

# GREAT LAKES PILOTAGE AUTHORITY



## CORPORATE PLAN SUMMARY

2018 to 2022

Approved by the Board

OCTOBER 20, 2017

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## 1. EXECUTIVE SUMMARY

The Great Lakes Pilotage Authority (the Authority) continues to face challenging times as it tries to balance its responsibility to be financially self-sufficient while maintaining its progressive and reliable pilotage services which are safe, environmentally sensitive, efficient and economical. The Authority historically benefitted from a stable pilot workforce with minimal turnover. However, the Authority has been experiencing an abnormally high level of pilot employee retirements (i.e. approximately 33% of the pilot workforce) in the last few years and expects to see this trend continue over the planning period. At the same time, service demands have significantly increased since 2013. The Authority has identified pilot succession as a critical risk as it plays a critical role in the following issues:

### *Elimination of the Accumulated Deficit by 2019:*

The Authority entered 2017 with a \$1.6 million accumulated deficit. With a strong demand for pilotage services forecasted for 2017, the Authority is expecting to generate a \$0.5 million surplus in 2017 to reduce the accumulated deficit to \$1.1 million. With the tariff strategy for 2018 and 2019 averaging increases of 4.15% and 2.78% respectively, coupled with cost containment strategies on labour costs, the Authority is targeting to eliminate this accumulated deficit by the end of 2019.

### *Extension of the Apprentice Pilot Training Surcharge:*

The Authority currently has a 5.0% apprentice pilot training surcharge in its tariffs until the end of 2019. This surcharge strategy was jointly developed with the industry to address the significantly high apprentice pilot recruiting and training costs associated to replace retiring pilots and increase the pilot numbers to better service the level of pilotage demands. In recent years, the number of assignments have increased over 50% from 2009, when the pilot numbers were reduced to counter the lost in pilotage revenue.

### *Reliable Pilotage Services:*

The Authority has been experiencing high levels of vessel delays due to a shortage of pilots since 2014 and the trend is expected to continue in 2017. Pilot numbers are established prior to the start of the navigation season based on the budgeted pilot assignments. When pilot assignments materialize at higher levels of 6% to 22%, vessel delays due to a shortage of pilots are inevitable. The Authority's customers have expressed their dissatisfaction with these levels of delays. As to provide a more reliable service, the Authority has planned to increase its number of pilots during the planning period.

### *Pilot Succession:*

The demographics of the pilot employees highlight a significant risk that a great number of pilots may decide to retire in the short term. The Authority has been working with its pilots to identify potential retirement dates over the course of the planning period as to ensure apprentice pilots are hired and trained in a timely manner as to minimize potential disruptions to its services. Along with the need to hire apprentice pilots to the current levels of pilot retirements, the traffic over the last few years as well as the anticipated traffic for the planning period requires the Authority to increase its pilot numbers during the planning period.

### Technology Innovations:

The Authority continues to assess its operational risks and develops action plans to mitigate such risks. It is with this thought process that the Authority has invested in new technologies. At the start of the 2017 navigation season, the Authority implemented an upgrade to its dispatching and billing system. This upgrade does not only benefit the Authority but also enhances its business dealings with its customers.

In March 2017, the Authority also replaced all the pilots' portable pilotage units to take advantage of the most recent technological advances to improve safety and efficiencies.

### Board of Directors Appointments:

The Authority currently has the Chair position and two other Board members with expired terms and awaits the Privy Council Office to appoint a new Board Chair and initiate the recruitment process for the other two board member positions. The timing of the new appointment and reappointment process is crucial to ensure the Board's effectiveness and efficiencies.

## 2. CORPORATE PROFILE, MANDATE AND GOVERNANCE

### 2.1 MANDATE

The mandate of the Authority is to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that the pilotage tariffs shall be fair, reasonable and sufficient and, together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

### 2.2 CORPORATE PROFILE

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 1<sup>st</sup>, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11<sup>th</sup>, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority is deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a non-agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* which does not receive Federal appropriations and is exempt from any income taxes. On October 1<sup>st</sup>, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority and has surrendered its charter under the *Canada Business Corporations Act*.

#### POWERS

To carry out its responsibilities, pursuant to the *Pilotage Act*, the Authority has the ability to establish regulations needed to achieve its objectives, subject to approval by Order-in-Council. Examples include:

1. The establishment of compulsory pilotage areas.
2. The prescription of the ships or classes of ships subject to compulsory pilotage.
3. The prescription of the classes of pilot licenses and classes of pilotage certificates that may be issued.
4. The prescription of the tariffs of pilotage charges to be paid to the Authority for pilotage services.

#### CORPORATE OBJECTIVES

The Authority's corporate objectives are:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To provide the above services within a commercially-oriented framework directed towards achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.

The Authority must follow the *Pilotage Act's* directions under Section 33(3) when it comes to tariffs. The tariffs of pilotage charges prescribed by an Authority under the Act shall be fixed at a level that permits the Authority to operate on a self-sustaining financial basis and shall be fair and reasonable.

Under Section 36.01 of the *Pilotage Act*, the Authority cannot receive any payment under an appropriation by Parliament to enable the Authority to discharge an obligation or liability.

## FURTHER CORPORATE INFORMATION

Further corporate information regarding the Authority can be found in its 2016 Annual Report, which can be accessed from its website <http://www.glp-a-pq.com/reports-and-documents/financial-reports>.

## 2.3 GOVERNANCE AND ACCOUNTABILITY

The Board of Directors reports to the Minister of Transport and consists of the Chair and six other Directors. The Chair of the Board is appointed by the Governor in Council on the recommendation of the Minister of Transport. The other Directors are appointed by the Minister of Transport with the approval of the Governor in Council. The Chairperson position is currently vacant and the terms of two other Directors have expired.

<i>Board Member</i>	<i>Term Expiration Date</i>	<i>Length of Service</i>	
<i>Ms. Danièle Dion, Acting Chair</i>	<i>2018-11</i>	<i>5 years</i>	<i>Public Interest Representative</i>
<i>Mr. Terry Geddes</i>	<i>2015-12</i>	<i>11 years</i>	<i>Public Interest Representative</i>
<i>Captain Michael Pratt</i>	<i>2017-08</i>	<i>10 years</i>	<i>Pilot Representative</i>
<i>Mr. David Grieve</i>	<i>2018-02</i>	<i>6 years</i>	<i>Industry Representative</i>
<i>Captain Jim Pound</i>	<i>2018-02</i>	<i>2 years</i>	<i>Industry Representative</i>
<i>Captain Michel Desrochers</i>	<i>2018-10</i>	<i>8 years</i>	<i>Pilot Representative</i>
<i>Vacant - Board Chair</i>			<i>Public Interest Representative</i>

### Role of the Board of Directors

Similar to other Crown corporations, the Authority operates at arm's length from its sole shareholder, the Government of Canada. While the shareholder provides policy direction for the corporation's ongoing operations, as stated in the *Financial Administration Act*, the Authority's Board of Directors is responsible for overseeing the strategic direction and management of the Authority and approves all strategies, initiatives, budgets, corporate plans, all high-value contracts, and the performance agreement for the Chief Executive Officer (CEO) as well as his performance evaluation. The Board ensures that the Authority maintains the highest standards in operating a safe, efficient and cost-effective pilotage service. The Board meets at least five times a year with other meetings scheduled as needed.

### Committees

Two standing committees assist the Board in oversight: the Audit Committee and the Governance and Human Resources Committee.

### Reporting

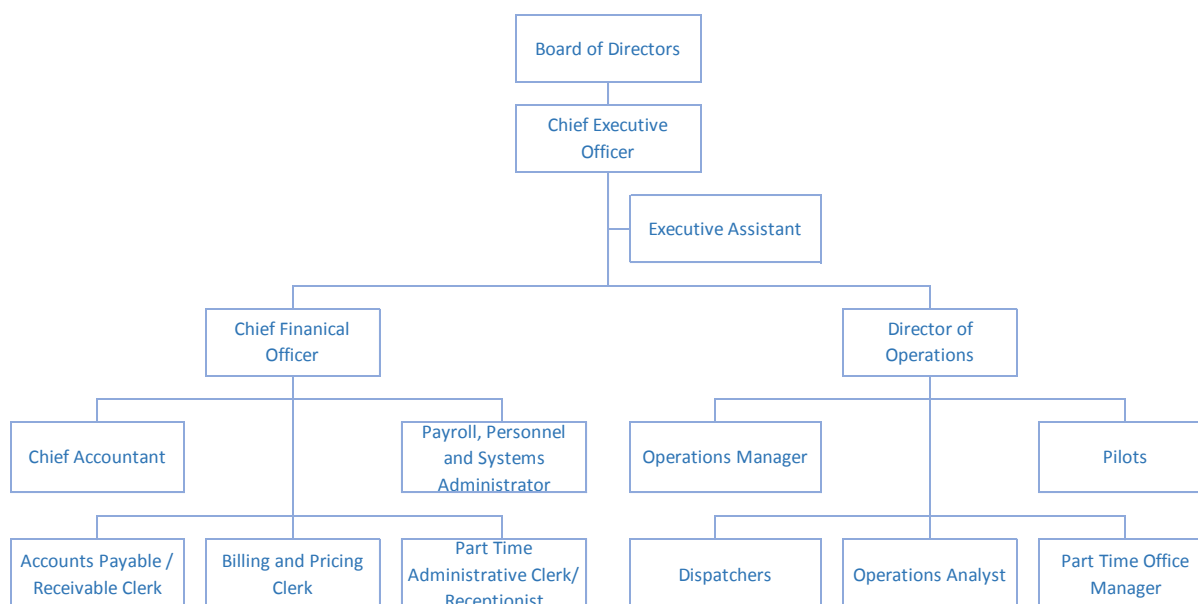
The Officers of the Authority are the CEO and the Chief Financial Officer (CFO). The Officers report to the Board through the Chair at each meeting of the Directors on various areas of their responsibilities. Ongoing and new policy matters are discussed and corporate direction is provided.

The Authority reports to the Minister of Transport through its Annual Report, which includes the Auditor General's report as required under section 150(1) of the *Financial Administration Act* (FAA).

### Organizational Structure of the Authority

The Authority's CEO is responsible to plan, organize, direct and control the business of the Authority and reports to the Chair and the Board of Directors. The CEO is appointed by the members of the Board of Directors pursuant to section 13. (1.1) of the *Pilotage Act*. The remuneration of the CEO is fixed by an Order of the GIC.

The Authority's organizational chart is as follows:



## 3. BUSINESS ENVIRONMENT

### 3.1 CURRENT SITUATION

#### Government Priorities

The delivery of pilotage services in compulsory pilotage areas supports both the Government's economic and environmental goals. Safe and reliable pilotage services assist in facilitating the movement of goods and people and yields economic benefits to Canada. Pilotage services also contribute to fulfilling environmental goals through the safe transportation of commodities and hazardous materials.

#### DESCRIPTION OF THE OPERATIONS

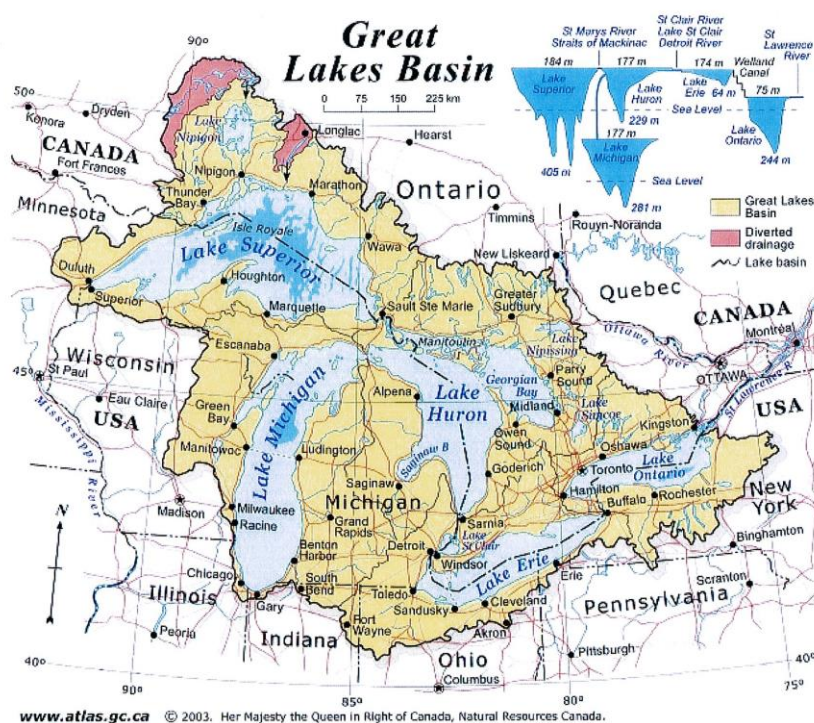
The Authority operates, in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

Services are provided through the performance of pilotage assignments to those vessels entering the region which are subject to compulsory pilotage by pilots employed by the Authority, using pilot boats contracted by the Authority and dispatch services, both controlled from the Authority's Headquarters in Cornwall, Ontario.

The Authority must co-ordinate its efforts and operations with many other organizations such as the St. Lawrence Seaway Management Corporation and the United States St. Lawrence Seaway Development Corporation, who operate the lock facilities and maintain traffic control systems within the Region, the Canadian Coast Guard who provide aids to navigation, and the United States Coast Guard who are responsible for the United States pilotage matters in international waters.

The Authority operates in the following six regions:

- Cornwall District
- International District No. 1
- Lake Ontario
- International District No. 2 (including the Welland Canal)
- International District No. 3 (including Lakes Huron, Michigan and Superior)
- The Port of Churchill, Manitoba



### Cornwall District

The Cornwall District is defined as the Canadian waters of the St. Lawrence River between the northern entrance to St. Lambert Lock and the pilot boarding station near St. Regis in the Province of Quebec (i.e. Snell Lock). The district is divided in two sections: the northern section extending from St. Lambert Lock to Beauharnois Lock and the southern section from Beauharnois to the Snell Lock. Pilots are divided and interchanged between these two sections. The pilots employed in the district are members of the *Corporation des Pilotes du Fleuve et de la Voie Maritime du Saint-Laurent*.

All dispatches are made from Cornwall.



### [International District No. 1](#)

International District No. 1 is 103 miles long and consists of the waters of the St. Lawrence River, between Snell Lock and Cape Vincent, New York at the entrance to Lake Ontario, and includes the Eisenhower and Iroquois Locks. There are both Canadian and U.S. pilots in this district. The Canadian pilots are members of the Corporation of the Upper St. Lawrence Pilots. In District 1, Canadian pilots are licensed strictly for the District.

A *Memorandum of Arrangements* between Canada and the U.S. dictates that Canadian pilotage takes twenty (20) out of every thirty-four (34) assignments, or 58.82 percent, of all dispatches in the district.

Each country dispatches its own pilots.

### [International District Lake Ontario](#)

Lake Ontario is also serviced by both Canadian and U.S. pilots. The Canadian pilots are members of the Pilots' Corporation, Lake Ontario and Harbours and are specifically licensed to service Lake Ontario and its harbours. As per a *Memorandum of Arrangements*, Canadian and U.S. pilots share assignments equally on Lake Ontario.

Each country dispatches its own pilots.

### [International District No. 2 \(including the Welland Canal\)](#)

This district consists of the Welland Canal, Lake Erie, Lake St. Clair and the Detroit and St. Clair Rivers. The pilot boarding or change points are located at Port Weller, Lock 7 in the Welland Canal, as well as Port Colborne, Detroit and Port Huron. The Canadian pilots are members of the Corporation of Professional Great Lakes Pilots, all of whom are licensed to serve the entire District.

The *Memorandum of Arrangements* dictates the dispatch allocations in the following manner:

Welland Canal	- Canadian pilots only
Port Colborne - Detroit	- Canadian pilots are assigned 50 percent of the through transits
Detroit - Port Huron	- three (3) of eight (8) ships take Canadian pilots.

In addition, Canadian pilots are dispatched to all ships destined to or departing from Canadian ports within the District.

### [International District No. 3](#)

International District No. 3 is defined as the Canadian waters of the St. Mary's River connecting Lakes Huron and Superior and includes Lakes Huron, Michigan and Superior. Pilots employed by the Authority in this District are all members of the same Corporation as the District No. 2 pilots. Ships going to ports on Lakes Michigan or Huron from Port Huron keep the pilot on board. Ships destined for Lake Superior ports change pilots at Detour where a District pilot takes them through the St. Mary's River to Gros Cap. A lake pilot will then board the ships at that point guiding them to their final destination. The *Memorandum of Understanding* between the United States Coast Guard and the Authority does not specify the division of assignments between Canadian and U.S. pilots but states that Canadian pilotage is to receive 18.9 percent of the revenue generated in the district for the season.

All administrative and dispatching functions are performed by the U.S.

### Port of Churchill

The Port of Churchill, Manitoba falls under the Authority's jurisdiction and is accessible for only a few months of the year. The normal pilotage operation consists of three manoeuvres, that is, piloting the ship into the harbour, turning the ship, and piloting the ship out of the harbour.

The Authority's Canadian Lake Ontario pilots are licensed to perform all pilotage duties in the Port of Churchill on an as needed basis.

## **3.2 EMERGING TRENDS: THREATS AND OPPORTUNITIES**

### ANALYSIS OF THE EXTERNAL COMMERCIAL ENVIRONMENT

The Authority's traffic volume and patterns are determined by a very complex combination of business, economic and environmental factors which are unpredictable and their impact can mean the difference between a break-even financial position and operating at a loss for the Authority. Below are a few of the business, economic, and environmental factors that affect the Authority's business:

#### **(1) GRAIN EXPORTS**

Canadian grain going into the Asian market is moved through the Port of Vancouver/Prince Rupert on foreign ships. The grain going to Africa, Europe and the Middle East is moved from Thunder Bay to market on foreign ships or from Thunder Bay to East Coast ports (Montreal, Quebec, Sept Iles) on Canadian ships then moved to market on foreign ships. The majority of the Canadian grain crop is shipped through the West for the Asian market.

Grain exports through the Great Lakes are also dependent on the quality of the crop and selling prices. Should the crop quality be lower than standard, the grain may be kept in storage as to blend with better quality grain. When the grain prices are below expectations, the grain may be held longer waiting for better pricing. Both issues can delay the need to ship grain from the Great Lakes.

The Authority is expecting demand in the last 5 months of fiscal 2017 to be fairly similar to 2016. Even though crop production and supply are forecasted to be slightly lower than 2016, total exports are expected to increase due to the low value of the Canadian dollar. The Authority does not have any direct knowledge as to crop quality, crop prices or rail movement for the other years of the planning period.

#### **(2) STEEL IMPORTS/EXPORTS**

The Great Lakes region of North America sees most of the U.S.'s steel making industry in cities such as Cleveland, Toledo, Detroit, Chicago and a great deal of steel is destined for domestic markets. The reorganization of the North American auto industry has caused steel companies to reduce their output by over 50% in 2009. The Authority saw a slight improvement in the 2016 steel trade and continues to see an increase in 2017. The Authority expects these slight improvements experienced in 2016 and 2017 to be maintained during the planning period as the US continues to invest in updating and replacing its current infrastructure. However, the media has been reporting that the U.S. may consider possible import duties on steel which could negatively impact the traffic levels on the Great Lakes.

#### **(3) GLOBAL ECONOMY**

Although some growth has occurred in recent years, the global economy's continued growth remains uncertain given mounting trade protectionism, elevated debt levels and the impacts of

Brexit. The global GDP growth in 2017 is expected to be close to 3.4% and forecasted to be 3.5% for 2018. The GDP growth in advanced economies is expected to be 1.9% for both years and 4.3% for 2017 and 4.5% for 2018 growth in the emerging economies (source: National Bank of Canada, *Monthly Economic Monitor*, July/August 2017).

Trade-war fears are a concern for the global economy. The United States' "America First" policies could trigger potential negative implications as other countries could trigger similar escalations in tariffs and other trade barriers. Should this hold true, it would put into reverse the process of trade liberalization that has been favourable for the United States' economy around the Great Lakes.

#### Canadian and American Economy:

During periods of economic growth, the Canadian/American economies are in an export mode. A great portion of the exports are shipped on vessels to international markets from the Great Lakes regions and pilot services are required on these vessels. Conversely, during years of economic downturns, export to trading countries usually falls off, therefore reducing the need for pilots as fewer ships are trading internationally.

As the Authority, like the rest of the world, is not able to forecast these trends with any accuracy, it is difficult to anticipate the pilot number requirements. It reacts to the conditions once they manifest themselves. Economic experts agree that the recession of 2008 and 2009 is now over and slow but improving growth is expected for the planning period. This is evidenced by the consistent level of traffic in recent years due to the resurgent U.S. economy.

#### (4) VALUE OF THE CANADIAN DOLLAR

The higher value of the Canadian dollar vis-à-vis the American currency has a significant negative impact on the Authority in the form of lower exports coming out of Canada. The Authority has no control over the Canadian dollar value. The Canadian dollar is currently considered to be favourable for marine transportation in the Great Lakes as the Authority has seen increases of Canadian exports to U.S. and international markets. Some of these exports are traded on international vessels which required the services of pilots. Should the value of the Canadian dollar remain as is, it is expected that traffic will remain stable during the planning period.

#### (5) EURO ZONE POST-BREXIT

In 2016, the United Kingdom voted to leave the European Union. Given the uncertainties and complications, not only could there be trading implications in terms of trade with Britain but also with the European Union. Canada entered into the Comprehensive Economic and Trade Agreement (CETA) with the European Union in May 2017 and it is expected to be in force in late September 2017. The economists expect modest economic gains for Canada which could translate into a modest traffic increase on the Great Lakes.

#### CONCLUSION

The Authority works in an environment where the factors above can affect its operation significantly. The factors on their own, or in concert with each other, cannot be forecasted with any accuracy. The Authority can only be reactive, and not proactive, to changes in the environmental factors. The industry and users have indicated that they are willing to fund the elimination of the Authority's accumulated deficit and are no longer ready to accept delays to achieve this. Based on past experiences, when demand increases slightly (1%), delays can increase significantly which are very costly to the users. Although the economic conditions appear to have improved in 2017 with a projected 7% increase vs. 2016, the Authority is expecting that the level of traffic for the planning period to drop back to the levels experienced in 2016, which approximates the 5-year average.

## ANALYSIS OF THE OPERATIONAL ENVIRONMENT

The following is a list of key strategic issues facing the Authority based on its assessment of recent events and external factors.

### (1) TRAFFIC VOLUME

Pilotage service is provided to almost entirely ocean-going vessels (85% of pilotage assignments) although Canadian tankers and non-ocean-going vessels (15% of pilotage assignments) are using the Authority's pilotage services on a more consistent basis.

Marine traffic during the planning period will be heavily dependent on grain exports and steel movements in and out of the Great Lakes ports. Traffic through the Welland Canal to ports in the upper lakes is important for revenue generation.

In the Auditor General of Canada's April 2008 Special Examination Report, the report indicated that fluctuating traffic volume can have a major effect on the Authority's financial situation, specifically the Auditor General stated that,

"65. All the stakeholders that we interviewed believe that the demand for pilotage services is difficult to predict. The locks in the Seaway limit transportation by container and thus the diversity of products transported; mining products (mainly iron and steel) and grain shipped in bulk account for more than half of the cargo shipped in the region. Traffic volumes depend greatly on economic conditions, domestic and international government policies on products, and climate conditions. These factors can cause traffic volumes to vary from year to year, and also from month to month during the nine-month navigation season."

The historical levels of pilotage assignments have fluctuated significantly at times as supported by year to year traffic increase/decrease of over 10% (refer to section 12 *Financial Statements: Assumptions Used For Development of the Corporate Plan*). The 2008 and 2009 pilotage assignments decreased by 42% from 2007 and then the 2010 actual pilotage assignments increased by 36% from 2009. Forecasted traffic for 2017 is now expected to be 7.0% greater than the 7,000 assignments previously budgeted. Based on industry consultation, pilot assignments for the planning period should be maintained around 7,000 assignments. Being able to reasonably predict traffic volume is crucial for the Authority to effectively and efficiently service its customers and help manufacturing and agriculture entities get goods to and from foreign markets.

### (2) PILOTAGE TARIFF POLICY

As to finance its activities, the Authority charges users for its services through a tariff. As dictated in the *Pilotage Act*, tariffs are intended to be fair, reasonable and sufficient to allow for a safe and efficient service while ensuring financial self-sufficiency. The Authority has and continues to have open and transparent discussions with the industry on its strategies to eliminate its accumulated deficit dating back to 2003.

After 5 years of successfully reducing the accumulated deficit (2010-2014), the Authority experienced 2 years of small losses. One of the main drivers for the losses was the lack of tariff revenue to offset significant apprentice pilot training costs that have well exceeded prior year trends due in part to the higher level of pilot retirements and the need to hire additional pilots to service the current level of demand. In 2017, the Authority, supported by the industry, rolled the previous 11.5%

temporary surcharge into its general rates and introduced a 5% apprentice pilot training surcharge that expires in 2018.

### *General Tariff Rates*

The Authority's 2017 tariffs were tabled as presented, but the approval was only obtained in June 2017 instead of at the start of the navigation season as previously budgeted. Thus, the Authority lost approximately \$0.3 million in revenue. As a result, the Authority now needs a 2018 tariff to partly recover this 2017 lost revenue. The Authority is proposing adjusting district specific tariffs as to eliminate current cross-subsidization between districts. It also proposes to increase the current pilot transfer charges by the inflation.

### *Tariff Surcharge Strategy*

The current apprentice pilot surcharge of 5% expires at the end of 2018. Based on the need to recruit and train an additional 6 apprentice pilots in 2018 and an average of 6-7 pilots for the remainder of the planning period, the Authority is proposing to extend the current 5% surcharge to the end of 2022.

### *2018-2022 Tariffs*

During this planning period of 2018-2022, the Authority has budgeted tariff adjustments that will allow it to eliminate its accumulated deficit by the end of 2019 and generate and maintain a reasonable surplus at the end of the planning period. Refer to section 12. *Financial Statements*, subsection (2) *Pilotage Tariffs* for the detailed proposed adjustments for the planning period. These strategies, as part of the overall financial oversight, allows the Authority to re-assure the Canadian public that it is fiscally responsible.

Refer to *Appendix 1* for the history of the Authority's tariff adjustments since 1994.

## **(3) LAURENTIAN PILOTAGE AUTHORITY (LPA) ARBITRATION DECISION**

In April 2016, the LPA informed the shipping industry that a recent arbitration decision will significantly impact pilotage services rendered between Montreal and Quebec by placing some restrictions for night time departures. The arbitration decision required the LPA to modify its dispatch rules for ship departures between 22:00 and 08:59 to impose that customers must confirm a ship's departure within this timeframe by 18:00 with the option of extending the departure time only once and for a maximum of two hours. Thus, any departure time delayed for more than two hours will entail the obligation to provide a new twelve-hour notice.

Although the arbitration decision directly impacts the LPA pilotage services, it will also have consequences for the Authority. This decision is currently in front of the Federal Court of Appeal, and it is not known when a decision may be rendered. The Authority can only wait for the final decision and to see how the customers react to this decision as well as their strategies to accommodate this requirement. The Authority cannot start a risk analysis on this decision as the outcomes are currently speculative. However, potential implications from this decision may include: (i) a greater level of one way traffic which would restrict the Authority in its ability to efficiently leverage its pilots; and (ii) a greater and constant need for night time navigation in specific districts which may lead to a decrease in pilot availability. Both outcomes would drive significant increases in vessel delays due to a shortage of pilots and significant increases in pilot overtime due to the inherent scheduling inefficiencies that would result.

#### (4) PILOT NUMBERS AND CAPACITY

The Authority has interpreted its mandate of safety and efficiency to include not only its own financial self-sufficiency but also their application and cost impact on the effectiveness of the Seaway system and to vessel delays. This means having sufficiently trained, qualified and licensed pilots available to serve the industry (generally the foreign ships) with a minimum of pilot delays given delays are extremely costly to the industry. The Shipping Federation has historically indicated that delays cost up to \$24,000 per day in addition to the cost of cancelling berths or stevedores if schedules are not maintained.

In the Great Lakes region, vessels enter and leave the system on a non-scheduled basis under sometimes severe weather and environmental conditions. Therefore, an infrastructure must be in place to ensure safety, provide a pilot on demand (even to exempt vessels) and meet uneven traffic flows. This is challenging as the requirement to be financially self-sufficient does not allow the Authority to maintain a complement of pilots to cover sudden and temporary increases in traffic that may never materialize.

During the heavy traffic years, pilot numbers and the Authority's capacity are limited to service between five (5) and six (6) ships per day, and only for short periods. The Authority continues to monitor traffic levels so that pilot numbers are adequate to meet traffic. At present, the cost to train an apprentice pilot is between \$150,000 to \$180,000, which includes remuneration, benefits, travel and course fees which are borne entirely by the Authority. Conversely, reducing pilot numbers too quickly can be devastating to the industry especially when traffic increases unexpectedly. In order to achieve the Authority's mandate to provide a safe and efficient pilotage service, a delicate balance must be maintained between the resources to be made available and the demand for service with safety being paramount.

Since 2014, the pilot assignments have consistently surpassed the budgeted assignments used to determine pilot numbers. Annual pilot workload averaged 136 assignments from 2014 to 2016, a substantial increase when compared to 116 assignments in 2013. With the 7.0% increase in the 2017 forecasted assignments, the pilot workload is expected to be 139 assignments. Although assignments per pilot are to be maximized, the Authority needs to ensure this does not continually exceed a reasonable range of 110 to 115 average assignments as to avoid pilot fatigue and possible safety concerns. In the last few years, the industry has been voicing its concerns on the vessel delays due to a shortage of pilots. The Authority is expecting the 2017 delays to be approximately 2,000 hours, a similar amount to the 2016 level of delays, driven by the 7.0% increase in traffic and the longer transit times to reduce shore erosion due to the high-water levels.

Based on more favourable traffic levels in the past 5 years and the forecasted traffic levels, the Authority plans to increase its pilot numbers to an average of 65.5 FTE for the planning period. The increase also factors in the high level of retiring pilots and provides for a more fluid succession plan for apprentice pilots. Refer to section 12. *Financial Statements*, subsection (4) *Headcount* for the proposed pilot headcount for the planning period.

With forecasted traffic for 2018 to be at similar levels as in 2016, but with an increase in pilots, the average number of assignments are anticipated to fall to 122, which is aligned with the Authority's objective. In its analysis of pilot headcounts for safe and efficient pilotage services, the Authority is targeting an average of 110 to 115 assignments/pilot. Thus, in its planning stance, the Authority expects to continually improve on the average number of assignments per pilot and achieve the reasonable level by increasing its pilot numbers as noted above. The planned increase in pilot numbers over the course of the planning period is key to ensure the Authority's continued excellent incident-free results and to improve on its service delivery to support Canadian economic growth.

## (5) PORT OF CHURCHILL

In July 2016, Omnitrax, the U.S. company that owns the Port of Churchill, announced that they would not ship grain to the Port. In 2016, three vessels were serviced at the Port and only three vessels are expected for 2017. The future of the Port is uncertain as the provincial government is expected to consult with the federal government and others to determine its future. As the Port remains open with an extremely low traffic level, the Authority modified its 2017 tariffs to recover all actual costs as there are no longer any economies of scale or synergy opportunities to charge the previous tariffs. The Authority will continue to assess how best to service this Port.

## (6) PILOT CHANGE AT IROQUOIS LOCK

Effective October 1, 2017, the Authority's U.S. Pilotage Association counterpart in International District 1 will introduce a mandatory pilot change point at the Iroquois Lock for navigation season 2018. The Authority will be assessing the merits of a similar change point for its Canadian pilots. Should there be sound business and safety needs for the mandatory pilot change point, the Authority will hire additional pilots for the increase in assignments as well as the need to modify its 2019 tariff rates in International District 1 to recover the incremental costs. In addition, it will also need the St. Lawrence Seaway Management Corporation to continue its current business model in which the linepersons assist the pilot at this change point, at no cost.

The U.S. Coast Guard and the St. Lawrence Seaway Management Corporation currently have an agreement which would allow the pilot change at Iroquois at no additional cost. Should the St. Lawrence Seaway Management Corporation's agreement come to an end at a later date, the Authority will need to source pilot boat services which would increase costs to the users. At this stage, the Authority has not built this scenario into its financial plans.

## (7) CONTINGENCY PLAN TO MANAGE CHANGE AND CONTINGENCY RESERVE

In 2005, the Treasury Board's review of the Pilotage Authorities' Corporate Plans led to a communication on the need for the Authorities to have a contingency plan for reserves and a process for managing changes. Now that the Authority is expecting a surplus during the planning period, the Authority will continue to meet with its main users, the Shipping Federation of Canada and the domestic shipowners, to discuss the current traffic forecasts, its impact on the Authority's financial results and the appropriate level of surplus. The users are committed to the Authority's return to a positive cash position and will continue to cooperate with the Authority to address the issue.

## (9) CANADA PILOTAGE ACT REVIEW

In February 2016, the *Canada Transportation Act* (CTA) review report was tabled in Parliament by the Minister of Transport, The Honourable Marc Garneau. The Authority's Board found the following three recommendations of interest:

- a) immediately integrate the four pilotage authorities within one National Pilotage Board to enable a strategic and holistic approach to pilotage for better alignment and harmonization in the way regions contract for and provide services;
- b) complete a full assessment of the governance framework for marine navigation services within three years;
- c) formally review compulsory pilotage areas, circumstances, and processes every three to five years, in consultation with users and the international pilotage community, taking into account new technologies and best practices and including a re-assessment of navigational safety risks.

In November 2016, the Government announced the Oceans Protection Plan. As part of this comprehensive plan, the Government committed to review the *Pilotage Act* to support the delivery of safe, efficient and environmentally responsible pilotage services into the future.

The Authority will actively support and assist the Government in its review.

## ASSESSMENT OF CORPORATE STRENGTHS AND CHALLENGES

The following are the Authority's main strengths and weaknesses:

### *STRENGTHS AND OPPORTUNITIES*

- Organizational structure well suited to its mandate;
- A qualified team;
- Provision of highly efficient and professional pilotage services;
- Recognition of the compulsory pilotage principle by all industry stakeholders;
- Good relations with bargaining units and unions;
- Consensus throughout the organization on the need to continually improve client service and strive for excellence;
- Highly competitive pilotage tariffs, compared with all other pilotage organizations in North America;
- Equipment renewal and capital investment in recent years are positive factors in boosting productivity;
- The Authority's custom designed Dispatch and Billing System provides real time information to dispatchers, pilots, customers, and management;
- Pilots are very highly skilled, which is reflected in an historical 99.9% average incident-free assignment rate;
- The Authority has a comprehensive training program for all pilots, and firmly supports continuing education by providing refresher training and developing training on new technologies; and
- The potential for the Great Lakes and St. Lawrence River to be a significant corridor to transport crude oil to external markets.

### *CHALLENGES*

- The Authority is susceptible to changes in national and world economic conditions. This leads to difficulties in forecasting marine traffic levels. However, the Authority will continue to involve its stakeholders with its proposed tariff rate adjustments to ensure revenue offsets operating expenditures. It will also review its pilot numbers on an annual basis. These strategies should assist the Authority to remain financially self-sufficient over the planning period.
- Recurring challenges of tariff regulations, a lengthy administrative process for reviewing regulations and tariffs, and increased oversight and reporting requirements from Government Departments adding to the length in time needed to implement a tariff adjustment to users could lead to lost revenue should the tariff rates not be finalized prior to the start of the navigation season. The Authority's continued focus on open and



transparent consultations with the industry to present its tariff proposal is considered invaluable to negate the potential for objections to tariff adjustments.

- Labour relations, working conditions and management rights are included in labour contract negotiations. The Authority has difficulty meeting pilot demands (i.e. significant wage increases to match U.S. pilot compensation and in the other Canadian Pilotage Authorities reached by arbitration not bound by the Government of Canada's policies or directives) and requirements mainly because of economic conditions to which it is subject. However, the Authority will continue its open and transparent communication style with the pilot groups as it addresses their concerns. The Authority will benchmark pilot and navigation officer compensation to ensure they remain competitive.

#### 4. ENTERPRISE RISK MANAGEMENT

The Authority is committed to ensure that all risks are identified, assessed and mitigated when deemed appropriate. As such, the Authority applies an Enterprise Risk Management (ERM) approach to its Strategic Planning process.

##### *Risk Categories*

The Authority has categorized its risks to assist in the identification and the management of the risks.

Strategic	Risks emanating from the Authority's strategy and decision making.
Financial	Risks pertaining to liquidity, capital availability, capital structure.
Organizational	Risks emanating from the Authority's management of its human resources, including leadership depth and quality, management and labour availability and costs, cultural, etc.
Operational	Risks emanating from the Authority's day-to-day operating processes and activities.
External	Risks emanating from external sources over which the Authority (although impacted) has little control (e.g. macro-economic volatility; industry structural change; political, etc.)
Legal and Regulatory	Risks associated with the Authority's compliance with applicable laws and regulations.
Incident	Risks emanating from incidents (accidents, near misses, etc.) within the Authority's jurisdiction where a pilot is present on board ship.
Emerging	Risks that are emerging on a worldwide scale.

### Risk Definition of Rating and Ranking Methodology

Risk Rating	Financial	Operational				Strategic	
		Human	Property	Vessel(s)	Environmental	Reputation	Disruption of Business
<b>Extreme</b>	Above \$10 million cash impact on the Authority	Multiple deaths  And multiple people with serious long-term injury  Intensive care	Damage to property is such that it ceases operations for a period of time exceeding one month  or financial loss exceeds \$10 million	Vessel sinks or sustains so much damage that it is a constructive total loss	Incident causes sustained long term harm to environment (i.e. damage lasts greater than a month)	Sustained front page adverse national media coverage  International media coverage	Threatens long-term viability of Authority  (Operational cessation or major operational issues lasting more than one month)
<b>Very High</b>	Impact on the Authority between \$5 and \$10 million	Single death  And multiple people with serious long-term injury  Intensive care	Damage to facilities is such that operations cease for up to one month  or financial loss of \$5 - \$10 million	Vessel sustains damage significant enough to result in towing to dry dock and loss of operations of up to one month	Incident causes sustained medium term harm to environment (i.e. damage lasts up to one month)	Front page adverse national media coverage and intermittent international coverage	Threatens viability of Authority in the medium term  (Operational cessation or major operational issues lasting up to one month)
<b>High</b>	\$1 - \$5 million cash impact	Some people with serious long-term injury and multiple minor injuries	Damage to facilities is such that the operations cease for up to two weeks  or financial loss of \$1 - \$5 million	Vessel sustains significant damage with dry docking and loss of operations for two weeks	Incident causes medium term harm to environment (i.e. damage lasts up to two weeks)	Intermittent adverse national media coverage	Threatens viability of Authority in the short term  (Operational cessation or major operational issues lasting up to two weeks)
<b>Medium</b>	Between \$500,000 to \$1 million cash impact	One person with serious long-term injury  Some minor injuries	Damage to facilities cause operations to cease for up to one week  or financial impact of \$500,000 - \$1 million	Vessel sustains damage resulting in loss of operations for one week	Incident causes short term harm to environment (i.e. damage lasts no greater than one week)	Sustained front page adverse local media coverage  Board and Ottawa receive complaints from Chamber of Shipping and major clients	Operational issues lasting up to one week but no cessation of business
<b>Low</b>	Up to \$500,000 cash impact	Single or multiple minor injuries requiring on site first aid and/or off-site treatment	Damage to facilities cause operations to cease for up to 72 hours  or a financial impact up to \$500,000	Minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours	Incident causes minimal or intermittent harm to environment over a period of time (i.e. damage lasts no greater than a day)	Intermittent adverse local media coverage  Complaints received from Chamber of Shipping and/or clients	No operational issues or operational issues lasting up to 72 hours

Please refer to the Authority's latest Annual Report posted on the Authority's website at <http://www.gipa-apgl.com/reports-and-documents/financial-reports> for further information on the risk management programs as well as governance structures and processes that support it.

### Enterprise Risk Management – Result Assessment

Every two years, the Authority revises its strategic plan for the upcoming two years. At its two-day management's strategic planning session held in April 2017 followed by the Board and Senior Management strategic planning session held in May 2017, the Authority established its strategic plan for fiscal years 2018 and 2019. The Authority identified and prioritized the risks with the following risk profiles:

No.	Risk	Category	Inherent Risk	Projected Residual Risk
1	Pilot Succession	Organizational	Very High	Medium
2	Recruiting and Training	Strategic	Very High	Medium
3	Tariff Delays / Objections	Financial	Very High	Medium
4	Traffic Volatility	External	High	High
5	Financial Self-Sustainability	Financial	High	Medium
6	Marine Incidents	Incident	Medium	Medium
7	Pilot Labour Relations	Organizational	Medium	Medium
8	Security / Business Continuity	Operational	Low	Low
9	Monitoring Transits of Canadian Ships	Operational	Low	Low
10	Pilot Certification Validity	Operational	Low	Low
11	Indigenous Relations	External	Low	Low

Between strategic planning sessions, the Board reviews its ERM each quarter and follows the development of the risk profiles as well as the mitigating actions taken to address each risk.

From the risk profile table noted above, the following provides background information, the potential impacts and the mitigating strategies that the Authority has identified as its area of priorities for the planning period:

#### 1. PILOT SUCCESSION

Pilot succession is one of the most important factors contributing to safe and effective pilotage services in addition to providing pilotage services without excessive delays due to shortage of pilots. Issues around pilot recruitment, training and evaluation have been central items in various reports and continue to be critical elements in the strategic planning process.

The Authority has seen 17 pilots, representing 29% of the workforce, retire since 2014. The Authority is anticipating another 17 pilots, representing 29% of the workforce, to retire during the planning period. By the end of the 2017 navigation season, the Authority will have 19 full-time and 10 part-time pilots over the age of 60. The Authority no longer has a mandatory retirement age, and therefore, predicting retirement for the pilots is extremely difficult. Historically, pilots will give the Authority a few months' notice which does not provide adequate time for the Authority to recruit and fully train a replacement apprentice prior to the pilot's departure. Given the above information, pilot succession is an important issue that needs management's attention.

Please refer to the reductions in pilots on *Appendix 2 – Statement of Pilot Numbers* for the anticipated number of retirements per year.

## Strategies

The Authority has a formal annual request process for employee retirement notification. In the summer, employees are asked to submit their potential retirement plans for the planning period. Although the employees are not under any obligation to respect the communicated retirement notice, it does allow the Authority to gauge the level of pilot retirements and start its planning on apprentice pilot recruiting. The results provide a starting point on discussions with the pilot groups and arrive to agreements on the need for management to plan for the proper level of pilot headcount, to actively start the apprentice pilot recruitment process and to gauge the need for part-time pilots. Pilot support has been very positive and has enabled the Authority to properly administer its pilot succession plans and minimize business interruptions.

### 2. RECRUITING AND TRAINING APPRENTICE PILOTS

The Authority needs to ensure that there is always a sufficient pool of skilled, trained and experienced pilots available to meet current and future needs. The Authority draws its pilots from the Domestic Officers working on Canadian vessels in the Great Lakes. Even though there are currently over 350 Pilotage Certificate holders that would allow them to perform pilotage in the Great Lakes, the *Great Lakes Pilotage Regulations* limits this pool of candidates for the Cornwall District as applicants must be able to speak and understand French to the extent necessary to perform his or her pilotage duties in this area. Both the Laurentian Pilotage Authority and this Authority are competing for the same limited candidates.

If apprentice pilots are not properly trained, the risk of incidents will increase, including the risk of a potential major incident. Thus, the training program and evaluation process to transition an apprentice pilot to a pilot must be effective as to ensure the apprentice pilots have the tools and knowledge to pilot a vessel. The evaluation process must also be fair and just to recommend an apprentice pilot to a pilot status while being vigilant to identify non-performing apprentice pilots.

## Strategies

The Authority will continue to give high priority to pilot recruitment and collaboratively work with the pilots to identify new recruitment alternatives to reach more potential candidates and hire suitable candidates. The Authority will continue to evaluate and modify its apprentice pilot training program to better meet the realities facing today's apprentice pilots. The training timelines will be extended for those who may not have the historical level of experience and qualifications.

### 3. TARIFF DELAYS AND OBJECTIONS

As previously stated, the *Pilotage Act* provides the Authority the power to set tariffs of pilotage charges to be paid to the Authority for pilotage services. However, these tariffs must be set at reasonable rates. Setting and receiving timely approval of tariff amendment is crucial to the Authority's financial viability. The pilotage tariffs are established through regulatory amendments, following customer consultations and are approved by the Governor in Council. The current process normally takes approximately 8 months to obtain final approval, assuming there are no objections. This current tariff approval process does not allow the Authority to be responsive in a timely manner when encountered with issues that result in negative financial implications or to address customer needs and new business requirements related to pilotage services. The issue for the Authority is compounded by the fact that it is currently in an accumulated deficit position, and thus unable to weather significant fluctuations in traffic.

A key component is that the current process provides any stakeholder with the power to object to any tariff amendments, which in turn, delays the approval process for an undetermined period of

time until a Canada Transportation Agency decision is reached. During the appeal process, the Authority cannot charge its customers the new tariffs nor would it be allowed to retro-charge the customer on lost revenue should the amended tariff rates be subsequently approved as presented. Given this risk, the Authority meets with its customers to discuss the reasoning behind the proposed tariff amendments in hopes to obtain their support. These customer consultation meetings do partly negate this potential risk but customers do have a conflict of interest as one of their main objectives is to keep tariffs flat or with minimal increases.

### *Strategies*

The current *Pilotage Act* Review will examine the tariff setting process and potentially make recommendations regarding reforms to address some of these issues. In the meantime, the Authority continues to meet with the Shipping Federation of Canada and the Chamber of Marine Commerce a few times each year as to gain insight to traffic trends and assumptions that are to be considered before proposing tariff rates to the industry. Pilot number validation and agreement with the industry during these discussions is crucial to reduce the Authority's exposure to financial risks. The goal of these consultations is to obtain preliminary indications of the industry's appetite for the proposed tariffs with the hopes to obtain their support and avoid a lengthy objection process. The Authority will initiate the 2018 tariff process in September and work with Transport Canada and other government stakeholders to respect stated timelines for a beginning of March final approval.

## **4. TRAFFIC VOLATILITY**

The Authority has historically relied on industry forecasts as well as economic trends for establishing traffic forecasts for its annual budgetary process as well as to determine the tariff rates and the operation requirements. Pilot numbers are finalized prior to the start of the navigation season based on these forecasts. Once the navigation season starts and the traffic decreases significantly, as experienced with the 2009 recession, the Authority does not have the ability to react and reduce costs. Of late, the navigation seasons in the Great Lakes continue to start earlier and end later than historical dates. These periods of dates do create negative financial impacts to the Authority as there is an insufficient level of traffic to recover costs associated with a full pilot staff complement for these periods

As all pilots are salaried employees, the Authority is unable to reduce pilot numbers and the associated costs in the middle of a given navigation season as to react to the decrease in traffic levels that would be significantly lower than forecasted. Conversely, the Authority is also unable to increase pilot numbers on short notice to react to significant increases in traffic levels given the long lead time to train a mariner to be a qualified pilot. The Authority has experienced the latter since 2014 as actual pilot assignments exceeded budgeted assignments in a manner to cause important vessel delays due to a shortage of pilots as well as significant operational losses to service these higher levels with the current existing pool of pilots.

### *Strategies*

The Authority will continue to meet with the Shipping Federation of Canada and the Chamber of Marine Commerce a few times each year as to gain insight to traffic trends and have open discussions on the pilot numbers for the upcoming year. The Authority will continue to collaborate with the St. Lawrence Seaway to discuss the financial implications resulting from their decision on early openings and late closures to the navigation season when the traffic levels are extremely low.

The Authority continually discusses working rules with its pilot groups with the goal to better manage traffic surges. The Authority continues to have open discussions with the St. Lawrence Seaway Management Corporation and its U.S. counterparts to problem solve for the most efficient use of

resources during demand surges and severe weather conditions.

As part of the collective agreement negotiations planned for 2017/2018, the Authority will discuss with its pilot groups alternative crewing options to allow for more flexibility which would reduce delays due to shortage of pilots as well as reduce the financial inefficiencies resulting from earlier starts and later closures to the navigation seasons.

## 5. FINANCIAL SELF-SUSTAINABILITY

Financial stability is vital as the Authority is required to be financially self-sufficient. At the end of 2016, the Authority had an accumulated deficit of \$1.7 million and anticipates the accumulated deficit to decrease to \$1.2 million dollars by the end of 2017. Based on the 2017 forecast and budgets for the remainder of the planning period as found on the *Statement of Operations and Comprehensive Income*, the Authority has developed strategies to eliminate its accumulated deficit by the end of fiscal 2019.

Crucial to be financially self-sufficient is to have the actual operation results aligned with the budget process and to effectively set annual tariffs to recover all operational and administrative costs while generating a reasonable surplus. It is the annual budget process that helps determine the tariffs and operational requirements. The key assumption is the traffic levels, which helps determine pilot numbers. As the Authority's financial structure is tied directly to traffic levels, should traffic decrease or increase significantly from the budget assumptions, the Authority will incur important operating losses given the fixed nature of the operating costs (over 80% of costs are tied to pilot wages / benefits and pilot boat services).

Finally, the current tariff approval process does not allow the Authority to be responsive in a timely manner when encountered with issues that result in negative financial implications.

### Strategies

The Authority meets with the Shipping Federation of Canada a few times each year as to gain insight into the traffic level forecast and provide the rationale that the tariff increases are needed to offset the compensation for apprentice pilot training costs, the budgeted pilot headcount and other direct operating costs while giving the Authority some financial flexibility to weather some degree of negative implications due to decreases in traffic. The Authority has developed a tariff strategy for 2018 and 2019 that will allow it to generate the needed surpluses to eliminate the accumulated deficit by the end of fiscal 2019.

As part of financial reviews, management continuously reviews the pilot numbers required to support the forecasted traffic levels. Monthly, management reviews the financial results to gauge pacing versus budget and prior years. At each of its meetings, the Audit Committee reviews the internal financial statements to question financial performances. Each quarter, the Audit Committee reviews the revised forecast for the year which includes the year-to-date results along with the year-to-go projections.

The Authority will be developing a financial reserve strategy in 2017/2018 for future years while considering the implications on the proposed tariff strategies. Its objective is to have an appropriate level of operating surplus and financial reserves required to offset the negative impact of fluctuating traffic patterns and to weather unpredictable short-term traffic changes. The reserve will deal with short term Authority cash requirement so that sufficient time is available to amend Authority operations during a period of significant traffic increase/decrease. The Authority will review and approve the level of operating surplus required and implement actions in 2018 to achieve this objective. Its strategy will be discussed with the industry given the implications on future tariff and surcharge adjustments.

## 6. MARINE INCIDENTS

The 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.

The likelihood of an occurrence is very low but their impact could be extreme. Pilotage plays an important part in the safety chain as to eliminate or reduce the likelihood of an incident that could cause catastrophic results. Properly trained, qualified and rested pilots must be provided for every assignment. Communication of the changing environment is also required as events change and mitigating actions are amended over time. In most major incidents, the reasons for the event are not limited to one action but to a series of events. In this series of events, safety measures are inserted to avoid the risk of harming the environment. The Authority must be cognitive that it cannot eliminate all marine incidents alone but that it certainly has a significant role in mitigating the likelihood and the impact of the event.

### *Strategies*

This type of risk is inherent in every action that each Authority employee takes during his or her time on task. The Authority has in place training policies for all apprentice pilots, active pilots and pilotage certificate holders to ensure the proper levels of knowledge and experience are in place. The Authority will continue to promote ongoing communications with all employees on the importance of embracing a safety-minded culture as to achieve the goals of limiting risk to the environment.

The Authority has been sending its pilots to complete simulator training within a five-year cycle. The Authority will continue with this training practice as it allows the pilots to train on different ships, conditions and on specific issues like slow rudder and crew responses. The Authority reviews the incidents and trends to continually re-assess the training program needs.

The Authority offers various training sessions for its pilots as well as PPU refresher training as to take advantage of changing technology and practices.

In 2017, the Authority's pilots have created the various passage plans which are now available to all Authority customers through the publication on its website. In addition, the Authority has standardized its pilot-master information exchange process to ensure all vessels are serviced effectively and consistently.

## 7. PILOT LABOUR RELATIONS

The Authority must maintain and continually work on building strong working relationships with the different pilot groups. If strong bonds are not maintained, there is a risk that the pilots will not be willing to work with management to support the Authority's initiatives. To meet the business needs and to deliver a quality service to our customers, both parties need to work together to resolve issues. In the last few years, the business dynamics have changed which have resulted in additional pilot responsibilities and accountability.

### *Strategies*

The Authority continues to consult with its pilot groups on major initiatives as to include them in the decision-making process while keeping the Authority's best interest as the main objective, to meet with the Pilot groups' executives in the Fall and the Spring for information sharing and issue resolution, to hold monthly teleconferences to share information on topics of equal importance for all

employees in the Authority.

In April 2017, the Authority renewed its “no strike, no lockout” agreement with the pilots as to ensure continued operations in a case where the collective agreements cannot be renewed in a timely fashion.

## 8. SECURITY/BUSINESS CONTINUITY

Running a successful company requires an understanding of how to serve customers, meaning to maintaining services during natural disasters, economic downturns and bad publicity. The business continuity plan outlines the necessary steps for the Authority in the wake of a sudden and severe change (i.e., the chain of command in the event the company’s leader dies or becomes extremely ill, system backup recovery strategies, labour disputes).

Although recent terrorism and virus threats had minor impacts to our business, there is always the potential for our business to be subject to a security breach.

### *Strategies*

In 2017, the Authority developed a business continuity plan and has communicated this plan to all employees. The plan covers (i) business continuity plan governance, (ii) business impact analysis, (iii) plans, measures, and arrangements for business continuity, (iv) readiness procedures, and (v) quality assurance techniques. In addition to developing its business continuity plan, the Authority also developed policies to address cyber security concerns and will be developing a crisis management policy at the end of 2017.

## 9. MONITORING TRANSITS OF CANADIAN VESSELS

The Authority published regulatory changes to its Regulations in June 2011 which announced the end of the pilotage exemption system previously in place since 1972. The publication introduced the Pilotage Certification regime effective January 2013. With the grandfathering phase now complete, the Authority is now tasked to ensure the Canadian domestic vessels subject to compulsory pilotage but that do not require the assistance of a pilot and enter a compulsory area are under the conduct of a valid pilotage certificate holder.

### *Strategies*

The Authority, in partnership with the Chamber of Marine Commerce and the Authority’s pilots, have been revising the *Great Lakes Pilotage Regulations*, which includes, but not limited to, adding a section on the monitoring of Canadian vessels transiting the compulsory pilotage areas with pilotage certificate holders.

The Authority will also continue to monitor, on a random basis, the Canadian domestic vessels subject to compulsory pilotage but that do not require the assistance of a pilot that enter a compulsory area are under the conduct of a valid pilotage certificate holder. The number of vessels sampled is based on statistical sampling, considering the Authority risk tolerance.

## 10. PILOTAGE CERTIFICATION

The publication introduced the Pilotage Certification regime effective January 2013. With the grandfathering phase now complete, the Authority is now tasked (i) to ensure the Canadian domestic vessels subject to compulsory pilotage but that do not require the assistance of a pilot to enter a compulsory area are under the conduct of a certificate holder who meets all the competencies and qualifications to safely navigate in a compulsory area; (ii) to effectively manage



the pilotage certification program; and (iii) to ensure the Canadian shipowners maintain an approved pilotage certification training program.

### Strategies

The Authority, in joint partnership with the Chamber of Marine Commerce and the Authority's pilots, are exploring possible revisions to the *Great Lakes Pilotage Regulations*, which could include, among other things, giving the Authority the authority to approve the training programs and courses, revising the requirements to obtain a pilotage certificate at the Piloting Master and Piloting Mate levels, revising the renewal requirements of a pilotage certificate holder by adding an expiry date to the certificate, and adding a section on the monitoring of Canadian vessels transiting the compulsory pilotage areas with a pilotage certificate holder.

The Authority will continue to conduct audits on the Canadian shipowners' pilotage certification training programs and provide assistance to those that have identified deficiencies.

## 11. INDIGENOUS RELATIONS

The Authority provides pilotage services in waters that border many indigenous communities along the St. Lawrence Rivers, the Great Lakes and the Port of Churchill. The Authority must be mindful of the implications its business decisions and its operations have on the indigenous cultural beliefs as well as on the indigenous communities themselves. More specifically, how the Authority's operations impact their traditional food sources, their ecosystem, and their ceremonial practices.

### Strategies

As to gain a better appreciation for the indigenous culture, the Authority will participate in the 2018 Akwesasne International Pow-Wow. The Pow-Wow will allow us to join the First Nations from across Canada and the United States as to better understand the indigenous culture and foster a strong bond of peace and friendship.

The Authority will also meet with the Mohawk Council of Akwesasne as to gain insight into their growth and development initiatives for a clean and sustainable Akwesasne economy and how the Authority can partner with them on some initiatives.

## 5. STRATEGIC PLAN, OBJECTIVES AND PERFORMANCE MEASURES

STRATEGIC KEY PERFORMANCE INDICATORS		TARGET	TARGET	TARGET	TARGET	TARGET	FY FORECAST	YTD ACTUAL	TARGET	ACTUAL	ACTUAL
		2022	2021	2020	2019	2018	2017	2017	2017	2016	2015
<b>1 - CONTINUED FOCUS ON PROVIDING SAFE PILOTAGE SERVICES</b>											
<b>1A</b>	Major Incidents (#)	0	0	0	0	0	0	0	0	0	3
<b>1B</b>	Marine incidents (#)	8	8	8	8	8	8	7	8	3	9
	As a % of incident free assignments	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.8%	99.9%	99.9%	99.9%
<b>2 - CONTINUED FOCUS ON PROVIDING RELIABLE PILOTAGE SERVICES</b>											
<b>2A</b>	Vessel delays due to shortage of pilots (hours)	250	250	250	500	1,000	2,000	860	250	2,206	3,199
<b>2B</b>	Vessel delays due to shortage of pilots (#)	60	60	60	85	125	200	85	60	261	207
<b>3 - CONTINUED FOCUS ON IMPROVING THE AUTHORITY'S FINANCIAL SELF-SUFFICIENCY</b>											
<b>3A</b>	Net Income (in 000's)	\$0.2	\$0.3	\$0.2	\$0.5	\$0.6	\$0.5	\$0.7	\$0.5	(\$0.8)	(\$0.4)

YTD Actual 2017 reflect the July year-to-date results

### (1) Continued focus on providing safe pilotage services

#### Description of the Corporate Objective:

The Authority's main objective of the 2018-2022 planning period continues to be providing safe comprehensive marine pilotage and related services in the St. Lawrence River and the Great Lakes.

### *Expected Outcomes:*

The Authority's continued focus on safe pilotage services ensures all Canadians that the Authority is committed to improve marine safety in the Great Lakes, specifically reducing the risks of environmental spills.

### *Strategies to Achieve the Objective:*

To this end, the Authority continues to leverage the system for assessing pilots' competencies and quality of service.

The Authority's training objectives include a module on Bridge Resource Management (BRM). The course provides pilots with the opportunity to refresh their BRM knowledge as to facilitate the communication and exchange of information with the captains, while enabling them to work more effectively and efficiently with the bridge team. The goal is to further reduce the risk of errors on the navigation bridge when the pilots and the captains of the vessels navigate the restricted waters of the St. Lawrence River and the Great Lakes.

The assessment of pilots' competencies and quality of service is ongoing with each pilot evaluation completed at least once every five years. This pilot evaluation assures the industry and the Authority that only qualified pilots are performing pilotage duties. It also permits the Authority to identify areas of development and potential improvements in the delivery of the services.

The Authority will continue its strategy to provide its pilots with state of the art Portable Pilotage Units (PPU) navigational aids as it believes the benefits of the PPU's in the restricted waters of the Great Lakes are numerous and have increased the safety of navigation.

### *2016 and 2017 Performance:*

The Authority had 3 minor incidents in 2016 with no major incidents with potential adverse implications to its reputation of providing safe pilotage services. The Authority currently has 7 minor incidents at of July 31, 2017 with no major incidents and with no adverse implications to its reputation of providing safe pilotage services. Most of the incidents to date are minor contacts with the lock walls/barriers. None of these 2016 or 2017 incidents resulted in loss of life, serious injuries, or any environmental spills.

As the number of assignments per pilot increases, there is a greater inherent risk for the potential of an increased number of marine incidents as pilot fatigue might increase. As the forecasted assignments are expected to remain stable over the planning period and with the Authority's objective of increasing pilot numbers, expectations are that the number of incidents will remain within historical results and still provide in a 99.9% incident free assignment rate.

Despite the number of incidents incurred, the training program for the pilots have allowed them to effectively course correct as to minimize the severity of the incidents.

### *Target Rationale:*

The Authority's focus remains on providing safe pilotage services with zero incidents. The historical results demonstrate the positive impact of the Authority's ongoing focus on pilot training has had on its marine incident statistics. As such, the continued focus on enhancing pilot training on Bridge Resource Management and the efficient use of the PPU's, the number of marine incidents should be maintained or even improved on over the planning period.

## **(2) Continued focus on providing reliable pilotage services**

### *Description of the Corporate Objective:*

The Authority's main objective of the 2018-2022 planning period continues to be providing reliable comprehensive marine pilotage and related services in the St. Lawrence River and the Great Lakes.

### *Expected Outcomes:*

The Authority's continued focus on reducing vessel delays due to a shortage of pilots and providing reliable pilotage services ensures all Canadians that the Authority is committed to investing in growing our economy, strengthening the middle class, and helping those working hard to join it by ensuring Canadian manufacturing get their goods to market on a timely basis.

### *Strategies to Achieve the Objective:*

The Authority will continue to consult with the industry on expected traffic levels to set its pilot numbers to provide a reliable pilotage service. It will also actively collaborate with its industry partners and customers on developing the least costly strategies when delays are beyond its control.

### *2017 Performance*

The 2017 YTD delays have decreased when compared to 2016 due to the increased number of pilots in all districts.

Vessel delays due to a shortage of pilots for the remainder of the year are expected to be approximately 2,000 hours, similar to those of 2016 given the anticipated number of assignments are expected to be 7.0% higher than the planned number of assignments that was agreed upon with the industry in the determination of the 2017 pilot numbers. As previously stated, the Authority cannot easily course correct to service significant traffic increases in the middle of a navigation season. The current number of pilots cannot continue to support such high levels of traffic without causing delays. Should the number of assignments surpass the current forecast, the delay hours due to pilotage shortages will be well beyond those experienced in 2014. The lower than expected pilot numbers in the Cornwall district is having an impact on the vessel delays due to a shortage of pilots.

### *Target Rationale:*

The Authority has been successfully training and licensing a good number of pilots in the last few years to compensate for pilot retirements. The Authority continues to work with its pilots to identify upcoming retirements as to hire and train in a timely manner for its 2018 navigation season as well as to increase the number of pilots in the Cornwall District as well as District 2. The 2018 and 2019 targets factor in progressive improvement in service delivery as pilot numbers increase over the course of the planning period. It will be important for the industry to have open and honest discussions on the future traffic levels to ensure that the Authority can staff the pilots accordingly and reduce the number of delays.

## **(3) Continued focus on improving the Authority's financial self-sufficiency profile**

### *Description of the Corporate Objective:*

Financial self-sufficiency is achieved by maintaining and controlling expenditures while generating sufficient and adequate revenues. As such, the Authority's primary financial objective for the 2018-2022 planning period is to eliminate its projected accumulated deficit by the end of fiscal 2019 and to be financially self-sufficient for the remainder of the planning period.

### *Expected Outcomes:*

The Authority's continued focus on improving the Authority's financial self-sufficiency profile ensures all Canadians that the Authority is committed to be responsible and transparent of its fiscal plan during these challenging economic times.

### *Strategies to Achieve the Objective:*

Financial forecasting, setting proper pilotage tariff fees and cost control are critical for the Authority to achieve its financial objective of being self-sufficient during the planning period.

The Authority has examined the financial results of its districts to ensure all districts are financially self-sufficient and has developed proposed tariffs that would eliminate current cross-subsidization between districts, as applicable. As a result, the Authority is proposing the following general tariff increases:

➤	Cornwall District	:	7.0%
➤	District 1	:	0.0%
➤	Lake Ontario District	:	5.0%
➤	District 2	:	2.5%
➤	District 3	:	12.0%

These proposed tariffs represent a 4.15% average increase in comparison to the 2017 general tariffs. The Authority is also expecting to further adjust its general tariffs for 2019 that would see different rate increases by District but with an average increase of 2.78% when compared to the 2018 rates.

The Authority is also proposing to extend the 5% apprentice pilot training surcharge to the end of 2022 given the continued high levels of apprentice pilots to be trained during the planning period.

The Authority also proposes to increase the current pilot transfer fees at the St. Lambert Lock, Beauharnois Lock and Lock 7 of the Welland Canal by 2%. This is simply a cost recovery adjustment.

As the Authority anticipates a mandatory pilot exchange at the Iroquois Lock at the start of the 2019 navigation season, it will need to assess the financial implications and adjust the District 1 tariffs accordingly prior to the start of the 2019 navigation season.

Management will continue to be encouraged to seek innovative ways to improve processes and control costs, without compromising the safety standards of the pilotage services.

The Authority will continue to meet its main user of the service, the Shipping Federation of Canada – Pilotage Committee (Foreign vessels), on a periodic basis to have open and transparent discussions of the Authority's operational, financial, administrative and labour issues, with the view to enhance the partnership between the Authority and its users. The Authority also meets with its other user, the Canadian Shipowners (Domestic vessels), to review the service levels and tariff requirements.

### *2017 Performance:*

Even with expected traffic to be 7.0% higher than budgeted, the Authority is still forecasting a \$0.5 million surplus, the same initially budgeted. The additional profits from the increased traffic are offset by \$0.3 million of lost pilotage revenue due to the delay in the tabling of the 2017 tariff amendment to June 2, 2017 instead of approved rates for the start of the navigation season.

### *Target Rationale:*

The Authority's proposed 4.15% average increase to the 2018 general tariff rates are considered modest in comparison to the 16% to 21% increases the U.S. Pilotage Associations have

implemented in recent years. The Authority was successful in having its 5% apprentice pilot training surcharge tabled in 2017 to help offset the high apprentice pilot training costs and this surcharge was extended to 2018.

Management's consistent update on year-to-date results and forecasting year-to-go financial results have been assisting the Authority to identify financial issues and develop compensating financial decisions to course correct on attaining financial targets. Even with increases in revenue, this outcome may not always result in very favourable bottom line. When the traffic increase is excessive, the additional costs in pilot overtime and additional compensation as well as related pilot boat and pilot travel costs will be greater than the revenue generated as the existing pool of pilots would not be able to meet the demands during its regular schedule. This is also true when there are traffic surges as opposed to increased traffic that is spread out over the course of the navigation season.

The 2018 budget will be dependent on the tariff adjustments that the Authority is proposing are tabled by the House of Commons prior to the start of the 2018 navigation season. Should the industry not be willing to support the tariff adjustments, the Authority will need to review its pilot number strategy as to contain its financial exposure.

#### **(4) Modernizing the Great Lakes Pilotage Regulations**

##### *Description of the Corporate Objective:*

The Authority's last amendments to its Regulations was in July 2011. Since then, business needs and requirements warrant a complete review of the Regulations to better reflect today's reality. Proposed changes include, but are not limited to:

- Review of the compulsory pilotage areas;
- Introduce new definitions;
- Remove the transitional exception and standards that were applying prior to January 1, 2013;
- Review the mandatory requirements for an applicant to a pilot license and pilotage certificate. (Updated with Transport Canada's new Regulations.)
- Review the requirements for the renewal of a pilotage certificate;
- Review the requirements for maintaining qualifications for a pilot license holder;
- Introduce the Authority's responsibilities to approve all training programs and courses;
- Review the fees set out in section 15;
- Introduce comments received by the Standing Joint Committee for the Scrutiny of Regulations; and
- Introduce a vessel monitoring and pilot certification fee to provide funds to recover the Authority's costs to provide such a process (estimated to be between \$115,000 to \$150,000).

##### *Expected Outcomes:*

The Authority's modernizing of its pilotage regulations ensures all Canadians that it will provide a safe and efficient marine transportation system in the Great Lakes.

##### *Strategies to Achieve the Objective:*

The Authority has been meeting with its main stakeholders, the Authority's pilots, the Chamber of Marine Commerce and the Shipping Federation of Canada, as to collaboratively work together on the proposed amendments. With the Authority's focus on open and transparent discussions and involvement of all stakeholders, the Authority believes the proposed amendments to the *Great*

*Lakes Pilotage Regulations* will be completed and approved on a timely basis, dependent of the Government's support of this initiative.

#### *2017 Performance:*

The Authority is currently in the Triage stage of the process and continues to consult its stakeholders. The proposed regulation amendments should be moved to the RIAS stage prior to the end of 2017 for final approval for 2018.

#### *Target Rationale:*

Given the increased focus on sound business requirements, especially the next phase of the pilotage certificate process, the Authority is confident all stakeholders will be in full support of the proposed amendments.

## 6. SAFETY IMPERATIVES

### 6.1 OVERVIEW

As stated in the Authority's mandate, its mission and vision, its Enterprise Risk Assessment, its objectives and strategies, providing safe pilotage services is at the core of the Authority's operational and administrative mind-set.

In addition to the Authority's dedication to its pilot training program and the apprentice pilot training program, and other safety strategies discussed in section 5 (1) "*Continued focus on providing a safe pilotage service*", the Authority actively participates in various joint initiatives and associations to keep abreast of emerging safety concerns and best practices.

Through its participation in the *International Marine Pilots' Association* conference every two years, the Authority interacts with other pilotage authorities from around the world to discuss promoting professional standards of pilotage in the interests of pilots' safety. This conference encourages both consultation between its members and the exchange of technical information with other industry partners and regulators at an international level. Similarly, but on a more national level, the Authority also gains these benefits from its interaction with the Canadian Marine Pilots' Association.

With a greater focus on pilotage safety in the Great Lakes region, the Authority is an active member of the Seaway Safety Committee which has representation from the St. Lawrence Seaway Management Corporation, the U.S. St. Lawrence Seaway Development Corporation, the U.S Coast Guard and the U.S. Pilotage Associations.

In consultation with the Canadian Marine Pilots' Association, Transportation Safety Board and the Great Lakes pilot groups, the Authority formalized a post-incident protocol in 2015. Since its implementation, this protocol has been respected in all marine incident investigations.

### 6.2 INCIDENT REPORT

The historical incident data can be found in the Authority's most recent Annual Report, which can be found on our web site.

### 6.3 PROTOCOL

The Authority does not own any pilot boats. All pilot boat services are either contracted out to third party contractors or under the Memorandum of Agreement with U.S. Pilotage Authorities. The Authority's safety practice and maintenance plan requirements are stipulated in either the request for proposals/contracts or the memorandum of agreements.

For all other contracts, which have pilot safety elements, all have been well defined in the request for proposal mandatory requirements and the signed contracts. This includes the pilot transfer service contracts and the land transportation contracts.

## 7. STAKEHOLDER RELATIONS

The Authority 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 its stakeholder organizations to ensure that important issues are identified and managed effectively.

The three primary stakeholders are the government, the shipping interests and the pilots. The latter two have representation on the Board of Directors. Even with Board representation, the shipping interests are also under the responsibility of the Shipping Federation of Canada and the Chamber of Marine Commerce while the pilots' interests are under the responsibility of the 4 Pilot Corporations (identified in section 8.2 *Labour Relations, Collective Agreements*), the Canadian Merchant Service Guild and the Canadian Marine Pilots' Association. In the case of the government, there are several stakeholders including the Minister of Transport and many of his officials, the Canadian Coast Guard, the Transportation Safety Board, the Canadian Transportation Agency and central agencies.

All three primary stakeholder groups must be consulted and must support the Authority's decisions as they have access to the Agency for review when issues are not resolved to their satisfaction. Solutions with consensus, when possible, are preferred versus legislated ones as they create a win-win situation for all parties. The Authority must manage potentially differing expectations from the various stakeholders. Striking a proper balance, while achieving the Authority's own objectives, is challenging.

In addition to the three primary stakeholders, there are others that have an interest in a safe, efficient and effective pilotage in the Great Lakes area. They would include, but are not limited to:

- St. Lawrence Seaway Management Corporation (Canada)
- St. Lawrence Seaway Development Corporation (US)
- U.S. Pilotage organizations
- GLPA area ports and harbours
- Environmental groups
- Recreational boaters
- Private citizens living along the GLPA area of responsibility.

### *Strategies*

The Authority will continue to be proactive in consulting with all primary and other stakeholders on an ongoing basis, giving them an ongoing opportunity to provide input into the planning and operations of the Authority. It is important that all issues with stakeholders, including pilots, are resolved. However, the Authority will never compromise the safety of the vessels and the environment to avoid a third-party settlement.

During a given year, the Authority formally meets with the Shipping Federation of Canada and the Chamber of Marine Commerce to discuss current topics, joint concerns, and proposed tariff amendments. In addition, these stakeholders and the Authority discuss operational issues throughout the navigation season. In preparation of the start and the close of a navigation season, these stakeholders are consulted and informed on the potential implications to the pilotage services.

For the interaction with the pilot interest stakeholders, the Authority holds a formal meeting with the Pilot Corporation Presidents at the start of the navigation seasons. There are ongoing communications with the pilot union representatives throughout the navigation season to discuss

working rules and other labour relation issues. The strategies are believed to be effective and efficient as there are little to no grievances to date in 2017.

The Authority is in constant communication with the St. Lawrence Seaway Management Corporation, the St. Lawrence Seaway Development Corporation, U.S. Coast Guards and the U.S. Pilotage Associations to provide safe and efficient pilotage services. The Authority has been a driving force to develop strategies to reduce vessel delays at the start and the end of the navigation seasons.

The Authority visits various Canadian and U.S. Ports and Harbours during the year to discuss pilotage services. For example, the Authority, along with the U.S. Pilotage Association, held discussions with the Thunder Bay Port Authorities and agents to discuss the pilotage services and address their concerns.

In addition to the stakeholders noted above, the Authority, at all levels of the organization, has regular meetings and discussions with the other 3 Canadian Pilotage Authorities to discuss common topics. The Authorities also share best practices.

## 8. HUMAN RESOURCES

### 8.1 WORKFORCE

The Authority's anticipates having 87 active employees as of January 1, 2018, of which 78 employees are under collective agreements and 9 employees are non-unionized.

Please refer to the Authority's organizational chart previously noted above.

### 8.2 LABOUR RELATIONS AND COLLECTIVE AGREEMENTS

The Authority deals with 4 unions, *Corporation des Pilotes du Fleuve et de la Voie Maritime du Saint-Laurent*, Corporation of the Upper St. Lawrence Pilots, The Pilots' Corporation, Lake Ontario and Harbours, and the Corporation of Professional Great Lakes Pilots, who represent 65 marine pilots. The Authority is currently in negotiations with all these unions as the collective agreements expired on March 31, 2017.

The Authority also deals with the Public Service Alliance of Canada for its 13 dispatchers and office staff employees. The Authority is currently in negotiations with all these unions as the collective agreements expired on June 30, 2016.

### 8.3 COMPENSATION

#### *Recruiting: Apprentice Pilots*

Given the high number of applications received for the apprentice pilot positions posted during the last three years, the Authority is confident that the compensation package for pilots is not an immediate concern from a recruiting front. Although salary expectations may be higher than the current compensation structure, the working conditions (i.e. a nine-month navigation season and the limited vessel voyage within a limited geographical area) are primary reasons for the high level of interest in the apprentice pilot positions.

#### *Recruiting: Dispatchers, Office Staff and Management*

For the Cornwall market, there is a good pool of qualified candidates for the above noted positions. Compensation and working conditions for these positions are very competitive with the private sector in Cornwall and surrounding area. Therefore, the Authority does not have any recruiting concerns.



### *Retention*

The Authority has no retention issues due to compensation. This is evidenced by the fact that there have only been 4 apprentice pilots who have voluntarily terminated his or her employment with the Authority in the last 25 years. The statistics for the dispatchers, office staff and management are even better as there have been no voluntary terminations.

### *Sick Leave and Short-Term Disability Benefit Plans*

The Authority does not have a specific short-term disability benefit plan for its employees. All unionized and non-unionized employees are entitled to 1.25 sick day credit for each month of continuous employment. The accumulated number of sick days is not capped at a maximum amount.

The Authority is not planning any reforms to its sick leave policy as its absenteeism level is well below government levels. Employees only average 2.4 days of absenteeism per year dating back the last ten (10) years.

## **8.4 PILOT TRAINING**

### *Pilot Training - Annual*

The Authority requires all pilots to complete simulation training within a 5-year cycle. The *Centre de simulation et d'expertise maritime* in Québec City currently provides the simulation training services. For the planning period, an annual average of 20 pilots/apprentice pilots will participate in this week-long training session. The Authority expects to incur approximately \$180,000 in annual simulation training costs, including pilot wages and travel expenses.

The Authority also provides annual training for the PPU's and other specifically identified needs. The average annual cost to provide this pilot training is approximately \$25,000.

### *Pilot Training – Apprentice*

The Authority continues to invest in training its apprentice pilots. By the end of the 2017 navigation season, the Authority is expected to have 5 apprentice pilots trained and licensed with another 6 apprentices following their training to be licensed before the end of Q2 2018. Apprentice pilot training includes theoretical studies, practical on-board ships and simulator training. The costs associated with training a mariner to become a pilot are salaries/benefits, travelling expenses and compensation to mentoring and evaluating pilots. The total cost to train a pilot approximates \$25,000/month. Depending on the district to which the apprentice is assigned to and the apprentice's experience navigating in the Great Lakes, the length of training varies as follows:

District	Length of Training
Cornwall District	12 to 18 months
International District No. 1	6 to 12 months
Lake Ontario District	6 to 12 months
International District No. 2	6 to 12 months
International District No. 3	6 to 12 months
Port of Churchill	1 month (a Lake Ontario pilot)

## 8.5 ALIGNMENT WITH GOVERNMENT OF CANADA PENSION PLAN

### *Voluntary Severance Benefits*

Since 2013, the Authority no longer has the accumulation of severance benefits upon termination as it has been removed from the employment benefits of collective agreements for all employees, with the exception of the pilots. Due to the Authority's financial cash flow constraints, only the pilot groups' have retirement and separation gratuity amounts that remain outstanding and are to be paid out at the termination of employment. The severance calculation remains frozen and will only be adjusted based on the rate of pay in effect at the time of termination.

### *Pension Plan*

Substantially all Authority 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 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.

The employee and employer contribution rates under the Plan for 2017 are those communicated by Treasury Board of Canada Secretariat for Crown Corporations. The 2017 employee/employer ratio is 49.75:50.25 for regular contributions. The 2017 rates have been held consistent for the planning period.

### *Other Savings Plan Benefits*

The Authority does not offer any other savings plan benefits to its employees.

## 8.6 EMPLOYEE ENGAGEMENT

In the Fall of 2015, the Authority initiated an Employee Engagement Survey. Although there were no indicators of low employee morale or lack of employee engagement, the Authority believed it was important to undertake this important initiative. Since the Authority has seen changing business needs from our customers, increasing requirements from the Federal Government and experiencing important changes in its human resources, the focus on its employees needed to be respected. To this end, the Authority was seeking to obtain employee feedback and the survey results were believed to provide valuable insight into performance barriers encountered by employees. The goal was to subsequently develop resolutions to allow each employee to unlock their full potential and to create a supportive work environment that enables employees to perform to their best every day.

The Authority had an 82% employee response rate. The central theme where the Authority fell short of employees' expectation related to the lack of communication. Since receiving the survey feedback, the Authority has been elevating the quality, timeliness and means of communication to keep employees informed on the status of business and industry issues.

## 8.7 SUCCESSION PLANNING

The Authority has recognized three key positions within its organization which must be staffed with effective/efficient individuals to ensure the continued success of the organization. The positions of CEO, CFO and Director of Operations need experienced and qualified individuals.

### *Strategies*

The Authority had developed an orientation and development plan for both the CFO and the Director

of Operations, which includes a process to have their performance measured against defined objectives as to gauge their progression. Both individuals have achieved their orientation and development objectives.

Should the Authority be required to replace the CFO or the Director of Operations, it will continue to obtain the assistance of a recruiting agency to perform external searches.

For the CEO position, the Board of Directors has developed a succession strategy, which considers both internal candidates and external searches. It will also inform the Privy Council Office of the CEO retirement as part of the process with the CEO's selection committee.

The three senior management individuals are not permitted to travel together as to negate the risk of having the three injured in one single event.

## 9. GOVERNMENT DIRECTION

The Authority may receive a directive issued under *FAA (s.89.8)* and/or *(s.89.9)*, which would require it to seek approval of its negotiating mandate with some or all unions or approval of the terms and conditions of employment for non-unionized employees who are not GIC appointees. The Authority has not received any such directive regarding this matter

Also, the *FAA (s.89)* empowers the GIC, on recommendation of the Minister of Transport, to issue a directive to the Authority, a parent Crown corporation, if the GIC believes is in the public interest to do so.

### 9.1 DIRECTIVE ON PENSIONS

All eligible employees of the Authority are covered by the Public Service Pension Plan, a defined benefit plan established through legislation and sponsored by the Government of Canada.

### 9.2 DIRECTIVE ON TRAVEL, HOSPITALITY, CONFERENCE AND EVENT EXPENDITURES

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.

Since February 2016, the Authority's directive on travel and hospitality is aligned with the Government's *Directive on Travel, Hospitality and Conference and Event Expenditures*. As a means of ensuring transparency and communication to the public, a copy of the revised directive is published on the Authority website <http://www.glpa-apgl.com/about/policies/>.

As to comply with the proactive disclosure of travel and hospitality expenses, the Authority reports to the Chair of the Board, all other Directors, the Chief Executive Officer and other Senior Management's travel and hospitality expenditures in its quarterly financial reports. The Authority's quarterly financial reports can be accessed on its website at <http://www.glpa-apgl.com/reports-and-documents/financial-reports/>. The Authority also discloses the total annual expenditures for each travel, hospitality and conference fees. The Authority will include this information in its 2017 Annual Report, as required by the Treasury Board's *Directive on Travel, Conference and Event Expenditures*.

The total budgeted annual expenditures for each travel, hospitality and conference fees for the planning period is provided in Appendix 3.

## 10. SUPPORT FOR GOVERNMENT POLICIES

### 10.1 MENTAL HEALTH AWARENESS

As to support the Government of Canada's 2016 initiative to raise the awareness about mental health, the Authority provided a one day mental health awareness session to all its employees in Q1 of 2017.

### 10.2 COMPLIANCE WITH OTHER ACTS OF PARLIAMENT AND GOVERNMENT PROGRAMS

The Authority fully complies with the *Federal Identity Program*, the *Access to Information Act*, *Privacy Act*, *Official Languages Act* and the *Employment Equity* legislation. This compliance is monitored by the respective Government departments. The Authority also follows all the regulations listed in the *FAA and the Regulations* governing Crown Corporations.

## 11. AUDITOR GENERAL OF CANADA – SPECIAL EXAMINATION

As required by Part X of the FAA, the Auditor General of Canada is to carry out a special examination of the financial and management control and information systems and management practices maintained by the Great Lakes Pilotage Authority. The Authority is required by paragraphs 131(1) (b) and 131(2) (a) and (c) of the FAA to maintain these systems and practices in a manner that will provide reasonable assurance that the following requirements are met:

- the assets of the Authority are safeguarded and controlled;
- the financial, human, and physical resources of the Authority are managed economically and efficiently; and
- the operations of the Authority are carried out effectively.

The Auditor General of Canada last completed their review and presented their Special Examination Report to the Board of Directors in April 2008. They had identified a significant deficiency in the current system of exempting Canadian ships from compulsory pilotage. Also, they reported that there is reasonable assurance that there are no significant deficiencies in the systems and practices examined except for the significant deficiency. The Authority worked with Transport Canada and the industry stakeholders to address this major deficiency and amended its Great Lakes Pilotage Regulations in 2011. These changes eliminated the exemption system and replaced it with a Pilotage Certification program which took effect January 1, 2013. These amendments fully addressed the significant deficiency highlighted by the Auditor General and assure safe navigation for all ships in the Great Lakes region.

The special examination is to be carried out at least once every 10 years and at any additional times that the Governor in Council, the Minister of Transport, the Authority's Board of Directors or the Auditor of General of Canada may require. As the last Special Examination Report was published in April 2008, the Auditor General of Canada initiated the special examination in March 2017. The scope of the 2017 review is centred around (i) corporate governance, (ii) strategic planning, performance measurement and reporting, (iii) risk management, (iv) pilotage service planning, including resource planning, designation of compulsory pilotage, and setting and updating tariffs, and (v) delivery of pilotage services, including dispatching, Canadian vessel transit and certificate holders monitoring, and safety measures for pilot boarding. The Auditor General of Canada is planning to present their Special Examination Report to the Board in December 2017.

## 12. FINANCIAL STATEMENTS

### ASSUMPTIONS USED FOR DEVELOPMENT OF THE CORPORATE PLAN

#### (1) PILOTAGE ASSIGNMENTS

Based on management's assessment, the Authority forecasts 7,487 pilot assignments, a 6.7 % increase in traffic for 2017 compared to 2016. The Authority further assumes 7,067 assignments (which approximates the 5-year average and represents a 5.6% decrease in comparison to 2017) for fiscal 2018 followed by 7,050 and 7,000 assignments for the remaining years of the planning period. Given the traffic forecasting challenges previously noted, any forecast beyond a 1 year period is difficult to predict.

#### SCHEDULE OF PILOTAGE ASSIGNMENTS SINCE 2004

# of years	Year	Actual # of assignments	% change from prior year	# of years over	Average # of assignments in the last 5	Average # of assignments in the last 10
1	2004	6,398	11.5%	X	6,847	7,162
2	2005	6,443	0.7%		6,415	7,197
3	2006	7,331	13.8%	X	6,498	7,240
4	2007	7,177	-2.1%		6,617	7,238
5	2008	5,989	-16.6%	X	6,668	6,929
6	2009	4,468	-25.4%	X	6,282	6,565
7	2010	6,059	35.6%	X	6,205	6,310
8	2011	6,389	5.4%		6,016	6,257
9	2012	6,358	-0.5%		5,853	6,235
10	2013	6,403	0.7%		5,935	6,302
11	2014	7,462	16.5%	X	6,534	6,408
12	2015	7,166	-4.0%		6,756	6,480
13	2016	7,020	-2.0%		6,882	6,449
14	2017 Forecast	7,487	6.7%		7,108	6,480
15	2018 Forecast	7,067	-5.6%		7,240	6,588
16	2019 Forecast	7,050	-0.2%		7,158	6,846
17	2020 Forecast	7,000	-0.7%		7,125	6,940
18	2021 Forecast	7,000	0.0%		7,121	7,001
19	2022 Forecast	7,000	0.0%		7,023	7,066

#### (2) PILOTAGE TARIFFS

During the planning period of 2018-2022, the Authority plans the following general tariff increases and adjustments to the tariff surcharge:

District	2018	2019	2020	2021	2022
<b>GENERAL TARIFF INCREASES</b>					
Cornwall	7.00%	3.00%			
District 1	0.00%	5.50%			
Lake Ontario	5.00%	3.50%			
District 2	2.50%	1.25%			
District 3	12.00%	3.50%			
Average Increase	4.15%	2.78%	2.00%	2.75%	1.75%
<b>APPRENTICE PILOT TRAINING SURCHARGE</b>					
Annual Rate	5.00%	5.00%	5.00%	5.00%	4.00%

The assumption for the pilot transfer charges is that these will be the same as the inflation increase.

### (3) GENERAL INFLATION

A 2% general inflation (cost of living) has been assumed for the planning period, as applicable.

### (4) HEADCOUNT

#### *Pilots*

The Authority has forecasted anticipated retirements and corresponding new hires as referenced in Appendix 2 *Statement of Pilot Numbers*.

#### *Dispatchers*

The current dispatcher headcount of 8 full-time employees and 2 part-time employees will remain intact for the planning period.

#### *Office Staff*

The current office staff headcount of 3 full time employees and 1 part time employee will remain intact for the planning period.

#### *Management*

The only change from the current headcount is the elimination of a part-time position starting in 2019. Thus, the headcount for the planning period will be 7 full time employees.

### (5) WAGE INCREASES

As all collective agreements have expired, the planning assumptions for wages are as per the Authority's negotiation strategies.

### (6) PILOT BOAT

The Authority contracts its pilot boat services at both Port Weller and Port Colborne. Under an open competitive procurement process in 2015, these contracts were awarded and are in place until the end of the 2018 navigation season, 2019 optional.

The Authority continues to follow past strategies of contracting out pilot boat services for the Welland Canal as the investment in pilot boats, crewing and maintenance costs are not cost advantageous for the Authority. Thus, there are no plans to revisit to current strategy in the near future.

### (7) LAND TRANSPORTATION

The contract for Land Transportation services to transfer pilots between St. Lambert and Beauharnois, Quebec, and Cornwall was awarded in 2016 following an open competitive procurement process. The contract is in place until the end of the 2017 navigation season

The contract for Land Transportation services to transfer pilots between Cornwall, Ontario and Snell Lock (U.S.), St. Lambert, Quebec and Cape Vincent, New York was awarded in 2015 following an open competitive procurement process. The contract is in place until the end of the 2017 navigation season, 2018 optional.

The contract for the Land Transportation services to transport pilots to points around the Welland Canal was awarded in 2015 following an open competitive procurement process. The contract is in place until the end of the 2017 navigation season.

The cost associated with these services is directly correlated to the volume of assignments and will fluctuate accordingly.

#### (8) PILOT TRANSFER SERVICES

Under open competitive procurement processes at the start of the 2016 navigation season, contracts for Pilot Transfer Transportation services were awarded for the 2016 and 2017 navigation seasons.

#### (9) LEASES

In January 2014, the Authority renewed its head office lease contract for the next ten (10) years, which expires on January 31, 2024. Per the agreement, the lease costs increase annually as per the Canadian Consumer Price Index for 2015 and subsequent years.

As part of the lease renewal, the landlord agreed to leasehold inducements. These inducements are being amortized over the term of the lease and are reflected as an offset to the lease costs.

#### (10) COMPUTER SYSTEM SUPPORT

The Authority has a software support agreement for its dispatch/billing/accounts receivable system. It also has a hosting support agreement for the Authority's web site and Authority database.

#### (11) PORTABLE PILOTAGE UNITS (PPU)

The Authority completed an open competitive procurement process in 2016 to source new PPUs for the start of the 2017 navigation season. PPU costs are now partly recognized as depreciation for the hardware components, annual lease costs for the iPads, and PPU expenses for annual software and chart costs.

## STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

### GREAT LAKES PILOTAGE AUTHORITY CORPORATE PLAN (in 000's)

	ACTUAL 2016	FORECAST 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
<b>REVENUES</b>							
PILOTAGE CHARGES	\$ 25,598	\$ 29,589	\$ 29,303	\$ 29,849	\$ 30,024	\$ 30,826	\$ 31,049
DISPATCHING AND PILOT BOAT INCOME	94	89	94	-	-	-	-
INTEREST AND OTHER INCOME	196	20	205	212	232	232	232
TOTAL	<u>\$ 25,888</u>	<u>\$ 29,698</u>	<u>\$ 29,602</u>	<u>\$ 30,061</u>	<u>\$ 30,256</u>	<u>\$ 31,058</u>	<u>\$ 31,281</u>
<b>EXPENSES</b>							
PILOT SALARIES AND BENEFITS	\$ 18,912	\$ 20,459	\$ 19,907	\$ 20,681	\$ 20,945	\$ 21,405	\$ 21,690
TRANSPORTATION AND TRAVEL	2,709	3,039	2,964	2,973	3,042	3,143	3,133
OPERATION SALARIES AND BENEFITS	1,226	1,392	1,332	1,360	1,385	1,412	1,472
PILOT BOAT	1,175	1,259	1,608	1,634	1,651	1,681	1,711
ADMINISTRATION SALARIES AND BENEFITS	959	1,054	1,035	1,056	1,079	1,101	1,125
PURCHASED DISPATCHING SERVICES	270	337	304	304	304	304	304
PROFESSIONAL FEES	159	307	254	196	195	212	239
AMORTIZATION AND DEPRECIATION	256	201	229	239	249	307	207
UTILITIES, RENTALS, REPAIRS AND SUPPLIES	268	322	428	334	344	353	360
PILOT TRANSFER SERVICES	295	314	318	308	312	320	326
PILOT TRAINING AND RECRUITING COSTS	249	257	284	236	287	260	215
PILOT LAP TOP AND NAVIGATION SOFTWARE	115	64	141	143	146	149	152
COMMUNICATIONS	100	129	116	114	118	123	124
INTERST AND BANK CHARGES	23	39	23	24	24	25	25
INTEREST ON BORROWING	-	-	-	-	-	-	-
TOTAL	<u>\$ 26,716</u>	<u>\$ 29,173</u>	<u>\$ 28,943</u>	<u>\$ 29,602</u>	<u>\$ 30,081</u>	<u>\$ 30,795</u>	<u>\$ 31,083</u>
<b>PROFIT (LOSS) FOR THE YEAR</b>	\$ (828)	\$ 525	\$ 659	\$ 459	\$ 175	\$ 263	\$ 198
<b>OTHER COMPREHENSIVE INCOME:</b>							
ACTUARIAL GAIN (LOSS) ON EMPLOYEE BENEFITS	(26)	-	-	-	-	-	-
<b>COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>(854)</u>	<u>\$ 525</u>	<u>\$ 659</u>	<u>\$ 459</u>	<u>\$ 175</u>	<u>\$ 263</u>	<u>\$ 198</u>



## STATEMENT OF FINANCIAL POSITION

### GREAT LAKES PILOTAGE AUTHORITY CORPORATE PLAN (in 000's)

	ACTUAL 2016	FORECAST 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
<b>ASSETS</b>							
<b>CURRENT</b>							
CASH AND CASH EQUIVALENTS	\$ 6,398	\$ 4,501	\$ 2,615	\$ 1,845	\$ 1,085	\$ 855	\$ 699
INVESTMENTS	697	3,000	4,000	5,000	5,000	5,000	5,000
ACCOUNTS RECEIVABLE	3,650	3,000	3,200	3,300	3,200	3,300	3,400
PREPAIDS	19	50	50	50	50	50	50
	<u>10,764</u>	<u>10,551</u>	<u>9,865</u>	<u>10,195</u>	<u>9,335</u>	<u>9,205</u>	<u>9,149</u>
<b>NON-CURRENT</b>							
LONG TERM INVESTMENTS	-	-	-	-	-	-	-
PROPERTY AND EQUIPMENT	427	606	735	744	699	975	981
INTANGIBLE ASSETS	167	345	220	92	(42)	(180)	(248)
	<u>594</u>	<u>951</u>	<u>955</u>	<u>836</u>	<u>657</u>	<u>795</u>	<u>733</u>
TOTAL ASSETS	<u>\$ 11,358</u>	<u>\$ 11,502</u>	<u>\$ 10,820</u>	<u>\$ 11,031</u>	<u>\$ 9,992</u>	<u>\$ 10,000</u>	<u>\$ 9,882</u>
<b>LIABILITIES</b>							
<b>CURRENT</b>							
ACCRUED SALARIES AND BENEFITS	\$ 9,213	\$ 9,092	\$ 7,848	\$ 7,509	\$ 6,770	\$ 6,926	\$ 6,621
OTHER ACCOUNTS PAYABLE AND ACCRUED CHARGES	560	600	612	620	632	650	650
EMPLOYEE BENEFITS	507	317	216	779	587	295	295
BORROWING	-	-	-	-	-	-	-
	<u>10,280</u>	<u>10,009</u>	<u>8,676</u>	<u>8,908</u>	<u>7,989</u>	<u>7,871</u>	<u>7,566</u>
<b>NON-CURRENT</b>							
DEFERRED LEASE INDUCEMENTS	55	47	39	31	23	15	7
EMPLOYEE BENEFITS	2,657	2,560	2,560	1,994	1,613	1,390	1,293
BORROWING	-	-	-	-	-	-	-
	<u>2,712</u>	<u>2,607</u>	<u>2,599</u>	<u>2,025</u>	<u>1,636</u>	<u>1,405</u>	<u>1,300</u>
TOTAL LIABILITIES	<u>12,992</u>	<u>12,616</u>	<u>11,275</u>	<u>10,933</u>	<u>9,625</u>	<u>9,276</u>	<u>8,866</u>
<b>EQUITY</b>							
RETAINED EARNINGS (ACCUMULATED DEFICIT)	(1,634)	(1,114)	(455)	98	367	724	1,016
TOTAL LIABILITIES AND EQUITY	<u>\$ 11,358</u>	<u>\$ 11,502</u>	<u>\$ 10,820</u>	<u>\$ 11,031</u>	<u>\$ 9,992</u>	<u>\$ 10,000</u>	<u>\$ 9,882</u>

## STATEMENT OF CHANGES IN EQUITY

### GREAT LAKES PILOTAGE AUTHORITY CORPORATE PLAN (in 000's)

	ACTUAL 2016	FORECAST 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
RETAINED EARNINGS (ACCUMULATED DEFICIT) BEGINNING OF YEAR	\$ (780)	\$ (1,634)	\$ (1,114)	\$ (455)	\$ 98	\$ 367	\$ 724
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(854)	520	659	553	269	357	292
RETAINED EARNINGS (ACCUMULATED DEFICIT) END OF YEAR	\$ (1,634)	\$ (1,114)	\$ (455)	\$ 98	\$ 367	\$ 724	\$ 1,016

## STATEMENT OF CASH FLOW

### GREAT LAKES PILOTAGE AUTHORITY CORPORATE PLAN (in 000's)

	ACTUAL 2016	FORECAST 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
<b>OPERATING ACTIVITIES</b>							
PROFIT FOR THE YEAR	\$ (828)	\$ 520	\$ 659	\$ 553	\$ 269	\$ 357	\$ 292
ITEMS NOT AFFECTING CASH:							
Employee benefits	(342)	(287)	(101)	(3)	(573)	(515)	(97)
Amortization and depreciation	256	201	229	239	249	307	207
Decrease in deferred leasehold inducements	(8)	(8)	(8)	(8)	(8)	(8)	(8)
CHANGES IN NON-CASH WORKING CAPITAL ITEMS:							
Decrease (Increase) in accounts receivable	(586)	650	(200)	(100)	100	(100)	(100)
Decrease (Increase) in prepaids	22	(31)	-	-	-	-	-
Increase (Decrease) in accrued salaries and benefit	1,356	(121)	(1,244)	(339)	(739)	156	(305)
Increase (Decrease) in other accounts payable and accrued charges	(31)	40	12	8	12	18	-
CASH PROVIDED BY OPERATING ACTIVITIES	\$ (161)	\$ 964	\$ (653)	\$ 350	\$ (690)	\$ 215	\$ (11)
<b>INVESTING ACTIVITIES</b>							
PURCHASE OF INVESTMENTS	(2,475)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
DISPOSAL OF INVESTMENTS	4,221	4,697	6,000	6,000	7,000	7,000	7,000
ACQUISITION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	(269)	(558)	(233)	(120)	(70)	(445)	(145)
CASH PROVIDED (USED) IN INVESTING ACTIVITIES	\$ 1,477	\$ (2,861)	\$ (1,233)	\$ (1,120)	\$ (70)	\$ (445)	\$ (145)
<b>FINANCING ACTIVITIES</b>							
PROCEEDS FROM BORROWING							
REPAYMENT OF BORROWING							
CASH PROVIDED (USED) IN INVESTING ACTIVITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CASH AND CASH EQUIVALENTS</b>							
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	1,316	(1,897)	(1,886)	(770)	(760)	(230)	(156)
CASH, BEGINNING OF YEAR	5,082	6,398	4,501	2,615	1,845	1,085	855
CASH, END OF YEAR	\$ 6,398	\$ 4,501	\$ 2,615	\$ 1,845	\$ 1,085	\$ 855	\$ 699

## 13. CAPITAL BUDGET

### GREAT LAKES PILOTAGE AUTHORITY CORPORATE PLAN (in 000's)

	ACTUAL 2016	BUDGET 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
<b>CONSTRUCTION IN PROCESS</b>	\$ (13)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>BUILDINGS</b>	\$ 97	\$ 55	\$ 100	\$ 50	\$ -	\$ -	\$ -
<b>FURNITURE AND FIXTURES</b>	\$ 13	\$ 2	\$ 28	\$ 20	\$ 20	\$ 20	\$ 20
<b>LEASEHOLD IMPROVEMENTS</b>	\$ 29	\$ -	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
<b>COMPUTER AND COMMUNICATION EQUIPMENT</b>	\$ 129	\$ 251	\$ 65	\$ 10	\$ 10	\$ 385	\$ 10
<b>SOFTWARE</b>	\$ 14	\$ 250	\$ 30	\$ 30	\$ 30	\$ 30	\$ 105
<b>TOTAL</b>	<b>\$ 269</b>	<b>\$ 558</b>	<b>\$ 233</b>	<b>\$ 120</b>	<b>\$ 70</b>	<b>\$ 445</b>	<b>\$ 145</b>

#### Overview of Significant Capital Expenditure Plan

##### *Upgrade to Dispatch and Billing System*

Consistent with its 2017-2021 Corporate Plan, the Authority completed the upgrade and migration of its dispatch/billing/accounts receivable computer system to a web based system in 2017. In addition, during the planning period, the Authority plans to spend funds on further system enhancements.

During the planning period, the Authority plans to spend funds on upgrading its database used for training of Authority pilots at the pilot simulator.

##### *Replacement of Portable Pilotage Units (PPU)*

As previously highlighted in the *Portable Pilotage Units* sub-section of the *Strategic Issues, Environment* section and as stated in the 2017-2021 Corporate Plan, the PPU is a valuable tool to assist pilots in their navigation decision making process. The Authority considers the PPU as an essential aid in achieving its objective on providing an economic, safe and reliable pilotage service. The previous PPUs' five-year useful life ended in 2016. Following an open competitive procurement process in 2016, PPU vendors were awarded the contracts with important cost savings. The PPUs will only be in use at the start of the 2017 navigation season.

##### *Pilot Waiting Stations*

In 2017, the Authority replaced a previously leased pilot waiting station trailer at the Beauharnois Locks given in part to the requirement to relocate the accommodations outside of the secured lock area and due to recurring frozen pipes and lack of running water. After the relocation in September 2016, the Authority purchased and installed the pilot waiting station structure in 2017.

In 2018, the Authority will assess the pilot waiting station at Lock 7 in the Welland Canal and plans to spend funds on leasehold improvements.

### Other Capital Expenditures

None of the other capital expenditures represent significant costs to the Authority. As evidenced by the historical capital expenditure spending prior to 2014 as noted in the following chart, the Authority has relatively been in a cost control mode on capital spending. However, the deferral of capital spending could not be maintained at the same level and office renovations and furniture/equipment replacement have been required since 2014 and continues for the remainder of the planning period.

In 000's of \$	2016	2015	2014	2013	2012	2011	2010
Construction in Progress	\$ (13)	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -
Building	97	-	-	-	-	-	-
Furniture and fixtures	13	45	58	2	-	18	-
Leasehold Improvements	29	54	53	-	-	3	-
Computer and Communication	129	2	4	1	710	1	6
Software	14	154		14	320	1	6
<b>Total Actual Spending</b>	<b>\$ 269</b>	<b>\$ 268</b>	<b>\$ 115</b>	<b>\$ 17</b>	<b>\$ 1,030</b>	<b>\$ 23</b>	<b>\$ 12</b>
<b>Budget</b>	<b>\$ 407</b>	<b>\$ 125</b>	<b>\$ 100</b>	<b>\$ 20</b>	<b>\$ 100</b>	<b>\$ 100</b>	<b>\$ 70</b>
<b>Under (Over) Spent vs. Budget</b>	<b>\$ 138</b>	<b>\$ (143)</b>	<b>\$ (15)</b>	<b>\$ 3</b>	<b>\$ (930)</b>	<b>\$ 77</b>	<b>\$ 58</b>

\* In 2012, the Authority previously budgeted the PPU's as an operating expense for the entire planning period. Subsequently, a decision was made to purchase the PPU's. Without this expenditure, the Authority would have under spent \$30,000 vs. budget.

\*\* In 2015, the Authority had only originally budgeted for the migration of its dispatching and billing system and was pushed to 2017.

### Implications on Cash Flows and Loans

The Authority anticipates being able to generate the necessary funds to meet its capital expenditures during the planning period without requiring a loan or a significant use of the line of credit. Should the line of credit be used, it will simply be for a marginal period of time without negatively impacting its financial results. As evidenced with the Statement of Cash Flow, the Authority will leverage its excess funds invested to offset these capital investments.

### Appropriations

The *Canada Marine Act* amended the *Pilotage Act* in Section 36.01 and does not allow an appropriation by Parliament to enable the Authority to discharge any obligation or liability. The Authority must maximize all its returns to increase its revenues so that Parliamentary Appropriations do not become a necessity.

## 14. OPERATING BUDGET

### STATEMENT OF OPERATIONS 2016 ACTUALS VS. FORECAST & 2017 FORECAST VS. BUDGET

#### GREAT LAKES PILOTAGE AUTHORITY CORPORATE PLAN (in 000's)

	FORECAST 2016	ACTUAL 2016	VARIANCE	BUDGET 2017	FORECAST 2017	VARIANCE	BUDGET 2018
<b>REVENUES</b>							
PILOTAGE CHARGES	\$ 26,116	\$ 25,598	\$ (518)	\$ 27,288	\$ 29,589	\$ 2,301	\$ 29,303
DISPATCHING AND PILOT BOAT INCOME	89	94	5	-	89	89	\$ 94
INTEREST AND OTHER INCOME	40	196	156	20	20	\$ -	\$ 205
TOTAL	\$ 26,245	\$ 25,888	\$ (357)	\$ 27,308	\$ 29,698	\$ 2,390	\$ 29,602
<b>EXPENSES</b>							
PILOT SALARIES AND BENEFITS	\$ 19,061	\$ 18,912	\$ 149	\$ 18,680	\$ 20,459	\$ (1,779)	\$ 19,907
TRANSPORTATION AND TRAVEL	2,682	2,709	(27)	2,616	3,039	(423)	2,964
OPERATION SALARIES AND BENEFITS	1,294	1,226	68	1,305	1,392	(87)	1,332
PILOT BOAT	1,286	1,175	111	1,078	1,259	(181)	1,608
ADMINISTRATION SALARIES AND BENEFITS	1,003	959	44	1,043	1,054	(11)	1,035
PURCHASED DISPATCHING SERVICES	399	270	129	298	337	(39)	304
PROFESSIONAL FEES	175	159	16	215	307	(92)	254
AMORTIZATION AND DEPRECIATION	259	256	3	407	201	206	229
UTILITIES, RENTALS, REPAIRS AND SUPPLIES	296	268	28	307	322	(15)	428
PILOT TRANSFER SERVICES	301	295	6	298	314	(16)	318
PILOT TRAINING AND RECRUITING COSTS	245	249	(4)	267	257	10	284
PILOT LAP TOP AND NAVIGATION SOFTWARE	115	115	-	107	64	43	141
COMMUNICATIONS	106	100	6	106	129	(23)	116
INTEREST AND BANK CHARGES	17	23	(6)	37	39	(2)	23
INTEREST ON BORROWING	-	-	-	24	-	24	-
TOTAL	\$ 27,239	\$ 26,716	\$ 523	\$ 26,788	\$ 29,173	\$ (2,385)	\$ 28,943
PROFIT (LOSS) FOR THE YEAR	\$ (994)	\$ (828)	\$ 166	\$ 520	\$ 525	\$ 5	\$ 659
<b>OTHER COMPREHENSIVE INCOME:</b>							
ACTUARIAL GAIN (LOSS) ON EMPLOYEE BENEFITS	-	(26)	(26)	-	-	-	-
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ (994)	\$ (854)	\$ 140	\$ 520	\$ 525	\$ 5	\$ 659

### MAJOR ASSUMPTIONS

Refer to section 11 *Financial Statements*, sub-section *Assumptions Used for the Development of the Corporate Plan* for the listing of the major assumptions.

### 2018 SENSITIVITY OF PROJECTIONS TO CHANGES

As previously stated, the Authority's major expenditures are in the form of wages, fringe benefits and pilot boat costs as well as other contracted commitments. Thus, approximately 80% of the operating costs are relatively fixed over an operating season with only the remainder of the 20% costs being variable or semi-variable. Therefore, major fluctuations in pilotage assignments will have a significant impact on the Authority's financial results.

At the forecasted level of assignments and pilot numbers for the planning period, the Authority can, to a certain degree, manage pilot overtime and productivity, travel and land transportation expenses which could fluctuate to a certain degree with an increase or decrease in traffic. At this

assignment level, these variable expenses may represent up to 70% of incremental or shortage in the pilotage revenues. The increase or decrease in pilotage revenue will directly impact the operating surplus or deficit of the Authority.

Applying this reasoning of revenue to the cost of operations as forecasted for 2018 based on 7,000 assignments, it can be stated that the pilotage revenue, operating expenses and the surplus or deficit of the Authority could vary as follows:

<u>Percentage Variation in Pilotage Assignments</u>	<u>Variation in Pilotage Revenue</u>	<u>Variation in Operating Expenses</u>	<u>Resulting Change to Surplus or Deficit</u>
+2%	\$ 1.1 M	\$ 0.4 M	\$ 0.7 M
-2%	\$ (1.1) M	\$ (0.4) M	\$ (0.7) M

\* A sensitivity analysis cannot be completed for any traffic fluctuations greater than 2% as the results would be skewed given the pilot numbers would need to be re-evaluated.

### 2016 ACTUAL VS. 2016 FORECAST

#### *Pilot Salaries and Benefits*

As the actual loss was only \$0.2 million more favourable than the forecast, there are no significant drivers to explain other than that revenues and direct expenses fluctuated in correlation with the difference in assignments.

### 2017 FORECAST VS. 2017 BUDGET

#### *Pilotage Revenue*

The \$2.3 million favourability is driven in parts by the 7.0% increase in assignments; offset by a 2.5% lower approved net tariff versus what had initially been budgeted as well as \$0.3 million of lost revenue due to the delayed timing of the approved tariffs.

#### *Pilotage Salaries and Benefits*

The \$1.8 million increase in these expenses is primarily driven to service the incremental 7.0% assignments generating the increase in revenue noted.

## **15. BORROWING PLAN**

### **15.1 BORROWING APPROVAL**

The Authority's funding activities are governed by section 36 of the *Pilotage Act* and section 127 of the *Financial Administration Act*.

In accordance with section 36 of the *Pilotage Act* and 127(3) of the *FAA*, the Authority requires approval from the Minister of Finance to enter into any transaction to borrow money, including the time and terms and conditions of the transaction. The following outlines the Authority's borrowing plan:

## 15.2 SHORT-TERM BORROWINGS TO BE MAINTAINED IN 2018

The Authority requests authorization from the Department of Finance to borrow \$3,000,000 in the form of a line of credit for 2018 pursuant to Section 127(3) of the FAA.

## 15.3 LONG-TERM BORROWING TO BE UNDERTAKEN IN 2018

The Authority does not anticipate any requirements for long-term borrowings for 2018 and the remainder of the planning period.

## 15.4 CONTINGENT LIABILITIES

The Authority does not anticipate giving any contingent liabilities in the form of guarantees throughout 2018.

## 15.5 OVERVIEW OF BORROWING PLANS

### *Line of Credit*

The Authority does foresee a need to utilize approximately \$1.5 million of the requested \$3 million line of credit. The line of credit would be needed to fund the cash outlays during the non-navigation season until cash is collected following the start of the 2018 navigation season. The line of credit is also an important part of the Authority's business strategies given the seasonal nature of its business as it ensures funds are available to even out cash flow during fluctuations in traffic over the course of the navigation season.

The Authority will need to rely on its line of credit until the start of the following navigation season under this scenario given the current tariff process is not flexible nor timely to allow the Authority to resolve its cash inflow needs once the decrease in traffic starts to materialize.

As evidenced by the following chart, when a significant downturn in traffic occurs, significant cash outflows need to be covered, which could easily amount close to \$3,000,000.

Historical Usage of Line of Credit	2017	2016	2015	2014	2013	2012	2011	2010
Highest weekly use of line of credit	\$ 1.5	\$ -	\$ -	\$ 0.2	\$ 0.7	\$ 2.5	\$ 1.6	\$ 4.0
# of weeks operating on line of credit	15	0	0	2	13	27	20	43
Timing of line of credit fully paid	5-Jul	Not used	Not used	9-May	14-Jun	27-Jul	19-Aug	29-Oct

In addition to the need to cover potential bank overdrafts, the current line of credit is also partly required for a payment products settlement limit (PPSL). The PPSL allows the Authority to use the electronic fund transfer (EFT) functions and to benefit from managing its settlement dates without the requirement to prefund the EFT. This feature provides the Authority the flexibility to optimize its cash flow position throughout the year. In addition, a portion of the available line of credit is required for the Authority's corporate credit cards.

As per the banking agreement with its banker, the Authority pays prime rate on its line of credit. This borrowing requirement is an integral part of the Authority's cash management strategy.

For 2017, the Minister of Finance approved the Authority's borrowing up to \$3 million from its banker, to bridge any cash flow shortfall.

## 15.6 TOTAL BORROWING – NEW AND OUTSTANDING

The following tables provide the details of the shifts between short-to-long-term borrowings, and material changes year-to-year:



Table 1: Outstanding borrowings as of December 31 (in millions of dollars)							
	2016 Actual	2017 Estimated	2018 Forecasted	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Short-term borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total borrowings</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Table 2: Short-term borrowings as December 31 (in millions of dollars)							
	2016 Actual	2017 Estimated	2018 Forecasted	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Split by currency							
Canadian dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
US dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total borrowings</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Table 3: Peaks at any time point during the year (in millions of dollars)							
	2016 Actual	2017 Estimated	2018 Forecasted	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Split by currency							
Line of credit	\$ -	\$ 1.5	\$ 1.0	\$ -	\$ -	\$ -	\$ -
Canadian dollar borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
US dollar borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total borrowings</b>	<b>\$ -</b>	<b>\$ 1.5</b>	<b>\$ 1.0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Table 4: Long-term borrowings as of December 31 (in millions of dollars)							
	2016 Actual	2017 Estimated	2018 Forecasted	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Opening balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maturities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New issuances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total borrowings</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fixed-rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Floating-rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total borrowings</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

As outlined in *Section 14.5 Overview of Borrowing Plans*, the line of credit is needed during the non-navigational season until the Authority starts to collect revenues at the start of the 2018 navigation season. Given the accumulated deficit expected to be still outstanding at the end of 2017 and resulting deficiency in operating funds, the Authority expects it will utilize up to \$1.0 million in March but should be able to re-pay the amount by the end of July 2018. As the Authority is expecting its 2018 tariff rates to generate a positive cash flow, it anticipates repaying the line of credit in 2018 with no further use for the remainder of the planning period.

## 15.7 TOTAL BORROWING – NEW AND OUTSTANDING CAPITAL LEASES

The Authority does not anticipate entering into new leases during the planning period which would require Minister approval.

The Authority only has one outstanding lease which will be restated in 2019 as to comply with the new *International Financial Reporting Standard 16*. The Authority currently has an office space

lease which was signed in 2014 for a 10-year period (expires in January 2024). The outstanding lease commitment as of December 31, 2017, is anticipated to be approximately \$0.5 million.

## 16. INVESTMENT FRAMEWORK

The *Pilotage Act* in Section 37 allows the Authority, with the approval of the Minister of Finance, to invest in bonds or other obligations guaranteed by Her Majesty in right of Canada or any Province, or any Municipality in Canada, any moneys not immediately required for the purposes of the Authority.

The Authority requested and received since 1996 formal approval from the Minister of Finance to invest sums of money for any extended period of time. The Authority has historically invested surplus money in short-term bonds, which on average have very low returns.

The Authority consulted with the bank and investment experts and has received a list of typical investment instruments that could be purchased to maximize returns while at the same time virtually eliminating any type of risk. The investment instruments the Authority is planning on purchasing for short-term and long-term basis (max. of 10 years) are the following:

- (i) Government of Canada Treasury Bill, Strip Bonds and coupons.
- (ii) Provincial Treasury Bonds guaranteed by the Provincial Governments.
- (iii) Municipal Bonds guaranteed by Municipal Governments.
- (iv) Any other instrument guaranteed by the Government of Canada, Provincial Governments, or a Municipality in Canada that might be introduced during this planning period

The Authority plans on investing its surplus funds for periods ranging from three (3) months to two (2) years until the future employee benefits are paid. The Authority expects to earn an average, given the current economic conditions, of a return slightly below or above a 1.0% on these funds.

Given that an important portion of cash inflow is received between September and December and given the Authority's significant cash outflows in January the following year, the Authority cannot aggressively invest in instruments that mature beyond February.

The Authority maintains a cash management system which covers an 18-month period. The system is updated on a weekly basis and allows the Authority to minimize cash levels in non-interest-bearing accounts.

The Authority, therefore, requests from the Department of Finance approval to invest in bonds or other obligations guaranteed by Her Majesty in right of Canada of any Province, or any Municipality in Canada, any monies not immediately required for the Authority. This request is made to satisfy the requirements of Section 37 of the *Pilotage Act*.

## APPENDIX 1 - TARIFF ADJUSTMENTS / CPI / PILOTAGE ASSIGNMENTS

# of years	Year	Description of tariff adjustment	Tariff Increase (Decrease)	Tariff Surcharge Inc/(Dec)	Consumer price index	Pilotage Assignments	Net Income (Loss) (000's)	Accumulated Surplus (deficit) (000's)
1	1996	No tariff increase	0%		2.1%	6,903	1,016	3,934
2	1997	No tariff increase	0%		1.3%	7,192	1,210	5,144
3	1998	No tariff increase	0%		1.3%	9,085	1,701	6,845
4	1999	March 1999: 5% tariff reduction in Canadian districts. It represented a 3% overall reduction.	-3%		1.4%	8,108	(353)	6,492
5	2000	March 2000: 5% tariff reduction maintained in Canadian districts. It represented a 3% overall reduction.	-3%		1.8%	8,605	(1,093)	5,399
6	2001	No tariff increase	0%		1.6%	6,916	(2,276)	3,123
7	2002	March 2002: Tariff increase of 5% in Cornwall and Lake Ontario Districts only. It represented a 3% overall increase.	3%					
		November 2002: Increase of 11% in International District # 2 (above canal) only. It represented a 1% overall increase.	1%		2.7%	6,581	(1,560)	1,563
8	2003	March 2003: Increase of 5% in Cornwall and Lake Ontario Districts only. It represented a 3% overall increase.	3%		2.0%	5,737	(2,639)	(1,076)
9	2004	July 2003: 4.5% overall tariff increase.	4.5%					
		April 2004: 8% overall tariff increase.	8%					
		September 2004: 7% overall tariff increase.	7%		2.2%	6,398	(2,082)	(3,158)
10	2005	April 2005: 5.5% overall tariff increase.	5.5%					
		June 2005: Elimination of Currency Equalization Factor (CEF) calculation in international districts (District # 1, Lake Ontario and International district # 2 & 3). Tariff adjustment of 17.5%. Not seen as a tariff increase.	0%		2.6%	6,443	(833)	(3,991)
11	2006	June 2006: 2.5% overall tariff increase and an 8% increase in Class 1 vessels.	2.5%		1.7%	7,331	321	(3,670)
12	2007	January 2007: 2.5% overall tariff increase and a 7% increase in Class 1 vessels.	2.5%		2.2%	7,177	262	(3,408)
13	2008	April 28, 2008: 4% overall tariff increase. (Different % increase in different districts); introduction of the temporary surcharge.	4.0%	2.0%	2.4%	5,989	(237)	(3,645)
14	2009	March 31, 2009: 4% overall tariff increase and increase in the temporary surcharge from 2% to 6%.	4.0%	4.0%				
		August 18, 2009: Increase in the temporary surcharge from 6% to 15%.	0.0%	9.0%	0.3%	4,468	(2,063)	(5,708)
15	2010	June 1, 2010 - Tariff increase of 15% in Lake Ontario, 30% increase in Port of Churchill, 1.5% increase in all other districts and introduction of vessel class 5	5.5%	0.0%	1.9%	6,059	2,013	(3,695)
16	2011	Navigation season - 3% overall tariff increase and a reduction of the temporary surcharge from 15% to 12% and the repeal of class 5 vessel class.	3.0%	-3.0%	2.8%	6,389	654	(3,041)
17	2012	Navigation season - equivalent of 2% tariff increase (Cornwall district 4% increase, International district #1 no increase, Lake Ontario district and Port of Churchill 2% increase, International district #2 & 3 3% increase) and maintain of the temporary surcharge at 12%.	2.0%	0.0%	1.5%	6,358	377	(2,664)
18	2013	Navigation season - equivalent of 2.5% tariff increase and maintain of the temporary surcharge at 12%.	2.5%	0.0%	1.8%	6,403	900	(1,764)
19	2014	Navigation season - 2.5% tariff increase and maintain of the temporary surcharge at 12%.	2.5%	0.0%	1.0%	7,462	1,336	(428)
20	2015	Navigation season - 1.5% tariff increase and reduction of the surcharge to 11%.	1.5%	-1.0%	1.1%	7,166	(352)	(780)
21	2016	Navigation season - 1.5% tariff increase and increase of the surcharge to 12%.	1.5%	1.0%	2.0%	7,020	(854)	(1,634)
22	2017	Navigation season - 15.5% tariff increase; elimination of the surcharge to 11.5%; introduction of 5% apprentice pilot training surcharge.	14.5%	5.0%	1.5%	7,487	520	(1,114)
23	2018	Navigation season - average 4.15% tariff increase, maintain the 5% apprentice pilot training surcharge.	4.2%	0.0%	2.0%	7,067	659	(455)

## APPENDIX 2 – STATEMENT OF PILOT NUMBERS

<b><i>HEADCOUNT ASSUMPTIONS</i></b>						
	<b>FORECAST</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b><i>Pilots</i></b>						
Start of Year	52	51	55	63	65	68
Reductions	(6)	(2)	(2)	(4)	(2)	(4)
Increases	5	6	10	6	5	4
End of Year	51	55	63	65	68	68
<b><i>Apprentice-Pilots</i></b>						
Start of Year	5	6	6	3	4	4
Reductions	(7)	(6)	(10)	(7)	(6)	(4)
Increases	8	6	7	8	6	2
End of Year	6	6	3	4	4	2
<b><i>Part Time Pilots</i></b>						
Start of Year	7	8	12	10	6	3
Reductions	(1)	0	(4)	(4)	(4)	(2)
Increases	2	4	2	0	1	1
End of Year	8	12	10	6	3	2

### APPENDIX 3 – ANNUAL TRAVEL, HOSPITALITY AND CONFERENCE FEES

The anticipated annual travel, hospitality and conference fees for the planning period of the Board Chair, Chief Executive Officer and other Board Members are:

THE ANTICIPATED ANNUAL TRAVEL EXPENSES ARE:						
	FORECASTED 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
Chair of the Board	\$ 5,000	\$ 10,000	\$ 7,500	\$ 10,000	\$ 7,500	\$ 11,000
Chief Executive Officer	\$ 50,000	\$ 45,000	\$ 40,000	\$ 45,000	\$ 40,000	\$ 45,000
Board of Directors	\$ 36,000	\$ 33,000	\$ 37,000	\$ 30,000	\$ 35,000	\$ 30,000
Senior Managers	\$ 40,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
<b>TOTAL</b>	<b>\$ 131,000</b>	<b>\$ 123,000</b>	<b>\$ 119,500</b>	<b>\$ 120,000</b>	<b>\$ 117,500</b>	<b>\$ 121,000</b>
THE ANTICIPATED ANNUAL HOSPITALITY EXPENSES ARE:						
	FORECASTED 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
Chair of the Board	\$ 1,000	\$ 1,000	\$ 1,500	\$ 1,000	\$ 1,500	\$ 1,000
Chief Executive Officer	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Board of Directors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Managers	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
<b>TOTAL</b>	<b>\$ 8,000</b>	<b>\$ 9,000</b>	<b>\$ 9,500</b>	<b>\$ 9,000</b>	<b>\$ 9,500</b>	<b>\$ 9,000</b>
THE ANTICIPATED ANNUAL EVENT EXPENSES ARE:						
	FORECASTED 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
Chair of the Board	\$ -	\$ 4,000	\$ 1,000	\$ 4,000	\$ 1,000	\$ 4,000
Chief Executive Officer	\$ 2,000	\$ 6,000	\$ 3,000	\$ 6,000	\$ 4,000	\$ 6,000
Board of Directors	\$ 500	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Senior Managers	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
<b>TOTAL</b>	<b>\$ 5,500</b>	<b>\$ 14,000</b>	<b>\$ 8,000</b>	<b>\$ 14,000</b>	<b>\$ 9,000</b>	<b>\$ 14,000</b>
THE ANTICIPATED ANNUAL TRAVEL, HOSPITALITY AND EVENT EXPENSES ARE:						
	FORECASTED 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
Chair of the Board	\$ 6,000	\$ 15,000	\$ 10,000	\$ 15,000	\$ 10,000	\$ 16,000
Chief Executive Officer	\$ 58,000	\$ 57,000	\$ 49,000	\$ 57,000	\$ 50,000	\$ 57,000
Board of Directors	\$ 36,500	\$ 34,000	\$ 38,000	\$ 31,000	\$ 36,000	\$ 31,000
Senior Managers	\$ 44,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
<b>TOTAL</b>	<b>\$ 144,500</b>	<b>\$ 146,000</b>	<b>\$ 137,000</b>	<b>\$ 143,000</b>	<b>\$ 136,000</b>	<b>\$ 144,000</b>

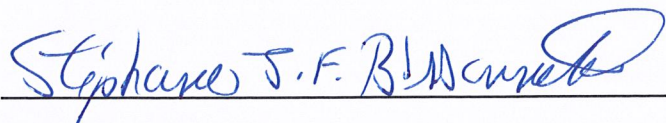
**APPENDIX 4 – CHIEF FINANCIAL OFFICER ATTESTATION**

October 20, 2017

In my capacity as Chief Financial Officer of the *Great Lakes Pilotage Authority*, I have reviewed the 2018-2022 *Corporate Plan and Budgets* and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported:
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed:
3. Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered:
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the Corporate Plan:
5. The Corporate Plan and Budgets are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place:
6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the *Great Lakes Pilotage Authority*:

In my opinion, the financial information contained in this Corporate Plan and Budgets is sufficient overall to support decision making.



Stéphane J.F. Bissonnette

Stéphane J.F. Bissonnette, CFO