Great Lakes Pilotage Authority

Administration de pilotage des Grands Lacs

2020
Annual Report

Mission

"Working in partnership with our key stakeholders, we provide professional, progressive, and reliable marine pilotage services that are safe, environmentally sensitive, efficient, and economical."

Vision

"To be the global leader in providing safe and efficient marine pilotage services."

Contents

Staying the Course

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 km^2 of navigable waters.

Our mandate includes pilotage operations, training and management, the development and application of pilotage regulations, as well as the issuance of pilot licenses and pilotage certificates.

Even under normal circumstances, ensuring safe, efficient and reliable pilotage services in the Great Lakes and on the St. Lawrence River is not without its challenges, including a high volume of marine traffic, significant environmental concerns, and a shortage of pilots. The arrival of the global COVID-19 pandemic in early 2020 pushed our organization to go even farther to ensure the uninterrupted transport of merchandise on this vital maritime route. We are proud to say that, during the entire year, we stayed the course.

Highlights

9,290
assignments

Down 8% from 2019

60.1
full-time equivalent pilots

Up 2% over 2019

281
navigation days

4-day decrease over 2019

$38.2M
total revenues

Down 6% from 2019

99.8%
incident-free assignments

0 major incidents,
14 minor incidents

2020 at a Glance

Key Financial Indicators (in millions of Canadian dollars)	**2020**	**2019**	**2018**	**2017**	**2016**
Total revenues	**38.2**	**40.5**	**35.4**	**30.3**	**25.9**
Direct operating expenses	**34.8**	37.8	31.6	26.0	**23.4**
Contribution margin	**3.4**	2.7	3.8	4.3	**2.5**
Other operating expenses	**2.1**	1.9	1.8	1.8	**1.8**
Administrative expenses	**2.1**	2.0	1.7	1.8	**1.5**
Other comprehensive gain (loss)	**(0.2)**	(0.1)	0.0	0.1	**0.0**
Net Surplus (deficit)	**(1.0)**	(1.3)	0.3	0.8	**(0.8)**

Key Operating Statistics					
Total assignments	**9,290**	10,093	8,798	7,636	7,020
% of incident-free assignments	**99.8%**	99.9%	99.9%	99.8%	99.9%

Cost per assignment	**$4,224**	$4,135	$3,972	$3,878	$3,809
Number of vessel delay hours due to a shortage of pilots	**5,673**	8,166	6,850	2,856	2,206
Full-time equivalent employees during the year					
Pilots	60.1	59.1	54.7	53.6	51.4
Apprentice-pilots	7.2	8.2	8.2	6.9	8.1
Dispatchers	9.5	9.0	9.0	9.0	9.0
Administrative staff	12.5	11.5	10.5	10.5	11.0
Total	**89.3**	87.8	82.4	80.0	79.5

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, 2020.

COVID-19

As we were preparing for the 2020 navigation season, expectations were that operations would continue to enjoy smooth sailing, with traffic slightly below last year's record-setting pace, and with our team dedicated to executing its mandate. However, with the arrival of COVID-19 in March came uncertainty and this challenged everyone at the GLPA to demonstrate resilience and laser-like focus on priorities. Beginning with employees and customers.

Given heightened concerns for health and safety – always a priority – swift action was taken by management to enhance existing health and safety protocols and to introduce new hygiene measures, all in alignment with government public health guidelines. Awareness initiatives were rolled out, as were protocols for mask wearing, reporting of symptoms, social distancing, and telework. As a key member in the COVID-19 response team for the Great Lakes region with other key industry stakeholders, including Transport Canada, the US Coast Guard, US Pilot Associations, and the Canadian and US St. Lawrence Seaway, the GLPA implemented best industry practices and maintained clear lines of communication.

As a result, we are very happy to report that not one GLPA employee was infected by COVID-19 on the job, nor were any the source of contagion. We congratulate all of our employees, their families, our partners and our clients for their crucially important collaboration.

Financial Self-Sufficiency

It also became clear that potentially reduced traffic and revenues due to the impending economic slowdown would be a barrier to the GLPA making progress toward financial self-sufficiency – beginning with the elimination of our $1.8 million deficit.

If there was a silver lining in such a challenging year for us – and for everyone – it was that traffic and revenues declined much less than anticipated due, in large part, to the essential role our waterways play in getting vital goods to market – even during a pandemic. While much of the Canadian (and global) economy shrank significantly, our traffic declined just 8%.

Our pilot shortage, a situation faced by the entire marine industry, once again presented challenges in 2020. As a consequence, the GLPA experienced above-average vessel delays and higher pilotage costs due to pilot overtasking. Throughout the year, the GLPA struggled with the number of pilotage assignments that, while down from 168 per pilot in 2019 to 151 per pilot, were still considered too high. Our target is a more reasonable 115-120 assignments per pilot. That said, the number of vessel-delay hours, due to a shortage of pilots, actually decreased by 31%, reaching 5,673 hours, a real achievement given that total assignments decreased by 8% to 9,290 in 2020.

Climate change events such as extreme ice and high-water levels, a big factor in 2019, fortunately did not negatively impact operations in 2020; a brief respite, we expect.

Taken together, these challenges only sharpened our resolve to satisfy our mandate in a fiscally responsible manner.

In the face of these circumstances, the GLPA introduced new pilotage charges in 2020 based on a targeted cost-recovery strategy to eliminate its long-standing deficit and build a modest reserve. This new approach and resulting additional revenue would have translated into a positive contribution to the bottom line. However, these pilotage charge adjustments were subject to an objection in February 2020. As a result, this year's revenues totalling $38.2 million, representing a 6% decline over 2019, resulted in a loss of $1.0 million due primarily to the $5.0 million of pilotage charges under objection.

Pilotage

While COVID-19 and the question of pilotage charges dominated our attention, the GLPA remained steadfast in its efforts to address issues related to pilotage resources.

The GLPA licensed seven pilots in 2020 following their successful completion of the apprentice-pilot training program, compared to six in 2019. As of December 31, 2020, eight apprentice-pilots were progressing through the training program and seven are expected to be licensed by the end of 2021.

Ever cognisant of navigation safety and related environmental risks, despite high service levels and pilot workload, we are pleased to report a 99.8% record of incident-free assignments.

Appointments

This past year, the GLPA announced the appointment of Captain James Pound as Chairperson of the Board for a five-year term following his interim role as Acting Chairperson.

Appreciation

We also take this opportunity to express our sincere appreciation for the resilience and agility of our pilots, management and staff during what was a year fraught with uncertainties, stress and, for many, fear and heartbreak. Only with their dedication and professionalism could the GLPA have met its objective of providing safe, reliable and cost-effective pilotage services in the Great Lakes region.

The future

Looking ahead, our priority – to reprise the theme of this year's report – is to stay the course. The GLPA has a now well-practiced system in place to manage operations during a pandemic, cautious optimism regarding a favourable outcome for the pilotage charges under objection and continuing cost containment measures – both contributing to financial self-sufficiency, and robust plans for recruiting pilots and improving operational efficiency. Our hope and expectations are for, as they say, clear sailing and stay safe.

Most respectfully,

Captain James Pound
Chairperson of the Board

Michèle Bergevin
Chief Executive Officer

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 Ontario, Manitoba, 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 provides 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 primary concern, as we exercise a leadership role in safeguarding navigation, marine personnel, 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 the region set out in respect of the GLPA.

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 230 million metric tons of raw materials and finished goods that are delivered by ships every year to and from the Great Lakes region. This cargo is valued at over $100.5 billion.

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 that the movement of goods and people yield economic benefits to Canada and the industries that depend on these transports because they 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.

To carry out its responsibilities under the *Pilotage Act*, the GLPA can establish regulations required to fulfill its objectives, subject to the approval of the Governor in Council. Examples include:

— Establishing compulsory pilotage areas;

— Prescribing the ships or classes of ships subject to compulsory pilotage; and

— Prescribing the classes of pilot licences and classes of pilotage certificates that may be issued.

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 1998 and is not eligible for future appropriations, the GLPA 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.

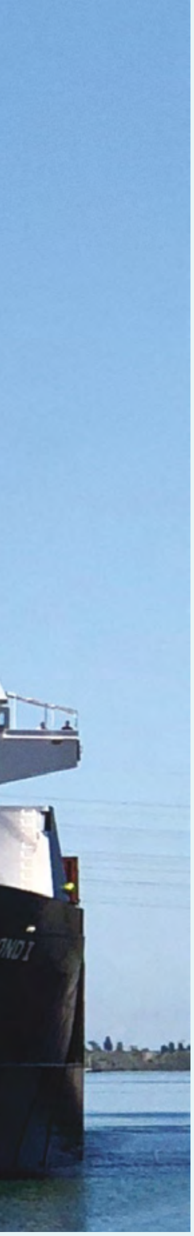
The GLPA's mission and vision define the framework for its strategic direction, as approved by the GLPA's Board of Directors.

What we do

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

Pilotage Charges
We establish 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
As a regulatory body responsible for pilotage in the Great Lakes region, we administer and monitor 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.



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;

— International District No. 2;

— International District No. 3; and

— 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 clients.

These organizations include:

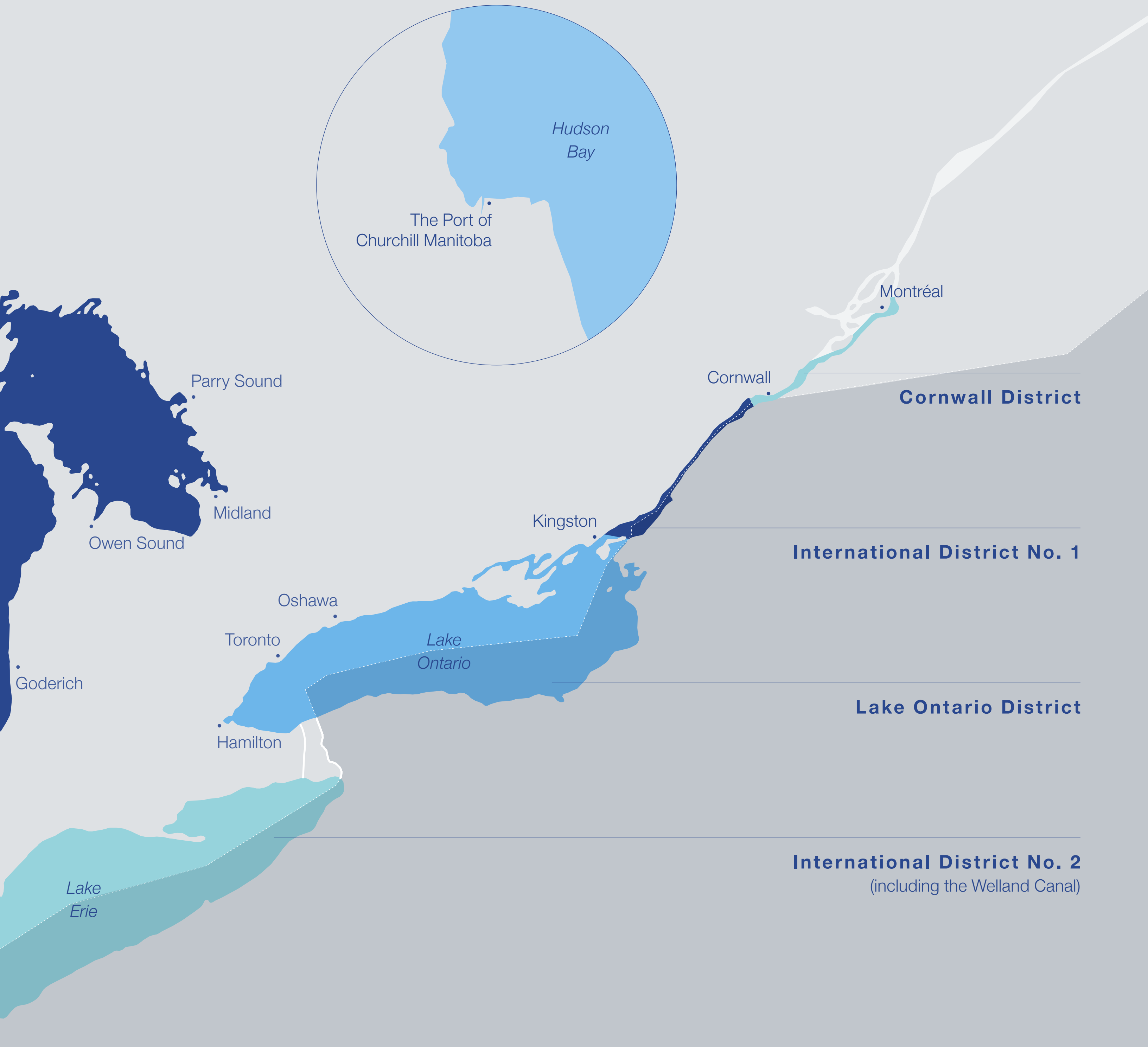
— The St. Lawrence Seaway Management Corporation and the United States St. Lawrence Seaway Development Corporation, which are responsible for operating the lock facilities and maintaining traffic control systems within the region;

— The Canadian Coast Guard, which is responsible for providing aids to navigation; 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



Review of Operations

S

Navigational **S**afety

R

Pilotage **R**eliability

F

Financial Self-sufficiency

E

Organizational **E**fficiency

L

Good **L**abour Relations

In this section

Navigating Troubled Waters

In 2020, our main priorities were to ensure business continuity in the face of challenges related to the pandemic, to ensure financial self-sufficiency in an evolving context, to stay focused on operational improvements, to deliver on our service mandate, to effectively manage our pool of pilots now and for the future, and to meet our obligations as a responsible federal organization.

The GLPA, as an essential service provider in the movement of goods for the Canadian population, ensured continuous uninterrupted operations since the beginning of the navigation season in March 2020 while dealing with the impacts of COVID-19. To succeed in this difficult task, the GLPA worked in close collaboration with federal departments and agencies as well as industry stakeholders to ensure business continuity and the safety of its employees and crew members of its clients.

Among the many COVID-19 related initiatives, GLPA pilots were equipped with the required personal protective equipment and 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.

While coming off a record year in 2019, marine traffic declined by only 8% in 2020 due to the negative impact of COVID-19 but was positively offset by increased shipments of some staples such as grain.

The *Pilotage Act* requires the GLPA to operate in a financially self-sufficient manner. Since 2003, the GLPA has aimed to eliminate its accumulated deficit which was at $1.8 million at the start of 2020. Historically, the GLPA has facilitated the movement of traffic and strived to minimize vessel delays in the Great Lakes region by dispatching pilots to vessels despite the financial impacts to the GLPA; as almost 45% of the pilotage services in 2019 were provided on overtime.

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 within the revised rules of the *Pilotage Act*. The Shipping Federation of Canada, which represents most of the foreign shipping industry, filed a Notice of Objection to the GLPA's 2020 pilotage charge amendments with the Canadian Transportation Agency. This matter is currently being adjudicated by the Agency.

The GLPA continues to be challenged with a limited pool of pilots. The GLPA historically benefitted from a stable pilot workforce with minimal turnover. However, similar to other stakeholders in the marine 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 for the next five years have resulted in pilot succession planning, recruitment, and training to be top of mind for the GLPA. In order to meet its mandate of financial self-sufficiency, the GLPA must predict how much revenue it will generate to pay for its salaried pilots. This has proven difficult given the number of pilot retirements, and an increased and unpredictable demand for pilotage services since 2013.

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	2020	Target	Vs Target	2019	Vs 2019
1. Navigational Safety					
Number of major marine incidents	0	0	○	0	○
Number of minor marine incidents	14	8	●	8	●
As a % of incident-free assignments	99.8%	99.9%	●	99.9%	●
2. Pilotage Reliability					
Number of vessel delays due to shortage of pilots (hours)	5,673	6,800	○	8,166	○
3. Financial Self-sufficiency					
Net income (in millions)	($1.0)	$2.3	◐	($1.3)	◌

Operational Performance Indicators	2020	Target	Vs Target	2019	Vs 2019
1. Navigational Safety					
Number of audited Canadian vessel transits	1,574	1,500	○	1,379	○
Certificate holder monitoring – up-to-date	Yes	Yes	○	Yes	○
2. Pilotage Reliability					
Number of apprentice-pilots recruited	9	10	●	7	○
Number of pilots newly licensed and retained	7	8	●	6	○
3. Financial Self-sufficiency					
Cost per assignment	$4,228	$4,592	○	$4,135	●

○ Performance on or above target
● Performance slightly below target
◐ Performance significantly below target
◌ Performance comparison is not applicable

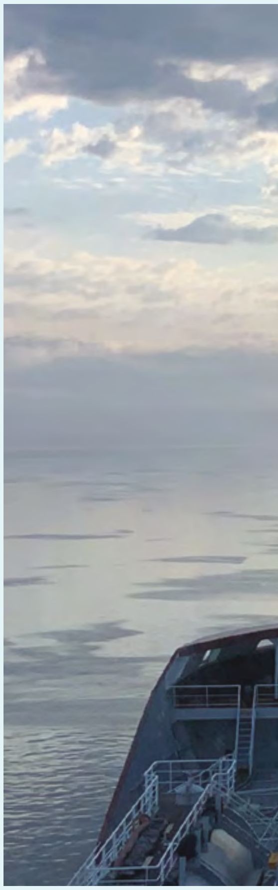
Business Continuity

The COVID-19 pandemic in 2020 caused many challenges for the GLPA related to business continuity, employee safety, and unpredictable financial impacts. While the situation continued to be in flux until June, the GLPA's management continued to evaluate and respond to the risks associated with the pandemic on our operations.

First and foremost was the impact of pilots contracting the virus, both from a human health perspective and potential impact on the GLPA's ability to meet demand. It was also clear that traffic levels could decline, as well, resulting in a decline in revenue and shortage of cash flow to meet obligations. The GLPA management team was also concerned about the consequences of the closing of the Canada/United States border to marine pilots, considered as essential service workers for the efficient movement of goods.

Working closely with its dedicated employees, the GLPA quickly responded to these new realities and successfully dealt with the first and second waves of COVID-19 by keeping its pilots and other employees safe from contracting the virus or potentially spreading to others while ensuring operations without any business interruptions.

The GLPA collaborated and participated in a COVID-19 response team called the Unified Command Center for the Great Lakes region to share best industry practices and ensure timely communications with other key stakeholders, including Transport Canada, US Coast Guard, US Pilot Associations, and the St. Lawrence Seaway.



The GLPA's approach in developing and implementing protocols was, when given a choice, to err on the side of caution. Among the new and augmented existing health and safety protocols that were instituted to address this situation, were:

— Personal protective equipment for pilots;

— Sanitation and protective protocols for pilots, office staff, and service providers including taxis, pilot waiting stations, etc.;

— Social distancing;

— Symptoms monitoring;

— Telework for office staff; and

— Safety signage.

As a result of this multi-faceted effort, no GLPA pilots or other employees were infected by COVID-19 during the year, nor were any suspected of transmission to others in the workplace.

Pilotage

S R E L

Management

The GLPA's main activity 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 Ontario, Manitoba 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.

Given market demand and regulatory requirements related to pilotage, the GLPA continues to be challenged with a limited pool of qualified pilots. The high level of pilot retirements experienced in the last five years and anticipated in the next several years has resulted in pilot succession planning, recruitment, training and retention being top of mind for the GLPA. In order to achieve financial self-sufficiency, the GLPA must predict how much revenue it will generate to pay for its salaried pilots, something that has proven difficult to do since 2013 in terms of balancing pilot demand and supply.

Qualified Licensed Pilots

As outlined above, pilot succession continues to be one of the GLPA's main challenges. In 2020, the GLPA provided pilotage services using 60.1 full-time and part-time pilots. However, in order to effectively meet the anticipated demand for pilotage services over the short to medium term while ensuring that delays are kept at a minimum and costs are contained, the GLPA is planning to increase its full-time and part-time pilots by approximately 15-20% by 2025.

The GLPA licensed seven pilots in 2020 following their successful completion of the apprentice-pilot training program, compared to six in 2019. As of December 31, 2020, eight apprentice-pilots were progressing through the training program and seven are expected to be licensed by the end of 2021. Three pilots retired at the end of December 2020 with two pilots returning as part-time pilots for the 2021 navigation season.

Certification

In 2011, the *Great Lakes Pilotage Regulations* were amended to require pilotage certificate holders to maintain their requirements to perform pilotage duties, namely in the realms of medical fitness, qualifications and navigation experience in compulsory pilotage areas for which the certificate was issued. Subsequently in 2013, after industry consultations, the GLPA implemented a formal pilotage certificate training program requiring Canadian officers seeking to obtain a pilotage certificate to follow a streamlined process in order to qualify for performing pilotage duties in the Great Lakes region.

In 2020, the GLPA ensured that all certificate holders complied with the requirements of the *Great Lakes Pilotage Regulations* to ensure valid certificates. Certificates were suspended or cancelled in cases where certificate holders did not fulfill the requirements. At the end of 2020, the GLPA had 273 certificate holders permitted to transit in compulsory pilotage areas on the Great Lakes without having to request the services of a GLPA pilot, down from 288 in 2019. In 2020, the GLPA continued working with the Chamber of Marine Commerce to ensure continuous improvements to the pilotage certificate training program.

Quality Assurance

The assessment of pilot competencies and quality of service is ongoing with pilot evaluations completed for each pilot at least once every five years. These evaluations provide assurance to the industry and the GLPA that only qualified pilots are performing pilotage duties. It also permits the GLPA to identify areas of development and potential improvements in the delivery of its services.

At the start of 2020, 14 pilots and six apprentice-pilots, which represent 30% of the GLPA's pilot workforce, completed the pilotage simulator training program. All pilots were evaluated by their peers and the Director of Operations.

Labour Relations

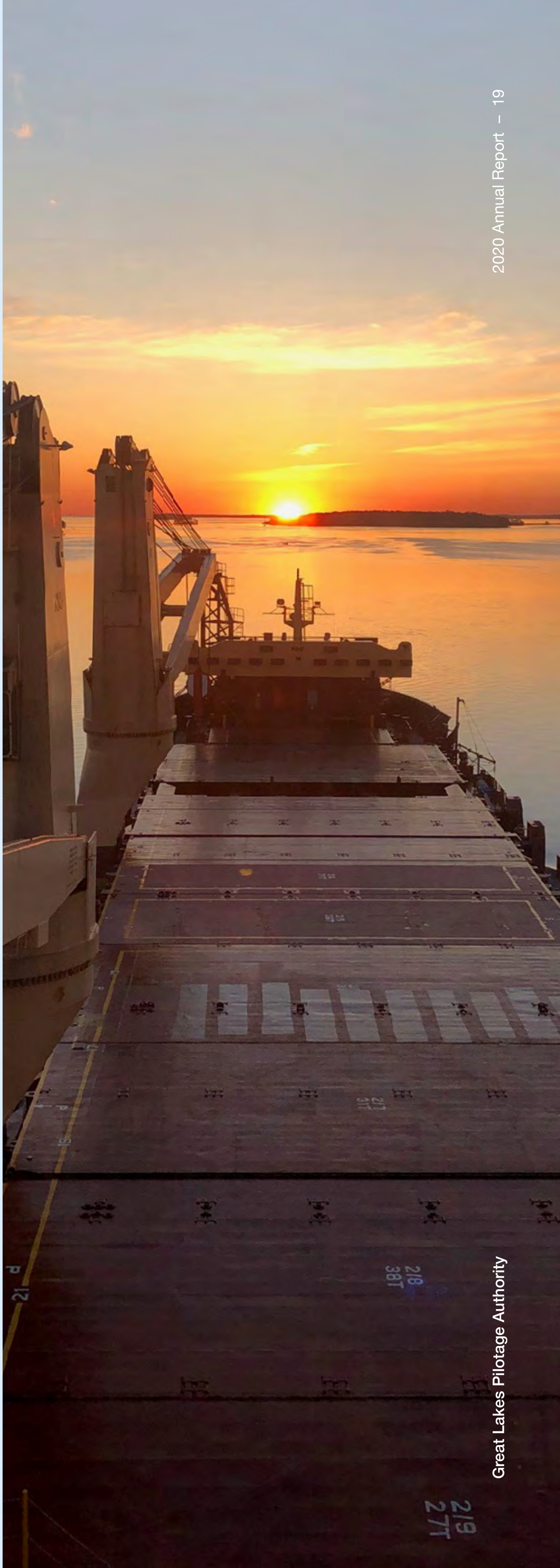
The GLPA's ability to achieve its objectives and carry out its mission is directly related to its capabilities to attract and retain highly skilled and qualified personnel. To enable the GLPA to maintain and enhance good labour relations, during 2020, we:

— Began the development of a succession planning framework for senior management;

— Continued to partner with the pilot unions to effectively address operational issues; and

— Conducted an employee engagement survey with an impressive 82% response rate. The development of action plans and a communication strategy will be rolled out to employees in 2021.

The GLPA has four collective agreements with its pilot groups. Three of these agreements expire at the end of March 2022. At the end of December 2020, the GLPA was still in negotiations with 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.



Economic & Traffic

S R F E L

Economic Conditions

Marine traffic in the Great Lakes region is driven mainly by grain, iron ore, oil and gas, dry bulk, liquid bulk, general cargo, and passenger cruises. The GLPA's ability to accurately forecast traffic is very much dependent upon the feedback received from industry stakeholders. Container contracts with many Canadian and United States ports are not negotiated well in advance therefore this limits the ability of the GLPA to forecast traffic needs into future years.

In addition, the GLPA starts its planning and budgeting process in June to meet government timelines set in the *Financial Administration Act* while industry has very limited traffic forecasts to share at that time for the upcoming fiscal year. The efficient management of pilot resources in the Great Lakes region is, in part, a function of receiving reliable, timely and accurate information from users. Budget traffic 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.

The cruise industry in 2020, which historically represented approximately 5% of the GLPA's assignments, was non-existent due to COVID-19 and it is expected that it will take several years for the industry to recover. The pandemic also led to a reduction in the demand for oil and gas in 2020 but the demand for Canadian grain has increased substantially as countries stockpiled the commodity during the pandemic. The uncertainty of the COVID-19 impacts beyond 2020 compounds traffic unpredictability in the Great Lakes for the upcoming navigation season. The GLPA also continues to monitor trade wars and political conflicts to better anticipate potential impacts on traffic.

In 2020, there were 9,290 pilotage assignments (9,061 during the navigation season and 229 of winter work assignments). That number is 1% below budgeted assignments for the year (9,400). Pilotage assignments for 2020 decreased 8% in comparison to 2019 assignments.

Traffic Summary

The year-over-year decrease in pilotage assignments was mainly driven by a lack of passenger cruise traffic (537 assignments in 2019) and a decrease in pilotage services requested by domestic clients, a 32% decrease (1,641 assignments in 2020, compared to 2,407 assignments in 2019); this was offset by an increase in grain shipments and windmill parts.

The 9,061 pilotage assignments during the 2020 navigation season were serviced by 60.1 full-time equivalent pilots, representing an average of 151 assignments per pilot. This is down from the 2019 average of 168 assignments. The workload that the pilots have been servicing in the last five years exceeds the reasonable number that the GLPA had been targeting.

As it has been done since 2015, the GLPA will continue to actively hire and train apprentice-pilots to increase the pilot numbers to better service the industry, as evidenced by seven pilots being licensed in 2020.

In 2020, Class 3 and Class 4 vessels, the largest ships that can navigate in the Seaway locks, accounted for 49% of the vessels piloted, up from 42% in 2019.

Allocation of Assignments

	2020	2019	Var %
Domestic vessels	**1,895**	2,556	-25.9%
Foreign vessels	**7,395**	7,537	-1.9%
Total	**9,290**	10,093	-8.0%

Service Levels

The GLPA's employee pilots work pursuant to collective agreements that dictate scheduling and call-backs when increases in traffic occur during peak periods. The GLPA provides pilots at levels to meet peak traffic, but not for an extended period of time. The GLPA needs to carefully review its pilot numbers, since an excessive workforce with fixed remuneration will lead to significant financial losses when demand is low. Delays to shipping are very costly to users and are closely monitored to measure performance.

In 2020, total delays to ships requiring pilots in the Great Lakes amounted to 8,439 hours, of which 67% or 5,673 hours were directly attributable to a shortage of pilots. In 2019, total delays accounted for 12,542 hours, of which 65% or 8,166 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 8% decrease in pilotage assignments given the number of pilots to service the demand was somewhat steady compared to 2019, as well as improved climate conditions in comparison to 2019.

To improve its delivery of reliable pilotage services with fewer delays to vessels, the GLPA is:

— Working jointly with industry partners and customers to better manage traffic to avoid surges in demands in excess of pilot availability;

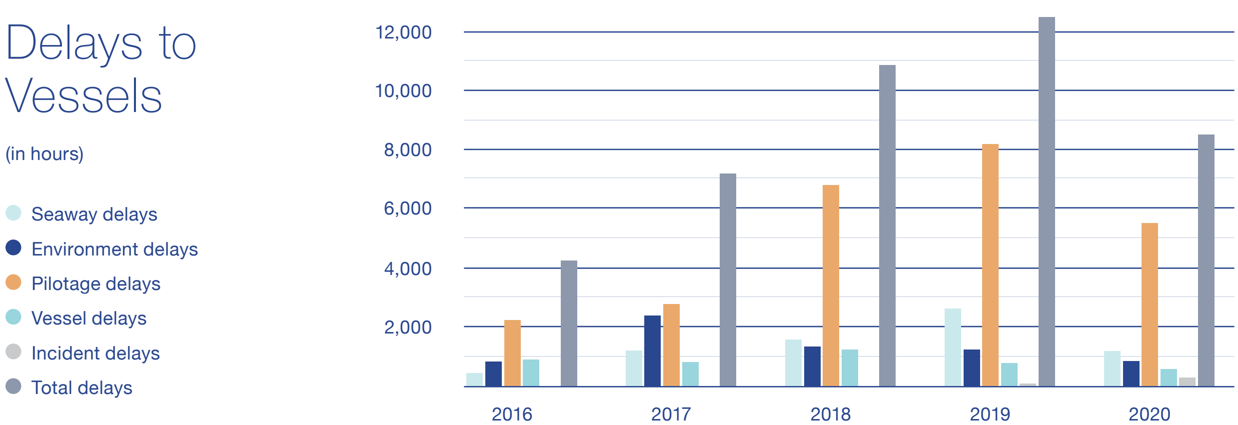
— Actively collaborating with industry partners and customers to develop the least costly strategies when delays are beyond its control;

— Working with its pilot groups to jointly find acceptable ways to increase pilot availability; and

— Approaching the Canadian and United States Coast Guards 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).

Delays to Vessels

(in hours)



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

Pilotage Act Reform

S F E

Amendments to the *Pilotage Act* received Royal Assent in June 2019. The provisions of the amended Act are designed to come into force in four phases:

— Restructuring the *Pilotage Act* and introducing labour and governance provisions (completed in 2019);

— Oversight and enforcement (completed in 2019);

— Pilotage charges (completed in June 2020); and

— Regulation and operations (anticipated for early 2022).

The GLPA continues to work in close collaboration with Transport Canada in the transition of the corresponding responsibilities and the development of its regulations. To this end, the GLPA submitted, in August 2020, its views in response to Transport Canada's Discussion Document as part of the work undertaken by departmental officials in the *Pilotage Act*'s regulatory transformation.

A welcomed change to the *Pilotage Act* in 2019 was that the pilotage authorities now have the authority to set their pilotage charges without the lengthy regulatory process. This provides the GLPA with the flexibility to address the previous pilotage charge process shortfalls and allow for more timely pilotage charge adjustments to recover new and unanticipated costs.

Financial Self-sufficiency

F

The *Pilotage Act* requires the GLPA to operate in a financially self-sufficient manner and its primary financial goal remains to eliminate its accumulated deficit and to be financially self-sufficient, thus assuring Canadians that it is committed to financial responsibility and fiscal transparency during these challenging economic times. Since 2003, the GLPA has strived to eliminate its accumulated deficit which was at $1.8 million at the start of 2020.

Pilotage Charges

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. To enable the GLPA to be financially self-sufficient, we have:

- Developed pilotage charge strategies that will generate sufficient revenues to record modest annual surpluses to fully eliminate the accumulated deficit and build a financial reserve to sustain operations during periods of reduced levels of income. The strategy includes 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; and
- Continued to implement cost controls.

In February 2020, the Shipping Federation of Canada, which represents most of the foreign shipping industry, filed a Notice of Objection to the GLPA's 2020 pilotage charge amendments with the Canadian Transportation Agency. As of the end of the year, the matter was being adjudicated by the Canadian Transportation Agency with a decision anticipated not until later in 2021.

For 2020, the GLPA posted a $1.0 million loss driven by the 2020 pilotage charge adjustments that are under objection and currently under adjudication. Should the Canadian Transportation Agency render a decision supporting the GLPA's pilotage charges as published, this $1.0 million loss will translate into a $4.0 million profit for 2020, will eliminate the long-standing deficit, and result in a $2.2 million surplus.

An unfavourable Canadian Transportation Agency decision would further hamper the GLPA's ability to be financially self-sufficient. In the event that an unfavourable decision is made by the Canadian Transportation Agency, the GLPA will need to further adjust its 2021 pilotage charges.

In 2020, GLPA developed and communicated its charging methodology to its main stakeholders prior to establishing its 2021 pilotage charges. This new charging methodology was developed per the charging principles of the amended *Pilotage Act* on financial self-sufficiency and maintaining a reasonable financial reserve. These strategies and related overall financial oversight will assure Canadians that it is fiscally responsible.

Organizational Efficiency

S E L

Mandate

To effectively support its mandate of safe, reliable, and efficient pilotage services, the GLPA must have a sound organizational structure to ensure that its responses to legislation, regulations and policies are pertinent, reflect the current realities and take into consideration the public's trust. To enable the GLPA to be organizationally efficient in 2020, the GLPA:

— Supported the *Pilotage Act* transformation framework, including the transition of regulatory functions to Transport Canada;

— Worked with Transport Canada to finalize the proposed *Great Lakes Pilotage Regulations* amendments to address current business needs;

— Initiated the implementation of its future state information systems strategies to reduce the risks of cyber security threats;

— Initiated an employee engagement survey to improve upon the results of the 2015 survey;

— Adopted a revised zero-tolerance harassment in the workplace policy; and

— Initiated a customer satisfaction survey to improve upon the results of the 2015 survey.

Following an organizational optimization exercise initiated in 2019, the final report was presented to the Board in January 2020. The independent consultants concluded that the GLPA's current organizational structure and limited resources may not enable the GLPA to meet its mandate and drive the organization's current and future strategic and operational objectives. In 2020, the GLPA created a Dispatch Supervisor role to provide assistance to the Operations Manager with the daily coordination of dispatching activities to better service its clients. In June, a GLPA dispatcher assumed this role on an interim basis. The GLPA also initiated the recruitment for a new Director of Human Resources position to be in place by early 2021.

Technology

In 2020, the GLPA initiated the procurement process to replace the pilots' portable pilotage units in time for the start of the 2021 navigation season. These portable pilotage units, 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, generally have a four-year useful life. However, as a result of the COVID-19 pandemic, pilot testing could not be conducted and the GLPA's potential reductions in revenues and cash flow were still in question.

Following a careful assessment of the situation, it was determined that the current portable pilotage units' life could be extended and, therefore, the GLPA is committed to source new units in time for the start of the 2022 navigation season.

Following the system security maturity assessment conducted as part of the GLPA's internal audit in 2019, the organization developed a future state roadmap in 2020 for its information systems. The new information system strategy focuses on mitigating the GLPA's exposure to cybersecurity threats and considers the GLPA's future business needs and new technologies. It intends to roll out this strategy during the next few years.

Stakeholder Relations

The GLPA is viewed as a collaborative partner by its industry stakeholders as evidenced by its leadership in providing expert counsel to the St. Lawrence Seaway for the efficient use of resources to ensure all ships exit the Seaway system at the end of the navigation season in an orderly, timely and cost-effective manner.

The GLPA is a Crown corporation with near-monopoly powers in terms of the provision of pilotage services. Consequently, it is important that the Board and management reach out to stakeholder organizations to ensure that important issues are identified and managed effectively.

The three primary stakeholders are the Federal government, the marine shipping industry, and the pilots. Interests of the marine shipping industry are under the responsibility of the Shipping Federation of Canada and the Chamber of Marine Commerce, while pilot interests are handled by the employee pilots represented by the Canadian Merchant Service Guild, and the Canadian Marine Pilots' Association.

The GLPA is committed to addressing all customer concerns in an honest and transparent manner while respecting the best interests of its clients. While clients appreciate that pilotage services are safe, they have voiced concerns with respect to service costs, vessel delays and double pilotage at the beginning and closure of the season. In an effort to increase efficiencies, the GLPA communicated in 2020 that it would proceed with the identification phase of a review of compulsory pilotage areas in 2021. It should be noted 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 discussions with Transport Canada officials on the compulsory pilotage area review, it was decided to defer such a review given the responsibility for establishing compulsory pilotage areas will be transitioning to the Minister of Transport per s. 52(f) of the *Pilotage Act* and given the main tool to conduct such a review (Pilotage Risk Management Methodology) is currently being examined by Transport Canada.

The Government has several stakeholders, including the Minister of Transport and departmental officials, the Canadian Coast Guard, the Transportation Safety Board, the Canadian Transportation Agency, and central agencies. The GLPA's clients represented by the Shipping Federation of Canada and the Chamber of Marine Commerce must be consulted and must support the GLPA's decisions, and 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.

Furthermore, the GLPA must manage potentially differing expectations from its various stakeholders. Striking a proper balance, while achieving the GLPA's objectives, can be challenging at times. In addition to the three primary stakeholders, there are others that have an interest in safe, efficient, and effective pilotage services in the Great Lakes region. They include, but are not limited to:

— St. Lawrence Seaway Management Corporation (Canada);

— St. Lawrence Seaway Development Corporation (United States);

— International Lake Ontario-St. Lawrence River Board;

— United States pilot 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 continues to be proactive in consulting with all primary and other stakeholders and will provide ongoing opportunities for input on its planning and operations. It is important that all issues with stakeholders, including pilots, are resolved. However, the GLPA will never compromise the safety of the ships and the environment to avoid a third-party issue.

Responsibility

S R F E

Canadian Vessel Monitoring

To effectively monitor Canadian vessel transits under the conduct of a certificate holder, the GLPA must continue to ensure a sufficient number of Canadian ship transits are monitored and audited to demonstrate that Canadian ships are transiting under the conduct of a valid certificate holder.

In 2020, the GLPA randomly audited 1,574 of the 10,043 Canadian vessel transits that were under the conduct of pilotage certificate holders in compulsory pilotage areas in the Great Lakes region, compared to 1,279 transits in 2019. The audited transits reflected the frequency and the coverage of all transits to ensure the sample size was representative. Of all the 2020 audits of transits by Canadian ships subject to compulsory pilotage that have not requested pilotage services, all transits were under the conduct of a valid certificate holder.

Sustainability

The GLPA is committed to doing its part to protect the environment and to be socially responsible. As such, the GLPA has established a number of policies and operating procedures to ensure that it is in compliance with all applicable laws and makes a positive contribution to the sustainable development of our economy.

Environment

The GLPA provides pilotage services in the Great Lakes region that are safe and free of environmental spills, an important responsibility given that the risk of marine incidents is inherent in every action taken by GLPA pilots. Training policies for all apprentice-pilots, pilots and pilotage certificate holders are designed to ensure that proper levels of knowledge and experience in this area are in place. The GLPA continues to promote ongoing communications with all employees on the importance of embracing a safety-minded culture with the goal of limiting environmental risks.

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 2020.

Climate Challenges

Changes in climate patterns have led to more frequent and severe environmental conditions such as high winds, extreme ice conditions and high-water levels, to name a few. These climate change events create significant operational challenges for the GLPA in its ability to provide safe, efficient, and cost-effective pilotage services. For example, extreme ice conditions can lead to the decommissioning of the pilot boats used to transport pilots to their assignments, and therefore, pilots are required to embark/disembark further down the river, which leads to the reduction of pilot resource availability and higher costs.

The resulting melting ice and large amounts of precipitation can lead to high-water levels, as seen in 2019 on Lake Ontario. To negate these water levels, the Canada-United States bi-lateral governing body (International Joint Commission (IJC)) monitors water levels and the GLPA pilots provide valuable expertise for the IJC to analyse water level strategies to ensure safe navigation in the Great Lakes region.

Conditions at the opening of the St. Lawrence Seaway's 2020 navigation season in March were favourable for navigation and thus avoided the need for pilots to embark/disembark further down the river, as was the case in 2019. Similarly, in early 2020, the Great Lakes region did not experience the large amounts of precipitation and ice melting that resulted in the high-water levels of 2019, thereby minimizing interventions to reduce negative impacts on shipping.

Employee Safety

Employee safety has always been a top priority for the GLPA and it provides a number of programs to ensure the highest standards are met.

Each pilot must participate in simulator training at least once in a five-year cycle. This program provides pilots with a means to update themselves with new technologies and to train on different ships, manage various conditions, and cope with specific issues, such as the loss of an engine or steering. The GLPA reviews incidents and trends to continually re-assess the training program.

The GLPA also takes part in various joint initiatives to keep up to date on emerging safety concerns and best practices in the marine industry and in marine pilotage across the globe.

Similarly, but on a national level, the GLPA also gains benefits from its interaction with the Canadian Marine Pilots' Association. Finally, the GLPA consults with the Canadian Marine Pilots' Association, the Transportation Safety Board, and its pilots and leverages its 2015 formalized post-incident protocol for all marine incident investigation.

A Fatigue Risk Management Plan was developed in 2020 and pilot fatigue awareness training was delivered to about a third of the pilots in winter 2020, with the remaining completing the course in winter 2021 due to the COVID-19 restrictions.

Responsibility (cont'd)

S E L

Marine Incidents

Navigational safety in the Great Lakes 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 region involving its pilots and Canadian officers.

The GLPA categorizes incidents and accidents and the associated reporting into two types, major incidents and minor incidents. Major incidents are defined as marine incidents that have resulted in a loss of life, serious injuries, environmental spills, or causes damage to a vessel or property that results in the cessation of operations for more than one month.

In 2020, 14 minor marine incidents occurred, compared to eight in 2019, and no major incidents in 2020, compared to none during the same period in 2019.

Despite the number of minor incidents, the effectiveness of the pilot training program and the use of portable pilotage units have allowed pilots to effectively course-correct and minimize incident severity. Safety is paramount at the GLPA – reporting and investigations were carried out in 2020 following each incident by or under the direction of the Director of Operations and mitigation strategies were developed in consultation with the respective pilot group.

Even with the planned increase in pilot numbers, the GLPA is expecting that total incidents will remain within historical results at a 99.9% incident-free assignment rate into 2021 and beyond due to the investments in its apprentice-pilot training program.

The following chart shows marine incident data for the five most recent years.

	2020	2019	2018	2017	2016
Major marine incidents	**-**	-	-	-	-
Minor marine incidents	**14**	8	11	14	3
Total assignments	**9,290**	10,093	8,798	7,636	7,020
% of incident-free assignments	**99.8%**	99.9%	99.9%	99.8%	99.9%

Transparency

The GLPA is fully committed to openness and transparency with all stakeholder interactions. The GLPA respects the requirements to openly publish various reports, namely 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 also takes pride in its full transparency with the industry and the Canadian public. It ensures timely responses to all information requests and concerns, when feasible. It makes available the entire passage plans to provide its clients 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, largely by sharing crucial information for the safety of the ship and the crew while transiting the Great Lakes region.

Diversity, Equity, Accessibility

The GLPA supports 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 the 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 seen in the GLPA's recruitment, selection, conditions of employment, training, career development and performance management practices which focus on equity and a sense of value. Women represent 84% of the Board of Directors, 67% of the senior management team, 56% of office staff, 18% of dispatchers but only 3% of the pilot workforce.

Governance

Charting our Route

The Great Lakes Pilotage Authority (GLPA) 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.

In this section

Board of Directors

As of December 31, 2020, the Board consisted of the Chairperson and five other directors appointed by the Governor in Council. Of the six members, there are five women and one man. Following the appointment process administered by the Governor in Council and the Minister of Transport, the Chairperson position was filled in December 2020 after being vacant since July 2019. 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 2020, there were 10 Board meetings to discuss Board business. In addition, Committees met 14 times during the year. The attendance rate of Board members at these meetings was 97.4%. Cumulative fees and annual retainers paid to Board members during the year totalled $68,250.

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, Acting Chairperson	Vered Kaminker, Chairperson
Ginette Brindle	Ginette Brindle	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 and represents the engine of the GLPA, since it ensures the quality of the financial reporting, enables the directors to contribute their independent judgment, creates a climate of discipline and control to reduce the opportunity for fraud, and increases stakeholder confidence in the credibility and objectivity of corporate performance.

The committee has the power to investigate any activity of the GLPA. The committee ensures 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 is a standing committee of the Board 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.

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. Every year, the Board reviews the risk register with a view to updating risk assessments and ensures that appropriate mitigating controls are in place.

Every third year, the GLPA's Board of Directors and senior management engage in a two-day strategic planning session to establish strategic direction for the upcoming three years. The Board met in July 2020 for a prioritization session to revisit the identification, assessment and prioritization of the main risks, and to address threats and opportunities as they relate to the GLPA's objectives.

The following top risks in 2020 are examined in greater detail in the Management Discussion and Analysis section:

- Employee health and safety – COVID-19;
- Business continuity – COVID-19;
- Profitability;
- Pilotage charge objections;
- Cash flow;
- Marine incidents; and
- Pilot succession plan (including recruitment and retention).

Special Examination

The Office of the Auditor General of Canada completed its Special Examination in November 2017 and presented its report to the Board of Directors on January 25, 2018.

The report contained 10 recommendations. All recommendations, but one have been addressed, namely the need to conduct a review of compulsory pilotage areas. The review is being deferred given the responsibility for establishing compulsory pilotage areas will be transitioning to the Minister of Transport per s. 52(f) of the *Pilotage Act* in the near future.

Access to Information

The GLPA believes that openness and transparency are the building blocks in a relationship of trust with clients, partners, and all other stakeholders. The GLPA's objective is to respond promptly, and with transparency, to all information requests from the public, the media, and anyone interested in the GLPA's operations.

In the spring of 2020, the GLPA submitted its 2019-2020 annual report on Access to Information and Privacy respectively to the Access to Information Commissioner and the Privacy Commissioner, as well as the Minister of Transport.

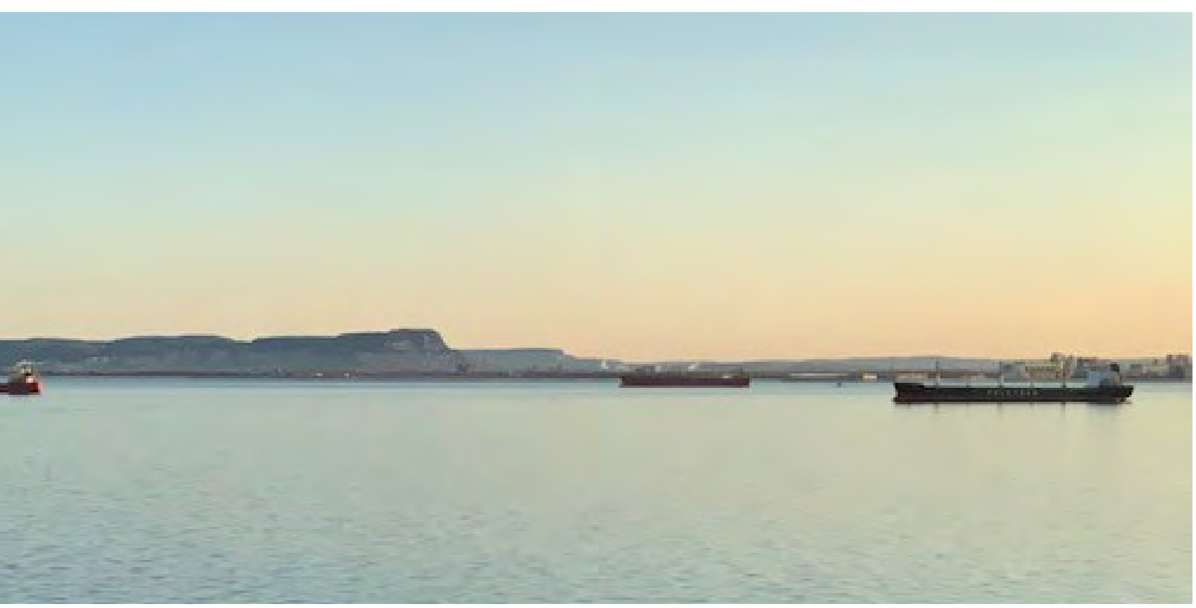
In 2020, the GLPA did not receive any request under the *Access to Information Act* and the *Privacy Act* and does not have any outstanding requests as of December 31, 2020.

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.

Travel, Hospitality and Conference Expenses

The following travel, hospitality, and conference expenses were submitted during 2020:

Captain James Pound ***Chairperson***	**$2,287**
Michèle Bergevin *Chief Executive Officer*	**$6,940**
Board of Directors *(5 members)*	**$5,773**
Senior Management *(2 members)*	**$10,844**
Total	**$25,844**



Management Discussion and Analysis

Opening New Horizons

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 2020 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.

In this section

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, 2020, and December 31, 2019, per the International Financial Reporting Standards (IFRS).

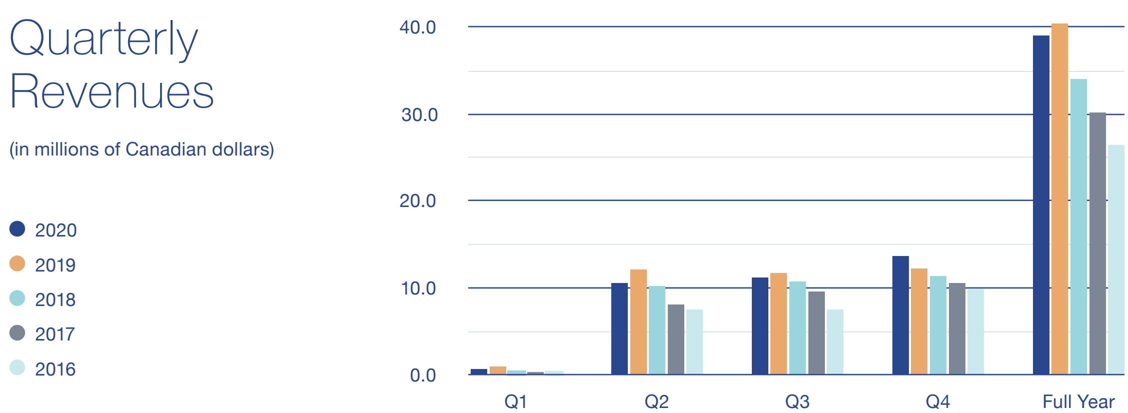
	2020	2019	Var $	Var %
Pilotage Revenues	37.9	40.1	(2.2)	-5.5%
Other Revenues	0.3	0.4	(0.1)	-25.0%
Total Revenues	38.2	40.5	(2.3)	-5.7%
Total Operating Expenses	39.0	41.7	2.7	6.5%
Operating Profit (Loss)	(0.8)	(1.2)	0.4	33.3%
Other Comprehensive Income (Loss)	(0.2)	(0.1)	(0.1)	-100.0%
Comprehensive Income (Loss)	**(1.0)**	**(1.3)**	**0.3**	**23.1%**

For 2020, the GLPA recorded revenues of $38.2 million and a comprehensive loss of $1.0 million, resulting in the accumulated deficit of $2.8 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)

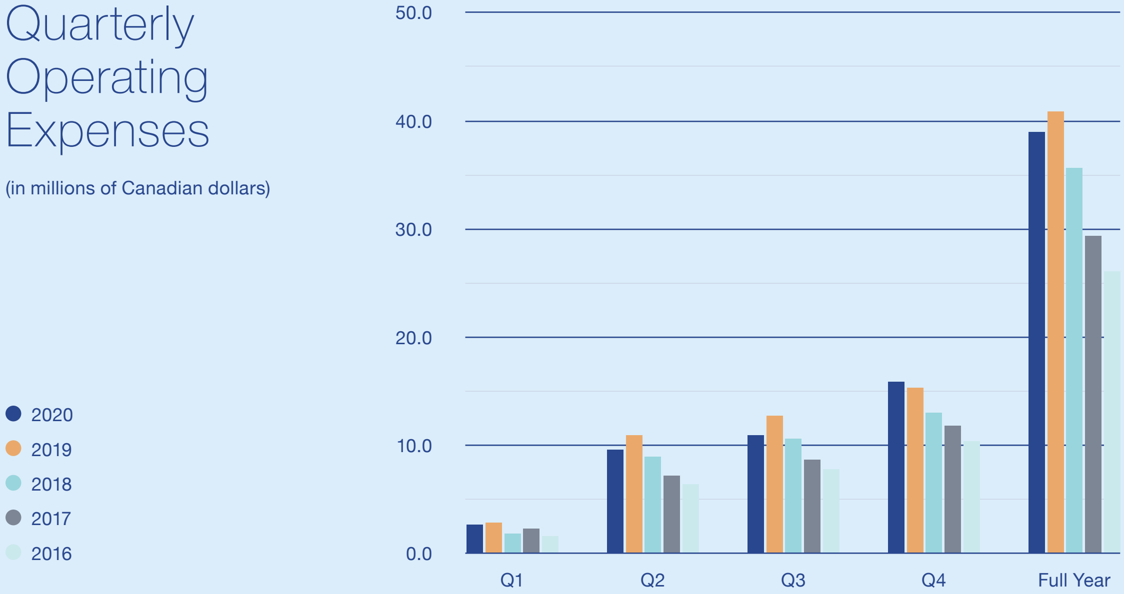


Revenues vary throughout the year, reflecting the seasonality of operations. The GLPA operates in the St. Lawrence Seaway, which is usually closed in late December due to winter conditions, and re-opens in late March of each year. The highest demand for services tends to occur in the fourth quarter.

Pursuant to section 34 of the *Pilotage Act*, an interested person may file a notice of objection with the Canadian Transportation Agency 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 are not recognized as revenue until a decision from the Canadian Transportation Agency is rendered. Thus, the $38.2 million recorded revenue is net of $5.0 million of pilotage charges currently under objection with the Canadian Transportation Agency.

Quarterly Operating Expenses

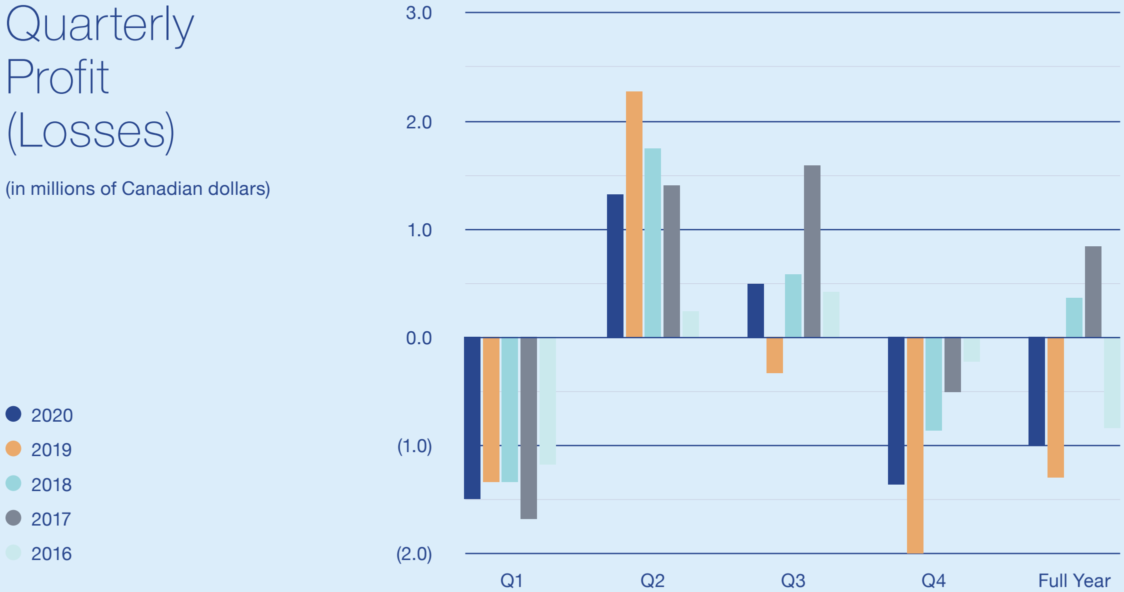
(in millions of Canadian dollars)



Approximately $4.2 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 demands.

Quarterly Profit (Losses)

(in millions of Canadian dollars)



Revenues

(in millions of Canadian dollars)

The following table shows the various sources of revenue for the years ended December 31, 2020, and December 31, 2019.

	2020	2019	Var $	Var %
Basic pilotage fees	33.8	35.5	(1.7)	-4.8%
Surcharges	2.0	1.9	0.1	5.3%
Continued transit charges	3.1	0.0	3.1	0.0%
Docking/undocking	2.1	1.3	0.8	61.5%
Pilot boat charges	0.8	0.2	0.6	300.0%
Delays/detentions	0.3	0.6	(0.3)	-50.0%
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	0.0	0.2	0.0%
Pilotage charges under objection	(5.0)	0.0	(5.0)	0.0%
Total pilotage charges	**37.9**	**40.1**	**(2.2)**	**-5.5%**
Pilot boat income	0.2	0.2	0.0	0.0%
Interest and other income	0.1	0.2	(0.1)	-50.0%
Total revenues	**38.2**	**40.5**	**(2.3)**	**-5.7%**

For 2020, the GLPA recorded revenues of $38.2 million, a decrease of $2.3 million over 2019. Other than the $5.0 million of 2020 pilotage charge adjustments that are under objection, this decrease in revenue is mainly driven by a $2.5 million decrease due to a 8% reduction in traffic, a $1.2 million decrease in double pilotage revenue, a $1.0 million increase due to a 7% favourable vessel mix, and $0.4 million in new Cape Vincent pilot boat recoveries.

Operating Expenses

(in millions of Canadian dollars)

The following table shows the various sources of operating expenses for the years ended December 31, 2020, and December 31, 2019.

	2020	2019	Var $	Var %
Pilots' salaries and benefits	28.0	31.7	3.7	11.7%
Transportation and travel	3.7	3.8	0.1	2.6%
Pilot boat services	2.3	1.7	(0.6)	-35.3%
Operation staff salaries and benefits	1.7	1.5	(0.2)	-13.3%
Administration staff salaries and benefits	1.1	1.1	0.0	0.0%
Pilot training and recruiting costs	0.2	0.2	0.0	0.0%
Pilot transfer services	0.3	0.3	0.0	0.0%
Professional fees	0.5	0.4	(0.1)	-25.0%
Amortization and depreciation	0.3	0.3	0.0	0.0%
Other	0.9	0.7	(0.2)	-28.6%
Total operating expenses	**39.0**	**41.7**	**2.7**	**6.5%**

For 2020, the GLPA recorded expenses of $39.0 million, a decrease of $2.7 million when compared to 2019. 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 with higher assignment demands.

Pilot salaries and benefits decreased by $3.7 million over 2019. These decreases were mainly driven by reduced pilot compensation to service the 8% assignment decrease offset by the annual wage increase.

The pilot boat charges have increased by $0.6 million. This increase is mainly driven by the $0.5 million pilot boat charge at Cape Vincent to recover the financing cost of the new pilot boat.

Comprehensive Income (Loss)

(in millions of Canadian dollars)

The following table shows the comprehensive income (loss) for the years ended December 31, 2020, and December 31, 2019.

	2020	2019	Var $	Var %
Profit (loss) for the year	(0.8)	(1.2)	0.4	33.3%
Other comprehensive income (loss)				
Actuarial gain (loss) on employee benefits	(0.2)	(0.1)	(0.1)	-100.0%
Other comprehensive income (loss) for the year	**(1.0)**	**(1.3)**	**0.3**	**23.1%**

Further information on employee benefits is provided in Note 13 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, 2020, and December 31, 2019.

	2020	2019	Var $	Var %
Balance, beginning	10.3	6.6	3.7	56.1%
Net cash (used in) provided by operating activities	3.1	1.3	1.8	138.5%
Net cash (used in) provided by investing activities	1.0	2.5	(1.5)	-60.0%
Net cash (used in) provided by financing activities	(0.1)	(0.1)	0.0	0.0%
Balance, ending	**14.3**	**10.3**	**4.0**	**38.8%**

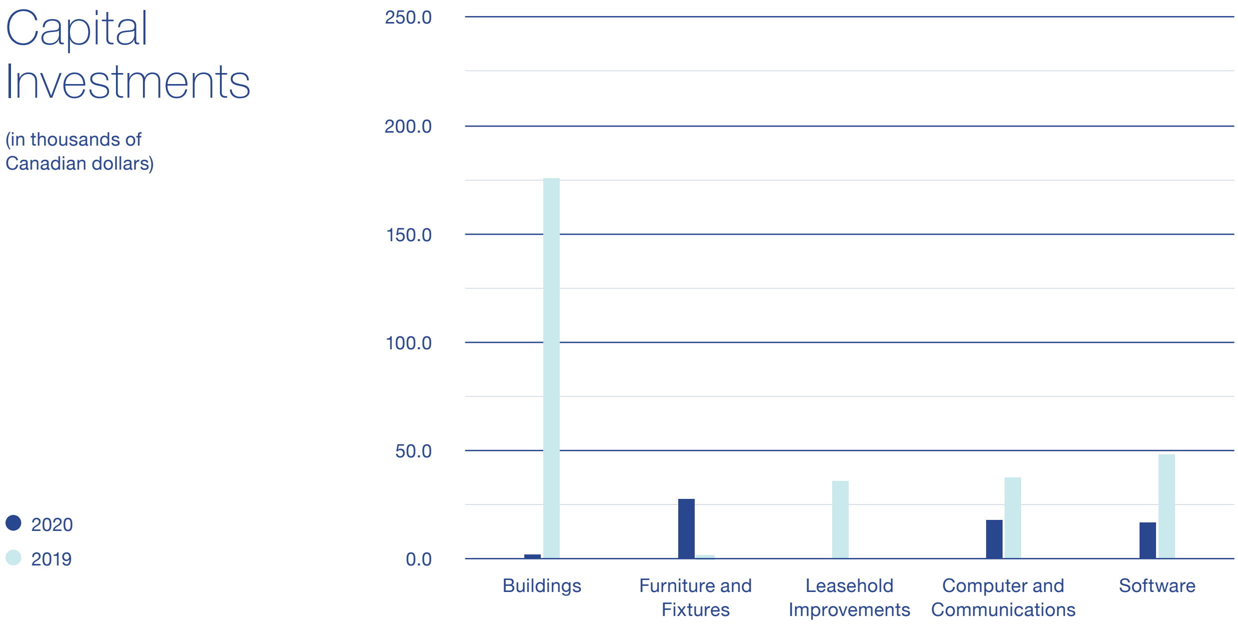
The GLPA has a $5.0 million line of credit. Due to the seasonal nature of the navigation season, at times the GLPA leverages its line of credit until revenues are collected after the start of the navigation season. In 2020, the GLPA did not need to source funds from its line of credit.

As of December 31, 2020, the GLPA had a cash balance of $14.3 million ($10.3 million in 2019) and no short-term investments ($1.0 million in 2019).

The following table shows the capital investments for the years ended December 31, 2020, and December 31, 2019.

Capital Investments

(in thousands of Canadian dollars)



↑	→	↓
Risk Increasing	Risk Stable	Risk Decreasing

Risk Analysis

This section provides an overview of the GLPA's top risks. The following analysis offers key insights into how the GLPA overcomes its main challenges, as these risks potentially impact financial and operational results. The trend status indicates how the risk profile has changed, if at all, over the course of 2020.

COVID-19 Employee Health/Safety and Business Continuity

Nature of Risk	Risk Trend	Current Situation
Employee health/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 also 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/safety risk is inherently very high.	↓	Through effective social distancing protocols, wearing of personal protective equipment and collaboration with federal departments and agencies as well as all industry stakeholders on agreed upon prevention protocols, the GLPA ensured business continuity and the safety of its employees and crew members of its clients in 2020. None of the GLPA pilots or its employees contracted the virus in 2020. 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 current operational infrastructure requires the Canadian pilot 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.

↑	→	↓
Risk Increasing	Risk Stable	Risk Decreasing

Profitability / Pilotage Charge Objections / Cash Flow

Nature of Risk	Risk Trend	Current Situation
Profitability Risk and Cash Flow Risk are respectively, 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 borrowings. As part of the *Pilotage Act* provisions, customers can object to the GLPA's revised pilotage charges. Should the Canadian Transportation Agency rule against the GLPA, all revenue associated with the pilotage charges under objection are lost. Even with the GLPA trying to limit cost increases and holding regular discussions and consultation meetings with industry stakeholders to clearly communicate the rationale for the revised pilotage charges as strategies to reduce these risks, it is difficult to fully mitigate the risks given the marine industry, as a whole, experiences constant pressures to contain costs. As the GLPA is trying to eliminate its long standing accumulated deficit, at $1.8 million as at December 31, 2020, and improve its cash flow profile, revised pilotage charges need to be in excess of inflation and other operational cost increases.	↑	In addition to various cost containment initiatives, the GLPA also modified its pilotage charge strategies in 2020 to introduce a more targeted cost-recovery approach. In February 2020, the Shipping Federation of Canada, which represents most of the foreign shipping industry, filed a Notice of Objection to the GLPA's 2020 pilotage charge amendments with the Canadian Transportation Agency. In compliance with IFRS, the GLPA's 2020 audited financial statements are reported in a manner that all pilotage charges under objection are not recognized as revenue until a decision is rendered by the Canadian Transportation Agency. Thus, the report of $1.0 million loss is net of the $5.0 million pilotage charges under objection. As of the end of the year, the matter was being adjudicated by the Canadian Transportation Agency with a decision not anticipated until later in 2021.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

Marine Incidents

Nature of Risk	Risk Trend	Current Situation
Vessels transiting the Great Lakes are navigating in restricted waters and canals that are subject to wind effect, low draft and environmental (weather) conditions that can change in a moment's notice. The public and governments are extremely sensitive to environmental incidents and there is no tolerance for any type of error, be it human or mechanical. Pilotage plays an important part in the safety chain in order to eliminate or reduce the likelihood of an incident that could cause catastrophic results. Properly trained, qualified, and well-rested pilots must be provided for every assignment. Communications on the environment is also required as events change and mitigating actions are adjusted over time. The reasons for most major incidents are not limited to one action but to a series of events and, if they occur, safety measures are introduced to lower the risk of damaging the environment. The GLPA must be aware that it cannot, by istself, eliminate all marine incidents but that it has a role to play in mitigating them.	↑	The GLPA continually reviews its apprentice-pilot training program, its continuous pilot training program, as well as the pilotage certificate holder training programs. The GLPA also respects its commitment to its pilot quality assurance program with pilots being evaluated by their peers and the Director of Operations. The GLPA continually reviews and communicates Transportation Safety Board report findings and conclusions to pilots, depending on their applicability to the Great Lakes region. The GLPA continually monitors pilot fatigue. The GLPA reported a 99.8% incident-free assignment rate in 2020. Of the 14 minor incidents and no major incidents, none of these incidents resulted in loss of life, serious injuries, or any environmental spills. Reporting and investigations were carried out in 2020 following each incident by or under the direction of the Director of Operations and mitigation strategies were developed in consultations with the respective pilot group.

↑ 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 central items in various reports and are key elements in the strategic planning process for the organization. The GLPA needs to ensure that there is always a pool of skilled, trained and experienced pilots available to meet current and future needs. The GLPA is still experiencing an above average number of retirements given the age of its current pool of pilots. Thus, the GLPA needs to ensure it can recruit, train and retain apprentice-pilots to become licensed pilots to ensure quality pilotage services that are safe. In addition, in recent years, the length to train new recruits has increased considerably given candidates have less experience navigating in the Great Lakes. A shortage of licensed pilots would result in significant vessel delays. Not only is the GLPA in direct competition for a limited pool of French speaking candidates needed for the Cornwall District, the marine industry as a whole is currently experiencing a shortage of candidates interested in the profession.	→	For the last few years, pilots have been asked annually about their retirement plans. The exercise has proven beneficial since 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. Most of the retired pilots agree to return on a part-time basis for a number of years. Even though the above initiatives provide relevant information before the GLPA starts its recruitment process, the Authority is still anticipating above-average retirements in the next five years. In 2020, a sufficient number of candidates applied for the apprentice-pilot positions in all Districts because working conditions and compensation were favourable. The apprentice-pilot training program has been reviewed and kept current based on feedback and results from pilots recently licensed. Two of nine apprentice-pilots failed to complete the training required to become licensed pilots. As at December 31, 2020, there are eight apprentice-pilots who are still progressing through the training program.

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

S.J.F. Bissonnette, CPA, CA
Chief Financial Officer

Cornwall, Ontario
February 25, 2021

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 2020, 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 2020, 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
25 February 2021

Statement of Financial Position

(in Canadian dollars)

	December 31, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents	$ 14,332,841	$ 10,322,931
Investments (Note 11)	–	1,078,999
Trade and other receivables	6,571,659	5,434,477
Prepaids	55,599	25,572
	20,960,099	16,861,979
Non-current		
Property and equipment (Note 7)	492,513	597,792
Intangible assets (Note 8)	157,525	249,845
Right-of-use assets (Note 9)	191,803	248,699
	$ 21,801,940	$ 17,958,315
LIABILITIES		
Current		
Accrued salaries and benefits	$ 15,252,710	$ 15,924,686
Other accounts payable and accrued charges	1,737,408	1,204,520
Employee benefits (Note 13)	307,800	262,500
Lease liability (Note 14)	72,905	66,470
Pilotage charges under objection (Note 15)	5,017,598	–
	22,388,421	17,458,176
Non-current		
Employee benefits (Note 13)	2,114,700	2,081,100
Lease liability (Note 14)	135,203	207,834
	24,638,324	19,747,110
EQUITY		
Accumulated deficit	(2,836,384)	(1,788,795)
	$ 21,801,940	$ 17,958,315

Contingent Liability (Note 16)
Commitments (Note 20)

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

Approved by the Board of Directors and authorized for issue on February 25, 2021.

M. Bergevin, Chief Executive Officer

J. Mills, Director

Statement of Operations and Comprehensive Income

For the year ended December 31 (in Canadian dollars)

	2020	2019
REVENUES		
Pilotage charges (Note 18)	$ 37,887,923	$ 40,139,200
Pilot boat income	193,818	176,838
Interest and other income	107,132	163,780
	38,188,873	40,479,818
EXPENSES		
Pilots' salaries and benefits	27,955,469	31,697,385
Transportation and travel	3,684,655	3,770,243
Pilot boat services	2,282,132	1,676,348
Operation staff salaries and benefits	1,667,733	1,471,771
Administration staff salaries and benefits	1,056,364	1,110,312
Professional and special services	550,745	413,188
Pilot transfer services	307,686	301,545
Amortization and depreciation	298,897	282,699
Pilot training and recruiting costs	222,879	230,087
Utilities, materials and supplies	205,994	214,703
Purchased dispatching services	160,626	149,982
Pilotage Act administration fees	156,606	–
Portable pilotage units and navigation software	137,345	97,626
Communications	112,570	102,708
Repairs and maintenance	62,781	39,526
Depreciation of right of use asset	61,996	60,747
Interest and bank charges	35,233	24,475
Rentals	33,157	16,284
Interest on lease liability	5,694	7,563
	38,998,562	41,667,192
Profit (loss) for the year	(809,689)	(1,187,374)
Other comprehensive income		
Items that will not be reclassified to net results		
Actuarial gain (loss) on employee benefits (Note 13)	(237,900)	(63,700)
	(237,900)	(63,700)
Comprehensive income (loss) for the year	$ (1,047,589)	$ (1,251,074)

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)

	2020	2019
Accumulated deficit, beginning of year	$ (1,788,795)	$ (537,721)
Profit (loss) for the year	(809,689)	(1,187,374)
Other comprehensive income (loss) for the year	(237,900)	(63,700)
Total comprehensive income (loss) for the year	(1,047,589)	(1,251,074)
Accumulated deficit, end of year	(2,836,384)	(1,788,795)

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

Statement of Cash Flows

For the year ended December 31 (in Canadian dollars)

	2020	2019
OPERATING ACTIVITIES		
Profit (loss) for the year	$ (809,689)	$ (1,187,374)
Adjustments to determine net cash (used in) provided by operating activities:		
Employee benefits	(159,000)	(59,600)
Amortization and depreciation	298,897	282,699
Depreciation of right of use assets	61,996	60,747
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(1,137,182)	(1,287,562)
Decrease (increase) in prepaids	(30,027)	2,018
Increase (decrease) in accrued salaries and benefits	(671,976)	3,231,269
Increase (decrease) in other accounts payable and accrued charges	532,888	227,156
Increase (decrease) in pilotage charges under objection	5,017,598	–
Net cash (used in) provided by operating activities	$ 3,103,505	$ 1,269,353
INVESTING ACTIVITIES		
Purchase of investments	–	(2,426,377)
Disposal of investments	1,078,999	5,180,666
Acquisition of property and equipment and intangible assets	(101,298)	(265,024)
Net cash (used in) provided by investing activities	977,701	2,489,265
FINANCING ACTIVITIES		
Payment of the lease liability	(71,296)	(74,146)
Net cash (used in) provided by financing activities	(71,296)	(74,146)
CASH AND CASH EQUIVALENTS		
Net increase (decrease) in cash during the year	4,009,910	3,684,472
Balance, beginning of year	10,322,931	6,638,459
Balance, end of year	$ 14,332,841	$ 10,322,931
Represented by:		
Cash	$ 14,332,841	10,322,931
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, 2020
(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 Authority shall, with the approval of the Governor in Council, make regulations prescribing tariffs of pilotage charges to be paid to that Authority. The tariff approval process is set out in the *Pilotage Act*. Consequently, the Authority must first publish the proposed tariff regulation in the *Canada Gazette*. Any person who has reason to believe that a regulation in this proposal is not in the public interest may file a notice of objection, setting out the grounds therefore, with the Canadian Transportation Agency (CTA) within thirty days following publication of the proposed regulation in the *Canada Gazette*. In such a case, the CTA must investigate the proposed regulation as necessary or desirable in the public interest, including the holding of public hearings. Once its investigation is complete, the CTA must make a recommendation within 120 days following the receipt of notices of objection, and the Authority is required to govern itself accordingly. The CTA is an entity related to the Authority as an organization of the federal government.

The tariffs may come into force 30 days after their publication in the *Canada Gazette*. However, where the CTA recommends a pilotage charge that is lower than that fixed by the Authority, the Authority is required to reimburse the difference between this charge and the charge recommended by the CTA, plus interest, to any person who has paid the fixed charge. The *Pilotage Act* stipulates that the Governor in Council may amend or cancel a recommendation of the CTA.

The tariffs of pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs fixed are intended to allow the Authority to recover costs.

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 25, 2021.

(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 2020.

4. Significant accounting policies

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash equivalents represent short-term readily convertible investments that mature within 3 months and consist of Canadian dollar deposits held by a Canadian chartered bank earning a weighted average interest rate of 1.84% (2019 – 1.79%).

(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 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, 2019 – 8.3 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 plus the change in the actuarial liability during the year, reduced by a retiree contribution. There are 12 (December 31, 2019 – 15) participants in this closed plan with an average age of 88 years (December 31, 2019 – 88) and an average death benefit of $15,300 as of December 31, 2020 (December 31, 2019 – $15,000). There is also a spousal death benefit for 9 (December 31, 2019 – 11) participants at a fixed amount of $2,000 each as of December 31, 2020 and December 31, 2019.

(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.

Pursuant to 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 credited against the allowance account. 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 liabilities 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.

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 $6,571,659 as at December 31, 2020 (December 31, 2019 – $5,434,477). There is no concentration of accounts receivable with any one customer. As at December 31, 2020, 2.4% (December 31, 2019 – 0.5%) of accounts receivable were over 90 days past due, whereas 77% (December 31, 2019 – 93%) 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, 2020 and at December 31, 2019.

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, 2020, the Authority was not using the line of credit (December 31, 2019 – nil). During the year, the interest expense was nil (2019 – nil). The Authority took measures to obtain a line of credit in order to meet its financial obligation. As at December 31, 2020 and December 31, 2019, 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 $16,990,118 (December 31, 2019 – $17,129,206). As at December 31, 2020 (December 31, 2019 – 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.

(a) Interest rate risk:

The Authority's cash equivalent and investments include current and non-current liquid investments. It is management's opinion that the Authority is not exposed to any significant interest rate risk.

(b) 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.

7. Property and equipment

	Buildings	Furniture	Leasehold improvements	Communication and computer equipment	Projects in Progress	Total
Cost						
At January 1, 2019	$ 190,260	$ 239,487	$ 210,280	$ 499,030	$ –	$1,139,057
Assets acquired	165,399	11,346	–	39,568	–	216,313
Disposals	–	–	–	(39,285)	–	(39,285)
Transfers	–	–	–	–	–	–
At December 31, 2019	$ 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**
Accumulated depreciation						
At January 1, 2019	$ 58,540	$ 146,858	$ 130,656	$ 243,701	$ –	$ 579,755
Depreciation for the year	15,859	16,927	16,628	128,409	–	177,823
Disposals	–	–	–	(39,285)	–	(39,285)
Transfers	–	–	–	–	–	–
At December 31, 2019	$ 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**
Carrying amounts						
At December 31, 2019	$ 281,260	$ 87,048	$ 62,996	$ 166,488	$ –	$ 597,792
At December 31, 2020	**$ 267,466**	**$ 93,399**	**$ 75,389**	**$ 56,259**	**$ –**	**$ 492,513**

8. Intangible assets

	Software	Projects in Progress	Total
Cost			
At January 1, 2019	$ 505,880	$ 50,000	$ 555,880
Assets acquired	48,711	–	48,711
Disposals	–	–	–
Transfers	50,000	(50,000)	–
At December 31, 2019	$ 604,591	$ –	$ 604,591
Assets acquired	16,168	–	16,168
Disposals	–	–	–
Transfers	–	–	–
At December 31, 2020	**$ 620,759**	**$ –**	**$ 620,759**
Accumulated amortization			
At January 1, 2019	$ 249,870	$ –	$ 249,870
Amortization for the year	104,876	–	104,876
Disposals	–	–	–
Transfers	–	–	–
At December 31, 2019	$ 354,746	$ –	$ 354,746
Amortization for the year	108,488	–	108,488
Disposals	–	–	–
Transfers	–	–	–
At December 31, 2020	**$ 463,234**	**$ –**	**$ 463,234**
Carrying amounts			
At December 31, 2019	$ 249,845	$ –	$ 249,845
At December 31, 2020	**$ 157,525**	**$ –**	**$ 157,525**

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, 2019	$ 340,752	$ 340,752
Re-measurement	7,698	7,698
Reclass of deferred lease inducements	(39,004)	(39,004)
At December 31, 2019	$ 309,446	$ 309,446
Re-measurement	5,100	5,100
Additions	–	–
At December 31, 2020	**$ 314,546**	**$ 314,546**
Accumulated Depreciation		
At January 1, 2019	–	–
Depreciation for the year	60,747	60,747
At December 31, 2019	$ 60,747	$ 60,747
Depreciation for the year	61,996	61,996
Additions	–	–
At December 31, 2020	**$ 122,743**	**$ 122,743**
Carrying amounts		
At December 31, 2019	$ 248,699	$ 248,699
At December 31, 2020	**$ 191,803**	**$ 191,803**

10. Bank indebtedness and bank overdraft

Bank indebtedness and bank overdraft at December 31 was nil for 2020 and 2019.

11. Investments

Cash is evaluated at a Level 1 at December 31, 2020 and December 31, 2019. Cash equivalents and investments are evaluated at a Level 2 at December 31, 2020 and December 31, 2019. The Authority did not have Level 3 financial instruments at December 31, 2020 and December 31, 2019.

Fair value of the Level 2 investments has been determined based on quoted market prices at financial year's closing day, obtained from independent brokers.

	Fair values			
At December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Current bonds	**$ –**	**$ –**	**$ –**	**$ –**
Non-current bonds	**–**	**–**	**–**	**–**
Total Investments	**$ –**	**$ –**	**$ –**	**$ –**

	Fair values			
At December 31, 2019	Level 1	Level 2	Level 3	Total
Current bonds	$ –	$ 1,078,999	$ –	$ 1,078,999
Non-current bonds	–	–	–	–
Total Investments	$ –	$ 1,078,999	–	$ 1,078,999

The interest earned during the year was $11,256 (2019 – $64,768). The annualized rates of return during the period on these investments were between 1.80% and 1.88%.

12. 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 (2019 – $1.01 and $1.00 respectively) for every dollar contributed by the employee. If an employee's annual salary is greater than $173,000 (2019 – $169,300), the portion of the employee's salary above this amount is subject to an employer contribution of $3.80 (2019 – $3.79) for every dollar contributed by the employee. Contributions during the year were as follows:

	December 31, 2020	December 31, 2019
Authority	$ 1,142,450	$ 1,216,169
Employee	1,240,490	1,199,352
Total contributions	$ 2,382,940	$ 2,415,521

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 $1,401,372 will be made to the plan in 2021.

13. 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 3.7 years (2019 – 5.0 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 $92,000. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $82,800.

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 2020 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, 2020	December 31, 2019
RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
Defined benefit obligation, beginning of year	$ 2,168,800	$ 2,168,200
Current service cost	–	–
Interest cost	58,200	73,600
Benefits paid	(182,800)	(131,600)
Curtailment	–	–
Actuarial loss (gain)	230,300	58,600
Defined benefit obligation, end of year	$ 2,274,500	$ 2,168,800
COMPONENTS OF EXPENSE RECOGNIZED IN PROFIT AND LOSS		
Current service cost	$ –	$ –
Interest cost	58,200	73,600
Curtailment	–	–
Total expense recognized in profit and loss	$ 58,200	$ 73,600
ANALYSIS OF ACTUARIAL GAIN OR LOSS		
Experience	$ 147,400	$ –
Change in financial assumptions	82,900	58,600
Change in demographic assumptions	–	–
Actuarial loss (gain)	$ 230,300	$ 58,600
CLASSIFICATION OF DEFINED BENEFIT OBLIGATION		
Current portion	$ 292,100	$ 247,600
Non-current portion	1,982,400	1,921,200
Defined benefit obligation, end of year	$ 2,274,500	$ 2,168,800
KEY ASSUMPTIONS USED IN THE ACTUARIAL VALUATION		
Discount rate	1.80%	2.80%
Estimated salary rate increase	2.00%-2.50%	2.00%-3.00%
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 2021.

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 5.9 years (2019 – 6.1 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 $9,200. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $8,400.

The method to determine the discount rate did not change in 2020 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, 2020	December 31, 2019
RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
Defined benefit obligation, beginning of year	$ 174,800	$ 171,300
Current service cost	–	–
Interest cost	4,500	5,900
Benefits paid	(43,800)	(13,000)
Retirees' contributions	4,900	5,500
Actuarial loss (gain)	7,600	5,100
Defined benefit obligation, end of year	$ 148,000	$ 174,800
COMPONENTS OF EXPENSE RECOGNIZED IN PROFIT AND LOSS		
Current service cost	$ –	$ –
Interest cost	4,500	5,900
Total expense recognized in profit and loss	$ 4,500	$ 5,900
ANALYSIS OF ACTUARIAL GAIN OR LOSS		
Experience	$ (1,600)	$ –
Change in financial assumptions	9,200	5,100
Change in demographic assumptions	–	–
Actuarial loss (gain)	$ 7,600	$ 5,100
CLASSIFICATION OF DEFINED BENEFIT OBLIGATION		
Current portion	$ 15,700	$ 14,900
Non-current portion	132,300	159,900
Defined benefit obligation, end of year	$ 148,000	$ 174,800
KEY ASSUMPTIONS USED IN THE ACTUARIAL VALUATION		
Discount rate	1.80%	2.90%

The Administration expects that no contributions will be made to the plan in 2021.

14. Lease Liability

The Authority's outstanding lease liability is:

	December 31, 2020	December 31, 2019
Cornwall Head Office Lease: Lease payable in monthly installments including interest at 3.95%, amortized over 5 years, term ending January 31, 2024	$ 208,108	$ 274,304
Current portion	72,905	66,470
Non-current portion	135,203	207,834
Carrying amount, end of the period	$ 208,108	$ 274,304

Interest expense on the lease for the year 2020 amounted to $5,694.

15. Pilotage charges under objection

On February 10, 2020, the 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 issue 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 will proceed to adjudication and requested the Authority to produce and file additional information and documents in December 2020. To date, this matter is still under the review of the CTA and a decision is not expected in the near future as to whether the pilotage charges under objection will be accepted as published or if they are to be rejected.

As the amount of consideration is highly susceptible to factors outside of the Authority's influence and that the Authority does not have any historical experience with similar pilotage charge objections, the Authority is not able to reasonably predict the outcome of the objection. Given this uncertainty to predict the decision outcome and the inability to reasonably estimate the consideration of the CTA's decision, all pilotage charges under objection, along with applicable interest, have been recorded as a current liability under "Pilotage charges under objection" on the Statement of Financial Position given the possibility to reimburse customers for all pilotages that are rejected.

16. 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.

17. Capital management

The Authority's capital is its equity, which consists of accumulated deficit of $2,836,384 (2019 – $1,788,795).

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 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 tariffs of 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.

18. Pilotage Charges

The following table presents pilotage charges disaggregated by revenue source for the years 2020 and 2019:

	December 31, 2020	December 31, 2019
Basic pilotage fees	$ 33,794,807	$ 35,531,116
Docking/undocking	2,145,922	1,307,922
Delays/detentions	255,929	640,791
Cancellations	286,255	293,013
Pilot transfers	323,408	318,559
Pilot Boat charges	795,604	185,900
Continued transit charge	3,132,250	–
Transport Canada Administration Recovery	157,869	–
Surcharges	2,008,087	1,861,899
Pilot charges under objection	(5,012,208)	–
Total pilotage charges	$ 37,887,923	$ 40,139,200

Pilotage charges under objection include (i) the 3% general increase on the basic pilotage fees, delays/detentions, and cancellations, (ii) the standardization fee of the docking and undocking fees, (iii) and the introduction of the continued transit charge.

19. 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, 2020, and 2019 included:

	December 31, 2020	December 31, 2019
Compensation and short-term employee benefits	$ 667,094	$ 670,404
Post-employment benefits	73,024	64,208
	$ 740,118	$ 734,612

20. Commitments

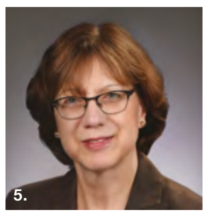
The Authority has commitments as at the statement of financial position date in respect of pilot boat services, simulator services for pilot training, support contract for the Authority's dispatch system, and contract for fatigue management course and an IPad lease agreement. Future minimum rental and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

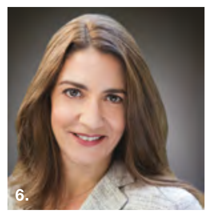
	December 31, 2020	December 31, 2019
Less than 1 year	$ 669,314	$ 674,245
Between 1 and 5 years	805,256	1,331,238
More than 5 years	1,320	1,760
	$ 1,475,890	$ 2,007,243

21. Non-monetary transactions

The Authority recorded revenue from non-monetary transactions of $115,674 (2019 – $110,936) under "Pilot boat income" and expenses from non-monetary transactions of $115,674 (2019 – $110,936) 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.

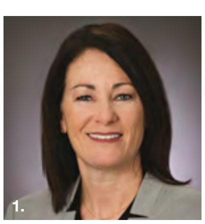
Board of Directors

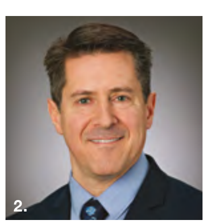




1. **Captain James Pound**
   Chairperson
2. **Vered Kaminker**
   Chairperson – Risk Committee
3. **Julie Mills**
   Chairperson – Audit Committee
4. **Josée-Christine Boilard**
   Acting Chairperson – Governance and Human Resources Committee
5. **Ginette Brindle**
   Member
6. **Teena Fazio**
   Member

Executive Officers





1. **Michèle Bergevin**
   Chief Executive Officer
2. **Stéphane J.F. Bissonnette, CPA, CA**
   Chief Financial Officer
3. **Captain Diane Couture**
   Director of Operations

GREAT LAKES PILOTAGE AUTHORITY

HEAD OFFICE

202 Pitt Street, 2nd Floor
P.O. Box 95
Cornwall, Ontario
K6H 5R9

Phone: (613) 933-2991
Facsimile: (613) 932-3793

WEBSITE

glpa-apgl.com

GRAPHIC DESIGN

Gauthier Designers

PHOTOS

All photos in this report were taken
by Authority Pilots

*Ce document est aussi
disponible en français.*