2022 Annual Report

Canada

Great Lakes Pilotage Authority

Mission

Proactively deliver quality marine pilotage services by collaborating with our stakeholders, leveraging technology, and recruiting proficient pilots and staff.

Vision

To be a leader in marine pilotage services that ensures the safe, efficient, sustainable, and reliable movement of goods through the Great Lakes region.

Values

The following values were defined as part of the recent Strategic Planning process:

Service Excellence: We are committed to being an agile organization that delivers safe, high-quality services to our stakeholders.

Solutions-Focused: We are collaborative and transparent in addressing opportunities and challenges to create value for our stakeholders.

Care for Our People: We are an organization that is diverse, inclusive and creates opportunities for the professional growth of our people.

Care for the Environment: We are an organization that values and strives to be environmentally responsible

Celebrating the passage of time and ships

The Great Lakes Pilotage Authority, a federal Crown Corporation established in 1972 following the introduction of the *Pilotage Act*, works diligently in the public interest to deliver comprehensive, best-in-class pilotage services. We are responsible for administering and providing marine pilotage and related services in the Great Lakes region, an area covering some 250,000 km^2 of navigable waters. Our mandate includes pilotage operations, training, and the application of pilotage regulations in our operating area.

The GLPA provides safe, efficient, and reliable pilotage services in the Great Lakes and in the St. Lawrence Seaway. The free flow of trade on this vital maritime route depends on it.

In 2022, the GLPA faced increased traffic volume, variable environmental conditions, continued constraints due to COVID-19, and the ongoing challenge to recruit pilots. Thanks to the dedication of the entire team and strong collaboration with key stakeholders, the organization continued to deliver safe, efficient and 99.9% incident-free pilotage services. The GLPA's financial position also improved, allowing it to meet its legislated mandate of financial self-sufficiency, plan infrastructure improvements and build a financial reserve for unexpected future challenges.

This transition to a more solid foundation comes at an opportune time as the GLPA celebrates 50 years since incorporation. This milestone is also an opportunity to reflect on the passage of time and literally thousands of ships under pilots' guidance and to express gratitude for the efforts of employees, customers, partners, and the communities served. And, perhaps even more importantly, to look forward to the next decades of opportunity.

Highlights

9,315
Assignments

Navigation Season
14% increase over 2021
73 winter work assignments

66.5
Full-Time Equivalent Pilots

Up 4% from 2021
(64 FTE Pilots in 2021)

$46.0
Million in Total Revenues

286
Navigation Days

1-day increase over 2021

99.9%
incident-free assignments

0 major incidents
14 minor incidents

2022 at a Glance

Key Financial Indicators (in millions of Canadian dollars)	**2022**	2021	2020	2019	2018
Total revenues	**46.0**	45.0	38.2	40.5	35.4
Direct operating expenses	**38.7**	32.6	34.8	37.8	31.6
Contribution margin	**7.3**	12.4	3.4	2.7	3.8
Other operating expenses	**2.3**	2.1	2.1	1.9	1.8
Administrative expenses	**2.9**	2.4	2.1	2.0	1.7
Other comprehensive gain (loss)	**0.1**	0.0	(0.2)	(0.1)	0.0
Net Surplus (deficit)	**2.2**	**7.9**	**(1.0)**	**(1.3)**	**0.3**

Key Operating Statistics					
Assignments – Navigation Season	**9,315**	8,179	9,061	9,928	8,798
Assignments – Winter work	**73**	113	229	165	–
Total Assignments	**9,388**	8,292	9,290	10,093	8,798
% of incident-free total assignments	**99.9%**	99.9%	99.8%	99.9%	99.9%

Cost per assignment Including winter work	**$4,662**	$4,477	$4,224	$4,135	$3,972
Number of vessel delay hours due to a shortage of pilots	**3,802**	3,924	5,673	8,166	6,850
Full-time equivalent employees during the year					
Pilots	**66.5**	64.0	60.1	59.1	54.7
Apprentice-pilots	**3.6**	7.4	7.2	8.2	8.2
Dispatchers	**9.5**	9.5	9.5	9.0	9.0
Administrative staff	**14.5**	14.5	12.5	11.5	10.5
Total	**94.1**	**95.4**	**89.3**	**87.8**	**82.4**

Message

from the Chairperson and the Chief Executive Officer

On behalf of the Board of Directors and management of the Great Lakes Pilotage Authority (GLPA), we are pleased to submit, pursuant to Section 150 of the *Financial Administration Act*, our Annual Report for the year ended December 31, 2022.

The positive decision by the Canadian Transportation Agency in the matter of the Shipping Federation of Canada's Notices of Objection of the GLPA's pilotage charges in 2021 resulted in the GLPA being able to fulfill its statutory mandate of financial self-sufficiency.

Notwithstanding operational challenges related to pilot succession, changing traffic patterns and an increase in assignment volume, this decision set the stage for a shift in focus to longer-term strategic planning. Importantly – especially as we celebrate 50 years since our inception – this, along with increased revenues and a positive financial reserve, provides resources to invest in much-needed upgrades to critical operating infrastructure and provide for contingencies.

Financial Self-Sufficiency

The GLPA's government mandate requires it to balance two objectives: demonstrate financial self-sufficiency and, at the same time, facilitate the movement of traffic to minimize vessel delays in the Great Lakes region. Given the shortage of necessary pilots to meet the demand for our services was causing financial impacts to the GLPA and was unsustainable, in 2020, we implemented a new cost recovery approach, a decision that led to an objection being filed by the Shipping Federation of Canada.

The Canadian Transportation Agency's 2021 decision favourable to the GLPA allowed us to recognize these revenues and move forward into 2022 on a more solid basis. Importantly, this decision – and the revenues from ongoing operations – allowed us to recover from an accumulated deficit of $2.8 million in 2020 to build a reasonable reserve. This reserve will be used to invest in the organization's assets, mitigate the impact of potential uncertainties in the Canadian and global economy, mitigate the risk of volatility in maritime traffic and finance the impact of labour shortages.

COVID-19

The GLPA is an essential service provider in the movement of goods for the Canadian population and continued to ensure uninterrupted operations as we moved through the third year of the pandemic. Again in 2022, we worked in close collaboration with federal and provincial government departments and agencies, as well as industry stakeholders to ensure business continuity and the safety of our employees and crew members.

During the year, our preventive protocols and social distancing measures remained in place; these included working from home to ensure a safe workplace for dispatchers and office staff who support operational needs without disruption. To protect our employees, their families, and the Canadian marine industry, we successfully promoted the vaccine and, as of mid-November 2021, 99% of office staff and 100% of pilots were fully vaccinated. In June 2022, following guidance from the federal government, we suspended our mandatory vaccination policy.

Operations

Our main operational focus is always to provide safe pilotage services. In 2022, we are pleased to report that we provided pilotage services at a rate of 99.9% of assignments incident-free.

In day-to-day operations, our goal is to balance the demand for safe and efficient pilotage services with the supply of available resources. The GLPA reached 9,315 pilotage assignments in 2022 (excluding winter work), a 14% increase from 2021. Assignments per pilot (the metric for workload) changed by 9.6%, resulting in 140 assignments per pilot compared to 128 in 2021.

The number of vessel-delay hours due to a shortage of pilots during the navigation season decreased by 3% compared to 2021, reaching 3,802 hours in 2022. While still a high number, the GLPA is pleased that it was able to achieve this reduction given assignments were up, despite its limited pilot complement. To ensure we have the proper complement of pilots to service the demand and 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 minimized.

While the GLPA has historically benefitted from a stable pilot workforce with minimal turnovers, like other maritime industry stakeholders, we have more recently faced workforce shortages due to an aging workforce and a growing industry. The high level of pilot retirements experienced since 2015 – an ongoing trend – has resulted in pilot succession planning and pilot recruitment to be a high priority for the GLPA. This issue affects us operationally, working to balance forecasted demand for pilotage services in the Great Lakes region with the number of pilots available. Financially, be able to forecast revenue to effectively control costs.

In 2022, the GLPA provided pilotage services using 66.5 full-time equivalent (FTE) pilots (65 full-time pilots and 3 part-time pilots counted as 0.5 FTE) and had 5 apprentice-pilots in training at the end of 2022. However, to meet the expected demand for pilotage services in the near to medium future while minimizing delays and controlling costs, the GLPA plans to increase its pilot workforce by roughly 15-20% by 2027.

Succession of Key Management Positions

The GLPA is experiencing change at the senior leadership level of the organization, including the onboarding of a new Chief Financial Officer (CFO) in late 2022, the recruitment of a new Chief Executive Officer (CEO) given the current incumbent's upcoming departure, and the expected retirement of the Director of Operations in the coming years. The GLPA will continue its effort to strategically recruit and onboard these key roles to ensure business continuity and minimal operational disruption.

Appointments

We are pleased to announce that, on June 20, 2022, the Governor General in Council, on the recommendation of the Minister of Transport, appointed two new Board members, John St. Marseille and Oksana Exell for three-year terms expiring June 19, 2025, as well as reappointed Julie Mills, Vered Kaminker and Josée-Christine Boilard for four-year terms expiring June 19, 2026.

Looking Forward

Reflecting on the safe and efficient pilotage services that we have provided over the past fifty years – and that have helped fuel Canada's economy – we are looking forward to the future with confidence and unwavering determination.

Captain James Pound
Chairperson of the Board

Michèle Bergevin
Chief Executive Officer

About the GLPA

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

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

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

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

Mandate

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

Maritime shipping in the Great Lakes-Seaway system is vital to Canada's prosperity and is an essential link to international markets. North American farmers, steel producers, construction firms, food manufacturers, power generators and Canadian households depend on the raw materials and finished goods that are delivered by ships every year to and from the Great Lakes region. In addition, the passenger cruise industry in the Great Lakes is incresingly contributing to the local economy generating jobs and tourism opportunities for the surrounding communities.

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

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

Public Policy Role

The GLPA plays an important role in public policy. The delivery of pilotage services in compulsory pilotage areas supports both the economic and environmental goals of the federal government. Safe and reliable pilotage services ensure the movement of goods and people as well as generating economic benefits to Canada. Our services also contribute to fulfilling environmental goals through the safe transportation of commodities and hazardous materials.

Strategic Plan

In June 2022, the Board of Directors and the senior management team initiated a process to develop an updated and refreshed Strategic Plan for the 2023 to 2027 planning period. The purpose of this effort was to update and enhance the GLPA's Strategic Plan so that the organization can continue to optimize the establishment, operation, and administration of safe and efficient pilotage services across the Great Lakes region. Through a multi-phase process, the Board and senior management team worked together to develop the refreshed vision, mission and value statements. These will guide our decision-making process daily.


BILGE PUMP


OIL PRESSURE
TURBO BOOST

What we do

Safe Pilotage

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

Pilotage Charges

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

Pilotage Training and Certification

The GLPA administers and monitors a marine pilotage certification and training program designed to ensure Canadian masters and officers comply with the requirements set out in the *General Pilotage Regulations* to ensure safe passage of Canadian vessels in compulsory pilotage areas. As part of the recent changes to the *Pilotage Act*, Transport Canada is responsible, as of June 2021, for the issuance, suspension and cancellation of pilot licences and pilotage certificates. The GLPA continued to work in 2022 with Transport Canada and all its stakeholders to ensure a smooth transition of this responsibility.

Pilotage Areas

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

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

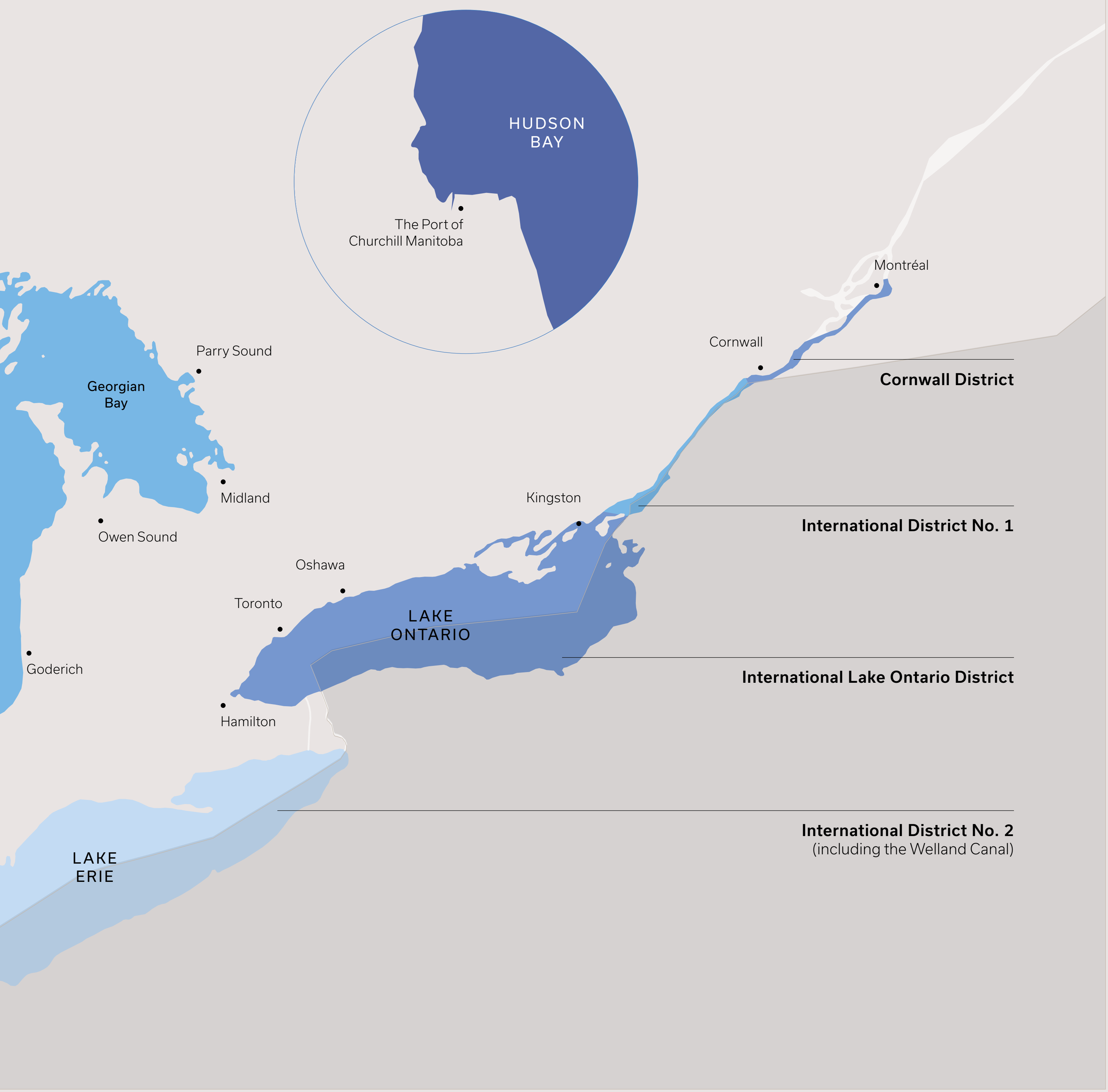
Pilotage services on the Great Lakes are shared between the United States and Canada therefore the GLPA collaborates and coordinates with other organizations to ensure that reliable, effective, and efficient pilotage services are provided to its customers.

These organizations include:

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


Nipigon
Thunder Bay
Marathon
Wawa
LAKE SUPERIOR
Sault Ste. Marie
International District No. 3
(including waters and ports of Lakes Huron, Michigan and Superior)
LAKE HURON
LAKE MICHIGAN
Sarnia
Windsor

Operational Area




NMF

Celebrating The Passage of Time and Ships for 50 years

Looking Back

1968

IMO Resolution – The importance of employing qualified pilots in approaches to ports and other areas where specialized local knowledge is required was formally recognized by the International Maritime Organization (IMO) in 1968, when the IMO Assembly adopted the resolution "Recommendation on Pilotage". The resolution recommended Governments organize pilotage services where they would be likely to prove more effective than other measures and to define the ships and classes of ship for which employment of a pilot would be mandatory.

1968

Royal Commission – The Report of the Royal Commission on Pilotage (the Bernier Report) reviewed the state of the law on pilotage (Part VI of the *Canada Shipping Act*) and related legislation, reported on its adequacy and recommended changes that should be made in the law to meet current and foreseeable future requirements of the pilotage service.

1972

***Pilotage Act* –** The *Pilotage Act* was enacted following the Bernier report. The *Pilotage Act* provided the legislative framework for creating Canada's four Pilotage Authorities (the Atlantic Pilotage Authority; the Laurentian Pilotage Authority; the **Great Lakes Pilotage Authority**; and the Pacific Pilotage Authority) with a mandate to establish and operate a safe and efficient pilotage service in their jurisdictions.

1972

GLPA – As a result of the new legislative framework, the Great Lakes Pilotage Authority was incorporated in May 1972 as a limited company and became responsible for pilotage through Canadian waters in Manitoba and Ontario, as well as waters in Quebec south of the Saint-Lambert Lock. In international waters (predominantly the Great Lakes and the Saint Lawrence Seaway), pilotage is a shared responsibility between the Great Lakes Pilotage Authority and American pilot associations.

1998

Crown Corporation – As a result of the *Canada Marine Act* of 1998 and for the purpose of the *Financial Administration Act*, the GLPA became a Crown corporation specified in Schedule III, Part I of that Act, and was no longer a limited company. Furthermore, the Pilotage Authorities can no longer receive federal appropriations and must meet their mandate of financial self-sufficiency by recovering all their costs through charges imposed on their customers.

1999

Canadian Transportation Agency – The Canadian Transportation Agency, mandated by the 1998 amendments of the *Pilotage Act*, made 21 recommendations related to pilotage. These recommendations addressed a wide array of subjects including risk assessments, waivers, certification, training, licensing, consultations, and reporting.

2016

***Canada Transportation Act* –** The 2016 *Canada Transportation Act* Review made three recommendations about pilotage:

- Amalgamate the Pilotage Authorities;
- Review governance for marine navigation; and
- Review compulsory pilotage areas.

2016

Ocean Protection Plan – In November 2016, the Government of Canada announced the Oceans Protection Plan to improve marine safety and responsible shipping, protect the environment, strengthen partnerships with Indigenous communities, and make investments in science for evidence-based decision-making. As part of this national strategy, the Government promised to review the *Pilotage Act* to support the delivery of safe, efficient, and environmentally responsible pilotage services in the future.

2018

***Pilotage Act* Review –** A 2018 review of the *Pilotage Act* proposed 38 recommendations to address deficiencies related to five key components of the legislation: its purpose and principles, governance model, labour structure, safety framework, and tariff-setting process.

2019

Pilotage Act Reform – Amendments to the *Pilotage Act* came into effect in 2019 and included provisions for labour and governance, oversight and enforcement, pilotage charges, and regulation and operation.

2020

Cost Recovery – In 2020, the GLPA moved to a cost recovery business model pursuant to changes in the *Pilotage Act* and its statutory mandate of financial self-sufficiency.

Tariff setting – In June 2020, the Pilotage Authorities can now set their charges without going through the Federal regulatory process.

2021

Pilotage licenses and pilotage certificates – In June 2021, authority to issue and suspend pilotage licenses and pilotage certificates is transferred from the Pilotage Authorities to the Minister of Transport.

Looking Ahead

Maritime Economy

According to the United Nations, 90% of world trade travels by sea. The OECD expects global marine shipping will continue to grow by 4% annually from 2020-2029 and, in the 2030 to 2040 period, by 3.3% annually.

Marine shipping helps Canada meet its economic goals and provides vital services to remote and Northern communities with essential goods. Canada's coastline is the longest in the world, and its waterways are among one of its most important resources. With over 500 port facilities, 800 fishing harbours and 120 recreational harbours, Canada's water transportation moved over $150 billion of trade in 2022 and marine shipping and support activities employ some 20,000 people in Canada.

Marine pilotage makes an essential contribution to the economic engine that is marine shipping. By boarding a vessel to navigate it through ports, straits, lakes, rivers and other waterways, marine pilots use their seafaring experience and superior local knowledge of the waterways they serve to safely navigate vessels to and from their destinations. Canadian pilots carry out over 50,000 assignments annually, often navigating ships with either precious or potentially hazardous cargo. And they provide service 24 hours a day, 7 days a week, all year long, in all types of weather.

Strategic Goals

To continue to play a key role in maritime shipping in Canada over the long-term, the GLPA has established four strategic goals:

- **Be an Employer and Partner of Choice:** Create a people and customer centric organization that is an employer and partner of choice within the marine sector.
- **Deliver Safe, Reliable, and Innovative Service:** Be proactive and agile in delivering safe, reliable, and cost-effective marine pilotage services.
- **Create Value for Stakeholders:** Create organizational and stakeholder value through effective, efficient, and responsive processes, structured services and programs.
- **Deepen Industry Relations and Engagement:** Deepen and sustain strong reciprocal relationships with stakeholders to continuously strengthen service excellence and the GLPA's reputation.

Operational Imperatives

The shipping industry in Canada depends on the GLPA to be proactive and agile in delivering safe, reliable, and effective marine pilotage services in a way that considers leading practices and sector innovations. To meet these expectations, the GLPA will continue to improve customer service and work with industry stakeholders to develop approaches to minimize avoidable delays to pilotage services. This includes continuing to maintain a strong record of safety when it comes to marine incidents by ensuring a 99.9% incident-free rate. This also involves working with United States counterparts to harmonize processes and practices to deliver a more seamless service to stakeholders. Other specific actions the GLPA will undertake include:

- Recruit and train an appropriate number of apprentice-pilots;
- Revise and update the Pilot Quality Assurance Program to ensure the highest safety standards are provided;
- Ensure the Apprentice-pilot Training Program reflects current pilotage trends enabling the GLPA to provide the most comprehensive and up-to-date training for future pilots;
- Explore stress management support for its pilots;
- Achieve minimal delays and improve inefficiencies;
- Ensure enough Canadian ship transits are audited to demonstrate that Canadian ships are transiting under the conduct of a valid certificate holder; and
- Develop pilotage charge strategies that will generate sufficient revenues to record annual surpluses to maintain a reasonable financial reserve.

Innovation, Technology and Sustainability

The GLPA acknowledges that technology will continue to evolve in the coming decades driven by various factors such as innovation and recent advances in the shipping industry. As a forward thinking organization we are proactively seeking ways to adapt and evolve with these changes, always ensuring that our operations remain safe, efficient and effective.

We know, for example, that ships are getting larger and more numerous. We know that the waterways themselves are in constant evolution, affecting their path and depth. We also know that the push for fuel efficiency (and alternatives) will only increase in intensity. And safety will always be the most important priority. All these factors will influence innovation.

GLPA pilots are using **Portable Pilotage Units**, a leading-edge pilotage aid to help them in conditions of limited visibility and tight water spaces and by providing access to up-to-date charts.

As part of our commitment to sustainability and carbon neutrality, we are beginning to review our current practices and explore ways to reduce our carbon footprint. We understand the importance of protecting the environment for future generations and we are taking a proactive approach to identify and implement sustainable solutions.

Review of operations

This year marked the 50th anniversary of the *Pilotage Act* and the incorporation of the Great Lakes Pilotage Authority. A timely coincidence, the year also brought a return to financial self-sufficiency and the building of a financial reserve. This statutory mandate also allows the GLPA to provide safe and efficient pilotage services to the shipping industry in our operational areas today and in the future.

While many challenges remain – most particularly pilot succession and traffic management – the GLPA is well-equipped to meet them. And to exploit the many opportunities presented in this most essential of transportation sectors.

Legend

S

Navigational **S**afety

F

Financial Self-sufficiency

L

Good **L**abour Relations

R

Pilotage **R**eliability

E

Organizational **E**fficiency

Key Performance Indicators

S R F

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

Strategic Performance Indicators	**2022**	Target	Vs Target	2021	Vs 2021
Navigational Safety					
Number of major marine incidents	**0**	–	○	0	○
Number of minor marine incidents	**14**	–	○	10	○
As a % of incident-free assignments	**99.9%**	99.9%	●	99.9%	●
Pilotage Reliability					
Number of vessel delays due to shortage of pilots (hours)	**3,802**	5,000	●	3,924	●
Financial Self-sufficiency					
Surplus (in millions)	**$2.2**	$0.5	●	$7.9	○

Operational Performance Indicators					
Navigational Safety					
Number of audited Canadian vessel transits	**1,467**	1,334	●	1,544	○
Certificate holder monitoring – up-to-date	**Yes**	Yes	●	Yes	●
Pilotage Reliability					
Number of apprentice-pilots recruited	**5**	11	◐	5	◐
Number of pilots newly licensed and retained	**3**	8	◐	8	◐
Financial Self-sufficiency					
Cost per assignment	**$4,662**	$4,513	◐	$4,477	○

● Target Met
◐ Target Not Met
○ Not Applicable

Economy and Traffic

Economic Conditions

The GLPA operates in an industry that is influenced by a variety of volatile and complex factors, including macro-economic conditions that affect supply and demand and the movement of bulk commodities such as grain, oil, steel, and general cargo – our main source of traffic.

Other drivers are related to the structure and management of the shipping industry, and the GLPA's ability to accurately forecast traffic is dependent on availability of open and transparent demand-level information from its main customers. With reliable feedback, the GLPA is better able to manage future traffic, minimize ship delays, and contain costs while responding to changes in traffic flows.

This challenge is due in large part to the fact that container contracts with many Canadian and United States ports are not negotiated well in advance thus limiting the ability of the GLPA to forecast traffic needs into future years. Given that budgeted traffic levels dictate pilot staffing and appropriate pilotage charges which are primarily fixed, access to reliable advance information is critical to the GLPA's ability to remain financially self-sufficient.

The COVID-19 pandemic was (and remains) a disruptor in the economy and supply chain. The cruise ship industry is a case in point. While representing 5% of the GLPA's assignments historically, this business disappeared in 2020 and 2021, and gradually returned in 2022 with the welcoming of a new Seaway size cruise vessel – the Viking Octantis; its sister ship is expected to arrive in 2023.

In 2022, there were 9,388 pilotage assignments, including winter work assignments (9,315 assignments during the navigation season and 73 winter work assignments), a 2% difference compared to the budgeted assignments for the year (9,476, excluding winter work). This represents a 14% increase in pilotage assignments in comparison to 2021 assignments.

For 2023, there remains some broad economic uncertainty in terms of a potential recession and the ripple-effects on traffic levels.

YTD Assignments – Navigation Season

	2022	2021	% Change
Cornwall District	**2,992**	2,775	8%
International District no 1	**1,649**	1,492	11%
Lake Ontario International District	**951**	881	8%
International District no 2	**3,190**	2,694	18%
International District no 3	**521**	331	57%
Churchill	**12**	6	100%
Total	**9,315**	8,179	14%

NOTE – *Churchill assignments are completed by the GLPA's licensed pilots in the International Lake Ontario District.*

Traffic Summary

Pilotage assignments in the Great Lakes are mainly provided to bulk carriers, oil tankers and general cargo ships transporting liquid bulk, grain and steel products. The increase in pilotage assignments in 2022 is primarily driven by the return of the passenger cruise industry, a continued rebound in the oil and gas industry and additional general cargo. At the end of 2022, the breakdown of pilotage assignments by vessel type was as follows: bulk carriers 40% (43% in 2021), oil/tankers 27% (30% in 2021), general cargo 21% (24% in 2021), passenger vessels 8% (0% in 2021) and other 4% (3% in 2021).

Many vessels enter the Great Lakes system in ballast to load cargo for external markets and leave the system in ballast for products earmarked for Great Lakes markets. In 2022, vessels with no cargo represented 41%, liquid bulk 15%, general cargo 16%, dry bulk 9%, grain 10%, passenger vessels 6%, dangerous goods 1%, container 1%, and other cargo 1%.

While the pilotage demand from the foreign industry increased by 17% compared to the same period in 2021, pilotage demand from the Canadian domestic industry remained steady with a small increase of 1%.

The split between the foreign industry and the Canadian domestic industry represented 81% / 19% in 2022 respectively.

In 2022, Class 4 vessels, the largest ships that can navigate in the Seaway locks, accounted for 35% of the vessels piloted, compared to 38% in 2021. Class 3 vessels accounted for 6%, Class 2 accounted for 53% and Class 1 accounted for 6% in 2022 compared to 8%, 52% and 2% respectively in 2021.

The 9,315 pilotage assignments during 2022 navigation season were serviced by 66.5 full-time equivalent pilots, representing an average of 140 assignments per pilot. While the workload is still not at the reasonable number the GLPA is targeting (115-120 assignments per pilot), it is up from the 2021 average of 128 assignments per pilot.

The GLPA continues to be focused on hiring and training apprentice-pilots to ensure it meets the demand for pilotage services to eliminate costly delays to its customers. In 2022 we hired 5 pilots and 3 were licensed in the Cornwall district.

Based on feedback from industry stakeholders, the GLPA is forecasting 9,616 pilotage assignments for 2023 and similar traffic forecasts for the remainder of the planning period. Given previously noted traffic forecasting challenges, anything beyond one year is difficult to predict.

Assignments by Vessel Type

	2022	2021	Var %
Bulk carriers	**3,756**	3,510	7.0%
Oil/Tankers	**2,546**	2,420	5.2%
General cargo ships	**1,921**	1,940	-1.0%
Passenger vessels	**709**	12	5,808.3%
Tug and barge	**98**	147	-33.3%
Container ships	**97**	53	83.0%
Heavy lift	**77**	65	18.5%
Other	**111**	32	247.0%

NOTE – *Not including 73 winter work assignments.*

Allocation of Total Assignments

	2022	2021	Var %
Domestic vessels	**1,846**	1,832	0.8%
Foreign vessels	**7,542**	6,460	16.7%
Total	**9,388**	8,292	13.2%

Economy and Traffic (cont'd)

Service Levels

Balancing the demand for pilotage services with available pilots is a crucial factor in the GLPA's ability to minimize costly shipping delays given that scheduling and call-backs (assignments on overtime) during peak periods are established by collective agreements.

In addition, the GLPA can face delays beyond its control, including Seaway system breakdowns, environmental events (wind, currents, etc.) and vessel incidents.

In total, delays to ships requiring pilots in 2022 were 8,301 hours, of which 46%, or 3,802 hours, were directly attributable to a shortage of pilots. In 2021, by comparison, total delays accounted for 6,919 hours, of which 56% or 3,924 hours, were attributable to a shortage of pilots.

The 3% decrease in pilotage delays hours due to a shortage of pilots, when compared to the previous year, was mainly attributable to an increase of 2.5 full-time equivalent pilots and the way the traffic presented itself based on the pilots' on-strength and rest schedules.

Always committed to improving the delivery of reliable pilotage services with fewer vessel delays, the GLPA continued to work jointly with Seaway officials, industry partners and the United States pilot associations to ensure traffic management strategies were implemented. The GLPA also continued to advise customers of any major delays due to surges and resulting pilot availability/unavailability.

Delay Hours as a % of Total Delays

	2022	2021
Shortage of pilots	**46%**	56%
Seaway	**21%**	19%
Vessel	**10%**	6%
Environment	**23%**	19%

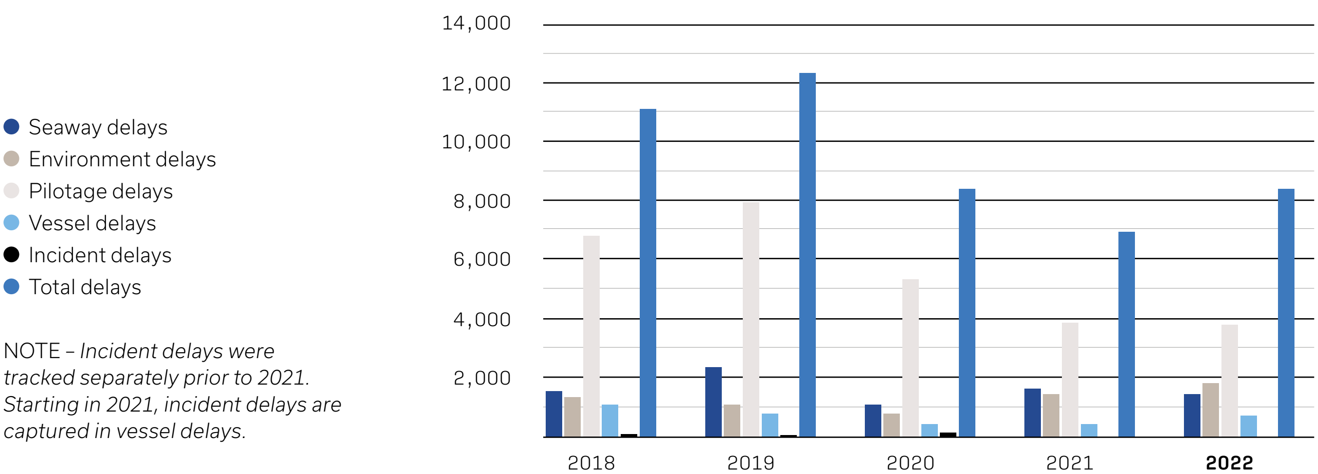
NOTE – *Delays are accounted from the minute a delay occurs.*

Number of vessels reporting delays

	2022	2021
Shortage of pilots	**202**	202
Seaway	**224**	205
Vessel	**125**	106
Environment	**91**	82

Delays to Vessels

(in hours)



NOTE – *Incident delays were tracked separately prior to 2021. Starting in 2021, incident delays are captured in vessel delays.*

Financial Self-sufficiency

F

Mandate

The *Pilotage Act* requires the GLPA to operate in a financially self-sufficient manner, thus assuring Canadians that it is committed to financial responsibility and fiscal transparency. From 2003 until 2020, the GLPA operated in a deficit position with a total accumulated deficit of $2.8 million beginning in 2021. To ensure the GLPA met its legislated mandate of financial self-sufficiency, in 2020 the GLPA modified its strategy by introducing a more targeted, cost-recovery approach resulting in the Shipping Federation of Canada filing an objection with the Canadian Transportation Agency. In 2021, the Canadian Transportation Agency rendered a decision favourable to the GLPA and, as a result, the GLPA was able to recognize approximately $5.0 million in pilotage charges previously under objection as revenues. This allowed the GLPA to recover from its $2.8 million accumulated deficit at the beginning of 2021 and report a $5.0 million accumulated surplus at the end of 2021.

Strategy

The GLPA is committed to maintaining a reasonable reserve so it can sustain its operations during unpredictable situations and significant reductions in traffic. 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 will continue to invest in its pilot and apprentice-pilot training programs to factor new business needs/requirements and maintain the target of 99.9% incident-free assignments.

Financial Position in 2022

For 2022, the GLPA reported revenues of $46.0 million, an increase of $1 million over 2021. This increase is mainly due to an increase in the number of assignments and an increase in basic pilotage fees.

For 2022, the GLPA incurred expenses of $43.9 million, an increase of 18% compared to 2021 mainly attributed to the increase in assignments. Most of the GLPA's expenses are pilot wages and benefits, as well as pilot travel and pilot boat services, both directly associated to servicing vessels, and subject to increases or decreases with assignment demand.

The GLPA's financial objective is to ensure it meets its legislated obligation of being financially self-sufficient. In 2021, the GLPA reported a surplus for the first time in almost 20 years. This reserve will be used to invest in the organization's assets focusing on operational efficiencies leveraging technology, mitigate the impact of potential turbulences in the Canadian and global economy, mitigate the risk of volatility in maritime traffic, finance labour shortages and reduce the impact of the challenging years experienced in 2020 and 2021 during the COVID-19 pandemic.

Business Continuity

S R E L

Pandemic Response

The GLPA, an essential service provider in the movement of goods for the Canadian population, has ensured continuous operations since the onset of the pandemic. Entering 2022, the GLPA continued to collaborate with federal government departments and agencies as well as other industry stakeholders to ensure business continuity and the safety of its employees and crew members.

Pilots, who board ships as essential workers, were equipped with the required protective personal equipment and followed necessary sanitation and safety protocols to reduce the risk of contracting or spreading the virus to vessel crew members while performing their pilotage duties in Canadian and American waters. The GLPA also worked with its counterparts at the Canada Border Services Agency and Transport Canada to ensure pilots can reach their destination in the United States to board ships to avoid any delays to shipping. The GLPA also worked with its land transportation and pilot boat service providers to ensure safety protocols were followed to ensure the safety of its pilots and apprentice-pilots.

In addition, preventive protocols, and social distancing, including working from home, ensured a safe workplace for the dispatchers and office staff to support operational needs without disruption. Signage also remained prominent at the GLPA's head office in Cornwall and visitors were monitored and kept to a minimum as much as possible with some meetings occurring via teleconference. To protect its employees, their families, and the Canadian marine industry, the GLPA successfully promoted the vaccine and 99% of office staff and 100% of pilots are fully vaccinated. The GLPA dispatchers continued to work from the office, as they have done since the beginning of the pandemic. For the rest of the office staff, the GLPA continued to adopt a hybrid approach for some employees working from the office and some working remotely. The GLPA continued to assess the evolution of the pandemic and adjusted its approach accordingly.

Pilotage

S R E L

Pilotage Act Reform

Amendments to the *Pilotage Act* received Royal Assent in June 2019 and the provisions of the amended Act have now come into force.

In 2022, the GLPA continued to work in close collaboration with Transport Canada in the transition of the amended *Pilotage Act*, including providing feedback to Transport Canada on all proposals and working with departmental officials to ensure a smooth transition for its stakeholders.

On June 9, 2022, the four existing regional marine pilotage regulations were consolidated under the *General Pilotage Regulations* with administrative amendments to align with the Minister's authority under the *Pilotage Act*. As such, the *Great Lakes Pilotage Regulations* were repealed, and all provisions are now under Division 3 of the *General Pilotage Regulations*.

Management

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

To do so, the GLPA must match the forecasted demand for pilotage services with trained, qualified, and licensed pilots available to ensure it is financially self-sufficient, contains cost and to ensure delays are kept at a minimum. Ships enter and leave the system with no set schedules and the GLPA must provide a complement of pilots in response to uneven traffic flows in the compulsory waters of the Great Lakes region. The requirement for financial self-sufficiency does not allow the GLPA to maintain a complement of pilots to cover sudden and temporary surges in traffic.

While the GLPA historically had a stable pilot workforce with minimal turnovers, like other stakeholders in the maritime industry, it is facing challenges with workforce shortages due to an aging workforce and a growing industry. From 2014 to 2022, the GLPA hired 43 apprentice-pilots and 30 pilots retired representing an attrition rate of 52%. The high level of pilot retirements experienced in the last seven years and anticipated in coming years has resulted in pilot succession planning and pilot recruitment continuing to be top of mind for the GLPA. To address this, the GLPA continued to:

- recruit and train an appropriate number of apprentice-pilots, as part of its pilot succession plan;
- explore collaboration with industry stakeholders to review traffic management strategies to alleviate traffic surges;
- actively collaborate with industry partners and customers to develop the least costly strategies when delays are beyond its control;
- work with its pilot groups to jointly find acceptable ways to increase pilot availability;
- explore opportunities to certify qualified foreign pilots; and
- work with academic institutions to develop a long-term supply of candidates for the maritime industry.

Pilotage (con’t)

Qualified Licensed Pilots

Given the importance of pilot succession planning and execution, in 2022, 3 pilots completed their training program and 5 were hired (compared to 8 in 2021). To meet anticipated demand for pilotage services, to minimize delays, contain costs, and to account for retirements, the GLPA aims to increase the number of pilots by approximately 15-20% over the next five years.

Regulatory Changes

While regulatory changes are designed to bring about consistency and cohesion across Canada’s pilotage authorities, with this change comes some uncertainty about the exact impacts on the operations and strategic focus of the GLPA.

A key part of the GLPA’s approach to enterprise risk management and strategic planning is to ensure that it effectively addresses regulatory changes ahead and their impact on how the organization operates; this allows the organization to mitigate potential disruptions to operational continuity between the previous, current, and future regulatory environment.

In 2021/2022, the GLPA developed its Integrated Management System based on the drafting instructions provided by Transport Canada in July 2021. Once these regulatory changes are in place, the GLPA will be in a good position to update its Integrated Management System and anticipates that it will be able to meet the implementation date set in regulations. Once this is in place, the GLPA will explore ISO certification.

The GLPA is optimistic about the expected regulatory changes and acknowledges that it will be critical to collaborate with Transport Canada, its stakeholders and partner with the other pilotage authorities to enable a smooth transition.

Marine Pilotage Certification and Training Program

Since 2011, the *Great Lakes Pilotage Regulations* (now under Division 3 of the *General Pilotage Regulations*) require that all Canadian officers who intend to perform pilotage duties in the Great Lakes hold a valid pilotage certificate. As such, in addition to the management and training of its employee pilots, the GLPA also administers a marine pilotage certification and training program of approximately 250 certificate holders to ensure Canadian vessels subject to compulsory pilotage are under the conduct of a valid certificate holder when the services of a pilot are not requested per the *General Pilotage Regulations*.

The GLPA is responsible for all certificate holders complying with the requirements of the regulations by ensuring that all pilotage certificates are valid. In 2022, 1,467 transits of Canadian domestic vessels transiting in the Great Lakes without a pilot onboard were randomly audited, representing 15% of total transits (9,759). In situations of non-compliance, the GLPA informs Transport Canada, given the enforcement powers were transferred to the Minister of Transport in 2020. In 2022, one vessel was in non-compliance and was reported to Transport Canada.

Quality Assurance

It is the GLPA's responsibility to assure the shipping industry that only qualified pilots perform pilotage duties. To do this, every pilot must undergo an assessment of their competencies and service quality at least once every five years. This exercise also allows the GLPA to identify areas of professional development and improvements in service delivery.

In 2022, 20 pilots and 3 apprentice-pilots, which represent 34% of the pilot workforce, completed the pilotage simulator training program. All pilots were evaluated by their peers and the Director of Operations.

Pilots were trained in:

- Error Detection and Use of Advanced Radar Techniques in Restricted Waters;
- Basic and Advanced Azimuthing Propulsion Manoeuvres, the Use of Standard Terminology and Appropriate Commands for Use with Azipods;
- Advanced Shiphandling (including emergency situations) for Pilots; and
- Bridge Resource Management (Level 2).

Apprentice-pilots were trained in:

- Shiphandling for apprentice-pilots on different types of vessels with different types of propulsion system and rudders; and
- Bridge Resource Management (Level 1).

In addition, during winter 2022, all pilots and apprentice-pilots from all districts participated in a special training on a simulator related to the new class of passenger vessels from Viking Cruises.

Labour Relations

The GLPA's four collective agreements with its pilot groups expired as of March 2022.

In June 2022, the GLPA entered into a Resolution of Contract Renewal Disputes Agreement with the Canadian Merchant Service Guild (the Guild) – the union representing the pilots. This agreement is intended to ensure continued pilotage services by having an agreed-upon mechanism to resolve disputes during the collective bargaining process should the parties fail to reach a settlement.

In the Fall, the GLPA began negotiations with the Guild.

The GLPA is also developing negotiating strategies for its collective agreements with dispatchers and clerical staff that expired in June 2022.

Employer of Choice

As an organization, we believe that our people are our greatest asset. To that end, we strive to be an employer of choice by promoting a positive and inclusive culture that fosters collaboration, innovation and growth. Our leadership team is grounded with a good understanding of the importance of listening to our employees and valuing their input.

The GLPA is also working to strategically build capacity within the organization, so it has the talent and succession planning needed to reliably deliver on its strategic and operational priorities.

The GLPA continued its efforts to build partnerships with education and training institutions and industry stakeholders to attract new talent and build a more enduring pipeline of talent for key roles, including pilots, dispatchers, and key administrative and leadership roles.

Organizational Efficiency

Mandate

To effectively support the GLPA's mandate of safe, reliable, and efficient pilotage services, it must have a sound organizational structure to ensure that its responses to legislation, regulations, and policies are pertinent, reflect the current realities and consider the public's trust. To achieve this priority, the GLPA undertook a variety of organizational initiatives in 2022.

Optimization

Following an organizational optimization exercise initiated in 2019 focusing on the administration staff, an independent consulting firm concluded that the GLPA's current organizational structure and limited resources may not enable the GLPA to meet its mandate and drive the organization's current and future strategic and operational objectives. As a result, in addition to three full-time equivalent positions added to the organization's structure in 2020/2021 (Director of Human Resources, Dispatch Supervisor and Finance Manager), another three will be added in 2022/2023.

Executive Leadership

In terms of executive leadership, the GLPA hired a new CFO in 2022 and is in the process of actively recruiting a new CEO given the upcoming departure of the current CEO.

Stakeholder Relations

The Board and management reach out to stakeholder organizations to ensure that important issues are identified and managed effectively.

The GLPA 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 GLPA will never compromise on safety to avoid a third-party issue.

The three primary stakeholders are the Federal government, the marine industry, and the pilots.

Shipping interests in the Great Lakes region are the responsibility of the Shipping Federation of Canada and the Chamber of Marine Commerce while pilot interests are handled by the four Pilot Corporations represented by the Canadian Merchant Service Guild and the Canadian Marine Pilots' Association.

The Government has several stakeholders, including the Minister of Transport and departmental officials, the Canadian Coast Guard, the Transportation Safety Board, the Canadian Transportation Agency, and central agencies.

The GLPA's customers represented by the Shipping Federation of Canada and the Chamber of Marine Commerce must be consulted and provide support to the GLPA's decisions, as they have access to the Canadian Transportation Agency for a review whenever issues are not satisfactorily resolved. Solutions with consensus, when possible, are preferred versus legislated ones, as they create a win-win situation for all parties. Furthermore, the GLPA must manage potentially differing expectations from its various stakeholders. Striking a proper balance while achieving the GLPA's objectives can be challenging at times.

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

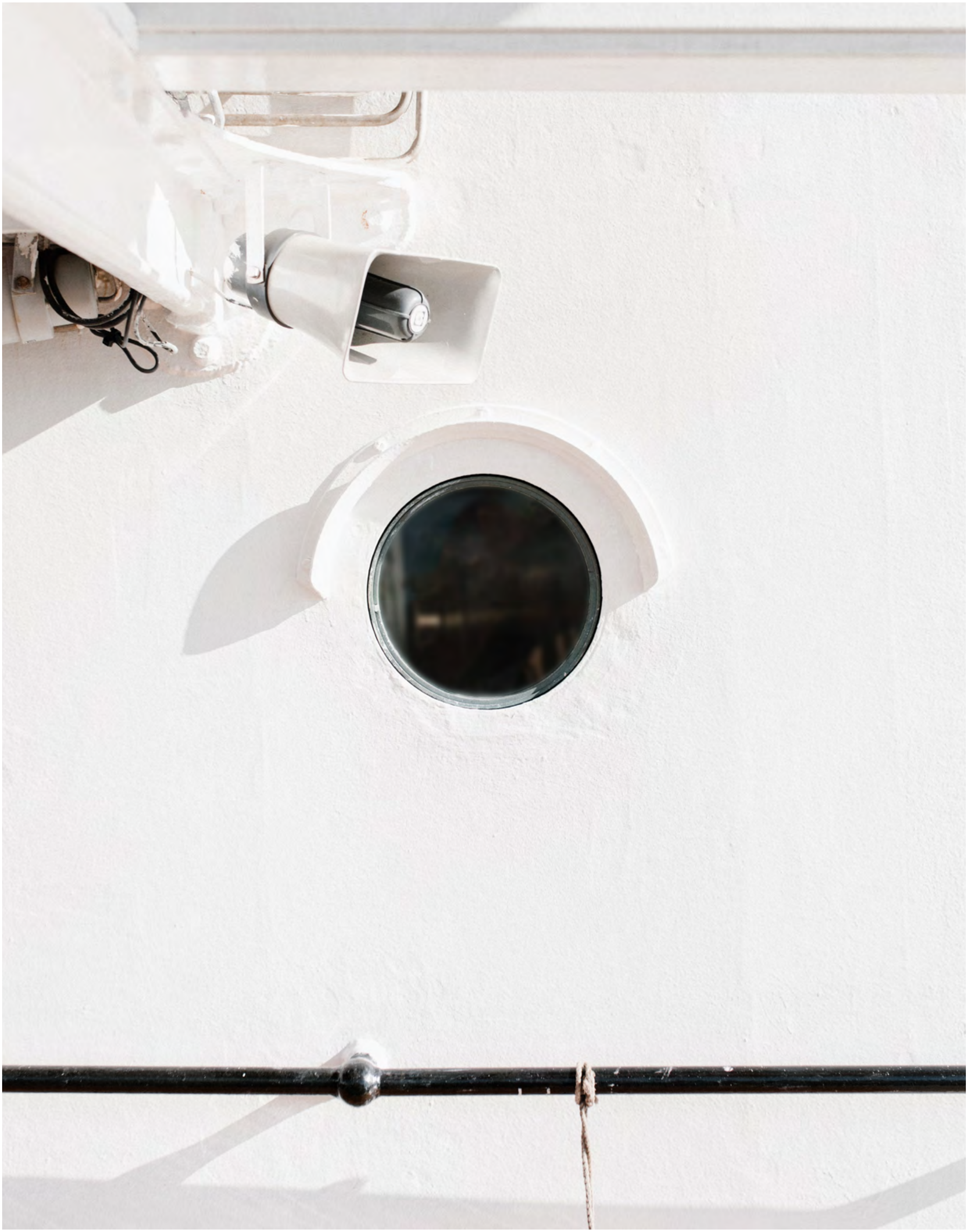
- St. Lawrence Seaway Management Corporation (Canada);
- St. Lawrence Seaway Development Corporation (United States);
- International Lake Ontario-St. Lawrence River Board;
- United States Pilotage Associations;
- Canadian Port Authorities in the Great Lakes region;
- Ports and harbours in the Great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

During a given year, the GLPA formally meets with the Shipping Federation of Canada and the Chamber of Marine Commerce In 2022, the GLPA initiated Customer Relation meetings at the beginning and the end of the navigation season to share key operational information and to listen to valuable feedback from its customers.

The GLPA was also in constant communication with the St. Lawrence Seaway Management Corporation, the St. Lawrence Seaway Development Corporation, the United States Coast Guard, and the United States Pilot Associations in its commitment to providing safe and efficient pilotage services.

The GLPA also meets regularly with the other three Canadian pilotage authorities to share best practices and discuss common areas of expertise.

And finally, the GLPA works in collaboration with the Canadian Merchant Service Guild and the Canadian Marine Pilots' Association representatives to address any issues that may arise to ensure continued quality pilotage services to our customers while addressing any concerns from GLPA pilots. Continued communication and consultations between the GLPA and these organizations is essential as it provides a common understanding and a way forward to challenges faced by the industry.



Responsibility

S R F E

Economic Contribution

The GLPA is an important partner in the maritime industry and is a significant contributor to the vibrancy of the Canadian and global economy. By helping local companies access foreign markets, for example, the GLPA supports economic growth here at home; by facilitating the importation of affordable consumer goods, it contributes directly to improving Canadians' cost of living.

Unlike many sectors during the pandemic, pilotage demand in the Great Lakes region did decrease but not as substantively as the other sectors. As a result, the organization continued to support the creation of jobs and growth and the supply of essential goods.

Indigenous Relations

Many Indigenous communities are located on the border of the St. Lawrence River and the Great Lakes, and the GLPA remains focused on the navigation impacts on these communities. In 2022, the GLPA met with the members of the Mohawk Council of Kahnawake to better understand their perspective and concerns on navigation safety, preserving their culture and customs, human life and property, and protecting the marine environment. The GLPA also wishes to be seen among Indigenous Peoples as an employer of choice.

Environment

As part of the Government's initiatives on the *Canadian Net-Zero Emissions Accountability Act*, the GLPA is exploring green procurement requirements for all its contractors, such as its land transportation contractors as part of its upcoming procurement initiatives.

Changes in climate patterns have led to more frequent and severe environmental conditions such as high winds, extreme ice conditions and high-water levels, all of which can create serious operational challenges for the GLPA in its ability to provide safe, efficient, and cost-effective pilotage services. The 2022 opening and end of the navigation season were not impacted by environmental factors such as heavy ice or high waters.

Diversity, Equity, and Inclusion

The GLPA is committed to developing an inclusive and barrier-free work environment in which all persons have equal access to opportunities within its organization.

To that end, the GLPA's practices related to recruitment, selection, conditions of employment, training, career development and performance management all focus on equity and creating a sense of value. Members of the management group received training in the areas of diversity in the workplace as well as Indigenous cultural awareness in 2022.

In 2022, women represented 57% of the Board, 50% of the leadership team, 60% of office staff, and 27% of dispatchers, but only 3% of the pilot workforce, an area requiring more long-term effort.

Responsibility (cont'd)

Employee Safety

Employee safety continues to be a top priority for the GLPA and, among a variety of workplace policies and initiatives implemented following a previous employee engagement survey and a health and safety audit conducted in late 2021, the GLPA implemented new safety measures in the Fall of 2022 to ensure compliance with the *Canada Labour Code*.

The GLPA, in collaboration with the workplace health and safety committee, has implemented the following health and safety programs in response to the occupational health and safety audit conducted in fall 2021:

- An incident reporting and investigation program
- A hazard prevention program
- A workplace inspection program
- Expanded training on occupational health and safety matters for all safety committee members.

Canadian Vessel Monitoring

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

Of the 1,467 audits of vessel transits in 2022, all except one vessel was under the conduct of a valid certificate holder. As a result of this single non-compliance, the shipping company was informed and charged as if the ship had been under the conduct of a licensed pilot per section 44 of the *Pilotage Act*. In addition, with Transport Canada now responsible of enforcing the *Pilotage Act*, the GLPA communicated this deficiency to Transport Canada.

Marine Incidents

Given that the risk of marine incidents is inherent in every action taken by the GLPA's employees, training policies for all apprentice-pilots and pilots ensure that proper levels of knowledge and experience in this area are in place. The GLPA continues to promote ongoing communications with all employees on the importance of embracing a safety-minded culture with the goal of limiting environmental risks.

This effort requires each pilot to complete simulator training at least once in a five-year cycle. It will continue this practice as it provides pilots with a means to train on different ships, manage various conditions, and cope with specific issues, such as slow rudders or crew responses. The GLPA reviews incidents and trends to continually reassess the training program.

The GLPA also participates in various joint initiatives and associations to keep up to date on emerging safety concerns and best practices, as well as participates in the *International Marine Pilots' Association*'s conference every two years, where it interacts with other pilotage service providers from around the world.

In 2022, the GLPA reported 14 minor marine incidents compared to 10 in 2021. None of these 2021 or 2022 incidents resulted in the loss of life, serious injuries, or any environmental spills. With no significant environment-related activities to report for 2022, the GLPA remained in compliance with section 71 of the *Canadian Environmental Assessment Act* (2012).

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

- Recruited and trained all apprentice-pilots;
- Sourced new state-of-the-art Portable Pilotage Units in time for the start of the 2022 navigation season to replace the current units that reached the end of their useful life at the end of 2021; and
- Worked collaboratively with the *Centre de simulation et d'expertise maritime* in Quebec City to develop the data and visual areas of the ports to be visited by the new Viking Cruises in 2022.

Marine Incidents

(for the five most recent years)

	2022	2021	2020	2019	2018
Major marine incidents	**0**	0	0	0	0
Minor marine incidents	**14**	10	14	8	11
Total assignments (navigation season and winter work)	**9,388**	8,292	9,290	10,093	8,798
% of incident-free total assignments	**99.9%**	99.9%	99.8%	99.9%	99.9%

Responsibility (cont'd)

Transparency

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

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

In 2022, the GLPA did not receive any requests under the *Access to Information Act* and the *Privacy Act* and has no outstanding requests as of December 31, 2022.

Travel, Hospitality and Conference Expenses

The following travel, hospitality, and conference expenses were submitted during 2022:

Captain James Pound Chairperson	$ 14,334
Michèle Bergevin Chief Executive Officer	$ 20,212
Board of Directors (7 members)	$ 12,346
Senior Management (3 members)	$ 11,016
Total	**$ 57,907**

Governance

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

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

Board of Directors

Starting 2022, the Board consisted of the Chairperson and five other directors appointed by the Governor in Council. In June 2022, John St. Marseille and Oksana Exell were appointed for three-year terms to the Board replacing Teena Fazio whose term had expired allowing for a full complement of seven members on the Board. In addition, in June 2022, the term of three Board members was renewed for a period of 4 years, namely for Julie Mills, Vered Kaminker and Josée-Christine Boilard.

Over the course of 2022, there were 12 Board meetings to discuss Board business and one Strategy Planning session. In addition, the Committees met 8 times in total during the year. The attendance rate of Board members at these meetings was 87%. Cumulative fees and annual retainers paid to Board members during the year totalled $83,708.

Committees of the Board

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

Audit	**Governance and Human Resources**
Julie Mills, Chairperson	Josée-Christine Boilard, Chairperson
Vered Kaminker	David Souliere
David Souliere / John St. Marseille	Teena Fazio / Oksana Exell
Captain James Pound, ex-officio	Captain James Pound, ex-officio

Audit

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

Governance and Human Resources

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

Risk

It was decided by the Board that the GLPA Risk Committee would be disbanded as of January 1, 2022, due to the size of the GLPA organization and given risks can be discussed at the committee and Board level. The Risk Committee was a standing committee from 2018 to 2021 responsible for overseeing the identification and assessment of key risks, as well as the risk management framework and infrastructure to address and mitigate risks. The Enterprise Risk Management program for the GLPA is now managed at the Board level, with risks delegated to the two committees (Audit and Governance and Human Resources).

Enterprise Risk Management

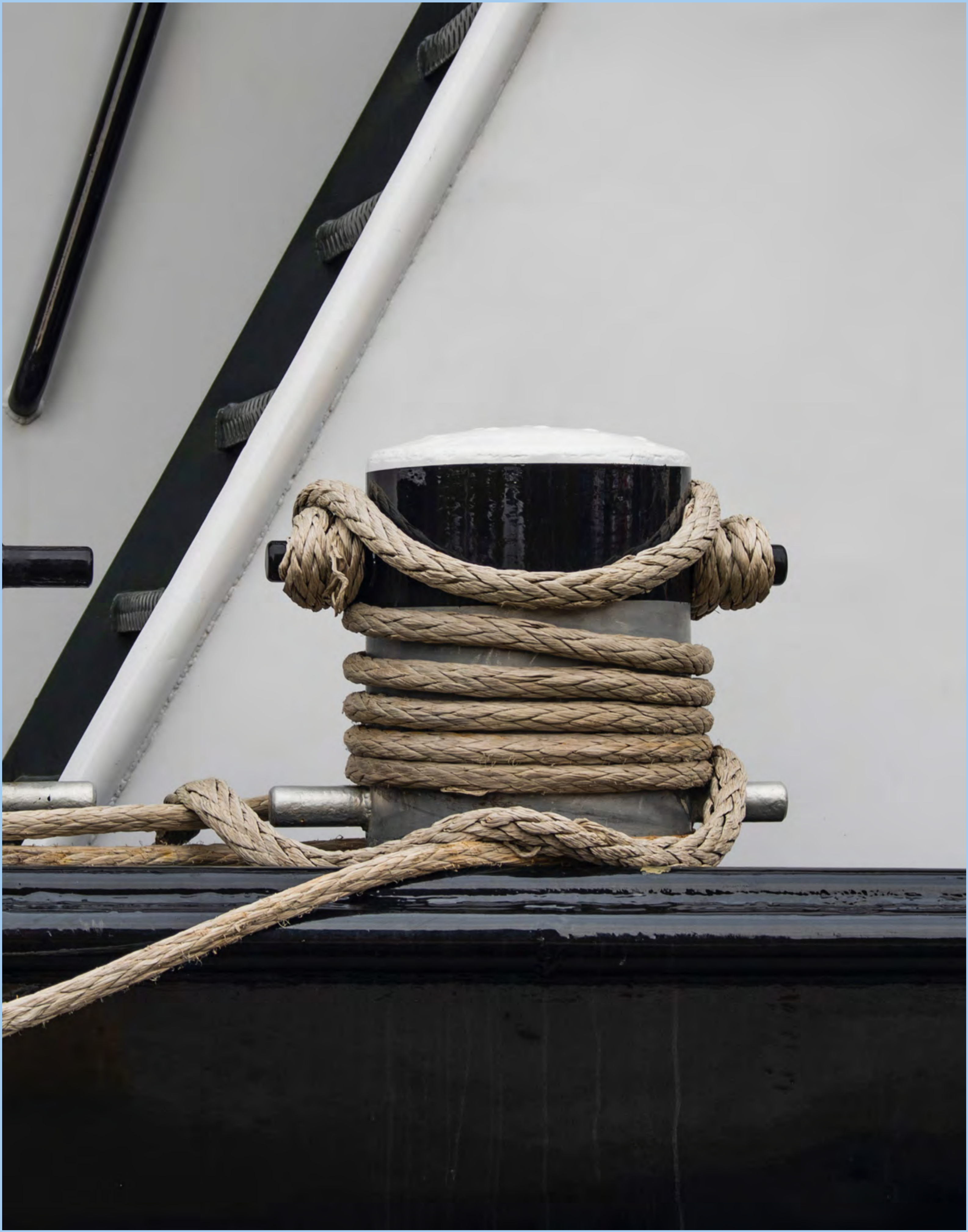
An Enterprise Risk Management program has been incorporated as part of the GLPA's strategies to manage risks and to seize opportunities in achieving its objectives. The Board reviews the risk register with a view to updating risk assessments and ensures that appropriate mitigating controls are in place.

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

During the Strategy session held in July 2022, the Board revisited the identification, assessment and prioritization of the main risks, and addressed threats and opportunities as they relate to the GLPA's objectives. The Board also discussed the interconnectivity between risk categories and those risks to be discussed at the committee level with more strategic risks discussed at the Board level.

The top risks for the organization in 2022 which are examined in greater detail in the Management Discussion and Analysis section are as follows:

- Pilot succession planning (including recruitment and retention);
- COVID-19 and Other Variants resurgence;
- Change in leadership; and
- Union contract negotiation



Management Discussion and Analysis

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

The purpose of this analysis is to facilitate the understanding of the audited financial statements presented in the following pages and to explain variations between 2022 results and the results of the previous year.

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

Financial Highlights – Statement of Comprehensive Income

(in millions of Canadian dollars)

The following table shows the highlights of the Statement of comprehensive income of the GLPA for the years ending December 31, 2022 and December 31, 2021, per the International Financial Reporting Standards (IFRS).

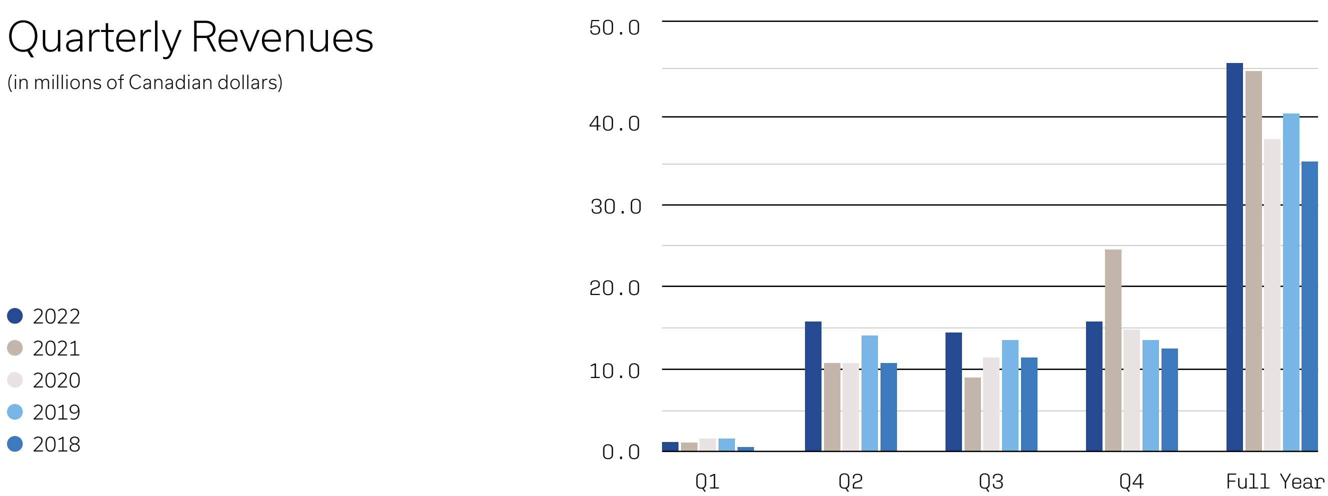
	2022	2021	Var $	Var %
Pilotage Revenues	**45.5**	44.7	0.8	1.9%
Other Revenues	**0.4**	0.3	0.1	33.0%
Total Revenues	**46.0**	45.0	1.0	2.2%
Total Operating Expenses	**43.9**	37.1	6.8	18.2%
Operating Profit (Loss)	**2.1**	7.9	(5.8)	-73.4%
Other Comprehensive Income (Loss)	**0.1**	0.0	0.1	100.0%
Surplus (Loss)	**2.2**	**7.9**	**(5.7)**	**-72.1%**

For 2022, the GLPA recorded revenues of $46.0 million and a comprehensive income of $0.1 million, resulting in an accumulated surplus of $2.2 million by the end of the year.

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

Quarterly Revenues

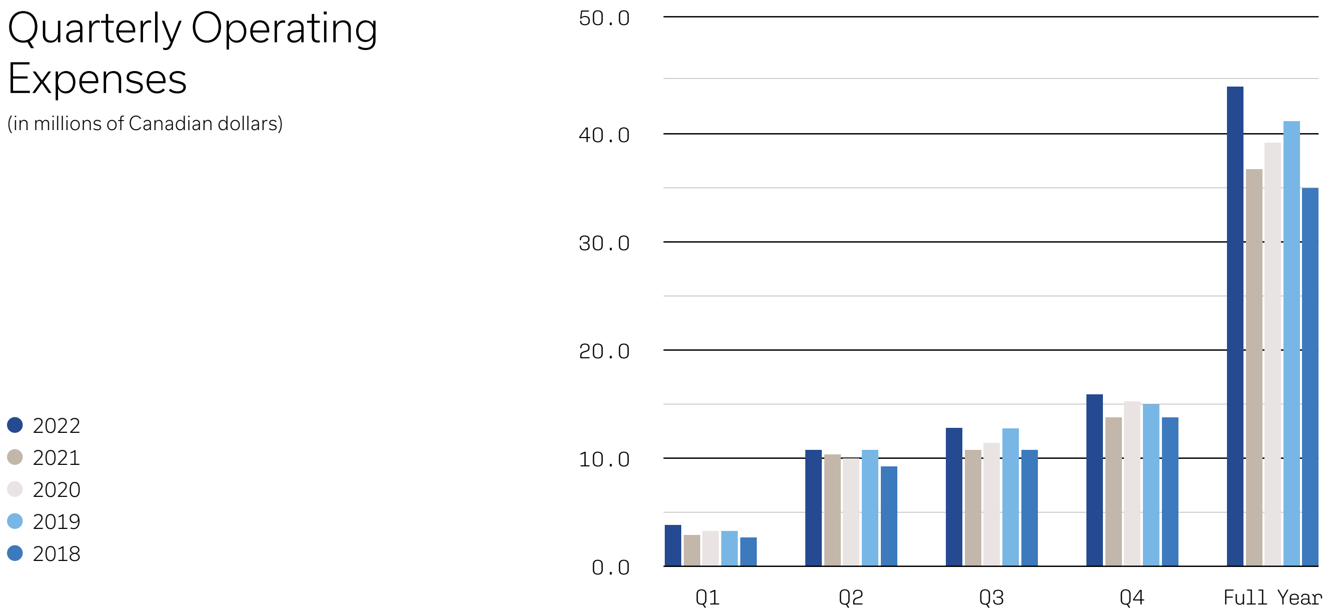
(in millions of Canadian dollars)



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

Quarterly Operating Expenses

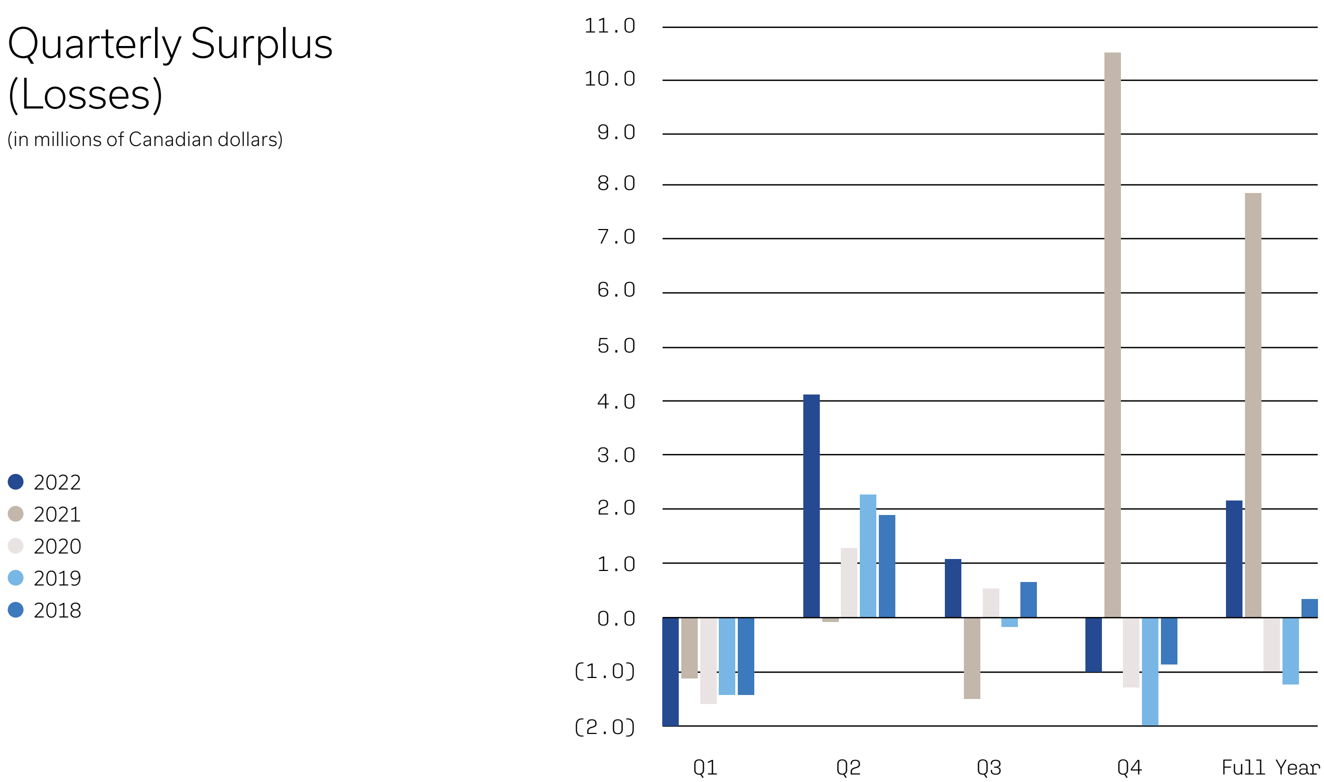
(in millions of Canadian dollars)



Approximately $5.3 million of operating expenses are administrative and indirect operational costs that are fixed throughout the year. With the exception of the base salary for pilots, all other pilot compensation and direct operating expenses are variable and fluctuate based on pilotage demand.

Quarterly Surplus (Losses)

(in millions of Canadian dollars)



Revenues

(in millions of Canadian dollars)

The following table shows the various sources of revenue for the years ended December 31, 2022 and December 31, 2021.

	2022	2021	Var $	Var %
Basic pilotage fees	**38.6**	31.3	7.3	23.2%
Continued transit charge	**0.0**	2.5	(2.5)	-100.0%
Docking/undocking	**2.6**	2.2	0.4	17.1%
Surcharges	**2.1**	1.9	0.2	12.2%
Pilot Boat charges	**0.8**	0.7	0.1	7.7%
Delays/detentions	**0.6**	0.3	0.3	105.8%
Pilot transfers	**0.3**	0.3	0.0	11.5%
Cancellations	**0.3**	0.3	0.0	-4.2%
Pilotage Act administration fee recovery	**0.3**	0.2	0.1	41.0%
Pilotage charges under objection	**0.0**	5.0	(5.0)	-100.0%
Total pilotage charges	**45.5**	**44.7**	**0.8**	**1.9%**
Pilot boat income	**0.2**	0.2	0.0	8.4%
Interest and other income	**0.2**	0.1	0.1	113.1%
Total revenues	**46.0**	**45.0**	**1.0**	**2.2%**

For 2022, the GLPA recorded revenues of $46.0 million, an increase of $1.0 million over 2021. The revenue increase is mainly due to an increase in volume by 14% and total pilotage charges increased by 1.9% compared to 2021.

Operating Expenses

(in millions of Canadian dollars)

The following table shows the various sources of operating expenses for the years ended December 31, 2022 and December 31, 2021.

	2022	2021	Var $	Var %
Pilots' salaries and benefits	**31.5**	25.9	5.6	21.8%
Transportation and travel	**3.5**	3.6	(0.1)	-1.4%
Pilot boat services	**2.4**	2.0	0.4	22.1%
Operation staff salaries and benefits	**1.9**	1.8	0.1	3.8%
Administration staff salaries and benefits	**1.6**	1.3	0.3	20.1%
Professional fees	**0.7**	0.5	0.2	37.2%
Pilot training and recruiting costs	**0.4**	0.3	0.1	44.4%
Pilot transfer services	**0.3**	0.3	0.0	9.8%
Amortization and depreciation	**0.3**	0.2	0.1	50.1%
Other	**1.2**	1.2	0.0	-3.6%
Total operating expenses	**43.9**	**37.1**	**6.8**	**18.2%**

For 2022, the GLPA recorded expenses of $43.9 million, an increase of $6.8 million when compared to 2021. Most of the GLPA's expenses are pilot wages and benefits, as well as pilot travel and pilot boat services, both directly associated with servicing vessels, and subject to increases with a higher assignment demand.

Pilot salaries and benefits increased by $5.6 million in 2021. These increases were mainly driven by overtime and productivity due to an increase in volumes of 14%.

The pilot boat services have increased by $0.4 million. This increase is mainly driven by a higher assignment demand.

Comprehensive Income (Loss)

(in millions of Canadian dollars)

The following table shows the comprehensive income (loss) for the years ended December 31, 2022 and December 31, 2021.

	2022	2021	Var $	Var %
Surplus (loss) for the year	2.1	7.9	-5.8	-73%
Other comprehensive income (loss)				
Actuarial gain (loss) on employee benefits	0.1	0.0	0.1	100%
Other comprehensive income (loss) for the year	**2.2**	**7.9**	**-5.7**	**-72%**

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

Cash Flow and Financial Position

(in millions of Canadian dollars)

The following table shows the cash flow and financial position for the years ended December 31, 2022 and December 31, 2021.

	2022	2021	Var $	Var %
Balance, beginning of the year	17.3	14.3	3.0	20.6%
Net cash (used in) provided by operating activities	2.6	3.2	(0.6)	-17.2%
Net cash (used in) provided by investing activities	(0.7)	(0.1)	(0.6)	600.0%
Net cash (used in) provided by financing activities	(0.1)	(0.1)	0.0	0.0%
Balance, ending of the year	**19.1**	**17.3**	**1.8**	**10.4%**

The GLPA has a $5.0 million line of credit. Due to the seasonal nature of the navigation season, at times the GLPA leverages its line of credit until revenues are collected after the start of the navigation season. In 2022, the GLPA did not need to source funds from its line of credit. As of December 31, 2022, the GLPA had a cash balance of $19.1 million ($17.3 million in 2021) and no short-term investments.

Capital Investments

(in Canadian dollars)

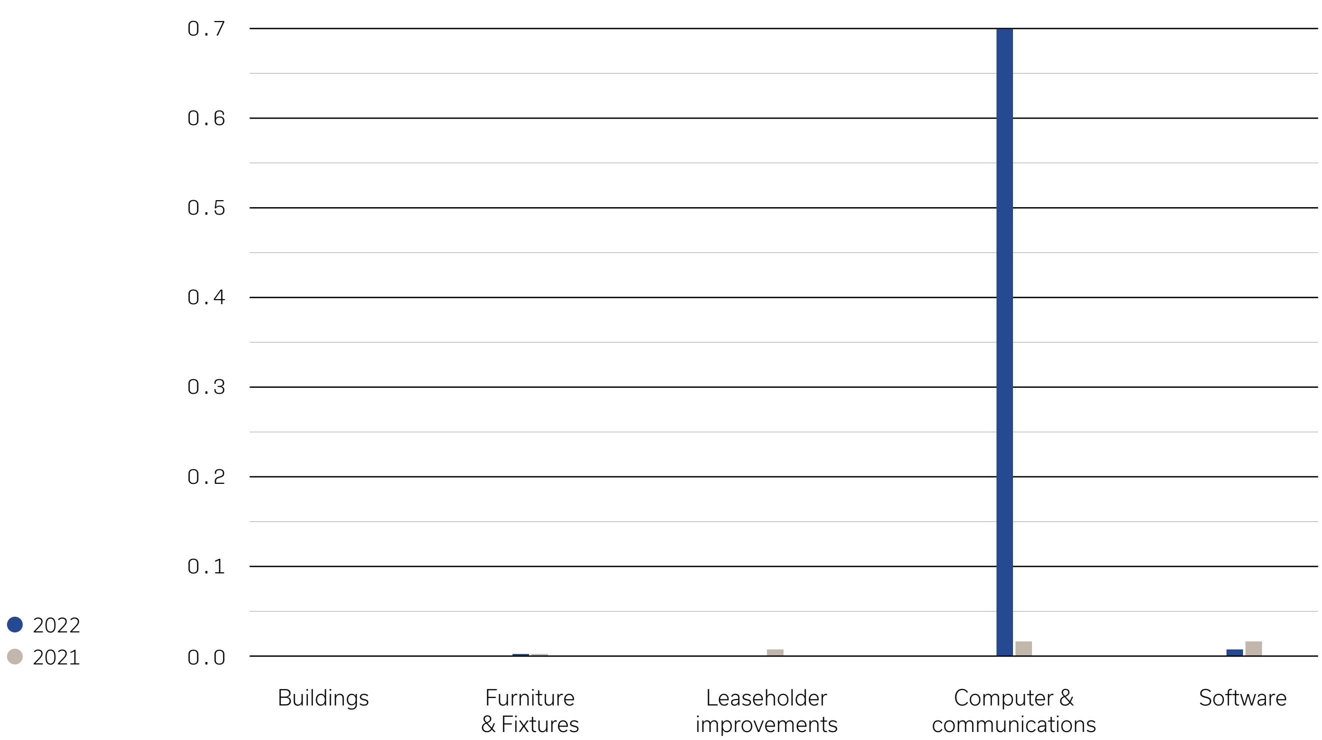
The following table shows an increase of $435,138 in property & equipment and intangible assets which includes capital investments of $735,427 and depreciation & amortization of $300,289 for 2022.

	2022	2021	Var $	Var %
Assets				
Buildings	**235,532**	251,499	(15,967)	-6%
Furniture	**69,946**	81,628	(11,682)	-14%
Leasehold improvements	**28,531**	57,062	(28,531)	-50%
Communications and computer equipment	**550,927**	39,398	511,529	1,298%
Software	**53,879**	74,090	(20,211)	-27%
Total	**938,815**	**503,677**	**435,138**	**86%**

The following graph shows the capital investments for the years ended December 31, 2022 and December 31, 2021.

Capital Investments (con't)

(in million of Canadian dollars)



Risk Analysis

This section provides an overview of the GLPA's top risks in 2022. The following analysis offers key insights into how the GLPA overcomes its main challenges, as these risks potentially impact operational and financial results. The trend status indicates how the risk profile has changed, if at all, over the course of 2022.

↑ Risk Increasing

→ Risk Stable

↓ Risk Decreasing

Pilot succession planning (Recruitment and retention)

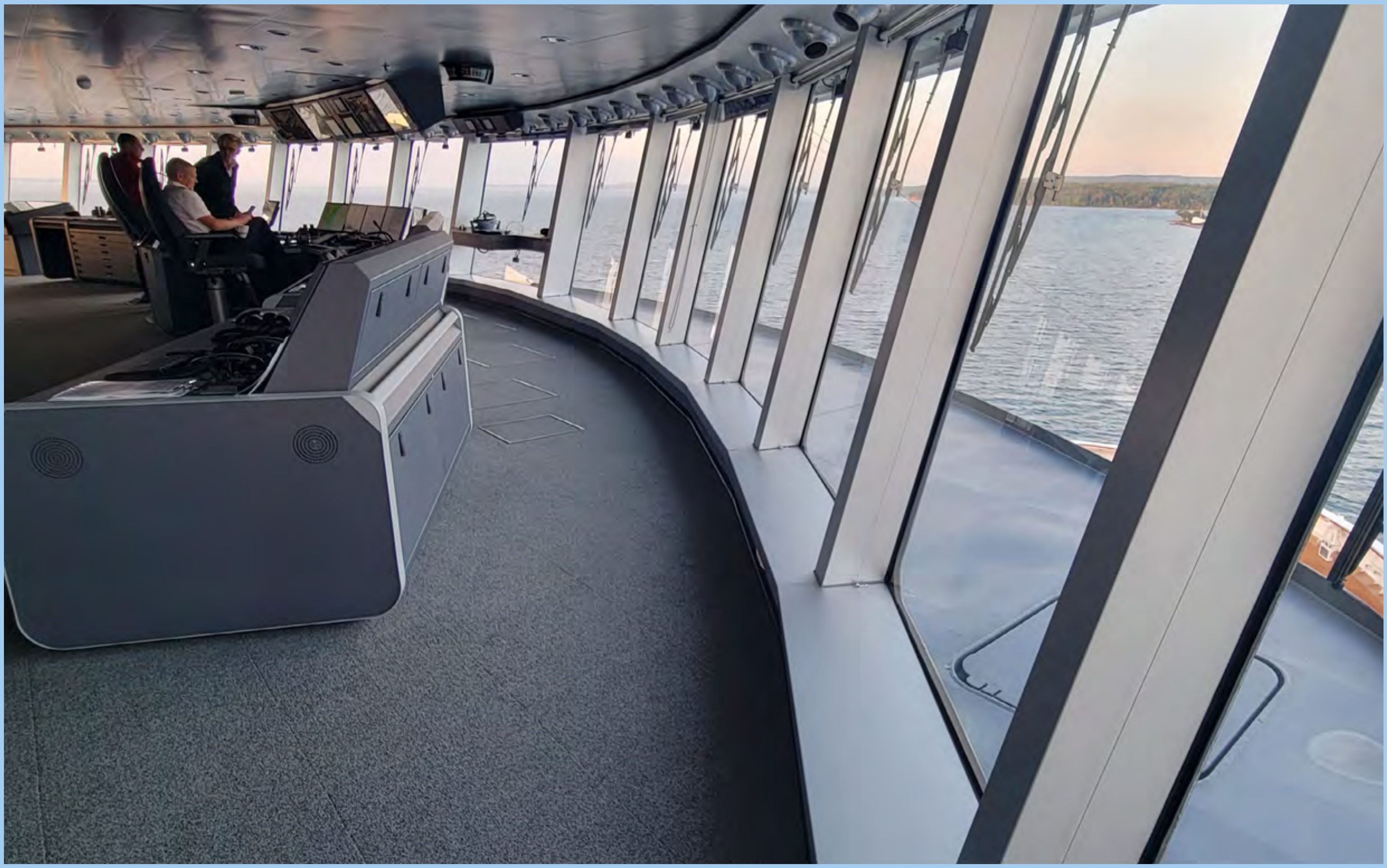
Nature of Risk	Risk Trend	Current Situation
The GLPA faces a significant risk in its pilot succession planning, which could result in the organization being unable to provide safe and efficient pilotage services due to a shortage of qualified pilots. Recruitment, training, and evaluation of pilots have been the key focus areas of the GLPA for many years and are crucial elements in the organization's strategic planning process. To ensure the availability of a skilled and experienced pool of pilots, the GLPA needs to address the challenges it faces in pilot recruitment and retention. The organization is experiencing an above-average number of retirements, which has been compounded by the challenges posed by COVID-19. Retired pilots who would typically agree to return on a part-time basis are becoming harder to come by. Furthermore, the length of time required to train new pilots has increased due to the lack of experience that candidates have in navigating the Great Lakes. The GLPA is also competing for a limited pool of candidates. Additionally, the marine industry as a whole is facing a shortage of candidates interested in pursuing a career in this profession. To mitigate the risk associated with pilot succession planning, the GLPA must develop a comprehensive strategy that addresses recruitment, training, and retention. This strategy must include initiatives to attract new candidates to the profession, offer attractive benefits packages to retain existing pilots-with cost containment objectives in mind, and develop innovative training programs that provide candidates with the necessary skills to navigate the Great Lakes safely and efficiently.	↑	The GLPA's annual retirement poll of its pilots has proven to be a valuable exercise, providing the organization with approximately six months' notice of retirements and facilitating recruitment planning. In addition, the GLPA offers part-time contracts to retired pilots to ensure that there are enough pilots available to meet the demand for pilotage services, particularly during apprentice-pilot training. While these initiatives provide useful information, the GLPA still anticipates above-average retirements in the coming years. To address this challenge, the GLPA revised its pilot recruitment program in 2022 to ensure a sufficient number of candidates apply for apprentice-pilot positions, adapting to COVID-19 restrictions. Moreover, the GLPA has implemented a long-term strategy to position itself strategically and gain visibility amongst future pilots by promoting itself within the maritime academia. This approach seeks to create a mutually beneficial relationship between the GLPA and the academic community. The pilot training committees work continuously to revise and update the apprentice-pilot training program, integrating feedback and results from recently licensed pilots. The GLPA developed more flexible and innovative training programs that can accelerate the training of new recruits and provide ongoing professional development opportunities for existing pilots. This may include the use of simulation and other advanced training technologies to enhance skills development and competency assessment. To ensure the continued success of its pilot succession planning efforts, the GLPA remains proactive in addressing the challenges it faces. This includes exploring new ways to attract and retain pilots, such as offering additional training opportunities or benefits packages. The GLPA also continues to adapt to the changing landscape of the marine industry, taking into account factors such as technological advancements and demographic shifts. Ultimately, by remaining vigilant and proactive, the GLPA will ensure that it has a sufficient number of qualified pilots to provide safe and efficient pilotage services for years to come. **In 2022, the GLPA worked with Transport Canada to add some much needed flexibility in the candidates applying for an apprentice-pilot position given Transport Canada's new role in issuing licenses to pilots. More specifically, candidates can apply for a position at the GLPA without having completed the necessary Bridge Resource Management (BRM) course but is required to complete it as part of their apprenticeship.**

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

COVID-19 and other variants resurgence

Nature of Risk	Risk Trend	Current Situation
The emergence of potential COVID-19 variants presents an ongoing risk to the health and safety of pilots and could have significant implications for the GLPA. Variants such as the Delta variant, which is more transmissible and potentially more severe, could lead to a higher incidence of infection and greater potential for pilot illness or incapacity. Given that pilots are required to cross the Canada/United States border to board vessels and have direct contact with foreign and domestic crews in tight spaces, the health and safety risk is inherently very high. In addition to the risk of pilot illness and long-term health issues, potential COVID-19 variants could also pose a risk to the continuity of pilotage services. If a significant number of pilots are unable to work due to illness or quarantine requirements, there could be a shortage of available pilots to meet demand. This shortage could lead to delays or disruptions in pilotage services, which could have economic and operational impacts for the shipping industry. Overall, the ongoing risk of COVID-19 variants highlights the critical importance of maintaining strong health and safety protocols and contingency plans to ensure the continuity of pilotage services and protect the health and safety of pilots and other personnel involved in the shipping industry.	↓	In 2022, the GLPA continued to implement effective social distancing protocols, mandated the wearing of personal protective equipment, and collaborated with various government agencies and industry stakeholders to ensure business continuity and employee safety during the COVID-19 pandemic. All the GLPA's pilots were fully vaccinated by November 2021, and the GLPA worked closely with the COVID-19 response team and local health authorities to manage suspected cases. The GLPA also worked with Transport Canada and the Canada Border Services Agency to ensure uninterrupted operation and unrestricted border access for its pilots, who are essential service providers in the movement of goods for the Canadian population. Business continuity plans were updated to ensure uninterrupted service delivery for dispatch operations and administrative staff. The GLPA continues to closely monitor the emergence of COVID-19 variants and work with public health authorities to implement appropriate measures to protect the health and safety of pilots. This includes measures such as enhanced screening and testing protocols, increased use of personal protective equipment (PPE), and modifications to operational processes to reduce the potential for exposure. Following the Government of Canada's commitment to require COVID-19 vaccination for its employees, the GLPA implemented a Mandatory Vaccination Policy in November 2021. This policy ensured that GLPA employees were vaccinated against COVID-19 in order to reduce the occurrence and severity of the disease. As per the Government of Canada's guidelines, the Mandatory Vaccination Policy was repealed in June 2022, however the GLPA continued to promote vaccination and other preventative measures to reduce the impact of COVID-19. The GLPA recognizes the potential risk posed by COVID-19 variants to pilotage services and has therefore developed a comprehensive contingency plan to address such disruptions. In the event of an outbreak, the GLPA is prepared to transition all office staff and dispatchers to remote work to ensure business continuity. Additionally, the GLPA will continue to adhere to robust COVID-19 protocols that were successfully implemented and followed in 2021 to mitigate contagion and maintain the safety of its employees and stakeholders.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing



Change in leadership

Nature of Risk	Risk Trend	Current Situation
The GLPA is facing a transition risk due to ongoing leadership changes, including the appointment of a new Chief Financial Officer (CFO) in December 2022, the arrival of a new Chief Operating Officer (COO) in June 2021, and the upcoming departure of the Chief Executive Officer (CEO), as well as the Director of Operations' planned retirement in the coming years. These changes create a potential risk for the organization, as the continuity of leadership and institutional knowledge transfer could be impacted. The primary concern is to ensure continuity and a smooth transition during this changeover period. This will require the hiring of a suitable replacement for the CEO, who can quickly familiarize themselves with the organization's culture, processes, and goals. Additionally, they must possess the necessary skills and experience to lead the company effectively. The risk of a leadership change can also result in knowledge transfer gaps, which can lead to a loss of institutional knowledge and other operational risks for the GLPA. Therefore, it is imperative to implement measures that facilitate a seamless transition of leadership, such as developing a comprehensive knowledge transfer plan. In summary, the GLPA must proactively manage the risks associated with leadership changes by identifying and mitigating potential risks. Hiring the right candidates, developing effective knowledge transfer strategies, and fostering an environment of open communication and collaboration can ensure the continuity and success of the organization.	↑	The GLPA is taking proactive measures to prepare for changes in its leadership team and smoothly integrate new members. By carefully planning and anticipating these transitions, the GLPA aims to ensure a seamless transition of leadership and promote the effective collaboration of all team members. The Board of Directors has already initiated a search for a new CEO to take over when the current CEO departs. In addition, a new Director of Operations is being sought, as the current incumbent plans to retire in the coming years. To ensure a smooth transition of leadership, the GLPA is committed to providing comprehensive training to both the new Director of Operations and the incoming CEO. The company recognizes the importance of a well-trained team to maintain stability and continuity during times of change. These key positions will need to be onboarded carefully and appropriately to ensure successful succession for the organization. The GLPA will also ensure that the new CFO and COO are integrated into the organization and receive appropriate training to facilitate their success in their respective roles. Additionally, the GLPA will prioritize the development of a comprehensive knowledge transfer plan to minimize the loss of institutional knowledge due to the leadership changes.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

Union contract negotiation

Nature of Risk	Risk Trend	Current Situation
The GLPA union's collective agreement with its pilots expired in March 2022. Negotiations are currently underway for four collective agreements covering five districts, which can be a time-consuming process. Although negotiations started in late 2022, the GLPA signed a Resolution of Contract Renewal Disputes Agreement with the Canadian Merchant Service Guild (the Guild), the union representing all pilots at the GLPA. This agreement also provides for a no strike/no lock-out arrangement to ensure the continuous movement of people and goods in the Great Lakes without disruption. However, negotiating a fair and reasonable agreement can be challenging, and there are several risks associated with these negotiations. One such risk is not being able to reach a mutually beneficial agreement due to a significant gap between the union's demands and the GLPA's offers. This could result in an impasse, and ultimately: arbitration. An adverse result of arbitration can have significant financial consequences for the GLPA and potentially impact the market's satisfaction. In arbitration, a neutral third party makes a binding decision that both parties must accept. If the arbitrator's decision favors the union's demands more than what the GLPA can offer, it can result in increased labor costs for the GLPA, leading to financial strain. To cover the increased labor costs, the GLPA may need to raise pilotage charges, which can create dissatisfaction in the market and potential objection with the Canadian Transportation Agency. Another potential risk is a breakdown in communication between the union and management, leading to disagreements. This could result in low morale and job dissatisfaction among the pilots. The GLPA may also face external pressure from regulatory bodies or the media, which can influence the negotiations and create further complications. Additionally, if negotiations drag on for too long, it could result in delayed contract agreements and uncertainty for pilots and customers. This could lead to operational disruptions and financial losses for both the GLPA and its customers. Overall, it is crucial for the GLPA and its pilots to negotiate a fair agreement that meets both parties' needs while considering the market's economic realities. Failure to do so could have significant financial and operational consequences for the GLPA, its pilots, and the market. It is essential to maintain open communication and transparency throughout the negotiation process to minimize risks and ensure a successful outcome.	→	As part of our ongoing commitment to managing risks and protecting the best interests of the GLPA and pilots, the GLPA has implemented a proactive strategy by hiring a highly skilled and experienced lead negotiator. With expertise in negotiating union contracts, the lead negotiator is well-equipped to bridge the gap between the union's demands and the GLPA's offers. By finding common ground and negotiating a fair agreement that meets both parties' needs, we can hope to achieve the best possible outcome for both parties. We are confident that this approach will effectively safeguard the GLPA's interests and support our ongoing efforts to promote cost containment. Signing a no-strike and no-lock out agreement with the pilots due to their critical role in Great Lakes pilotage can help ensure uninterrupted traffic flow in the Great Lakes. This can prevent disruptions that could lead to costly financial losses for the GLPA and the shipping industry. Other strategies to mitigate risks in negotiating union contracts include maintaining open communication and transparency throughout the negotiation process, involving all stakeholders, and seeking external mediation or arbitration if necessary. These strategies can help prevent misunderstandings, maintain positive relationships with union members, and ensure a successful outcome for all parties involved. Overall, it is crucial to approach union contract negotiations with a strategic mindset, considering the risks and developing effective strategies to mitigate them. By doing so, the GLPA can negotiate fair agreements that meet both parties' needs, maintain positive relationships with union members, and ensure uninterrupted operations.

↑ Risk Increasing → Risk Stable ↓ Risk Decreasing

Financial Statements

Management Report

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

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

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

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

Michèle Bergevin
Chief Executive Officer

Robine St Germain, CPA, CMA,
Finance Manager

Cornwall, Ontario
March 2, 2023

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Great Lakes Pilotage Authority (the Authority), which comprise the statement of financial position as at 31 December 2022, and the statement of operations and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

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

Montréal, Canada
2 March 2023

Statement of Financial Position

(in Canadian dollars)

	December 31, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	$ 19,130,468	$ 17,379,903
Trade and other receivables	6,544,940	5,911,880
Prepaids	70,892	59,926
	25,746,300	23,351,709
Non-current		
Property and equipment (Note 7)	884,936	429,587
Intangible assets (Note 8)	53,879	74,090
Right-of-use asset (Note 9)	69,797	130,514
	$ 26,754,912	$ 23,985,900
LIABILITIES		
Current		
Accrued salaries and benefits	$ 15,981,516	$ 14,616,995
Other accounts payable and accrued charges	1,675,182	2,027,207
Employee benefits (Note 12)	220,200	500,600
Lease liability (Note 13)	84,914	75,220
	17,961,812	17,220,022
Non-current		
Employee benefits (Note 12)	1,564,000	1,679,800
Lease liability (Note 13)	–	61,321
	19,525,812	18,961,143
EQUITY		
Accumulated surplus	7,229,100	5,024,757
	$ 26,754,912	$ 23,985,900

Contingent liability (Note 14)
Commitments (Note 18)

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

Approved by the Board of Directors and authorized for issue on March 2, 2023.

M. Bergevin
Chief Executive Officer

J. Mills
Director

Statement of Operations and Comprehensive Income

For the year ended December 31 (in Canadian dollars)

	2022	2021
REVENUES		
Pilotage charges (Note 16)	$ 45,537,831	$ 44,687,507
Pilot boat income	216,754	172,074
Interest and other income	213,144	124,018
	45,967,729	44,983,599
EXPENSES		
Pilots' salaries and benefits	31,544,075	25,931,251
Transportation and travel	3,548,385	3,636,463
Pilot boat services	2,441,066	2,013,061
Operation staff salaries and benefits	1,868,374	1,819,623
Administration staff salaries and benefits	1,561,818	1,323,304
Professional and special services	685,786	508,549
Pilot training and recruiting costs	433,216	328,531
Pilot transfer services	329,386	284,111
Pilotage Act administration fees	316,919	201,067
Amortization and depreciation	300,289	217,276
Utilities, materials and supplies	220,428	203,076
Purchased dispatching services	182,686	182,195
Communications	125,864	117,309
Portable pilotage units and navigation software	115,823	163,259
Repairs and maintenance	70,252	98,762
Depreciation of right of use asset	64,430	63,299
Interest on lease liability	24,596	4,183
Interest and bank charges	18,711	12,600
Rentals	16,882	27,039
	43,868,986	37,134,958
Profit for the year	2,098,743	7,848,641
Other comprehensive income		
Items that will not be reclassified to net results		
Actuarial gain on employee benefits (Note 12)	105,600	12,500
Comprehensive income for the year	$ 2,204,343	$ 7,861,141

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

Statement of Changes in Equity

For the year ended December 31 (in Canadian dollars)

	2022	2021
Accumulated surplus (deficit), beginning of year	$ 5,024,757	$ (2,836,384)
Profit for the year	2,098,743	7,848,641
Other comprehensive income for the year	105,600	12,500
Total comprehensive income for the year	2,204,343	7,861,141
Accumulated surplus, end of year	$ 7,229,100	$ 5,024,757

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

Statement of Cash Flows

For the year ended December 31 (in Canadian dollars)

	2022	2021
OPERATING ACTIVITIES		
Profit for the year	$ 2,098,743	$ 7,848,641
Adjustments to determine net cash (used in) provided by operating activities:		
Employee benefits	(290,600)	(229,600)
Amortization and depreciation	300,289	217,276
Depreciation of right of use assets	64,430	63,299
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	(633,060)	659,779
Increase in prepaids	(10,966)	(4,327)
Increase (decrease) in accrued salaries and benefits	1,364,521	(635,715)
Increase (decrease) in other accounts payable and accrued charges	(352,025)	289,799
Decrease in pilotage charges under objection	–	(5,017,598)
Net cash provided by operating activities	2,541,332	3,191,554
INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets	(735,427)	(70,915)
Net cash used in investing activities	(735,427)	(70,915)
FINANCING ACTIVITIES		
Payment of the lease liability	(55,340)	(73,577)
Net cash used in financing activities	(55,340)	(73,577)
CASH AND CASH EQUIVALENTS		
Net increase in cash during the year	1,750,565	3,047,062
Balance, beginning of year	17,379,903	14,332,841
Balance, end of year	$ 19,130,468	$ 17,379,903
Represented by:		
Cash	$ 19,130,468	$ 17,379,903
SUPPLEMENTAL INFORMATION		
Interest paid during the year	$ –	$ –

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

Notes to the Financial Statements

December 31, 2022 (in Canadian dollars)

1. AUTHORITY AND OBJECTIVES

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

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

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

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

The Authority is exempt from any income taxes.

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

Regulation of tariff of pilotage charges

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

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

2. BASIS OF PRESENTATION

(a) Declaration of conformity

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements were approved by the Board of Directors on March 2, 2023.

(b) Basis of measurement

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

3. NEW AND REVISED ACCOUNTING STANDARDS

The IASB issued amendments to the following standards, which are effective for the Authority's annual periods beginning on or after January 1, 2023:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Management is currently assessing the impact of adopting these amendments on the Authority's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. The Authority had nil cash equivalents as at December 31, 2022 (2021 – nil).

(b) Investments

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

(c) Property and equipment

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

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

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

(d) Intangible asset

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

Asset category	Estimated useful life
Software	Up to 5 years

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

(e) Right-of-Use asset and lease liability

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

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

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

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

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

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

(f) Pension benefits

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

(g) Severance benefits

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

The benefit costs are determined using the cost of employee benefits for the current years' service, the interest cost on the accrued benefit obligation, the benefits paid and net actuarial gain or loss for the year.

(h) Retirees' death benefits

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

The annual cost of this benefit comprises the amount of benefits paid in the year, the interest cost on the accrued benefit obligation plus the change in the actuarial liability during the year, reduced by a retiree contribution.

(i) Employee benefits

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

(j) Effects of changes in foreign exchange rate

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

(k) Revenue recognition

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

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

(I) Financial assets

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

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

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

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

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

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

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

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

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

Objective evidence of impairment could include the following:

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

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

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

(iii) Derecognition of financial assets

A financial asset is derecognized when:

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

(m) Financial liabilities

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

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

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

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

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

(ii) Derecognition of financial liabilities

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

(n) Exchange of services

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(a) Significant accounting estimates

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

Employee severance and retirees death benefits

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

Amortization and Depreciation rates

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

(b) Significant accounting judgments

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

6. FINANCIAL INSTRUMENTS

Risk management

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

Credit risk

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

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

The Authority's trade and other receivables had a carrying value of $6,544,940 as at December 31, 2022 (December 31, 2021 – $5,911,880). There is no concentration of accounts receivable with any one customer. As at December 31, 2022, 0% (December 31, 2021 – 0%) of accounts receivable were over 90 days past due, whereas 99.8% (December 31, 2021 – 92.9%) were current, or less than 30 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The Authority's allowance for doubtful accounts was nil at December 31, 2022, and at December 31, 2021.

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

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority must operate on a self-sufficiency basis and does not have access to Parliamentary appropriations and, as a result, depends on its funding sources, borrowing and cash flows from operating activities to fill its financing requirements. The Authority manages liquidity risk by continuously monitoring actual and projected cash flows. The Authority has a revolving demand credit facility with a Canadian chartered bank of up to $5.0 million to provide working capital financing. The interest rate is equivalent to the bank's prime rate. The Minister of Finance authorizes this amount. The credit facility is available to the Authority as required and is renewed annually. At December 31, 2022, the Authority was not using the line of credit (December 31, 2021 – nil). During the year, the interest expense was nil (2021 – nil). The Authority took measures to obtain a line of credit in order to meet its financial obligation. As at December 31, 2022, and December 31, 2021, the Authority's financial liabilities were limited to accrued salaries and benefits and other accounts payable and accrued charges.

The Authority's financial liabilities had a carrying value of $17,656,698 (December 31, 2021 - $16,644,202). As at December 31, 2022 (December 31, 2021 – 100%), all of the Authority's accrued salaries and benefits and other accounts payable and accrued charges were current or less than 90 days.

Market risk

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

Fair values

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

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

7. PROPERTY AND EQUIPMENT

	Buildings	Furniture	Leasehold improvements	Communication and computer equipment	Projects in Progress	**Total**
COST						
At January 1, 2021	$ 357,832	$ 260,438	$ 242,633	$ 517,637	$ –	**$ 1,378,540**
Assets Acquired	–	6,327	10,204	25,968	–	**42,499**
Disposals	–	–	–	–	–	**–**
Transfers	–	–	–	–	–	**–**
At December 31, 2021	$ 357,832	$ 266,765	$ 252,837	$ 543,605	$ –	**$ 1,421,039**
Assets Acquired	–	7,128	–	715,024	–	**722,152**
Disposals	–	(6,144)	–	(3,113)	–	**(9,257)**
Transfers	–	–	–	–	–	**–**
At December 31, 2022	**$ 357,832**	**$ 267,749**	**$ 252,837**	**$ 1,255,516**	**$ –**	**$ 2,133,934**
ACCUMULATED DEPRECIATION						
At January 1, 2021	$ 90,366	$ 167,039	$ 167,244	$ 461,378	$ –	**$ 886,027**
Depreciation for the year	15,967	18,098	28,531	42,829	–	**105,425**
Disposals	–	–	–	–	–	**–**
Transfers	–	–	–	–	–	**–**
At December 31, 2021	$ 106,333	$ 185,137	$ 195,775	$ 504,207	$ –	**$ 991,452**
Depreciation for the year	15,967	18,810	28,531	203,495	–	**266,803**
Disposals	–	(6,144)	–	(3,113)	–	**(9,257)**
Transfers	–	–	–	–	–	**–**
At December 31, 2022	**$ 122,300**	**$ 197,803**	**$ 224,306**	**$ 704,589**	**$ –**	**$ 1,248,998**
CARRYING AMOUNTS						
At December 31, 2021	$ 251,499	81,628	57,062	39,398	–	**429,587**
At December 31, 2022	**$ 235,532**	**$ 69,946**	**$ 28,531**	**$ 550,927**	**$ –**	**$ 884,936**

8. INTANGIBLE ASSETS

	Software	Projects in Progress	Total
COST			
At January 1, 2021	$ 620,759	$ –	**$ 620,759**
Assets Acquired	28,416	–	**28,416**
Disposals	–	–	**–**
Transfers	–	–	**–**
At December 31, 2021	$ 649,175	$ –	**$ 649,175**
Assets Acquired	13,275	–	**13,275**
Disposals	–	–	**–**
Transfers	–	–	**–**
At December 31, 2022	**$ 662,450**	**$ –**	**$ 662,450**
ACCUMULATED DEPRECIATION			
At January 1, 2021	$ 463,234	$ –	**$ 463,234**
Amortization for the year	111,851	–	**111,851**
Disposals	–	–	**–**
Transfers	–	–	**–**
At December 31, 2021	$ 575,085	$ –	**$ 575,085**
Amortization for the year	33,486	–	**33,486**
Disposals	–	–	**–**
Transfers	–	–	**–**
At December 31, 2022	**$ 608,571**	**$ –**	**$ 608,571**
CARRYING AMOUNTS			
At December 31, 2021	$ 74,090	$ –	**$ 74,090**
At December 31, 2022	**$ 53,879**	**$ –**	**$ 53,879**

9. RIGHT-OF-USE ASSETS

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

	Building	**Total**
COST		
At January 1, 2021	$ 314,546	**$ 314,546**
Re–measurement	2,010	**2,010**
Additions	–	**–**
At December 31, 2021	$ 316,556	**$ 316,556**
Re–measurement	3,713	**3,713**
Additions	–	**–**
At December 31, 2022	**$ 320,269**	**$ 320,269**
ACCUMULATED DEPRECIATION		
At January 1, 2021	$ 122,743	**$ 122,743**
Depreciation for the year	63,299	**63,299**
Additions	–	**–**
At December 31, 2021	$ 186,042	**$ 186,042**
Depreciation for the year	64,430	**64,430**
Additions	–	**–**
At December 31, 2022	**$ 250,472**	**$ 250,472**
CARRYING AMOUNTS		
At December 31, 2021	130,514	**130,514**
At December 31, 2022	**$ 69,797**	**$ 69,797**

10. BANK INDEBTEDNESS AND BANK OVERDRAFT

Bank indebtedness and bank overdraft at December 31 was nil for 2022 and 2021.

11. PENSION PLAN

All of the Authority's employees are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employee's required contribution. The general contribution rate effective at year end was $1.02 for employees hired prior to January 1, 2013, and $1.00 for employees hired after December 31, 2012 (2021 – $1.01 and $1.00 respectively) for every dollar contributed by the employee. If an employee's annual salary is greater than $191,300 (2021 – $181,600), the portion of the employee's salary above this amount is subject to an employer contribution of $5.91 (2021 – $3.59) for every dollar contributed by the employee. Contributions during the year were as follows:

	December 31, 2022	December 31, 2021
Authority	**$ 1,458,380**	$ 1,382,142
Employee	**1,478,260**	1,361,438
Total contributions	**$ 2,936,640**	$ 2,743,580

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

The Authority expects that cash outlays of $1,604,218 will be made to the plan in 2023.

12. EMPLOYEE BENEFITS

(a) Severance benefits

The post-employment severance benefit is provided to all current employees under various collective agreements and employment contracts. The cost of the benefit is fully paid by the Authority. This plan is unfunded and requires no contributions from employees. The Authority measures its accrued benefit obligations of its post-employment severance benefit for accounting purposes as at December 31st of each year. The weighted average of the maturity of the plan at December 31 was 3.0 years (2021 – 5.4 years). The plan is sensitive to a significant actuarial assumption which is the discount rate.

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

The method to determine the discount rate did not change in 2022 and is based on projected cash flows and a yield curve.

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

	December 31,2022	December 31,2021
RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
Defined benefit obligation, beginning of year	$ 2,042,900	$ 2,274,500
Current service cost	–	–
Interest cost	47,100	38,600
Benefits paid	(319,800)	(262,800)
Curtailment	–	–
Actuarial loss (gain)	(92,400)	(7,400)
Defined benefit obligation, end of year	$ 1,677,800	$ 2,042,900
COMPONENTS OF EXPENSE RECOGNIZED IN PROFIT AND LOSS		
Current service cost	$ –	$ –
Interest cost	47,100	38,600
Curtailment	–	–
Total expense recognized in profit and loss	$ 47,100	$ 38,600
ANALYSIS OF ACTUARIAL GAIN OR LOSS		
Experience	$ –	$ 38,300
Change in financial assumptions	(92,400)	(45,700)
Change in demographic assumptions	–	–
Actuarial loss (gain)	$ (92,400)	$ (7,400)
CLASSIFICATION OF DEFINED BENEFIT OBLIGATION		
Current Portion	$ 205,000	$ 485,000
Non-current Portion	1,472,800	1,557,900
Defined benefit obligation, end of year	$ 1,677,800	$ 2,042,900
KEY ASSUMPTIONS USED IN THE ACTUARIAL VALUATION		
Discount rate	5.10%	2.50%
Estimated salary rate increase	2.50%	2.50%
Age at retirement	65 or current age if older	65 or current age if older

A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $35,700. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $31,600.

The Authority expects that no contributions will be made to the plan in 2023.

(b) Retirees' death benefits

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

The Authority measures the accrued benefit obligation of the retirees' death benefit plan for accounting purposes as at December 31 of each year.

The method to determine the discount rate did not change in 2022 and is based on projected cash flows and a yield curve.

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

	December 31,2022	December 31,2021
RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
Defined benefit obligation, beginning of year	$ 137,500	$ 148,000
Current service cost	–	–
Interest cost	3,200	2,600
Benefits paid	(23,900)	(12,000)
Retirees' contributions	2,800	4,000
Actuarial loss (gain)	(13,200)	(5,100)
Defined benefit obligation, end of year	$ 106,400	$ 137,500
COMPONENTS OF EXPENSE RECOGNIZED IN PROFIT AND LOSS		
Current service cost	$ –	$ –
Interest cost	3,200	2,600
Total expense recognized in profit and loss	$ 3,200	$ 2,600
ANALYSIS OF ACTUARIAL GAIN OR LOSS		
Experience	$ –	$ –
Change in financial assumptions	(13,200)	(5,100)
Change in demographic assumptions	–	–
Actuarial loss (gain)	$ (13,200)	$ (5,100)
CLASSIFICATION OF DEFINED BENEFIT OBLIGATION		
Current Portion	$ 15,200	$ 15,600
Non-current Portion	91,200	121,900
Defined benefit obligation, end of year	$ 106,400	$ 137,500

KEY ASSUMPTIONS USED IN THE ACTUARIAL VALUATION		
Discount rate	5.00%	2.50%

The weighted average of the maturity of the plan at December 31 was 4.7 years (2021 – 5.3 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $7,400. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $6,700.

The Administration expects that no contributions will be made to the plan in 2023.

13. LEASE LIABILITY

The Authority's outstanding lease liability is:

	December 31, 2022	December 31, 2021
Cornwall Head Office Lease: Lease payable in monthly instalments including interest at 3.95%, amortized over 5 years, term ending January 31, 2024	$ 84,914	$ 136,541
Current portion	84,914	75,220
Non-current portion	–	61,321
Carrying amount, end of the period	$ 84,914	$ 136,541

Interest expense on the lease for the year 2022 amounted to $24,596.

14. CONTINGENT LIABILITY

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

15. CAPITAL MANAGEMENT

The Authority's capital is its equity, which consists of accumulated surplus of $7,229,100 (2021 – $5,024,757).

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

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings to ensure that its objectives are achieved efficiently. The pilotage charges must be fair and reasonable and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

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

16. PILOTAGE CHARGES

The following table presents pilotage charges disaggregated by revenue source for the years 2022 and 2021:

	December 31, 2022	December 31, 2021
Basic Pilotage	$ 38,553,256	$ 31,244,785
Docking/undocking	2,577,211	2,218,906
Delays/detentions	617,258	298,714
Cancellations	287,448	289,477
Pilot transfers	334,447	302,500
Pilot Boat charges	754,227	735,424
Continued transit charge	–	2,478,875
Transport Canada Administration Recovery	281,985	249,040
Surcharges	2,131,999	1,857,578
Pilotage charges under objection	–	5,012,208
Total Pilotage charges	$ 45,537,831	$ 44,687,507

Pilotage charges under objection

On February 11, 2020, the Canadian Transportation Agency (CTA) received a notice of objection on some of the Authority's proposed 2020 pilotage charges. As a result, the Authority deferred all revenue related to the proposed 2020 pilotage charges as it did not meet the Authority's revenue recognition accounting policy.

On November 4, 2021, the CTA issued its decision on the objection, resulting in the pilotage charges under objection being recognized in the 2021 Statement of Operations and Comprehensive Income.

17. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2022, and 2021 included:

	December 31, 2022	December 31, 2021
Compensation and short-term employee benefits	$ 1,132,694	$ 890,505
Post-employment benefits	72,776	75,754
	$ 1,205,470	$ 966,259

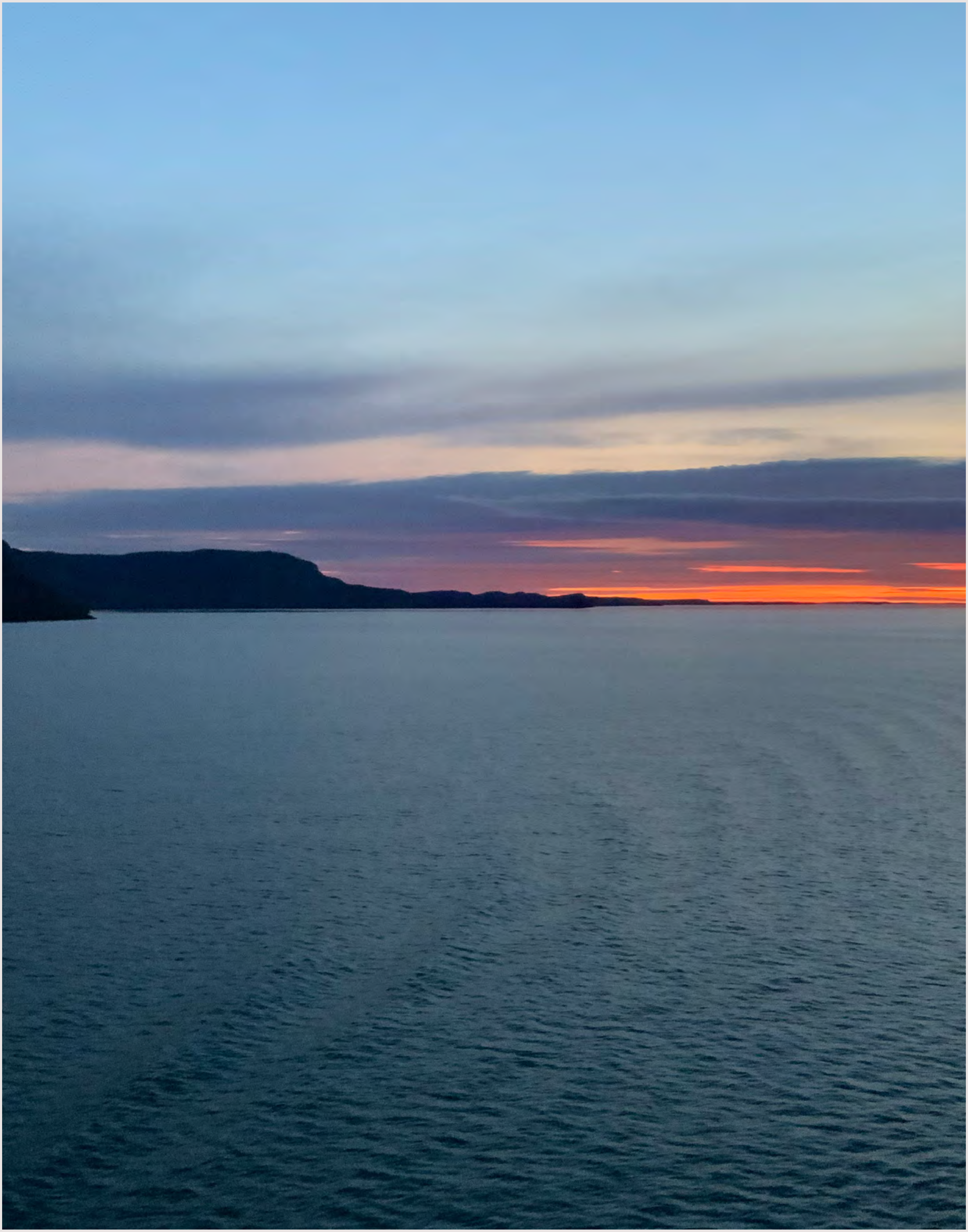
18. COMMITMENTS

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

	December 31, 2022	December 31, 2021
Less than 1 year	$ 342,477	$ 1,369,860
Between 1 and 5 years	266,177	451,684
More than 5 years	69,316	67,750
	$ 677,970	$ 1,889,294

19. NON-MONETARY TRANSACTIONS

The Authority recorded revenue from non-monetary transactions of $138,843 (2021 – $114,828) under "Pilot boat income" and expenses from non-monetary transactions of $138,843 (2021 – $114,828) under "Pilot boat services" in the Statement of Operations and Comprehensive Income. The nature of non-monetary transactions is mainly related to pilot boat charges.



GREAT LAKES PILOTAGE AUTHORITY

HEAD OFFICE

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

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

WEBSITE

glpa-apgl.com

GRAPHIC DESIGN

Gauthier Designers

PHOTOS

All photos in this report were taken by Authority Pilots, except for pages 4 , 9, 13, 14, 24, 26, 33, 34, 40, 42, 45, 46, 50, 64, 65 and C4

Ce document est aussi disponible en français.

Great Lakes Pilotage Authority

Administration de pilotage des Grands Lacs