



**DETAILS AND PRINCIPLES REGARDING
PROPOSED PILOTAGE CHARGES
2023**

DECEMBER 20, 2022



GENERAL

Pursuant to section 33.2 of the *Pilotage Act*, S.C. 1985, c. P-14, this document (further referred to as “Details and Principles” or “Document”) provides additional details, including methodology, to elaborate upon the Notice of Revised Service Charges dated **December 20, 2022** (“Notice”) where the Great Lakes Pilotage Authority (“GLPA”)’s proposed revised charges are to become effective on **March 22, 2023**.

This Document includes a description of the proposal, including the methodology in relation to establishing or revising the pilotage charges, and the circumstances in which the charges will apply. In developing the charges, the GLPA has observed all charging principles established under section 33.2 of the *Pilotage Act*. The financial information below is based on the current budgetary forecasts, and may be revised, following representations obtained under section 33.3 of the *Pilotage Act*. The methodology, as set out in this Document, is of general application and is illustrated through the use of the proposed charges for 2023.

This Document consists of the following sections:

- 1) *General Overview of the GLPA*
- 2) *Traffic and Assignment Volumes*
- 3) *Fiscal 2023 Projected Financial Position of the GLPA*
- 4) *Cash and Financial Self-Sufficiency*
- 5) *Proposed Revision to Pilotage Charge Rates*
- 6) *Justification of the Proposal in Relation to the Charging Principles*
- 7) *Cost of Services*
- 8) *Definitions and Interpretations*
- 9) *Consultation*
- 10) *Information Regarding the Notice and on Making Representations to the GLPA*



1. GENERAL OVERVIEW OF THE GREAT LAKES PILOTAGE AUTHORITY

The GLPA is a Government of Canada non-agent Crown Corporation established in 1972 pursuant to the *Pilotage Act*. The objective of the GLPA is to establish, operate, maintain and administer, in the interests of safety of navigation, an efficient pilotage service within the region set out in respect of the GLPA. The GLPA is tasked with achieving this objective while keeping with the following principles:

- a. that pilotage services be provided in a manner that promotes and contributes to the safety of navigation, including the safety of the public and marine personnel, and that protects human health, property and the environment;
- b. that pilotage services be provided in an efficient and cost-effective manner;
- c. that risk management tools be used effectively and that evolving technologies be taken into consideration; and
- d. that an Authority's pilotage charges be set at levels that allow the Authority to be financially self-sufficient.

The system of governance at the GLPA must allow the corporation to be a financial self-sustaining entity. The GLPA is governed by a 7-member Board of Directors ("Board"). The Governor in Council appoints the Chairperson of the GLPA and the Minister of Transport appoints the other members of the Board for terms not exceeding four years.

The fundamental elements governing the mandate conferred on the GLPA by the *Pilotage Act* include the exclusive right to provide pilotage services to ships in an area of water in which ships are subject to compulsory pilotage, the exclusive ability to set and collect charges for pilotage services provided or made available by the GLPA or a contractor acting for the GLPA, and the obligation by the GLPA to provide these services.

When establishing a new charge for pilotage services or revising an existing charge, the GLPA must follow the charging principles set out in section 33.2(1) of the *Pilotage Act*. These principles prescribe that, among other things, charges must not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the GLPA's current and future financial requirements related to the provision of compulsory pilotage services. Pursuant to the charging principles, the Board approves the amount and timing of changes to customer service charges. The Board also approves the GLPA's annual budget where the amounts to be recovered through customer service charges for the ensuing year are determined.

As noted, the GLPA plans its operations to result in an annual financial position in which revenues do not exceed current and future financial requirements related to the provision of compulsory pilotage services. Financial requirements include:

- a. operations and maintenance costs;
- b. management and administration costs;
- c. debt servicing requirements and financial requirements arising out of contractual agreements relating to the borrowing of money;
- d. capital costs and depreciation costs on capital assets;
- e. tax liability;



- f. payments to the Minister for the purpose of defraying the costs of the administration of the *Pilotage Act*, including the development of regulations, and the enforcement of the *Pilotage Act*;
- g. reasonable reserves for future expenditures and contingencies; and
- h. other costs determined in accordance with accounting principles recommended by the Chartered Professional Accountants of Canada or its successor or assign.

The financial statements and Management’s Discussion and Analysis, issued quarterly and annually provide extensive information on the revenues and expenses of the GLPA.

These documents are available at www.glp-a-apgl.com.

2. TRAFFIC AND ASSIGNMENT VOLUMES

In order to establish financial forecasts for future years, the GLPA relies on information obtained through various sources, such as discussions with industry stakeholders, shipping announcements, and news reports. This information is then compared with historical traffic data and new trends that surfaced in the past year. The GLPA’s ability to accurately forecast traffic in the Great Lakes region remains a challenge as the industry has very limited traffic forecasts to share for the upcoming fiscal year. As shown in the chart below, there have been significant deviations from planned assignments in the last ten years.

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|
| Actual pilot assignments * | 8,179 | 9,061 | 9,928 | 8,798 | 7,636 | 7,020 | 7,166 | 7,462 | 6,403 | 6,358 |
| Planned pilot assignments * | 9,105 | 8,084 | 8,076 | 7,700 | 7,067 | 6,700 | 6,531 | 6,100 | 6,100 | 6,100 |
| Deviation from Plan | 10.2% | 12.1% | 22.9% | 14.3% | 8.1% | 4.8% | 9.7% | 22.3% | 5.0% | 4.2% |

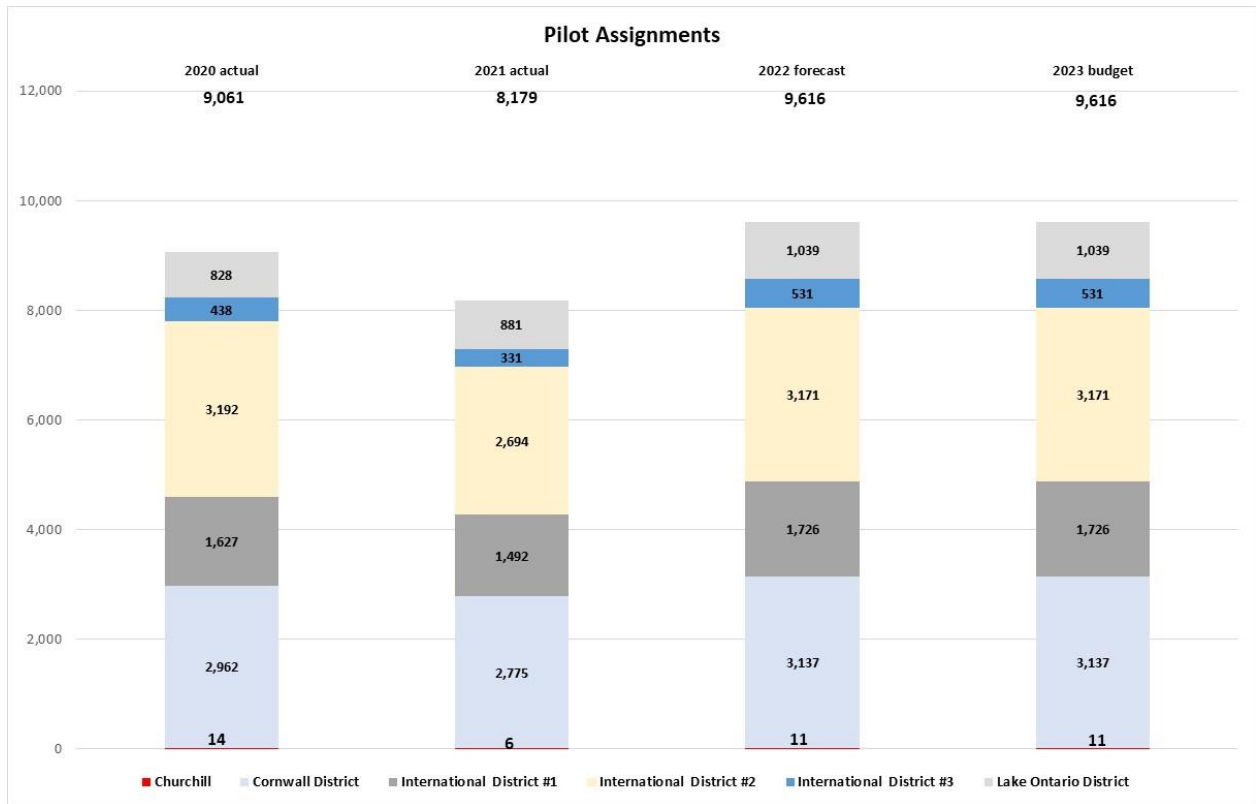
* number of assignments during the navigation season, excludes winter work assignments

The cruise industry, which historically represented approximately 5% of the GLPA’s assignments, continued to be non-existent in 2021 due to COVID-19. However, passenger cruises returned to the Great Lakes at the beginning of the 2022 navigation season. In 2022, the GLPA welcomed a new Seaway size cruise vessel - the Viking Octantis and is expecting a sister ship in 2023. As the global economy rebounds, the demand for oil and gas and other cargos is expected to gradually increase. At the end of July 2022, the breakdown of pilotage assignments was as follows: bulk carriers (42%), oil/tankers (27%), general cargo (21%), passenger cruises (6%) and other (4%).

Based on the factors noted above, the GLPA is forecasting 9,616 pilotage assignments for 2022 and is planning a constant 9,616 assignments for 2023 (excluding winter work).



The following table provides the breakdown in pilotage assignments by district:



3. FISCAL 2023 PROJECTED FINANCIAL POSITION OF THE GLPA

Based on the level of traffic set out in section 2, the preliminary budget costs for fiscal 2023 are expected to be \$47.1 million. The following table sets out the specific amounts to be recovered in fiscal 2023, as compared to the previous years.

| 000\$ | Actual 2019 | Actual 2020 | Actual 2021 | Forecast 2022 | Budget 2023 |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|
| Pilot salaries and benefits | 31,697 | 27,955 | 25,931 | 32,923 | 33,667 |
| Transportation and travel | 3,771 | 3,687 | 3,666 | 4,065 | 4,227 |
| Pilot boat services | 1,676 | 2,282 | 2,013 | 2,396 | 2,492 |
| Other Pilot Services and Expenses | 794 | 830 | 958 | 1,104 | 1,148 |
| Operation salaries and benefits | 1,472 | 1,668 | 1,820 | 1,687 | 1,888 |
| Administration salaries and benefits | 1,110 | 1,056 | 1,323 | 1,776 | 1,858 |
| Professional fees | 413 | 551 | 509 | 613 | 637 |
| Amortization and depreciation | 343 | 361 | 281 | 413 | 502 |
| Other Expenses | 451 | 667 | 420 | 384 | 398 |
| Transport Canada administration fees | 1 | 158 | 202 | 322 | 321 |
| | 41,728 | 39,214 | 37,123 | 45,684 | 47,139 |

2023 revenues are expected to be \$47.9 million for an estimated operating surplus of approximately \$0.8 million.



Cost Analysis

Overall, operating expenses in fiscal 2023 are expected to increase by \$1.5 million over 2022 projected results. Drivers of the material increases in costs are as follows:

1. Pilot salaries and benefits are expected to increase by \$0.7 million in fiscal 2023 driven by:
 - a. an additional 3.5 full-time equivalent (FTE) licensed pilots and 11.0 FTE apprentice-pilots;
 - b. pilot overtime and productivity savings due to an increase in licensed pilots.
2. Operations salaries and benefits are expected to increase by \$201,000 due to additional positions;
3. Other expenses are expected to increase due to the CPI increase;
4. Amortization and depreciation expenses are expected to increase due to new capital investments.

Capital Projects

The GLPA is expecting to spend \$1.8 million in 2023 and 2024.

Leasehold improvements

The current office lease expires January 31, 2024. We estimate that \$400,000 will be required for the cost of real estate analysis, broker fees and possible leasehold improvements.

Communication & Computer Equipment

The Portable Pilotage Unit is a valuable tool that helps pilots make navigation decisions. The GLPA considers these units to be essential for achieving an economically sound, safe, and reliable pilotage service. The Portable Pilotage Units were replaced for the beginning of the 2022 navigation season.

The GLPA worked with a third-party Information Technology (IT) consultancy to introduce updated cybersecurity measures such as monitoring to detect potential threats, phishing prevention, security awareness training, phishing attack simulations and dark web reporting. Cybersecurity improvements will continue over the next years. Therefore, the GLPA will need to renew and upgrade computer equipment and estimates that \$400,000 will be required.

Software

The GLPA needs to update and/or replace its billing, dispatching and financial systems. In 2023, the GLPA will prepare a preliminary analysis of its needs. At this point, it is too early to determine with certainty the cost of updating these systems. However, we estimate that a minimum of \$1 million will be required.



Operational Analysis

Our main operational focus is to provide safe pilotage services. We are pleased to report that we reached our 2021 goal of providing pilotage services at a rate of 99.9% of assignments incident-free.

Our day-to-day operational goal is on how to balance the demand for safe and efficient pilotage services with the supply of available resources. The GLPA reached 8,292 pilotage assignments in 2021, an 11% decrease from 2020. Assignments per pilot (the metric for workload), changed by 16%, resulting in 130 assignments per pilot in 2021 compared to 155 in 2020.

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

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

4. CASH AND FINANCIAL SELF-SUFFICIENCY

Since 2003, the GLPA has been working at eliminating its accumulated deficit and started fiscal 2021 with a \$2.8 million accumulated deficit. As part of its revamped 2020 strategy to achieve financial self-sufficiency, the GLPA embraced a more targeted cost-recovery approach instead of the historical universal pilotage charge amendments. In response, the Shipping Federation of Canada, which represents most of the ocean shipping industry, filed a Notice of Objection to the GLPA's 2020 and 2021 pilotage charge amendments with the Canadian Transportation Agency.

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

Going forward, the GLPA's financial objective is to generate a sufficient annual surplus to maintain a reasonable reserve on an ongoing basis. To achieve this goal, the GLPA develops annual pilotage charge strategies to cover its operational expenditures while containing pilotage costs. The GLPA is committed to maintaining a reasonable reserve to ensure it can sustain its operations during unpredictable situations and significant reductions in traffic. To ensure effective management of the reserve, the GLPA will update existing, and introduce new fiscal management infrastructure to ensure funds are managed and earmarked appropriately.



The actual and projected Statement of Financial Position is outlined below.

| (000'S) | 2021 | 2022 | 2023 |
|--|---------------|---------------|---------------|
| | Actual | Forecast | Budget |
| ASSETS | | | |
| Cash and cash equivalents | 17,380 | 20,445 | 16,352 |
| Investment | 0 | 0 | 5,000 |
| Trade and other receivable | 5,912 | 6,977 | 7,152 |
| Prepays | 60 | 60 | 60 |
| Current | 23,352 | 27,482 | 28,564 |
| Property and equipment | 430 | 934 | 1,044 |
| Intangible assets | 74 | 0 | 121 |
| Right-of-use asset | 130 | 67 | 4 |
| Non Current | 634 | 1,001 | 1,169 |
| Total | 23,986 | 28,483 | 29,733 |
| LIABILITIES | | | |
| Accrued salaries and benefits | 14,617 | 18,194 | 18,707 |
| Other accounts payable and accrued charges | 2,027 | 2,141 | 2,227 |
| Employee benefits | 501 | 323 | 323 |
| Lease liability | 75 | 61 | 0 |
| Current | 17,220 | 20,719 | 21,257 |
| Employee benefits | 1,680 | 1,632 | 1,516 |
| Lease liability | 61 | 0 | 0 |
| Non Current | 1,741 | 1,632 | 1,516 |
| Total | 18,961 | 22,351 | 22,773 |
| EQUITY | | | |
| Accumulated Surplus | 5,025 | 6,132 | 6,960 |
| Total Liabilities & Equity | 23,986 | 28,483 | 29,733 |



5. PROPOSED REVISION TO PILOTAGE CHARGE RATES

The 2023 proposed pilotage charges are based on the 2022 charges.

The financial goals associated with the proposed pilotage charge adjustments are as follows:

- Levy pilotage charges that are fair and reasonable to be financially self-sufficient; and
- Continue to recruit and train a sufficient number of apprentice-pilots given the current shortage of pilots.

The GLPA's 2023 pilotage charge adjustments consider the following:

- Assignment volumes as outlined in section 2 of this Document;
- Expenditures based on assignment volumes and contractual requirements as outlined in section 3 of this Document;
- Other sources of revenue;
- Cash inflows and financial self-sufficiency as outlined in section 4 of this Document; and
- Rates required to complete all of the above steps.

Fiscal 2023 Base Rate Calculations and Pilotage Charge Determination

To determine the pilotage charge adjustments required in fiscal 2023, the forecasted revenues and amounts to recover (expenses, capital expenditures and reserves) are compared. The GLPA's activity and related budgeting procedures are revised each year and rely heavily on information provided by stakeholders through consultation.

For regular rates effective March 22, 2023, the GLPA proposes revisions to increase revenue by \$1.2 million, based on reasonable and prudent projections of forecasted piloted marine traffic for its 2023 fiscal year.



The rate adjustments by district are summarized below:

Pilotage Charges:

a. Basic Charges for Pilotage Services, including locks, mileage, periods, movage, minimums

| | | Billed | | 2023 VS |
|--|---|---------|---------|----------|
| | | 2022 | 2023 | 2022 |
| | | Tariff | Tariff | Increase |
| | | A | B | A/B |
| BASIC CHARGE FOR PILOTAGE SERVICES, including Locks, Mileage, Periods, Movage, Minimums | | | | |
| CORNWALL DISTRICT | Trip between the eastern limit of the Cornwall District and Cornwall or the pilot boarding station near Saint-Régis, Quebec | \$6,715 | \$6,883 | 2.5% |
| | If a ship does not transit the entire district, the following charges apply: | | | |
| | (a) basic charge per statute mile; plus | \$51.32 | \$52.60 | 2.5% |
| | (b) basic charge for each lock transited; with | \$859 | \$880 | 2.5% |
| | (c) minimum basic charge | \$1,728 | \$1,771 | 2.5% |
| | Basic charge for movage | \$2,587 | \$2,652 | 2.5% |
| INTERNATIONAL DISTRICT #1 | Basic charge per statute mile | \$43.95 | \$45.05 | 2.5% |
| | Basic charge for each lock transited | \$586 | \$601 | 2.5% |
| | The minimum basic charges for a trip through the district | \$1,283 | \$1,315 | 2.5% |
| | The maximum basic charges for a trip through the district | \$5,635 | \$5,776 | 2.5% |
| | Basic charge for movage | \$1,936 | \$1,984 | 2.5% |
| LAKE ONTARIO DISTRICT | Basic charges for pilotage services in the district and its undesignated waters and contiguous waters apply to the following trips: * being present on board, for a six-hour period or part of a six-hour period, in the undesignated waters and contiguous waters of Lake Ontario | \$1,518 | \$1,556 | 2.5% |



| | | Billed | | 2023 VS |
|---|--|----------|----------|----------|
| | | 2022 | 2023 | 2022 |
| | | Tariff | Tariff | Increase |
| | | A | B | A/B |
| BASIC CHARGE FOR PILOTAGE SERVICES, including Locks, Mileage, Periods, Movage, Minimums | | | | |
| INTERNATIONAL DISTRICT NO. 2 | If a ship, during its passage through the Welland Canal, docks or undocks for any reason other than instructions given by the St. Lawrence Seaway Management Corporation, the following charges apply: | | | |
| | (a) basic charge per statute mile; plus | \$134.22 | \$137.57 | 2.5% |
| | (b) basic charge for each lock transited; with | \$499 | \$511 | 2.5% |
| | (c) minimum charge | \$1,668 | \$1,710 | 2.5% |
| | Basic charges apply to the following trips: | | | |
| | * through the Welland Canal, if the pilot is changed at Lock 7 | | | |
| | (a) for that portion of the passage between the northern limit of the Canal and Lock 7 | \$3,078 | \$3,155 | 2.5% |
| | (b) for that portion of the passage between Lock 7 and the southern limit of the Canal | \$3,078 | \$3,155 | 2.5% |
| | * between Southeast Shoal and Toledo or any point on Lake Erie west of Southeast Shoal | \$3,291 | \$3,373 | 2.5% |
| | * between points on Lake Erie west of Southeast Shoal | \$1,943 | \$1,992 | 2.5% |
| * between Southeast Shoal and the Port Huron Change Point or any point on the St. Clair River, if the pilot is not changed at the Detroit pilot boat | \$5,724 | \$5,867 | 2.5% | |
| * between Southeast Shoal and Detroit, Windsor or any point on the Detroit River | \$3,291 | \$3,373 | 2.5% | |
| * between Southeast Shoal and the Detroit pilot boat | \$2,382 | \$2,442 | 2.5% | |
| * between Toledo or any point on Lake Erie west of Southeast Shoal and the Port Huron Change Point, if the pilot is not changed at the Detroit pilot boat | \$6,635 | \$6,801 | 2.5% | |
| * between Toledo or any point on Lake Erie west of Southeast Shoal and Detroit, Windsor or any point on the Detroit River | \$4,273 | \$4,380 | 2.5% | |
| * between Toledo or any point on Lake Erie west of Southeast Shoal and the Detroit pilot boat | \$3,291 | \$3,373 | 2.5% | |
| * between Detroit, Windsor or any point on the Detroit River and any point on the Detroit River | \$1,943 | \$1,992 | 2.5% | |
| * between Detroit, Windsor or any point on the Detroit River and the Port Huron Change Point or any point on the St. Clair River | \$4,307 | \$4,415 | 2.5% | |
| * between the Detroit pilot boat and any point on the St. Clair River | \$4,307 | \$4,415 | 2.5% | |
| * between the Detroit pilot boat and the Port Huron Change Point | \$3,343 | \$3,427 | 2.5% | |
| * between points on the St. Clair River | \$1,943 | \$1,992 | 2.5% | |
| * between the Port Huron Change Point and any point on the St. Clair River | \$2,382 | \$2,442 | 2.5% | |
| Basic charges for pilotage services in the district and its undesignated waters and contiguous waters apply to the following trips: | | | | |
| * being present on board, for a six-hour period or part of a six-hour period, in the undesignated waters and contiguous waters of Lake Erie | \$1,266 | \$1,298 | 2.5% | |
| * pilotage services consisting of a lockage and a movage between Buffalo and any point on the Niagara River below the Black Rock Lock | \$2,489 | \$2,551 | 2.5% | |



| | | Billed | | 2023 VS |
|--|---|---------|---------|----------|
| | | 2022 | 2023 | 2022 |
| | | Tariff | Tariff | Increase |
| | | A | B | A/B |
| BASIC CHARGE FOR PILOTAGE SERVICES, including Locks, Mileage, Periods, Movage, Minimums | | | | |
| INTERNATIONAL DISTRICT NO. 3 | Basic charges for pilotage services in the district and its designated waters and contiguous waters apply to the following trips: | | | |
| | (a) other than a movage, between the southern limit of the District and the northern limit of the District or the Algoma Steel Corporation Wharf at Sault Ste. Marie, Ontario | \$4,543 | \$4,657 | 2.5% |
| | (b) other than a movage, between the southern limit of the District and Sault Ste. Marie, Michigan, or any point in Sault Ste. Marie, Ontario, other than the Algoma Steel Corporation Wharf at Sault Ste. Marie, Ontario | \$3,805 | \$3,900 | 2.5% |
| | (c) other than a movage, between the northern limit of the District and Sault Ste. Marie, Ontario, including the Algoma Steel Corporation Wharf at Sault Ste. Marie, Ontario, or Sault Ste. Marie, Michigan | \$1,711 | \$1,754 | 2.5% |
| | (d) basic charge for movage | \$1,711 | \$1,754 | 2.5% |
| | Basic charges for pilotage services in the district and its undesignated waters and contiguous waters apply to the following trips: * being present on board, for a six-hour period or part of a six-hour period, in the undesignated waters and contiguous waters of Lake Huron, Lake Michigan, or Lake Superior. | \$913 | \$936 | 2.5% |

b. detention and delay charges – increase of 2.5%

- Detention and delay hourly rates at \$207
- The maximum basic charge payable for detention and delay for any 24-hour period - \$4,968

c. cancellation charges – increase of 2.5%

- Cancellation hourly rates at \$207
- Basic charge payable each time there is a cancelled order in any of the districts - \$2,360

d. over carriage charges – increase of 2.5%

- Basic charge of \$641

e. pilot transfer charges – increase of \$3 for Cornwall and \$34 for District #2

- Basic charge of \$142 for Cornwall district
- Basic charge of \$165 for District 2

f. pilot boat finance recovery charges – no changes

- Basic charge of \$325 for District 1, 2 and Lake Ontario
- Basic charge of \$100 for District 3



- g. docking, undocking and stoppage charge – increase of 2.5%**
- Basic charge of \$1,267 for all districts
- h. request for pilotage services – short notice charge – increase of 2.5%**
- Basic charge of \$4,034
- i. pilot travel charges – no changes**
- If a pilot must travel to embark on a ship at a location other than one of the designated boarding points at the extremities of a compulsory pilotage area in order to provide pilotage services:
 - during the period beginning on January 1 and ending on March 21 of the same year, a basic charge is payable in an amount equal to the sum of the reasonable travel and other expenses incurred by the pilot in travelling from their residence to the embarking location; or
 - at other times of the year, a basic charge is payable in an amount equal to the sum of the reasonable travel and other expenses incurred by the pilot in travelling from their home base to the embarking location.
- j. Churchill pilotage charges – no changes**
- The basic charges for any pilotage service provided in a year are the following:
 - the salary and benefits of the pilot, as contracted, beginning on the day on which the pilot departs from their home base in order to provide the pilotage services set out in the initial request and ending on the day on which the pilot returns to that home base;
 - the travel expenses of the pilot, starting from and ending at the pilot's home base, including transportation, meals and lodging;
 - the cost of the pilot's use of a pilot boat, helicopter or other means of transportation; and
 - an additional charge of 15% on the total to cover administrative and assignment costs.
- k. assignments of more than one pilot – no changes**
- If more than one pilot is assigned to a ship, the above noted pilotage charges must be multiplied by the number of pilots assigned.
- l. apprentice-pilot training surcharge – no changes**
- Surcharge of 5%
- m. Pilotage Act administration surcharge – increase of \$2**
- Basic charge of \$32



6. JUSTIFICATION OF THE PROPOSAL IN RELATION TO THE CHARGING PRINCIPLES

The principles governing the establishment of new charges or the revision of existing charges by the GLPA are set out in section 33.2 of the *Pilotage Act*. Each of the principles is presented below in italics, followed by an explanation of how the Notice complies with that principle.

33.2 (1) a. Pilotage charges shall be established and revised in accordance with an explicit methodology – that includes and conditions effecting the pilotage charges – that the GLPA has established and published;

The methodology, which is reflected in this Document and the Notice has been placed on the GLPA's website as required under s. 33.2 of the *Pilotage Act*. Based on this information, any person subject to the GLPA's charges can calculate the amount that would be payable for a specific pilotage assignment.

33.2 (1) b. that pilotage charges be structured in a way that does not encourage the user to engage in practices that diminish safety for the purpose of avoiding a charge;

The GLPA's charges are not structured in such a manner that safety may be impacted. Since pilotage services are compulsory for all ships of more than 1,500 gross tonnage and for ships that are not registered in Canada that are over 35 meters in length when within the GLPA's compulsory pilotage area, users have no option but to use the services of a pilot, unless the ship is under the conduct of a valid certificate holder. The pilotage charges are structured primarily based on the unalterable dimensions of the ship, which do not change from one voyage to the next. The basic pilotage charges have been developed taking into account the uniqueness and complexity of each district. In addition, the structure of the GLPA's charges is such that they cannot be avoided or diminished through adjusting operations in a manner that reduces safety.

33.2 (1) c. that pilotage charges be the same for Canadian users or ships and foreign users or ships;

There is no differentiation in the proposed revised charges for an assignment whether the vessel is domestic or foreign.

33.2 (1) d. that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable;

The proposed charges are based on an allocation of operating and capital costs, that allow the GLPA to fulfill its mandate and achieve its mission and achieve financial self-sufficiency. The charges established allow the GLPA to fulfill its mandate while being fair and reasonable.

33.2 (1) e. that pilotage charges not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services;

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



7. COST OF SERVICES

The GLPA records costs for each district in which pilotage services are provided and does so in accordance with International Financial Reporting Standards (IFRS). There are currently six (6) service delivery centres that represent the five (5) districts and the Port of Churchill. The majority of costs are directly attributable to pilotage services directly associated to the delivery centres. Pilots are licensed for specific districts, pilot boat services and facilities are localized, and other costs are generated by specific pilotage assignments. Shared costs include general operating and administrative overhead, dispatch centre costs, and training costs. The shared costs are assigned to the delivery centres by activity-based costing.

a) Cost Allocation Methodology

When determining the charges and measuring subsequent results, the direct costs for resources available to the district are applied to that individual service delivery centre. These costs include:

- Pilot salaries and benefits;
- Pilot boat costs services;
- Other services provided by third parties (i.e. land transportation, pilot transfer);
- Dedicated communications and other equipment related costs; and
- Other expenditures or activities specific to the district.

b) Cost Allocation Process

Budgets directly attributed to the service delivery centres are developed based on the following:

- forecasted pilotage assignments by district and by class of ships. The GLPA uses several sources of information to predict traffic levels. The traffic patterns of previous years are combined with changes within individual business sectors, announced or expected expansions or contractions, and general economic conditions;
- planned licensed pilot and apprentice-pilot headcount changes;
- planned activities aligned with the GLPA's upcoming objectives, initiatives and strategies; and
- contractual changes and commitments or assumed inflation increases, factoring in the cost drivers (i.e. based on the forecast of pilotage activity).

Budgets for general operating and administrative costs are developed based on the following:

- planned dispatching and administrative headcount changes;
- planned activities aligned with the GLPA's upcoming objectives, initiatives and strategies;
- using the previous year's actual costs, adjusted for contractual changes and commitments or assumed inflation increases; and
- depreciation and financing costs associated with the proposed capital budget.

The general operating and administrative costs are then charged to service delivery centres based on resources and activity levels for each centre.



8. DEFINITIONS AND INTERPRETATIONS

Pilotage charges are applied to a pilotage assignment based on the type of movement, status of pilotage requirements for the area, and the interpretation and definitions below:

Definitions

Authority means the Great Lakes Pilotage Authority;

Breadth has the same meaning as in Division 3 of the *General Pilotage Regulations*;

Cancelled order is when a request for pilotage services is cancelled by the owner, master or agent of the ship after the request was accepted;

Cancelled sail is when, after a pilot reports for duty at a designated boarding point, the ship is overdue to sail by at least three (3) hours;

Cornwall District has the same meaning as in Division 3 of the *General Pilotage Regulations*;

Depth has the same meaning as in the *General Pilotage Regulations*;

Designated waters means the waters in International Districts Nos. 1, 2 and 3;

International District No. 1 has the meaning assigned in Division 3 of the *General Pilotage Regulations*;

International District No. 2 has the meaning assigned in Division 3 of the *General Pilotage Regulations*;

International District No. 3 has the meaning assigned in Division 3 of the *General Pilotage Regulations*;

Length has the same meaning as in the *General Pilotage Regulations*;

Movage has the same meaning as in the *General Pilotage Regulations*;

Port of Churchill is the reference to “all the navigable waters, including any foreshore, commencing at the northern extremity of Eskimo Point and running on a course due north to a point distant five nautical miles from the northernmost extremity of Eskimo Point; thence, on the circumference of a circle with the said northernmost extremity as a centre, easterly and southerly to the shore of Hudson Bay at the high-water mark; thence, following the said high-water mark westerly to Cape Merry; thence, following the high-water mark on the eastern shore of the Churchill River upstream as far as the tide ebbs and flows; thence, across the Churchill River to its western shore; thence, northerly and following the high-water mark downstream to the point at Old Fort Prince of Wales and across to Eskimo Point and to the place of beginning”;

Undesignated waters means the Canadian waters of Lake Ontario, Lake Erie, Lake Huron and Lake Superior that are not designated waters.



Weighting Factor of Pilotage Charges

The following pilotage charges are based on a flat rate with no weighting factor:

- pilot transfer charges;
- pilot boat finance recovery;
- docking, undocking, and stoppage;
- short notice;
- pilot travel expenses and
- Port of Churchill charges.

The following pilotage charges are subject to a weighting factor based on the pilotage unit, as calculated below:

- basic charges, including locks, mileage, periods, movage, minimums and maximums;
- delays and detentions;
- cancellations; and
- overcarriage.

The weighting factor of a ship for the various locations is set out in column 1 and whose pilotage unit is set out in column 2 of the following table is set out in column 3:

| Item | Column 1 Locations | Column 2 Pilotage Unit | Column 3 Weighting Factor |
|------|---|-------------------------------------|------------------------------|
| 1 | Anywhere other than the Port of Churchill | Not more than 49 | 1.00 |
| 2 | Anywhere other than the Port of Churchill | More than 49 but not more than 159 | 1.15 |
| 3 | Anywhere other than the Port of Churchill | More than 159 but not more than 189 | 1.30 |
| 4 | Anywhere other than the Port of Churchill | More than 189 but not more than 219 | 1.45 |

Pilotage Units

The pilotage unit of a ship is based on the following calculation:

$$\underline{\text{Length of the ship} * \text{Breadth of the ship} * \text{Depth of the ship}}$$

$$283.17$$



9. CONSULTATION

The GLPA will ensure that the main pilotage users are fully consulted before any material service realignments are undertaken.

Consultations in various forms took place with the affected parties throughout 2022. Formal consultation sessions were held either in-person or via video conference for the following stakeholders:

- Shipping Federation of Canada; and
- Chamber of Marine Commerce.

Shipping Federation of Canada

The GLPA's principal stakeholder is the Shipping Federation of Canada as it represents the owners and operators of foreign-flagged ships that are required, by law, to enlist pilotage services from the GLPA while transiting the Great Lakes system. The Shipping Federation of Canada represents approximately 80-85% of the GLPA's customers. A consultation session was held with the Shipping Federation of Canada on December 14, 2022.

Chamber of Marine Commerce

The other principal stakeholder of the GLPA is the Chamber of Marine Commerce which represents the owners and operators of Canadian-flagged ships. While the majority of Canadian-flagged ships do not enlist pilotage services from the GLPA (as they elect to enlist services from pilotage certificate holders instead), approximately 10 of the Chamber's 70 domestic ships are Canadian tankers that request the use of a pilot. The Chamber represents approximately 15-20% of the GLPA's customers. A consultation session was held with the Chamber of Marine Commerce on December 21, 2022.

Presentations

As part of the consultation meetings, the GLPA presented its forecasted financial results for 2022, an update on pilot recruitment initiatives to address the current shortage of pilots to better meet current pilotage demands, its 2023 pilotage charge objectives as well as its proposed 2023 pilotage charge strategies. Stakeholders have consistently indicated that their primary concerns are with the high levels of vessel delays as well as the high costs of pilotage charges.



10. INFORMATION REGARDING NOTICE AND ON MAKING REPRESENTATIONS TO THE GLPA

This Details and Principles Document is available on-line and a copy may be downloaded from the GLPA's website at <https://www.glpa-apgl.com/>.

Information on the existing charges is also provided on the GLPA's website. Additional copies of this Notice may be obtained by contacting the GLPA:

In writing: Antony Sebastiampillai, CPA
 Chief Financial Officer
 Great Lakes Pilotage Authority
 202 Pitt Street, 2nd Floor
 P.O. Box 95
 Cornwall, ON K6H 5R9

By email: apillai@glpa-apgl.com
By facsimile: (613) 932-3793
By telephone (613) 933-2991 extension 207