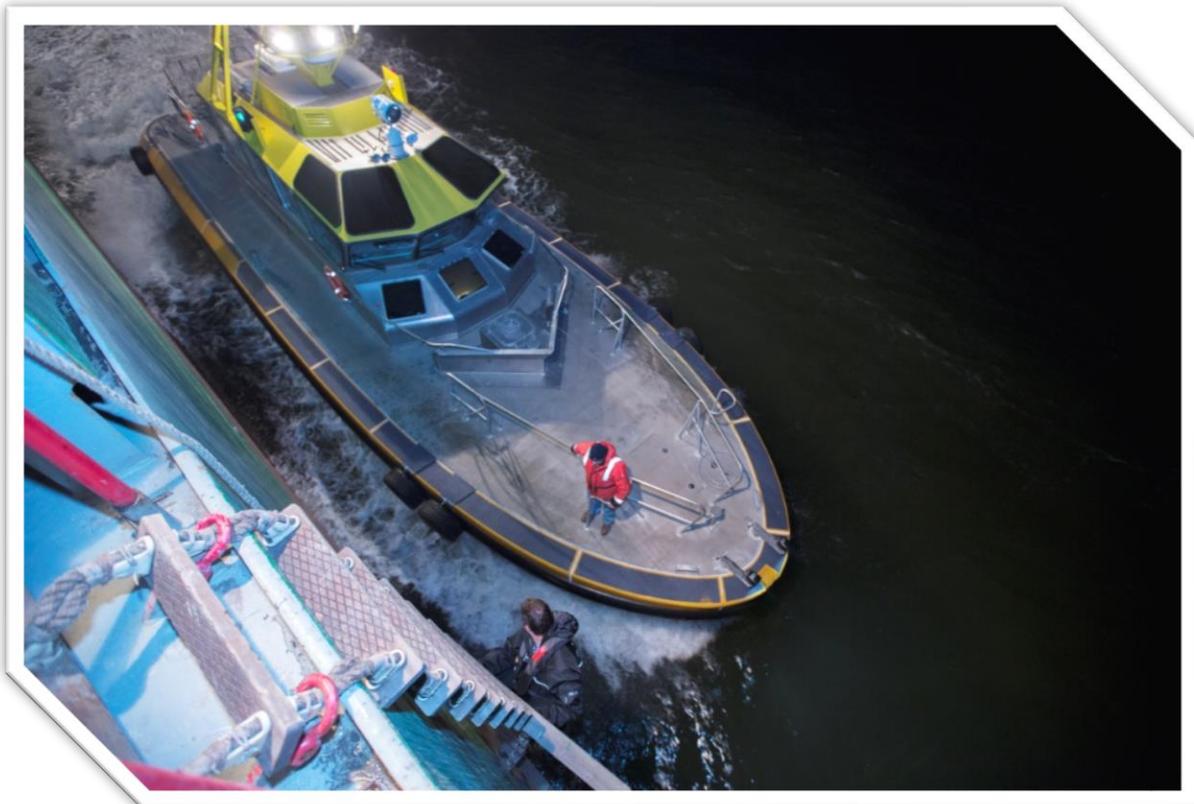




PACIFIC PILOTAGE AUTHORITY

Corporate Plan Summary (2020 – 2024)



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**Board Approval Date  
November 4, 2019**

Version: November 4, 2019

# PACIFIC PILOTAGE AUTHORITY

## CORPORATE PLAN

### 2020 TO 2024

#### 1. Executive Summary

The Pacific Pilotage Authority ("PPA" or "the Authority") manages Canada's interests by providing pilotage services on the west coast of Canada.

Pilotage services and ship assignments are a measure of Canada's economic pulse in real time. In fiscal 2020, we anticipate that Canada will see a 1.4% increase in assignment trade volumes on the West Coast; due primarily to increases in container, grain and cruise assignment volumes.

The west coast of Canada is expected to handle approximately 13,500 assignments in fiscal 2020, 2021 and 2022. This volume is expected to increase to 15,000 assignments in fiscal 2023 as a result of an expectation of two large energy projects moving to production (Trans Mountain Expansion and Canada LNG).

With this significantly increased volume, we intend to continue to maintain our low incident and delay free assignment ratios. The Authority has achieved a 99.96% and 99.98% average incident and delay free ratio on over the past decade.

In order to handle the expected increases in volumes in fiscal 2023 without affecting incidents or reliability, the Authority will be faced with increasing its pool of Coast Pilots over the Corporate Plan years. Finding suitable candidates and having to support the costs associated with increasing the supply of the pilot pool are significant challenges we will face. Unfortunately waiting for these projects to go into production is not possible considering that these energy projects will demand our experienced senior pilots; and having short supply of pilots will result in either delays or an increased risk of incidents due to pilot fatigue.

The Authority will continue its focus on the development of a national framework that provides a platform to address issues that are common to pilotage in Canada. To this extent, the Authority intends to help create a National Advisory Committee made up of the four Pilotage Authorities, the government, and stakeholders.

The Authority intends to roll out an update to its advanced traffic, financial, and workforce planning model in fiscal 2020. This model has become widely accepted by industry as a reliable tool for projecting future tariffs and manpower requirements, and a platform to evaluate the effects of multiple scenarios on the Authority's business. This new update will allow the Authority to evaluate the potential of a national application of the model. The possibility of creating a uniform system of reporting and measurement across all four Authorities is wanted by Industry. Financial assumptions have included the addition of a full-time staff member in the Authority to work on this application.

The Authority's strategic goals include embracing a culture of continuous improvement. To this end, the Authority intends to continue to identify and implement improvements to its day-to-day service delivery model and operating capabilities. This includes cost comparisons to other pilotage authorities to identify areas for improvement, maintaining ISO compliance, implementing

#### Objectives (summarized):

1. Provide safe, reliable and efficient marine pilotage
2. Ensure financial self-sufficiency
3. Promote organizational and environmental sustainability
4. Demonstrate leadership
5. Manage Risk
6. Focus on the future

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# PACIFIC PILOTAGE AUTHORITY

## CORPORATE PLAN

### 2020 TO 2024

new key performance indicators to gauge performance and evaluating the implementation of helicopter boarding services for future energy projects.

In the Corporate Plan years, the Authority will face some major decisions and challenges. The key major decisions and challenges include:

- the adoption of new technology to help increase safety and the information our stakeholders want and need, while simultaneously reducing costs;
- the acquisition of a pilot launch to replace aging assets, and how to facilitate helicopter boarding in the South Coast;
- succession planning for impending retirements of key members of the management team; and
- implementation of *Pilotage Act* review changes.

Key capital projects over the Corporate Plan years include:

- The construction of a pilot launch for the Victoria and Cape Beale stations.
- Dispatching and accounting legacy system upgrade.
- Portable Pilotage Units (PPUs) for new pilots.
- Simulator upgrades (for pilot training, proof of concepts and risk assessments).

New activities over the years covered by the Corporate Plan include the application of changes as a result of the *Pilotage Act* modernization. The Authority will need to adjust in accordance with new legislative changes. The changes are an opportunity to work closer with Transport Canada to gain greater flexibility to improve our service delivery model.

The arrival of new energy projects on the West Coast will result in an increased need for pilot transportation using helicopters, as this was a recommendation out of the Termpol (risk analysis) process. The new pilot launch, a new helicopter program and the new dispatch and accounting programs will require a combination of internal and external financing. As such, a request for borrowing is included to the Minister of Finance as part of this proposal.

The Authority is expected to post a comprehensive loss of \$901k in fiscal 2020 and an aggregate comprehensive loss of \$539k over the years covered by the Corporate Plan. In fiscal 2020, we plan to implement moderate 2.25% tariffs which will maintain the Authority's financial position so that there will be positive operating cash flows, offset by capital expenditures, to result in a stable long-term average operating cash position of \$3 million.

The Authority will continue to pursue its mandate of providing a safe, efficient and cost-effective pilotage operation on the west coast of Canada by meeting its strategic objectives and remaining committed to lead a world-class marine pilotage service on the west coast of Canada. Our success is largely a result of the excellent relationship that we enjoy with our shareholder, the industry we serve and the pilots moving the vessels safely on our coast.

**PACIFIC PILOTAGE AUTHORITY  
CORPORATE PLAN  
2020 TO 2024**

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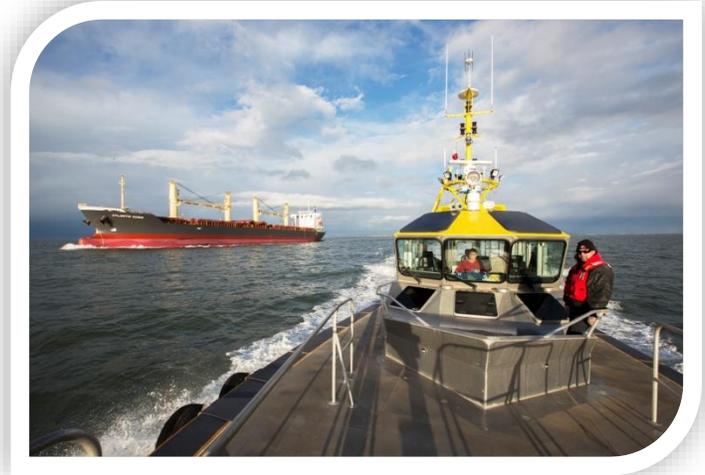
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# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

## 2. Corporation, Mandate, Mission, Vision

### Background

The Pacific Pilotage Authority ("PPA" or "the Authority") is a Crown corporation listed in Schedule III, Part 1 of the *Financial Administration Act*. It reports to the Parliament of Canada through the Minister of Transport. The Authority is responsible for Canadian federal interests in pilotage and is headquartered in Vancouver, British Columbia.



The PPA's responsibilities and relationships are varied and reflect the unique nature of the west coast of Canada. Our area of jurisdiction encompasses the entire British Columbia coast, extending approximately two nautical miles from every major point of land. This jurisdiction includes the Fraser River and stretches from Alaska in the north to Washington State in the south and at approximately 15,000 kilometres, is one of the largest pilotage areas in the world.

### Mandate

The Authority's mandate is to establish, operate, maintain and administer in the interests of safety of navigation, an efficient pilotage service. This is all in keeping with the purpose and principles outlined below.

### Purpose and Principles

The provision of pilotage services needs to be in accordance with the following purpose and principles:

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

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

## Key Authorities

To carry out its responsibilities the Authority has made regulations, approved by Governor in Council, pursuant to the *Pilotage Act* for:

1. Establishing compulsory pilotage areas,
2. Prescribing the ships or classes of ships that are subject to compulsory pilotage,
3. Prescribing classes of pilot's licences and classes of pilotage certificates that may be issued,
4. Prescribing the tariffs of pilotage charges to be paid to the Authority for pilotage services.



In addition, the Authority is empowered by the *Pilotage Act* to:

1. Employ such officers and employees, including licensed pilots, as are required,
2. Contract with a body corporate for the services of licensed pilots,
3. Make by-laws respecting the management of its internal affairs,
4. Purchase, lease, or otherwise acquire land, buildings, pilot launches and such other equipment and assets as may be required and to dispose of any such assets acquired.

Some of the key authorities listed above will change in the next few years as a result of the changes to the *Pilotage Act*. The key authorities listed above are valid as of the date of this Corporate Plan.

# **PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024**

## **Corporate Objectives**

In order to achieve its mandate, the Authority's Corporate Objectives are:

1. To provide safe, reliable and efficient marine pilotage and related services in the coastal waters of British Columbia, including the Fraser River, by embracing a culture of continuous improvement.
2. To provide the services within a commercially oriented framework, by maintaining financial self-sufficiency, through a combination of cost management and fees that are fair and reasonable.
3. To implement sustainable practices within the Authority with a focus on quality assurance, and to contribute to the federal government's environmental, social and economic policies as they apply to the marine industry on the Pacific coast of Canada.
4. To assume a leadership role in the marine industry we serve, by exerting national influence and engaging the community in order to facilitate decisions that result in improvements to navigational safety and the efficiency of marine operations.
5. To ensure that risk management tools are used in all safety related decisions for both the organization and its operations and that evolving technologies are taken into consideration.
6. By using early warning indicators, ensure that the Authority is prepared, both financially and operationally, to deal effectively with changes to the marine industry, the changing regulatory landscape and the complex environment within which we operate

## **Mission Statement**

The Pacific Pilotage Authority is dedicated to providing safe, efficient, and cost-effective marine pilotage. We will do this by working in partnership with the pilots, the shipping industry and the communities in which we operate, to protect the environment and advance the interests of Canada and its people.

A copy of the Authority's 2018 Annual Report can be located at - <https://www.ppa.gc.ca/sites/default/files/2019-05/PPA%202018%20Annual%20Report%20ENG%20FINAL.pdf>

## **Vision Statement**

To lead a world-class marine pilotage service on the west coast of Canada.

# PACIFIC PILOTAGE AUTHORITY

## CORPORATE PLAN

### 2020 TO 2024

#### Description of Operations

The Authority is responsible for providing safe, reliable and efficient marine pilotage in the coastal waters of British Columbia, including the Fraser River. The Authority has established five areas subject to compulsory pilotage.

When a vessel intends to enter compulsory pilotage waters on the British Columbia coast, it will initiate an order for a pilot at a specified time, date and boarding station. A pilot either contracted to or employed by the Authority will carry out this assignment. Pilots are boarded on vessels from a dock or by pilot launch and are disembarked by pilot launch when a vessel leaves pilotage waters.

The head office of the Authority is in Vancouver, British Columbia. Pilots are dispatched to their assignments through a central dispatch office in Vancouver and a traffic coordination office in Victoria.

To provide pilots with water transportation to/from ships, the Authority operates pilot launches at three permanent boarding stations. These stations are at Victoria, Prince Rupert and Steveston which have employee-crewed launches.

Additionally, a contract launch is operated by a contractor at Pine Island (northern tip of Vancouver Island). The Nanaimo Port Authority is also a contract launch operation carrying out pilot changes off Snake Island in the Nanaimo area.

On the west coast of Vancouver Island at Cape Beale, the Authority has a designated boarding station which services the Port Alberni region. The Authority has the flexibility to service this station by helicopter or by pilot launch.

#### Human Resources Overview

The following table summarizes the Authority's current staffing:

Function	Full Time Equivalents
Executive Management	4
Management	6
Employee Pilots	8
Administrative & Accounting	6
Dispatch	17
Launch	39
<b>Total</b>	<b>80</b>

The Authority has collective agreements with three groups of employees. These collective agreements are summarized below:

- the Canadian Merchant Service Guild, representing all employee pilots, expires January 31, 2020

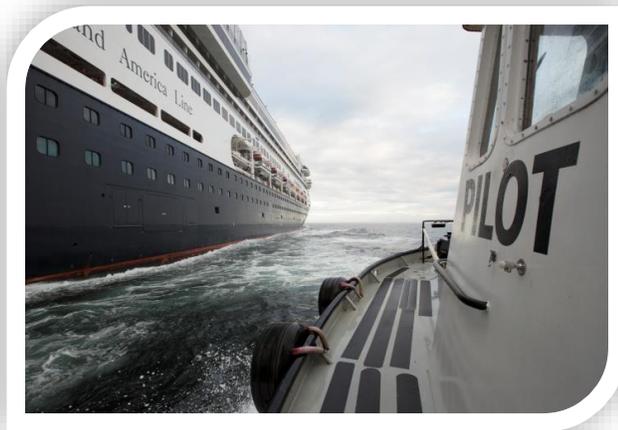
# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

- the Canadian Merchant Service Guild, representing all launch masters and engineers, expires March 31, 2023
- the International Longshore & Warehouse Union, Local 520, representing all deckhands, dispatchers and administrative staff, expires March 31, 2022

The Authority contracts with the British Columbia Coast Pilots Ltd. for coastal pilotage services. During 2018, a workforce of approximately 115 contract pilots (89 full-time, 17 seasonal and 9 half-time) provided coastal pilotage services to the Authority. We expect this number to increase to approximately 121 pilots by the end of fiscal 2019.

## Pilot Launches (Pilot Boats)

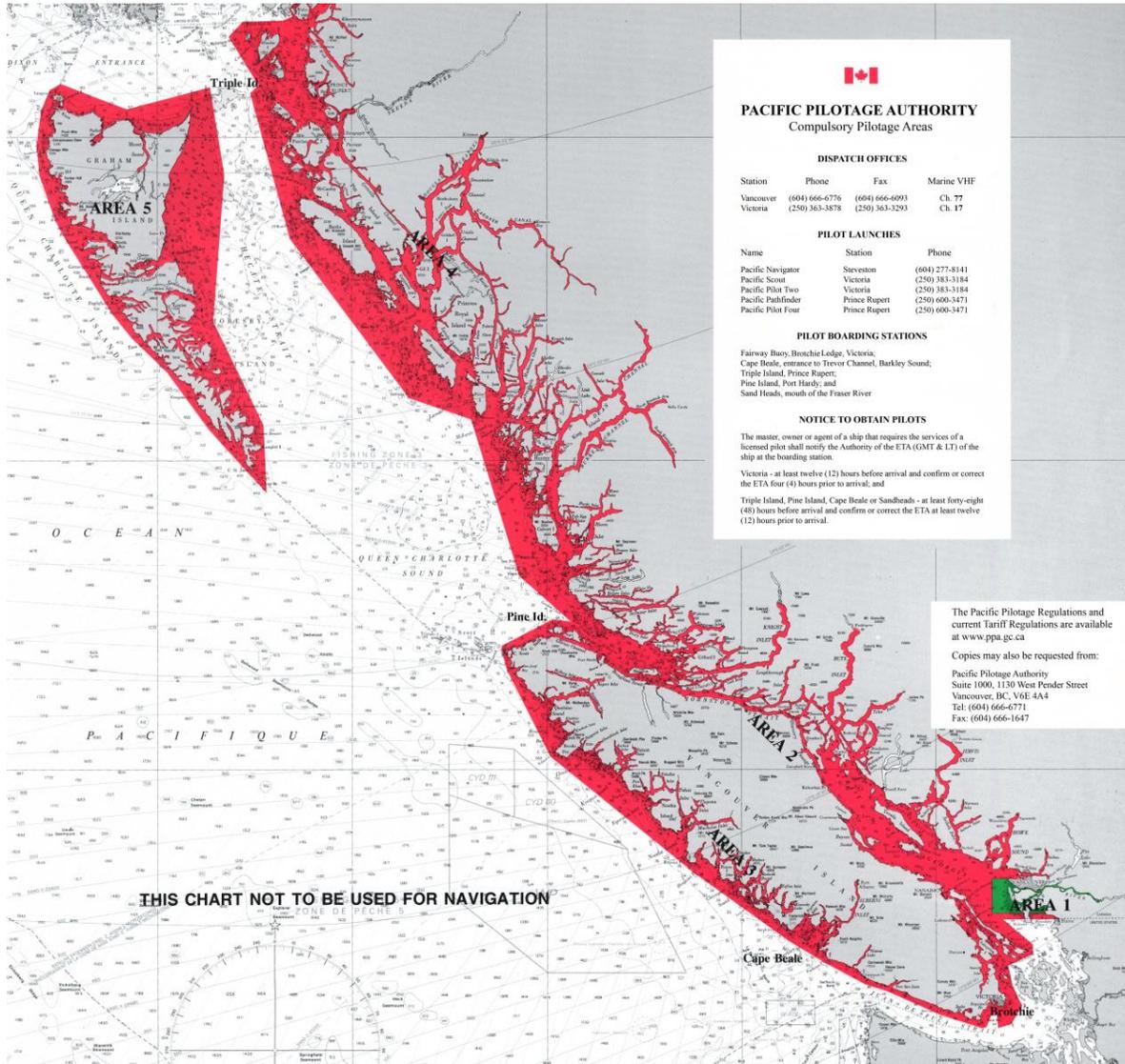
The Authority's pilot launch fleet consists of six specially designed pilot launches. The Authority has implemented an enhanced planned maintenance program, which will ensure all service and safety demands are met in a timely, orderly and cost effective fashion. All launches are on a four-year Transport Canada inspection cycle. The newer launches perform the majority of the boardings with the older vessels being used mainly in a back-up role.



The Authority has prepared a Launch Replacement Program which ensures a steady supply of launch services for the industry we serve through fiscal 2030.

The Authority's jurisdiction covers the entire coastline of British Columbia. We service all major ports on the coast as compared to other jurisdictions that may service only one port. As indicated in the following diagram, the most northern port we service is Stewart, to the north is Alaska, USA, and to the south is Washington State, USA.

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024



Please refer to the Authority's fiscal 2018 Annual Report for further corporate information.

<https://www.ppa.gc.ca/sites/default/files/2019-05/PPA%202018%20Annual%20Report%20ENG%20FINAL.pdf>

**PACIFIC PILOTAGE AUTHORITY  
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**3. Operating Environment**

At its most basic level, the Authority provides marine pilots as trusted navigators who use their knowledge of local waters and expert ship handling skills to direct a vessel and navigate it through BC's ports and waterways using the safest route. This route can change daily depending on factors like other marine traffic, winds and tides.

**External Environment Factors**

In order to fulfil its defined objectives in achieving its mandate, the following is a brief listing of the key external environmental issues faced by the Authority:

- **The Economy**  
The overall current state and future outlook of local, national and international economic health will have a direct impact on cargo trade and tourism. This impact will directly impact the Authority's assignment volumes and ultimately drive how the Authority supplies its services in a safe and efficient manner.
- **Impacts of Trade Barriers**  
The imposition of any nationalistic trade barriers and tariffs on imports/exports (particularly with China and the U.S.) could have a significant effect on shipping volumes in western Canada as users and corporations adjust their trade to new operational markets based on new realities.
- **Pilotage Act Modernization**  
The implementation of the amended *Pilotage Act* is geared toward supporting the delivery of safe, efficient and environmentally responsible marine pilotage services into the future.

Key authorities are likely to change over the life of this Corporate Plan as amendments to the *Pilotage Act* come into force. The Authority will continue to play an integral role in both the transition to the new pilotage system, as well as the ongoing delivery of pilotage services on the west coast of Canada.

- **Increasing size of vessels with no increase in supporting infrastructure**  
Vessels are growing at an average annual pace of 3% on the west coast of Canada. We have noted that investment into terminal growth and related infrastructure generally fails to keep pace with the growth in ship sizes. The result is an increasing risk of incidents. The Authority reduces this risk by continuously evaluating and adjust mitigations, including the usage of supporting technology (which is discussed below).
- **Increases in Parks and Marine Protected Areas**  
The preservation and restoration of marine ecosystems vulnerable to increased marine shipping and development is a federal government responsibility.

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

Accordingly, this is a key priority of the Authority in meeting its mandate. The results of changes to boundaries associated with parks and marine protected areas, however, may influence traffic patterns and the areas of our operation.

## Internal Environment Factors

In order to fulfil its defined objectives in achieving its mandate, the following is a brief listing of the key internal issues faced by the Authority as well as some of the strengths used to support success:

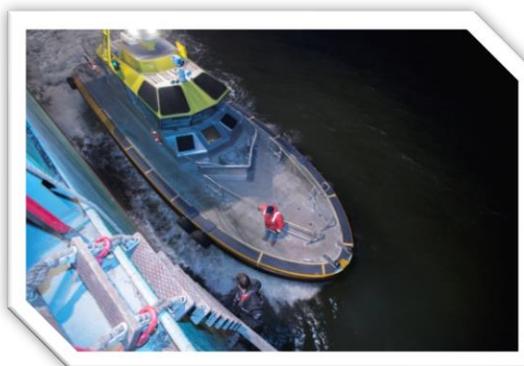
- **Pilot supply**

The west coast of Canada is expecting significant growth. The impact of a number of proposed new projects brings a risk to the Authority in meeting demand with sufficient pilot supply, without sacrificing safety or increasing the risks of fatigue. A current coastal pilot takes 6 years to reach a level of proficiency in which no restrictions are placed on the class of ships they can pilot. The risks of short supply and fatigue given increasing demand may necessitate a future review of the geographical distribution of pilotage services. We believe the model we operate with today is the best given our mandate but continue to remain open to monitoring other models for pilot supply best practices.

- **New projects**

The arrival of new projects brings opportunities for growth in western Canada's trade and ultimately in the Authority's business.

However, the Authority finds itself with an ever-increasing portfolio of responsibility in being called on to provide assistance along with the pilots in determining the safety of the proposals with respect to pilotage.



In addition, there are a multitude of groups, including indigenous communities, looking for insight into the safety and security of these large projects. Our safety mandate makes the Authority well equipped to speak objectively to the operational reality of the safety of shipping in western Canada.

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# PACIFIC PILOTAGE AUTHORITY

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- **Engagement philosophy**

The Authority is aligned with the Government's policy on openness and transparency. To this extent the Authority has strengthened its relationships with its key stakeholders, adopting a collaborative approach to consultation to assist the organisation in making the best decisions.

- **Safety culture**

All of the key strategic issues identified above in meeting our objectives are addressed within a cultural environment of maintaining a world class level of safety and reliability; something which is contextually considered within each and every decision we make.

- **Alignment with Government Priorities**

The activities of the Authority support the Government's priorities. Diversity is a key component of our hiring process and we are proud to have a gender balanced office staff, management team and Board. In addition, we have increased the number of pilots and dispatch staff who are from Indigenous heritage.

Regarding environmental protection, the Authority views itself as stewards of the waterways. In addition, in fiscal 2019 we committed ourselves to support the Enhancing Cetacean Habitat and Observation program. Support involved significant managerial education and financial support for the program.

See appendix 9 for more details on the Authority's support for government priorities.

- **Well-developed systems**

The Authority is a mature company with well-developed policies and procedures to deal with regular and new challenges. We have a strong and committed governance body which provides effective oversight. The Authority is also ISO and ISM compliant and certified.

- **Social license issues**

The Authority contracts with a pilot corporation for the provision of pilotage services in 4 out of 5 areas of our operation. The Authority ensures that its public communications adhere to the Government of Canada's requirements and guidelines. However, the pilot corporation is an independent business and its public communications are not subject to external oversight.

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

The pilot corporation has engaged in an outreach and social media initiative to promote its business interests. The Authority has noted an increasing risk that the communications of the Authority and those of the pilot corporation may not always be aligned as the Authority must strictly adhere to its statutory mandate whereas the pilot corporation has no such obligation. As such, social license risks may have increased.

- **Strong operations team**

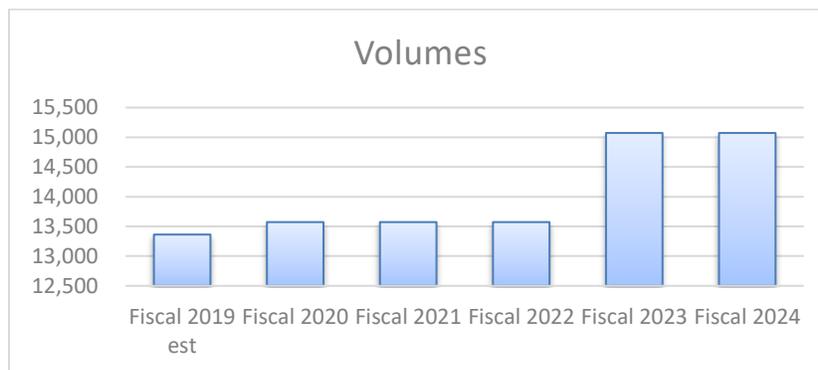
The Authority is comprised of a highly effective management team with a significant understanding of the operation of the business. The team is highly committed and engaged in the success of the business on behalf of the Government of Canada.

- **Long term union contracts**

The Authority has negotiated long term union contracts (usually terms of 4-5 years) in order to ensure a stable and committed workforce in the provision of pilotage services to Industry.

## Traffic Trends

As can be seen below, the Authority's traffic is expected to increase by 12% between fiscal 2022 and fiscal 2023.



## Technology

The Authority is committed to investing in technology in order to ensure the safety and efficiency of its operations. Today, we find ourselves in an operating environment of a continual increase in ship size, and at the same time, we find that there is an associated low rate of infrastructure investment. As such, the infrastructure used to receive and discharge ships and associated cargo, is falling behind the pace of vessel growth. The result is an increasing risk curve for incidents. To address this risk, the Authority uses technology as a supporting tool to directly address and reduce these risks.

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

The Authority has been working with the ports and terminals to recommend their investment into berthing aid systems in order to safely cater to the ever-larger vessels we see on the west coast. These systems provide the pilots with an accurate reading on the berthing velocity and angle of approach of vessels. Owing to the increased size of vessels docking at berths designed for smaller vessels, the need for this technology has become increasingly relevant. This ultimately will reduce the risks of damage to terminal infrastructure or the vessel itself.

The Authority continues to invest in Portable Pilotage Units (PPUs), which are highly accurate portable navigation devices used to assist pilots in making accurate decisions with reference to navigational safety. These PPU's are completely independent of a ship's navigation system and have become a standard practice tool used in piloting considering the growth in size of vessels.

The Authority has invested in an advanced in-house simulator, in partnership with the B.C. Coast Pilots, which is being used for:

1. Pilot training
2. Proof of concept for new projects
3. Navigational risk assessments



Cruise ships have also grown considerably in size in recent years. As a result, the ability to safely navigate through the inside passages between Vancouver and Alaska have necessitated conducting a risk analysis. To ensure fidelity in the simulations themselves, the Authority has invested in three

dimensional tidal current models that can be used in the simulators. This hyper-accurate data assists the Authority in keeping in line with our safety mandate.

The Authority has developed standardized tug power packages required for berthing and un-berthing operations. The growth in ship sizes has necessitated the development of tug package standards, using Marin Software. The adoption of this standard is a developing process owing to areas of customer concern related to payment for the tugs.

The Authority intends to analyse worldwide best practices of computer simulated aids to pilot navigation over the coming Corporate Plan years. The results of this analysis will guide future decisions on piloting and manpower.

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**PACIFIC PILOTAGE AUTHORITY  
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**Auditors**

1. Auditor General of Canada

The Auditor General of Canada (OAG) is the Authority's external auditor. As such, the OAG performs an annual audit and a special examination at least once every ten years. The OAG's annual audit report forms an integral part of the Authority's annual report, which is presented to the Minister of Transport and tabled in Parliament.

The Authority's management has developed financial systems and operational controls that facilitate monitoring of the Authority's affairs. These systems and controls are under ongoing scrutiny with a view to improvement or change as circumstances dictate.

2. Internal Audit

Deloitte & Touche LLP are presently the Authority's internal auditors. To date they have completed numerous engagements covering accounting controls, risk management and identification, computer systems vendor search, travel and transportation expenses for pilots, Stage I of the new payroll computer system, the electronic filing system, the yacht waiver process, a billing system review and information technology security. The Authority will periodically review our internal audit services firm to determine the best fit for our future audit requirements.

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**Incident Reporting**

The Authority categorizes incidents and accidents and the associated reporting into three types of investigations. An incident or accident will not be classified until sufficient facts are available to assess the potential for safety improvements and may require on-site evaluation or interviews.

Class "A" Investigations/Incidents

Defines an investigation that has a high probability of improving navigation safety, in that there is a significant potential for reducing the risk to persons, vessels or the environment.

Class "B" Investigations/Incidents

Defines an investigation that has a medium probability of improving navigation safety, in that there is a moderate potential for reducing the risk to persons, vessels or the environment.

Class "C" Investigations/Incidents

Defines an investigation that has a low probability of improving navigation safety, in that there is a limited potential for reducing the risk to persons, vessels or the environment.

The following table shows the actual number of incidents the Authority has recorded over the last nine years.

<b>Year</b>	<b>Incident Free Assignments</b>	<b>Total Incidents</b>	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
2009	99.950%	6	0	2	4
2010	99.984%	2	0	0	2
2011	99.962%	5	0	0	5
2012	99.946%	7	0	3	4
2013	99.963%	5	0	0	5
2014	99.962%	5	0	2	3
2015	99.992%	1	0	0	1
2016	99.958%	5	0	0	5
2017	99.970%	4	0	0	4
2018	99.960%	5	0	0	5

As can be seen above, in fiscal 2018 there were 5 incidents, none of which resulted in injury, loss of life or significant damage to property.

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**4. Strategic Priorities**

In 2019 the Authority established a set of strategic priorities to be achieved over a five-year horizon. These priorities were set in order to achieve the Authority's objectives given its mandate.

**Objective #1:** Provide safe, reliable and efficient marine pilotage

To provide safe, reliable and efficient marine pilotage and related services in the coastal waters of British Columbia, including the Fraser River, by embracing a culture of continuous improvement.

**Strategic Priorities:**

- i. Safe - To meet or exceed the Authority's commitments to safety through a combination of training and the application of continuous improvement initiatives.
- ii. Reliable - To minimize delays caused by the Authority and/or pilots by embracing the use of relevant technology.
- iii. Efficient - To ensure that pilotage services are managed and delivered in the most practical, efficient and cost-effective manner.

**Objective #2:** Ensure financial self-sufficiency

To provide the services within a commercially oriented framework, by maintaining financial self-sufficiency, through a combination of cost management and fees that are fair and reasonable.

**Strategic Priorities:**

- i. Self-sufficiency - To ensure that the Authority remains financially self-sufficient on an ongoing basis.
- ii. Cost management - To ensure that the Authority maintains a cost structure that does not increase as a proportion of revenue.
- iii. Fair and reasonable fees - to develop, enhance and refine forecasting and modelling tools to ensure that the fees are directly based on assumptions about the future of the Authority's business.

**Objective #3:** Promote organizational and environmental sustainability

To implement sustainable practices within the Authority with a focus on quality assurance, and to contribute to the federal government's environmental, social and economic policies as they apply to the marine industry on the Pacific coast of Canada.

# PACIFIC PILOTAGE AUTHORITY

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#### **Strategic Priorities:**

- i. Organizational sustainability - To create, implement and maintain practises that are in alignment with and in support of the federal government's initiatives.
- ii. Quality assurance - To operate the business with a commitment to the long term, by having the appropriate policies, plans and practices in place to deliver the right skills at the right time.
- iii. Environmental Sensitivity - To ensure that the Authority meets or exceeds all environmental regulatory requirements and follows best practices to reduce its carbon footprint

#### **Objective #4:** Demonstrate leadership

To assume a leadership role in the marine industry we serve, by sharing information nationally and influencing and engaging the community in order to facilitate decisions that result in improvements to navigational safety and the efficiency of marine operations.

#### **Strategic Priorities:**

- i. Develop National Influence - To influence national and regional discussions on marine safety and operational issues facing the west coast of Canada in order to improve outcomes for pilotage, the community and industry.
- ii. Facilitate decision-making - To actively participate in all relevant marine initiatives and lead the decision-making process regarding pilotage on the west coast of Canada.
- iii. Engage stakeholders and the community - To expand the Authority's stakeholder engagement strategy and community outreach program to ensure national and regional understanding of the Authority's role in ensuring safe pilotage.

#### **Objective #5:** Manage risk

To ensure that risk management tools are used in all safety related decisions for both the organization and its operations and that evolving technologies are taken into consideration.

#### **Strategic Priorities:**

- i. Manage organizational risk – To continue to manage a risk framework in order to ensure adequate controls and processes are in place to minimize organizational risk.
- ii. Manage operational Risk - To ensure that that effective risk management tools are in place to adequately address or mitigate all identified operational risks.

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

## **Objective #6:** Focus on the future

By using early warning indicators, ensure that the Authority is prepared, both financially and operationally, to deal effectively with changes to the marine industry, the changing regulatory landscape and the complex environment within which we operate.

### **Strategic Priorities:**

- i. Early warning - To engage with the appropriate parties to anticipate and monitor the relevant indicators for early warning of factors that have a positive or negative impact on PPA's financial and operational position.
- ii. Positive positioning - To position the Authority with a "foot in today" - focussed on current matters, and a "foot in tomorrow" - ensuring the Authority's ability to deliver safe, reliable and affordable solutions in the future.

*Please refer to the Measurement of Strategic Goals – FY2019/FY2020 below for a list of the activities and expected results associated with each listed strategic priority.*

## **Recent and Relevant Results**

In fiscal 2018, the Authority measured its results against a set of strategic goals and objectives which were set for the 2015 – 2019 fiscal periods. As can be seen below, the Authority's recent and relevant results against the previous strategic plan are outlined. Certain strategic goals, due to their long-term nature, were measured over several years.

### Safety:

- 2018 was another extremely safe year on the West Coast with 0 incidents occurring on the Fraser River (a 100% success rate) and just 5 minor incidents in 12,234 assignments on the coast (a success rate of 99.95%). The coast wide success rate was therefore 99.96%.
- In 2018 there were three delays caused by pilots being held up in traffic for a total time delay of 4 hours to the vessels, resulting in a 99.97% success rate.

### Efficiency

- There were 13 complaints of an operational nature received in 2018 for rate of 0.1%.
- Call-backs were 2.03% of total assignments and did not exceed the 2.5% threshold.
- The estimated utilization of pilots was 99.6%.

### Self sufficiency

- The Authority's ongoing use of the forecasting model and monthly meetings with the four industry associations resulted in tariffs which were supported by Industry.
- Overhead expenses for 2018 were 7.1% of total expenses, well below the 8.5% performance measure.

### Continuous improvement

- Maintained ISO Certification for the Fraser River pilot group and dispatch office

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- Maintained ISM certification for the PPA owned and operated launches

**Measurement of Strategic Goals – FY2020 – FY2024**

In fiscal 2019, the Authority developed an updated set of activities, expected results and performance measures in order to achieve the objectives and priorities as outlined in Section 4 above.

**Objective #1 - Major Priority (i) Safe**

**Risk:**

- Risk that there is an incident when a pilot is on board and has the conduct of the vessel.
- Risk that pilots are not adequately trained.
- Risk that an incident occurs and there are no best practices developed in order to lower the risk of a future occurrence.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>All pilots are required to adhere to the Quality Assurance Program (QAP) Policy and Procedures</b>	All apprentice & licensed pilots trained in accordance with QAP	Compare annual training required with training taken by pilots - 100% of the required training must be done
<b>Encourage pilots to use the simulator for informal practice over and above the required formal training</b>	Pilots use the simulator for area familiarization or to practice ship handling	Comparison of pilots' 5-year area currency statistics to their simulator usage - Every pilot will use the simulator at least once every five years
<b>Post Incident protocol in place with oversight by the Pilot Training and Exam Committee (PTEC)</b>	PTEC must promulgate recommendations & lessons learned after incident investigations	Recommendations provided to pilots: - For every incident; and - Within one month of completing an incident investigation All investigated incidents must be followed up with recommendations
<b>Upgrade PSTAR visual and tidal current databases in partnership with the BCCP and the guidance of PTEC</b>	Increased level of realism with simulations	Completion of simulator databases as below: - Prince Rupert (2020) - Seymour Narrows (2020) - Blackney Passage (2020) - Current & Race Passage (2020) - Johnstone Strait (2020) - Port Edward (2021) - Port Alberni (2022) - Gold River (2023)  Maintain visual database of the specified areas to a minimum standard of LOD-2 and develop dynamic tidal current models for the specified areas
<b>Upgrade PSTAR to include two tug simulators</b>	Develop recommendations for simulator upgrade  BCCP agreement and Board approval	Recommendations ready by year-end 2019  Documented evidence of agreement and approval

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	Reduce the reliance on outside establishments to meet the training goals of the PPA and BCCP	Year-over-year comparison of usage and training costs - External training costs reduced by 15% - Utilization goal is 25% in 2020 and 30% in 2021 moving to 40% in 2022
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**Objective #1 - Major Priority (ii) Reliable**

**Risks:**

- Risks that an assignment is delayed due to launch crew/dispatch unavailability.
- Risk that an assignment is delayed due to launch asset unavailability.
- Risk that an invoice is received too late for an agency to collect from a ship owner.
- Risk that a pilot is dispatched for a vessel which cannot transit due to safety restrictions - tide/current/air draft

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
- Launch stations with crews ready to go - 24/7 365 dispatch operation - Website redundancy system to result in 100% uptime	Ensures that pilots can be dispatched to, and arrive at an assignment on time	99.9% delay free pilotage and launch operations
<b>Building of a new pilot launch for the Victoria station</b>	The delivery of the designed pilot launch on time and on budget	Check construction progress against RFP, contractual requirements and TC construction regulations - Vessel delivered in March 2021
<b>Upgrade the existing dispatch and accounting system and introduce e-source cards</b>	Completion of updated dispatch and accounting system including e-source cards by Q4 2021	2020 - Contract let with front runner from RFP  2021 - Completion of the upgrades and e-source cards
<b>Automate air draft windows at First Narrows</b>	The establishment of TCZ-1 windows for air draft will enable customers to access windows by entering parameters on the PPA website  This will improve the safety and efficiency of the movement of air draft restricted vessels and enable better planning	Establishment of a web-based window for air draft restricted vessels  Confirm 100% accuracy of calculated windows

**Objective #1 - Major Priority (iii) Efficient**

**Risks:**

- Risks that pilots are not used efficiently, increasing the costs of pilotage to Industry.
- Risks that costs of pilotage transportation are higher than they need to be.

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<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>The completion of a cost benefit analysis on the use of helicopters in both the north and the south</b>	Recommendations from analysis to be implemented – resulting in the highest productivity of the Authority's resources	Successful completion of analysis and recommendation to the Board – analysis accepted by the Board  Implementation of program which results in an overall higher efficiency of pilot utilization - if implemented: a. 10% increase in pilot efficiency for the area served b. costs acceptable to industry as measured through no objections
<b>A complete review of the pilot transportation network coast wide, including launches, taxis and aircraft</b>	Recommendations from the analysis to be implemented during the term of this plan – resulting in the highest productivity of the Authority's resources	Reduction of pilot travel time and pilot travel costs per assignment - Reduce travel time and travel costs by 5% by 2023

**Objective #2 - Major Priority (i) Ensure financial self-sufficiency**

**Risks:**

- Risks that budgeting and forecasting is incorrect
- Risk that Industry, proponents and the Authority have not accurately predicted the future requirements for pilotage services

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Organization setup with qualified financial personnel to ensure that forecasting, budgeting, planning, spending, and analysis results in a self-sufficient organization</b>	Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Going concern assumption not challenged through year end audit by the Office of the Auditor General
<b>Develop a reserve to allow for unforeseen events</b>	Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Systematic building of reserves for unplanned events - add \$600k per annum to the reserve account
<b>Integrate forecasting model into scenario planning for future large projects to allow foresight into financial effects on the Authority</b>	Expected to allow the Authority to make effective decisions about the future of pilotage charges and manpower given scenarios of demand assumptions including projects  Expected to provide a method of reporting mass data to Industry in an easy to understand format	Continued development of forecasting model in line with milestones - Achieve milestone implementation dates on time  Model continued to be requested and wanted by industry - Continued positive feedback from industry on the model

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**Objective #2 - Major Priority (ii) Cost management**

**Risks:**

- Risks that the Authority's pilotage costs are higher than competitive areas of operation
- Risks that certain areas of the Authority's business contribute excessively to the overhead of the company, resulting in a greater burden for specific users
- Risks of excessive cross subsidization in remote areas of operation

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Review and compare rate increases, and cost per assignment for a very large container vessel, a Cape size vessel and a Panamax vessel calling in Halifax, Montreal, Vancouver, Seattle and Tacoma</b>	A relative comparison of service delivery and pilotage charges for pilotage areas across Canada and the west coast of United States	The completion of the service level and cost comparison - Annual completion of review
<b>Use modelling tools to analyse and review/compare margins in each business function</b>	Ensure that revenues generate enough margin to cover the Authority's overhead and adequately contribute to committed capital costs	Completion of review and comparison in fiscal 2020 with results reported on suggested changes to tariff structure if necessary
<b>Hire an intern or allocate an internal resource to conduct research on the cost of servicing the remote ports of BC</b>	To ensure that charges for areas of the pilotage operation are set in a cost-effective manner	Completion of remote port costing in 2021  Results of analysis supports status quo, or a change is brought and presented to industry for evaluation in 2021  If changes are recommended, a 5% reduction in costs for each area of recommendation

**Objective #2 - Major Priority (iii) Fair and reasonable fees**

**Risks:**

- Risks that the Authority's fees are not fair and reasonable
- Risks that new opportunities for revenue generation as a result of the amendments to the *Pilotage Act* are not identified

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Work with the University of B.C. to refine the forecasting model</b>	To ensure that charges are fair and reasonable  To ensure that business decisions are based on good rationale and are cost effective based on scenario analysis	Completion of the UBC forecasting model in fiscal 2019

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<b>Analyse potential new sources of revenue in order to minimize cross subsidization where possible and advantageous from a business perspective</b>	To ensure that charges are fair and reasonable – to evaluate the opportunities to minimize cross-subsidization across business activities.	Completion of the analysis in fiscal 2020
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**Objective #3 - Major Priority (i) Promote organizational and environmental sustainability**

**Risks:**

- Risk that the Authority cannot continue to function as effectively in the future as a result of senior talent attrition
- Risk that the Authority does not fully align itself with government priorities.
- Risks that the Authority does not have a diverse workforce.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>To continue the succession planning process for senior management positions</b>	A sustainable workforce is achieved within the Authority	Job descriptions completed in fiscal 2020  Succession binders to be completed by 2022  CEO succession planning is continued resulting in the identification of a new CEO by the end of the planning period
<b>Participation in the ECHO slowdown program and assistance with government's repayment program</b>	100% participation by the pilots on vessels that are participating in the slowdown program	Review of assignment data for vessel and pilot participation – 100% pilot participation
<b>Introduce a program and hiring protocol for enhancing consideration of diversity within the Authority</b>	A sustainable workforce is achieved within the Authority and meets the government's social policies	New hires are brought on with verifiable consideration of diversity - Implementation of a hiring program that recognizes diversity by 2021
<b>Quality Assurance Program - Pilots</b>	Peer assessments of apprentice and licensed pilots completed as per the QAP	Approximately 25 licensed pilot assessments per year and three assessments per apprenticeship period - 20% of licensed pilots assessed per year; apprentice pilots assessed every three months

**Objective #3 - Major Priority (ii) Quality Assurance**

**Risks:**

- Risk of an incident on a launch
- Risks that the Authority is not protected from a cyber threat

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Quality Management System – Pilot launch and office</b>	Meet the requirements of the ISO/ISM codes	Non-conformances (NC) raised at routine audits - Zero NCs

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<b>Develop and implement a procedure to address cybersecurity issues and concerns</b>	2019 - Draft initial procedure for IT consultants to review	2019: The completion of a gap analysis
	2020 - Work with IT consultants to incorporate their recommendations into our procedure	2020 The completion of a procedures document
		The completion of a tabletop exercise

**Objective #3 - Major Priority (iii) Environmental Sensitivity**

**Risks:**

- Risks that the Authority does not actively contribute to lowering the effects on climate change.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Minimize PPA's carbon footprint for commuting</b>	50% of the office employees will use public transportation or walk/cycle to work	Ratio of office employees using public transportation vs those who do not – 75%
<b>Minimize PPA's carbon footprint for meetings</b>	Walk, take public transportation or use video/teleconferencing for stakeholder meetings	Ratio of meetings attended by suggested methods vs other meetings – 90%
<b>Fit tier-3 engines on all new pilot launches</b>	New launch to be completed in 2020 will have two tier-3 engines	Compliance with TC regulations on engines – 100% compliance

**Objective #4 - Major Priority (i) Demonstrate Leadership**

**Risks:**

- Risks that the Authority does not provide its expertise in national and regional discussions on navigational safety and the efficiency of marine operations

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>The Authority actively participates in OPP initiatives on the west coast of Canada</b>	Ensures that the Authority provides a voice to support improvements to navigational safety and efficiency of marine operations	Participation in 80% of all OPP meetings
<b>To actively engage with First Nations communities on the west coast of Canada as the official marine specialists in pilotage operations</b>	Ensures that the Authority is meeting the requirement to engage Indigenous communities affected by pilotage operations	To meet with 4 communities per annum

**Objective #4 - Major Priority (ii) Facilitate decision-making**

**Risks:**

- Risk that the implementation activities associated with amendments to the Pilotage Act cannot not work practically

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<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Work closely with TC Ottawa on the Pilotage Act amendments</b>	Implementation of the Pilotage Act amendments	80% attendance at all TC meetings and teleconferences on the implementation of amendments
<b>Work with TC marine pilotage program officials and pilotage Authority CEO's regarding the takeover of the enforcement of Regulations</b>	A seamless handover of the regulations to TC	2 meetings per year

**Objective #4 - Major Priority (iii) Engage stakeholders and the community**

**Risks:**

- Risks that Industry is not informed of the current operating environment and upcoming changes which may affect them
- Risk that the community does not understand the positive role and impact of pilotage on the safety of the transportation system.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Monthly operational meeting with the industry associations and pilots</b>	Ensuring open and transparent communication ensuring an understanding of the PPA's role	8 monthly association meetings
<b>Quarterly meetings with all the PPA customers and the ports</b>	Ensuring open and transparent communication ensuring an understanding of the PPA's role	4 customer and port meetings
<b>Utilize social media as the medium to expand the Authority's stakeholder engagement. Investigate the use of LinkedIn, Facebook and Instagram as possible media</b>	The introduction of a social media program will ensure a better understanding of the role of the Pilotage Authority and the safety of vessels under pilotage on the West Coast	2020 - Hiring of a media consultancy company  2021 - Implement a social media program

**Objective #5 - Major Priority (i) Manage organizational risk**

**Risks:**

- Risks that emerging issues and opportunities are not identified and acted upon.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>The Authority has in place an ERMS and SORC committee and conducts monthly association meetings with the industry</b>	Allows the Authority to identify emerging issues and opportunities	<ul style="list-style-type: none"> <li>• 8 monthly associations meetings per annum</li> <li>• 2 ERMS meetings</li> <li>• 2 SORC meetings</li> <li>• Risk Register kept up to date as per ERMS procedures</li> <li>• Maintain ISO/ISM accreditation</li> </ul>

**Objective #5 - Major Priority (ii) Manage operational risk**

**Risks:**

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- Risks that a ship operating outside of Port Authority lands is not aware of safety and operational best practices for British Columbia waters.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Develop a Safety and Operational Procedures manual for all ports not located within a port authority and publish the information on the PPA website</b>	Once the manual has been completed the expectation is that the safety and efficiency of the coast wide system will be enhanced by ensuring that the pilot and master have all the necessary available information	Completion of a safety and operational manual for all out ports by 2023

**Objective #6 - Major Priority (i) Focus on the future**

**Risks:**

- Risks that events occurring outside of the Authority's immediate business will have a significant impact on the Authority's business.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<ul style="list-style-type: none"> <li>•Monitoring of the Baltic Dry vessel index</li> <li>•Monitoring of exchanges around the world</li> <li>•Addressing global events and economic forecast in the quarterly CEO report</li> <li>•Discussing the above at the monthly association meetings</li> <li>•Relevant publications available to the management team</li> </ul>	Early warning of global economic changes	Publication of forecasts in the CEO quarterly report

**Objective #6 - Major Priority (ii) Positive positioning**

**Risks:**

- Risks that the safety and efficiency of the pilotage system is negatively affected as a result of the *Pilotage Act* amendments.

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>
<b>Implement a strategy to firmly establish the value of the Pacific Pilotage Authority to the shareholder, the pilots, our customers and communities in which we operate</b>	No reduction in safety or efficiency as a result of the transfer of regulatory control from the Pilotage Authorities to TC.	The completion of a document clearly indicating the areas for which the PPA remains responsible to manage and oversee, in light of the Pilotage Act amendments

**Risk Assessments**

An Enterprise Risk Management and Safety System (ERMS) has been incorporated as part of the Authority's strategy and is well advanced in 'cultivating a culture of risk awareness' throughout the organization. All areas of the Authority's operations have

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been incorporated into this program, including contract and employee pilots, launches, dispatch and administration.

Risks are designated by an ERMS Oversight Committee as either operational or strategic. Operational risks are assigned to the appropriate management staff for mitigation and review. Strategic risks are overseen by the Board and are actively managed and mitigated by the appropriate Board Committee.

The Authority remains committed to ensuring that all risks have appropriate mitigation measures in place and are reviewed on a regular basis. Detailed risk descriptions and mitigation measures are kept current by the risk owners and are part of a comprehensive risk document.

Key strategic risks are summarized below. Details for each risk, including mitigating controls can be found in the Appendix:

Key strategic risks:

- Future recruitment of suitable qualified pilots
- Relations with communities and the general public following an incident
- Changing economic and financial conditions and political issues affecting traffic volume
- Recruiting and training of Fraser River pilots
- Tariff Delay/Objection

Key emerging risks:

- Negative messaging on Social Media
- Current infrastructure's ability to support increasing ship size
- No post incident investigative powers

Regarding no post incident investigative powers, the Authority has difficulty in investigating marine incidents involving pilots. This makes learning from incidents difficult and has not been directly addressed as part of the Pilotage Act amendments.

#### **Alignment with Government Priorities**

The activities of the Authority support the Government's priorities. By providing pilotage services, we deliver a safe and secure economic gateway for Canada. Our open book approach to engagement is recognized by stakeholders both locally and nationally, and we find ourselves being called upon regularly to speak about best practices.

The Authority's activities are key to the Canadian Government ensuring that our western coastal waterways are protected from a major incident and subsequent environmental damage. Diversity is a key component of our hiring process and we are proud to have a gender balanced office staff, management team and Board. In addition, the percentage of employees and contract pilots who are of indigenous

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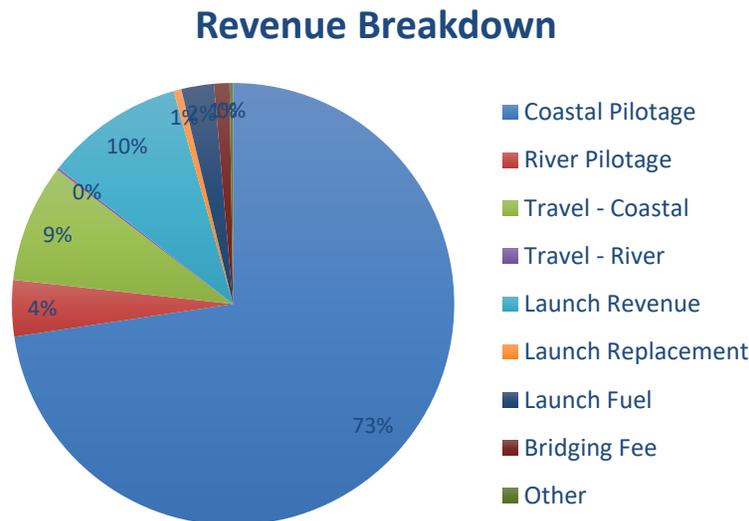
heritage has increased over the years as a result of a directed effort to ensure that employment within the Authority is reflective of our society.

Refer to Appendix 8 for a more detailed discussion on the Authority's alignment with government priorities and direction.

## 5. Financial Overview

The Authority is operationally self-sufficient and financially autonomous, with the exception of needing to borrow money from chartered banks for certain capital projects. All other expenditures are covered by internally generated revenues.

The Authority's revenues from operations are broken down as follows:



With the breakdown provided above, in FY2020 the Authority is expected to generate \$102 million in revenues, total expenses of \$103 million and a total comprehensive loss of \$0.9 million. This loss is based on the following assumptions which are expensed on in the appendix:

- The Authority anticipates 13,573 assignments in fiscal 2020, representing a 1.43% increase over fiscal 2019
  - Of these 13,573 assignments, 1,242 will be catered to by employee pilots on the Fraser River, representing a 3% increase over fiscal 2019
- Capital expenditures for fiscal 2020 are expected to be \$8.3 million, of which \$5.8 million would be financed through a combination of long term credit facilities and bank term loans. The remainder will be financed through operating cash flows.

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- There will be 15 new apprentice hires, and 8 unlimited pilots are expected to retire. Apprentice wages, benefits and training costs for fiscal 2020 are expected to be \$2.9 million.
- In order to balance the Authority's cash outflows as discussed above, the Authority is also planning tariff rate increases, following consultations with industry and regulatory amendments, with an effective date of April 1, 2020.

STATEMENT OF INCOME								
For the year ended December 31 (in thousands of dollars)	Actual 2018	Forecast 2019	Budget 2019	Budget				
				2020	2021	2022	2023	2024
Total Revenue	92,990	97,637	94,251	101,631	104,398	106,621	118,935	119,338
Total Expenses	90,890	95,289	93,305	102,533	104,863	105,892	118,931	119,243
Total Comprehensive Income (Loss)	2,100	2,348	946	(901)	(465)	729	4	95

The large increase in revenues and expenses in fiscal 2023 relate to the assumption that two large energy proponents will move forward resulting in a material increase in pilotage assignment volumes and related services.

The material variances between the fiscal 2019 budget and forecast were driven by an unbudgeted increase in the number of larger vessels on the west coast.

**Capital Investments**

In fiscal 2020, the Authority is planning to invest \$8.3 million in capital projects of which \$2.5 million would be financed through operating cash flows and \$5.8 million would be financed through a combination of long term credit facilities and a bank term loan.

The breakdown of the capital projects are as follows:

- Launch expenditures of \$5.9 million primarily comprised of:
  - \$4.7 million related to a construction of a new launch for the Victoria station. This launch will be used to replace a 50-year-old launch which will be retired.
    - It must be noted that the costs related to this launch were included in the approved 2019-2023 Corporate Plan
  - \$825k related to the replacement/refurbishment of engines in the Pacific Pathfinder and the Pacific Navigator. The existing engines are expected to time out in fiscal 2020.
  - \$100k related to a generator replacement for the Pacific Navigator
- Computer and software expenditures of \$2.4 million.

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<b>CAPITAL INVESTMENTS</b>								
For the year ended December 31 (in thousands of dollars)	<b>Actual 2018</b>	<b>Forecast 2019</b>	<b>Budget 2019</b>	<b>Budget</b>				
				<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Buildings & Floats	193	558	50	50	260	0	0	0
Pilot Boats	1,225	1,708	4,650	5,885	925	110	130	1,150
Computers, Software and Communication	212	537	1,016	2,410	505	3,220	330	180
<b>Total Capital Investments</b>	<b>1,630</b>	<b>2,803</b>	<b>5,716</b>	<b>8,345</b>	<b>1,690</b>	<b>3,330</b>	<b>460</b>	<b>1,330</b>

**Debt**

According to PC Number: 2018-1493, dated 2018-11-29, "Her Excellency the Governor General in Council, on the recommendation of the Minister of Transport, pursuant to section 36 of the Pilotage Act, (a) repeals paragraph (b) of Order in Council P.C. 2006-176 of March 30, 2006; and (b) fixes the maximum amount of money that can be borrowed at any time by the Pacific Pilotage Authority, in Canada or elsewhere, for the purpose of defraying its expenses, at CDN \$11,900,000."

In terms of new financing requirements, in fiscal 2020, the Authority intends to seek approval for \$5.8 million of new borrowings to help finance the cost of the launch for Victoria station, as well as the anticipated costs associated with purchasing a new dispatch and accounting system in fiscal 2020.

In 2019, the Minister of Finance approved the Authority to borrow up to \$5.575 million to finance the construction of a new pilot vessel (a launch) for the Victoria station, in accordance with the 2019-2023 Corporate Plan. The total cost of this vessel is expected to be \$6.0 Million As per the approval, the Authority entered into a credit facility for \$5.4 million, but is expected to withdraw only \$1.4 million in 2019. The Authority will be seeking approval to withdraw the remaining \$4 million in 2020.

For 2020, the Authority submits the following borrowing plan for Minister of Finance approval:

1. Operating line of credit – \$3.5 million
  - This represents a reduction in the current operating line from \$5 million to \$3.5 million
2. Capital borrowing - \$5.8 million

The following table shows the Authority's total borrowing for the plan years; and as can be seen, the Authority is able to maintain its debt position within the limits defined above.

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BORROWING PLAN								
For the year ended December 31 (in thousands of dollars)	Actual 2018	Forecast 2019	Budget 2019	Budget				
				2020	2021	2022	2023	2024
Operating Line of Credit	6,750	5,000	5,000	3,500	3,500	3,200	4,000	5,000
Capital Loan Maximum	1,815	2,822	5,575	8,249	7,643	8,590	7,693	6,380
Total	8,565	7,822	10,575	11,749	11,143	11,790	11,693	11,380

It must be noted that the actual anticipated out of pocket borrowing of the Authority is limited to Capital Loans of \$8.3 million in FY2020. The Operating Line of Credit was established in order to protect the Authority from variability in its operating cash flows. As such, outside of the variability in cash flows, the operating line of credit is always expected to have an actual outstanding balance of nil. A description of new borrowing over all the planning years is displayed in Appendix 5.

### Forecasted Cash Flow Position

The cash flow graph below summarizes the effects of the expected revenues, expenses, capital expenditures and adjustments from financing and new tariffs below:



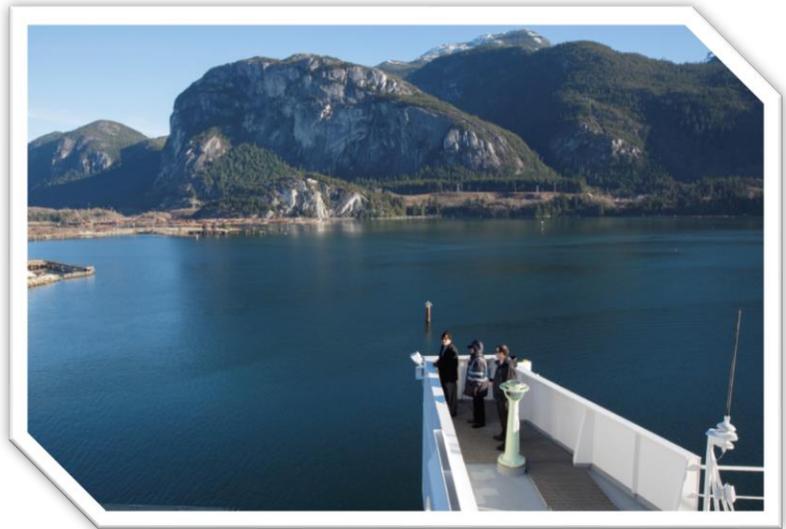
As can be seen, the Authority expects to maintain a relatively low medium term operating cash position over the planning years that hovers between \$2 - \$4 million. This is generally considered enough to account for the seasonality of the Authority's current business; if the operating line of credit exists as a buffer against unanticipated variability.

It must also be noted that the steep falloff in cash flows between fiscal 2020 and fiscal 2022 is primarily due a planned effort to ensure that there is a mismatch between capital expenditures and new financing so that internal cash is used to help fund new projects to help keeping cash low. Strategically, the Authority finds this is a preferable position to be in, displaying to Industry that no unneeded cash is retained and strengthening our bargaining position through negotiations.

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**6. Appendices**

1. Ministerial Direction / Mandate Letter
2. Corporate Governance Structure
3. Chief Executive Officer Results Commitment
4. Chief Financial Officer Attestation
5. Financial Annex
6. Borrowing Plan
  - Capital Plan
  - Investment Policy
  - GST Assessment
  - Financial – Tariff Adjustment
7. Risk and Risk Responses
8. Compliance with Legislative and Policy Requirements
9. Government Priorities and Direction
10. Acronyms



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#### **Appendix 1 - Ministerial Direction / Mandate Letter**

The Pacific Pilotage Authority is presently operating in accordance with the guidance expressed in the Prime Minister's letter to the Minister of Transport dated November 12, 2015. A copy of the letter can be found at <https://pm.gc.ca/en/mandate-letters/minister-transport-mandate-letter>

No additional mandate letters have been received directly by the Authority from the Minister of Transport

#### **Appendix 2 - Corporate Governance Structure**

Corporate governance is the process of establishing and monitoring the policies and procedures which will ensure the appropriate stewardship of the business and affairs of the Authority, including financial viability.

Similar to other Crown corporations, the Pacific Pilotage Authority operates at arm's length from its sole shareholder, the Government of Canada. While the shareholder provides policy direction for the corporation's ongoing operations, as stated in the *Financial Administration Act*, the Pacific Pilotage Authority Board of Directors ensures that the corporation fulfils its mandate by setting the corporation's strategic direction, organizational goals, and monitoring their implementation. The Authority reports to Parliament through the Minister of Transport.

The Chair of the Board is appointed by the Governor in Council on the recommendation of the Minister of Transport, and the Board of Directors is appointed by the Minister of Transport with the approval of the Governor in Council. There are seven members on the Authority's Board of Directors.

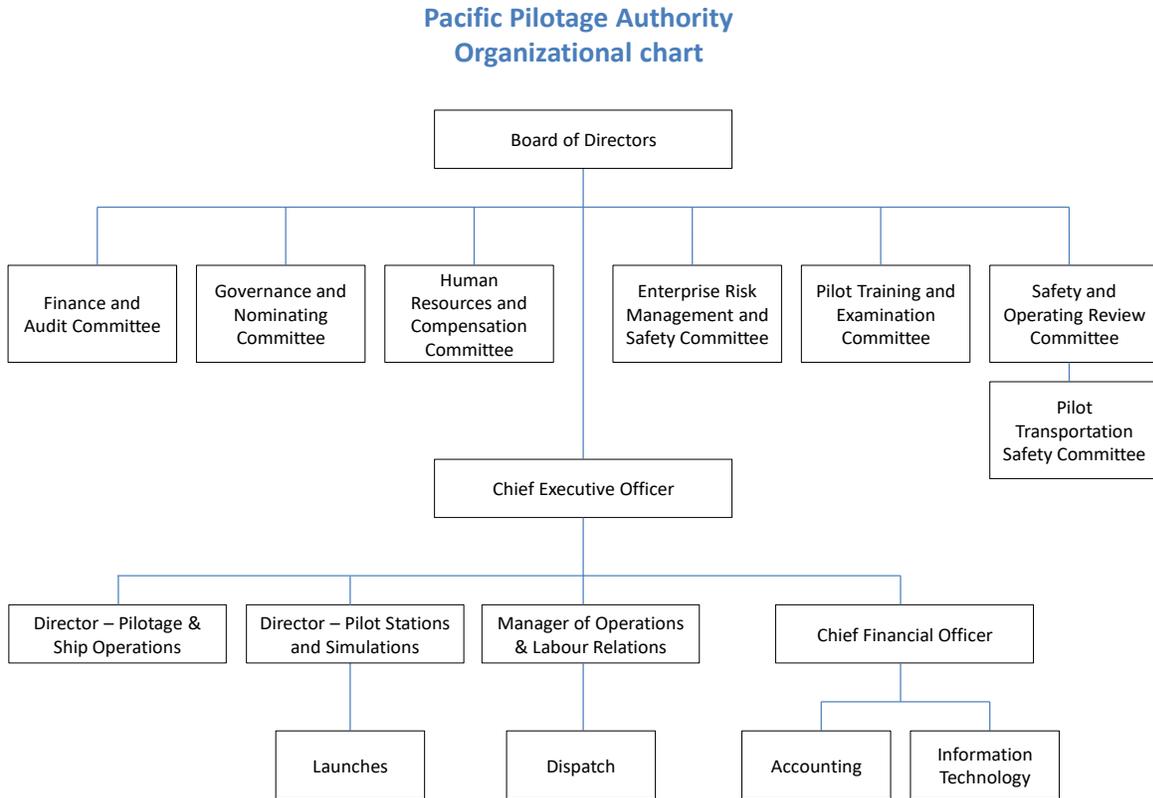
The corporation's Board of Directors has representation from Vancouver and Vancouver Island, with backgrounds in marine services, accounting, law, and education.

The Authority complies with the Treasury Board guidelines on corporate governance practices (guidelines on Board responsibilities, public policy objectives, communications, Board and management relations, Board independence, the position of the CEO, renewal of the Board, education of directors, compensation, and the responsibility for corporate governance). This includes Board self-assessments, a nomination committee for prospective Directors and the development of Directors' skills criteria.

In addition, the Board has constituted several committees to focus on the major areas of the Authority. These committees are chaired by a Board member, have terms of reference and mandates and report directly to the Board on a regular basis.

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The Authority is managed by a CEO who reports to the Board through the Chair. The Authority's organization chart indicates the reporting structure.



## Committees

1. Finance and Audit Committee - the Chair and four Board members are designated as members of the Audit Committee. The Audit Committee meets ten times per annum and members are expected to be financially literate. Its mandate includes responsibility for all financial matters, external audit, internal audit and insurance.
2. Governance and Nominating Committee – this Committee meets four times per annum or at the call of the Committee Chair. Its mandate is to provide a focus on corporate governance, recommend candidates for Board membership as well as the Chair and CEO positions. This Committee also oversees new member Board orientation, the Board's self-assessment process, training and skills requirements, annual assessment of the Chair and succession planning of the Authority's management team.
3. Human Resources and Compensation Committee – this Committee meets on an as needed basis or at the call of the Committee Chair. Its mandate includes responsibility for the CEO's performance management program reporting

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required by the Minister, CEO succession planning, executive development planning and management compensation.

4. Pilot Training and Examination Committee (PTEC) – this Committee meets four times per annum and as required to conduct pilot examinations. Its mandate is to conduct pilot examinations and review ongoing training programs for pilots. It is chaired by the pilot Board member and includes members of the Authority's management and BC Coast Pilots. The Committee is joined by one external examiner during annual pilot examinations.
5. Safety and Operating Review Committee (SORC) – this Committee meets four times per year with a mandate to review and assess pilotage practices and areas of concern and to seek solutions which result in improved safety and efficiency. It is chaired by a director of the Board and comprised of Authority management, BC Coast Pilots and members of the marine industry.

Pilot Transportation Safety Committee (PTSC) – this sub-Committee of the SORC Committee meets at least twice per annum or more frequently as required. Members of this Committee regularly attend launch stations to observe drills and inspect safety equipment. The Committee is responsible for establishing safety standards and monitoring the safe operation of pilot launches, water taxis, airplanes and helicopters utilized in the transfer of pilots to/from ships. It also ensures that the Authority adheres to regulations and safe practices issued by Transport Canada. It is composed of BC Coast and Fraser River pilots, Authority management and pilot launch personnel.

6. Enterprise Risk Management and Safety Committee (ERMS) – this Committee meets at least semi-annually and is chaired by a director of the Board. The Committee is a function of the Board's oversight role in regard to the risks facing the Authority. The Authority maintains a rigorous and coordinated approach to assessing and responding to all risks that affect the achievement of the Authority's strategic, financial and operational objectives.

The ERMS system is designed to achieve the following:

- Document, categorize and rank the Authority's risks in a risk register
- Ensure every identified risk is maintained by a manager and/or Board committee
- Confirm that the risk register is updated regularly in accordance with the review schedule
- Ensures all safety protocols are monitored, certifications are up to date, and any areas of non-compliance are addressed.
- Ensure every risk is reported on by the risk owner on an annual basis
- Assist and facilitate the Board of Directors in its strategic risk oversight role
- Assist and facilitate the management team in its operational risk oversight role

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- Liaise with the other committees of the Board of Directors to ensure that mitigations are established for each of the identified risks as deemed necessary

**Directors**

The following individuals hold the position of Directors on the Board of the corporation:

Name	Location	Appointment Date	Term
<b>Lorraine Cunningham (Chair)</b>	Vancouver	October 4, 2019	8 months
<b>Katherine Bright</b>	Vancouver	June 14, 2018	3.5 years
<b>Captain Allan Ranger</b>	Vancouver Island	February 6, 2018	3 years
<b>Victoria Withers</b>	Vancouver	February 6, 2018	4 years
<b>Billie V. Raptis</b>	Vancouver	February 6, 2018	4 years
<b>James Marshall</b>	Vancouver Island	February 21, 2018	4 years
<b>Peter Bernard</b>	Vancouver	February 6, 2018	2 years

There are two members of the boards whose terms expire in fiscal 2020. The Privy Council Office controls the length of terms. To reduce the risks of so many members expiring in fiscal 2020, the Authority:

- has a very active vice chair – so if the chair was to not be renewed, then the vice chair would be well capable of stepping in as acting chair;
- board members go into hold over until a new member is appointed except the chair. Those members with expiring terms have indicated a willingness to remain in their role until their replacements are named;
- has a very robust new board member orientation to assist new board members to get up to speed as quickly as possible;
- Governance and Nominating Committee has started to identify and reach out to potential candidates that are interested and fit the Authority's skills matrix;
- Board Chair will be meeting with the appointment's person at the Privy Council Office shortly after the federal election to discuss the appointments file in order to ensure that the process for reappointment or new appointments is well planned out.

**Senior Executives**

The following individuals hold key senior executive positions within the corporation:

Name	Position
<b>Kevin Obermeyer</b>	Chief Executive Officer
<b>Stefan Woloszyn</b>	Chief Financial Officer
<b>Brian Young</b>	Director – Pilotage & Industry Liaison
<b>Paulo Ekkebus</b>	Director – Pilot Stations and Simulations

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## Appendix 3 - Chief Executive Officer Results Commitment

The following provides an overview of the Authority's intended results for the future and the chief Executive Officer's results commitment.

Expected Results	Performance Measures
All apprentice & licensed pilots trained in accordance with (Quality Assurance Program)	Compare annual training required with training taken by pilots - 100% of the required training must be done
Pilots use the simulator for area familiarization or to practice ship handling	Comparison of pilots' 5-year area currency statistics to their simulator usage - Every pilot will use the simulator at least once every five years
Pilot Training and Exam Committee must promulgate recommendations & lessons learned after incident investigations	Recommendations provided to pilots: - For every incident; and - Within one month of completing an incident investigation All investigated incidents must be followed up with recommendations
Increased level of realism with simulations through upgrade to PSTAR visual and current tidal databases	Completion of simulator databases as below: - Prince Rupert (2020), Seymour Narrows (2020), Blackney Passage (2020), Current & Race Passage (2020), Johnstone Strait (2020), Port Edward (2021), Port Alberni (2022), Gold River (2023) Maintain visual database of the specified areas to a minimum standard of LOD-2 and develop dynamic tidal current models for the specified areas
Develop recommendations for simulator upgrade. BCCP agreement and Board approval. Reduce the reliance on outside establishments to meet the training goals of the PPA and BCCP	Recommendations ready by year-end 2019  Documented evidence of agreement and approval  Year-over-year comparison of usage and training costs - External training costs reduced by 15% - Utilization goal is 25% in 2020 and 30% in 2021 moving to 40% in 2022
Ensure that pilots can be dispatched to, and arrive at an assignment on time	99.9% delay free pilotage and launch operations
The delivery of the designed pilot launch on time and on budget	Check construction progress against RFP, contractual requirements and TC construction regulations - Vessel delivered in March 2021
Completion of updated dispatch and accounting system including e-source cards by Q4 2021	2020 - Contract let with front runner from RFP  2021 - Completion of the upgrades and e-source cards
The establishment of TCZ-1 windows for air draft will enable customers to access windows by entering parameters on the PPA website	Establishment of a web-based window for air draft restricted vessels  Confirm 100% accuracy of calculated windows
Recommendations from cost benefit analysis on helicopters to be implemented – resulting in the highest productivity of the Authority's resources	Successful completion of analysis and recommendation to the Board – analysis accepted by the Board  Implementation of program which results in an overall higher efficiency of pilot utilization - if implemented: a. 10% increase in pilot efficiency for the area served

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<b>Expected Results</b>	<b>Performance Measures</b>
	b. costs acceptable to industry as measured through no objections
Recommendations from the analysis on pilot transportation to be implemented during the term of this plan – resulting in the highest productivity of the Authority’s resources	Reduction of pilot travel time and pilot travel costs per assignment - Reduce travel time and travel costs by 5% by 2023
Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Going concern assumption not challenged through year end audit by the Office of the Auditor General
Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Systematic building of reserves for unplanned events - add \$600k per annum to the reserve account
Expected to allow the Authority to make effective decisions about the future of pilotage charges and manpower given scenarios of demand assumptions including projects. Expected to provide a method of reporting mass data to industry in an easy to understand format	Continued development of forecasting model in line with milestones - Achieve milestone implementation dates on time  Model continued to be requested and wanted by industry - Continued positive feedback from industry on the model
A relative comparison of service delivery and pilotage charges for pilotage areas across Canada and the west coast of United States	The completion of the service level and cost comparison - Annual completion of review
Ensure that revenues generate enough margin to cover the Authority’s overhead and adequately contribute to committed capital costs	Completion of review and comparison in fiscal 2020 with results reported on suggested changes to tariff structure if necessary
To ensure that charges for areas of the pilotage operation are set in a cost-effective manner	Completion of remote port costing in 2021  Results of analysis supports status quo, or a change is brought and presented to industry for evaluation in 2021  If changes are recommended, a 5% reduction in costs for each area of recommendation
To ensure that charges are fair and reasonable To ensure that business decisions are based on good rationale and are cost effective based on scenario analysis	Completion of the UBC forecasting model in fiscal 2019
To ensure that charges are fair and reasonable – to evaluate the opportunities to minimize cross-subsidization across business activities.	Completion of the analysis in fiscal 2020
A sustainable workforce is achieved within the Authority through effective succession planning for senior management positions	Job descriptions completed in fiscal 2020. Succession binders to be completed by 2022. CEO succession planning is continued resulting in the identification of a new CEO by the end of the planning period

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<b>Expected Results</b>	<b>Performance Measures</b>
100% participation by the pilots on vessels that are participating in the ECHO slowdown program	Review of assignment data for vessel and pilot participation – 100% pilot participation
A sustainable workforce is achieved within the Authority and meets the government's social policies	New hires are brought on with verifiable consideration of diversity - Implementation of a hiring program that recognizes diversity by 2021
Peer assessments of apprentice and licensed pilots completed as per the QAP	Approximately 25 licensed pilot assessments per year and three assessments per apprenticeship period - 20% of licensed pilots assessed per year; apprentice pilots assessed every three months
Meet the requirements of the ISO/ISM codes	Non-conformances (NC) raised at routine audits - Zero NCs
2019 - Draft initial procedure for IT consultants to review regarding cybersecurity 2020 - Work with IT consultants to incorporate their recommendations into our procedure	2019: The completion of a gap analysis  2020 The completion of a procedures document  The completion of a tabletop exercise
50% of the office employees will use public transportation or walk/cycle to work	Ratio of office employees using public transportation vs those who do not – 75%
Walk, take public transportation or use video/teleconferencing for stakeholder meetings	Ratio of meetings attended by suggested methods vs other meetings – 90%
New launch to be completed in 2020 will have two tier-3 engines	Compliance with TC regulations on engines – 100% compliance
Ensures that the Authority provides a voice to support improvements to navigational safety and efficiency of marine operations	Participation in 80% of all OPP meetings
Ensures that the Authority is meeting the requirement to engage Indigenous communities affected by pilotage operations	To meet with 4 communities per annum
Implementation of the Pilotage Act amendments	80% attendance at all TC meetings and teleconferences on the implementation of amendments
A seamless handover of the regulations to TC	2 meetings per year
Ensuring open and transparent communication ensuring an understanding of the PPA's role	8 monthly association meetings
Ensuring open and transparent communication ensuring an understanding of the PPA's role	4 customer and port meetings
The introduction of a social media program to ensure a better understanding of the role of the Pilotage Authority and the safety of vessels under pilotage on the West Coast	2020 - Hiring of a media consultancy company  2021 - Implement a social media program
Allow the Authority to identify emerging issues and opportunities	<ul style="list-style-type: none"> <li>• 8 monthly associations meetings per annum</li> <li>• 2 ERMS meetings</li> <li>• 2 SORC meetings</li> </ul>

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<b>Expected Results</b>	<b>Performance Measures</b>
through an ERMS and SORC committee	<ul style="list-style-type: none"> <li>• Risk Register kept up to date as per ERMS procedures</li> <li>• Maintain ISO/ISM accreditation</li> </ul>
Develop a Safety and Operational Procedures manual for all ports not located within a port authority and publish the information on the PPA website	Completion of a safety and operational manual for all out-ports by 2023
Early warning of global economic changes by monitoring multiple indexes, publications and economic indicators	Publication of forecasts in the CEO quarterly report
No reduction in safety or efficiency as a result of the transfer of regulatory control from the Pilotage Authorities to TC.	The completion of a document clearly indicating the areas for which the PPA remains responsible to manage and oversee, in light of the Pilotage Act amendments

**Chief Executive Officer Results Commitment**

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



**Kevin Obermeyer, Chief Executive Officer**

October 17, 2019

**Date**

**PACIFIC PILOTAGE AUTHORITY  
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**Appendix 4 - Chief Financial Officer Attestation**

In my capacity as Chief Financial Officer of the Pacific Pilotage Authority, I have reviewed the Corporate Plan and budget and the supporting information that I consider necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

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

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



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**Stefan Woloszyn, Chief Financial Officer**

October 17, 2019  
**Date**

# PACIFIC PILOTAGE AUTHORITY

## CORPORATE PLAN

### 2020 TO 2024

#### **Appendix 5 - Financial Annex**

This operational view with prior year comparison values and the financial picture reflects accounting under International Financial Reporting Standards (IFRS).

For FY2020, forecasted expenses will outpace budgeted revenues by \$1 million. The budgeting outlook for fiscal 2020 assumes a slight 1.4% increase in traffic flows. Beyond fiscal 2020, volumes are expected to remain stable (in fiscal 2021 and fiscal 2022), with a sharp increase of 12% in fiscal 2023. This increase in fiscal 2023 is as a result of two large industrial projects moving into production (LNG Canada and TMX).

Potential income growth from new, future revenue sources or expenses from significant, unplanned capital investments are not reflected in future budget forecasts.

#### **Financial Planning Factors**

When preparing its forecasts and budgets, the Authority considers a variety of elements, both financial and non-financial. During the budget preparations, the following assumptions have been applied:

##### **Interest rates:**

Based on forecasts the Authority assumes a 1% interest rate on cash reserves and a borrowing rate of 2.75% in fiscal 2020 and 3% beyond fiscal 2020.

##### **Inflation rate:**

Based on this historical trend, the budgeted rate for inflation, related to goods and services, have been set at 2%. However, fiscal 2019 inflation rates are expected to end the year at 2.5% (which is based on the twelve-month rolling average ended August 2019).

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2020 TO 2024**

**STATEMENT OF FINANCIAL POSITION**

As at December 31st  
(in thousands of dollars)

	Actual 2018	Budget Forecast		Budget				
		2019	2019	2020	2021	2022	2023	2024
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash and cash equivalents	6,171	4,203	8,409	5,029	3,074	3,181	3,352	2,965
Accounts receivable - trade	6,071	5,964	6,530	6,867	7,001	7,148	8,060	8,088
Accounts receivable - other	44	173	119	125	127	130	147	147
Accounts receivable - GST	739	1,029	913	960	979	999	1,127	1,130
Travel advances	26	25	24	24	24	24	24	24
Prepaid expenses	94	141	186	190	193	197	201	205
Prepaid travel & Other	351	125	125	128	130	133	135	138
Investments	553	846	552	862	1,173	1,486	1,803	2,123
<b>TOTAL CURRENT ASSETS</b>	<b>14,049</b>	<b>12,506</b>	<b>16,858</b>	<b>14,185</b>	<b>12,701</b>	<b>13,298</b>	<b>14,849</b>	<b>14,820</b>
<b>Non-current Assets</b>								
Long-term investments	553	846	562	863	1,173	1,487	1,803	2,123
Other Receivables	185	149	210	210	210	210	210	210
<b>Fixed Assets</b>								
Buildings & floats	597	965	1,155	1,205	1,465	1,465	1,465	1,465
Pilot boats	16,440	21,448	17,866	23,751	24,676	24,786	24,916	26,066
Communication and other	377	275	203	243	333	373	413	453
Computer software and equipment	3,086	4,369	3,797	6,167	6,582	9,762	10,052	10,192
Intangibles	665	665	665	665	665	665	665	665
Leasehold improvements & Capital leases	261	261	1,570	1,570	1,570	1,570	1,570	1,570
	21,426	27,983	25,256	33,601	35,291	38,621	39,081	40,411
Accumulated depreciation	10,528	12,860	11,992	13,678	15,737	18,054	20,565	23,152
Total fixed assets	10,898	15,123	13,264	19,923	19,554	20,567	18,516	17,259
<b>TOTAL NON-CURRENT ASSETS</b>	<b>11,636</b>	<b>16,118</b>	<b>14,036</b>	<b>20,996</b>	<b>20,937</b>	<b>22,264</b>	<b>20,529</b>	<b>19,592</b>
<b>TOTAL ASSETS</b>	<b>25,685</b>	<b>28,624</b>	<b>30,894</b>	<b>35,181</b>	<b>33,638</b>	<b>35,562</b>	<b>35,379</b>	<b>34,412</b>

**PACIFIC PILOTAGE AUTHORITY  
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	Actual 2018	Budget Forecast		Budget				
		2019	2019	2020	2021	2022	2023	2024
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Accounts payable and accrued lia	6,477	6,831	6,802	7,155	7,291	7,445	8,395	8,422
Wages and employee deductions	4,922	4,916	5,672	5,942	6,133	6,297	6,512	6,638
Employee termination benefits	1,188	751	978	978	978	978	978	978
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,587</b>	<b>12,498</b>	<b>13,452</b>	<b>14,075</b>	<b>14,402</b>	<b>14,720</b>	<b>15,885</b>	<b>16,038</b>
<b>Non-current Liabilities</b>								
Capital Leases	-	-	989	646	302	44	18	-
Borrowings	1,815	5,117	2,822	7,730	6,670	7,806	6,478	5,282
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,815</b>	<b>5,117</b>	<b>3,811</b>	<b>8,376</b>	<b>6,972</b>	<b>7,850</b>	<b>6,496</b>	<b>5,282</b>
<b>TOTAL LIABILITIES</b>	<b>14,402</b>	<b>17,615</b>	<b>17,263</b>	<b>22,451</b>	<b>21,374</b>	<b>22,570</b>	<b>22,381</b>	<b>21,321</b>
<b>Equity</b>								
Retained earnings	11,283	11,009	13,631	12,730	12,265	12,994	12,998	13,093
	25,685	28,624	30,894	35,181	33,638	35,562	35,379	34,412

**PACIFIC PILOTAGE AUTHORITY  
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2020 TO 2024**

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended December 31

(in thousands of dollars)

	2018	2019 Budget	2019 Forecast	Budget				
				2020	2021	2022	2023	2024
<b>Revenue</b>								
Pilotage Tariffs	90,936	91,811	95,553	100,271	102,765	104,987	117,406	117,809
Pilotage Surcharges	1,045	1,758	1,312	673	946	946	767	767
Others (interest, supplementary fees & charges)	1,010	682	772	687	687	687	762	762
<b>Total Revenue</b>	92,990	94,251	97,637	101,631	104,398	106,620	118,935	119,338
<b>Direct Pilotage Costs</b>								
<b>Pilot Costs</b>								
Pilotage Fees (if under contract)	61,955	62,343	64,062	68,004	69,565	70,158	81,370	82,296
Pilot Salaries and Benefits	2,666	2,972	2,918	2,976	3,036	3,097	3,158	3,222
<b>Total Pilot Costs</b>	64,621	65,315	66,980	70,981	72,600	73,255	84,528	85,517
<b>Pilotage Boat and Pilot Travel</b>								
Pilot Boat Crew (salaries and benefits)	5,509	5,354	5,928	5,801	5,917	6,035	6,425	6,553
Pilot Boat Operating Cost (fuel, maintenance)	3,120	3,172	3,052	3,523	3,344	3,374	3,724	3,758
Pilot Boat Ownership Costs (Depreciation & Finance)	708	791	793	956	1,137	1,158	1,132	1,177
Pilotage Boat Fees (if under contract)	1,878	1,877	1,746	1,796	1,832	1,869	1,906	1,945
Pilot Travel Expenses	6,271	6,209	6,352	6,512	6,632	6,759	7,572	7,720
Other Related Costs	88	9	69	291	93	95	97	99
<b>Total Pilot Boat and Pilot Travel</b>	17,574	17,412	17,940	18,879	18,955	19,291	20,855	21,252
<b>Other Pilotage Expenses</b>								
Pilotage Portable Units & Dispatch/Accounting	807	750	895	1,135	1,325	1,563	1,793	1,833
Pilotage Training	1,606	3,217	2,965	3,760	3,819	3,269	3,317	2,099
Dispatch Center	1,952	1,989	2,064	2,106	2,148	2,191	2,235	2,279
Other Pilotage Costs	266	209	331	256	261	267	272	277
<b>Total Other Pilotage Expenses</b>	4,632	6,165	6,255	7,257	7,553	7,289	7,617	6,489
<b>Total Direct Pilotage Costs</b>	86,827	88,892	91,175	97,117	99,108	99,834	113,000	113,258
<b>Indirect Pilotage Costs</b>								
<b>Administrative Expenses</b>								
Administration (salaries and benefits)	2,409	2,470	2,487	2,622	2,850	2,907	2,965	3,024
Professional Services	163	170	258	169	172	176	179	183
Regulatory Fees (TC service fee)	-	-	-	759	841	842	635	635
Rent/Utilities/Supplies/Computers	733	1,299	630	987	996	1,221	1,230	1,213
Other Amortization	125	123	361	79	89	98	98	98
Other Administration Expenses	365	351	378	800	807	815	823	831
<b>Total Administration Expenses</b>	3,795	4,413	4,114	5,416	5,755	6,058	5,931	5,985
<b>Total Expenses</b>	90,623	93,305	95,289	102,533	104,863	105,892	118,931	119,243
<b>Other Comprehensive Income (Loss)</b>	(267)	-	-	-	-	-	-	-
<b>Comprehensive Income (Loss)</b>	2,100	946	2,348	(901)	(465)	729	4	95
Number of Contract Pilots	113	113	114	119	126	133	137	141
Number of Employee Pilots	8	8	8	10	10	10	10	10
Number of Assignments	13364	13,364	13,373	13,573	13,573	13,573	15,073	15,073
Average Assignment per Pilot	118	118	117	119	114	108	102	110
Revenue over Assignments ratio	6,958	7,053	7,301	7,488	7,692	7,855	7,891	7,917

**PACIFIC PILOTAGE AUTHORITY  
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**STATEMENT OF CASH FLOWS**

for the year ended December 31

(in thousands of dollars)

For the year ended December 31st

	2018	Budget	Forecast	Budget				
		2019	2019	2020	2021	2022	2023	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash receipts from customers	91,784	93,342	96,488	100,607	103,576	105,786	117,261	118,548
Cash paid to employees	(12,404)	(12,785)	(13,397)	(13,505)	(13,950)	(14,229)	(14,783)	(15,078)
Cash paid to suppliers & other	(75,828)	(78,943)	(78,939)	(86,092)	(87,864)	(88,371)	(99,861)	(100,672)
Other income received	128	673	-	-	-	-	-	-
Net cash provided by (used in) operations	3,680	2,287	4,152	1,010	1,762	3,186	2,617	2,798
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Net purchase of investments	(603)	(617)	(11)	(611)	(621)	(627)	(633)	(640)
Acquisition of property and equipment	(1,589)	(5,716)	(2,803)	(8,345)	(1,690)	(3,330)	(460)	(1,330)
Net cash (used in) provided by investing activities	(2,192)	(6,333)	(2,814)	(8,956)	(2,311)	(3,957)	(1,093)	(1,970)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Net (payments) proceeds from borrowing activities	(385)	3,302	900	4,566	(1,405)	878	(1,354)	(1,215)
Net cash (used in) provided by financing activities	(385)	3,302	900	4,566	(1,405)	878	(1,354)	(1,215)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,103	(744)	2,238	(3,380)	(1,954)	107	170	(386)
Cash and cash equivalents, beginning of period	5,068	4,947	6,171	8,409	5,028	3,074	3,181	3,352
Cash and cash equivalents, end of period	6,171	4,203	8,409	5,029	3,074	3,181	3,352	2,965

**STATEMENT OF CHANGES IN EQUITY**

for the year ended December 31

(in thousands of dollars)

	2018	Budget	Forecast	Budget				
		2019	2019	2020	2021	2022	2023	2024
<b>BALANCE, BEGINNING OF YEAR</b>	9,183	10,063	11,283	13,631	12,730	12,265	12,994	12,998
Net Income (Loss)	2,100	946	2,348	(901)	(465)	729	4	96
Actuarial Gains (Losses)	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	11,283	11,009	13,631	12,730	12,265	12,994	12,998	13,093

**PACIFIC PILOTAGE AUTHORITY  
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OPERATING BUDGET BY BUSINESS ACTIVITY									
for the year ended December 31									
(in thousands of dollars)									
	2018	2019 Budget	2019 Forecast	Budget					
				2020	2021	2022	2023	2024	
<b>Operating Activities</b>									
<b>Coastal Pilotage</b>									
Pilotage Revenues	67,114	67,980	70,553	74,873	77,017	78,750	89,270	89,627	
Pilotage Fees	61,955	62,343	64,062	68,004	69,565	70,158	81,370	82,296	
Apprentice Pilot Training Costs	1,010	2,359	2,286	2,930	2,989	2,439	2,487	1,269	
Senior Pilot Training Costs	596	858	682	830	830	830	830	830	
<b>Total Coastal Pilotage Margin</b>	<b>3,553</b>	<b>2,420</b>	<b>3,523</b>	<b>3,109</b>	<b>3,633</b>	<b>5,323</b>	<b>4,583</b>	<b>5,233</b>	
<b>River Pilotage</b>									
Pilotage Revenues	3,801	3,812	4,075	3,817	3,929	4,018	4,038	4,054	
Pilot Salaries and Benefits	2,666	2,972	2,918	2,976	3,036	3,097	3,158	3,222	
<b>Total River Pilotage Margin</b>	<b>1,135</b>	<b>840</b>	<b>1,157</b>	<b>841</b>	<b>893</b>	<b>921</b>	<b>879</b>	<b>832</b>	
<b>Travel</b>									
Coastal Travel Revenues	7,788	7,971	8,193	8,459	8,670	8,865	9,755	9,746	
River Travel Revenues	186	192	205	215	220	225	232	233	
Coastal Travel Expenses	6,078	6,011	6,131	6,291	6,406	6,529	7,332	7,476	
River Travel Expenses	193	198	220	221	225	230	240	244	
<b>Total Travel Margin</b>	<b>1,703</b>	<b>1,955</b>	<b>2,047</b>	<b>2,162</b>	<b>2,259</b>	<b>2,332</b>	<b>2,415</b>	<b>2,258</b>	
<b>Launch and Helicopters</b>									
Launch Revenues	9,319	9,707	9,846	9,732	9,929	10,130	10,853	10,891	
Fuel Revenues	2,194	2,148	2,136	2,266	2,090	2,090	2,267	2,267	
Launch Replacement Fee	534	537	545	908	908	908	992	992	
Pilot Boat Crew (salaries and benefits)	5,509	5,354	5,928	5,801	5,917	6,035	6,425	6,553	
Pilot Boat Operating Cost (fuel, maintenance)	3,120	3,172	3,052	3,523	3,344	3,374	3,724	3,758	
Pilot Boat Ownership Costs (Depreciation & Finance)	708	791	793	956	1,137	1,158	1,132	1,177	
Pilotage Boat Fees (if under contract)	1,878	1,877	1,746	1,796	1,832	1,869	1,906	1,945	
Other Related Costs	88	9	69	291	93	95	97	99	
<b>Total Launch &amp; Helicopter Margin</b>	<b>744</b>	<b>1,189</b>	<b>940</b>	<b>540</b>	<b>605</b>	<b>597</b>	<b>828</b>	<b>618</b>	

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

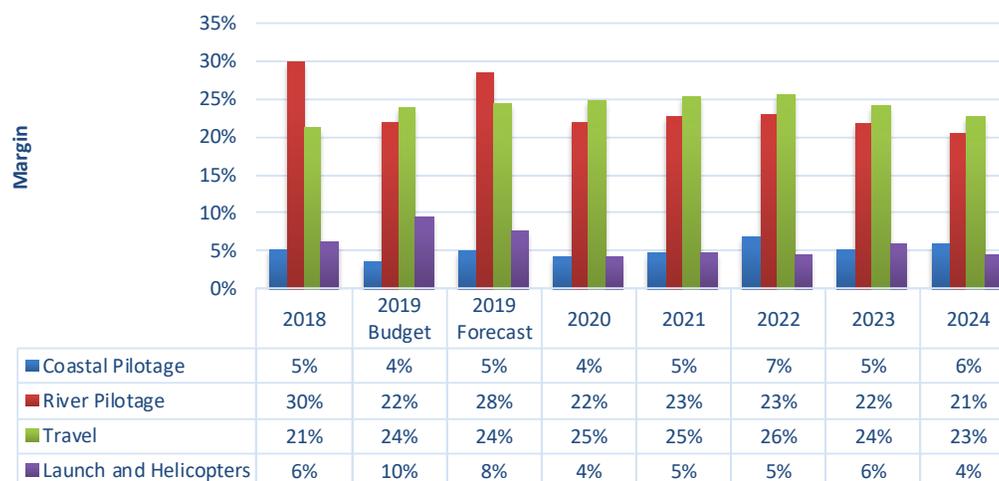
## OPERATING BUDGET BY BUSINESS ACTIVITY

for the year ended December 31

(in thousands of dollars)

	2018	2019 Budget	2019 Forecast	Budget				
				2020	2021	2022	2023	2024
<b>Administration &amp; Other</b>								
Bridging Fee	1,045	1,221	1,312	673	946	946	767	767
Other Revenues	743	682	772	687	687	687	762	762
Administration (salaries and benefits)	2,408	2,470	2,487	2,622	2,850	2,907	2,965	3,024
Dispatch Center	1,952	1,989	2,064	2,106	2,148	2,191	2,235	2,279
TC Fees				759	841	842	635	635
Professional Services	163	170	258	169	172	176	179	183
Regulatory Fees (TC service fee)	-	-	-	-	-	-	-	-
Rent/Utilities/Supplies	733	1,299	630	987	996	1,221	1,230	1,213
Other Amortization	125	123	361	79	89	98	98	98
Other Administration Expenses	613	351	641	638	651	664	677	691
Pilotage Portable Units	807	750	895	1,135	1,325	1,563	1,793	1,833
Other Pilotage Costs	21	209	67	418	418	418	418	418
<b>Total Administration &amp; Other</b>	<b>(5,035)</b>	<b>(5,457)</b>	<b>(5,319)</b>	<b>(7,553)</b>	<b>(7,856)</b>	<b>(8,444)</b>	<b>(8,701)</b>	<b>(8,846)</b>
<b>Net Profit (Loss)</b>	<b>2,100</b>	<b>946</b>	<b>2,348</b>	<b>(901)</b>	<b>(465)</b>	<b>729</b>	<b>4</b>	<b>95</b>

## Operating Margins - Business Activity



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**Description of activities worth noting and variances**

As can be seen above, the operating budget for the planning years has relatively stable margins with a few exceptions worth noting:

- Coastal pilotage margins

The Authority 's margins on costal pilotage are expected to hover between 4% and 7% over the planning years. The increase in volumes in fiscal 2023 (from the two expected large energy projects) will result in a sharp increase in callback costs which are paid to the contract pilots. These additional callback costs are expected to bring down margins from a high of 7% in fiscal 2022 to 5% in fiscal 2023.

- River Pilotage

The Authority experienced an increase in river pilotage margins as a result of a healthy pickup in the number of river assignments for fiscal 2019. This is a generally fixed cost portion of the business, so increases in shipping volumes generally results in an increase in margins. The margins in this business segment are expected to decrease to 22% in fiscal 2020 and will hover between 21% and 23% over the planning years. The decrease between fiscal 2019 and fiscal 2020 relate to the assumption that 2 additional Fraser River pilots will be hired in fiscal 2020.

- Launch and Helicopter Margins

The Authority's margins in this business segment are expected to hover between 4% and 6% over the planning years. An evaluation of helicopters and the potential margins associated with this program have not been included in this plan. This evaluation will take place in fiscal 2020 and will be included in the 2021-2025 Corporate Plan.

In addition, the Authority plans on re-investing \$600k of cash flow per year over the planning years to rebuild the investments account (\$600k was added in accordance with the Corporate Plan in fiscal 2019). This has been done in consultation with Industry. The balance used to be \$4.5 million but was systematically reduced in order to soften the effect of tariffs.

All other segments of our business are performing well in line with our budget and no other material variations are noted.

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

## CAPITAL BUDGET

For the year ended December 31

(in thousands of dollars)

<b>FUNDING</b>	Actual 2018	Current Forecast 2019	Budget 2019	Budget				
				2020	2021	2022	2023	2024
Pre-approved borrowing	-	1,400	-	-	-	-	-	-
New borrowing request	-	-	4,000	5,800	-	2,500	-	-
<b>TOTAL FUNDING</b>	-	1,400	4,000	5,800	-	2,500	-	-
<b>EXPENDITURES</b>								
Buildings & floats	193	558	50	50	260	-	-	-
Launches	1,184	1,709	4,650	5,885	925	110	130	1,150
Communications & Other	-	-	72	40	90	40	40	40
Computers & Software	212	536	944	2,370	415	3,180	290	140
Leasehold Improvements	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	1,589	2,803	5,716	8,345	1,690	3,330	460	1,330
<b>EXCESS (SHORTFALL) OF FUNDING OVER EXPENDITURES</b>	(1,589)	(1,403)	(1,716)	(2,545)	(1,690)	(830)	(460)	(1,330)

As can be seen above, the Authority expects to use a combination of \$5.8 million in financing and internal cash of \$2.5 million to fund planned capital expenditures of \$8.3 million in fiscal 2020.

New borrowings expected capital expenditures, and the differences between the two are displayed for each of the planning years above. It is expected that the annual funding shortfall can be catered to by internal operating cash.

### Operating Line of Credit

The Authority requests to borrow, on a day-to-day basis from its bank, sums of money to manage its cash flow. The Authority views these borrowings as a 'best business practice' and wishes to renew this facility. These borrowings are to be charged at market rates levied by a Canadian bank and repaid prior to December 31.

Currently, the Authority has approval from the Minister of Finance to borrow up to \$5 million. The Authority has asked for this approval to be reduced to \$3.5 million for this Corporate Plan. \$3.5 million is deemed to be enough for this planning period.

The Authority intends to maintain its medium to long term cash balance between \$2 million and \$4 million over the Corporate Plan years.

Considering that Authority forecasts that it will achieve negative comprehensive income in fiscal 2020/2021, and low net income in fiscal 2022/2023/2024, any unknown

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# **PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024**

factors outside of the Authority's control (i.e. tariff delays, volume changes, unforeseen engine breakdowns) may push the Authority's expected cash position below its forecasted balance.

In addition, given the cyclical nature of the Authority's business, the ramp up in assignment volumes in the end of spring tends to put excess pressure on the Authority's cash position. There are periods during this ramp up in which the Authority must issue payments in excess of \$8 million per month which are only recovered afterward.

Because the Authority's mandate is to be financially self-sufficient, having an available line of credit on which to draw from with the Authority's currently low cash balance is necessary.

This Corporate Plan serves as the Authority's formal application to the Minister of Finance for renewal of this facility at \$3.5 million.

## **Sensitivity of Corporate Plan Projections**

The fundamental assumption in the Authority's Corporate Plan is the number of pilotage assignments each year. This number is in part a measure of Canadian exports and imports and is influenced by many external factors outside the control of the Authority. Some of these factors are:

- the export volumes of grain, forest products, coal and other bulk commodities,
- the effect of any receivership and bankruptcy applications by any carriers and/or agencies,
- foreign exchange rates,
- West Coast port competition for shipping traffic, and
- general economic conditions in Asia and North America.

The Authority's major expense in any given year is the payout to the British Columbia Coast Pilots Ltd. As a result of this structure, the Authority is well positioned to respond to temporary downturns of traffic. The BCCP are entrepreneur pilots and as such contract their services to the Authority under the terms of the *Pilotage Act* and acknowledge the risk of decreased remuneration during diminished traffic periods.

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**Appendix 6 - Borrowing Plan**

**Borrowing Authority**

As shown in section 5, the Authority submits the following borrowing plan for Minister of Finance approval at \$3.5 million in short term borrowing and \$5.8 in long term borrowing for 2020.

1. Operating line of credit – \$3.5 million
  - This represents a reduction in the current operating line from \$5 million to \$3.5 million
2. Capital loans - \$5.8 million

The following table shows the Authority's borrowing for the plan years.

<b>BORROWING PLAN</b>								
For the year ended December 31 (in thousands of dollars)	<b>Actual 2018</b>	<b>Forecast 2019</b>	<b>Budget 2019</b>	<b>Budget</b>				
				<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Operating Line of Credit	6,750	5,000	5,000	3,500	3,500	3,200	4,000	5,000
Capital Loan Maximum	1,815	2,822	5,575	8,249	7,643	8,590	7,693	6,380
<i>Outstanding Loans</i>	1,815	1,422	1,575	2,449	7,643	6,090	7,693	6,380
<i>New loans</i>		1,400	4,000	5,800	-	2,500	-	-
<b>Total</b>	<b>8,565</b>	<b>7,822</b>	<b>10,575</b>	<b>11,749</b>	<b>11,143</b>	<b>11,790</b>	<b>11,693</b>	<b>11,380</b>

The table below displays the Authority's outstanding borrowings measures in accordance with International Financial Reporting Standards for the planning years, broken down by current and long term.

# PACIFIC PILOTAGE AUTHORITY CORPORATE PLAN 2020 TO 2024

## OUTSTANDING BORROWINGS

For the year ended December 31  
(in thousands of dollars)

	Actual 2018	Current Forecast 2019	Budget 2019	Budget				
				2020	2021	2022	2023	2024
<b>Current Portion</b>								
Operating Credit Facility								
Capitalized Leases		342	349	345	266	26	18	
Loans Payable	395	892	936	1,060	1,364	1,161	1,197	1,037
<b>Total Current Portion of Borrowings</b>	<b>395</b>	<b>1,234</b>	<b>1,285</b>	<b>1,405</b>	<b>1,629</b>	<b>1,187</b>	<b>1,215</b>	<b>1,037</b>
<b>Non-Current Portion</b>								
Operating Credit Facility								
Capitalized Leases		646	962	302	36	18		
Loans Payable	1,420	1,931	4,181	6,670	5,306	6,645	5,282	4,244
<b>Total Non-Current Portion of Borrowings</b>	<b>1,420</b>	<b>2,577</b>	<b>5,143</b>	<b>6,972</b>	<b>5,342</b>	<b>6,662</b>	<b>5,282</b>	<b>4,244</b>
<b>Total Borrowings</b>	<b>1,815</b>	<b>3,811</b>	<b>6,428</b>	<b>8,377</b>	<b>6,971</b>	<b>7,850</b>	<b>6,496</b>	<b>5,282</b>

## BORROWING CONTINUITY

For the year ended December 31  
(in thousands of dollars)

	Actual 2018	Current Forecast 2019	Budget 2019	Budget				
				2020	2021	2022	2023	2024
<b>Capitalized Leases</b>								
Opening balance	-	-	-	989	646	302	44	18
IFRS assumption of existing leases	-	1,308	1,660	-	-	-	-	-
Maturities	-	(320)	(349)	(342)	(345)	(258)	(26)	(18)
New Issuances	-	-	-	-	-	-	-	-
<b>Total Capitalized Leases</b>	<b>-</b>	<b>989</b>	<b>1,311</b>	<b>646</b>	<b>302</b>	<b>44</b>	<b>18</b>	<b>-</b>
<b>Loans Payable</b>								
Opening Balance	2,190	1,815	1,812	2,822	7,730	6,670	7,806	6,478
Maturities	(375)	(393)	(695)	(893)	(1,060)	(1,364)	(1,328)	(1,196)
New Issuances		1,400	4,000	5,800	-	2,500	-	-
<b>Total Loans Payable</b>	<b>1,815</b>	<b>2,822</b>	<b>5,117</b>	<b>7,730</b>	<b>6,670</b>	<b>7,806</b>	<b>6,478</b>	<b>5,282</b>
<b>Total Borrowings</b>	<b>1,815</b>	<b>3,811</b>	<b>6,428</b>	<b>8,377</b>	<b>6,971</b>	<b>7,850</b>	<b>6,496</b>	<b>5,282</b>

# **PACIFIC PILOTAGE AUTHORITY**

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#### **IFRS 16 Adoption**

In the FY2019 fiscal year, the Authority adopted the International Financial Reporting Standard 16 (IFRS 16), entitled Leases. This requires the Authority to account for all material leases as a liability equal to the discounted present value of future lease payments, regardless of whether the leases were previously determined to be capital or operating leases.

On January 1, 2019, the Authority recorded \$1.3M of currently existing leases as a liability and as a capital asset, as a result of this IFRS standard. This liability (and corresponding asset), will be amortized over the planning years in accordance with the Borrowing Continuity schedule above.

#### **Investment Policy**

The Authority requests the Minister of Finance's approval for the Authority to invest any monies not immediately required for the purposes of the Authority in any of:

1. bonds or other obligations of or guaranteed by Her Majesty the Queen in right of Canada or any province, or any municipality in Canada;
2. fixed-income instruments with a credit rating of at least BBB - by Standard & Poor's or Fitch Ratings, or Baa3 by Moody's;
3. funds with diversified holdings that fall within the scope of items 1 and 2 above, including exchange-traded funds but excluding leveraged funds; and
4. guaranteed investment certificates that are eligible for Canada Deposit Insurance Corporation insurance.

#### **Financial – Tariff Adjustment**

In order to finance its activities, the Authority charges users for its services through a tariff. Consistent with pilotage objectives, the tariff is intended to be fair, reasonable and sufficient to allow for a safe and efficient service. The Authority continues to place great emphasis on a full and comprehensive engagement process by consulting at length using a sophisticated modelling software tool with the marine industry prior to a tariff application being initiated. The costs to administer our services to protect our western coastlines in the interests of Canada amount to less than 7.5% of the total fees charged in fiscal 2018 and fiscal 2019.

For fiscal 2019 and 2020, the Authority will continue to bring margins back into line so that cash flow losses are stopped. In fiscal 2019, the Authority implemented a 3.05% tariff based on extensive consultation with industry. The Authority's financial modelling software was used to allow industry to have direct input into the tariffs for fiscal 2019 and fiscal 2020 as well as a plan onwards. As a result of multiple meetings (including meetings with all industry associations and separate meetings with the agencies that

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the associations represent), the Authority has emerged with a tariff for fiscal 2020 – 2024 comprised as follows:

<b>TARIFF</b>							
<b>RATE CHANGE</b>	Actual	Proposed	Budget	Budget			
	2019	2020	2020	2021	2022	2023	2024
Pilotage unit, hourly, travel & launch	3.05%	2.25%	2.50%	2.50%	2.25%	0.50%	0.40%
<b>ADDITIONAL FEES</b>							
Launch Replacement	60	100	60	100	100	100	100
Bridging Fee	100	0	0	0	0	0	0
Technology Fee	50	50	50	50	50	50	50
Federal Program Allowance	0	71	0	77	77	55	55
<b>TOTAL FEES PER ASSIGNMENT</b>	<b>210</b>	<b>221</b>	<b>110</b>	<b>227</b>	<b>227</b>	<b>205</b>	<b>205</b>

The increases for fiscal 2020 are intended to maintain the Authority's margins. The Consumer Price Index for the 12 months ended August 2019 for British Columbia and Vancouver was 2.5%, thus showing that the Authority has effectively kept costs in line with inflation. With the proposed tariff increase (coupled with funding and expenditure assumptions), we believe that we will be able to maintain a medium-term operating cash position between \$2 million and \$4 million.

**Employee Benefits**

All eligible 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.

The normal age of retirement within the Authority is 65 years.

<b>2019 - Employed in plan prior to 2013</b>	<b>Employee contribution</b>	<b>Employer contribution rate times Employee rate</b>
\$0 - \$55,800	9.56%	1.01
Above \$55,800	11.78%	1.01
Earnings over \$164,500	11.78%	3.79

<b>2019 - Employed in plan from Jan 1, 2013</b>	<b>Employee contribution</b>	<b>Employer contribution rate times Employee rate</b>
\$0 - \$55,800	8.68%	1.0
Above \$55,800	10.18%	1.0
Earnings over \$164,500	10.18%	3.79

Since 2006, employee contribution rates have gradually increased to reach a more balanced cost-sharing ratio with the Government of Canada.

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Effective January 1, 2013, a plan to phase in additional employee contribution rate increases for the public service pension plan will result in an employee-employer cost-sharing ratio of 50:50 in 2017.

Employees are entitled to severance and sick leave benefits as provided for under collective agreements or employment contracts.

Key features of sick leave:

- Sick leave for management and ILWU office staff is 1.25 days per month cumulative year to year to a maximum of 365 days
- Sick leave for CMSG crew is 1.25 days per month cumulative year to year to a maximum of 365 days
- Sick leave for ILWU deckhands is 1.75 days per month cumulative year to year to a maximum of 365 days
- Sick leave for Fraser River pilots is 1.75 days per month cumulative year to year to a maximum of 365 days

Key features of severance:

- Management – no severance accumulation above Canada Labour Code
- Fraser River Pilots – no severance accumulation above Canada Labour Code
- Office Staff – severance accumulation above Canada Labour Code as follows:
  - Resignations and retirement – no severance pay.
  - Layoff – 4 times weekly rate of pay for year 1, plus 1 time the weekly rate of pay for all remaining years to a maximum of 28 weeks (i.e. at 20 years an employee would receive 23 weeks)
- CMSG - severance accumulation above Canada Labour Code as follows:
  - Resignations and retirement – no severance pay.
  - Layoff – 3 times weekly rate of pay for year 1, plus 1 time the weekly rate of pay for all remaining years to a maximum of 31 weeks (i.e. at 20 years an employee would receive 22 weeks)

In fiscal 2018, severance in the Authority's collective agreements with its unions was adjusted so that severance payments on resignations and retirement were eliminated.

# PACIFIC PILOTAGE AUTHORITY

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#### Appendix 7 - Risk and Risk Responses

The Authority considers risk management to be a shared responsibility. Accordingly, members of the Board of Directors, its committees, the CEO, and all employees are accountable for managing risk within their area of responsibility. Risk management policies ensure a consistent, comprehensive and enterprise-wide risk management approach that is integrated into planning, decision making, and operational processes.

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

- Strategic risk: risks emanating from the Authority's strategy and decision making.
- Financial risk: risks pertaining to liquidity, capital availability, capital structure.
- Organizational & Human Resource risk: risks emanating from the Authority's management of its human resources including leadership depth and quality, management and labour availability and cost, cultural, etc.
- Operational risk: risks emanating from the Authority's day-to-day operating processes and activities.
- External risk: risks emanating from external sources over which the Authority (although impacted) has little control (e.g. macro-economic volatility; industry structural change; political, etc.)
- Legal and regulatory risk: risks associated with the Authority's compliance with applicable laws and regulations.
- Incident risk: risks emanating from incidents (accidents, near misses, etc.) within the Authority's jurisdiction where a pilot is present on-board ship.
- Emerging risks: un-rated risks that the Authority will keep reviewing from time to time in order to be proactive.

The Board of Directors has adopted the following risk profile and tolerance matrix:

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Risk Ranking Methodology

	Financial	Operational				Strategic	
		Human	Property	Vessel(s)	Environmental	Disruption of Business	Reputation
<b>Extreme</b>  5	Above \$10 million cash impact on the Authority	Multiple deaths  And multiple people with serious long-term injury  Intensive care	Damage to property is such that it ceases operations for a period of time exceeding one month  or financial loss exceeds \$10 million	Vessel sinks or sustains so much damage that it is a constructive total loss	Incident causes sustained long term harm to environment  (i.e. damage lasts greater than a month)	Threatens long-term viability of Authority  (Operational cessation or major operational issues lasting more than one month)	Sustained front page adverse national media coverage  International media coverage
<b>Very High</b>  4	Impact on the Authority between \$5 and \$10 million	Single death  And multiple people with serious long-term injury  Intensive care	Damage to facilities is such that operations cease for up to one month  or financial loss of \$5 - \$10 million.	Vessel sustains damage significant enough to result in towing to dry dock and loss of operations of up to one month	Incident causes sustained medium term harm to environment  (i.e. damage lasts up to one month)	Threatens viability of Authority in the medium term  (Operational cessation or major operational issues lasting up to one month)	Front page adverse national media coverage  And intermittent international coverage
<b>High</b>  3	\$1million-\$5million cash impact	Some people with serious long-term injury and multiple minor injuries	Damage to facilities is such that the operations cease for up to two weeks  or financial loss of \$1 - \$5 million.	Vessel sustains significant damage with dry docking and loss of operations for two weeks	Incident causes medium term harm to environment  (i.e. damage lasts up to two weeks)	Threatens viability of Authority in the short term  (Operational cessation or major operational issues lasting up to two weeks)	Intermittent adverse national media coverage
<b>Medium</b>  2	Between \$500,000 to \$1million cash impact	One person with serious long-term injury  Some minor injuries	Damage to facilities cause operations to cease for up to one week  Or financial impact of \$500,000 - \$1 million	Vessel sustains damage resulting in loss of operations for one week	Incident causes short term harm to environment  (i.e. damage lasts no greater than one week)	Operational issues lasting up to one week but no cessation of business	Sustained front page adverse local media coverage  Board and Ottawa receive complaints from industry associations and major clients
<b>Low</b>  1	Up to \$500,000 cash impact	Single or multiple minor injuries requiring on site First Aid and/or off-site treatment	Damage to facilities cause operations to cease for up to 72 hours  Or a financial impact up to \$500,000	Minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours	Incident causes minimal or intermittent harm to environment over a period of time  (i.e. damage lasts no greater than a day)	No operational issues or operational issues lasting up to 72 hours	Intermittent adverse local media coverage  Complaints received from industry and/or clients

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## Risk Likelihood Ranking Criteria

Likelihood	Risks that are ongoing	Risks that are one off
<b>Extreme</b> <b>5</b>	We expect that the risk will occur many times a month. The risk is happening.	We fully expect the risk to occur. The risk is already occurring (i.e. It's an issue).
<b>Very High</b> <b>4</b>	We expect that the risk will occur at least once a year.	We expect the risk will most probably occur.
<b>High</b> <b>3</b>	We expect that the risk will occur once in 3 years.	We expect that the risk may occur at some time and we think it more likely than not.
<b>Medium</b> <b>2</b>	We expect that the risk will occur once in 10 years.	We expect that the risk may occur at some time and we think it less likely than not.
<b>Low</b> <b>1</b>	We expect that the risk will occur once in 50 years.	We expect that the risk may occur only in exceptional circumstances but that it is highly doubtful that it will.

## Risk Ranking Score Key

To achieve the risk's score, multiply the Impact score by the Likelihood score. The overall rankings are the following:

25	Extreme	20	Very High	15	High	10	Medium	5	Low
24	Extreme	19	Very High	14	High	9	Medium	4	Low
23	Extreme	18	Very High	13	High	8	Medium	3	Low
22	Extreme	17	Very High	12	High	7	Medium	2	Low
21	Extreme	16	Very High	11	High	6	Medium	1	Low

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At present, the key strategic risks identified for the Corporation are:

Title	Risk Category	Impact	Likelihood	Score	Org Level
<b>Future recruitment of suitable qualified pilots</b>	Human Resource Risk	<b>4</b> Not finding appropriate candidates could put the long-term viability of the coast wide pilotage model in jeopardy	<b>2</b> Studies indicate a declining trend in enrolment for maritime jobs; however, this trend has not yet affected pilot enrolment numbers	<b>8</b>	Strategic
<b>Existing Controls –</b>					
<ol style="list-style-type: none"> <li>1. The PPA is very pro-active in promoting piloting as a career;</li> <li>2. Well established recruitment and training process;</li> <li>3. Apprenticeships can be extended up to 2 years if necessary;</li> <li>4. BC Coast Pilots can be called back to work on their off cycle;</li> <li>5. PPA consults with the BCCP before making any regulatory changes;</li> </ol>					

Title	Risk Category	Impact	Likelihood	Score	Org. Level
<b>Relations with communities and the general public following an incident</b>	Communication Risk	<b>4</b> The impact of pollution on many of the local communities dependent on the sea for their food supply will be extreme (level 5)	<b>2</b> The probability of a sustained negative response given the level of communication and our present relationships is low at present. The Nathan E Stewart is an example where we got a lot of positive press for our actions post incident. (Low level 2)	<b>8</b>	Strategic
<b>Existing Controls –</b>					
<p>Pollution as a result of an incident: The primary control to avoiding an accident is to ensure that the Authority has a robust pilot examination process, world class training and an active quality performance and risk assessment process in place. Rules in place that govern the petroleum industry ensuring that only double hulled vessels and barges are able to carry petroleum products. Regulations governing required experience for waiver holders. Notices to Industry and Pilots, Standards of Care documents and Guidelines put in place to govern the movement of bulk liquids, vessels under waiver and identified risks on the coast.</p> <p>Deterioration of Relationships as a result of damage and pollution: The PPA works hard on relationship building with all sectors on an ongoing basis. Strong relationships will ensure that the trust needed post incident will already be in place. Open, honest and transparent communication and the sharing of data in a post incident scenario will greatly lessen any negative publicity and court action.</p>					

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<b>Title</b>	<b>Risk Category</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Score</b>	<b>Org. Level</b>
<b>Changing economic/ fiscal conditions that affect vessel traffic</b>	Financial Risk	<b>3</b>  The Authority must remain self-sufficient. Without proper financial resources the Authority would fail to meet its mandate. Therefore, a material change in these conditions could force the Authority to increase tariffs to a level considered to be significant enough to impact trade on the west coast of Canada.	<b>2</b>  Low due to the fact that the Authority's traffic base is diversified between commodity and import sectors. Out of the 8 key sectors the highest ranges from 15% of the annual trips to a low of 4%.	<b>6</b>	Strategic

**Existing Controls –**

1. Constant monitoring of financial indicators.
2. Diversity helps to protect business from downturns in individual sectors – i.e. not just reliant on one industry (coal, grain, lumber, petroleum, automobiles, cruise).
3. Trend analysis is incorporated into financial planning.
4. Scenario planning now included in risk discussion groups incorporating consideration of financial aspects of possible major developments that could affect the Authority's business.
  - a. The Authority's business model is capable of absorbing traffic (revenue) downturns.
  - b. The Authority has developed a well-regarded forecasting model in concert with industry to ensure that the best information is used to predict the effects of expected future conditions on the business. In addition, the Authority has engaged in a rebuilding process on financial reserves and has an available line of credit if needed.
5. Coast pilot expense setup as a variable cost
6. PPA cash reserves (investment account) setup to protect against unbudgeted anomalies

<b>Title</b>	<b>Risk Category</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Score</b>	<b>Org. Level</b>
<b>Recruiting and training of Fraser River pilots</b>	HR Risk	<b>3</b>  A shortage of Fraser River Pilots would negatively affect the PPA's ability to fulfil its mandate.	<b>2</b>  The Fraser River has seen a steady level of activity over the past few years thereby indicating a low likelihood of a sudden shortage of qualified applicants.	<b>6</b>	Strategic

**Existing Controls –**

1. Familiarization program and examinations for river pilot candidates scheduled on regular basis
2. River pilots have provided the Authority with their tentative retirement dates
3. PPA initiates and participates in regulatory changes that affect pilotage
4. Well established training programs that can be amended to compensate for regulatory changes

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<b>Title</b>	<b>Risk Category</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Score</b>	<b>Org. Level</b>
<b>Tariff Delay/Objection</b>	Financial Risk	<b>3</b> Good relations with industry and a highly inclusive tariff consultations process assist in tariff increase procedures.	<b>2</b> Conflict in proposals for tariff increases could cause delays in the tariff approval process, which could necessitate the need to build reserves into the Authority in order to continue as a going concern through objections; which in turn could cause an increased likelihood of objection with the impact of delays in needed increases.	<b>6</b>	Strategic
<b>Existing Controls –</b> <ul style="list-style-type: none"> <li>• The current business is well positioned with adequate margins achievable in each cost center to absorb slight delays.</li> <li>• Detailed forecasting of traffic in advance with Industry engagement is helping to predict income streams and expenditures and lower the risk of objection.</li> <li>• Constant monitoring of financial indicators and traffic patterns to ensure accurate forecasts are created which strengthens trust from Industry.</li> <li>• PPA's coastal costs are directly variable to available work (i.e. BCCP has ownership of this portion of risk).</li> <li>• Good communication with industry bodies and clients aids forecasting.</li> <li>• Scenario planning now included in risk discussion groups incorporating consideration of financial aspects of possible major developments that could affect PPA's business.</li> </ul>					

<b>Title</b>	<b>Risk Category</b>	<b>Description</b>	<b>Org. Level</b>
<b>Social Media Risk</b>	Emerging Risk	ERMS committee wants this risk analyzed by PPA management and mitigated for. There are two main causes cited by committee: Risk of employee's social media accounts having a negative impact on PPA's reputation (develop social media policy and procedures) Outside entities/people posting negative information about the PPA that negatively affects reputation	Strategic
<b>Ship size getting too large</b>	Emerging Risk	Many issues regarding size of vessel. A small few are: <ul style="list-style-type: none"> <li>• Too big vessels for terminals.</li> <li>• Draft and air draft issues</li> <li>• Restricted pilots training</li> </ul>	Strategic
<b>No Investigative Powers</b>	Emerging Risk	The Authority has difficulty in investigating marine incidents involving pilots. This makes learning from incidents difficult. This has not been directly addressed in the <i>Pilotage Act</i> amendments.	Strategic

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## **Appendix 8 - Compliance with Legislative and Policy Requirements**

Below, is a list of the legislative and policy directives that the Pilotage Authority must comply with:

### ***Access to Information Act***

As part of a commitment to clear and transparent governance, the Authority voluntarily reports, through its website, annual summaries of all requests related to the *Access to Information Act* received for itself and its subsidiaries. To date in FY2018, three requests have been processed by the Authority.

### ***Official Languages Act***

The Authority has assigned a member of its management team to monitor and promote the use of official languages within the organization. The Authority ensures that all its external and public communications as well as its services to the public are available bilingually by request. Annually the Authority reports its findings related to languages to the Treasury Board Secretariat's Official Languages Centre of Excellence.

### ***Additional Acts with which the Authority must comply include:***

- *Conflict of Interest Act*
- *Canadian Human Rights Act*
- *Corruption of Foreign Public Officials Act*
- *Privacy Act*
- *Employment Equity Act*
- *Part X of the Financial Administration Act*

### **Directive on Travel, Hospitality, Conference and Event Expenditures**

As part of a commitment to good governance and as directed under Section 89 of the *Financial Administration Act*, the Authority has established a policy governing the reimbursement of reasonable expenses required for the purposes of business travel, hospitality, conferences and events in accordance with Government of Canada direction.

This policy includes processes for preparation and approval of expenses for reimbursement. The Authority's compliance with this policy is audited annually by the Office of the Auditor General. The Authority voluntarily reports, through its website, annual aggregate corporate expenses related to travel and business development activities as well as the travel and hospitality expenses for the CEO and Chair.

Expenses are reported by month and are reflected in the period during which they were reimbursed. These disclosures include business expenses related to business travel,

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hospitality, conferences, and event expenses for activities directly related to the delivery of the Authority's core mandate or legal requirements, engagement with its key stakeholders, internal governance, and training.

#### **Trade agreements**

The Authority is not directly involved with any activities related to trade agreements. A stable and collaborative pro-trade economic environment directly benefits the Authority's business activities.

The Authority follows a procurement process that includes tendering in a public manner respecting the thresholds established in the various trade agreements.

#### **Other**

Additionally, the Corporation supports and complies with the following legislation that affects various facets of its operations:

#### **CORPORATE**

- *Canada Business Corporations Act*, R.S.C. 1985, c C-44
- *Financial Administration Act*, R.S.C. 1985, c F-11

#### **GOVERNMENT INSTITUTIONS**

- *Auditor General Act* R.S.C., 1985, c. A-17
- *Conflict of Interest Act*, S.C. 2006, c 9, s 2
- *Commercial Arbitration Act*, R.S.C. 1985, c 17 (2nd Supp.)
- *Library and Archives of Canada Act*, S.C. 2004, c 11
- *Lobbying Act*, R.S.C. 1985, c 44 (4th Supp.)
- *Privacy Act*, R.S.C. 1985, c P-21
- *Public Servants Disclosure Protection Act*, S.C. 2005, c 46

#### **REGULATORY STATUTES**

- *Pilotage Act*, R.S.C. 1985, C. P-14
- *Canada Labour Code*, R.S.C. 1985, c L-2
- *Canadian Environmental Assessment Act*, 2012, S.C. 2012, c 19, s 52
- *Canadian Environmental Protection Act*, 1999, S.C. 1999, c 33
- *Canadian Human Rights Act*, R.S.C. 1985, c H-6
- *Customs Act*, R.S.C. 1985, c 1 (2nd Supp.)
- *Health of Animals Act*, S.C. 1990, c 31
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, S.C. 2000, c 17

#### **Amongst others including:**

- *Canada Transportation Act*, S.C. 1996, c 10

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#### **Appendix 9 - Government Priorities and Direction**

##### **Results linked to Government priorities**

The Government of Canada's priorities aim for growth for the middle class; open and transparent governance; a clean environment and a strong economy; strength through diversity; and security and opportunity.

Through its operational and policy framework, the Authority delivers on the commitment to open and transparent governance as well as effective compensation and diversity through employment opportunities.

##### **Transparency and Open Government**

With the use of monthly customer meetings, quarterly stakeholder meetings and online communications tools, the Authority is well positioned to deliver its mandate in a fully open and transparent manner.

Within all required timeframes, the Authority openly publishes its public reports such as Annual and Quarterly Reports, Summary Corporate Plans, Proactive Disclosures and *Access to Information Act* inquiries. The Authority aims to respond in a timely manner to all information requests as well as reasonably address their associated concerns when feasible.

##### **Gender-Based Analysis / Diversity and Employment Equity**

The Authority's staff volume is too low for a statistically significant analysis of any of its employment parameters. Despite its limited quantities of personnel, the Authority remains nimble and effective in the delivery of its mandate. While not driven by specific employment targets, the Authority benefits from a broadly diverse workforce.

From a gender diversity perspective, the Authority's Board consists of a majority of female directors, management has 33% representation and corporate staff has a 44% female representation. The Authority continues to struggle to find and recruit female representation in the launch and pilot portions of our business due to a lack of female candidates. This continues to be a focus for change. The Authority strives to make the workplace reflective of our society.

##### **Indigenous Relationships**

Through community engagement with regional Indigenous groups, the Authority spurs individual economic well-being and promotes an inclusive social diversity that is essential for the future of Canada. We actively engage in dialogue with local first nations groups about our collective interests in the marine environment. This community collaboration also supports environmental protection of the lands and waterways.

##### **Sustainable Development and Greening of Government Operations**

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The Authority aims to increase its green presence. Various initiatives being implemented or contemplated for deployment include the requirement for all future launches to meet best practices emissions targets. In addition, the Authority:

1. is an associate member of the Green Marine organization
2. is ISO and ISM certified
3. has a sustainability policy in place
4. all new engines must meet or exceed the emissions standards
5. our offices in Vancouver are leased but the building is LEED certified

The Authority does not interact directly with environment activists as that is the jurisdiction of the project proponent and we would be operating way outside of our mandate. The Authority does however make itself available to speak about the role pilotage plays in ensuring the protection of the marine environment.

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**Appendix 10 - Acronyms**

<b>Acronym</b>	<b>Definition</b>
<b>BCCP</b>	British Columbia Coast Pilots Ltd.
<b>BRM-P</b>	Bridge Resource Management for Pilots
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CMSG</b>	Canadian Merchant Service Guild
<b>CRA</b>	Canada Revenue Agency
<b>ERMS</b>	Enterprise Risk Management System
<b>FAA</b>	<i>Financial Administration Act</i>
<b>G3</b>	G3 Canada Limited
<b>IFRS</b>	International Financial Reporting Standards
<b>ILWU</b>	International Longshore & Warehouse Union
<b>LOU</b>	Letter of Understanding
<b>LPG</b>	Liquefied Petroleum Gas
<b>NAFTA</b>	North American Free Trade Agreement
<b>OAG</b>	Office of the Auditor General
<b>PCO</b>	Privy Council Office
<b>PPA</b>	Pacific Pilotage Authority
<b>PPU</b>	Portable Pilotage Unit
<b>PTEC</b>	Pilot Training and Education Committee
<b>PTSC</b>	Pilot Transportation Safety Committee
<b>PU</b>	Pilotage Unit - calculated as the vessels (length * breadth * draft)/100
<b>SORC</b>	Safety and Operating Review Committee
<b>TMX</b>	Trans Mountain Expansion