION PLAN

All of the Authority's employees are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employee's required contribution. The general contribution rate effective at year end was $1.01 for employees hired prior to January 1, 2013 and $1.00 for employees hired after December 31, 2012 (2020 – $1.01 and $1.00 respectively) for every dollar contributed by the employee. If an employee's annual salary is greater than $181,600 (2020 – $173,000), the portion of the employee's salary above this amount is subject to an employer contribution of $3.59 (2020 – $3.80) for every dollar contributed by the employee. Contributions during the year were as follows:

	December 31, 2021	December 31, 2020
Authority	$ 1,382,142	$ 1,142,450
Employee	1,361,438	1,240,490
Total contributions	$ 2,743,580	$ 2,382,940

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

The Authority expects that cash outlays of $1,598,813 will be made to the plan in 2022.

12. EMPLOYEE BENEFITS

(a) Severance benefits

The post-employment severance benefit is provided to all current employees under various collective agreements and employment contracts. The cost of the benefit is fully paid by the Authority. This plan is unfunded and requires no contributions from employees. The Authority measures its accrued benefit obligations of its post-employment severance benefit for accounting purposes as at December 31st of each year. The weighted average of the maturity of the plan at December 31 was 5.4 years (2020 – 3.7 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $66,500. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $59,600.

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

The method to determine the discount rate did not change in 2021 and is based on projected cash flows and a yield curve.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31, 2021	December 31, 2020
RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
Defined benefit obligation, beginning of year	$ 2,274,500	$ 2,168,800
Current service cost	-	-
Interest cost	38,600	58,200
Benefits paid	(262,800)	(182,800)
Curtailment	-	-
Actuarial loss (gain)	(7,400)	230,300
Defined benefit obligation, end of year	$ 2,042,900	$ 2,274,500
COMPONENTS OF EXPENSE RECOGNIZED IN PROFIT AND LOSS		
Current service cost	$ -	$ -
Interest cost	38,600	58,200
Curtailment	0	0
Total expense recognized in profit and loss	$ 38,600	$ 58,200
ANALYSIS OF ACTUARIAL GAIN OR LOSS		
Experience	$ 38,300	$ 147,400
Change in financial assumptions	(45,700)	82,900
Change in demographic assumptions	-	-
Actuarial loss (gain)	$ (7,400)	$ 230,300
CLASSIFICATION OF DEFINED BENEFIT OBLIGATION		
Current Portion	$ 485,000	$ 292,100
Non-current Portion	1,557,900	1,982,400
Defined benefit obligation, end of year	$ 2,042,900	$ 2,274,500
KEY ASSUMPTIONS USED IN THE ACTUARIAL VALUATION		
Discount rate	2.50%	1.80%
Estimated salary rate increase	2.50%	2.00% – 2.50%
Age at retirement	65 or current age if older	65 or current age if older

The Authority expects that no contributions will be made to the plan in 2022.

(b) Retirees' death benefits

The death benefit is provided to a closed group of pre-1999 retirees and their spouses. The plan is unfunded and does require a monthly contribution from the retiree of $1.90 per $1,000 of benefit.

The Authority measures the accrued benefit obligation of the retirees' death benefit plan for accounting purposes as at December 31 of each year. The weighted average of the maturity of the plan at December 31 was 5.3 years (2020 – 5.9 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $7,400. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $6,700.

The method to determine the discount rate did not change in 2021 and is based on projected cash flows and a yield curve.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31, 2021	December 31, 2020
RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
Defined benefit obligation, beginning of year	$ 148,000	$ 174,800
Current service cost	-	-
Interest cost	2,600	4,500
Benefits paid	(12,000)	(43,800)
Retirees' contributions	4,000	4,900
Actuarial loss (gain)	(5,100)	7,600
Defined benefit obligation, end of year	$ 137,500	$ 148,000
COMPONENTS OF EXPENSE RECOGNIZED IN PROFIT AND LOSS		
Current service cost	$ -	$ -
Interest cost	2,600	4,500
Total expense recognized in profit and loss	$ 2,600	$ 4,500
ANALYSIS OF ACTUARIAL GAIN OR LOSS		
Experience	$ -	$ (1,600)
Change in financial assumptions	(5,100)	9,200
Change in demographic assumptions	-	-
Actuarial loss (gain)	$ (5,100)	$ 7,600
CLASSIFICATION OF DEFINED BENEFIT OBLIGATION		
Current Portion	$ 15,600	$ 15,700
Non-current Portion	121,900	132,300
Defined benefit obligation, end of year	$ 137,500	$ 148,000
KEY ASSUMPTIONS USED IN THE ACTUARIAL VALUATION		
Discount rate	2.50%	1.80%

The Administration expects that no contributions will be made to the plan in 2022.

13. LEASE LIABILITY

The Authority's outstanding lease liability is:

	December 31, 2021	December 31, 2020
Cornwall Head Office Lease: Lease payable in monthly instalments including interest at 3.95%, amortized over 5 years, term ending January 31, 2024	$ 136,541	$ 208,108
Current portion	75,220	72,905
Non-current portion	61,321	135,203
Carrying amount, end of the period	$ 136,541	$ 208,108

Interest expense on the lease for the year 2021 amounted to $4,183.

14. PILOTAGE CHARGES UNDER OBJECTION

On February 11, 2020, the Canadian Transportation Agency (CTA) received a notice of objection on some of the Authority's proposed 2020 pilotage charges. In March 2020, both parties agreed to mediate the issues raised in the objection, but the parties were not able to reach a resolution through the mediation process that took place in July 2020. On November 16, 2020 the CTA communicated to both parties that the matter would proceed to adjudication and requested the Authority to produce and file additional information and documents by December 2020.

On November 4, 2021, the CTA issued its Decision.

On December 16, 2021, the Authority wrote to the CTA to seek clarification on the implementation of the Decision. Specifically, the GLPA requested that the Decision be varied to confirm that it is not of retroactive effect and comes into force as of March 31, 2022.

To date, this matter is still under review by the CTA and a decision is expected in the near future.

The Authority estimates that if the Decision was to be applied retroactively, it would have no significant impact on its results, on the amounts billed or refunded to its customers. No asset or liability were recorded in the financial position as at December 31, 2021.

15. CONTINGENT LIABILITY

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

16. CAPITAL MANAGEMENT

The Authority's capital is its equity, which consists of accumulated surplus (deficit) of $5,024,757 (2020 – ($2,836,384)).

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

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

17. PILOTAGE CHARGES

The following table presents pilotage charges disaggregated by revenue source for the years 2021 and 2020:

	December 31, 2021	December 31, 2020
Basic Pilotage	$ 31,244,785	$ 33,794,807
Docking/undocking	2,218,906	2,145,922
Delays/detentions	298,714	255,929
Cancellations	289,477	286,255
Pilot transfers	302,500	323,408
Pilot Boat charges	735,424	795,604
Continued transit charge	2,478,875	3,132,250
Transport Canada Administration Recovery	249,040	157,869
Surcharges	1,857,578	2,008,087
Pilotage charges under objection	5,012,208	(5,012,208)
Total Pilotage charges	$ 44,687,507	$ 37,887,923

18. RELATED PARTY TRANSACTIONS

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business on trade terms and conditions that apply to unrelated parties. These transactions are recorded at fair value. Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2021, and 2020 included:

	December 31, 2021	December 31, 2020
Compensation and short-term employee benefits	$ 890,505	$ 667,094
Post-employment benefits	75,754	73,024
	$ 966,259	$ 740,118

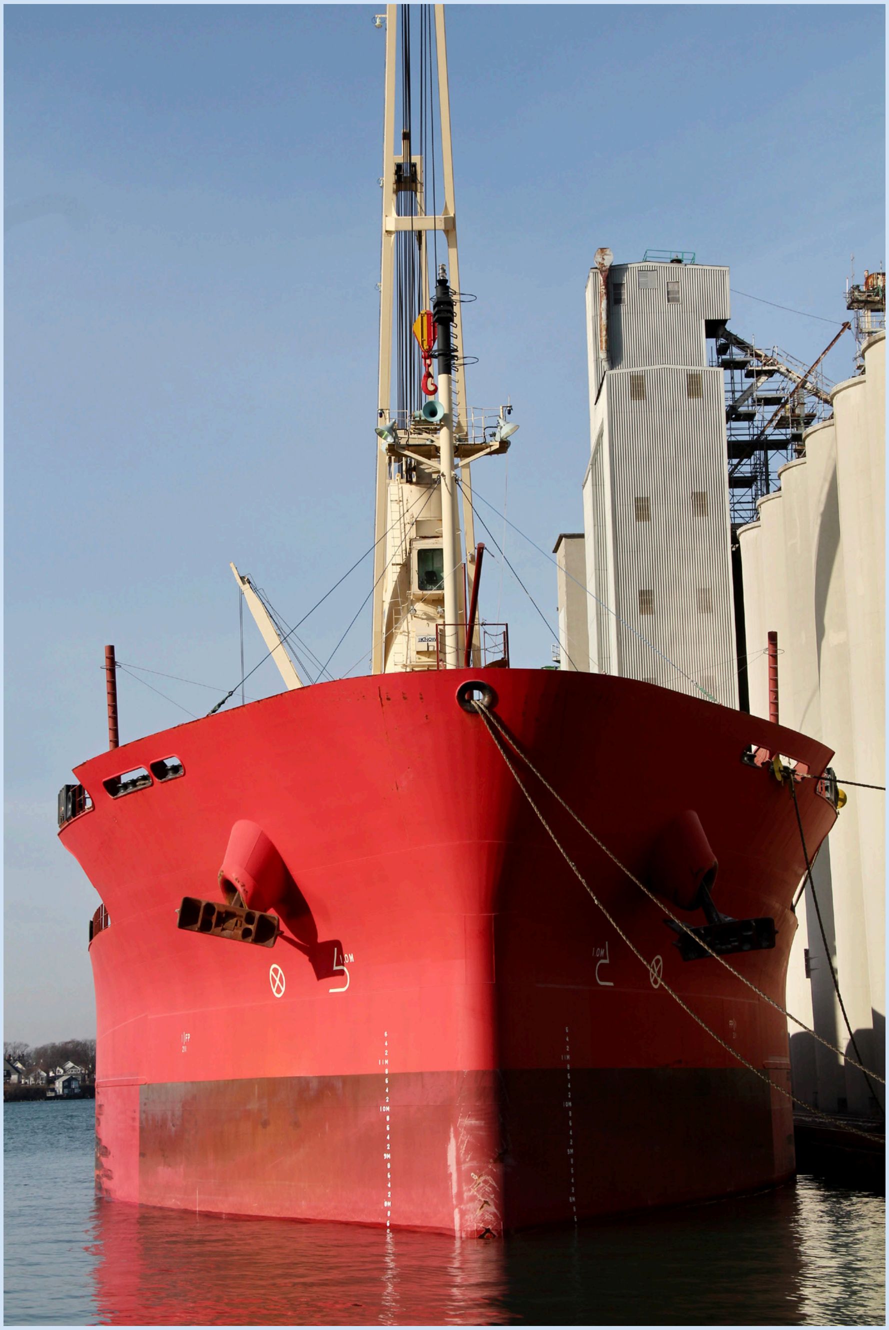
19. COMMITMENTS

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

	December 31, 2021	December 31, 2020
Less than 1 year	$ 1,369,860	$ 669,314
Between 1 and 5 years	451,684	805,256
More than 5 years	67,750	1,320
	$ 1,889,294	$ 1,475,890

20. NON-MONETARY TRANSACTIONS

The Authority recorded revenue from non-monetary transactions of $114,828 (2020 – $115,674) under "Pilot boat income" and expenses from non-monetary transactions of $114,828 (2020 – $115,674) under "Pilot boat services" in the Statement of Operations and Comprehensive Income. The nature of non-monetary transactions is mainly related to pilot boat charges.



GREAT LAKES PILOTAGE AUTHORITY

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PHOTOS

All photos in this report were taken by Authority Pilots, except for pages 2, 9, 10-11, 42, and 46.

Ce document est aussi disponible en français.