

GREAT LAKES PILOTAGE AUTHORITY



CORPORATE PLAN SUMMARY 2019 to 2023

Approved by the Board

October 31, 2018

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1. EXECUTIVE SUMMARY

The Great Lakes Pilotage Authority (the Authority) has experienced increased traffic since 2014. Forecasted demand for 2018 is 8,076 pilot assignments, a level not seen since 2002. Although the Authority welcomes the increased traffic, it faces some challenges trying to balance its responsibility for financial self-sufficiency while maintaining its progressive and reliable pilotage services – safe, environmentally sensitive, efficient, and economical – with its current pool of pilots and office staff.

The Authority historically benefitted from a stable pilot workforce with minimal turnover. However, it is experiencing an abnormally high level of pilot retirements (i.e. approximately 40% of the workforce since 2014) in the last few years and expects 20% more over the planning period. Pilot retirements, coupled with the significant demand for pilotage services, have impacted reliability (i.e. above-normal ship delays due to a shortage of pilots). The Authority has identified pilot succession as a critical risk in achieving its objectives of providing economic, safe, reliable, and comprehensive marine pilotage and related services, and more specifically in the following issues:

Elimination of the Accumulated Deficit by 2019

The Authority entered 2018 with a \$0.8 million accumulated deficit. With a strong demand for pilotage services forecast for 2018, the Authority expects a \$0.6 million surplus in 2018, and thus, reducing the accumulated deficit to \$0.2 million by year's end. With the tariff strategy for 2019, coupled with cost containment strategies on labour costs, the Authority is confident it will eliminate its accumulated deficit by the end of 2019.

Safe and Reliable Pilotage Services

The Authority reports 99.9% incident-free assignments year over year, an historical result. This is credited to the resources, both financial and non-financial, the Authority has invested in apprentice-pilot training, continued pilot training and evaluation, and state-of-the-art navigational aids. However, there have also been high levels of ship delays due to a shortage of pilots since 2014, and the trend is expected to continue in 2018. When pilot assignments rise more than 22% past budgeted traffic, ship delays due to a shortage of pilots are inevitable. Consequently, the Authority's customers have made their dissatisfaction known. To provide more reliable service, the Authority aims to increase pilot numbers during the planning period.

Tariff Strategies

The Authority depends on industry support for its 2019 tariff strategies, including the continuation of the current 5.0% apprentice-pilot training surcharge to the end of 2020. The only means of constraining delays to a reasonable level is to increase pilot numbers, which must be offset by amended tariff rates. The surcharge strategy, jointly developed with the industry, addresses significant apprentice-pilot recruiting and training costs. These relate to replacing retired pilots and increasing pilot numbers to better match demand. Assignments have increased over 50% from 2009, when numbers were reduced to counter lost pilotage revenue.

2. OVERVIEW

2.1 BACKGROUND

The Authority was established in February 1972 pursuant to the *Pilotage Act*. It was incorporated as a limited company in May 1972 and continued under the *Canada Business Corporations Act* as Great Lakes Pilotage Authority, Ltd. until October 1, 1998. Then, pursuant to the *Canada Marine Act* – which received Royal Assent on June 11, 1998 – the name of the Authority was changed to Great Lakes Pilotage Authority, and the Authority 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 income taxes. On October 1, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority, surrendering its charter under the *Canada Business Corporations Act*.

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

2.2 PUBLIC POLICY ROLE

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

2.3 MANDATE

The Authority's mandate is to establish, operate, maintain, and administer a safe and efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that pilotage tariffs 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.

To carry out its responsibilities under the *Pilotage Act*, the Authority can establish regulations necessary to its objectives, subject to approval by Order-in-Council. Examples include:

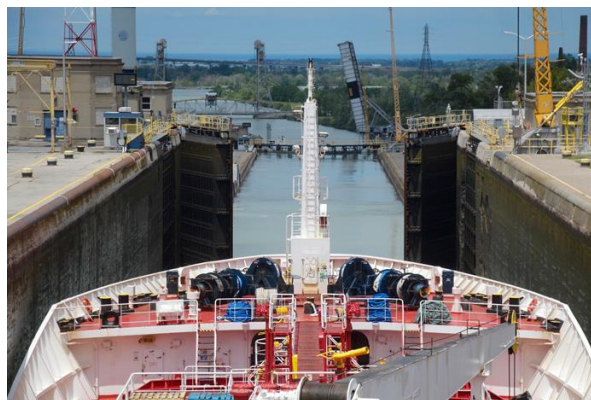
1. The establishment of compulsory pilotage areas.
2. The prescription of the ships or classes of ships subject to compulsory pilotage.
3. The prescription of the classes of pilot licences and classes of pilotage certificates that may be issued.
4. The prescription of the tariffs of pilotage charges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

2.4 MISSION

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

2.5 VISION

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



2.6 MAIN ACTIVITIES AND PRINCIPAL PROGRAMS

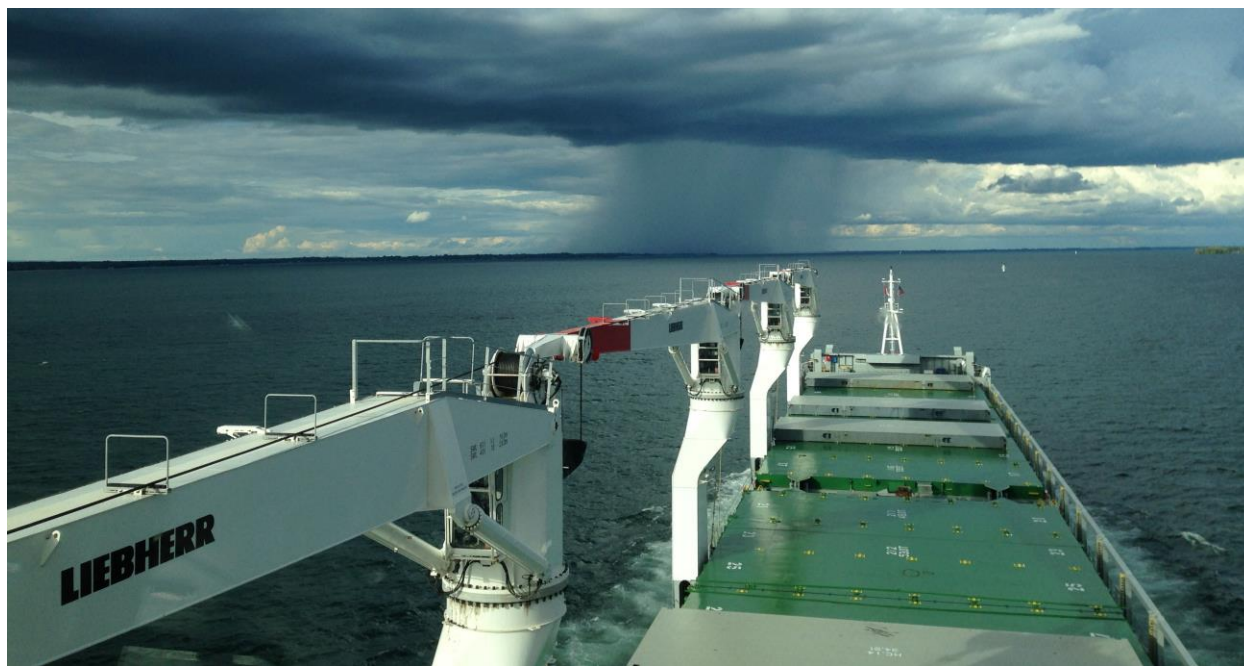
The Authority's main activity is to operate, in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba, and Quebec, south of the northern entrance to the St. Lambert Lock.

Services are provided to ships entering the region which are subject to compulsory pilotage. They are performed 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.

In addition to that, the Authority also administers and monitors a pilotage certification system for Canadian officers, authorizing them to perform pilotage duties on Canadian ships.

2.7 FURTHER INFORMATION

Further corporate information regarding the Authority can be found in its 2017 Annual Report, available from its website at <http://www.gipa-apgl.com/reports-and-documents/financial-reports>.

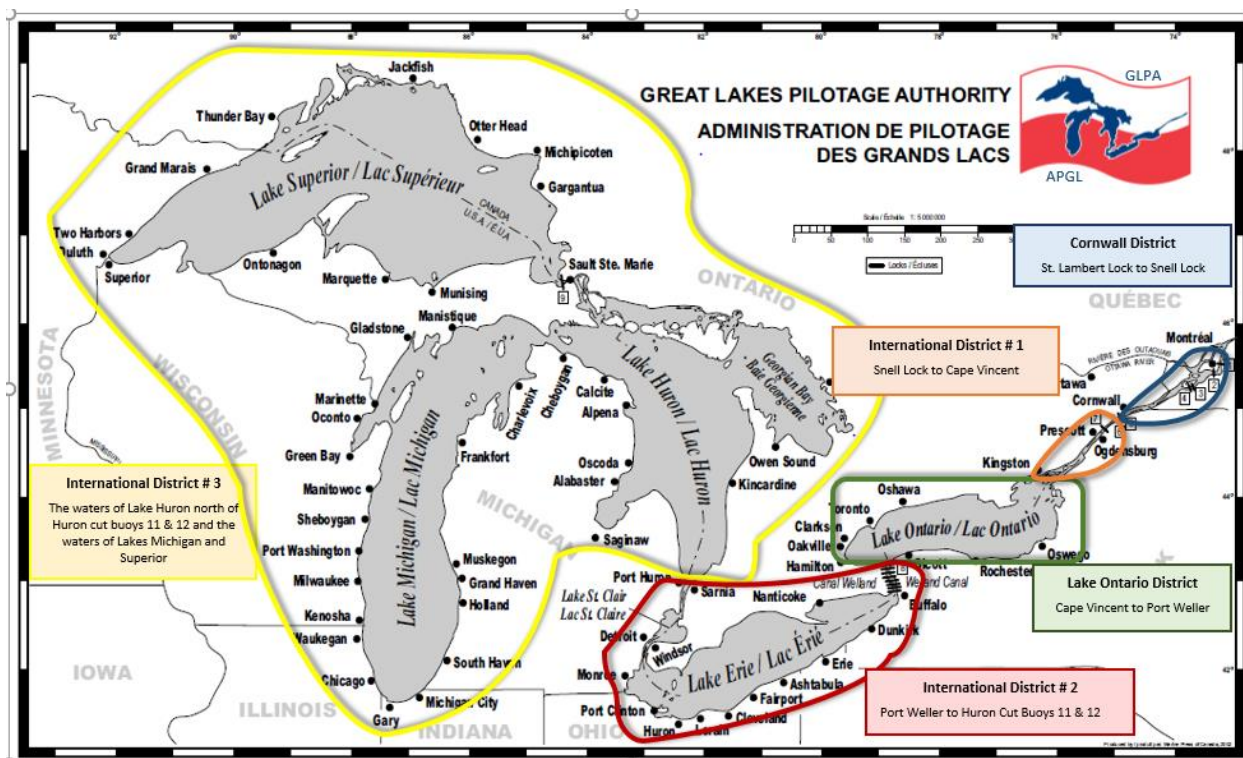


3. OPERATING ENVIRONMENT

The Authority is a key marine transportation partner when it comes to Canada's economic prosperity. The Authority operates in all Canadian waters in the Provinces of Ontario, Manitoba, and Quebec, south of the northern entrance to the St. Lambert Lock. Pilotage service is provided mainly to ocean-going ships (85% of assignments), although Canadian tankers and non-ocean-going ships (15% of assignments) are using the services on a more consistent basis.

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

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



Business is seasonal, as the St. Lawrence Seaway is closed in winter (January to late March).

The Authority must coordinate with many other organizations such as the St. Lawrence Seaway Management Corporation and the United States St. Lawrence Seaway Development Corporation (which operate the lock facilities and maintain traffic control systems within the Region), the Canadian Coast Guard (which provides aids to navigation), and the United States Coast Guard (responsible for United States pilotage matters in international waters). The Authority shares much of the St. Lawrence Seaway and Great Lakes with the United States. Ships that travel through the region may repeatedly cross the international boundary in a single voyage. The *Great Lakes Pilotage Regulations* state that where Canadian waters are contiguous with waters of the United States, a ship subject to compulsory pilotage may use a person authorized by the United States.

Besides pilotage services, the Authority also administers and oversees a pilotage certification system for Canadian officers that authorizes them to perform pilotage duties on Canadian ships.

3.1 INTERNAL ENVIRONMENT

(1) *Human Resources*

The Authority anticipates having 89 active employees as of January 1, 2019, of which 80 employees are under collective agreements and 9 are non-unionized.

The Authority deals with four pilot unions representing 67 marine pilots. Two five-year collective agreements were renewed in 2018 until March 2022. The Authority is currently in negotiations with the other two unions whose collective agreements expired on March 31, 2017.



The Authority's 13 dispatchers and office staff belong to the Public Service Alliance of Canada. The Authority is currently negotiating with this union as the collective agreement expired on June 30, 2016.

There are no significant changes expected for this reporting period as a result of negotiations.

The Authority has no retention issues, since only a handful of apprentice-pilots have voluntarily terminated their employment in the last 25 years. The statistics are even better for the dispatchers, office staff and management, where there have been no voluntary terminations.

The CEO has announced plans to retire in 2019. The Board of Directors is currently implementing a succession strategy that considers both internal candidates and external searches.

Pilot succession is one of the Authority's most significant risks in need of mitigation. During the planning period, the Authority anticipates that approximately 20% of its pilots will retire, this after 5 years in which approximately 40% of the pilots retired – and the Authority plans to hire and train roughly 29 apprentice-pilots to meet expected traffic demands.

(2) *Business Processes*

The Authority starts its corporate plan process in June to meet government timelines. Traffic forecasting is a challenge, though, as the industry has very limited traffic information to share for the next fiscal year. Budgeted traffic dictates pilot staffing, and appropriate tariff rates which would allow the Authority to be financially self-sufficient. Pilot compensation is primarily fixed, so a significant decrease in traffic will lead to substantial operating losses because, during the fiscal year, the tariffs cannot be adjusted in a timely manner to recover all fixed pilot compensation.

The Authority's primary source of revenue is through pilotage tariffs as prescribed in the *Pilotage Act*. Tariffs are intended to be fair, reasonable, and adequate enough to allow safe and efficient service while ensuring financial self-sufficiency. The Authority consults with the industry on proposed tariff amendments and publishes, for 30 days, a copy of each proposal in the *Canada Gazette*, subject to a notice of objection within that time. A filed notice of objection is subject to a Canadian Transportation Agency investigation and recommendation. The Governor in Council must table tariffs before the Authority can charge new tariffs.

In 2017, the Authority invested in new Portable Pilotage Units (PPU) for all its pilots. These PPUs include software and hardware with the latest e-navigation advancements, with charts geared towards situational awareness and decision support for pilots in high-risk navigation environments. These units have a 4-year useful life, so the Authority will need to source new PPUs in 2020.

In 2017, the Authority upgraded its dispatch and billing system, including migration to a web-based platform. Enhancements allowed the Authority to better meet its needs and customer expectations. In 2018, customers can view their traffic, as well as formalize their requests for pilots.

3.2 EXTERNAL ECONOMIC AND BUSINESS ENVIRONMENT

The Authority's traffic volume and patterns are determined by a complex and unpredictable combination of business, economic, and environmental factors. The Authority relies on open and transparent demand-level information from its main customers so that it can manage traffic in the upcoming year, minimizing ship delays, and controlling costs.

Below are a few of the business, economic, and environmental factors that affect the Authority's work:

(1) *Grain Exports*

Canadian grain going to Africa, Europe, and the Middle East is moved from Thunder Bay. It may go to market directly on foreign ships. It may also go first on Canadian ships to East Coast ports (Montreal, Quebec, Sept-Îles), then be moved on foreign ships. Most Canadian grain is shipped through the West for the Asian market.

The Authority is expecting demand for fiscal 2018 to be similar or slightly higher than 2017 since a high level of the 2017 inventory must go to market to make room for the 2018 crop. The Authority does not have any direct knowledge of crop quality, crop prices, or rail movement for the other years in the planning period.

(2) *Steel Imports/Exports*

The Great Lakes region has seen an increase in imports given the lack of U.S. steel mills in the region. Despite a 25% tariff on steel and a 10% tariff on aluminum that the U.S. has imposed on Canada, the European Union, and other countries in recent months, the Authority has seen no decrease in pilotage services for those imports. The Authority will continue to monitor the implications on traffic demands.

(3) *Global Economy*

Trade-war fears are a concern for the global economy. "America First" policies may have negative effects should other countries retaliate similarly.

The low Canadian dollar is thought to favour marine transportation in the Great Lakes, as the Authority has seen increases of Canadian exports to the U.S. and international markets. Canada's



current trade challenges include deep uncertainty surrounding the future of the stalled North American Free Trade Agreement (NAFTA), which is tied to steep steel and aluminum tariffs recently imposed by the United States, as well as new threats on automobiles. Although 98% of the Comprehensive Economic Trade Agreement (CETA) came into effect in September 2017 on a provisional basis, all EU nations will be voting independently in 2018 on whether to support CETA with Canada.

3.3 STRATEGIC ISSUES

Within the operational context, key strategic issues faced by the Authority include:

(1) *Unpredictable Traffic Volume*

The Great Lakes region is vast. Container contracts with many Canadian and U.S. ports are not negotiated well in advance, so the Authority relies on the industry's traffic forecasts. But, as the next chart shows, there have been significant deviations from planned assignments since 2008.

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actual pilot assignments	7,636	7,020	7,166	7,462	6,403	6,358	6,389	6,059	4,468	5,989
Planned pilot assignments	7,067	6,700	6,531	6,100	6,100	6,100	5,325	4,217	5,800	6,400
Deviation from Plan	8.1%	4.8%	9.7%	22.3%	5.0%	4.2%	20.0%	43.7%	-23.0%	-6.4%

NOTE – the 22.3% increase in 2014 was mainly due to the major move of 2013 Western Canadian grain to export markets overseas.

As the base for determining pilot numbers, accuracy in budgeted assignments is critical to anticipating and effectively managing traffic, as well as setting tariffs that ensure financial self-sufficiency.

(2) *Pilotage Tariff Setting*

The Authority has, and continues to have, open and transparent discussions with the industry on ways to eliminate its accumulated deficit, which dates back to 2003.

For this 2019-2023 planning period, the Authority must ensure that tariff adjustments not only close out the deficit by the end of 2019, but also sustain a reasonable surplus when the period is over. These strategies, part of the overall financial oversight, assures Canadians that it is fiscally responsible.

Appendix K presents the Authority's historical tariff adjustments since 1994.

(3) *Laurentian Pilotage Authority (LPA) Arbitration*

The LPA appealed a 2016 arbitration decision that allowed restrictions for nighttime departures on pilotage services between Montreal and Quebec City. The appeal was rejected in late June 2018. As a result, the LPA must modify its dispatch rules for ship departures between 22:00 and 08:59. Now customers need to confirm a ship's departure within this timeframe by 18:00. There is an option to extend the departure time once only, and for no more than two hours. A departure delayed beyond two hours, then, will oblige a new twelve-hour notice.

Apart from the direct impact on LPA services, the decision also affects efficient management of the Authority's pilot resources. The dispatching restrictions just came into force, so the Authority must wait to see how customers react before it can develop suitable strategies in response. Among the potential implications: (i) more one-way traffic – which would restrict efficient leveraging of pilots; and (ii) a greater, and constant need for nighttime navigation in specific districts – which may cause decreased pilot availability. Both outcomes would significantly increase: ship delays due to pilot shortages, and pilot overtime, since there would be inherent scheduling inefficiencies.

(4) *Pilot Numbers and Capacity*

The Authority interprets its safety and efficiency mandate to cover both its own financial self-support, and the application and cost impact on the Seaway system and ship delays. This means having sufficiently trained, qualified, and licensed pilots available to serve with a minimum of pilot delays.

Because ships enter and leave the system while following no apparent schedules, and under sometimes severe weather and environmental conditions, an infrastructure is needed ensure safety, provide a pilot on demand (even to exempt ships), and manage uneven traffic flow. But the requirement for fiscal self-sufficiency does not allow the Authority to keep a complement of pilots to cover sudden and temporary increases in traffic. The Shipping Federation of Canada (Federation) has historically reported that ship delays cost up to \$24,000 per day – in addition to the cost of cancelling berths or stevedores if schedules are not maintained. Since 2014, the industry has continually expressed dissatisfaction with the high level of ship delays due to a shortage of pilots.

To fulfill the Authority's mandate, available resources must be delicately balanced against demands for service, with safety being paramount.

Thanks to more favourable traffic in the past five years, in addition to forecasted levels, the Authority plans to increase pilot numbers for the planning period. The increases also factor in the high level of retiring pilots and provides for a more fluid pilot succession and training for apprentice pilots. Refer to *Appendix L* for the proposed pilot head count.

(5) *Port of Churchill*

In July 2016, Omnitrax, the U.S. company that owns the Port of Churchill, announced that it would not ship grain to the Port. The result was extremely low demand for pilotage services in 2017 and 2018. The future of the Port is still uncertain. The provincial government is expected to consult with the federal government, and others, to determine its future. The Authority no longer benefits from economies of scale, or synergy opportunities, and has adjusted tariffs accordingly. The Authority will continue to assess how best to service this port.

(6) *Pilot Change Point at Iroquois Lock*

The Authority has decided to increase the number of pilots in the International District No. 1. Currently, transit times for the entire district exceed 12 hours which causes potential delays to vessels as to allow pilots sufficient time to rest between assignments. The additional pilots will allow the Authority to offer a pilot change point at Iroquois Lock with respect to ensuring a more efficient pilotage service. The Authority recruited and started training apprentice pilots in fall 2018 to handle the additional workload in 2019. While the Authority reached its decision after consultation with the industry without completing a risk analysis, other national and international studies show standard transit times for a pilot should not exceed eight and a half hours. This move is also consistent with the Authority's U.S. Pilotage Association counterpart in International District No. 1, which introduced a permanent pilot change point at the Iroquois Lock in October 2017.



3.4 SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ➤ Highly qualified management and support staff with no turnover ➤ Pilots are extremely skilled and focused on safety, as evidenced by a 99.9% incident-free rate ➤ Comprehensive training program for all pilots as well as state-of-the-art navigation tools ➤ Good relations with all bargaining units and unions ➤ Organizational consensus on the need to continually improve client services and strive for excellence ➤ Well-respected by industry customers and stakeholders ➤ Continually investing in state-of-the-art navigation aids to support pilots ➤ Industry best practice in administration and monitoring of its pilotage certification system – oversight ensures continued safety of Canadian ships transiting the Great Lakes 	<ul style="list-style-type: none"> ➤ Lack of reliable traffic-forecasting information from the industry that would help anticipate traffic surges and drops in demand ➤ Low pilot numbers causing ship delays ➤ Ships transiting the St. Lawrence Seaway are restricted in size due to constraints of the various locks – shipping trends favour larger ships due to economies of scale ➤ Ice management by industry partners during winter months is not always efficient ➤ Lack of support resources for management, long hours dedicated to meet workload requirements
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ➤ Potential for the Great Lakes and the St. Lawrence River to be a significant corridor for transporting crude oil to external markets ➤ More pilotage services for higher exports to European countries as potential markets to replace U.S. exports, due to NAFTA challenges and opportunities stemming from CETA ➤ Highly competitive pilotage rates compared to other North American authorities ➤ <i>Pilotage Act Review</i> recommendation to grant Pilotage Authorities complete authority to fix tariffs and other fees ➤ Great Lakes being promoted as a cruise destination ➤ Leveraging emerging technological advancements 	<ul style="list-style-type: none"> ➤ Unfavourably long tariff and regulatory approval process does not permit timely amendments that meet business challenges ➤ Current tariff process allows members of the general public to file objections – causing lost revenue and incurring legal fees to challenge the objection ➤ Potentially reduced pilotage demand due to the recent 25% and 10% tariffs on steel and aluminum, respectively, that the U.S. has imposed on imports of the metals, and current state of the NAFTA negotiations ➤ Increased trend in grain being exported through the West, instead of through the Port of Thunder Bay ➤ Volatility of the Canadian dollar ➤ Potential shortage of apprentice-pilot candidates

3.5 COMPLIANCE WITH MINISTERIAL DIRECTIVES

The Authority now operates in accordance with guidance expressed by the Honourable Marc Garneau, Minister of Transport. Please refer to *Appendix A*.

The Authority is operating in compliance with all ministerial directives and is aligned with the government's priorities. Please refer to *Appendix H*.

3.6 SPECIAL EXAMINATIONS AND GOVERNMENT / INDUSTRY REVIEWS AND OTHER AUDITS

The Office of the Auditor General of Canada conducts a special examination at least once every ten years to provide reasonable assurances that assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively – as required by section 138 of the *Financial Administration Act*.

The Auditor General's office completed its work in November 2017 and presented a report to the

Board of Directors on January 25, 2018. Apart from significant deficiencies related to the Authority's Board oversight and appointments, as well as its process for monitoring the transits of Canadian ships, the Office indicated it had reasonable assurance there were no significant deficiencies in the other systems and practices it had examined. Further, the report concluded that, except for deficiencies already noted, the Authority "maintained its systems and practices during the period covered by the audit in a manner that provided the reasonable assurance required under section 138 of the *Financial Administration Act*."

The report contained 10 recommendations. The Board and management have moved to address all but one recommendation. There is a current recommendation included in the consultant's report on the *Pilotage Act Review* that touches on the Auditor General's recommendation to conduct reviews on the compulsory pilotage areas. The Authority awaits the Minister of Transport's final report on the *Pilotage Act Review* to ensure compliance with the report's recommendation.

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

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 delivery of safe, efficient, and environmentally responsible pilotage services into the future.

In May 2018, the Chairperson responsible for the *Pilotage Act Review* presented his report – which includes 44 recommendations (38 + and six subsections) – to the Honorable Marc Garneau, Minister of Transport. In June 2018, the Authority sent its feedback to the Minister of Transport, stating full support for 32 recommendations/subsections, alignment on eight, and only four disagreements. The Authority awaits the Minister of Transport's intentions on the recommendations and will work with Transport Canada to efficiently support the modernization of marine pilotage in Canada.

In compliance with the *FAA*, the Authority conducts periodic internal audits to strengthen accountability, risk management, resource stewardship, and good governance. The results of an internal audit focused on budget planning, development and control was presented to the Board in February 2018. The report highlighted a few process improvement recommendations which are now being addressed by management.

4. OBJECTIVES, ACTIVITIES, RISKS, EXPECTED RESULTS, AND PERFORMANCE INDICATORS

4.1 CORPORATE STRATEGIC OBJECTIVES

The Authority's corporate strategic objectives for the five-year planning period are:

- To provide economic, safe, reliable, and comprehensive marine pilotage and related services in its area of responsibility
- To provide such services within a commercially oriented framework that aims for financial self-sufficiency at minimal cost to users
- To respond to the Government's environmental, social, and economic policies

The Authority must follow the *Pilotage Act's* directions under Section 33(3) when it comes to tariffs. The pilotage tariffs prescribed by an Authority under the Act shall permit 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 funds from an appropriation by Parliament if they are to be used discharging an obligation or liability.

4.2 OBJECTIVES AND ACTIVITIES

(1) *Providing safe, comprehensive marine pilotage and related services*

Description of the Corporate Objective

The Authority's primary objective for 2019-2023 continues to be the provision of safe, comprehensive marine pilotage and related services in the St. Lawrence River and the Great Lakes.

Expected Outcomes

The Authority's continued focus on safety assures Canadians of its commitment to improved marine operations in the Great Lakes.

(1.1) Marine Incidents

Strategies to Achieve the Objective

- Continue to leverage the system for assessing pilot competency and quality of service
- Continue to invest in pilot training and adhere to the Authority's Pilot Quality Assurance Program
- Continue to invest in state-of-the-art Portable Pilotage Units (PPUs), as it believes such aids in the restricted waters of the Great Lakes have many benefits and have increased navigation safety

Baseline:

The Authority had 10 Class "C" investigations/incidents, 4 Class "B" investigations/incidents in 2017, and no Class "A" investigations/incidents. As of June 30, 2018, the Authority has just 4 Class "C" investigations/incidents, none with adverse implications to its reputation for providing safe pilotage. Most incidents relate to minor contact with lock walls/barriers. None of these 2017 or 2018 incidents resulted in loss of life, serious injuries, or any environmental spills. Despite the number of incidents, the training program has allowed pilots to effectively course-correct, minimizing incident severity.

The Authority aims to increase pilot numbers – expecting total incidents will remain within historical results – while still providing a 99.9% incident-free assignment rate.

Performance Indicators

- Although the Authority's focus remains on providing safe pilotage services with zero incidents, 8 Class "C" incidents are considered tolerable, which would allow it to maintain its historical 99.9% marine incident-free rate
- Complete annual pilot evaluations as prescribed in the Authority's five-year cycle

(1.2) Canadian Ships Transit Monitoring

Strategies to Achieve the Objective

- Use statistical sampling to determine the sufficient number of Canadian ship transits would offer insights into the probability of Canadian ships that are transiting without a valid certificate holder
- Randomly select Canadian ship transits during the year, ensuring sample selection is representative of all transits in districts under the Authority, and ensure the officer who has conduct of the ship is a valid certificate holder

Baseline

The Authority audited 1,798 of the 10,110 transits in 2017 and plans to audit 1,500 transits in 2018. All results obtained support that, in all cases, Canadian ships, subject to compulsory pilotage, are under the conduct of a valid certificate holder.

Performance Indicators:

- 1,500 transits to be audited, all under the conduct of a valid certificate holder

(2) Providing reliable pilotage services

Description of the Corporate Objective

Another main objective for 2019-2023 is to continue reliable, comprehensive pilotage and related services in the St. Lawrence River and the Great Lakes.

Expected Outcomes

The constant focus on reducing ship delays caused by pilot shortages, and the provision of reliable services, assures Canadians that the Authority – by ensuring that Canadian manufacturers get goods to market on a timely basis – is committed to economic improvement, a stronger middle class, and help for those working hard to join it.

Strategies to Achieve the Objective

- Continue to consult with the industry on expected traffic levels, aiming to set pilot numbers that provide reliable service
- Actively collaborate with industry partners and customers to develop the least costly strategies when delays are beyond its control
- Focus on efforts to recruit and train an appropriate number of pilots, as part of its pilot succession plan, and to add more pilots to meet the increasing demand for services
- As part of collective negotiations with pilot groups, jointly find acceptable ways to increase hours of pilot availability

Baseline

Delay hours for ships due to a shortage of pilots for 2017 and forecasted for 2018 have been, and are expected to be, higher than 2016. This is due primarily to the increase in traffic being served with similar pilot numbers for the same periods. More pilots are expected to be licensed later in 2018, which should mean fewer delays than in the first half of 2018. As previously stated, the Authority cannot easily respond to significant traffic increases in the middle of a navigation season. The current number of pilots cannot support such high traffic levels without delays occurring.

Traffic levels in 2017 (served by 53.6 FTE pilots) and forecasted for 2018 (served by 57.1) are at levels not seen since 2001, when the Authority handled 7879 assignments with 69 FTE pilots. At the time, ship delays due to a shortage of pilots reached 1146 hours. As pilot numbers increase during the planning period, ship delay hours should return to historical rates.

Performance Indicators

- Reduce the number of ship delay hours due to a shortage of pilots to historical levels (as in 2012)
- Hire apprentice pilots, as well as train and retain new pilots, as stated for the planning period

(3) *Providing pilotage services in a financially self-sufficient manner*

Description of the Corporate Objective

The Authority's primary financial goal for 2019-2023 is to eliminate its accumulated deficit by the end of fiscal 2019 and be financially self-sufficient for the remainder of the planning period.

Expected Outcomes

The Authority's unrelenting focus on improved financial self-sufficiency assures Canadians that it is committed to financial responsibility and fiscal transparency during these challenging economic times.

(3.1) Financial Self-Sufficiency

Strategies to Achieve the Objective:

- Develop pilotage tariffs that generate sufficient revenues
- Control costs during the planning period
- Develop a financial reserve plan

Baseline

The Authority ended 2017 with a \$0.8 million surplus. It is also forecasting a \$0.6 million surplus for 2018. Additional 2018 revenue from increased traffic is offset by the incremental pilot compensation allotted to meet the 14% increase in demand.

Performance Indicators

- Generate an annual \$0.5 million surplus for each year of the planning period

(3.2) Tariff Amendments

Strategies to Achieve the Objective

- Increase general tariffs by 3.95%
- Extend the 5% apprentice-pilot training surcharge to the end of 2020, in consideration of the continued high levels of apprentice pilots to be trained during the planning period.

- To counter the foreign exchange rate difference, increase the current additional charge for each embarkation, or disembarkation, of a licensed pilot on the Detroit pilot boat to \$325.
- Raise the current pilot transfer fees at the St. Lambert Lock and Beauharnois Lock to \$135, a 3% increase, while keeping the fee for Lock 7 of the Welland Canal the same.

Baseline:

The Authority planned an average tariff increase of 4.15% for 2018 but settled at 2.95% after industry consultations. The tariff amendments were tabled by the Governor in Council prior to the start of the 2018 navigation season.

Performance Indicators

- Industry support for the 2019 tariff amendments with no notice of objection
- Proposed 2019 tariffs are tabled by the Governor in Council prior to the 2019 navigation season

(4) *Providing comprehensive marine-related pilotage services*

Description of the Corporate Objective

The Authority last amended its regulations in July 2011. Since then, business needs – specifically the administration of the pilotage certification program – 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 applied prior to January 1, 2013
- Review the mandatory requirements for applying for a pilot licence and pilotage certificate (updated with Transport Canada's new regulations)
- Review the requirements for renewal of a pilotage certificate
- Review the requirements for maintaining qualifications for a pilot licence 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
- Introduce a ship monitoring and pilot certification fee to recover the Authority's costs for providing such a process

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.

Baseline:

Since 2017, the Authority has been meeting with its main stakeholders, the Authority's pilots, the Chamber of Marine Commerce (Chamber), and the Federation, to collaboratively propose amendments. With a focus on open and transparent discussions, and the involvement of all stakeholders, the Authority believes the proposals to the *Great Lakes Pilotage Regulations* will be completed and approved on a timely basis, pending Government support.

The Authority is currently working with Transport Canada on the regulation amendment process.

Performance Indicators:

- Industry stakeholder support of proposed amendments without notice of objection
- Tabled by the Governor in Council in 2020

4.3 RISKS

Challenges to the safe and reliable pilotage objectives are succession planning, lack of candidates, and apprentice pilots not completing training to become licensed pilots. There are now 200+ pilotage certificate holders in the Great Lakes region as a pool of candidates, so this is not an immediate concern. To mitigate the risk posed by apprentice pilots who do not complete their training, the Authority continually reviews its training program, has training progression debriefs with the apprentice pilots, and uses pilot engagement in the training program to support apprentice pilots.

As noted earlier in the Strategic Issues section, the risk against achieving financial self-sufficiency lies with traffic unpredictability along with industry acceptance of our tariff strategies. To improve its chances, the Authority periodically meets main users of the service, the Federation-Pilotage Committee and the Chamber, for open and transparent discussions. These concern tariff strategies, traffic forecasts, and operational, financial, administrative, and labour issues – all with the view to enhance the partnership between the Authority and its users. The goal of financial self-sufficiency also requires that proposed tariff adjustments are tabled by the House of Commons before each navigation season.

Appendix G contains more information on the Authority's risks and risk responses.



5. FINANCIAL OVERVIEW

The Authority is close to being financially self-sufficient. It forecasts a reduced accumulated deficit of \$0.2 million by the end of fiscal 2018. Furthermore, it anticipates full financial self-sufficiency by the end of fiscal 2019 through amendments to its 2019 tariffs and managed costs related to recent collective agreement renewals with pilots. The Authority is dedicated to generating revenues not just to cover operational expenses, but also to build a reserve against future financial unknowns (such as decreased traffic).

Revenue from operations is roughly 99.5% of tariffs charged to customers and 0.5% from interest and other miscellaneous revenue.

Financial goals for the planning period are annual surpluses of approximately \$0.5 million, which would slowly build a financial reserve. Once this reaches about 10% of gross revenue, the Authority will strive for annual balanced budgets. The Authority realizes that while it tries to collect more funds, the industry is seeking only modest tariff increases.

5.1 MAJOR ASSUMPTIONS USED FOR DEVELOPMENT OF THE CORPORATE PLAN

When preparing forecasts and budgets, the Authority considers a variety of elements, both financial and non-financial. Budget preparations make the following assumptions:

(1) PILOTAGE ASSIGNMENTS

Based on management views, the Authority forecasts 8,076 pilot assignments for 2018, a 5.8% traffic increase over 2017. The Authority further assumes 7,700 annual assignments for the planning period. Given previously noted traffic forecasting challenges, anything beyond one year is difficult to predict.

(2) PILOTAGE TARIFFS

For 2019, the Authority plans general tariff increases of 3.95% and to maintain the tariff surcharge at 5%.

(3) HEAD COUNT AND WAGE INCREASES

Retirement forecasts and corresponding new hires are referenced in *Appendix L Statement of Pilot Numbers*.

The current head count for management, dispatchers, and office staff will not change for the planning period.

Two of the four pilot collective agreements have been renewed until March 31, 2022. All other collective agreements have expired and are currently being negotiated. Wage assumptions are consistent with negotiated agreements or negotiation strategies for agreements not yet ratified.

5.2 SENSITIVITY OF PROJECTIONS TO CHANGES

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 a season. The remaining 20% are variable or semi-variable. Therefore, major fluctuations in pilotage assignments will have a significant impact on financial results.

Applying this earnings/cost model to 7700 assignments means 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%	\$ 0.7 million	\$ 0.4 million	\$ 0.3 million
-2%	\$ (0.7) million	\$ (0.4) million	\$ (0.3) million
+5%	\$ 1.6 million	\$ 1.0 million	\$ 0.6 million
-5%	\$ (1.6) million	\$ (1.0) million	\$ (0.6) million

* A sensitivity analysis cannot be completed for traffic fluctuations above 5%, since, to avoid skewing, the pilot numbers would need to be re-evaluated.

5.3 DEBT ANALYSIS

There is no long-term debt other than the head office capital lease and employee benefits. Based on the budgeted financial results for the planning period, the Authority has no concerns about servicing these debts. In addition, it does not anticipate any other long-term debt or capital expenditures.

6. APPENDICES TO THE CORPORATE PLAN

The Appendices are:

- A. Ministerial Mandate Letter or Direction
- B. Corporate Governance Structure
- C. Performance and the Chief Executive Officer Results Commitment
- D. Chief Financial Officer Attestation
- E. Financial Statements and Budgets
- F. Borrowing Plan
- G. Risk and Risk Responses
- H. Compliance with Legislative and Policy Requirements
- I. Government Priorities and Direction
- J. Business Environment
- K. Tariff Adjustments / CPI / Pilotage Assignments
- L. Statement of Pilot Numbers



A. MINISTERIAL DIRECTION

The Authority now operates in accordance with its mandate under the *Pilotage Act*, as well as with guidance expressed in the Honourable Marc Garneau's, Minister of Transport, letter to the Authority's Chair, dated December 14, 2017 (copy of the letter is included below and is a translation only as the original letter was provided in French).

Ms. Danièle Dion
Chairperson
Great Lakes Pilotage Authority
2344 rue des Migrations
Montréal QC H4R 0G7

Dear Ms. Dion:

I am pleased to provide you with a copy of the official documentation of your appointment by the Governor General in Council, by P.C. 2017-1598, dated December 14, 2017, as Chairperson of the Great Lakes Pilotage Authority (GLPA) for a term of five years. I would also like to take this opportunity to thank you for agreeing to serve in this capacity as well as convey my expectations for the corporation.

As you know, the GLPA is a Crown corporation, with a mandate set out in the *Pilotage Act* (the Act) to establish, operate, maintain and administer in the interests of safety, an efficient pilotage service. Moreover, the GLPA is empowered to set tariffs that are fair and reasonable and permit the Authority to operate on a self-sustaining financial basis. My role as the Minister of Transport is to exercise oversight in accordance with the accountability regime set out in the *Financial Administration Act*, (FAA) Part X. In this context, one of my key responsibilities is to answer for the GLPA in Cabinet and in Parliament.

As Chairperson, you are the representative of the GLPA to outside parties as well as the leader and facilitator of the board as it carries out its duties. You are also the primary link between the board and myself, the representative of the Government. The responsibilities of the board of directors include the oversight of the business and activities of the corporation. As such, the board is expected to: ensure that the strategic direction of the corporation is in line with the Government's broad policy objectives and priorities; ensure that appropriate risks have been recognized and appropriate systems are in place to manage these risks; ensure the corporation's information systems and management practices meet its needs; assume accountability for the integrity of the information produced by the corporation.

The Chief Executive Officer (CEO) is a member of the board and the key link between the board and the management of the corporation. The CEO is accountable to the board for the management and performance of the corporation. Just as I am expected to hold the board accountable, I expect the board to hold the CEO accountable. My normal interactions with the board shall be through you, the Chairperson. I trust that all board members will provide you with the support needed to ensure sound management and maintain success of this corporation.

As a Crown corporation within the Transport Canada portfolio, the GLPA provides specific services on a commercial basis, with considerable operational autonomy. I would however remind you that being part of the federal public sector, the GLPA plays an important public policy role and is subject to obligations that are unique to the public sector.

Since the corporate plan is at the centerpiece of the accountability regime put in place for Crown corporations, its timely approval is critical to ensure sound management. One of the key success factors to the timely approval of corporate plans is early and meaningful consultations with all relevant officials. This is even more important if there are activities being proposed in the corporate plan that may pose questions on mandate or of strategic nature. In these instances, you are to seek my views before undertaking any such activities, including planning or consultations.

I understand that the GLPA is currently working on its 2017 Special Examination process in conformity with article 139 of the FAA. Not only is a special examination an opportunity for the GLPA to demonstrate that it has put in place systems and practices that offer a reasonable assurance that its assets are protected and that its resources are managed in an economical and efficient way, it is also an opportunity to ensure continual improvement. In this context, I would like to emphasize that we could meet to discuss the results of the special examination if the Office of the Auditor General formulates an important number of recommendations or has identified deficiencies.

I would also like to take this opportunity to thank the GLPA for contributing to the *Pilotage Act* Review. I understand that your CEO and board members had an opportunity to engage with Mr. Marc Grégoire and put forward issues of interest to the GLPA. I appreciate your commitment to this process and look forward to receiving Mr. Grégoire's final recommendations.

As you may know, the Government of Canada is committed to diversity and inclusion as a tremendous source of strength for our country. I encourage the GLPA to continue its best practices in this regard by hiring, when possible, more women, Indigenous peoples, members of visible minorities and persons with disabilities.

Given that I am accountable to Parliament for the overall effectiveness of the corporation, and in the general interest of openness and transparency, please ensure that the GLPA continues to give my office and Transport Canada notice of issues that might be of interest to the public so that I am adequately prepared to answer any question concerning the GLPA in Parliament. For any communication with my office, Mr. Shane McCloskey will be your contact person and he can be reached at (613) 991-0700.

Finally, I would like to underscore how pleased I am that you have agreed to serve as Chairperson of the GLPA. I would also like to extend my appreciation to the GLPA staff that continue to work closely with Transport Canada representatives. I look forward to continuing and building upon this successful working relationship in the future.

Yours sincerely,

The Honourable Marc Garneau, P.C., M.P.
Minister of Transport

Enclosure

- Order in Council nominating Danièle Dion as Chair of the Great Lakes Pilotage Authority.

c.c. Mr. Robert Lemire, Chief Executive Officer
Great Lakes Pilotage Authority

Mr. Stéphane Bissonnette, Chief Financial Officer
Great Lakes Pilotage Authority

Mr. Michael Keenan, Deputy Minister of Transport
Transport Canada

B. CORPORATE GOVERNANCE STRUCTURE

B.1 BOARD OF DIRECTORS

The Board of Directors, which reports to the Minister of Transport, consists of the Chair and six other Directors. The Chair is appointed by the Governor in Council on the recommendation of the Minister of Transport, in accordance with section 105 of the *Financial Administration Act*. The other Directors are appointed by the Minister of Transport with the approval of the Governor in Council.

Board Member	Term Expiration Date	Length of Service	Location	Committee Member
Danièle Dion, Chair	2023-12	6 years	Montreal, Quebec	Ex officio - AC, GC, RC
Michel Desrochers	2018-10	9 years	Candiac, Quebec	AC
Jim Pound	2021-06	3 years	St. Catharines, Ontario	GC, RC
Josée-Christine Boilard	2021-06	less than 1 year	Montreal, Quebec	GC
Teena Fazio	2022-06	less than 1 year	Westmount, Quebec	GC
Vered Kaminker	2021-06	less than 1 year	Toronto, Ontario	AC, RC
Julie Mills	2022-06	less than 1 year	Ottawa, Ontario	AC, RC

As shown in the above table, one Board position is subject to change or renewal no later than October 2018.

[Role of the Board of Directors](#)

As with 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 oversight and strategic direction. It sets corporate objectives and direction, ensures good governance, monitors financial performance, approves budgets, financial statements, policies and by-laws, recruits and evaluates the Chief Executive Officer, and also ensures that risks are identified and managed. The Board sees that the Authority maintains the highest standards in operating a safe, efficient, and cost-effective pilotage service.

The 2019 total compensation, including benefits, for the Board of Directors is budgeted at \$0.1 million.

[Committees](#)

The Board is supported in its role and responsibilities by the legally requisite Audit Committee, as well as a Governance and Human Resources Committee and a Risk Management Committee. The Board has established a charter for each standing Committee. The Board may establish other committees, as required, to help meet its responsibilities.

[Role of the Audit Committee \(AC\)](#)

The Audit Committee is a standing committee. Its duties, outlined in section 148 (3) of the *Financial Administration Act*, are to advise the Board on matters relating to financial statements, internal audits, the annual auditors' report, any special examination reports and resulting plans, and other functions as assigned by the Board or the Authority's by-laws. The Audit Committee is composed of at least three members of the Board. This committee meets a minimum of four times a year.

The committee has the power to investigate any activity of the Authority. The committee ensures the

financial oversight and the oversight of the corporate books, records, general and management controls, as well as information systems and management practices.



[Role of the Governance and Human Resources Committee \(GC\)](#)

The Governance and Human Resources Committee is a standing committee. Its duties are to advise the Board on matters relating to governance and human resources issues. The mandate of the committee is to review and update the Authority's succession plan, review the performance of the CEO, Board member appointments (renewal), and review and update the Authority's By-Laws and Directives. The committee is chaired by the Authority's Vice-Chair and is composed of two other Board members. This committee meets a minimum of three times a year.

[Role of the Risk Committee \(RC\)](#)

The Risk Committee is a newly created standing committee. Its duties are to advise the Board on matters relating to the oversight of key risks, the committee's mandate is to promote a culture where all employees help manage risks, assess the Authority's risk appetite and tolerance, review risk management strategies, review resource allocation for risk monitoring – and amelioration activities for the most significant ones – and review risk management plans and policies. The Risk Committee is composed of at least three members of the Board. The committee meets a minimum of two times a year.

[Reporting](#)

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

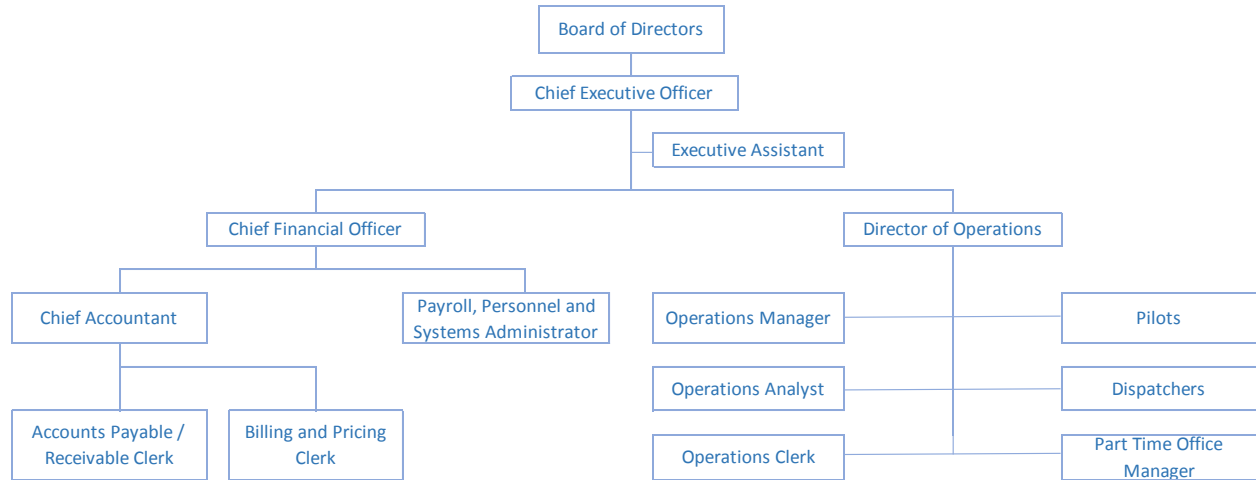
The Authority reports to the Minister of Transport through its Annual Report, which includes the Auditor General's report as required under section 150(1) of the *Financial Administration Act* (FAA).

B.2 ORGANIZATIONAL STRUCTURE OF THE AUTHORITY

The Authority's CEO plans, organizes, directs and controls 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.

Here is the Authority's organization chart:



The following Individuals hold key senior executive positions with the Authority:

Name	Title
Robert F. Lemire	Chief Executive Officer
Stéphane J.F. Bissonnette	Chief Financial Officer
Diane Couture	Director of Operations

The 2019 total compensation, including benefits, for the senior executive positions is budgeted at \$0.7 million.



C. PERFORMANCE AND CHIEF EXECUTIVE OFFICER RESULTS COMMITMENT

The following provides supplemental information for section 4 *Objectives, Activities, Risks, Expected Results and Performance Indicators*:

Strategic and Operational Performance Indicators Scorecard for the Planning Period

STRATEGIC PERFORMANCE INDICATORS		2017 ACTUALS	2018 FORECAST	2019 TARGET	2020 TARGET	2021 TARGET	2022 TARGET	2023 TARGET
1 - PROVIDING SAFE COMPREHENSIVE PILOTAGE AND RELATED SERVICES								
1-1a	Number of Class "A" Investigations/Incidents	0	0	0	0	0	0	0
1-1b	Number of Class "B" Investigations/Incidents	4	0	0	0	0	0	0
1-1c	Number of Class "C" Investigations/Incidents	10	8	8	8	8	8	8
1-1d	As a % of incident free assignments	99.8%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
2 - PROVIDING RELIABLE PILOTAGE SERVICES								
2-1	Number of vessel delay hours due to shortage of pilots	2,856	2,700	1,500	1,000	400	400	400
3 - PROVIDING PILOTAGE SERVICES IN A FINANCIALLY SELF-SUFFICIENT MANNER								
3-1	Net Income (millions)	\$0.8	\$0.7	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
3-2a	Approval of planned tariffs (net %)	8.00%	2.95%	5.29%	2.50%	2.50%	2.50%	2.50%
4 - PROVIDING COMPREHENSIVE MARINE RELATED PILOTAGE SERVICES								
4-1	Approval of planned Pilotage regulation modifications	N/A	N/A	N/A	YES	N/A	N/A	N/A
OPERATIONAL KEY PERFORMANCE INDICATORS		2017 ACTUALS	2018 FORECAST	2019 TARGET	2020 TARGET	2021 TARGET	2022 TARGET	2023 TARGET
1 - PROVIDING SAFE COMPREHENSIVE PILOTAGE AND RELATED SERVICES								
1-2a	Number of Canadian ship transits audited	1,798	1,500	1,500	1,500	1,500	1,500	1,500
1-2b	% of audited transits under the conduct of a valid certificate holder	100%	100%	100%	100%	100%	100%	100%
2 - PROVIDING RELIABLE PILOTAGE SERVICES								
2-2a	Number of new apprentice pilots recruited	8	11	8	7	7	6	4
2-2b	Number of new pilots trained and retained	5	8	7	11	6	3	1
3 - PROVIDING PILOTAGE SERVICES IN A FINANCIALLY SELF-SUFFICIENT MANNER								
3-2b	Approval of tariffs before the start of the navigation season	NO	YES	YES	YES	YES	YES	YES
5 - STRENGTHENING CUSTOMER RELATIONS (CONSIDERED AS A VALUED INDUSTRY PARTNER)								
5-1	Favourable results	N/A	N/A	85.00%	N/A	N/A	90.00%	N/A
6 - STRENGTHENING EMPLOYEE ENGAGEMENT								
6-1	Favourable results	N/A	N/A	85.00%	N/A	N/A	90.00%	N/A
 Performance on or above target Performance slightly below target Performance significantly below target								

Providing safe and comprehensive pilotage and related services

Incident Reporting

The Authority categorizes incidents and accidents and the associated reporting into three types of investigations. These are classified only after enough findings have been assessed for potential safety improvements.

Class "A" Investigation/Incident	<ul style="list-style-type: none"> High probability of improving navigation safety: significant potential for reducing the risk to persons, vessels, or the environment
Class "B" Investigation/Incident	<ul style="list-style-type: none"> Medium probability of improving navigation safety: moderate potential for reducing the risk to persons, vessels, or the environment
Class "C" Investigation/Incident	<ul style="list-style-type: none"> Low probability of improving navigation safety: limited potential for reducing the risk to persons, vessels, or the environment

Strategies to Achieve the Objective:

In addition to previously noted strategies, the Authority's pilot training objectives also include a module on Bridge Resource Management (BRM). It gives pilots an opportunity to refresh their BRM knowledge – facilitating communications and information exchange with captains – while enabling them to work more effectively with the bridge team.

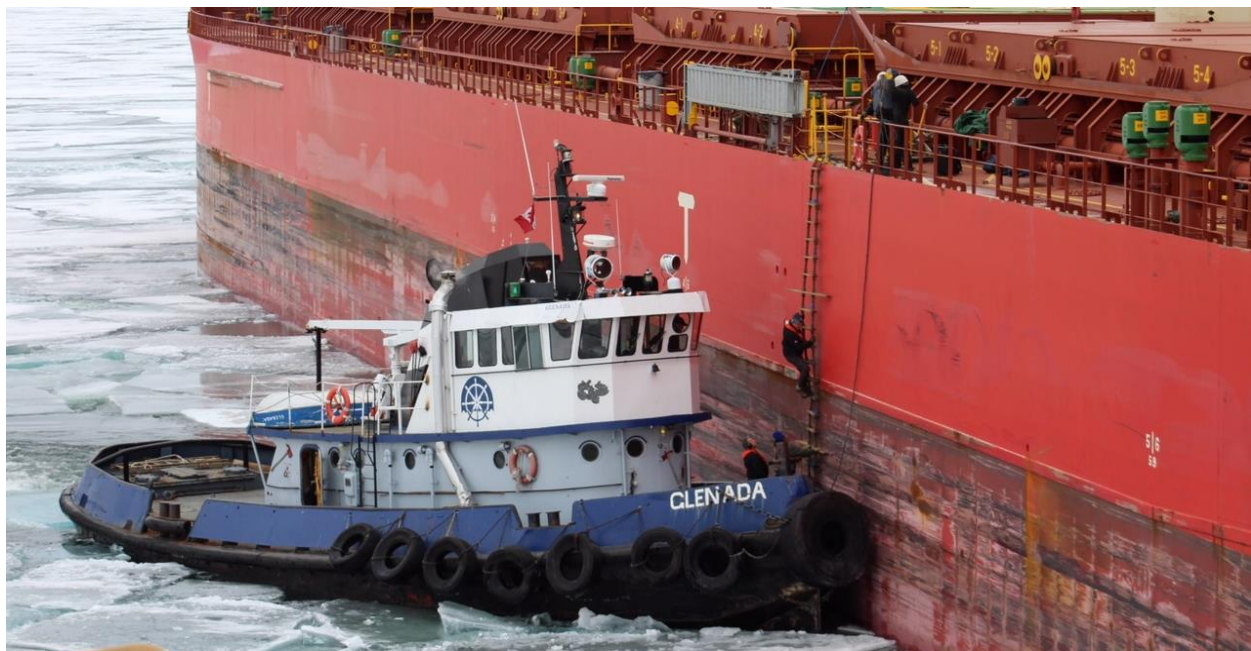
The assessment of pilot competencies and quality of service is ongoing with each pilot evaluation. This is completed at least once every five years. Pilot evaluation assures the industry, and the Authority, that only qualified personnel are performing pilotage duties. It also allows the Authority to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

C.1 PERFORMANCE ASSESSMENTS

Here is an overview of the Authority's performance to date and anticipated results.

Short-Term Performance Assessments				
Outputs/ Outcomes	Performance Indicators	Targets	Baseline	Data source and methodology
To become financially self-sufficient	Elimination of the 2017 accumulated deficit of \$0.8M by the end of fiscal 2019.	Generate a \$0.6 M surplus in 2018 and a \$0.5 M surplus in 2019.	A \$0.8 M surplus was generated in 2017.	Monthly internal financial statements / Annual audited financial statements.
Hire and train an appropriate number of apprentice pilots to meet current traffic demands as to reduce the hours of vessels delays due to a shortage of pilots.	Number of apprentice pilots recruited, trained and retained.	7 apprentice pilots to recruit for 2019 and 6 new pilots trained and retained for 2019.	Historically, there have not been any challenges in recruiting targeted numbers, and, in the last few years, only a few apprentice-pilots did not finish the training program.	Data is available on a daily basis.
Maintain Quality Assurance Evaluations for all pilots to assure quality and efficient pilotage services.	Pilots are evaluated within 5-year cycle.	100% of pilots are evaluated within the prescribed 5-year cycle.	100% of scheduled pilots completed the evaluations as prescribed in 2018, including apprentice pilots.	Annual evaluations completed by the Director of Operations and peers.
Maintain good labour relations.	Collective agreement negotiations.	To successfully ratify remaining 3 collective agreements without the need of an arbitrator.	2 collective agreements were ratified in 2018 without the need of an arbitrator.	Proactive engagement with the unions.
Maintain a safe and dependable infrastructure.	Security programs and emergency preparedness.	To successfully recover information systems within a business day as to avoid business interruptions.	To be assessed every two years.	Various IT systems and third party system contractors.
Viewed as a valued maritime partner by our customers.	Deployment of dispatching system to customers to improve business efficiencies.	- To successfully deploy to all customers in the fall of 2018.	New initiative.	Customer feedback.

Medium-Term Performance Assessments				
Outputs/ Outcomes	Performance Indicators	Targets	Baseline	Data source and methodology
Generate annual financial surpluses.	Financial results	To generate approximately \$0.5 M annually.	A \$0.8 M surplus was generated in 2017 and another \$0.6 M is expected for 2018.	Monthly internal financial statements / Annual audited financial statements.
Develop tariff amendment strategies (general and surcharge) that are sufficient to allow for safe and efficient pilotage services while keeping tariffs fair and reasonable, including a framework to assess additional charges to early and late ships so as to reduce financial exposure to long navigation season with little traffic.	Avoidance of tariff objection by the industry.	Acceptance of tariff strategies prior to the publication of the <i>Canadian Gazette Part I</i> .	Proposed tariff amendments in the last few years have proceeded without industry objection.	Industry consultations.
Modernize the <i>Great Lakes Pilotage Regulations</i> to re-assure Canadians that the marine transportation system in the Great Lakes is safe and efficient.	Stakeholder support on proposed amendments. The revised regulations are tabled by the Government in a timely manner.	Acceptance of proposed amendments prior to the publication of the <i>Canadian Gazette Part I</i> . Tabled by the first half of 2020.	Stakeholder consultations have been taking place since 2017 and have been positive.	Industry consultations.
Viewed as a valued maritime partner by our customers.	2019 Customer satisfaction survey results.	85% favourable customer experience result	80% favourable customer experience in the 2015 survey.	Customer satisfaction survey conducted by a third party.
Viewed as an employer of choice.	2019 Employee engagement survey results.	85% employee response rate. 85% favourable employee experience.	82% employee response rate in 2015. 69% favourable result in the 2015 survey.	Employee satisfaction survey conducted by a third party.



Long-Term Performance Assessments				
Outputs/ Outcomes	Performance Indicators	Targets	Baseline	Data source and methodology
Canadians have assurance of safe pilotage services, specifically that pilotage services are performed without environmental spills.	Number of incidents	0 incidents and 100% incident-free assignment rate	14 incidents in 2017 and 99.8% incident-free assignment rate in 2017	Data is available every month
Canadians have assurance all Canadian ships transiting in compulsory pilotage areas in the Great Lakes region are under the conduct of a valid and qualified certificate holder when the services of a pilot were not requested.	Rate of Canadian ships transiting in compulsory pilotage areas that are under the conduct of a valid and qualified certificate holder when services of a pilot were not requested.	1,500 randomly audited transits with 100% of the transits under the conduct of a valid and qualified certificate holder.	1,798 of 10,110 transits were audited in 2017 with 100% of transits under the conduct of a valid and qualified certificate holder.	Canadian shipowners' vessel log. Government of Canada's VTMISS- INNAV web site
Canadians are re-assured that pilotage certificate holders in the Great Lakes region have valid certificate which indicates their qualifications and other requirements have been maintained to reduce the risk of environmental spills.	Number of certificate holder files reviewed annually.	100% of files reviewed in the year documentation is set to expire.	3-month backlog in 2017 on files to be reviewed. Elimination of backlog in 2018.	Certificate holders
Reduction in the number of ship delay hours due to a shortage of pilots as to support Canada's economic growth and strengthening the middle class by ensuring Canadian manufacturing get their goods to market on a timely basis.	Number of ship delay hours due to a shortage of pilots.	Annual improvements to return to an historical norm.	Approximately 400 hours as experienced in 2012.	Data is available every month.
Canadians are assured the Authority has strategies to become financially self-sufficient during challenging economic times.	Financial results.	Modest annual surpluses so as to build a \$3.0 M financial reserve to weather any drastic downturn in traffic.	A \$0.8 M surplus was generated in 2017 and another \$0.6 M is expected for 2018.	Monthly internal financial statements / Annual audited financial statements.

C.2 CHIEF EXECUTIVE OFFICER RESULTS COMMITMENT

I, Robert F. Lemire, as Chief Executive Officer of the Great Lakes Pilotage Authority, am accountable to the Board of Directors of the Great Lakes Pilotage Authority for the implementation of results described in this Corporate Plan and outlined in the Appendix. I verify that this commitment is supported by the balanced use of all available and relevant performance measures and evaluation information.



Robert F. Lemire, Chief Executive Officer
Great Lakes Pilotage Authority

October 31, 2018
Date

D. CHIEF FINANCIAL OFFICER ATTESTATION

October 31, 2018

In my capacity as Chief Financial Officer of the *Great Lakes Pilotage Authority*, I have reviewed the 2019-2023 *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, CPA, CA
Chief Financial Officer
Great Lakes Pilotage Authority

October 31, 2018
Date

E. FINANCIAL STATEMENTS AND BUDGETS

This Corporate Plan is presented under International Financial Reporting Standards (IFRS). For its 2019 fiscal year, the Authority will adopt IFRS 16, entitled leases. It requires the accounting for all material leases as a liability equal to the discount present value of future lease payments, regardless of whether these leases were previously determined to be capital or operating leases.

This standard becomes effective in fiscal years that start on or after January 1, 2019, and as such, the Authority will record \$0.3 million of currently existing leases as a liability and as a capital asset – consistent with IFRS – which will be amortized to January 2024.

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

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

	ACTUAL 2017	FORECAST 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022	BUDGET 2023
REVENUES							
PILOTAGE CHARGES	\$ 30,078	\$ 32,791	\$ 33,010	\$ 33,806	\$ 34,315	\$ 34,831	\$ 35,683
DISPATCHING AND PILOT BOAT INCOME	155	95	95	95	95	95	95
INTEREST AND OTHER INCOME	50	225	217	218	244	243	244
TOTAL	\$ 30,283	\$ 33,111	\$ 33,322	\$ 34,119	\$ 34,654	\$ 35,169	\$ 36,022
EXPENSES							
PILOT SALARIES AND BENEFITS	\$ 20,973	\$ 23,485	\$ 23,390	\$ 24,039	\$ 24,375	\$ 24,797	\$ 25,491
TRANSPORTATION AND TRAVEL	2,977	3,106	3,157	3,235	3,330	3,392	3,508
OPERATION SALARIES AND BENEFITS	1,391	1,438	1,516	1,578	1,568	1,616	1,654
PILOT BOAT	1,212	1,369	1,688	1,719	1,752	1,777	1,812
ADMINISTRATION SALARIES AND BENEFITS	1,034	993	1,011	1,044	1,076	1,100	1,123
PURCHASED DISPATCHING SERVICES	315	295	304	304	304	304	304
PROFESSIONAL FEES	368	350	224	209	239	232	238
AMORTIZATION AND DEPRECIATION	227	262	270	283	308	243	221
AMORTIZATION ON CAPITAL LEASE	-	-	51	51	51	51	51
UTILITIES, RENTALS, REPAIRS AND SUPPLIES	350	324	357	295	301	310	306
PILOT TRANSFER SERVICES	298	331	314	351	357	365	373
PILOT TRAINING AND RECRUITING COSTS	244	318	291	268	313	249	247
PILOT LAP TOP AND NAVIGATION SOFTWARE	38	41	49	49	49	51	52
COMMUNICATIONS	108	104	120	124	127	131	134
INTEREST AND BANK CHARGES	53	13	12	13	13	13	14
INTEREST ON CAPITAL LEASE	-	-	23	19	14	9	4
INTEREST ON BORROWING	-	-	5	-	-	-	-
TOTAL	\$ 29,588	\$ 32,429	\$ 32,782	\$ 33,581	\$ 34,177	\$ 34,640	\$ 35,532
PROFIT (LOSS) FOR THE YEAR	\$ 695	\$ 682	\$ 540	\$ 538	\$ 477	\$ 529	\$ 490
OTHER COMPREHENSIVE INCOME:							
ACTUARIAL GAIN (LOSS) ON EMPLOYEE BENEFITS	91	-	-	-	-	-	-
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 786	\$ 682	\$ 540	\$ 538	\$ 477	\$ 529	\$ 490

STATEMENT OF FINANCIAL POSITION

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

	ACTUAL 2017	FORECAST 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022	BUDGET 2023
ASSETS							
CURRENT							
CASH AND CASH EQUIVALENTS	\$ 4,723	\$ 5,693	\$ 3,670	\$ 3,371	\$ 2,416	\$ 2,553	\$ 3,347
INVESTMENTS	3,664	3,000	4,000	5,000	5,000	5,000	5,000
ACCOUNTS RECEIVABLE	4,051	4,000	4,200	3,700	3,900	4,100	3,800
PREPAIDS	18	20	50	20	20	20	20
	12,456	12,713	11,920	12,091	11,336	11,673	12,167
NON-CURRENT							
LONG-TERM INVESTMENTS	-	-	-	-	-	-	-
PROPERTY AND EQUIPMENT	589	557	666	538	769	625	491
INTANGIBLE ASSETS	333	298	234	162	160	141	134
RIGHT-OF-USE ASSETS	-	-	231	180	129	78	27
	922	855	1,131	880	1,058	844	652
TOTAL ASSETS	\$ 13,378	\$ 13,568	\$ 13,051	\$ 12,971	\$ 12,394	\$ 12,517	\$ 12,819
LIABILITIES							
CURRENT							
ACCRUED SALARIES AND BENEFITS	\$ 10,725	\$ 10,530	\$ 9,295	\$ 9,058	\$ 8,166	\$ 8,256	\$ 8,404
OTHER ACCOUNTS PAYABLE AND ACCRUED CHARGES	727	700	715	725	730	740	735
EMPLOYEE BENEFITS	325	206	442	199	509	316	477
CAPITAL LEASE	-	-	58	64	71	78	3
	11,777	11,436	10,510	10,046	9,476	9,390	9,619
NON-CURRENT							
DEFERRED LEASE INDUCEMENTS	47	39	31	23	15	7	-
EMPLOYEE BENEFITS	2,402	2,259	1,964	1,882	1,477	1,243	836
CAPITAL LEASE	-	-	216	152	81	3	-
	2,449	2,298	2,211	2,057	1,573	1,253	836
TOTAL LIABILITIES	14,226	13,734	12,721	12,103	11,049	10,643	10,455
EQUITY							
RETAINED EARNINGS (ACCUMULATED DEFICIT)	(848)	(166)	330	868	1,345	1,874	2,364
TOTAL LIABILITIES AND EQUITY	\$ 13,378	\$ 13,568	\$ 13,051	\$ 12,971	\$ 12,394	\$ 12,517	\$ 12,819

STATEMENT OF CHANGES IN EQUITY

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

	ACTUAL 2017	FORECAST 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022	BUDGET 2023
RETAINED EARNINGS (ACCUMULATED DEFICIT) BEGINNING OF YEAR	\$ (1,634)	\$ (848)	\$ (166)	\$ 330	\$ 868	\$ 1,345	\$ 1,874
IMPACT OF CHANGE IN ACCOUNTING POLICY			(44)				
ADJUSTED BALANCES AT 1 JANUARY	(1,634)	(848)	(210)	330	868	1,345	1,874
PROFIT (LOSS) FOR THE YEAR	695	682	540	538	477	529	490
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	91	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	786	682	540	538	477	529	490
RETAINED EARNINGS (ACCUMULATED DEFICIT) END OF YEAR	\$ (848)	\$ (166)	\$ 330	\$ 868	\$ 1,345	\$ 1,874	\$ 2,364



STATEMENT OF CASH FLOW

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

	ACTUAL 2017	FORECAST 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022	BUDGET 2023
OPERATING ACTIVITIES							
PROFIT FOR THE YEAR	\$ 695	\$ 682	\$ 540	\$ 538	\$ 477	\$ 529	\$ 490
ITEMS NOT AFFECTING CASH:							
Employee benefits	(346)	(262)	(59)	(325)	(95)	(427)	(246)
Amortization and depreciation	226	262	270	283	308	243	221
Amortization of right-of-use assets	-	-	51	51	51	51	51
Decrease in deferred leasehold inducements	(8)	(8)	(8)	(8)	(8)	(8)	(7)
CHANGES IN NON-CASH WORKING CAPITAL ITEMS:							
Decrease (Increase) in accounts receivable	(401)	51	(200)	500	(200)	(200)	300
Decrease (Increase) in prepaids	1	(2)	(30)	30	-	-	-
Increase (Decrease) in accrued salaries and benefit	1,512	(195)	(1,235)	(237)	(892)	90	148
Increase (Decrease) in other accounts payable and accrued charges	168	(27)	15	10	5	10	(5)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,847	\$ 501	\$ (656)	\$ 842	\$ (354)	\$ 288	\$ 952
INVESTING ACTIVITIES							
PURCHASE OF INVESTMENTS	(4,902)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
DISPOSAL OF INVESTMENTS	1,934	7,664	6,000	6,000	7,000	7,000	7,000
ACQUISITION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	(554)	(195)	(315)	(83)	(537)	(80)	(80)
CASH PROVIDED (USED) IN INVESTING ACTIVITIES	\$ (3,522)	\$ 469	\$ (1,315)	\$ (1,083)	\$ (537)	\$ (80)	\$ (80)
FINANCING ACTIVITIES							
PAYMENT OF CAPITAL LEASE LIABILITIES			(52)	(58)	(64)	(71)	(78)
CASH PROVIDED (USED) IN INVESTING ACTIVITIES	\$ -	\$ -	\$ (52)	\$ (58)	\$ (64)	\$ (71)	\$ (78)
CASH AND CASH EQUIVALENTS							
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	(1,675)	970	(2,023)	(299)	(955)	137	794
CASH, BEGINNING OF YEAR	6,398	4,723	5,693	3,670	3,371	2,416	2,553
CASH, END OF YEAR	\$ 4,723	\$ 5,693	\$ 3,670	\$ 3,371	\$ 2,416	\$ 2,553	\$ 3,347

CAPITAL BUDGET

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

	ACTUAL 2017	FORECAST 2018	BUDGET 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022	BUDGET 2023
CONSTRUCTION IN PROCESS							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BUILDINGS							
	\$ 53	\$ -	\$ 225	\$ -	\$ -	\$ -	\$ -
FURNITURE AND FIXTURES							
	\$ 3	\$ 20	\$ 30	\$ 23	\$ 20	\$ 20	\$ 20
LEASEHOLD IMPROVEMENTS							
Beauharnois - relocation of trailer	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -
General leasehold improvements			10	10	10	10	10
	\$ -	\$ 2	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
COMPUTER AND COMMUNICATION EQUIPMENT							
	\$ 245	\$ 112	\$ 10	\$ 10	\$ 392	\$ 10	\$ 10
SOFTWARE							
	\$ 253	\$ 61	\$ 40	\$ 40	\$ 115	\$ 40	\$ 40
TOTAL	\$ 554	\$ 195	\$ 315	\$ 83	\$ 537	\$ 80	\$ 80

Overview of Significant Capital Expenditure Plan

Replacement of Portable Pilotage Units (PPUs)

The Portable Pilotage Unit (PPU) is a valuable tool that helps pilots make navigation decisions. The Authority considers the PPU essential for achieving an economic, safe, and reliable pilotage service. The useful life of current PPUs will end before fiscal 2021, at which time they will need to be replaced.

Pilot Waiting Stations

In 2019, the Authority plans to replace the leased pilot waiting station at Lock 7 in the Welland Canal with an Authority-owned building.

At the same time, the Authority will renovate its pilot station at Lock 1.

Other Capital Expenditures

No other capital expenditures represent significant costs to the Authority.

Implications on cash flows and loans

The Authority believes it can generate the funds needed for capital expenditures during the planning period, avoiding a loan or significant use of the line of credit. Should the line of credit be used, it will simply be for a marginal period that would not negatively impact financial results. As the Statement of Cash Flow indicates, the Authority will leverage excess funds invested to offset these capital investments.

Appropriations

The *Canada Marine Act* amended the *Pilotage Act* in Section 36.01. The change means an appropriation by Parliament cannot enable the Authority to discharge an obligation or liability. The Authority must maximize its returns and revenues so that Parliamentary appropriations are unnecessary.



F. BORROWING PLAN

F.1 OVERVIEW OF BORROWING PLANS

Line of Credit

The Authority requests authorization from the Department of Finance to maintain borrowing of \$3 million in the form of a line of credit for 2019, pursuant to Section 127(3) of the *FAA*. The Authority foresees a need for approximately \$0.2 million of the requested \$3 million line of credit. The line of credit would fund cash outlays during the non-navigation season, until cash is collected once the 2019 season gets underway. The line of credit – given the nature of the Authority’s business – is also an important part of its business strategy, as it ensures funds are available to even out cash flow during fluctuations in traffic over the course of the navigation season.

However, the Authority does not anticipate long-term borrowing needs, nor giving any contingent liabilities in the form of guarantees for 2019 and throughout the planning period.

Under this scenario, the Authority will need to rely on its line of credit until the start of the following navigation season, since the current tariff process is neither flexible nor timely enough to resolve cash inflow needs should there be a decrease in traffic.

As shown by the following chart, when a major downturn in traffic occurs, significant cash outflows must be covered, which could easily come close to \$3 million.

Historical Usage of Line of Credit	2018	2017	2016	2015	2014	2013	2012	2011	2010
Highest weekly use of line of credit	\$ 0.2	\$ 1.5	\$ -	\$ -	\$ 0.2	\$ 0.7	\$ 2.5	\$ 1.6	\$ 4.0
# of weeks operating on line of credit	3	15	0	0	2	13	27	20	43
Timing of line of credit fully paid	May-15	Jul-5	Not used	Not used	May-9	Jun-14	Jul-27	Aug-19	Oct-29

In addition to the need to cover potential bank overdrafts, the current line of credit is also partly required by the bank 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 having to prefund the EFT. This feature gives the Authority flexible optimization of cash flow all year. In addition, part of the line of credit supports the Authority’s corporate credit cards.

As agreed to with its banker, the Authority pays prime rate on its line of credit. This borrowing requirement is integral to the Authority’s cash management strategy.

For 2018, the Minister of Finance approved the Authority’s borrowing, up to \$3 million, from its banker to bridge any cash flow shortfall.

F.2 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 borrow money, including the time and terms, and conditions of the transaction. The following outlines the Authority’s borrowing plan:

F.3 TOTAL BORROWING – NEW AND OUTSTANDING

These tables detail 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)							
	2017 Actual	2018 Estimated	2019 Forecasted	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Short-term borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Table 2: Short-term borrowings as December 31 (in millions of dollars)							
	2017 Actual	2018 Estimated	2019 Forecasted	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Split by currency							
Canadian dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Table 3: Peaks at any time point during the year (in millions of dollars)							
	2017 Actual	2018 Estimated	2019 Forecasted	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Split by currency							
Line of credit	\$ 1.5	\$ 0.2	\$ 0.2	\$ -	\$ -	\$ -	\$ -
Canadian dollar borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. dollar borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total borrowings	\$ 1.5	\$ 0.2	\$ 0.2	\$ -	\$ -	\$ -	\$ -

Table 4: Long-term borrowings as of December 31 (in millions of dollars)							
	2017 Actual	2018 Estimated	2019 Forecasted	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Opening balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maturities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New issuances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed-rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Floating-rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total borrowings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

F.4 TOTAL BORROWING – NEW AND OUTSTANDING CAPITAL LEASES

During the planning period, the Authority does not anticipate entering into new leases which would require Ministerial approval.

The Authority only has one outstanding lease which will be restated in 2019 to comply with the new IFRS 16. There is a 10-year office space lease signed in 2014 that expires in January 2024. The outstanding lease commitment, as of December 31, 2018 is \$0.3 million.

Table 5: Information on existing leases and approval for upcoming leases (in millions of dollars)							
	2017 Actual	2018 Estimated	2019 Forecasted	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Building lease - Head Office							
Maximum expected liability on the lease			\$ 0.3	\$ 0.2	\$ 0.2	\$ 0.1	\$ -
Maximum expected number of years remaining'			4	3	2	1	-

G. RISK AND RISK RESPONSES



The Authority is committed to identifying, assessing, and mitigating, when deemed appropriate, all risks. It applies an Enterprise Risk Management (ERM) approach to its Strategic Planning process. In 2018, the Authority introduced an Enterprise Risk Management directive that formalizes development of a consistent approach to risk management. It supports decision making at all levels so that members of the Board, senior executives, staff, and pilots are accountable for managing risk within their area of responsibility.

As outlined in section 4.3 Risks, the Authority's most important challenge for ensuring safe and reliable pilotage services is pilot succession. Of 52 active full-time pilots, 17 will be over 60 years old at the end of fiscal 2018. There is no mandatory retirement age, making retirement predictions and a reasonable notice period uncertain. Consequently, it's difficult to recruit and train apprentice pilots to replace retirees in an orderly fashion. The risk increases should many pilots within a given district retire at the same time. To ease the risk, pilots have been asked about retirement possibilities during the next planning period. That has improved the average notification period to six months, coinciding with timelines for the recruitment of apprentice pilots. The Authority also offers part-time employment contracts to retired pilots, which provides additional resources while apprentice pilots are being trained. Half of the retired pilots have accepted part-time contracts over several years. Finally, during the recent collective agreement renewals, the Authority and the pilot unions resolved to set a minimum retirement notice period for pilots.

Because a large number of pilots are expected to retire, there is a potential risk that the Authority may not be able to find enough qualified candidates to meet its business needs. This likelihood is assessed as low given there is a pool of candidates of approximately 200 Canadian officers who have pilotage certificates for the Great Lakes region. Recruiting, training, and retention has not been an issue in the last few years, and that is not expected to change during the planning period. One exception, though, is recruitment of French-speaking candidates for the Cornwall District. The Authority competes with the Laurentian Pilotage Authority for a limited pool of French-speaking pilots. To adjust, the Authority will participate in more events at marine schools and job fairs, especially in Quebec, aiming to raise awareness of the profession in the Great Lakes region. The high number of apprentice pilots to be recruited and trained means it is important for the Authority to recover these costs over the course of the planning period. The Authority has been discussing these issues with its main user, the Federation. In 2017, together we developed a tariff strategy to ease the financial burden. It opens a window – two years in advance – that examines the planned number of apprentice pilots that will need to be hired and trained. That figure establishes the “apprentice-pilot training surcharge” rate.

Traffic forecasting in advance of a navigation season is extremely difficult because pilotage customers have not yet made firm plans. Ships arrive unscheduled, and often in surges. If traffic volumes are not reasonably anticipated, there is major negative financial fallout for both the Authority and its customers. A forecast that is too low means pilot availability can't keep up with demand, which will then lead to ship delays and burden customers with more operational costs. An excessively high forecast makes the Authority absorb significant operating losses, given the fixed nature of pilot compensation. The Authority cannot reduce pilot numbers to match downturns in demand that have no sustainable indicators because no one would accept a job knowing they could easily be laid off for an undetermined period. To manage this challenge, the Authority is in constant discussions with its main users during budgeting and throughout the navigation season as it tries to gain insight into traffic levels. The financial objective of building a financial reserve over the planning period would allow the Authority to manage a temporary drop in traffic without charging higher tariffs to offset financial losses.

In addition to regular meetings with the industry, the Authority also controls traffic at designated anchorages and has developed new ship flagging strategies with its U.S. pilotage counterparts – a way to prevent ship delays when traffic surges lead to a shortage of pilots. During its 2018 collective agreement negotiations, the Authority and the pilots put added pilot flexibility and availability into the working rules, aiming to serve more ships this way.

An emerging risk later in 2018 – which may affect safe pilotage services – is the legalization of cannabis. Even with an existing drug and alcohol directive for safety-sensitive positions, the Authority will need to revise administration processes and policies on awareness, prevention, and monitoring following the change of legislation.

System security is an ongoing risk that the Authority needs to effectively manage given systems and network infrastructure support the everyday operations. Cyber security thus remains a high priority for the Authority. To this end, a cyber security internal audit is being commissioned and could lead to possible additional sets of risks that will need to be addressed.



H. COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

Access to Information Act

The Authority believes that openness and transparency help build a trusting relationship with customers, partners, and all other stakeholders. Our objective is to respond promptly, and with transparency, to all information requests from the public, the media, and all those interested in the Authority's operations. So far in 2018, the Authority has received only one valid request and responded accordingly. There are no outstanding requests.

The Authority complies with the Federal Government by posting responses to requests it receives under the *Access to Information Act* on www.open.canada.ca. Additionally, the Authority reports annually to the Access to Information Commissioner.

Conflict of Interest Act

The Authority's directive on conflict of interests is compliant with the *Conflict of Interest Act*. The Chief Financial Officer has not received any reports of conflict of interests.

Canadian Human Rights Act

All the Authority's directives respect the *Canadian Human Rights Act*. The Authority is not aware of any complaints made under the Act.

Employment Equity Act

All the Authority's recruitment directives and processes respect the *Employment Equity Act*. The Authority is not aware of any complaints made under the Act.

Official Languages Act

The Authority's Chief Financial Officer assumes the role of Official Languages champion to promote and monitor the use of official languages in all internal and public communications. The use of both languages within the workplace prevails at the Authority's head office in Cornwall, Ontario, where staff need to communicate with employees, customers, and government agencies in either language. As required, the Authority reports annually to the Treasury Board Secretariat's Official Languages Centre of Excellence. The Authority did not encounter any Act-related issues for 2017.

Privacy Act

The Authority reports annually to the Privacy Commissioner. There are no formal privacy requests received by the Authority.

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, conferences, and events. Since February 2016, the Authority's directive on travel and hospitality has been aligned with the Government's *Directive on Travel, Hospitality and Conference, and Event Expenditures*, as noted by the Office of the Auditor General of Canada's

opinion of the Authority's annual financial statements.

In support of good governance practices, the Authority has a directive on travel and hospitality that governs the reimbursement of reasonable travel and hospitality expenses required for business travel. As directed under section 89 of the *Financial Administration Act*, the Authority enhanced its directive for the reimbursement of business travel, hospitality, conferences, and events in accordance with the Government of Canada's directives and guidelines. Each year, the Office of the Auditor General of Canada audits the Authority's compliance with this directive.

As a means of ensuring transparent communications with the public, the revised directive is published on the Authority website at <http://www.glp-a-pgl.com/about/policies/>. In addition, the Authority also voluntarily publishes, on a quarterly basis, the travel and hospitality expenditures for the Chair of the Board, all other Directors, the Chief Executive Officer, and other Senior Management, thus complying with proactive disclosure requirements. The Authority's quarterly reports can be seen on its website at <http://www.glp-a-pgl.com/reports-and-documents/financial-reports/>. The Authority also discloses the total annual expenditures for travel, hospitality, and conference fees. The Authority includes this information in its Annual Reports, as required by the Treasury Board's *Directive on Travel, Conference, and Event Expenditures*.

Pension Plan Reforms

Eligible Authority employees are covered by the Public Service Pension Plan administered by the Government of Canada. The Authority complies with section 89 of the *Financial Administration Act* to align with a 50:50 contribution ratio.

Trade Agreements

Although the Authority is not directly involved with trade agreements, it does support all trade agreements, and its procurement respects elements in various trade agreements. The directive is on the Authority's website. All requests for proposals are posted on the Government's Buy and Sell website and indicates those that fall under the various trade agreements.

Other

Additionally, the Authority supports and complies with the following legislation where it affects various facets of its operations:

Corporate

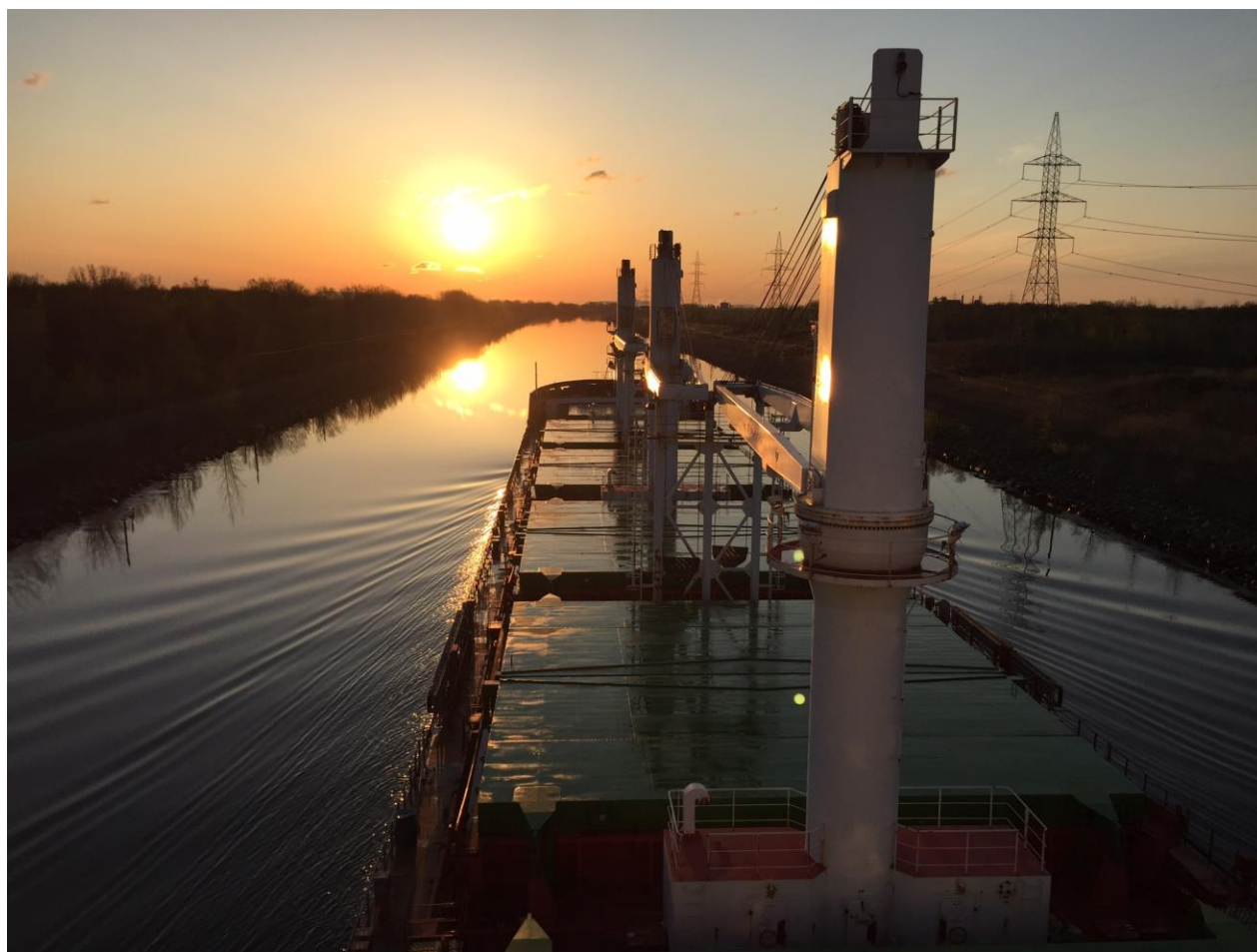
- *Canada Business Corporations Act*, RSC 1985, c C-44
- *Financial Administration Act*, RSC 1985, c F-11

Government Institutions

- *Auditor General Act*, RSC 1985, c A-17
- *Commercial Arbitration Act*, RSC 1985, c17 (2nd Supp.)
- *Library and Archives of Canada Act*, SC 2004, c 11
- *Lobbying Act*, RSC 1985, c 44 (4th Supp.)
- *Public Servants Disclosure Protection Act*, SC 2005, c 46

Regulatory Statutes

- *Pilotage Act*, RSC 1985, c P-14
- *Canada Labour Code*, RSC 1985, c L-2
- *General Pilotage Regulations*, SOR/2000-132
- *Great Lakes Pilotage Regulations*, C.R.C. c. 1266
- *Great Lakes Pilotage Tariff Regulations*, SOR/84-253
- *Canada Marine Act*, S.C. 1998, c. 10
- *Canada Shipping Act, 2001*, S.C. 2001, c. 26
- *Collision Regulations*, C.R.C., c. 1416
- *Eastern Canada Vessel Traffic Services Zone Regulations*, SOR/89-99
- *Environmental Response Arrangement Regulation*, SOR/2008-275
- *Marine Occupational Health and Safety Regulations*, SOR/2010-120
- *Marine Personnel Regulations*, SOR/2007-115
- *Navigational Safety Regulations*, SOR/2005-134
- *Seaway Properties Regulations*, SOR/2003-105
- *Shipping Casualties Reporting Regulations*, SOR/85-514
- *St. Clair and Detroit River Navigation Safety Regulations*, SOR/84-335
- *Transportation Safety Board Regulations*, SOR/2014-37
- *Canada Transportation Act*, SC 1996, c 10



I. GOVERNMENT PRIORITIES AND DIRECTION



The Authority has embraced, and aligns itself with, Government of Canada priorities that were set out in the 2016 Throne Speech:

- Growth for the middle class
- Open and transparent governance
- A clean environment and a strong economy
- Strength through diversity
- Security and opportunity

The Authority's mandate to operate and administer safe and efficient pilotage services commits us to ensuring that Canadian waterways are free of environmental spills and damages. As an important partner in marine commerce, the Authority helps Canadian companies access foreign markets and improve the Canadian economy. Plus, it helps give middle-class Canadians access to foreign goods at a lower cost. Also, since the Authority shares pilotage services with its U.S. counterparts in international waters, it maintains strong relationships with the United States Coast Guard and pilotage associations. About 85% of pilotage services deal with the import/export of goods from foreign markets, making the Authority a key

marine commerce partner. Additionally, it helps the middle class grow by lowering the cost of overseas goods. The Authority's commitment to employment opportunities focuses on diversity. As well, merit-based selection ensures strength through diversity. Open and transparent governance is at the forefront of all Authority interactions, communications with industry stakeholders, and the general public.

In line with the Oceans Protection Plan, the Authority vigorously supports the *Pilotage Act Review* through its goal of safe, efficient, and environmentally responsible pilotage services well into the future.

Transparency and Open Government

The Authority is fully committed to openness and transparency with all stakeholder interactions. It uses several communications tools to deliver on its commitment to be fully open and transparent. The Authority respects the requirements to openly publish various reports, among them its Annual Report, Quarterly Financial Reports, Summary of the Corporate Plan, Proactive Disclosure of Travel and Hospitality Expense Reports, and *Access to Information Act* inquiries on its website. The Authority also ensures timely responses to all information requests and concerns, when feasible.

The Authority takes pride in its full transparency with the industry. At the start of the 2018 navigation season, its website published all the passage plans so customers would have a general overview of the transits. The pilot-master exchange of information checklist is also published. It aims to ensure all ships are provided with service effectively and consistently, largely by sharing crucial information for the safety of the ship and the crew while transiting the Great Lakes.

Gender-Based Analysis Plus / Diversity and Employment Equity

The Authority supports the Government of Canada's mandate to strive for gender parity and to ensure that Indigenous Canadians and minority groups are properly represented. Even so, the physical and qualification restrictions included in the *Pilotage Act* and the *General Pilotage Regulations* somewhat limits the pool of pilot candidates, which are predominately male Caucasians at this time. With the recent recruitment in 2018, the Authority increased the number of female pilots by one and they now represent 6% of the pilot workforce. Pilots that are part of a visible minority group also represent 5% of the pilot workforce.

Women account for 34% of the office staff and 71% of the Board of Directors.

Due to pilot qualification and bilingual office staff requirements, few Indigenous applicants meet the requirements for job opportunities with the Authority.

Indigenous Relationships

The Authority provides pilotage services in waters that border many Indigenous communities along the St. Lawrence River, the Great Lakes, and the Port of Churchill. The Authority must consider how its business decisions and operations impact those communities, especially with regard to their traditional food sources, ecosystem, and ceremonial practices.

The Authority is committed to gaining a better appreciation of Indigenous culture. Given the many communities along the St. Lawrence River, the Great Lakes, and the Port of Churchill, the Authority plans to participate in the 2018 Akwesasne International Pow-Wow. Joining First Nations from across Canada and the United States may give it more insights and foster a stronger bond of peace and friendship. The Authority hopes to meet with the Mohawk Council of Akwesasne for a closer look at their growth and development initiatives related to a clean and sustainable Akwesasne economy.

Sustainable Development and Greening Government Operations

The core of the Authority's objectives is to provide pilotage services in the Great Lakes region that are safe and free of environmental spills. The risk of marine incidents is inherent in every action taken by Authority employees on the job. Training policies for all apprentice pilots, active pilots and pilotage certificate holders are designed to ensure that proper levels of knowledge and experience are in place. The Authority continues to promote ongoing communications with all employees on the importance of embracing a safety-minded culture with the goal of limiting environmental risks.

The Authority has been sending its pilots to complete simulator training based on a five-year cycle. It will continue this practice because it gives pilots a way to train on different ships, manage various conditions, and cope with specific issues, such as a slow rudder or crew responses. The Authority reviews incidents and trends to continually re-assess the training program.

The Authority also takes part in various joint initiatives and associations to keep up-to-date on emerging safety concerns and best practices.

Through its participation in the *International Marine Pilots' Association's* conference every two years, the Authority interacts with other pilotage authorities from around the world. In discussions that promote professional standards in the interests of pilot safety, this conference encourages both consultation between its members and the exchange of technical information with other industry partners and regulators across the globe. Similarly, but on a more national level, the Authority also gains benefits from its interaction with the Canadian Marine Pilots' Association.

While putting more 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 Association.

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



J. OPERATING ENVIRONMENT

The Authority's services are provided through pilotage assignments to ships entering the Great Lakes region. These are vessels 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 coordinate 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 (which operate the lock facilities and maintain traffic control systems within the region), the Canadian Coast Guard (which provides aids to navigation), and the United States Coast Guard (responsible for United States pilotage matters in international waters).

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 (the Snell Lock). 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 belong to the Corporation of the Upper St. Lawrence Pilots.

A *Memorandum of Arrangements* between Canada and the U.S. dictates that Canadian pilotage takes 20 out of every 34 assignments, or 58.82% of all dispatches in the district. Each country dispatches its own pilots.

International District Lake Ontario

International District Lake Ontario is also served 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 serve 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 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 as:

Welland Canal	- Canadian pilots only
Port Colborne – Detroit	- Canadian pilots are assigned 50% of the through transits
Detroit – Port Huron	- Three of eight 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 to guide 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% 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.

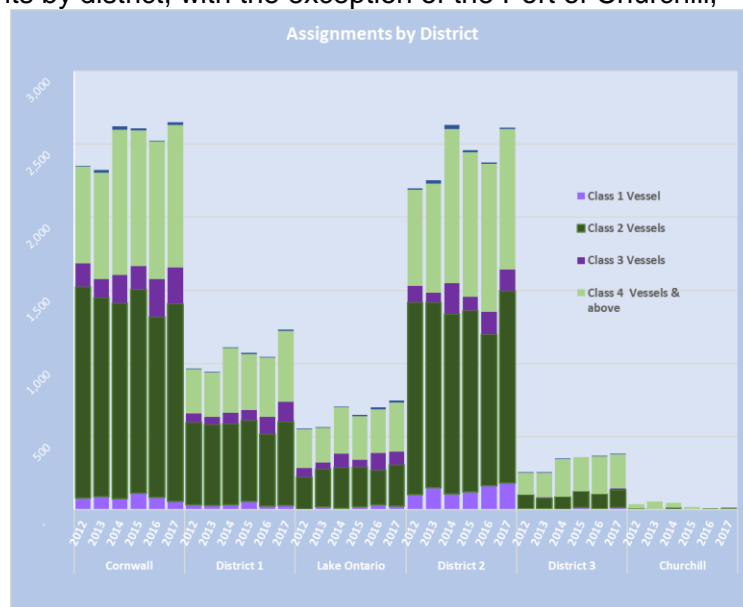
The Authority's Canadian Lake Ontario pilots are licensed to perform all pilotage duties in the Port of Churchill on an as-needed basis.

J.1 PILOTAGE CAPACITY

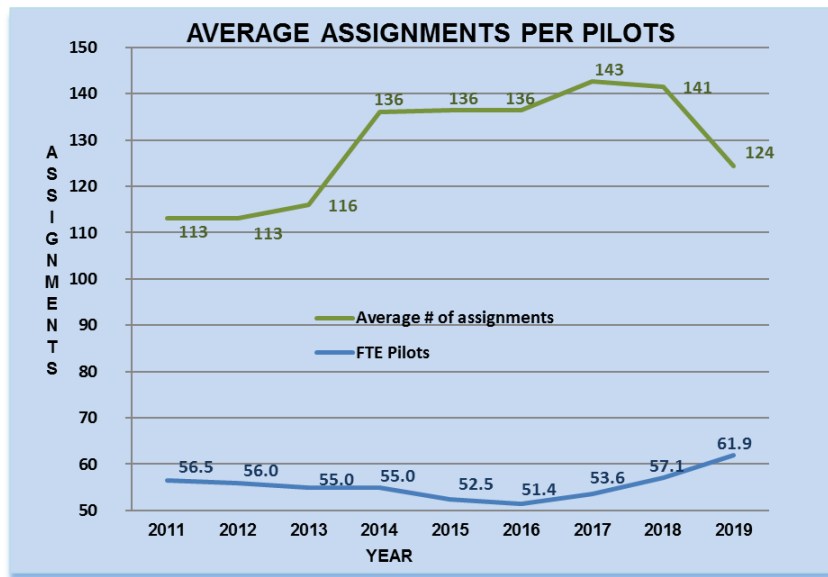
As this figure shows, the assignments by district, with the exception of the Port of Churchill, have increased since 2014 and have remained fairly consistent with an upside in 2017.

Just a few months into the 2018 navigation season, the Authority experienced a 20% increase in assignments at the end of June. Based on this favourable demand, the Authority expects 2018 will be roughly 14% higher than the 7,067 assignments previously budgeted.

Industry consultation has determined that pilot assignments for the planning period should be kept around 7,700. Being able to reasonably predict traffic volume is crucial if the Authority is to serve customers effectively and help manufacturing and agriculture concerns get goods to and from foreign markets.



While assignments per pilot should be maximized, the Authority must ensure this stay within a reasonable average assignment range, otherwise there's a potential risk of pilot fatigue and possible safety concerns. Since 2014, pilot assignments have consistently run higher than forecast. Instead of a reasonable average of 115 assignments, the annual pilot workload averaged 136 from 2014 to 2016, even reaching 143 in 2017. That's a substantial jump compared to the 116 in 2013.



With a 14% increase in 2018 forecasted assignments, the pilot workload is expected to be 141. These unanticipated traffic increases in recent years were handled with an average of 55 full-time equivalent pilots – the same complement when traffic only averaged about 6,400 assignments per year. Managing these high levels while minimizing ship delays has cost more than \$2.5 million in pilot overtime. Above all, the Authority monitors operations to ensure safety is not compromised.

Forecasted traffic, along with increased pilot numbers for the planning period, means the average number of assignments should drop to 124 for 2019 and hold at 110 for the remaining years, which aligns with the Authority's objective of 110 to 115 assignments per pilot. The planned increase in pilot numbers is key to ensuring the Authority's continued incident-free excellence, and to improved service in support of Canadian economic growth.



This chart shows that ship delay hours due to a shortage of pilots have risen since 2014. As already noted, the total number of pilots available has the most significant impact on the hours of ship delays. However, other factors also affect these results (including weather conditions, such as extreme ice and high-water levels, as well as traffic surges and infrastructure breakdowns).

With the 14.0% increase in 2018 traffic, the Authority expects 2018 delays to mirror 2017, that is about 2,700 hours driven strictly by the increased service demand, keeping in mind that numbers for 2018 rose to 57.1 FTE pilots (compared to 53.6 in 2017). However, with more pilots during the planning period, the Authority – starting with the 2021 navigation season – aims to bring these results to a reasonable 400-hour average.

J.2 PILOT TRAINING

Pilot Training – Annual

The Authority requires all pilots to complete simulation training inside a five-year cycle. For the planning period, an annual average of 20 pilots/apprentice pilots will attend week-long training sessions.

The Authority also provides annual training for the PPU's and other specifically identified needs.

Pilot Training – Apprentice

The Authority continues to invest in the training of apprentice pilots. This includes theoretical studies, and practical on-board ship and simulator training. Associated costs are salaries/benefits, travelling expenses, and compensation to mentoring and evaluating pilots. The total cost to train a pilot approaches \$25,000/month. Depending on the district to which the apprentice is assigned, 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 18 months
International District No. 3	6 to 12 months
Port of Churchill	1 month (a Lake Ontario pilot)

J.3 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 stakeholder organizations to ensure that important issues are identified and managed effectively.

The three primary stakeholders are the Government, shipping interests, and the pilots. The shipping interests are under the responsibility of the Shipping Federation of Canada (Federation) and the Chamber of Marine Commerce (Chamber), while pilot interests are handled by the four Pilot Corporations, the Canadian Merchant Service Guild, and the Canadian Marine Pilots' Association. The Government has several stakeholders, including the Minister of Transport and many of its officials, the Canadian Coast Guard, the Transportation Safety Board, the Canadian Transportation Agency, and central agencies.

All three primary stakeholders must be consulted and must support the Authority's decisions, as they have access to the Agency for a review whenever issues are not resolved satisfactorily. Solutions with consensus, when possible, are preferred versus legislated ones, as they create a win-win situation for all parties. 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 safe, efficient, and effective pilotage in the Great Lakes area. They include, but are not limited to:

- St. Lawrence Seaway Management Corporation (Canada)
- St. Lawrence Seaway Development Corporation (U.S.)
- 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. It will provide ongoing opportunities for input on its planning and operations. It is important that all issues with stakeholders, including pilots, are resolved. However, the Authority will never compromise the safety of the ships and the environment to avoid a third-party issue.

During a given year, the Authority formally meets with the Federation and the Chamber. They discuss current topics, joint concerns, and proposed tariff amendments. In addition, these stakeholders and the Authority continue to discuss operational issues throughout the navigation season. In preparation for the start and the close of a season, they are consulted and informed about things that may affect pilotage services.

To interact with pilot-interest stakeholders, the Authority holds a formal meeting with the Pilot Corporation Presidents at the start of the navigation season. There are ongoing communications with the pilot union representatives throughout the season to discuss working rules and other labour issues. This approach appears to be effective and there is little in the way of grievances for 2018.

The Authority is in constant communication with the St. Lawrence Seaway Management Corporation, the St. Lawrence Seaway Development Corporation, the U.S. Coast Guard, and the U.S. Pilotage Association in its commitment to providing safe and efficient pilotage services. The Authority has been a driving force in developing strategies to reduce ship 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. For example, the Authority, along with the U.S. Pilotage Association, held meetings with Thunder Bay Port Authorities and agents to review services and address their concerns.

Besides the stakeholders noted above, the Authority, at all levels, meets regularly with the other three Canadian pilotage agencies to examine common topics. Additionally, the Authorities share best practices.

K. 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	0.00%		2.10%	6,903	1,016	3,934
2	1997	No tariff increase	0.00%		1.30%	7,192	1,210	5,144
3	1998	No tariff increase	0.00%		1.30%	9,085	1,701	6,845
4	1999	March 1999: 5% tariff reduction in Canadian districts. It represented a 3% overall reduction.	-3.00%		1.40%	8,108	(353)	6,492
5	2000	March 2000: 5% tariff reduction maintained in Canadian districts. It represented a 3% overall reduction.	-3.00%		1.80%	8,605	(1,093)	5,399
6	2001	No tariff increase	0.00%		1.60%	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.	3.00%					
		November 2002: Increase of 11% in International District # 2 (above canal) only. It represented a 1% overall increase.	1.00%		2.70%	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.	3.00%		2.00%	5,737	(2,639)	(1,076)
9	2004	July 2003: 4.5% overall tariff increase.	4.50%					
		April 2004: 8% overall tariff increase.	8.00%		2.20%	6,398	(2,082)	(3,158)
		September 2004: 7% overall tariff increase.	7.00%					
10	2005	April 2005: 5.5% overall tariff increase.	5.50%					
		June 2005: Elimination of Currency Equalization Factor (CEF) calculation in international districts. (District # 1, Lake Ontario and International districts # 2 & 3). Tariff adjustment of 17.5%. Not seen as a tariff increase.	0.00%		2.60%	6,443	(833)	(3,991)
11	2006	June 2006: 2.5% overall tariff increase and an 8% increase in Class 1 vessels.	2.50%		1.70%	7,331	321	(3,670)
12	2007	January 2007: 2.5% overall tariff increase and a 7% increase in Class 1 vessels.	2.50%		2.20%	7,177	262	(3,408)
13	2008	April 28, 2008: 4% overall tariff increase. (Different % increase in different districts); introduction of the temporary surcharge.	4.00%	2.00%	2.40%	5,989	(237)	(3,645)
14	2009	March 31, 2009: 4% overall tariff increase and increase in the temporary surcharge from 2% to 6%.	4.00%	4.00%				
		August 18, 2009: Increase in the temporary surcharge from 6% to 15%.	0.00%	9.00%	0.30%	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	5.50%	0.00%	1.90%	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.	3.00%	-3.00%	2.80%	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 districts #2 & 3 3% increase) and maintain of the temporary surcharge at 12%.	2.00%	0.00%	1.50%	6,358	377	(2,664)
18	2013	Navigation season - equivalent of 2.5% tariff increase and maintain the temporary surcharge at 12%.	2.50%	0.00%	1.75%	6,403	900	(1,764)
19	2014	Navigation season - 2.5% tariff increase and maintain of the temporary surcharge at 12%.	2.50%	0.00%	1.00%	7,462	1,336	(428)
20	2015	Navigation season - 1.5% tariff increase and reduction of the surcharge to 11%.	1.50%	-1.00%	1.10%	7,166	(352)	(780)
21	2016	Navigation season - 1.5% tariff increase and increase of the surcharge to 12%.	1.50%	1.00%	2.00%	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.	14.50%	5.00%	1.60%	7,636	786	(848)
23	2018	Navigation season - average 2.95% tariff increase, maintain the 5% apprentice pilot training surcharge.	2.95%	0.00%	2.30%	8,076	682	(166)
24	2019	Navigation season - average 3.98% tariff increase, maintain the 5% apprentice pilot training surcharge.	3.98%	0.00%	2.30%	7,700	540	374

L. STATEMENT OF PILOT NUMBERS

<u>HEADCOUNT ASSUMPTIONS</u>						
	FORECAST	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	2018	2019	2020	2021	2022	2023
<i>Pilots</i>						
Start of Year	48	52	57	65	69	70
Reductions	(4)	(1)	(3)	(2)	(5)	(2)
Increases	8	6	11	6	6	1
End of Year	52	57	65	69	70	69
<i>Apprentice-Pilots</i>						
Start of Year	6	8	9	5	6	3
Reductions	(9)	(7)	(11)	(6)	(6)	(1)
Increases	11	8	7	7	3	4
End of Year	8	9	5	6	3	6
<i>Part Time Pilots</i>						
Start of Year	9	7	9	8	7	8
Reductions	(3)	0	(3)	(2)	(2)	(3)
Increases	1	2	2	1	3	1
End of Year	7	9	8	7	8	6