

# CORPORATE PLAN SUMMARY

2019–2023



Administration de pilotage des Laurentides  
Laurentian Pilotage Authority

2019–2023 Corporate Plan Summary | 2019 Operating Budget | 2019 Capital Budget

# CORPORATE PLAN SUMMARY

2019-2023

## EXECUTIVE SUMMARY

The Authority has initiated and implemented major initiatives in recent years to further the leadership role set out in its corporate mandate. To achieve this, the Authority has focused on the three areas of its legislative mission: manage and provide safe and efficient pilotage services; regulate to ensure navigation safety; and exercise its role as a quasi-professional order while upholding the public interest.

In 2017, the Authority played a major role in the *Pilotage Act* examination process. This initiative was aimed at improving and modernizing the legislative framework in which the Authority operates. The Authority also acquired additional high-level internal expertise and tools pertaining to navigation, market intelligence and technology information. This has enabled it to optimize its services, make more informed decisions and grow its presence and influence with the marine industry, government organizations and decision makers.

The Authority continues to pursue its mandate and implement its vision to be a world leader in marine pilotage by focusing on continuous improvement, optimizing the use of new resources and technology tools, and expanding its outreach. All of these elements are aimed at having a greater impact on navigation safety, increasing the efficiency of pilotage services, helping to protect the environment, and contributing to the economic development of the St. Lawrence and the Saguenay River.

The key initiatives required to reach these objectives include overseeing pilotage services by implementing the Authority's policies and procedures, renewing the technology infrastructure, setting up a bridge simulator, assuming responsibility for all of the Authority's territorial waters and implementing other improvement projects presented in this Corporate Plan.

Ensuring sound administration of the Authority's finances is also essential to realize its strategic and operational objectives. This means finding the right balance between controlling costs, realizing adequate margins, mitigating financial risks and making sound investments—particularly with regards to asset renewal and new technology acquisitions. This approach has enabled the Authority to fulfill its mandate, make investments and maintain a positive balance sheet in 2016 and 2017, while maintaining a tariff freeze in place for two years.

In order to enable the Authority to fulfill its obligations and preserve sufficient liquidity to fund the maintenance and upgrade of assets, invest in order to meet its strategic objectives and carry out its projects, a tariff increase of 1.80% (annualized) was

implemented in April 2018 and a second increase of 2.25% will follow in January 2019. These tariff increases were made without any objection from the marine industry. Further revisions to our tariff program will be made in 2019–2020 to ensure that the current program continues to serve the public interest in terms of mitigating the Authority’s financial risks while keeping costs for the industry at a reasonable level.

The financial forecasts presented in this Corporate Plan are the result of projections made that take into account the priorities and key issues, and their inherent constraints and opportunities.

TABLE OF CONTENTS

Executive Summary ..... 1

Overview of Laurentian Pilotage Authority..... 4

Operating Environment ..... 7

Principal Activities and Objectives ..... 15

Corporate Risk Management ..... 24

Performance Indicators ..... 25

Financial Overview ..... 26

Financial information..... 40

2019–2023 Financial Statements Forecast..... 41

Capital Budget..... 46

Borrowing Plan and Cash Reserves ..... 47

Company Information..... 56

## OVERVIEW OF LAURENTIAN PILOTAGE AUTHORITY

### Mandate

As the gateway for marine pilotage services on its territory, the Laurentian Pilotage Authority (the Authority or LPA) is responsible for all aspects related to pilotage, making it a turnkey organization. Accordingly, its legislative mandate comprises the following three areas:

- The supervision, management and delivery of effective and safe marine pilotage services;
- The development, implementation and application of pilotage regulations and policies required to ensure navigation safety;
- The oversight of the marine pilotage profession (role of quasi-professional order).

### Public Policy Role

In order to fulfill its role and achieve its vision, the Authority is empowered by the *Pilotage Act* to make regulations on the establishment of compulsory pilotage areas. The Authority can also determine which ships are subject to compulsory pilotage, define criteria for the issuance of pilot licences, and determine the compulsory training for pilots and other safety requirements connected to pilotage services. Naturally, the approval of the Governor-in-Council is required. The Act also authorizes the LPA to negotiate service contracts with pilot corporations representing the pilots in its region and establish policies and procedures on the delivery of pilotage services and the exercise of the marine pilotage profession.

The Authority is required to charge fair and reasonable fees which will enable it to be financially self-sufficient. Tariff revisions must be published and authorized by Order-in-Council.

### Accountability

The *Pilotage Act* provides the Authority with wide-ranging regulatory and disciplinary powers to carry out its mission. The Authority reports to the government through the Minister of Transport, and is accountable to the Canadian Parliament for its actions.

### Vision Statement

By assuming a leadership role in the marine sector, the Laurentian Pilotage Authority strives for excellence and continuous improvement in the provision of efficient pilotage services that contribute to navigational safety, environmental protection and the marine industry's competitiveness.

## Mission Statement

The Authority's mission is to serve the public interest by operating, maintaining and managing for the safety of navigation, an efficient pilotage service on the St. Lawrence and the Saguenay Rivers, while safeguarding its financial self-sufficiency.

## Principal Activities

To fulfill its mandate, the Authority has established three compulsory pilotage districts: Port of Montreal (District No. 1.1), the navigable waters between Montreal and Quebec City (District No. 1), and the navigable waters between Quebec City and Les Escoumins, including the Saguenay River (District No. 2). These districts cover a distance of 265 nautical miles between Montreal and Les Escoumins and another 70 nautical miles on the Saguenay.

### *Map of Compulsory Pilotage Districts and LPA Territorial Waters*





Ships are subject to compulsory pilotage based on a number of criteria established by the Authority through regulations. For Canadian-registered ships navigating districts No. 1 or No. 1.1, compulsory pilotage applies to those that are over 70 metres in length and over 2,400 gross tons. For Canadian-registered ships navigating District No. 2, compulsory pilotage applies to ships over 80 metres in length and over 3,300 gross tons. Lastly, for ships not registered in Canada, all ships longer than 35 metres are subject to compulsory pilotage, regardless of the district.

Pilotage services offered in each of the three districts are provided by the Authority through contract pilots from two separate corporations: the Corporation of Mid St. Lawrence Pilots (CPSLC), and the Corporation of Lower St. Lawrence Pilots (CPBSL), under separate service contracts negotiated between the Authority and each of the corporations. There are currently almost 200 pilots and apprentice pilots covering the compulsory pilotage waters served by the Authority.

Pilots are assigned to ships by the Authority's Dispatch Centre, which operates 24 hours a day, 365 days a year and serves all pilotage districts. The Authority manages and operates the Dispatch Centre from its headquarters in Montreal, which also houses maritime safety and efficiency services as well as financial and administrative personnel.

The supervision and oversight of pilotage services are handled by the Authority's marine safety and efficiency department. This department is also responsible for developing policies and procedures pertaining to pilotage and navigation safety, investigating marine accident/incidents involving pilots licensed by the Authority, developing exemplary pilotage practices, approving the periodic pilot training and assessment program, and recruiting apprentice pilots. The Authority is also responsible for determining the requirements for becoming a pilot and is empowered by law to issue, suspend and revoke pilotage licences and certificates.

Lastly, the Authority uses five boarding stations for its licenced pilots. Quebec City, Trois-Rivières, Sorel and Montreal stations are owned and operated by Groupe Océan, with whom the Authority has a service contract. The fifth station, in Les Escoumins, is owned and operated by the LPA, which operates two pilot boats on site. The Escoumins pilot boarding station has two pilot boats, which are owned by the LPA. These boarding stations are used to ferry pilots from shore to ships, and vice versa.

## Financial Position

The Laurentian Pilotage Authority has maintained sound financial health in recent years, which has enabled it to fulfill its mandate and implement its development plan. The tariffs set by the LPA must be fair and reasonable. This financial position is thus the result of the sound and diligent management of its activities. This management approach also enabled the LPA to maintain a tariff freeze for two consecutive years, in 2016 and 2017, while maintaining positive results for these two years and contributing to the competitiveness of the marine industry.

According to the LPA's most recent financial forecasts prepared after the second quarter ending on June 30, 2018, projected income is \$104.0 million, compared with an initial budget of \$105.6 million. Projected comprehensive income is negative of \$634,000. Additional financial information and forecasts can be found in the Financial Statements section.

## OPERATING ENVIRONMENT

Unlike other industries where companies have the power to attract more clients and adjust their expenses accordingly, the LPA must provide service to all ships subject to compulsory pilotage that are operating within its territory. The LPA has no discretion as to the number of ships that will require its services; traffic is influenced by a variety of economic factors such as natural resource prices, the strength of the economy, trade agreements, competition with other modes of transport, etc. However, the Authority cannot unilaterally determine the tariffs charged to its clients and the fees paid to pilot corporations. These two variables may be disputed and determined by an arbitrator in the absence of an agreement between the LPA and its partners. Hence, the LPA must determine its budgets while continuing to provide quality service at fair rates to clients, ensure navigation safety and maintain its financial self-sufficiency in this environment over which it has limited control.

### Strategic Issues

In this type of operating environment, the Authority's strategic issues gravitate largely towards challenges related to managing the pilotage system. To a large extent, these issues revolve around challenges related to the management of the pilotage system where pilots are not the Authority's employees, the limited scope of our legislative powers, and the optimal use of technologies in order to maintain navigational safety and efficiency throughout the territory. The main strategic issues facing the Authority are:

#### Leadership Role and Public Positioning

It is imperative that the LPA be positioned as a leader and an influential member of the maritime community on all issues having an impact on pilotage and on the Authority's ability to ensure the safe and efficient movement of marine traffic. It requires close cooperation with the marine community, and with the pilot corporations in particular. Although they are not employees, pilots account for the quality of the services provided by the LPA. In order to ensure optimal pilotage operations and fulfill its safety maintenance role, the LPA must be closely involved in discussions and consultations with the various industry stakeholders, the media and the general public.

Consequently, the Authority set up an advisory committee in 2016 headed by the Chief Executive Officer and comprised of key stakeholders—including representatives of the marine industry, port authorities, the St. Lawrence Seaway Management Corporation, the Canadian Coast Guard and Transport Canada. The Authority has, in recent years, joined committees and working groups involved in navigation, environmental protection and marine transportation competitiveness that may have a direct or indirect influence on pilotage, and therefore share its opinions and give its recommendations.

However, the Authority and its role remain relatively unknown by the general public. It is imperative that the Authority adopt a public positioning to make its role known, to be the primary point of contact with regards to pilotage and marine safety matters in its region, and to increase its visibility with the public. As marine safety is not limited to districts already served by the LPA, its leadership and involvement with its territorial waters in the other regions surrounding the Gulf of St. Lawrence is another key issue for the LPA.

#### Developing, Retaining and Attracting Expertise

In the industry in which the LPA operates, technical expertise is important and scarce, and recruiting a workforce to meet requirements can prove to be difficult. The Authority must have a plan which not only will allow to attract



high-potential candidates, but also retain its existing talent. Over the past few years, the LPA has been able to fill important positions requiring special expertise in navigation and information technology. A human capital development plan is important to help improve employee retention.

As the LPA is also responsible for recruiting apprentice pilots, it must strive to attract more candidates to the profession to ensure it has sufficient resources to continue providing quality services in a timely manner.

### **Adapting Pilotage Services Based on Changes in Marine Traffic**

The area served by the Laurentian Pilotage Authority is considered to be a difficult route to navigate. With even larger vessels and ever-increasing traffic, the Authority will have little choice but to adapt as to ensure that service delivery continues to be efficient and safe. This adaptation involves the addition of new technologies at the Montreal dispatch centre in order to optimize dispatch management.

Better systems for tracking navigation, communications, and planning and managing transits could also improve the traffic flow of larger vessels. The Authority must therefore take these points into consideration, as indicated in its IT strategic plan approved in 2018.

### **Ability to Manage and Regulate Pilotage Services**

The area of the St. Lawrence River located east of Les Escoumins and the Gulf of St. Lawrence is part of the territory governed by the LPA. The Authority is responsible for ensuring navigational safety throughout its jurisdiction through the provision of pilotage services. Risk studies recently completed in 2018 for the North Shore have determined that navigation safety requirements are not fully met and that the LPA must impose monitoring requirements and become directly involved in order to fulfill its mandate. It is therefore essential that the LPA evaluate which measures will be required in these sectors to ensure navigation safety and that pilotage services are efficient. The LPA must also perform risk analyses on the South Shore of the St. Lawrence and the navigation lane of the Gulf of St. Lawrence to determine whether its involvement in these sectors is also required to ensure navigation safety and protection of the environment.

### **Financial Projections and Tariff-Setting Mechanisms**

The shipping market is directly influenced by the global economy. Fluctuating commodity prices and transportation costs have a direct influence on marine traffic. Therefore, the Authority is at risk, given the market's unpredictability and the impossibility for pricing adjustment, within a reasonable period of time. The LPA is therefore implementing various indicators and market intelligence in order to predict events that could impact its financial equilibrium.

### **Modernizing and Optimizing IT Usage**

Properly implemented and up-to-date information technology can provide major advantages to businesses. The LPA should equip its in-house resources with a view to optimizing processes and information quality. It should also see what can be done on board ships to become safer, more efficient and more competitive. An IT master plan was therefore developed in 2018 and will serve as the basis for the Authority's technological development.

## Commercial Environment

### Economy

Considering the various global economic indicators, the overall economy is in good health. However, certain early warning signs are leading investors to be more prudent as there are rumblings of a global economic war. The United States' desire to impose tariff barriers on its main trading partners has ramped up the pressure as most countries have responded to US customs tariffs by imposing their own tariffs.

The measures imposed by our southern neighbours are expected to have more of an impact on household consumers than on businesses in Canada—at least in the short term. Economists believe that moderate growth in the Canadian economy will continue to the end of 2018. Canada should continue to see reasonable growth in subsequent years also, although GDP growth is not expected to exceed 2.0%. This should translate into a steady traffic increase for the LPA.

### Marine Transportation

The international marine transportation sector appears to be in recovery after several difficult years, while the market is still consolidating. The trend towards larger vessels continues, and commercial pressure is beginning to be felt in the territory served by the LPA, mainly with respect to container ships.

Two new container ship lines began operating in summer 2018, and have been taken into consideration in determining the budget presented in this five-year plan.

Bulk carrier traffic for dry goods has continued to increase, but we do not expect any sudden upturns; forecasts are based on stable growth. In recent years, the Authority has noted considerable growth in liquid bulk traffic—essentially oil tankers. Budgets for the five-year plan include growth in this type of ship traffic, but growth is expected to be modest here too.

Lastly, the 2018–2022 plan calls for sharp increases in cruise ships traffic. Although certain shipping lines have been affected by speed limits designed to protect right whales, most of these lines have not been cancelled but their routes have been adjusted. The upswing in cruise ships is expected to continue for the next few years; several Quebec towns rely on these ships for their local tourist industries.

### Projects Under Development on Our Territory

For operational purposes and to produce better financial forecasts, the Authority seeks to understand the various projects being developed on its territory. The following is an overview of the major projects for which the LPA is maintaining commercial intelligence.

#### *Liquefied Natural Gas*

One of the two projects referred to in the previous corporate plan is still active in the liquefied natural gas (LNG) field. GNL Québec's Énergie Saguenay project continues its work in developing natural gas liquefaction, storage and transshipment facility. The company is currently working on conceptual engineering, to be followed by an environmental impact study in the fall.

### *Port of Quebec*

The Quebec Port Authority is pursuing its Beauport 2020 commercial development project, which consists of implementing a terminal exclusively for container transshipment. The Port also continues investments in its fixed and mobile cruise terminals, to achieve its target of 400,000 passengers by 2025.

### *Port of Montreal*

The Port of Montreal has four active projects. The first phase of the first project, which is the development of a container terminal in the Vieux-Port sector, was completed in November 2016 with an increase in capacity of 350,000 TEUs (twenty-foot equivalent units). The timeline for Phase II, which will add 250,000 TEUs to the project, is yet to be determined. A second project is the rehabilitation of the Iberville passenger terminal and the Alexandra pier, which is used by cruise ships. The inauguration will take place in 2018 and the final design concept will be completed in 2021. Construction work for the third project, which consists of expanding the port terminal at Contrecoeur, is expected to begin around 2020. The work should be completed around 2023–2024. Lastly, the port is working on increasing its rail capacity by adding 6 km of track. Construction is expected to begin in May 2019.

### *Marine and Other Strategy*

The creation of industrial port zones along the St. Lawrence under the government of Quebec's Marine Strategy brings about its share of projects to be monitored. Two mining projects with a marine transportation plan are being monitored.

#### **1. *Arianne Phosphate***

The initial Arianne Phosphate project consisted of operating an apatite (phosphate) mine at Lac à Paul in the Saguenay-Lac-Saint-Jean region. The project is expected to result in numerous ship movements, which is why an environmental study was ordered. The preliminary version of this report was presented to the management of the Port of Saguenay, from where the goods will flow.

#### **2. *Arnaud Mine***

The Arnaud Mine project, located in the Sept-Îles region, aims to exploit an apatite deposit over a 30-year period. The government of Quebec contributed \$2.5 million to the project in June 2018 so that the company can continue its assessments.

## **Internal Environment**

### **Background**

Over the past two years, the Authority has been working to better define its role by taking its rightful place in managing pilotage on the waters under its responsibility. The LPA has established an internal structure that enables it to develop and maintain expertise that is more relevant and better equipped to fulfill its mandate. In addition to taking part in committees and working groups in the marine, environmental protection and economic development sectors, the Authority has taken the necessary steps to become the main point of contact for marine pilotage—and will continue to do so. This challenge has been addressed in part by the creation of a Pilotage Advisory Committee chaired by the LPA, and composed of industry members, pilots and other stakeholders. The

Authority has been actively involved in reviewing the *Pilotage Act* to clarify its scope and the roles and responsibilities of the various stakeholders.

## Human Resources

### Workforce

As at December 31, 2018, the Authority will have a total of 54 employees working in its Montreal headquarters and its pilot boarding station in Les Escoumins. Of these, a total of 37 employees are covered by collective agreements, while the remaining 17 are non-unionized employees.

To align organizational resources with the Authority's strategic and operational priorities, a strategic plan for human resources management has been developed and will be kept up to date to ensure that it reflects current needs.

The LPA has also examined its organizational structure and made a few adjustments to it, to ensure that it fully meets the needs of the organization.

The Authority's organization chart is attached.

### Labour Relations and Compensation

The Laurentian Pilotage Authority is working with two unions, the Public Service Alliance of Canada (PSAC) and the Canadian Merchant Service Guild (the Guild) representing certain employees. The PSAC represents dispatching and billing employees, as well as deckhands at the pilot boarding station in Les Escoumins, while the Guild represents masters and marine engineers at the same pilot boarding station.

The collective agreement for employees represented by the PSAC is valid for a period of six years and expires on June 30, 2019. The collective agreement covering Guild-affiliated employees was renewed in April 2018 and will expire on June 30, 2022.

The LPA ensures that it has an effective, competitive and reasonable compensation program to attract and retain qualified employees who add value to the Authority. While the program has shown itself to be effective, it will be reviewed during the coming year to make sure that it takes the environmental changes faced by the Authority into account. This review will also be done in keeping with ongoing cost control objectives.

### Commitment to Employees

Open communication with personnel is an essential part of the LPA's commitment to its employees. Semi-annual meetings conducted by the Chief Executive Officer are a proof in point. The LPA has also taken concrete steps to promote a healthy work environment, raise awareness amongst its employees about the importance of good mental health and encourage diversity. The Authority will continue to focus on and develop tools, policies and measures to promote these important workplace initiatives.

### Pension Plan

With respect to the Authority's pension plan, all LPA employees are enrolled in the Public Service Pension Plan administered by the Government of Canada.

### Succession Planning and Contingency Plans

One of the human resources strategic management plan priorities implemented during the past year is the detailed succession plan for the executive team. The Authority has also set up a contingency plan to ensure continuity of operations in case of departure, illness, prolonged absence or death of a member of its team. This plan, developed in 2017, was also implemented during the year. Application of this plan began in 2018.

#### NUMBER OF EMPLOYEES AND LICENSED PILOTS

	ACTUAL	FORECAST	PLAN				
	2017	2018	2019	2020	2021	2022	2023
<b>Ship</b>							
Management	5	6	6	6	6	6	6
Administrative	12	14	14	14	14	14	14
Operations and assignment	22	22	22	22	22	22	22
Ship employees	12	12	12	12	12	12	12
<b>Total</b>	<b>51</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>
<b>Pilots</b>							
Licensed	178	180	180	180	180	180	180
Apprentices	13	13	14	15	15	15	15

## External Environment

### Background

The mandate of the LPA is to maintain and administer an efficient marine pilotage system at reasonable cost, in the interest of navigational safety. Shipowners, who adopt new technologies on vessels with the aim of optimizing travel times, the quantity of fuel used and the profitability of voyages, are sensitive to the cost and efficiency of pilotage services. The transit times of the various networks is another important consideration for shipowners, and their perception of the quality of the service provided will be impacted in the event of recurrent service delays.

For this reason, the LPA understands that cost control to an acceptable level, and efficiency of its services contribute significantly to the competitiveness and economic development of the region. To maintain this, the Authority must first modernize and optimize its use of information technology (IT) to maximize the efficiency of its pilotage services so that there is a strategic impact on the Authority. The LPA developed an IT master plan in 2018 and will be gradually implemented and updated in the coming years. Secondly, the LPA must be vigilant with regards to changes in marine traffic, as voyages are more frequent and vessels are much bigger. The eventual implementation of autonomous ships is one of the developments being monitored by the Authority.

### Pilot Corporations

The LPA provides pilotage services throughout its territory through pilots grouped under two separate pilot corporations with whom the authority enters into service contracts to ensure the proper management of services provided to clients.

The current service contract with the Corporation of Mid St. Lawrence Pilots will expire on June 30, 2020. The service contract with the Corporation of Lower St. Lawrence Pilots will expire on December 31, 2021.

Negotiations with pilot corporations are increasingly complex. In addition to pilot compensation, negotiations cover a variety of topics that impact the cost and efficiency of pilotage services. Therefore, forecasting models of the Authority must be updated on a regular basis. Other situations may arise where pilot compensation is more onerous than expected, without the tariffs charged to the Authority's clients being modified accordingly. This situation could place the Authority in a financially precarious position. This has occurred in the past and could happen again as long as the *Pilotage Act* is not modified to permit the resolution of this problem. The LPA continually seeks to implement mechanisms to limit these risks in order to ensure stability and sustainability.

### Competition

Although the Authority operates under a law that requires users to use its services, the marine transportation industry is in competition with other transportation methods such as trains and trucks. However, the pilotage authority, the marine industry it serves and the port authorities on its territorial waters are themselves

subject to competition from the US east coast and other countries. This competition could have a positive or negative influence on traffic managed by the Authority, and thus on its income.

### Suppliers

Other than the services provided by pilot corporations, the Authority's main service provider is Groupe Océan. Groupe Océan provides pilot boarding services in Montreal, Sorel, Trois-Rivières and Quebec City.

### Pending Disputes/Litigation

The Authority is subject to various claims, lawsuits or commercial disputes during the normal course of business. A judicial review is currently underway before the Federal Court of Appeal concerning the clarification of the LPA's powers with respect to the suspension of pilotage licences issued by the Authority and its capacity to oversee the exercise of the marine pilotage profession. This case is expected to be heard in 2019.



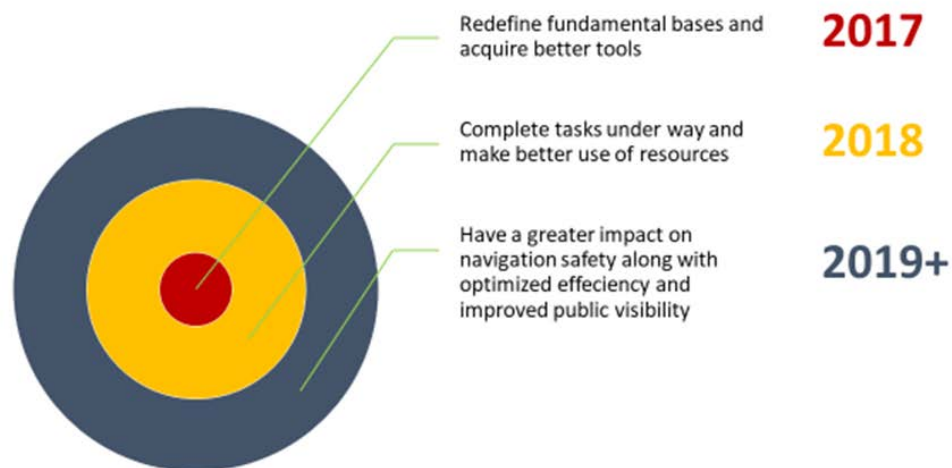
## PRINCIPAL ACTIVITIES AND OBJECTIVES

The Authority has initiated and implemented major initiatives in recent years to further its leadership role and vision to become a world leader set out in its corporate mandate. To achieve this, the Authority has focused on the three areas of its legislative mission: manage and provide safe and efficient pilotage services; regulate to ensure navigation safety; and exercise its role as a quasi-professional order while upholding the public interest.

To achieve this objective, the LPA has redefined its core mission by going to the heart of its mandate. It is in this context that the 2017–2021 Plan was drawn up, and it was within this context that objectives were fixed. The 2018–2022 Plan was aimed at maintaining the previously initiated actions and integrating new initiatives to enable the Authority in order to have an even greater impact on navigation safety and the safety of pilotage services.

The Authority continues to insist on maintaining an appropriate balance between controlling costs, maintaining adequate margins and mitigating financial risks to fulfill its obligations and preserve sufficient liquidity to fund the maintenance and upgrade of assets, while investing in order to meet its strategic and operational objectives.

The 2019–2023 plan will thus be focused on improving the Authority's efficiency and expanding its outreach to have a greater impact on navigation safety, protect the environment and contribute to the economic development of the St. Lawrence and the Saguenay River.



## Strategic Priorities

Five strategic priorities have been established to help the Authority achieve its vision and fulfill its mission. These priorities will guide the actions that will be taken in the coming years to achieve the stated objectives.

1. Provide safe and efficient pilotage services on the St. Lawrence and Saguenay rivers.
2. Strive for excellence and continuous improvement by optimizing the quality and efficiency of pilotage services.
3. Contribute to navigational safety, environmental protection and competitiveness of marine transportation in the Laurentian region.
4. Play a leading role in promoting issues concerning the navigable waters under its jurisdiction.
5. Monitor cost control and margins to preserve the LPA's financial self-sufficiency while ensuring that tariffs remain fair and reasonable.

## Seven Strategic Areas

The Authority conducted a strategic planning exercise and identified a number of initiatives to adequately fulfill the aforementioned strategic issues and priorities. These activities determine the Authority's strategy and have been organized into seven areas.

### Leadership

To effectively carry out its mandate, the LPA must become a vital player in navigational safety and efficiency of marine transport related to the delivery of pilotage services. It is imperative that the LPA be positioned as a leader and an influential member of the maritime community on all issues having an impact on pilotage and on the Authority's ability to ensure the safe and efficient movement of marine traffic within its jurisdiction. The LPA's inability to put forward its positions and concerns about navigation safety and the efficiency of its services to principal industry stakeholders and other decision makers could negatively impact the fulfillment of its mandate. The principal activities that make up the leadership area are:

- *Continuing to Strengthen Relationships and Gain More Visibility*

The LPA has been working particularly hard over the past three years to establish solid relationships with various marine industry and government stakeholders to increase its influence and its capacity to exercise its leadership role. Healthy relationships allow for an improved exchange of information and lead to better solutions. In addition to maintaining harmonious relations, the LPA must gain respect with regards to its role as a public authority. Therefore, it intends to consolidate its influence through the Pilotage Advisory Committee it chairs and its membership in various working groups, and continue its efforts in order to gain greater visibility amongst the general public. The Authority will continue to promote a communication strategy that highlights the leadership and added value provided by the LPA team—such

as new services and initiatives to optimize pilotage services. This will be done through social media, increased media coverage, and other promotional campaigns, and is expected to enable the LPA to increase its influence, visibility and outreach.

- *Strengthening Direct Links with Pilots*

Pilots on the Authority's territory have chosen to organize themselves into pilot corporations. Despite the absence of an employer/employee relationship, there is a direct relationship between the LPA and pilots. This relationship exists independently from the service contracts and stems from the law; it allows the LPA to define the requirements to become a pilot, approve pilot training plans, evaluate their skills and issue pilotage licences. It also has the power to suspend and revoke licences.

With the approval of the governor-in-council, the LPA also has the power and responsibility to regulate pilotage, issue policies and perform post-accident/incident follow-up. It is therefore essential that the organization be able to communicate individually, or otherwise, depending on the circumstances, with pilots, and strengthen its relationship with them. This includes situations where an individual pilot may be directly affected with regard to his or her work or the maintenance of his or her licence or certificate.

- *Increasing the LPA's Presence on Committees Discussing Navigation, Environmental Protection and the Competitiveness of the Marine Transportation Industry*

The LPA must be present in all discussions concerning maritime safety and issues such as environmental protection and economic development. If the Authority is not present on committees discussing navigation, it will not have an opportunity to speak, share its opinion, and influence decisions made by partners such as other government agencies.

It is therefore essential that it be present at every discussion forum that has a bearing on its mission and the achievement of its vision—including at the international level. Accordingly, a new initiative calls for the LPA to become an observer on the Canadian delegation to the International Maritime Organization (IMO) so that it may take part in meetings on matters related to pilotage and navigation safety. This includes taking part in the marine safety committee and various sub-committees on topics related to its mandate and pilotage. Requests related to the IMO will be handled in accordance with the policies and decisions of Transport Canada.

## **Navigation Safety**

A core part of the LPA's mission consists of ensuring navigation safety by providing efficient marine pilotage services. This responsibility applies to all of its territorial waters and is not limited to compulsory pilotage districts already served by the LPA. It is also essential that the LPA ensures that pilotage safety requirements, policies and rules reflect best practices. The risk of not regularly updating its practices and reviewing the pilotage requirements applicable on its territorial waters could negatively impact the safety and efficiency of its services.

The principal activities that make up the navigation safety area are:

✓ *Risk Study—Gulf of St. Lawrence and Implementation of Appropriate Measures*

Following the Tanker Safety Expert Panel report which emphasized that the Gulf of St. Lawrence was one of the regions presenting the highest risks, the Authority announced in 2016 the launch of a three-phase pilotage risk assessment beginning with the ports of Sept-Îles, Port-Cartier, Baie-Comeau and Havre-Saint-Pierre. The recently completed analyses concluded that there is no monitoring or oversight by the LPA of private pilotage services currently in place in the four ports concerned; this raises navigation safety concerns.

Moreover, the analyses concluded that in terms of operations the current pilotage services are inadequate to ensure navigation safety for two of the four ports concerned. Certain issues affecting individual ports have also been identified; points requiring attention will be taken charge of by the Authority.

In view of the risk assessment results, the LPA will hold consultations with stakeholders in the fall of 2018—including industry stakeholders, pilots and First Nations—in order to take appropriate measures to protect the public interest.

A proposal for Phase II of the study, to begin in early 2019, focused on the South Shore of the St. Lawrence, is expected to be signed in late 2018 so that it may come into effect in 2019. Finally, the LPA plans to finalize Phase III of the study, which will look at transits in the Gulf of St. Lawrence, an area with significant ice coverage. The contract for this last phase could be signed in 2020 so that work may start the same year.

✓ *Risk Study on the Safe Duration of a Voyage by a Single Pilot in District No. 2*

The Authority will conduct a risk assessment in 2019 on the safe duration of a voyage by a single pilot. The purpose of the assessment is to recommend a safe duration or provide the LPA with criteria to determine safe duration and to assess whether the current limit meets safety needs.

✓ *Training and Continuing Evaluation Programs—CPSLC*

Training of contractual pilots is an essential component of safe and efficient pilotage services. It is a priority for the LPA to ensure that it has a system for training and conducting comprehensive periodic assessments of its pilots. This training and evaluation program must also include clear criteria to determine when a pilot is ready to be promoted to a higher licence. The Authority developed and implemented this type of program with the Lower St. Lawrence Pilot Corporation in May 2016. Specific changes have been proposed concerning the training of apprentice pilots for the Mid St. Lawrence Pilot Corporation; the Authority is awaiting the Corporation's response and will follow up on the implementation of this program. The Authority intends to amend its regulations to include these standards.

✓ *Issuance of Policies on the Exchange of Information Between Pilots and Masters and on Voyage Plans (New)*

The LPA will implement a new policy on information exchange between pilots and masters upon boarding vessels. This information exchange is essential to a safe and efficient passage and some aspects should not be overlooked. Therefore, the LPA wishes to establish rules to be followed during this exchange. In addition, the Authority will develop and implement a voyage plan policy and an enforcement and compliance policy for the Act and regulations.

✓ *Emphasize Value-Added Service (New)*

The LPA will continue to emphasize value-added services and implement them to increase the safety and efficiency of its services. This includes managing pilotage transits to better coordinate the passage and transit of vessels. For example, by calculating tidal windows and planning in advance for the arrival of large vessels in Quebec City, the Authority can enable large vessels to better plan their voyage and transit directly between Quebec City and Montreal without stopping. These practices maintain safety and save carriers time and money.

The Authority also plays a leading role in managing pilotage transits with its partners and clients when there are severe ice conditions on the river. This involves taking measures to reduce the risk of accidents and manage traffic according to water levels, ice, and weather conditions. The LPA began monitoring water levels in 2017 in order to be able to take measures to protect shoreline properties and prevent coastal erosion. This includes implementing speed reductions when water levels increase significantly and limiting certain night transits for deep-draft ships. The LPA will also continue coordinating transit times as well as peak departure and arrival times with clients, stakeholders and other agencies to avoid traffic jams and service delays.

The optimization of the Authority's services must be put forward so that the industry can take full advantage of these major new initiatives.

### **Governance | Efficiency | Service Quality**

Ensuring sound governance of the pilotage system by making sure that legislation, regulations and policies are up to date and reflect the most recent standards is key to achieving our mission and maintaining the public's trust. Not keeping the practices and requirements up-to-date could lead to the inability to provide safe and efficient marine pilotage services and limit the LPA's capacity to protect the public interest as a public authority.

The principal activities that make up the governance, efficiency and quality area are:

✓ *Review of the Pilotage Act and LPA Regulations*

The modernization and strengthening of the *Pilotage Act* and its regulations is essential in providing the LPA with the necessary authorities and tools required to meet operational challenges and ensure safety of navigation and efficiency of pilotage services. The LPA's recommendations in this file emphasize the need to modernize the Act and to provide pilotage authorities with broader powers so that they can more effectively fulfill their mandate and ensure efficient management and provision of pilotage services. The draft recommendations were submitted to the Minister in spring 2018; the Authority awaits the minister's comments and the government's decision shortly. The LPA will position itself to support the government's decision.

✓ *Regulatory Update*

Proposed changes to the LPA's regulations have been drafted to improve transparency by including certain essential safety and efficiency rules in these regulations. The proposals include:

- Allow the Authority to have prompt access, without excessive restrictions, to relevant information following an accident/incident, in order to take necessary measures to mitigate risks to navigation;
- Require the pilot corporations to submit for the Authority's approval, apprentice pilot training plans and continuing education plans, including periodical assessment of pilots as well as assessment scales used by corporations and assessment grids filled out by each pilot;
- Select and define the Board of Examiners chairperson powers;
- Specify the conditions for lifting licences or certificates suspensions;
- Require that the Authority be consulted during marine infrastructure construction projects having an impact on pilotage.

#### ✓ *Establishing a Code of Ethics for Pilots*

As a regulatory authority responsible for issuing, suspending and revoking pilot licences, the LPA's role is similar to that of a professional association. The Authority's duties are to control the skills and integrity of licensed pilots, monitor and regulate the profession's execution, manage the disciplinary process and promote the profession's development. In order to facilitate the management of this legislative responsibility, it is important that the organization set up a code of ethics. This would increase the transparency of the LPA's interpretation and application of the regulatory and legal provisions concerning the exercise of the profession and the maintenance of pilotage licences and certificates.

#### ✓ *Business Continuity Plan*

Unplanned events could have a major influence on a business's activities. An extended interruption of the Authority's activities would have a major impact on marine traffic and the region's economy.

This is why it is essential that the LPA updates its emergency plan in order to mitigate the potential impacts of a service disruption. Such an update would enable the LPA to ensure that a minimum service threshold is maintained in the event of a crisis. It will have to consider the various risks that could result in a service disruption, the potential of such a disruption occurring, the potential impact on operations, and adequate mitigation measures. The plan will also need to undergo periodic evaluation and verification to ensure that it adequately meets the Authority's needs following potential organization and environmental changes.

### **Information Technology**

The Authority must modernize and optimize its use of information technology (IT) to maximize the safety and efficiency of its services. This is necessary to pursue its mission and implement its vision to be a world leader in the provision of pilotage services. Not using technology would prevent the LPA from optimizing its services and achieving its safety goals by providing efficient marine pilotage services at a reasonable cost to the maritime sector.

The principal activities that make up the information technology area are:

✓ *Master Plan Implementation*

The Master Plan is a document dictating the use of information technology. It is based on the Corporate Plan, and is used to identify the organization's IT priorities and to see how technologies can help the LPA achieve its goals. Accordingly, the various actions set out in the plan have been prioritized according to how they impact the ability to optimize the LPA's operations and support new initiatives to increase its performance and highlight how efficiently and effectively it fulfills its mandate. It is currently being deployed.

✓ *Implementation of a Navigation Simulation Centre*

The Authority has chosen to acquire its own simulation system which will be installed at its Montreal headquarters by the end of 2018.

This simulation centre will enable the LPA to perform internal incident/accident examinations, develop pilotage and navigation best practices, carry out admission exams to obtain pilot licences, and perform risk analyses. Although it was put in place in 2018, the centre will not be fully operational until 2019, to allow for the programming of effective "pilot navigator" scenarios.

✓ *Renewal of IT Networking Equipment (new)*

The LPA's physical servers have been in use since 2014 and are approaching the end of their useful life (five years). They will not be able to handle the technological changes planned to support operations. Furthermore, as the Authority allows teleworking and has made provisions for effective resumption of activities outside its offices in its emergency plan, users will be increasingly likely to use server resources. Consequently, this equipment must be of good quality and provide increased performance.

As for the Authority's data storage system, it will soon reach its maximum capacity at current data generation rates. Investments will be made in this area in 2018.

Lastly, in view of the information in its possession and the importance of computer systems to its mandate, the Authority must protect itself from cyberattacks and viruses. A system outage resulting from a major cyberattack could compromise commercial ship traffic on the river, which would have a significant economic impact for the country. Firewalls, VPNs and anti-spam systems are part of this equipment and must be kept up to date at least as quickly as viruses can propagate. The IT Master Plan provides for updates to these various components.

✓ *Renewal of the Corporate Dispatch and Billing System and Implementation of a Business Intelligence System (new)*

Klein—the software used for pilot dispatch and billing—is in a critical state and must be replaced. Moreover, the latest functions that would allow the Authority to operate more efficiently and have access to more precise pilotage data—and thus make better decisions—cannot be added. Consequently, this software needs to be changed.

Once deployed, the new software will not only automate certain functions but it will also reduce errors and help optimize the use of resources (pilots) while respecting contractual dispatching rules. The new system will also provide analytical capacity that can be used to determine the impact, as applicable, of



service efficiencies arising from potential changes to dispatch rules that may be proposed by pilots or the LPA.

✓ *Renewal of PPU's for CPBSL (new)*

Since January 2018, the Authority has been responsible for Pilot Portable Units (PPUs) and Rates of Turn (RoTs) used by the Corporation of Mid St. Lawrence Pilots (CPSLC). These high-tech instruments, which are essential for safe navigation, help improve the quality of services provided by the LPA and provide additional information on ship movements. These new instruments should make it possible to ease certain navigation restrictions and thus optimize traffic management. As these instruments now belong to the Authority, it is now responsible for technical support. The IT team must therefore implement a procedure to integrate and manage these instruments. The Authority will also have to take over the portable units used by the Corporation of Lower St. Lawrence Pilots (CPBSL) as they become due for replacement within the next few years.

## Communications

To fulfill its mission and strategic vision, it is essential that the LPA increases its visibility and that it has a communication strategy in place so that it can be a vital reference in pilotage issues and more effectively exercise its leadership role. A lack of visibility, presence and capacity to influence decision makers would impede its ability to fully carry out its mission and ensure a more robust coordination of its partners' activities to ensure safety and maximize the efficiency of pilotage service and marine transport.

The principal activities that make up the communications area are:

✓ *External Communication Plan—Public Positioning*

The Authority must be more present, more visible and communicate better, with the aim of becoming the point of contact on any pilotage-related issue. The Authority firmly believes that a better understanding of its role, marine safety issues and the impact of the shipping trade on the regional and national economy will have a positive effect on the acceptance of issues related to its mandate and on how it is achieved. Given the impact that navigation safety and marine accidents can have on the general community and on First Nations, the strategy will include consultations with the public and First Nations on LPA activities and initiatives. An update of the external communication plan will therefore be carried out, while adding a public positioning component. An increased social media presence is also a part of this activity.

## Human Resources

The organization's success is directly related to its capacity to attract and retain personnel with the appropriate skills and experience and that reflects our society's diversity. Inability to attract and retain human resources with the skills and aptitudes we need would directly impact our capacity to carry out our mission. This challenge is particularly acute in the maritime sector, which is experiencing a shortage of specialized resources.

The principal activities that make up the human resources area are:

✓ *Workforce Planning*

It is essential for the organization to have adequate human resources in place, with appropriate skills and training to achieve strategic objectives defined by management. Projections will therefore be made on this matter, in line with strategic orientations. Development and implementation of a succession plan began in 2017, and will be continued and updated in the following years. Moreover, a strategic human resources management plan for optimizing and developing human capital will be developed and implemented. This includes employee mobilization and steps to become an employer of choice.

The Authority recognizes the importance of maintaining and enhancing the multicultural heritage of Canadians. To this end, it acknowledges the importance of diversity in the Canadian population in terms of race, nationality of origin, ethnic origin, colour and religion, which is a basic feature of Canadian society. For this purpose, the LPA is committed to ensuring equality of all Canadians within its organization.

## **Financial Management**

The LPA has the legislative responsibility to remain financially self-sufficient, upgrade its assets and invest appropriately to ensure quality services and provide marine pilotage services at a reasonable cost to the maritime sector. Not reaching these objectives would affect our ability to cover the costs of our operations, could result in the deterioration of our assets and would have an impact on the efficiency and competitiveness of the marine transportation system in our region.

The principal activities that make up the human resources area are:

✓ *Reviewing the Tariff Program (User Pay) and Ensuring Fair and Adequate Income*

In order to achieve its objectives and overcome related risks, sound financial management is required on a continuing basis. Moreover, billing rules should be fair for all LPA clients. Currently, billing for pilotage services can sometimes be complex. In order to maintain a balance between service billings and avoid variations for two similar ships, not all services are billed according to the actual cost of the services rendered. A balance has been achieved over time, albeit at the expense of the user-pay principle. The LPA wishes to evaluate the relevance of reviewing its tariff program in light of the current situation and bring it more in line with this principle. Any decision will take into account the financial impact as well as the potential impact on service flow.

✓ *Ongoing Market Intelligence Studies and Quarterly Reporting*

Following gradual implementation of the market intelligence process at the end of 2015, the Authority now wants to take this function further. As a result of this more thorough market knowledge, the Authority is able to better identify and document market trends with greater detail. It can therefore establish appropriate budget assumptions and accurate financial forecasts. A quarterly market analysis report has been presented to the Board of Directors since the end of 2017. The implementation of tools and dashboards for more data mining by all analysts is also part of the forthcoming actions. Lastly, development and enhancement of various performance indicators will also be part of the strategy.

## CORPORATE RISK MANAGEMENT

To ensure the continued delivery of safe and efficient pilotage services, the management of the LPA conducts an annual review of risks. This exercise makes it possible to identify the main risks faced by the LPA and to implement mitigation measures which will help the Authority maintain its financial self-sufficiency and carry out its mandate, as well as meet its strategic objectives. In addition, the LPA ensures that the adequacy and effectiveness of the mitigation measures in place are continually reviewed.

Following the recent update of risks and corresponding mitigation measures, the LPA believes that identified risks are, in general, well controlled. However, risks associated with shortcomings in governance and lack of adequate legislative powers to enable an efficient management of services rendered by non-employee pilots continue to be major challenges for the Authority. The absence of managerial and supervisory rights of pilot corporations, limited regulatory powers held by the LPA, and the ability to circumvent the regulatory process through a service contract or an arbitration decision to impose requirements other than those required by law, are problematic.

## PERFORMANCE INDICATORS

### *Safety and Efficiency*

The provision of safe and efficient services is at the heart of the LPA's mandate. The LPA achieved an accident-free rate of more than 99% in 2017. The LPA aims for 100% of its assignments to be free of any accidents/incidents. However, the established objective is for an accident/incident rate of under 0.10% of assignments to reflect that certain situations beyond the LPA's control may—and certainly will—occur. The accident-free service rate was 99.93% in 2017.

In 2017, the Authority was able to provide pilotage services without pilot-related delays in 100% of cases in District No. 2 and in almost 100% of cases in District No. 1. In total, in 2017, the LPA provided services without delays caused by pilots 99.8% of the time.

The ultimate objective for the current year and the period covered by this plan is to provide 100% efficiency in all pilotage services in terms of service delays due to pilots. However, the acceptable threshold has been set at 99.9%, which gives the Authority a margin of 0.10% for delays as it recognizes that certain situations outside of its control could affect performance.

Thanks to the efforts of the Authority and the two pilotage corporations, the LPA has been able to maintain a healthy balance sheet in recent years.

### *Complaints*

Although the LPA does not have a target with regard to a maximum number of complaints received, it does strive to keep the number of negative complaints to a minimum. However, all complaints are recorded in order to track their number and status. The same is true for positive comments received.

### *Accounts Receivable*

For 2019 and subsequent years, the LPA aims to keep the proportion of unpaid accounts receivable related to pilotage missions and exceeding the 28-day credit terms under 10% of total accounts receivable for pilotage services. The Finance Department is responsible for the sound management and careful monitoring of all of these accounts.

## FINANCIAL OVERVIEW

### Variance Between Budget 2017 and Actual 2017

#### *Revenues*

Pilotage revenues were \$708,000 (0.8%) lower than budgeted, mainly due to container and oil tanker traffic that differed from forecasts, as well as bulk carriers transporting ore.

#### *Fees*

Pilotage fees were \$1.5 million lower than forecast. These variances are due in part to changes in traffic volume, which also affected revenues. The late replacement of portable units for a pilot district and a lower than forecast number of apprentice pilots are further reasons for the lower fees. Lastly, the mix in the manoeuvres carried out also explain this variance. Pilotage fees are not expected to exceed targets for the next few years.

#### *Administrative and Operational Expenses | Other Expenses*

Administrative expenses are practically at the same level as what had been budgeted. A variance of \$38,000 (0.6%) is recorded. Staff costs (-\$130,000), professional and special services (+\$103,000), utilities and supplies (+\$58,000), amortization (-\$32,000) and other expenses (+\$39,000) were the items with the highest variance.

#### *Comprehensive Income*

For the above-mentioned reasons, the actual comprehensive income of \$308,000 for 2017 is \$723,000 higher than the projected negative comprehensive income of \$415,000. For 2017, the LPA had projected a loss of \$415,000. For the above-mentioned reasons, actual comprehensive income for 2017 resulted in a profit of \$308,000, thus the LPA achieved performance of \$723,000 higher than forecasted.

## Operating Budget and Sensitivity Analysis

In 2018, a planned loss of about \$1.46 million is expected as a result of the decision to implement the two-year tariff freeze in 2017 and 2018. Since the Authority has sufficient accumulated cash reserves, it is adopting this position to ensure reasonable costs for its services for its clients. A return to profitability of about \$209,000 in 2019 is expected.

The drafting of budget estimates (2019 to 2023) is based on the following key assumptions: estimated Consumer Price Indices; estimated volume of marine traffic; pilot fees, sizes and dimensions of ships, and the acceptance of new tariffs increases for future years.

Any variation in one or more of these assumptions will result in a favourable or unfavourable change in the Authority's financial position. Each 1% variation in the tariff represents about \$992,000 in 2019, whereas any 1% variation in the fees of pilots on contract represents a variation of about \$884,000. This high percentage of variable costs gives the LPA substantial financial flexibility.

Pilot fees account for the majority of LPA expenditures and are the direct result of agreements negotiated by the two pilot corporations and the LPA.

Implementation of the plan depends on assumptions made during its preparation. In the event that the Canadian Transportation Agency does not grant the requested tariffs, the Authority could find itself unable to comply with its contractual commitments, and there could be an interruption of service.

## Key Assumptions and Forecasts

### Revenue

#### *Pilotage Fees*

Pilotage fees have been set based on the growth in certain significant parameters of the current and budgeted tariffs. Forecasts on ship sizes and the number of assignments are determined on the basis of internal statistical reports, financial and economic trends published by research organizations (such as the Conference Board of Canada), by the Bank of Canada and by other Canadian institutions, such as chartered banks. In addition, this analysis was supplemented by discussions and analyses with various representatives and consultants involved in the marine industry.

#### *Pilot Boarding Services*

##### **a) Pilot boarding services provided by subcontractors**

Revenue from pilot boarding services provided at the Montreal, Lanoraie, Sorel, Trois-Rivières and Quebec City boarding stations equals forecast expenditures under the various service contracts, plus an additional 4.8% for administrative overhead.

##### **b) Pilot boarding services provided by Authority employees**

Revenue from pilot boarding services provided at Les Escoumins boarding station was determined on the basis of forecast expenditures for providing the boarding services plus an additional 4.8% for administrative overhead.

### Expenses

#### *Pilot Fees*

Training costs for pilots and apprentice pilots, communications and portable units, and expenses of review panels are included in this expenditures category. Pilot training usually includes ship-handling courses where pilots work with models and simulators. Training courses in the handling of post-Panamax ships are also given at the Maritime Simulation and Resource Centre in Quebec City. This centre offers other courses that pilots must take to obtain a higher certificate.

In the case of apprentice pilots, the Authority covers all costs relating to these expenses, for both corporations.

## Pilot Boarding Services

### a) Pilot boarding services provided by subcontractors

Projected expenditures were determined based on contracts in effect with the various Groupe Océan entities which provide services in Montreal, Sorel, Trois-Rivières and Quebec City. These

contracts were negotiated for a 10-year period and came into effect on January 1, 2014. The costs for 2019 to 2023 have been estimated on the basis of rates agreed upon by the Authority and contractors.

### b) Pilot boarding services provided by Authority employees

These costs include several types of expenses, and the following assumptions were used:

- Projected salaries have been forecast based on provisions in the existing collective agreements. For years not covered by the collective agreements, the salaries take an estimated increase in the Consumer Price Index (CPI) into account.
- Costs associated with the operation of pilot boats and their replacements are taken into consideration based on assumptions relative to their service life, mandatory inspections under current regulations and historical data from recent years.
- The majority of other expenditures were estimated by taking CPI increases into consideration.

## Administrative/Operational and Salary Expenses

Expenditures from 2019 to 2023 were determined on the basis of actual 2017 expenditures and estimated 2018 expenditures, as well as on the basis of assumptions made by Authority management.

Projected salaries have been forecast based on provisions in the existing collective agreements. Salaries of employees not covered by collective agreements were determined by taking estimated Consumer Price Index increases into account. The amounts of employee benefits vary between 20% and 24% of salaries.

### Consolidated statement of comprehensive income, actual 2017, forecast 2018 and budget 2019–2023

	Actual 2017	Forecast 2018	2019	2020	Budget 2021	2022	2023
Pilotage charges	95,017	104,264	111,533	113,889	116,206	118,522	120,831
Direct expenses	88,061	98,433	103,399	105,602	107,656	109,915	112,011
Administrative costs	6,648	7,292	7,967	7,637	7,599	7,766	7,804
<b>Comprehensive income</b>	308	(1,461)	167	650	951	841	1,016



## Variance between Budget 2019 and Forecast 2018

### Revenue

Different assumptions were made based on traffic analysis and the economy in general. As a result, revenues have been adjusted to reflect growth in traffic as per our expectations. The largest impact comes from container ships, whose traffic should be larger in the coming years. Bulk carrier and oil tanker traffic should also increase, but the impact will be less. Tariffs will also be increased, which will have an impact on revenues.

### Expenses

Fees vary according to traffic increase, as well as according to change in pilotage fees determined in service contracts. As for administrative expenses, adjustments to be made after signature of collective agreements of unionized employees, various service contracts and the general cost of living increase have also been taken into account.

## Capital Budget

The capital budget for 2019 and subsequent years will include the following principal investments:

### Renewal of the dispatch and billing system

As previously indicated, the dispatch and billing system is reaching the end of its useful life and will have to be replaced. This project, which had been scheduled earlier, is currently underway.

### PPU

The portable units used by the Lower St. Lawrence Pilots will have to be replaced and updated in 2019. The Authority will now own these portable units.

Similar units will also have to be acquired in 2021 for the Central St. Lawrence pilots.

## Capital Budget Comparison

### Variance Between Budget 2017 and Actual 2017

The Authority provided for a capital budget for the purchase of portable units and for the upgrade of the LPA's dispatch/billing system. The latter project has been postponed, while the purchase of portable units has been staggered over the 2017 and 2018 financial years.

### Variance between Budget 2018 and Forecast 2018

The Authority had a capital budget for the potential rebuilding of a wharf at the Escoumins pilotage station, the acquisition of a bridge simulator and the updating of the dispatch/billing software. Work is currently underway for the dispatch/billing software update project, most of the investment will be made in 2019. The bridge simulator will be acquired in November 2018. The rebuilding of the wharf will be delayed; preventive maintenance will be carried out instead. The actual amount for capital asset acquisition will therefore be in the order of \$2.43 million.

## Debts

The Authority currently has no debt and does not anticipate any need to take on any long-term debt to carry out its plan.

## Earnings Management

The Authority must manage its activities in order to remain self-sufficient. Its activities must enable it to provide for a reasonable financial reserve necessary to, amongst other things, replace its assets.

## Access to a Line of Credit

The Authority has access to a line of credit consisting of an authorized overdraft facility of up to \$1.5 million.

## Guidance or Mandate Letter to the Minister

Mr. Ricky Fontaine  
Chairperson  
Laurentian Pilotage Authority  
418 Françoise-Garnier  
Quebec City, QC G1E 0J3

Dear Mr. Fontaine:

I am pleased to provide you with a copy of the official documentation of your appointment by the Governor General in Council, by P.C. 2017-1599, dated December 14, 2017, as Chairperson of the Laurentian Pilotage Authority (LPA) for a term of five years. I would also like to take this opportunity to thank you for agreeing to serve in this capacity as well as convey my expectations for the corporation.

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

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

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

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

Since the corporate plan is at the centerpiece of the accountability regime put in place for Crown corporations, its timely approval is critical to ensure sound management. One of the key success factors to the timely approval of corporate plans is early and meaningful consultations with all relevant officials. This is even more important if there are activities being proposed in the corporate plan that may pose

questions on mandate or of a strategic nature. In these instances, you are to seek my views before undertaking any such activities, including planning or consultations.

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

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

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

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

Yours sincerely,

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

Enclosure

c.c. Mr. Fulvio Fracassi, Chief Executive Officer  
Laurentian Pilotage Authority

Mr. Mario St-Pierre, Corporate Secretary  
Laurentian Pilotage Authority

Mr. Michael Keenan, Deputy Minister of Transport  
Transport Canada

## CORPORATE GOVERNANCE STRUCTURE

Since September 2012, Fulvio Fracassi is the Authority's Chief Executive Officer. His responsibilities include developing the organization's overall strategy, providing leadership and overseeing the stewardship of the Authority's resources and assets in order to fulfill the LPA's mission pursuant to the *Pilotage Act*. Before joining the Authority, Mr. Fracassi was Director General of Transport Canada's National Marine Safety Program and is a lawyer by training. He chairs the Executive Committee as well as the Internal Management Committee, which is made up of the Authority's managers, and which meets on a regular basis. He is also responsible for chairing the Pilotage Advisory Committee comprised of representatives from the marine industry, pilot corporations and representatives from Transport Canada and the Canadian Coast Guard.

Mr. Fracassi is assisted by three executives: Josée Leroux, Executive Director, Finance and Administration, Alain Richard, Executive Director, Marine Safety and Efficiency, and Simon-Pierre Paquette, General Counsel.

### Board of Directors

The Authority maintains a modern governance structure that enables it to fulfill its mandate. For this reason, various powers are exercised by the Board of Directors.

The Board is composed of six members appointed by the Minister, with the approval of the Governor-in-Council. The position of Chairperson was filled in December 2017 by Ricky Fontaine. The Governor-in-Council appointed three new members in September 2018—Sophie-Emmanuelle Chebin, Christiane Chabot and George J. Pollack—for terms ranging from three to four years. Moreover, Julius Spivack, Frank Di Tomaso and Michel Tosini were reappointed for terms ranging from two to four years. The Chief Executive Officer, who reports to the Board of Directors, is employed on a full-time basis by the Authority, and also sits on the Board.

Members are appointed for an initial term of up to four years; thereafter, the term of office may be renewed for a period not exceeding four years. It should be noted that the *Pilotage Act* does not prescribe any limit on the number of re-appointments for a board member.

Sections 20 and 33 of the *Pilotage Act* provide the Authority with regulatory powers, including powers to suspend or cancel a licence. These various powers are exercised essentially by the Authority's Board of Directors, whose operating procedures are set out in the Authority's by-laws. These by-laws were completely overhauled in 2009 to provide the Board with up-to-date management tools tailored to its needs.

The Board of Directors is also responsible for the Authority's strategic planning, including its Corporate Plan, finances and overall stewardship. This includes the identification of major risks, succession planning and the setting up of an information system to meet its requirements.

The members of the board are presented on the following table.

Name	Role	Term expiry
Ricky Fontaine	Chairperson	December 2022
Julius Spivack	Vice-Chairperson	September 2022
Christiane Chabot	Member	September 2021
Sophie-Emmanuelle Chebin	Member	September 2022
Frank Di Tomaso	Member	September 2020
George J. Pollack	Member	September 2021
Michel Tosini	Member	September 2021

Total compensation for the members of the Board of Directors is subject to the actual number of committee meetings held during the year. This amount is \$70,470 for 2017.

In carrying out its responsibilities, the Board has two committees composed of three members.

#### **Audit Committee**

This committee is responsible for monitoring and supervising the Authority's financial situation and its various management practices, including, but not limited to, the various financial controls and the efficient operation of its information systems. It is also mandated under the law to ensure that internal audits are carried out according to its judgment and to follow up recommendations, if any. The Audit Committee maintains ties with the Office of the Auditor General of Canada (OAG) and takes cognizance of reports issued by the OAG with respect to the Authority. The Audit Committee also ensures that the auditor's recommendations, if applicable, are implemented by management. The committee meets about five times per year. This committee is comprised of:

- Julius Spivack, Chairperson
- George J. Pollack, Member
- Christiane Chabot, Member

#### **Governance and Human Resources Committee**

This committee is responsible for reviewing the Authority's governance practices and, where necessary, making changes to the employment management strategy, including current policies. The committee members meet about four times per year. This committee is comprised of:

- Frank Di Tomaso, Chairperson
- Sophie Chebin, Member
- Michel Tosini, Member

## Objectives and Performance Indicators

The following chart outlines the implementation strategies and performance indicators that the Authority adopted during the annual strategic planning process in order to pursue its strategic objectives.

### 1. Maximize efficiency, quality and safety by being attentive to user needs

#### Ensure the provision of safe and high-quality pilotage services

Implementation strategies	Performance indicators	Timeline
Active Participation of the LPA in the recommendations of the <i>Pilotage Act</i> review committee	Possible amendment of the Act	2018 and onwards
Review training and continuing evaluation program for CPSLC pilots and apprentice pilots	LPA approval of the pilot corporations' training programs and incident rate kept below 0.10% Follow-up of incidents via our database.	Ongoing
Work of the LPA's Pilotage Advisory Committee	A minimum of two meetings per year	2019 and onwards
	Consultations on safety and efficiency issues involving several LPA partners	2019 and onwards
Issue policies detailing standards, procedures and practices to be followed in certain situations	Implementation the policy concerning exchange of information between pilots and masters, voyage plans and compliance with the <i>Pilotage Act</i>	Fall 2019
Implement a bridge simulator and create partnerships with industry members	Commissioning of the simulator and agreements signed for December 2018. Adjustment of simulator to pilot grade for December 2019	2018 and 2019
Reduce delays and causes of pilot shortages	Maintain the proportion of pilot-related service delays at under 0.10% of all assignments	Ongoing
Risk Study—Gulf of St. Lawrence	Identification of potential measures and consultations Implementation of recommendations accepted at Phase I of the Risk Study for 2019	Spring 2019 December 2019
	Start Phase II of the Risk Study	2019
Monitor the impacts of recommendations following the risk study on safe duration of a voyage in District No. 1	Reduction of the number of pilot sleep cycles (no threshold has been determined yet)	2019

Conduct a risk assessment on the safe duration of a voyage by a single pilot in District No. 2	Finalization of call for tenders process in December 2018 Finalization of the study in fall 2019	2019
--	---	------

#### Continue the LPA regulatory update process

Implementation strategies	Performance indicators	Timeline
---------------------------	------------------------	----------

Identify the key provisions and pursue consultations	Proposal for new LPA regulations discussed with stakeholders	2019
--	--	------

#### Enhance communication and cooperation level

Implementation strategies	Performance indicators	Timeline
---------------------------	------------------------	----------

Focus on cooperation and communication with partners	Organization of regular meetings	Ongoing
--	----------------------------------	---------

Participation in committees led by maritime partners	Ongoing
--	---------

Increase LPA's public positioning	Update of the external communication plan	2018
-----------------------------------	---	------

Strengthen direct links with pilots	Explore different ways of communicating directly with pilots (individually)	2019
-------------------------------------	---	------

#### Maintain an adequate number of pilots

Implementation strategies	Performance indicators	Timeline
---------------------------	------------------------	----------

Plan marine traffic and pilot retirements volumes with the pilot corporations	Recruitment and training of a minimum of 10 apprentice pilots per year	2019
---	--	------

#### Supervise pilot duties performance

Implementation strategies	Performance indicators	Timeline
---------------------------	------------------------	----------

Establishing a Code of Ethics for Pilots	Adoption of a code in 2019	2019
--	----------------------------	------

#### Enhance the efficiency and reliability of equipment, primarily pilot boats

Implementation strategies	Performance indicators	Timeline
---------------------------	------------------------	----------

Maintain equipment preventive maintenance program	Full compliance with preventive maintenance programs	Ongoing
---	--	---------

#### Ensure there is a sufficient, competent and diverse pool of future LPA managers

Implementation of a succession plan for LPA management	Skills development Fully documented annual performance plan	2018 and onwards
--	--	------------------



	Update of the succession plan completed	Spring 2019
<b>Implementation of measures to support employees with mental health issues and promote diversity</b>	Train and inform employees on support measures	2018
	Increase representation of women and ethnic groups at LPA	2019
<b>Ensure the safety and quality of pilot boarding services for employees and passengers</b>		
<b>Implementation strategies</b>	<b>Performance indicators</b>	<b>Timeline</b>
Update the pilot boat operations manual	Review pilot boat operations manual after each dry dock maintenance	Ongoing
<b>Stay within budget</b>		
<b>Implementation strategies</b>	<b>Performance indicators</b>	<b>Timeline</b>
Conduct monthly expenditure reviews (management)	Financial statements, budget report and analysis graphs showing status of operating results ensuring strict cost control	Ongoing
Maintain financial self-sufficiency	Maintain positive net income	Ongoing
Publish the Authority's annual report	Performance indicators included in the annual report; assessment of the relevance of developing new performance indicators	March 31, 2019, and December 31, 2019
<b>Establish the tariff planning strategy in order to maintain a competitive rate structure</b>		
<b>Implementation strategies</b>	<b>Performance indicators</b>	<b>Timeline</b>
Develop a Market Intelligence approach that permits building of more realistic commercial budget assumptions	Minimize gaps between the comparison of actual and budgeted comprehensive results	Ongoing
<b>Monitor employee costs</b>		
<b>Implementation strategies</b>	<b>Performance indicators</b>	<b>Timeline</b>
Renewal of Public Service Alliance of Canada (PSAC) collective agreement	New collective agreement	2019
Revision of pay scales	Ensure fair pay scales	Spring 2019

Increase revenues by publishing fair and reasonable tariffs		
Implementation strategies	Performance indicators	Timeline
Tariff plan for the next five years	Achievement of adequate financial situation to enable maintenance and renewal of assets	2019–2023
	Implementation of new tariffs: in line with CPI	January 1, 2019
Optimize costs arising from the ownership and operation of assets		
Implementation strategies	Performance indicators	Timeline
Maintain and renew assets	Achievement of adequate financial situation to enable maintenance and renewal of assets	Ongoing
Avoid bad debts		
Implementation strategies	Performance indicators	Timeline
Ongoing use of credit strategies	Bad debt expenses kept to less than 1% of receivables	Ongoing
Finalize selection of new assignment and billing software in order to optimize existing processes and retrieval of data for analysis and statistics		
Implementation strategies	Performance indicators	Timeline
Start development and installation with selected software supplier	Identification of targets and requirements; fully functional system	October 2019
Start implementation of IT Master Plan		
Implementation strategies	Performance indicators	Timeline
Identify priorities	Documentation of achievements: completion of priority projects	2018 - 2020
Ensure minimum service threshold		
Implementation strategies	Performance indicators	Timeline
Update the Business Continuity Plan	Business Continuity Plan fully updated	December 2018

## 2. Comply with Government of Canada policies

Favour good governance practices		
Implementation strategies	Performance indicators	Timeline
Work of the governance and human resources committee	Periodic review of Board of Directors committees' charters to adequately monitor organizational changes: minimum of two meetings per year	Ongoing
Update the Corporation's risk charter, including financial risks		
Implementation strategies	Performance indicators	Timeline
Update the list of the various risks	Annual follow-up report in strategic planning and Corporate Plan: complete update of risks once a year.	Annually and on an ongoing basis
Responsible operating and capital budgets management		
Implementation strategies	Performance indicators	Timeline
Tracking actual expenditures against approved budget	Assignment and administrative expenses	Ongoing
Ensure compliance with travel and hospitality expenses directive; update policies		
Implementation strategies	Performance indicators	Timeline
Update internal policies in keeping with regulatory requirements	Complete monitoring of compliance with the policy and disclosure on LPA website as required	2018 and onwards

## FINANCIAL INFORMATION

### Significant accounting policies

Please refer to the audited financial statements of the Laurentian Pilotage Authority included in the LPA's 2017 annual report for the description of these methods.

#### Adoption of IFRS 16

The Authority will adopt international financial reporting standard IFRS 16 for the fiscal year ending on December 31, 2019. This standard requires the Authority to account for leases as liabilities at a value equivalent to the current amortized value of future lease payments, regardless of whether these leases had been previously reported as an operating lease or a financing lease. This standard will apply to all financial statements with a fiscal year starting on or after January 1, 2019. The Authority did not choose to adopt this standard proactively.

### Regulations Prescribing Tariffs of Pilotage Charges

The Authority shall, with the approval of the Governor-in-Council, make regulations prescribing tariffs of pilotage charges to be paid to the Authority. The tariff approval process is set out in the *Pilotage Act*. Consequently, the Authority must first publish the proposed tariff regulation in the Canada Gazette. Any person who has reason to believe that a charge in this proposal is not in the public interest may file a notice of objection, setting out the grounds therefor, with the Canadian Transportation Agency within thirty days following publication of the proposed regulation in the Canada Gazette. In such a case, the Agency must investigate the proposed regulation as necessary or desirable in the public interest, including the holding of public hearings. Once its investigation is complete, the Agency must make a recommendation within 120 days following the receipt of notices of objection, and the Authority is required to govern itself accordingly.

The tariffs may come into force 30 days after their publication in the Canada Gazette. However, where the Agency recommends a pilotage charge that is lower than that set by the Authority, the Authority is required to reimburse the difference between this charge and the charge recommended by the Agency, plus interest. The *Pilotage Act* stipulates that the Governor-in-Council may amend or cancel a recommendation of the Canadian Transportation Agency.

The tariffs of pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs set are intended to allow the Authority to recover its costs and to provide for a reasonable financial reserve necessary to, amongst other things, replace its assets.

## 2019–2023 FINANCIAL STATEMENTS FORECAST

### Statement of Comprehensive Income

Actual 2017, forecast 2018 and 2019–2023 budget

(in thousands of \$CDN)

	Actual 2017	Forecast 2018	2019	2020	Budget 2021	2022	2023
<b><u>INCOME</u></b>							
Pilotage charges	94,847	104,129	111,355	113,711	116,028	118,344	120,653
Other income	170	135	178	178	178	178	178
	95,017	104,264	111,533	113,889	116,206	118,522	120,831
<b><u>DIRECT EXPENSES</u></b>							
Pilot fees	77,158	87,005	91,972	94,126	96,027	98,023	100,011
Operating costs of pilot-boats	10,903	11,428	11,427	11,476	11,629	11,892	12,000
	88,061	98,433	103,399	105,602	107,656	109,915	112,011
<b><u>GROSS PROFIT</u></b>	<b>6,956</b>	<b>5,831</b>	<b>8,134</b>	<b>8,287</b>	<b>8,550</b>	<b>8,607</b>	<b>8,820</b>
	7.32%	5.59%	7.29%	7.28%	7.36%	7.26%	7.30%
<b><u>ADMINISTRATIVE AND OPERATING EXPENSES</u></b>							
Personnel Costs	3,931	4,657	5,087	5,060	5,156	5,253	5,355
Professional and Special Services	1,674	1,500	1,301	905	765	850	770
Rental	365	430	319	325	331	337	342
Utilities, Supplies and Procurement	222	219	191	189	189	189	189
Transport and Communications	182	203	214	204	198	199	199
Information	88	80	103	87	103	87	103
Amortization	70	110	534	597	591	586	586
Repairs and Maintenance	12	22	54	111	113	115	117
Bad Debts	0	0	0	0	0	0	0
Interest	1	1	87	82	75	70	63
Other	103	70	77	77	78	80	80
	6,648	7,292	7,967	7,637	7,599	7,766	7,804
<b><u>COMPREHENSIVE INCOME</u></b>	<b>308</b>	<b>(1,461)</b>	<b>167</b>	<b>650</b>	<b>951</b>	<b>841</b>	<b>1,016</b>

## Statement of Financial Position

Actual 2017, forecast 2018 and 2019–2023 budget

(in thousands of \$CDN)

	Actual 2017	Forecast 2018	2019	2020	Budget 2021	2022	2023
<b>ASSETS</b>							
<b>Current</b>							
Cash	9,566	6,357	5,973	8,403	11,141	11,805	14,603
Accounts Receivable	13,101	14,380	15,378	15,703	16,023	16,343	16,662
Short-term Investment	5,097	5,153	5,229	5,305	5,381	5,457	5,533
	27,764	25,890	26,580	29,411	32,545	33,605	36,798
<b>Non-Current</b>							
Long-term Investment	0	0	0	0	0	0	0
Property and Equipment (net)	15,813	16,566	16,079	14,572	13,072	12,998	11,507
Assets under the Right of Use	0	0	1,988	1,764	1,541	1,319	1,159
Intangible Assets (net)	217	1,198	2,013	1,623	1,234	1,430	1,042
	16,030	17,764	20,080	17,959	15,847	15,747	13,708
<b>Total Assets</b>	<b>43,794</b>	<b>43,654</b>	<b>46,660</b>	<b>47,370</b>	<b>48,392</b>	<b>49,352</b>	<b>50,506</b>
<b>LIABILITIES</b>							
<b>Current</b>							
Accounts Payable and Incurred Liabilities	13,874	14,884	15,649	15,911	16,194	16,533	16,832
Current Portion of Lease Obligations	0	0	224	234	243	182	188
	13,874	14,884	15,873	16,145	16,437	16,715	17,020
<b>Non-Current</b>							
Employee Benefits	310	302	348	370	392	414	436
Lease Inducement	172	491	0	0	0	0	0
Lease Obligations	0	0	2,295	2,061	1,818	1,637	1,448
	482	793	2,643	2,431	2,210	2,051	1,884
<b>Total Liabilities</b>	<b>14,356</b>	<b>15,677</b>	<b>18,516</b>	<b>18,576</b>	<b>18,647</b>	<b>18,766</b>	<b>18,904</b>
<b>EQUITY</b>							
<b>Retained Earnings</b>	<b>29,438</b>	<b>27,977</b>	<b>28,144</b>	<b>28,794</b>	<b>29,745</b>	<b>30,586</b>	<b>31,602</b>
<b>Total Liabilities and Equity</b>	<b>43,794</b>	<b>43,654</b>	<b>46,660</b>	<b>47,370</b>	<b>48,392</b>	<b>49,352</b>	<b>50,506</b>
<b>Working Capital at Year End</b>	<b>13,890</b>	<b>11,006</b>	<b>10,707</b>	<b>13,266</b>	<b>16,108</b>	<b>16,890</b>	<b>19,778</b>

## Statement of Changes in Equity

Actual 2017, forecast 2018 and 2019–2023 budget

(in thousands of \$CDN)

	Actual 2017	Forecast 2018	2019	2020	Budget 2021	2022	2023
Retained Earnings, Beginning of the Year	29,130	29,438	27,977	28,144	28,794	29,745	30,586
Comprehensive Income for the Year	308	(1,461)	167	650	951	841	1,016
<b>Retained Earnings, End of the Year</b>	<b>29,438</b>	<b>27,977</b>	<b>28,144</b>	<b>28,794</b>	<b>29,745</b>	<b>30,586</b>	<b>31,602</b>

## Statement of Cash Flows

Actual 2017, forecast 2018 and 2019–2023 budget

(in thousands of \$CDN)

	Actual 2017	Forecast 2018	2019	2020	Budget 2021	2022	2023
<b>OPERATING ACTIVITIES</b>							
Comprehensive Income for the Year	308	(1,461)	167	650	951	841	1,016
Adjustment to Determine the Net Cash Flows Generated by (Used for) Operating Activities							
Amortization	842	1,361	2,056	2,143	2,135	2,124	2,060
Changes in the Long-Term Portion of Employee Benefits	(30)	(8)	46	22	22	22	22
Changes in the Long-Term Portion of the Lease Inducement	(28)	319	0	0	0	0	0
Loss (Gain) on Asset Disposals	6	0	0	0	0	0	0
Change in non-cash working capital items							
Decrease (Increase) in Accounts receivable	(1,567)	(1,279)	(998)	(325)	(320)	(320)	(319)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	686	1,010	806	272	292	278	305
Cash Flows from Operating and Non-Operating Activities	217	(58)	2,077	2,762	3,080	2,945	3,084
<b>INVESTING ACTIVITIES</b>							
Net Additions to Fixed Assets, Intangible Assets and Long-Term Investment	(1,622)	(3,151)	(2,236)	(98)	(99)	(2,100)	(97)
Cash Flows from Investing Activities	(1,622)	(3,151)	(2,236)	(98)	(99)	(2,100)	(97)
<b>FINANCING ACTIVITIES</b>							
Payment in Respect of Obligations Related to a Lease	0	0	(225)	(234)	(243)	(181)	(189)
Cash Flows from Financing Activities	0	0	(225)	(234)	(243)	(181)	(189)
<b>CASH</b>							
Change for the Year	(1,405)	(3,209)	(384)	2,430	2,738	664	2,798
Balance, Beginning of the Year	10,971	9,566	6,357	5,973	8,403	11,141	11,805
Balance, End of the Year	<b>9,566</b>	<b>6,357</b>	<b>5,973</b>	<b>8,403</b>	<b>11,141</b>	<b>11,805</b>	<b>14,603</b>



## Standardized Statement of Comprehensive Income

### LAURENTIAN PILOTAGE AUTHORITY

#### Standardized forecast statement of comprehensive income (\$ '000)

('000\$)	2017	2018 budget	2018 forecast	2019	2020	2021	2022	2023
<b>Revenue</b>								
Pilotage Tariffs	94,847	105,644	104,129	111,355	113,711	116,028	118,344	120,653
Pilotage Surcharges	-	-	-	-	-	-	-	-
Others (Interest, Supplementary Fees & Charges)	170	135	135	178	178	178	178	178
<b>Total Revenue</b>	<b>95,017</b>	<b>105,779</b>	<b>104,264</b>	<b>111,533</b>	<b>113,889</b>	<b>116,206</b>	<b>118,522</b>	<b>120,831</b>
<b>Direct Pilotage Costs</b>								
<b>Pilot Costs</b>								
Pilotage Fees (if under contract)	74,786	84,601	83,978	88,392	90,423	92,311	94,253	96,187
Pilot Salaries and Benefits	-	-	-	-	-	-	-	-
<b>Total Pilot Costs</b>	<b>74,786</b>	<b>84,601</b>	<b>83,978</b>	<b>88,392</b>	<b>90,423</b>	<b>92,311</b>	<b>94,253</b>	<b>96,187</b>
<b>Pilotage Boat and Pilot Travel</b>								
Pilot Boat Crew (Salaries and Benefits)	1,352	1,361	1,361	1,387	1,411	1,437	1,464	1,490
Pilot Boat Operating Cost (Fuel, Maintenance)	574	571	598	653	559	562	676	619
Pilot Boat Ownership Costs (Depreciation & Finance)	647	686	686	651	646	643	641	639
Pilotage Boat Fees (if under contract)	8,330	8,767	8,783	8,736	8,860	8,987	9,111	9,252
Pilot Travel Expenses	-	-	-	-	-	-	-	-
Other Related Costs	-	-	-	-	-	-	-	-
<b>Total Pilot Boat and Pilot Travel</b>	<b>10,903</b>	<b>11,385</b>	<b>11,428</b>	<b>11,427</b>	<b>11,476</b>	<b>11,629</b>	<b>11,892</b>	<b>12,000</b>
<b>Other Pilotage Expenses</b>								
Pilotage Portable Units	192	797	747	1,023	1,052	1,052	1,052	1,052
Pilotage Training (1)	367	390	392	388	396	404	413	422
Dispatch Center	2,489	3,217	2,967	3,789	3,541	3,532	3,581	3,631
Other Pilotage Costs	1,813	1,955	1,888	2,169	2,255	2,260	2,305	2,350
<b>Total Other Pilotage Expenses</b>	<b>4,861</b>	<b>6,359</b>	<b>5,994</b>	<b>7,369</b>	<b>7,244</b>	<b>7,248</b>	<b>7,351</b>	<b>7,455</b>
<b>Total Direct Pilotage Costs</b>	<b>90,550</b>	<b>102,345</b>	<b>101,400</b>	<b>107,188</b>	<b>109,143</b>	<b>111,188</b>	<b>113,496</b>	<b>115,642</b>
<b>Indirect Pilotage Costs</b>								
<b>Administrative Expenses</b>								
Administration (Salaries and Benefits)	1,946	2,157	2,343	2,642	2,570	2,620	2,671	2,724
Professional Services	1,428	1,093	1,209	671	657	567	652	572
Regulatory Fees (TC Service Fee)	-	-	-	-	-	-	-	-
Rent/Utilities/Supplies/Computers	426	455	448	310	313	317	320	323
Other Amortization	46	62	45	201	231	228	223	223
Other Administration Expenses	313	301	280	354	325	335	319	331
<b>Total Administration Expenses</b>	<b>4,159</b>	<b>4,068</b>	<b>4,325</b>	<b>4,178</b>	<b>4,096</b>	<b>4,067</b>	<b>4,185</b>	<b>4,173</b>
Financing Cost	-	-	-	-	-	-	-	-
<b>Total Indirect Pilotage Costs</b>	<b>4,159</b>	<b>4,068</b>	<b>4,325</b>	<b>4,178</b>	<b>4,096</b>	<b>4,067</b>	<b>4,185</b>	<b>4,173</b>
<b>Total Expenses</b>	<b>94,709</b>	<b>106,413</b>	<b>105,725</b>	<b>111,366</b>	<b>113,239</b>	<b>115,255</b>	<b>117,681</b>	<b>119,815</b>
<b>Comprehensive Income</b>	<b>308</b>	<b>(634)</b>	<b>(1,461)</b>	<b>167</b>	<b>650</b>	<b>951</b>	<b>841</b>	<b>1,016</b>

## CAPITAL BUDGET

Budget 2019–2023

### ACQUISITION OF CAPITAL ASSETS AND CAPITAL BUDGET

(\$000)

	ACTUAL	BUDGET	FORECAST	PLAN				
	2017	2018	2018	2019	2020	2021	2022	2023
Wharfs and route	23	2,500	--	--	--	--	--	--
Pilot boats	3	--	--	--	--	--	--	--
IT Hardware	1,453	1,123	1,541	970	20	20	1,439	20
Intangible assets	--	860	898	1,173	--	--	584	--
Waiting room, boarding station and others	70	111	635	46	--	--	--	--
	1,549	4,594	3,074	2,189	20	20	2,023	20

## BORROWING PLAN AND CASH RESERVES

### Cash Reserves

The Board of Directors approved cash reserves of \$5 million based on the Authority's obligation to fulfill its mission while maintaining its financial self-sufficiency as the Authority does not receive parliamentary appropriations. These reserves can be used in the following situations:

- The purchase of portable units for the Corporation of Lower St. Lawrence Pilots;
- Delays during the long approval process of the tariff regulations modifications, as was the case in 2014;
- Delays caused by the retrieval and/or laying of priority buoys by the Canadian Coast Guard within District No. 1. Any laying delay of these buoys after April 7 of each year or removal prior to December 7 of each year produces additional costs payable to the Corporation of Mid St. Lawrence Pilots in the amount of up to around \$250,000 per week of delay. In spring 2018, the Authority had to contend with a delay of approximately three weeks to lay priority buoys, resulting in additional expenses of close to \$600,000. These additional pilotage expenses are due to the LPA's obligation to assign a second pilot on board the ship for assignments in these situations.

The Authority has achieved its cash reserves objective through the sound and efficient management of its operations and stringent expense tracking. It has not had to use any amounts it maintains for contingencies. However, this favourable situation enabled the LPA maintain a freeze on pilotage tariffs for the entire 2017 and 2018 fiscal year, to the benefit of the industry.

Pursuant to section 36 of the *Pilotage Act* and subsection 127(3) of the *Financial Administration Act*, the Authority requires the approval of the Minister of Finance to enter into any transaction to borrow money, including the terms and conditions of the transaction. The Authority considers that it has sufficient liquidities, including its cash reserves, to adequately fulfill its mandate.

# Borrowing Plan

## Borrowing Approval

In accordance with section 36 of the *Pilotage Act* as well as subsection 127(3) of the *Financial Administration Act*, the LPA is required to obtain approval from the Minister of Finance to borrow funds, including the terms and conditions thereof.

## Background

LPA's management requires the approval of the Minister of Finance with regards to its borrowing plan for the 2019–2023 period for an amount of \$1,500,000; such amount is currently authorized as a credit facility allowing for bank overdrafts. Despite the existing cash reserve, this request is justified in the event that a significant disbursement must be made while expiry dates of investments do not allow for an immediate access of the required funds, or to cover any unexpected situation where disbursements could not have been planned. A borrowing authorization of \$1,500,000 is therefore required to deal with this situation.

## Continuity of Short-Term Borrowing

The Laurentian Pilotage Authority requires that the following credit facility be continued:

### OVERDRAFT

<b>Lender:</b>	Any financial institution in Canada that is a member of the Canadian Payments Association
<b>Amount:</b>	Up to \$1.5 million
<b>Currency:</b>	Canadian dollars
<b>Interest Rate:</b>	Prime
<b>Maturity:</b>	One year maximum

### Historical Usage of Short-Term Credit Facility

The following table details the history of the past five years in regard to the maximum amount of credit used during a given year and the average monthly credit used during that year.

#### HISTORICAL USAGE OF SHORT-TERM CREDIT FACILITY

YEAR	HIGHEST AMOUNT	MONTHLY AVERAGE
2014	\$874,000	\$115,000
2015	\$425,000	\$100,000
2016	\$892,000	\$0
2017	\$915,660	\$0
2018 (Forecast)	\$1,040,924	\$0

### Long Term Borrowings to be undertaken in 2019

No long-term borrowings have been contracted or are expected to be contracted.

## GENERAL DECLARATIONS

The LPA has incorporated all opportunities for operational efficiencies into the Corporate Plan.

As part of its commitment to the *Canadian Multiculturalism Act*, the LPA conducts its activities with due consideration to Canada's multicultural reality, as witnessed by the cultural diversity in its workplaces. In recognition of the heritage and the role of First Nations in the history of pilotage, as they were the first "pilot" guides on the St. Lawrence in the Nouvelle France era, the LPA named one of its two pilot boats "Taukamaim," meaning "To take to the open sea" in the Innu language.

The Authority also balances its responsibilities relative to the Canadian economy and its partners by ensuring that it can provide all levels of required services. Given the high proportion of costs that vary according to pilotage revenues, the capacity to partially reduce these costs is very limited, and any reduction in these expenditures would have a negative impact on the Authority's revenues, resulting in lower earnings.

### Promoting a Healthy Workplace

Mobilization activities, including training sessions on tools and methods in order to act and prevent problems of civility in the workplace and also on management of known mental health issues and workplace stress were carried out last year. The activities involved managers and the entire staff of the organization, and were intended to educate all staff in the promotion of healthy work practices. An engagement survey has also been carried out and the recommendations will be implemented in the coming months.

### Building a Diverse Public Service

The Authority recognizes the importance of maintaining and enhancing the multicultural heritage of Canadians. Accordingly, it acknowledges the importance of diversity in the Canadian population in terms of race, nationality of origin, ethnic origin, colour and religion, which is a fundamental characteristic of Canadian society. The LPA is therefore committed to ensuring diversity within its organization by encouraging, for example, women, indigenous people, disabled people, or members of visible minorities to apply for available positions. The Authority has, amongst other things, included terminology inviting candidates from designated groups (women, visible minorities, indigenous people and disabled people) to apply for employment opportunities published on its website. It should be noted, however, that the participation of women in the marine sector continues to face challenges. The LPA is in the process of identifying relevant programs with diversity objectives according to its needs, and then determine activities required to increase social and cultural diversity within the organization.

### Quarterly Financial Statements

The LPA posts its unaudited quarterly financial statements on its website.

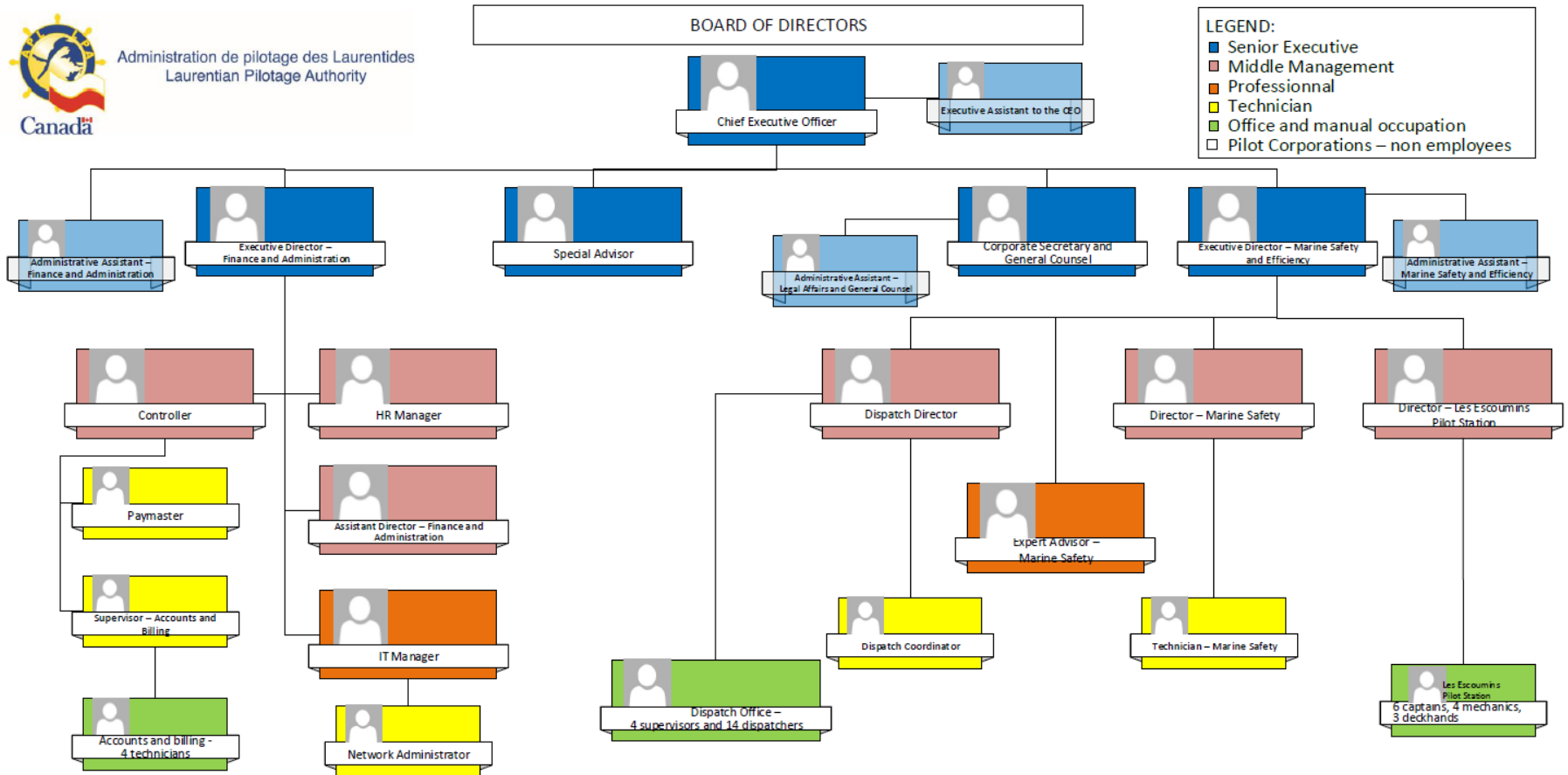
### Guidelines on Travel, Hospitality and Conference Expenses

In July 2015, a certain number of Crown corporations, including the Authority, were directed by the Governor-in-Council to align their policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures.

Through the values expressed in its vision and mission statements, the LPA has made a further commitment to make effective use of the resources provided. Accordingly, the LPA discloses the travel, hospitality and conference expenses of the board chairperson, the chief executive officer and other board members on its website each quarter, in accordance with regulations. Moreover, the LPA has implemented the recent changes requested by the Treasury Board Secretariat in 2017.

## APPENDIX 1

### LPA Organization Chart as at August 24, 2018





## APPENDIX 2

### Government-Wide Priorities

As a Crown corporation, the Laurentian Pilotage Authority endorses and supports the government's various initiatives and priorities. The following actions and measures have thus been put forward to harmonize our management practices with the stated priorities:

- **Transparency and open government:**
  - ✓ Increase the level of consultation and information sharing with our business partner.
  - ✓ Increase the amount of information provided on significant changes that impact pilotage and concerned stakeholders.
- **Gender-based analysis:**
  - ✓ Male–female ratio of 30% women, constantly increasing. A challenge in an unconventional industry for female personnel.
  - ✓ Review pay scales with one of the objectives being pay equity.
  - ✓ Neutral hiring process.
  - ✓ Hiring of female personnel in a function largely represented by males—a female executive as well as a female captain on the management team.
- **Employment diversity and equity:**
  - ✓ Neutral hiring process.
  - ✓ LPA's adherence to employment diversity specified in our job postings.
- **Indigenous peoples:**
  - ✓ LPA's adherence to employment diversity specified in our job postings.
  - ✓ The pilotage consultation process has been widened to include First Nations (e.g., consultation on impact of North Shore pilotage safety will include the Inuit community).
  - ✓ Integration of First Nations from the start of new projects: First Nations will be consulted on the next phases of the risk analysis for the South Shore.
- **Sustainable development and greening of government operations:**
  - ✓ Acquisition of environmentally responsible equipment when selecting replacements.
  - ✓ Set up recycling bins in all work areas.
  - ✓ Participation in Green Marine program for our two pilot boarding vessels. Certificate expected in 2019.

## APPENDIX 3

### Compliance with Legislative and Strategic Requirements

- *Access to Information and Protection of Privacy Act*

As part of its commitment to clear and transparent governance, the LPA publishes a summary of completed access to information requests it has received each month on its website. The LPA also communicates its statutory annual reports and statistical reports to the Treasury Board Secretariat concerning access to information requests and any questions concerning protection of personal information.

- *Official Languages Act*

The LPA ensures that its public communications (news releases or documents/publications/information on its website) are available in both official languages. Moreover, data from the Official Languages Information System concerning the LPA is communicated annually to the Treasury Board Secretariat. No questions relating to official languages have been submitted about the LPA so far this year.

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

The LPA's internal policies on travel, hospitality, conference and event expenditures have been harmonized under the Treasury Board's 2015 Guideline on Travel, Hospitality, Conference and Event Expenditures; these expenditures are promptly compiled at the end of each quarter and approved information is then disclosed on the LPA's website within 30 days following the end of each quarter.

- *Directives on the Reform of Pension Plans*

The LPA pension plan, which is a contributory defined benefit plan sponsored by the Government of Canada, complies with the directives on the reform of pension plans.

- *Trade Agreements*

The LPA is not directly involved in activities related to trade agreements. The LPA complies with the provisions and requirements of applicable trade agreements and has a policy in place to award contracts for goods and services to obtain the best overall value for money. The LPA deals with suppliers that meet our requirements and can provide quality goods and services at competitive prices that meet our needs in a timely manner. As a Crown corporation, the LPA must negotiate its supplier contracts, where applicable, through a competitive bidding process in accordance with laws, regulations, agreements, international conventions, and internal policies. Covered procurement activities that are subject to the Comprehensive Economic and Trade Agreement (CETA) and the Canadian Free Trade Agreement are published on the Government Electronic Tendering Service (GETS).

- Others

The LPA has implemented certain internal policies to ensure compliance with its values (see page 15 of the 2017 LPA Annual Report) and that reflect its commitment to and compliance with the following laws and directives:

- . *Canada Labour Code*
- . *Pilotage Act*
- . *Public Servants Disclosure Protection Act*
- . *Financial Administration Act*
- . *Canadian Human Rights Act*
- . *Employment Equity Act*

Although they affect the LPA's activities indirectly or very little, the Authority also complies with the following directives and requirements:

- . *Conflict of Interest Act*
- . *Corruption of Foreign Public Officials Act*

## COMPANY INFORMATION

### **Laurentian Pilotage Authority**

999 de Maisonneuve Blvd. West, suite 1410

Montreal QC H3A 3L4

**T.** 514-283-6320

**F.** 514-496-2409

**W.** [pilotagestlaurent.gc.ca/en/](http://pilotagestlaurent.gc.ca/en/)