

ANNUAL REPORT 2020



Laurentian
Pilotage
Authority

Canada



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Administration de pilotage
des Laurentides

Laurentian Pilotage
Authority

Limites géographiques des activités *Geographical limits of activities*



Mandate and activities

WHO WE ARE

The Laurentian Pilotage Authority (the Authority or the LPA), a federal Crown corporation created in 1972, is responsible for establishing, managing and providing marine pilotage services as well as related services in the Laurentian region waters, notably in the Gulf of St. Lawrence, the St. Lawrence River and the Saguenay River. The LPA monitors navigation, manages regulations and provides services for three pilotage districts that cover a distance of 265 nautical miles between Montreal and Les Escoumins and another 70 nautical miles on the Saguenay River.

MANDATE

The Authority is the gateway to marine pilotage services on the waters of the St. Lawrence and the Saguenay Rivers. It is a turnkey organization.

Its legislative mandate is based on the following four founding principles:

1

The provision of pilotage services contributes to navigation safety, including the safety of the public and marine personnel; it is also aimed at protecting human health, property and the environment;

2

The provision of pilotage services is effective and efficient;

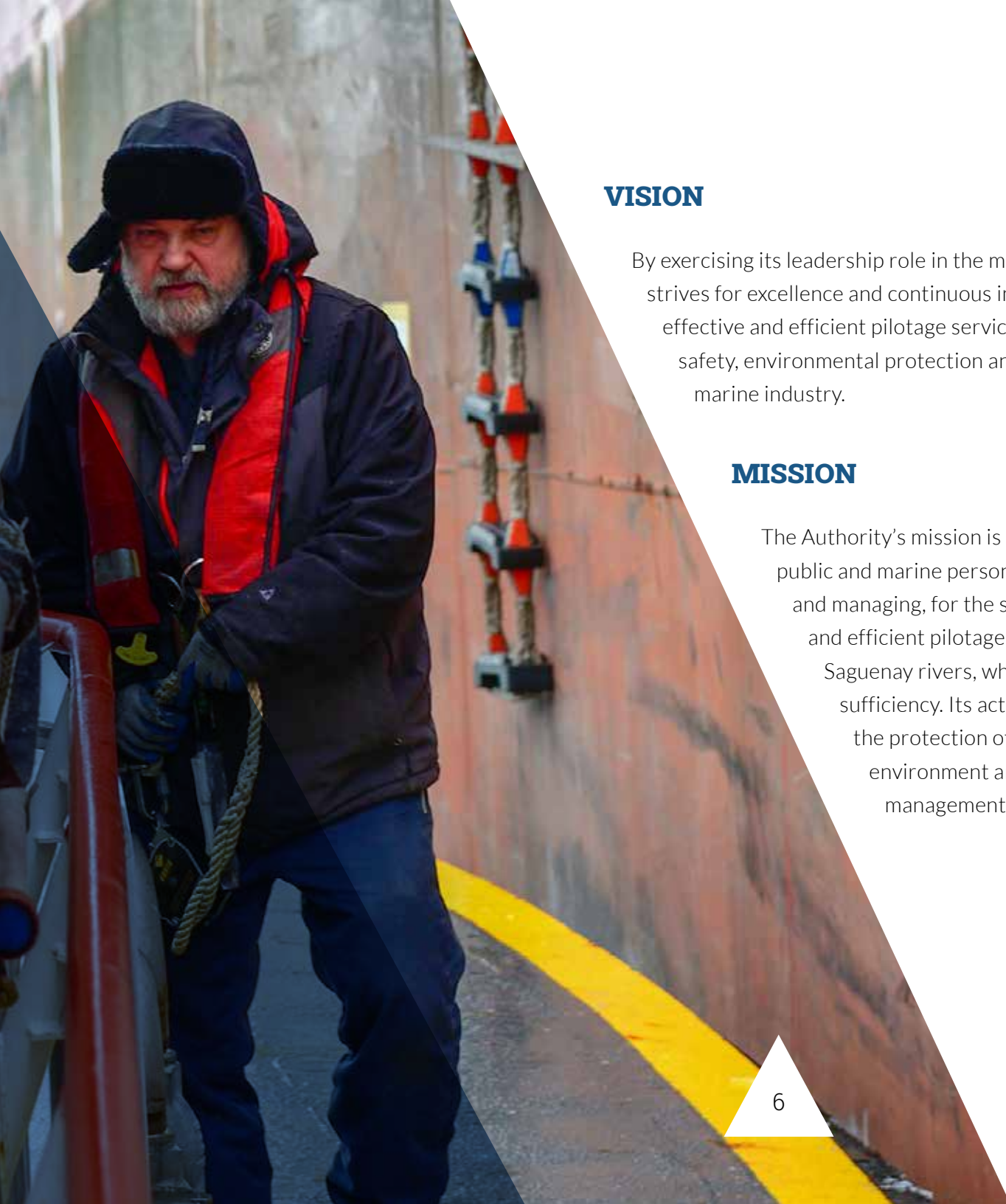
3

Risk management tools are used effectively and technological development is taken into account;

4

The Authority's pilotage charges are designed to enable it to be financially self-sufficient.

The Authority reports to the government through the Minister of Transport and is accountable to the Parliament of Canada for its actions.



VISION

By exercising its leadership role in the maritime sector, the Authority strives for excellence and continuous improvement in the provision of effective and efficient pilotage services that contribute to navigational safety, environmental protection and the competitiveness of the marine industry.

MISSION

The Authority's mission is to serve the interest of the public and marine personnel by operating, maintaining and managing, for the safety of navigation, an effective and efficient pilotage service on the St. Lawrence and Saguenay rivers, while safeguarding its financial self-sufficiency. Its actions are guided by a concern for the protection of human health, property and the environment and are based on effective risk management and cutting-edge technology.

VALUES

Honesty, Integrity and Respect

The LPA's team members are committed to acting with both honesty and integrity in all their activities. They work together in the spirit of openness, honesty and transparency, thereby fostering involvement, collaboration and respectful communication.

Professionalism and Quality Services

The LPA's team members strive for excellence in all their activities, including customer service, by constantly seeking to learn and to better themselves.

Collaboration

Collaborating with partners, including those in the marine shipping industry, the pilots and their representative organizations is key to achieving the LPA's vision and mission. The LPA strives to maintain positive relationships and collaborates with all its partners to better serve the public interest.

Accountability

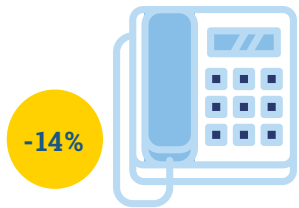
The LPA's team members are committed to effectively using the resources made available thereto, to complying with the regulations governing the organization, and to adhering with the policies, procedures and mission thereof.

Adaptability and Innovation

The LPA fosters innovation and creativity. It encourages and supports originality and diversity of ideas. As part of the individual and team work that its members carry out with its partners, it welcomes any new idea or method that may improve its services or the way it uses its resources.



Highlights



21,215
assignments



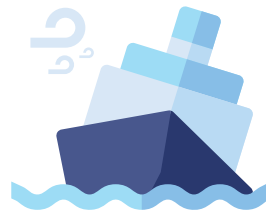
99.93%
incident-free
assignments



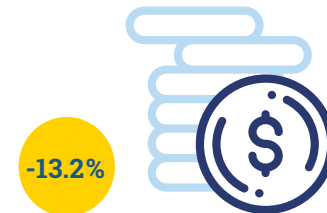
913
ships served



99.9%
service efficiency
(without delays)



0
major accidents



\$94.0 M
revenues



Message from the chairperson of the Board of Directors



On behalf of the Laurentian Pilotage Authority (LPA), I am pleased to present our annual report for the year ended December 31, 2020. The past year, while challenging, has allowed the LPA to demonstrate leadership in its navigational safety role by providing safe and efficient pilotage services and protecting the public interest. In order to achieve this, the LPA has focused on its

mandate of ensuring the safety and efficiency of marine transportation on the St. Lawrence River.

The year 2020 has been a very unusual time filled with unexpected challenges. It was capped off by an overall decrease of 4.1% in global maritime trade according to the *United Nations Conference on Trade and Development* (UNCTAD). The pandemic undermined all expert forecasts and brought to the fore the fundamental importance of marine transportation to the supply chain and the economic health of nations. The LPA took necessary measures to deal with the pandemic related

challenges including ensuring the health and safety of its employees and pilots.

The general slowdown caused by COVID-19 has had a major impact on the LPA's activities, on the number of pilot assignments and, consequently, on income generated for all of the districts within its jurisdiction. The number of container ships and oil tankers circulating on the St. Lawrence and Saguenay rivers has seen a net decrease while dry bulk and general cargo ships are up slightly. The cancellation of the cruise season has also impacted the LPA's balance sheet.

Also, a large number of provisions came into effect in the spring of 2020 as a result of the amended *Pilotage Act*. The LPA has continued to work closely with Transport Canada to facilitate the implementation of the amended Act and the development of national pilotage regulations. The LPA has taken part in all committees and sub-committees related to pilotage, navigation and environmental protection that are relevant to its mission.

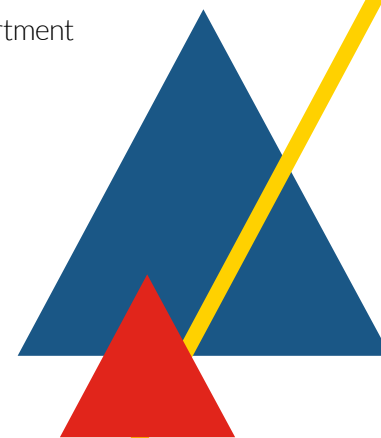
I am pleased to note that Frank Di Tomaso was reappointed to the Board of Directors for a new three-year term in September 2020. I would also like to note the departure in 2020 of Ricky Fontaine and thank him for his contribution as chairperson of the Board of Directors. The members of the Board of Directors and the LPA team join me in wishing him well in his future endeavours.

The members of the Board of Directors join me in thanking Fulvio Fracassi, Chief Executive Officer of the Laurentian Pilotage Authority, his management team and all employees for the results obtained in the past year. Thanks also go to our various partners, including the two pilotage corporations and their pilots, the Government of Canada and its Department of Transport, its honourable minister, and his cabinet.



Julius Spivack, B. Comm.

Interim Chairperson of the Board of Directors



Message from the Chief Executive Officer



I am pleased to present our 2020 annual report which sets out our team's principal achievements from the past year and presents our financial and operating results. Despite the pandemic which left no economic player in any industry unaffected, a multitude of large-scale projects have moved forward at the Laurentian Pilotage Authority. All of the actions put forward have but a single goal: to ensure navigation safety and provide efficient pilotage service while contributing to the safety of marine personnel and the protection of the public, property and the environment.

In view of the pandemic and associated challenges, our priority this past year has been to protect the health and safety of our employees, pilots and the public, while ensuring the continuity of our services which are essential to Canada's supply chain. As soon as the first government alerts were issued, the LPA responded by developing and applying a continuity plan to protect all of the groups concerned while

ensuring the continuation of safe and efficient ship transits in the regions under its responsibility. This accomplishment has been made possible thanks to the close cooperation of the pilot corporations, the marine industry, Transport Canada and many other partners and stakeholders.

The reduction in marine traffic and the drop in trade volume as a result of COVID-19 have had a direct impact on the number of pilot assignments and on the LPA's financial situation. The number of assignments was down 14% in 2020, resulting in a notable change in pilotage charges—the Authority's principal source of income. Given the drop in traffic and number of assignments, the Authority ended its financial year with income of \$94 M, which represents a drop of 13.2% compared to the previous year.

The number of incident-free pilotage assignments reached 99.93%, which clearly illustrates the skills and knowledge that the 214 St. Lawrence pilots have of our region's unpredictable

waters. Also of note is the fact that 99.9% of pilotage services were provided without any delays resulting from a lack of pilot availability, which represents an improvement compared to last year.

Innovation has been, once again, at the heart of our vision and business strategy with the advancement of optimized pilotage initiatives, the development of the simulation centre, the continuation of risk studies for better navigation safety and the commissioning of a new dispatch management and billing system. The Authority has also addressed employee engagement and the preservation of mental health in the workplace.

On another note, the LPA has continued to play a leading role in the implementation of the amended Pilotage Act and in developing upcoming national pilotage regulations. It has also started negotiations with the Corporation of Mid St. Lawrence Pilots to renew the service contract. Listening closely to its marine industry partners, the Authority has also initiated a survey to measure their satisfaction with its services in order to address their needs more effectively.

Continuously innovating and improving our services remains a core priority and central focus of our strategic vision as we continue our work on optimized pilotage services and developing our simulator, and by contributing to the development of a modern regulatory framework for pilotage in Canada.

Before closing, I would like to point out the outstanding work done by all LPA employees, whether they are based in Montreal or at Les Escoumins. Their diligence and attention to detail have enabled us to gain the confidence and trust of our clients and partners. I also wish to thank our Board of Directors for its support throughout the year in carrying out our mandate and realizing our strategic vision.

I would also like to thank the Saint Lawrence pilots and their corporations for their cooperation, dedication and professionalism. We are proud of your accomplishments—particularly during this challenging pandemic period. Thanks go out also to the Government of Canada and the various ministries and organizations for their unwavering support.

A handwritten signature in black ink, appearing to read 'Fulvio Fracassi'.

Fulvio Fracassi, LL.M.

Chief Executive Officer

The year in figures

RESULTS SUMMARY AND STATISTICS

In figures, an analysis of the LPA's comprehensive income compared to previous years. The results must be read in conjunction with the audited Financial Statements and accompanying notes.

Fiscal year ended December 31 (in thousands of dollars)

	2020	2019	2018	2017	2016
Revenues	\$93,971	\$108,293	\$105,902	\$95,017	\$91,430
Expenses	\$96,535	\$107,680	\$106,512	\$94,709	\$89,890
Comprehensive income	\$(2,564)	\$613	\$(610)	\$308	\$1,540
Working capital	\$11,370	\$13,182	\$11,810	\$13,890	\$14,341
Retained earnings	\$26,877	\$29,441	\$28,828	\$29,438	\$29,130
Number of assignments	21,215	24,670	24,950	22,732	22,432

Human Ressources

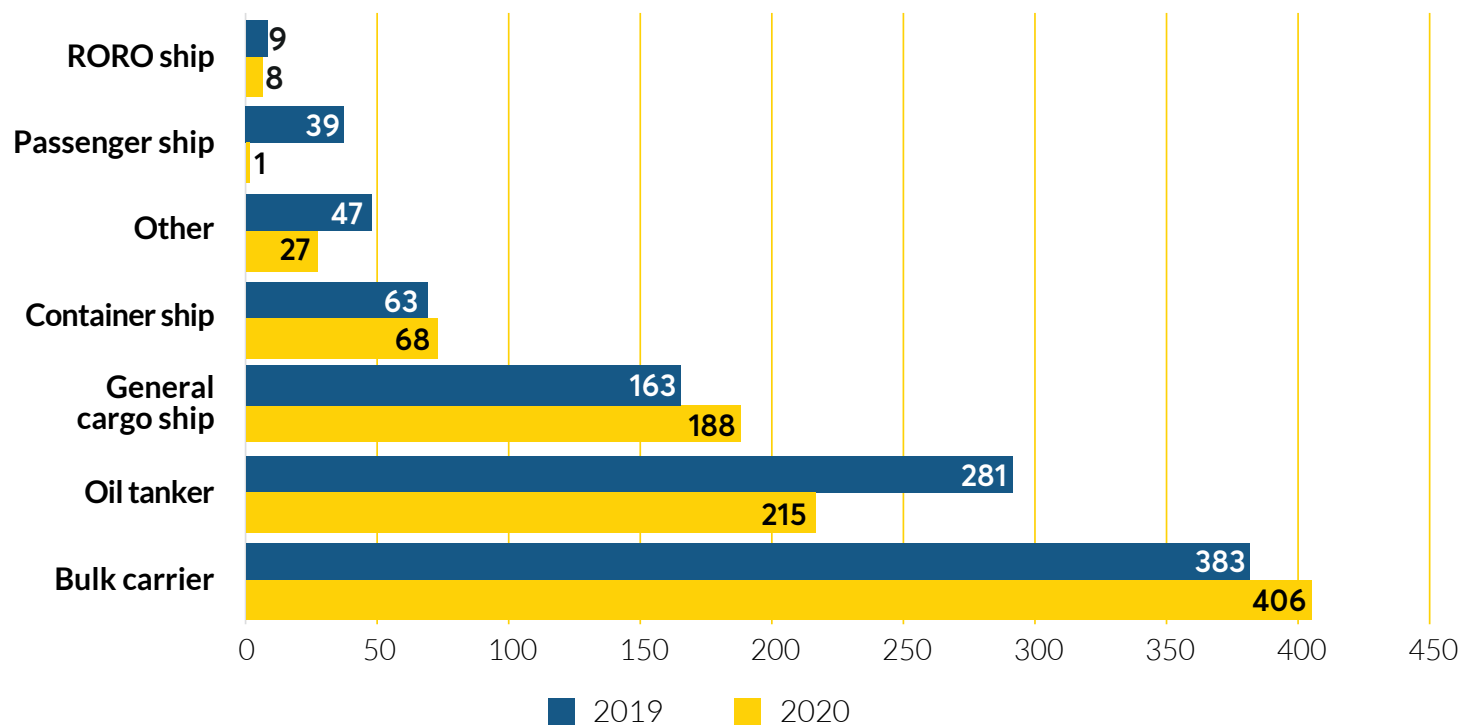
	2020	2019	2018	2017	2016
Management	5	5	7	6	5
Administration & Operations	17	15	14	15	13
Dispatch	22	19	15	17	15
Boat Crews	14	15	13	11	12

Pilots and Certificates







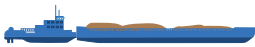
	2020	2019	2018	2017	2016
Contract Pilots	195	180	174	173	169
Apprentice Pilots	19	14	17	19	16
Pilotage Certificate Holders	2	2	2	2	4

LEVEL OF SERVICE

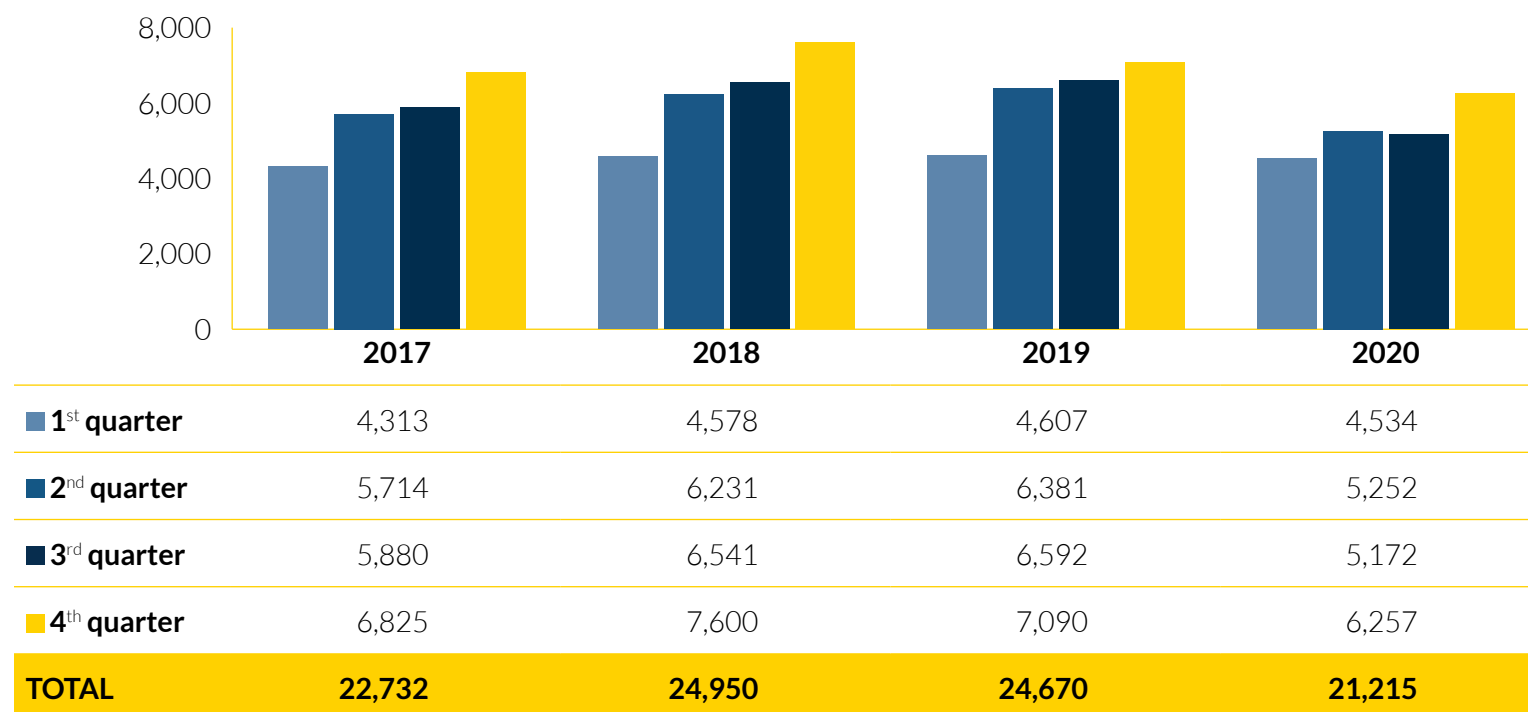
Number of different ships served by the Authority, regardless of the number of voyages performed



Number of voyages performed by type of ship

2019				2020	
2,651	35.55%		Bulk carrier	2,699	41.28%
2,084	27.95%		Oil tanker	1,690	25.85%
938	12.58%		Container ship	777	11.88%
939	12.59%		General cargo ship	1,030	15.75%
387	5.19%		Passenger ship	3	0.05%
127	1.70%		RORO ship	158	2.42%
331	4.44%		Other	181	2.77%
7,457	100.00%			6,538	100.00%

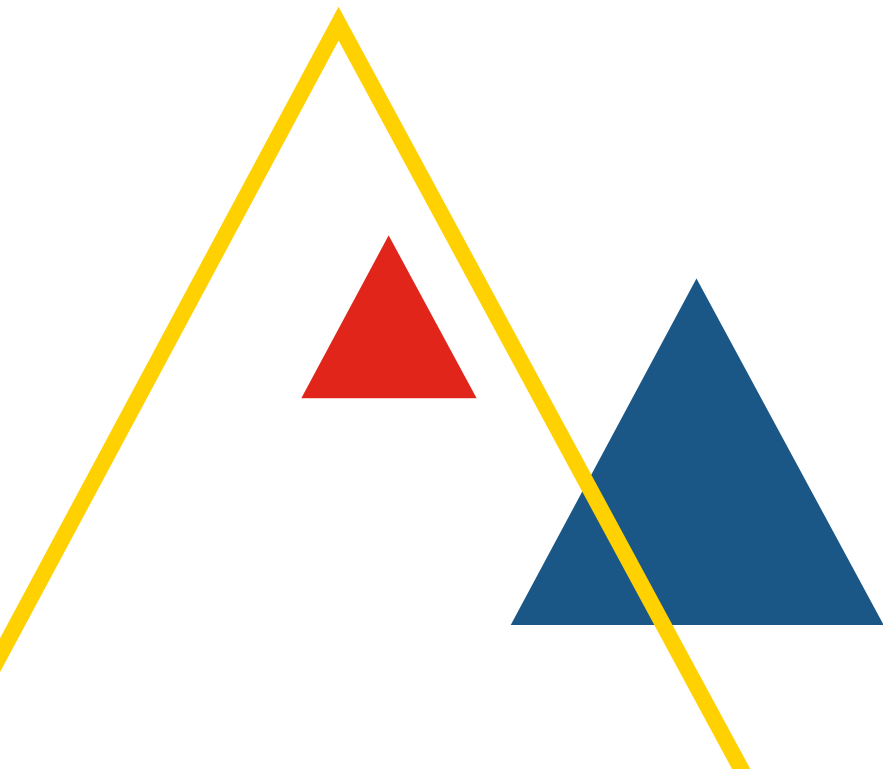
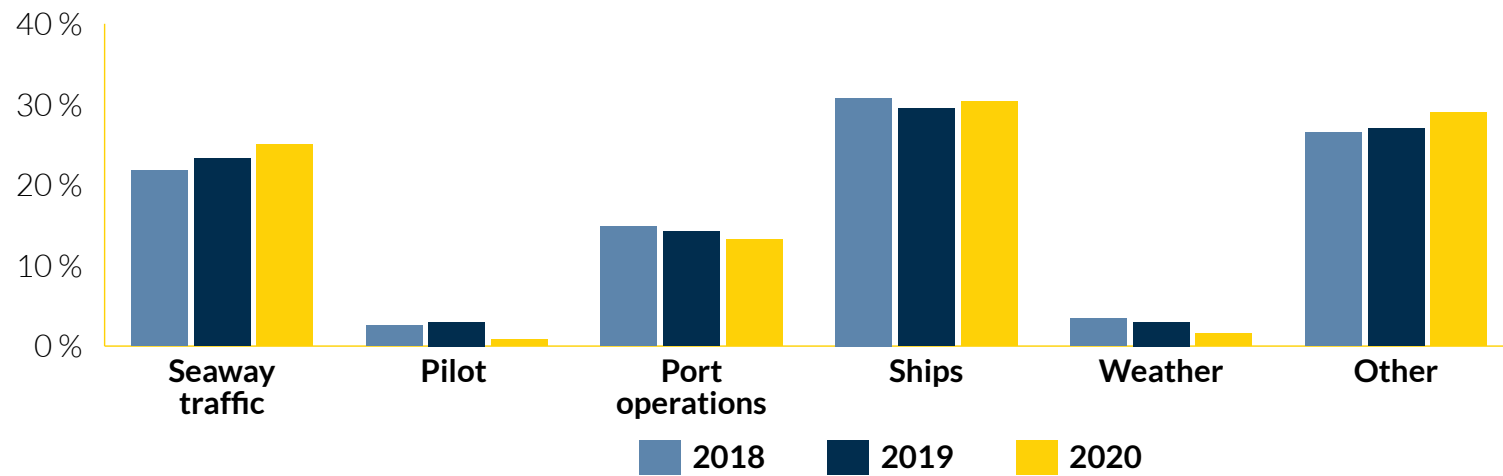
Number of assignments per quarter



SERVICE EFFICIENCY

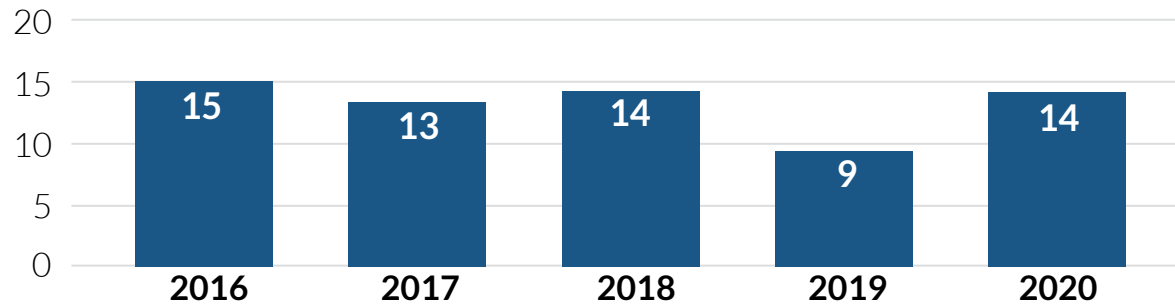
	% of pilotage missions with no pilot-related delays	% of pilot-related service delays	
2020	99.9%	0.96%	(44h)
2019	99.3%	6.2%	(434h)
2018	99.5%	5.6%	(438h)

Breakdown of the number of delays by cause

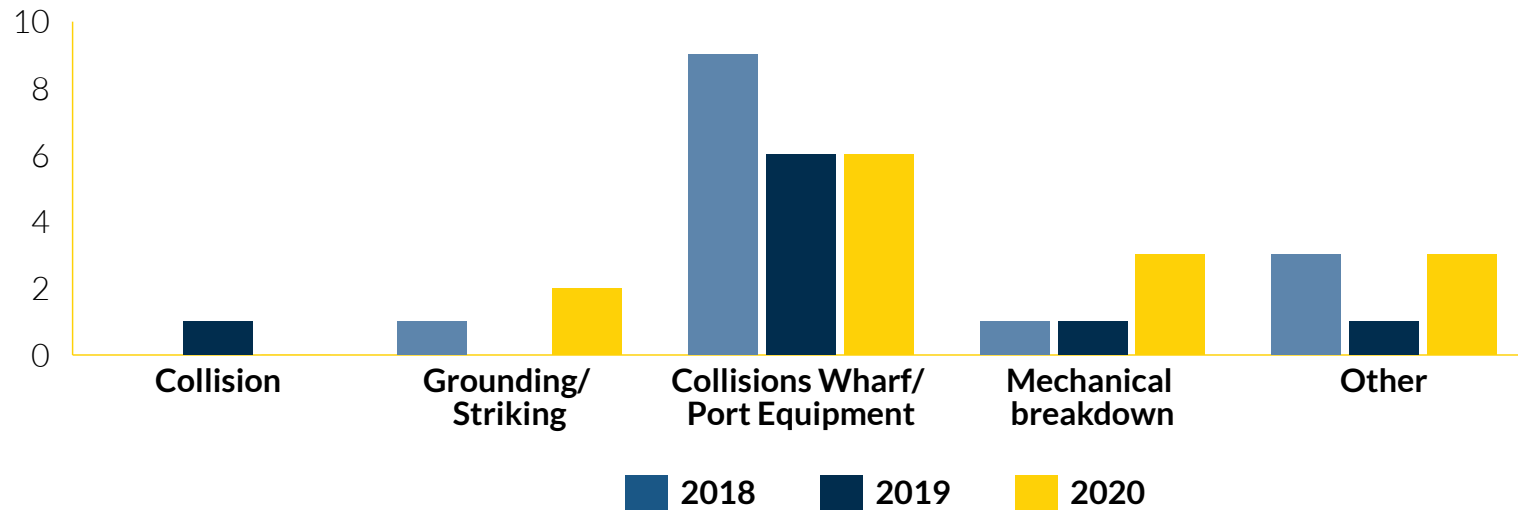


SAFETY AND MARINE OCCURRENCES—INCIDENTS/ACCIDENTS

Number of incidents/accidents



Breakdown of the number of incidents/accidents by cause





Description of activities

TWO LOCATIONS, ONE TEAM

The Laurentian Pilotage Authority's management is centralized at its head office located in downtown Montreal. Human resources grouped under three distinct executive branches, namely *Marine Safety and Efficiency, Finance and Administration, and Legal Affairs and General Secretariat*, ensure sound management that is adapted to the specific characteristics of the marine industry. Dispatching of marine pilots to ships operating on the Saint Lawrence and Saguenay rivers is also done from this location, along with the operation of its marine simulation centre.

The pilot boarding station owned and operated by the LPA is located at Les Escoumins, near the confluence of the two rivers. An administrative team and a crew of certified captains provide pilot transportation service between the shore and merchant vessels aboard two pilot boats owned by the Authority. Pilot boarding services at the ports of Quebec City, Trois-Rivières, Sorel and Montreal are provided by the Authority's subcontractor.

At its head office in Montreal and at Les Escoumins pilot station, the total number of the LPA's employees working in management and in the Administrative, Dispatch, Operations

and Maintenance departments and its simulation centre amounts to 70. In addition, the LPA works with 195 licensed pilots and 19 apprentice pilots, who are members of the Corporation of Mid St. Lawrence Pilots (CPSLC) and the Corporation of Lower St. Lawrence Pilots (CPBSL), and with which it has service contracts. These pilots have the conduct of the ships and guide them to their destinations safely at all hours of the day and night.

SAFE AND UNINTERRUPTED PILOT SERVICE

The LPA is responsible for the management, delivery and supervision of the marine pilotage services provided in districts 1, 1.1 and 2, which extend from Les Escoumins to Montreal. Navigation takes place 365 days a year in these sectors despite the sometimes difficult weather conditions and the inherent characteristics of the St. Lawrence River, which is known to be unpredictable and one of the most challenging waterways in the world. Upon entering the regulated waters of the Authority, the masters of ships flying domestic and international flags leave the conduct of the ship to locally trained and licensed pilots.

The LPA may, in its capacity as a public pilotage authority, establish practices and procedures applicable to pilots and the shipping industry in keeping with its regulatory and legislative mandate, to maintain navigation safety and the efficiency of pilotage services.

The expertise of pilots, the research and implementation of new work methods and the use of new technologies developed by the LPA and its marine industry partners are helping to reduce the number of incidents and thus increase the efficiency and safety of navigation on Laurentian waters.

The LPA is required to set pilotage charges that are fair and reasonable while ensuring its financial self-sufficiency and sustainability. The regulations, policies and charges are available online at the LPA's website at www.pilotagestlaurent.gc.ca.

A PROFESSION ENHANCED BY COMPETENT PILOTS

Before issuing a licence to a pilot or apprentice pilot, the Authority ensures that the candidate meets the regulatory requirements and has all of the training and knowledge required to navigate safely. The LPA approves periodic training and assessment of licensed pilots and chairs the board of examiners responsible for assessing the skills of pilotage candidates. It also ensures that the training dispensed to pilots provides them with the skills and qualities needed to practice their profession. The Authority's role also allows it to require refresher courses and updates to the pilot training program.

The Authority also acts as a promoter of both the pilot profession and leads the recruitment of apprentice pilots and ensures that pilotage activities achieve high standards of excellence in terms of safety and performance, in keeping with the public interest.

THE LPA'S STRUCTURE

Full-time employees.

Montreal	Montreal	Montreal and Les Escoumins	Partners
Headquarters and Operations Centre	Dispatch Centre	Pilot Stations, Pilot Boats and Shuttle Operations	Pilot Stations
Management, supervision and provision of marine pilotage services	Monitoring of maritime traffic in waters under the Authority's jurisdiction	Pilot boarding and shuttle service	Subcontracted pilot boarding services
Development, implementation and oversight of regulations, pilotage policies and procedures	Point of contact for customers' pilotage service requests	Operation of two pilot boats and of a shuttle	Standards set by the LPA and set out in service contracts
Review of incidents/ accidents	Dispatch of pilots according to licence category and type of ship	Point of contact with customers	Quebec City Trois-Rivières Sorel Montreal (Saint-Lambert)
Approval of training plans and programs including the periodic evaluation of pilots competencies	Open 24/7	Managed and administered by the LPA	
Operation of the marine simulation centre			
22 employees	22 employees	14 employees	195 pilots 19 apprentice pilots 2 certified And many other business and service partners

Achievements in 2020

PANDEMIC MANAGEMENT: A CHALLENGING YEAR

Measures Taken to Ensure Continuity of Operations

From the outset of the pandemic in March, the Authority's priority has been to take every necessary action to ensure the health and safety of its employees and marine pilots while maintaining the highest quality standards for its services. As an essential service, the Authority ensured the continuity of its operations by putting in place a plan that addressed the challenges and issues caused by the pandemic.

Personal protective equipment and disinfectants have been rapidly made available to employees and navigation personnel at its offices in Montreal and Les Escoumins. An awareness campaign to foster prudence and compliance with health measures has been rolled out to prevent virus transmission. Regular updates have been provided that take into account public health recommendations and

government directives. The Authority has required, when possible, that employees work from home and has procured the additional equipment required to ensure that its activities could continue safely.

For example, in order to ensure the continuity of its dispatch service, the LPA has developed an emergency plan to enable it to rapidly respond to dispatchers' specific technology needs so that they can also work remotely. A second operations room has also been made available to dispatchers who have to work on site so that they can respect physical distancing requirements.

The LPA has also continued to offer psychological support to employees to deal with issues such as isolation during the lockdown period. Accordingly, the Human Resources department and management have listened to employees' needs and paid particular attention to their mental well-being.

In order to protect its frontline employees as well as pilots, senior management established and presided over a crisis unit comprised of senior managers of the LPA and



administrators from both pilotage corporations. These meetings, which were held daily and as needed, made it possible to exchange information, face challenges and to adapt rapidly to changing circumstances. In order to prepare to deal effectively with emergencies, an action plan containing various scenarios and potential solutions was also developed. The LPA also contributed to the coordination and the establishment of structured and standardized approaches to dealing with the pandemic and its challenges by participating and proposing solutions and options at various steering committees including those involving Transport Canada, Transports Québec, the St. Lawrence Seaway Management Corporation and the United Command Center. In addition, notices and reports were sent in a timely manner to industry partners, the pilot corporations and pilots, who have also received individual equipment essential for their protection.

The Authority was congratulated by the Canadian Marine Pilots' Association, St. Lawrence pilot corporations and other industry partners for its leadership in pandemic management and for its transparency and the preventive actions it undertook to deal with the situation.

INTEGRATION OF THE AMENDED PILOTAGE ACT

Continued Integration of the Amendments to the *Pilotage Act*

The Authority's legal affairs department continued integrating the amendments defined in the amended *Pilotage Act* (the "Act") in the second quarter. These amendments—the first of which came into force in summer 2019—reaffirm the importance of navigation safety; the protection of human health, property and the environment; the provision of effective and efficient pilotage services; technological development; and the maintenance of the financial self-sufficiency of pilotage authorities.

The principal amendments adopted in April 2020 concern administrative penalties applicable in the event of non-compliance with the Act, the reporting of marine incidents to Transport Canada, its powers of inspection and investigation, and its right to issue exemption orders and instructions to ship pilots. Amendments introducing the pilotage charges

system and payment to the Minister came into effect in June. The LPA converted its pilotage tariffs into pilotage charges in the fall, which are now approved by the Board of Directors rather than the Governor-in-Council. This major change allows the Authority greater agility and flexibility as future charges adjustments may be effective after a period of 90 days compared with the much lengthier procedures required under the previous legislative process.

Establishment of a Pilotage Charges Methodology

Pursuant to the amended *Pilotage Act* the LPA has published a new methodology for pilotage charges. Using this methodology, the LPA converted its pilotage tariffs into charges and adopted all of the definitions in the *Laurentian Pilotage Tariff Regulations*. The Board of Directors approved this change in September and has had no additional financial impact on marine industry stakeholders. No opposition was raised, as this was a transformation of tariffs into charges that had been previously adopted in April 2020.



THE LPA SERVING THE GOVERNMENT AND CANADIANS

Participation in the Development of the National Pilotage Regulation by Transport Canada

At the request of Transport Canada, Canadian pilotage authorities and the country's other marine industry stakeholders have contributed to the development of national pilotage regulations. Following an industry consultation and engagement session led by Transport Canada, the Authority submitted its recommendations on the key issues with the support of certain industry stakeholders.

New Pilotage Management System

Transport Canada's indication that it wishes to support the effective management of marine pilotage across the country by implementing a modern regulatory framework, lead to the creation by the LPA of a working group to carry out, as a first step, a review and inventory of pilotage management systems existing elsewhere in the world. A detailed analysis of the information gathered was subsequently undertaken and discussions held with Transport Canada to clarify their vision and expectations on the definition, development, implementation and future management of such a system. The

working group conducted a review of the current policies and processes and reviewed the two existing service contracts signed with pilot corporations to identify the provisions contained therein that should be an integral part of a future management system.

Signing of a Memorandum of Understanding with the Canadian Coast Guard

The LPA and the Canadian Coast Guard (Central Region) signed and implemented the memorandum of understanding formalizing the collaboration and coordination of activities to ensure navigation safety on the St. Lawrence and Saguenay rivers. The two partners arrived at a common understanding of the lines of communication to be maintained as well as the individual and joint responsibilities stemming from the memorandum's three main areas of focus relating to strategic objectives, operating procedures and emergency management.

SERVICE CONTRACTS AND AGREEMENTS

Negotiations for the Signing of a New Service Contract with the CPSLC

In 2020, the LPA and the CPSLC undertook negotiations for renewing the pilotage service contract that expired on June 30, 2020. The new principles and requirements of the *Act* which came into effect last year underwent detailed analysis when preparing the offers made by the Authority in order to ensure compliance with the *Act*. These negotiations continued during most of 2020.

Signing of a New Collective Agreement with PSAC Union Representatives

The LPA arrived at a new collective agreement with the union representatives of the members of the Public Service Alliance of Canada (PSAC) in the spring. The two sides discussed a variety of matters including legal and financial issues as well as the creation of a special crew of dispatchers. Throughout the negotiation process, both parties manifested their desire to come to an agreement rapidly.



NAVIGATION SAFETY AND EFFICIENCY

Bridge Simulator Updates

The Authority continued to develop its bridge simulator in 2020. Visuals, vessel manoeuvrability and their responsiveness to their environment have been improved in recent months.

The integration of the effects of marine currents and high-density bathymetry have allowed the simulator to achieve pilot-grade results. Using databases supplied by the Canadian Hydrographic Service (CHS), development will in time be extended eastward and will cover other portions of the St. Lawrence River, through Trois-Rivières and Quebec City, to Les Escoumins.

In addition to modelling Montreal and its port, the development/design team has also begun a reproduction of the Port of Quebec to enable users of the simulator to use control points, markers and navigation aids when controlling a vessel in this sector. The first vessel development project was completed in the past year. Federal Baffin blueprints were used to create a model with the technical specifications of the original vessel.

In order to share its technical advances in simulation with industry partners, the LPA is undertaking a business development plan for its simulation centre and is in the process of preparing a marketing strategy.

Optimized Pilotage Services

In order to improve the efficiency of pilotage and the flow of transit on the St. Lawrence River, the Authority has begun the initial development phase of a new specialized software. The Authority has entered into a collaboration agreement with other industry stakeholders with a shared interest in improving marine navigation. To support the development of optimized pilotage services, the LPA management has hired an expert resource in transit effectiveness and efficiency. These actions and representations made to marine industry stakeholders have paved the way for academic and industry partnerships to obtain information essential to advancing the project. The collection and processing of hundreds of data points, the definition of pilotage decision trees and the writing of algorithms is underway.

Sharing of Information Between Pilots and Masters and Voyage Plans

The LPA, consistent with its mandate, has prepared pilotage procedures for the waters under its jurisdiction and made them available on its website. These documents, which have been prepared in partnership with the CPSLC and CPBSL, contain specific pilotage information for certain zones along with explanations about the information exchange dynamic expected between pilots, masters and bridge personnel. This LPA initiative provides better pilotage oversight and standardizes the applicable safety standards.

The Authority has also prepared and put online voyage plans for each of the districts in which it is active. For mariners navigating vessels, these generic voyage plans may also be used as a practical guide to facilitate the development of a voyage plan that is more specific to their vessel. These voyage plans provide essential technical navigation information that is specific to the various navigable sections of the Laurentian region.

Pilot Fatigue Risk Analysis

In 2019, an assessment, a focus group and an ambulatory follow-up on pilot fatigue were conducted with the CPBSL for the pilotage area covering Les Escoumins to Quebec City. The year covered by this annual report has been spent finalizing the results of the analysis of these activities and preparing a preliminary report that was submitted in December by the consultant responsible for the study. The conclusions of this initial report are being reviewed by the internal team of specialists at the LPA.

Production of a Report on Navigational Safety

A working group co-chaired by the LPA and the Montreal Port Authority (MPA) and comprised of seven marine industry partners reviewed the passage of post-Panamax ships guidelines in the St. Lawrence shipping channel between Quebec City and Montreal. A report containing 36 recommendations was submitted to the Standing Committee on Navigation Safety in February. The experts consulted have concluded that the mitigation measures put in place since these vessels appeared on the River have been effective and the easing of certain provisions set out in the recommendations will improve traffic flow

and the safety of transits. The committee subsequently analyzed the recommendations and submitted them to the Steering Committee for approval.

Collaboration With Economic Development Projects

In the past year, the Authority made submissions to the Bureau d'audiences publiques sur l'environnement (Office of Public Hearings on the Environment) for the Énergie Saguenay project, in addition to analyzing the report submitted by GNL Québec for its construction work. It has also produced other analyses as guest consultant on federal environmental assessment committees on the development of a deepwater port in Quebec City (Laurentia project) and on the expansion of the Port of Montreal (Contrecoeur project).

With respect to these economic development files, the Authority has shared information on marine safety issues and answered questions on a variety of topics such as shore erosion caused by wave action from passing vessels as well as the consequences of underwater noise on aquatic wildlife.

OPERATIONAL EFFECTIVENESS

Rollout of a Dispatch Management and Billing System

The Authority has moved forward with the implementation of a new dispatch and billing management (Pilot Control) platform. The work has required the engagement and involvement of employees working in distinct areas of expertise and competencies. The project team followed a stringent evaluation process at every step of the system's development, submitting it to a battery of stability and performance tests. The interaction of complex data has required the adjustment of certain parameters and modification of the production plan. Training was dispensed to users and a training environment was created specifically to familiarize them with the tool before the project was finalized. The reliability of the dispatch, billing and pilot file management modules was validated at the end of the year, which paved the way for the system's official launch in January 2021.



An aerial photograph of a large cargo ship, likely a container ship, viewed from the stern. The ship is moving through choppy water, and the deck is covered in snow. A large yellow triangle is overlaid on the left side of the image, pointing towards the center. The ship's hull is dark, and the deck is light-colored with various structures and equipment visible. The background shows a hazy, overcast sky.

Audit of Pilot Boarding Services and Overhaul of Pilot Boat Services

The LPA has carried out an internal audit of the management and operating conditions of its boarding operations in order to optimize the safety and efficiency of pilot boarding services on commercial vessels. This audit, which was conducted by an external firm, examined the service offered by the Authority and its subcontractor. The results of this audit, coupled with the observations made by the marine safety department following a complete analysis of the file, have enabled a reflection on the quality of the service offering.

The LPA has also focused on one of its priority areas—the overhaul of pilot boat services at the ports of Quebec City, Trois-Rivières, Sorel/Lanoraie and Montreal. The work team created internally and assigned to research solutions to provide a better level of service has reviewed the current structure and analyzed the available alternatives. While

a number of scenarios are being studied, the Authority remains open to proposals from the current service provider and maintains a constructive dialogue with it on potential changes to conditions to improve service quality. In preparation for the end of the current contracts, the Authority launched an interest call in the fall of 2020 for the four indicated ports.

Pilotage on the North Shore

Following the completion of the risk study on pilotage at the ports of Havre-Saint-Pierre, Sept-Îles, Port-Cartier and Baie-Comeau, and its recommendations in favour of regulatory oversight and compulsory pilotage, the LPA continued to support Transport Canada's deliberations on this important matter.

Development of Business Intelligence

Among the technological projects at the LPA, the development of business intelligence software is still in its early stages. A number of operational and financial indicators have been included in a dashboard that is currently used by management to help with assessment and to make decisions. The Authority created a committee during the year to define the needs of the organization, and subsequently issued a call

for tenders to develop an IT solution that could permit the analysis of its data and the production of reports. The future implementation of such a tool will allow decision makers to refine their forecasts, better position themselves to meet information requests from employees, partners and clients, and improve performance tracking.

Authorization to Access the St. Lambert Lock

At the opening of the commercial navigation season, the St. Lawrence Seaway Management Corporation authorized the LPA's Ville-Marie pilot shuttle to access the waiting area at the St. Lambert lock. Implemented in the spring of 2019, shuttle service reduces pilots' travel time by enabling them to avoid road traffic and provides shipowners with improved schedule availability, reduces the risk of late arrivals and enables more flexible dispatching rules. More than 1,100 trips were made from the end of May to the end of November.

Management of Marine Transits During Replacement of High-Voltage Transmission Lines

The Authority assisted with operations coordination during the replacement of high-voltage transmission lines between the shores of Trois-Rivières and Bécancour by Hydro-Québec. While the work took place in October and November, the Authority actively monitored traffic and remained in constant communication with Hydro-Québec, the CPSLC and other industry stakeholders. These concerted actions made it possible to minimize the duration of navigation interruptions on the St. Lawrence River and maintain the flow of marine transits.

ASSET MANAGEMENT

Installation of an IP Telephony System and Ticketing Service

The IT team installed an IP telephony system and call management system at the beginning of the year for employees at the headquarters dispatch centre. The commissioning of these systems allows employees to receive calls on their computer and thus work remotely. The IT department has also developed an electronic online

ticketing system that makes it possible to centralize IT helpdesk requests in a single location and sort them by priority level. Users can track their request progress in real time. The goal is to provide better support to users, regardless of when they submit their request.

Pilot Boat Maintenance

The pilot boat Grandes Eaux underwent a thorough inspection of many of its external components in dry dock. The Les Escoumins Pilot Station team cleaned the hull, applied new paint and replaced zinc anodes. The quality of the maintenance work was certified through a complete inspection by a classification society. The radar units and clear-view screens on the Grandes Eaux and Taukamaim pilot boats were also replaced during the year.

All of this maintenance work is carried out to ensure the safety, reliability and performance of the vessels and meet Transport Canada compliance standards which provides the LPA with the accreditation required to operate them in eastern Quebec.

Refurbishing of Timber Crib Wharf

The timber crib wharf at the pilotage station that serves as a bulwark to protect pilot boats and preserve the shoreline is exposed to severe weather. In recent months, the Authority has made a series of representations to federal and provincial government authorities to obtain the permits required to perform major reconstruction work.

HUMAN CAPITAL AND HUMAN RESOURCES

Creation of a Personnel Recruitment Working Group

The LPA is working with the St. Lawrence pilot corporations to promote marine industry jobs to the public. A committee has been created to foster the recruitment of apprentice-pilots in order to replenish the labour pool. More specifically, this initiative is aimed at filling the labour shortage that has affected the industry in the past few years and countering its negative effects on operations. The committee has also worked together to provide more adequate rest periods to pilots and thus improve overall work-life balance.



In 2020, the LPA recruited 11 apprentice pilots for districts no. 1 and 2. A total of five new candidates for the Montreal/Trois-Rivières sector, two for the Quebec City/Trois-Rivières sector and four for the Quebec City/Les Escoumins sector began their training on April 1st.

Implementation of Employee Engagement Measures

In the past year, the LPA continued to use an online platform to obtain information on its employees' general well-being and to foster their engagement. The data gathered periodically from employees help to guide management's reflection on various issues. They are useful to implement initiatives or reorient practices for the benefit of the organization and its personnel. The metrics evaluated through short anonymous employee surveys are discussed in groups. Employees are invited to interact with management and provide further information at departmental meetings.

The Authority hired an outside firm in the fall to carry out an engagement survey to complement the information gathered by the internal platform. This follows an earlier study carried out in 2018.

The data gathered through these two exercises have been compared and the Authority is proud to note a marked improvement in employee engagement and satisfaction. They provide guidance on future actions to be taken within the organization so that it may continue to offer employees a stimulating and engaging working environment.

Actions to Preserve Psychological Health in the Workplace

The Authority stepped up its efforts during the pandemic to preserve its employees' psychological health. It has held several occupational health and safety committees as a preventive measure to discuss issues and possible solutions. It has stepped up the promotion of its Employee Assistance Program for employees experiencing personal or professional difficulties and has maintained regular communication with individuals who requested such support.

Moreover, a disability management program to detect early signs of possible imbalances has entered its primary phase, which should enable a rapid intervention before the appearance of serious physical or psychological issues. It also encourages employees to work closely on developing their own back-to-work plan so that they can resume their duties in a progressive, constructive and sustainable manner.

Diversity, Inclusion and Pay Equity Within the Organization

In order to inject new ideas into its governance and decision-making, the LPA has created inclusion and engagement committees with employees from different departments. These committees encourage employees to share their opinions in a healthy, judgment-free environment, and reveal their full potential to the benefit of their teammates and the organization.

The Authority is also committed to diversifying its workforce by identifying and implementing recruiting initiatives that will enable it to achieve fair representation of members of visible minorities in proportion to the targets set by the Canadian government.

Internally, it adopted the concept of pay equity by creating a compensation policy after it had requested a market analysis from a specialized firm that compared the LPA's situation with other similar organizations.

A photograph of a woman with long dark hair, seen from the side, steering a ship's wheel. The ship is on the water, and the sky is visible through the window. A large yellow triangle is overlaid on the left side of the image, pointing towards the right.

ENVIRONMENT AND COMMUNITY

Renewal of Green Marine Certification

The Authority renewed its environmental certification awarded by Green Marine to the members of the North American marine industry meeting the performance indicators defined by the organization. The LPA was the first Canadian marine pilotage authority to join the program and to take concrete action to reduce its environmental footprint. The criteria against which the Les Escoumins pilot boarding station was evaluated were atmospheric emissions, greenhouse gas emissions, oily water management, garbage management, and underwater noise.

Protection of Oceans and Marine Mammals

The Authority joined the initiatives of Transport Canada and Fisheries and Oceans Canada to protect and preserve natural habitats throughout its territory.

It is a participant in the *Oceans Protection Plan and the Working Group on Marine Traffic and Protection of Marine Mammals (G2T3M)* comprised of commercial shipping stakeholders and scientific experts. During these meetings, the LPA helped identify

possible solutions to reduce the impact of navigation on ecosystems without compromising the safety of ships and navigation personnel.

Mitigation of Spillage Risks

To preserve the environment and facilitate the work of deckhands and maintenance personnel, the employees of the Les Escoumins pilot station have built a workshop. This space, which is used to store new and waste oil, mitigates the risks of a spill. The installation of a large tank equipped with a pump used to change pilot boats engines oil eliminating the need for handling containers, which previously entailed risks to personnel safety and the environment.

Commitment to First Nations

The LPA has developed and initiated the implementation of a First Nations communities consultation plan for communities located along the St. Lawrence and the Saguenay rivers. The Authority wishes to collaborate more closely with First Nations by including their voices in its decisions and actions involving navigation safety, the preservation of human life and public property, as well as the protection of the marine environment.

THE AUTHORITY'S OUTREACH ACTIVITIES

Sustained Online Presence

The Authority has continued to make use of its social media presence to promote its mandate and activities, as well as the marine industry and its partners. It expanded its social media reach by disseminating more than a hundred publications between January 1 and December 31, 2020. The frequency of its updates and the wider range of topics covered have contributed to a notable increase in its Facebook and LinkedIn views. The number of subscribers is up by 34.8% and 92.5% respectively.

A photograph of three business professionals (two women and one man) sitting around a conference table, reviewing documents. The scene is overlaid with a semi-transparent blue filter and geometric shapes: a large yellow triangle pointing down, a smaller blue triangle pointing up, and a red triangle pointing down. The background shows flags and a city view through a window.

Governance and responsibilities

CONFORMITY WITH GOVERNMENT POLICIES AND LEGISLATION

The members of the LPA's team and its management personnel maintain regular contact with designated Government of Canada authorities. The LPA respects government policies and instructions, and its financial management complies with the *Financial Administration Act*.

Government Policies

The Authority's management structure complies with the laws and regulations governed by the federal government and respects the government measures to which it is subject. It supports the government by applying the various government-wide priorities communicated thereto, such as those relating to transparency and access to information, gender equality, diversity and employment equity, Aboriginal communities and sustainable development.

Audit Regime

The Auditor General of Canada acts as the LPA's auditor. The Auditor General conducts an annual audit of the organization's activities in accordance with the *Financial Administration Act* by auditing the financial statements and ensuring that they comply with the *International Financial Reporting Standards (IFRS)*.

Access to information | Travel Expenses

In 2020, no access to information requests were filed with the LPA. In accordance with the Travel, Hospitality, Conference and Event Expenditures Policy (Order in Council P.C. 2015-1114), the expenses incurred for the past year are presented in the following table:

	Expenses Incurred in 2020	Expenses Incurred in 2019
Travel	\$9,540	\$86,603
Hospitality	\$2,410	\$6,113
Conferences	\$2,689	\$8,014
Total	\$14,639	\$100,730



GOVERNANCE PRACTICES

Board of Directors

Under the *Pilotage Act*, the LPA has a Board of Directors which is responsible for approving its strategic plan, including the recommendation of its corporate plan, finances and general stewardship.

The Board of Directors is normally comprised of seven members who sit as chairperson, vice-chairperson and board members. The members are appointed by the minister upon Governor-in-Council approval, who selects the Chairperson for a fixed term. The terms of the other members of the Board are for a duration of up to four years with the possibility of renewal, since the *Pilotage Act* does not provide for a limit on the number of renewals. The LPA's Chief Executive Officer, who is a full-time officer, reports directly to the Board of Directors.

In 2020, the Board of Directors accepted the departure of its Chairperson, Ricky Fontaine, who was replaced by Julius Spivack, formerly the Vice-Chairperson, in an interim capacity as the chairperson of the board. The rest of Board's membership remains unchanged.

The Board met nine times in the last year: seven regular meetings, one annual meeting and one annual public meeting. At these meetings and the two oversight

committees (governance, human resources and audit), the members discussed the implementation of the amended *Pilotage Act*, the setting of pilotage charges for 2020, service contract negotiations with the CPSLC, follow-up of the LPA financial statements, pandemic impact management, as well as the development of the simulator, optimized pilotage services and the dispatch and billing management system.

The LPA annual public meeting was held virtually online on August 13, 2020, due to COVID-19. During this public meeting, the Acting Chairperson of the Board, the LPA's Chief Executive Officer, the Executive Director, Marine Safety and Efficiency, the Executive Director, Finance and Administration and the General Counsel and Corporate Secretary, presented in turn the activities achieved in 2019 and the strategic priorities and objectives for 2020–2021.

Committees

In carrying out its responsibilities, several times a year the Board holds two committees composed of three of its members.

Governance and Human Resources Committee

Mr. Frank Di Tomaso (President)
Mrs. Sophie-Emmanuelle Chebin
Mr. Michel Tosini

The Governance and Human Resources Committee is responsible for reviewing the LPA's practices, policies and procedures that apply to governance and human capital. In 2020, the Committee met four times.

Audit Committee

Mr. Julius Spivack (Chair)
Mrs. Christiane Chabot
Mr. George J. Pollack

The Audit Committee is responsible for monitoring, analyzing and supervising the LPA's financial position and management practices. The Committee notably carries out all financial controls and ensures both the compliance with strategic planning and the proper functioning of its information systems. In addition, it is mandated to conduct an audit on the state of internal control in accordance with the Financial Administration Act (FAA). In 2020, the Committee met six times.

Biographies of Board Members



Julius Spivack,
B. Comm.
Interim Chairperson of the Board

Mr. Julius Spivack has been a consultant and involved in international trade for more than 30 years. He has managed several Canadian companies over the years. Mr. Spivack has been a director of organizations based in Africa.



Michel Tosini
Director

Michel Tosini, a graduate in logistics, holds a certificate in executive management from the Richard Ivey School of Business of the University of Western Ontario. From 2006 to 2019, he was the Executive Vice-President at Federal Marine Terminals Inc., a division of Fednav Limited. He has also been Chairman of the Board of Directors at SODES and also served on the Board of Directors of the Maritime Employers Association (MEA). He was appointed to the Board of Directors of the Laurentian Pilotage Authority in 2007.



Frank Di Tomaso,
FCPA, FCA, IAS.A.
Director

Mr. Frank Di Tomaso is a Chartered Professional Accountant and holds the Fellowship and IAS.A designation. He is a corporate director and was a partner and consulting partner at Raymond Chabot Grant Thornton LLP until 2013. In addition to being a director of the Laurentian Pilotage Authority, he is also a director of several other companies. He is involved in both the business world and the community. In this regard, he received, in 2004, the Award of Distinction from Concordia University's John Molson School of Business in recognition of his outstanding contribution to the business world and the community.



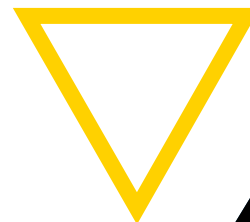
Christiane Chabot,
B.Sc.
Director

Ms. Christiane Chabot is an experienced career manager specializing, notably, in project, risk and process management as well as communication, and has developed a particular expertise in the food industry. Ms. Chabot has successfully led and developed teams of professionals within several renowned companies and has participated as a member of numerous industry-government advisory committees. She holds a Bachelor of Science degree from McGill University and also has a background in business administration. Ms. Chabot now acts as an independent strategic advisor and has also been a jury member for several years for the Retail Council of Canada's Canadian Grand Prix New Product Awards.



Sophie-Emmanuelle Chebin,
LL.L, MBA, IAS.A
Director

Ms. Sophie-Emmanuelle Chebin is a seasoned administrator with 20 years of experience and recognized for her vision and expertise. She is a founding partner of Arsenal Conseils, where she specializes in governance, strategy and risk management. Ms. Chebin previously worked at KPMG-SECOR, Pratt & Whitney Canada and Canadian National Railway Company (CN), where she developed an in-depth knowledge of the transportation industry. Ms. Chebin is a member of the Quebec Bar, holds an MBA from HEC Montréal and a DESS in Health Law and Bioethics from the Université de Bordeaux I. She also holds a diploma in governance from the Institute of Corporate Directors.





George J. Pollack,
LL.B., LL.L
Director

Mr. George J. Pollack is a partner at Davis Ward Phillips & Vineberg.

He is one of Canada's leading transportation lawyers, representing and advising public and private companies on a wide range of complex commercial issues, including governance, civil liability and insurance matters. A member of the Quebec and Ontario Bars, Mr. Pollack is a graduate of the Université de Montréal and McGill University. He is also a member of the Canadian Maritime Law Association and the Canadian Board of Marine Underwriters.

MANAGEMENT

The management team reports to the Chief Executive Officer. Its primary responsibilities are to define the Authority's strategies, provide leadership thereto, and ensure stewardship of its financial and human resources in order to achieve its objectives and fulfill its mission. The CEO is supported in his duties by two executive directors, a general counsel/corporate secretary and a special advisor.

Management holds a biweekly Internal Management Committee which is made up of employees representing all of the organization's departments. At these meetings, subjects pertaining to the Authority's operations and current affairs are discussed. Senior management also meets at regular intervals to discuss strategic issues and future directions. It maintains close ties at all times with government representatives, pilotage corporations and the various partners and clients in the marine industry.

Biographies of Management



Fulvio Fracassi

LL. M.

Chief Executive Officer

Fulvio Fracassi has been Chief Executive Officer of the Laurentian Pilotage Authority since 2012. Before joining the Authority, he was Director General of Transport Canada's National Marine Security Program. Mr. Fracassi is a graduate of McGill University in civil and common law and obtained a master of laws degree from Osgoode Hall Law School. He is a member of the Quebec and Ontario bars and holds a commercial pilot licence (aviation).



Josée Leroux,

CPA, CA

**Executive Director, Finance
and Administration**

With more than 25 years of experience, Josée Leroux has, throughout her career, held various strategic positions in federal and provincial Crown corporations as well as in private companies. She worked at The Jacques Cartier and Champlain Bridges Incorporated as Director of Finance and was the head of the project control team. She also played a role in the Corporation's strategic planning. Ms. Leroux has also held management positions within the Loto-Québec Group. She has also been a member of the Board of Directors of the Financial Management Institute of Canada – Montreal Chapter for the past six years. An accountant by trade, she worked for many years with an accounting firm in the Greater Montreal Area. Ms. Leroux holds a bachelor's degree in business administration, with a CA specialization, from Université du Québec à Montréal and is a member of the Ordre des comptables professionnels agréés du Québec..



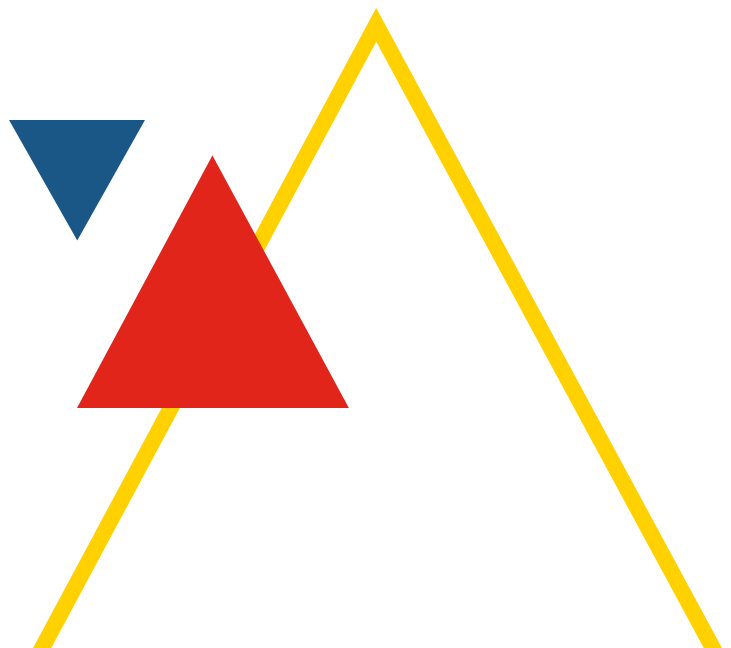
Alain Richard,
CLC, B. Ecn.
Executive Director, Marine Safety
and Efficiency

Holder of a Certificate of Master Mariner, Captain Richard also has a bachelor's degree in economics from Université Laval and a college diploma in navigation from the Institut maritime du Québec (IMQ). During his more than 40 years in the marine transport industry, Captain Richard has acquired solid expertise on various types of vessels. He was previously an instructor and director at the IMQ, and worked as a project manager at Innovation maritime where he developed software to reduce fuel consumption by merchant vessels through tidal analysis. In addition to being the Director of the IMQ, he has served as chairperson of various boards of directors, including the Institut des sciences de la mer (ISMER) and Innovation maritime.



Anaïs de Lausnay
General Counsel and
Corporate Secretary

As senior legal counsel, Anaïs de Lausnay heads the corporation's legal affairs and ensures that solutions to various issues are implemented that respect the corporation's business, strategic and governance interests. Her extensive legal expertise acquired over the years combined with a professional and human approach ensures sound and efficient management of the LPA's legal needs. An integral part of the Authority since the summer of 2019, Anaïs de Lausnay previously held a position as a general counsel at Groupe Robert as well as for a non-profit early childhood organization.



Management discussion and analysis

General Comments

The year 2020 presented a number of significant challenges. The pandemic has heavily impacted the organization and its employees in multiple ways. A rapid reorganization of work was required, which included investments to ensure the health of employees and pilots and to ensure continuity and maintenance of high quality services.

The economic slowdown caused by this unique situation had a significant impact on the Authority, which depends on marine traffic for its revenue. As it is underpinned by a cost structure that varies largely according to revenue generated, the Authority has been able to limit its losses to a level that can be absorbed by its financial reserves.

In addition to managing the challenges related to the pandemic, the year in question has seen the coming into force of the amended *Pilotage Act* component dealing with pilotage charges. The LPA transformed its tariffs

in the fall of 2020 into pilotage charges as provided for under the amended *Act*. It has established pilotage charges and an underlying methodology to replace the former tariff-setting process.

Other fundamental changes have also had a considerable influence on the Authority's operational, technological and financial components. These include the implementation of a new collective agreement, negotiations with the Corporation of Mid St. Lawrence Pilots to renew the service contract in accordance with the amended *Pilotage Act*, and finalization of the development of an Enterprise Resource Planning solution to support the organization's dispatching and billing operations.

It is by effectively dealing with these challenges and embracing change that the Authority has continued to make progress in achieving its goals and ensuring the provision of safe and efficient service to its partners while maintaining its financial self-sufficiency.



Financial Results

The global pandemic had a considerable impact on the LPA's financial results in 2020. The general economic slowdown that began in March resulted in a drop in marine traffic, which directly impacted income during the year. Income from pilotage charges in each district and pilot boat use all fell considerably. The impact was also felt on the organization's direct expenses, which saw a significant drop in pilotage fees as a result of a marked decline in pilot assignments. The increase in administrative and operational expenses was largely attributable to pay increases, amortization and pandemic-related expenses.

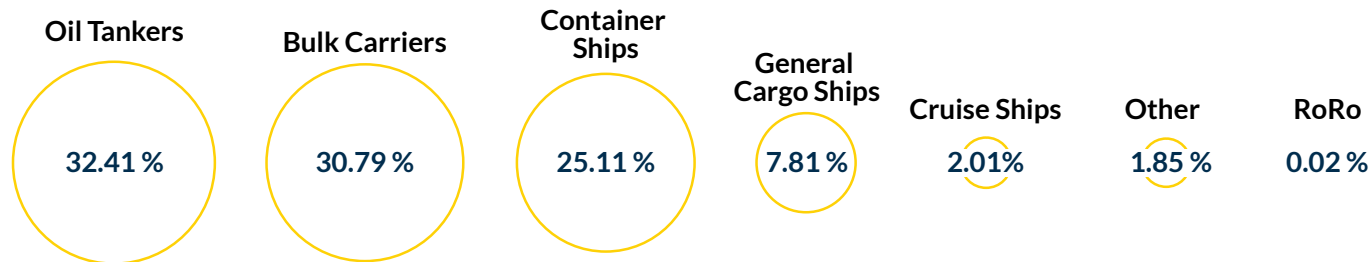
Pilotage Service Charges

The Authority is mandated to evaluate and set pilotage charges payable by its clients. Such charges must be fair and reasonable while allowing the Authority to self-finance its operations and replace its assets. The rule governing the revision of pilotage charges underwent a major change in the past year. Any new changes to pilotage charges will henceforth require approval from

the Board of Directors and not the Governor-in-Council. The review of pilotage charges will have to comply with a methodology designed in accordance with the principles set out for this purpose in the amended *Pilotage Act*.

At the end of the year, the LPA was preparing to submit a pilotage charge revision notice for 2021 in accordance with its methodology. This methodology requires that a review of pilotage charges be based on an analysis of the Authority's operational finance needs, an analysis of planned investments to maintain assets required to provide safe and efficient service, and an analysis of its financial reserves. Various economic indicators and assumptions based on other stringent analyses are also taken into consideration.

REVENUE DISTRIBUTION BY TYPE OF SHIP (2020)



Pilotage Services

The pilotage services for the three districts under the LPA's jurisdiction are provided by contract pilots (non-employee) represented by two corporations, namely the Corporation of Mid St. Lawrence Pilots and the Corporation of Lower St. Lawrence Pilots, with whom the LPA negotiates separate service agreements.

The *Pilotage Act* does not allow competition. This greatly influences the negotiation dynamic between the Authority and pilot corporations, which hold a monopoly. In the event of a dispute between the parties during negotiations, the Act provides a dispute resolution mechanism that makes it possible for the business relationship to continue without affecting customers' commercial activities.

Each year, the pilotage contracts account for more than 80% of the Authority's total expenses. The outcome of contract negotiations therefore has a crucial impact on the Authority's current and future financial situation and on its capacity to respect the stated aim of the *Pilotage Act* which requires that pilotage authorities set fair and reasonable charges while enabling them to maintain their financial self-sufficiency.

The current service contract with the CPSLC expired on June 30, 2020. As at December 31, both partners were continuing discussions to reach a new agreement. The agreement with the CPBSL will expire on December 31, 2021.

Pilotage services are supported by a pilot boarding service which is mainly provided by a subcontractor at all ports, with the exception of Les Escoumins. Pilot boarding services provided by pilot boats represents around 10% of the Authority's total expenses.

Marine Traffic

Marine traffic on the St. Lawrence and Saguenay Rivers varies significantly with the seasons. In winter, during the first quarter of the year, traffic is generally at its lowest level. Since the Seaway is closed to navigation during this period, the routes end in the Port of Montreal waters. Inclement weather and the presence of ice jams sometimes make navigation difficult, to the point of slowing down transits.

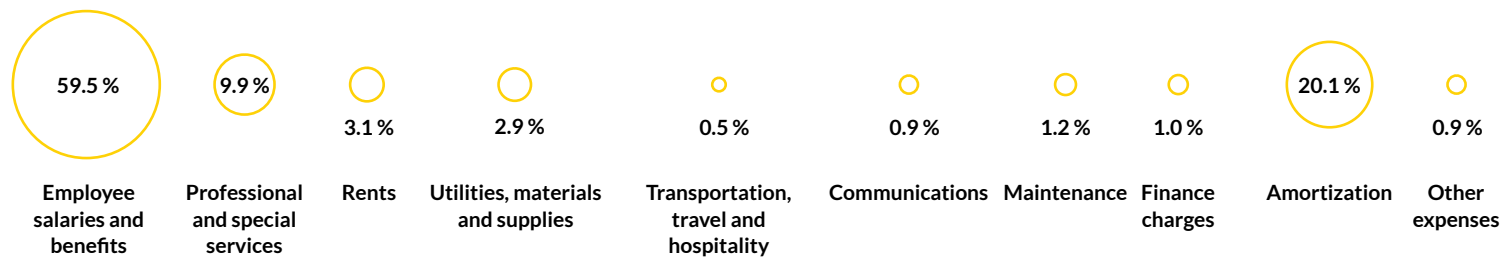
In the spring, during the second quarter, traffic gradually resumes its pace. Traffic usually peaks during the fourth quarter in the fall, with the arrival of dozens of international and domestic cruise ships. These arrivals failed to materialize in 2020 due to the pandemic. Before the winter shutdown of the Seaway, bulk carriers leave loaded with cereals, legumes, salt, sugar, ore, aluminum and steel.

Fluctuating marine traffic is an important factor in planning cash inflows to meet the LPA's financial obligations, as are ship size and transit times. Notwithstanding a detailed analysis of the state of the current market and a thorough estimate of generated income, the Authority cannot predict or influence traffic volume in the coming months. Factors that affect traffic volume and over which the LPA has no control include:

- Provincial, federal, North American and global economic conditions
- Weather conditions
- Value of the Canadian dollar on the international market
- Inflation, interest rates, import/export taxes
- Competition with other modes of transportation
- Competition from American ports and other Canadian ports

Administrative Expenses

In 2020, employee salaries and benefits and amortization accounted for 79.6% of the LPA's administrative expenses—an increase of 1.5% from the previous year. Additional expenditures to manage and apply measures to prevent the spread of COVID-19 totalled \$371,981. These expenses are comprised of pilotage fees and pilot boats in the amount of \$205,606, plus \$166,375 included in administrative expenses.



Results Analysis

Revenues

Pilotage revenues, excluding pilot boat revenues, were \$81.3 million in 2020—down \$13.5 million. When the budget was prepared, inflows were estimated at \$101.8 million. This gap is explained by the deflation in marine traffic volume resulting from the pandemic which began in March. Income from pilot boat operations was

also down. The \$12.5 million generated is also the result of an adverse change in traffic density

The LPA's total income for the last year was \$94 million, which represents a net reduction of \$14.3 million compared to 2019.

Fees

Pilotage fees payable to the pilot corporations active in the three districts and the operating costs of pilot boats fell by \$12.2 million to amount to \$86.8 million. When the budget was prepared, these outflows had been estimated at \$104.7 million. This gap is explained by a decrease in marine traffic volume caused by the pandemic, which reduced clients' demand for pilotage services.

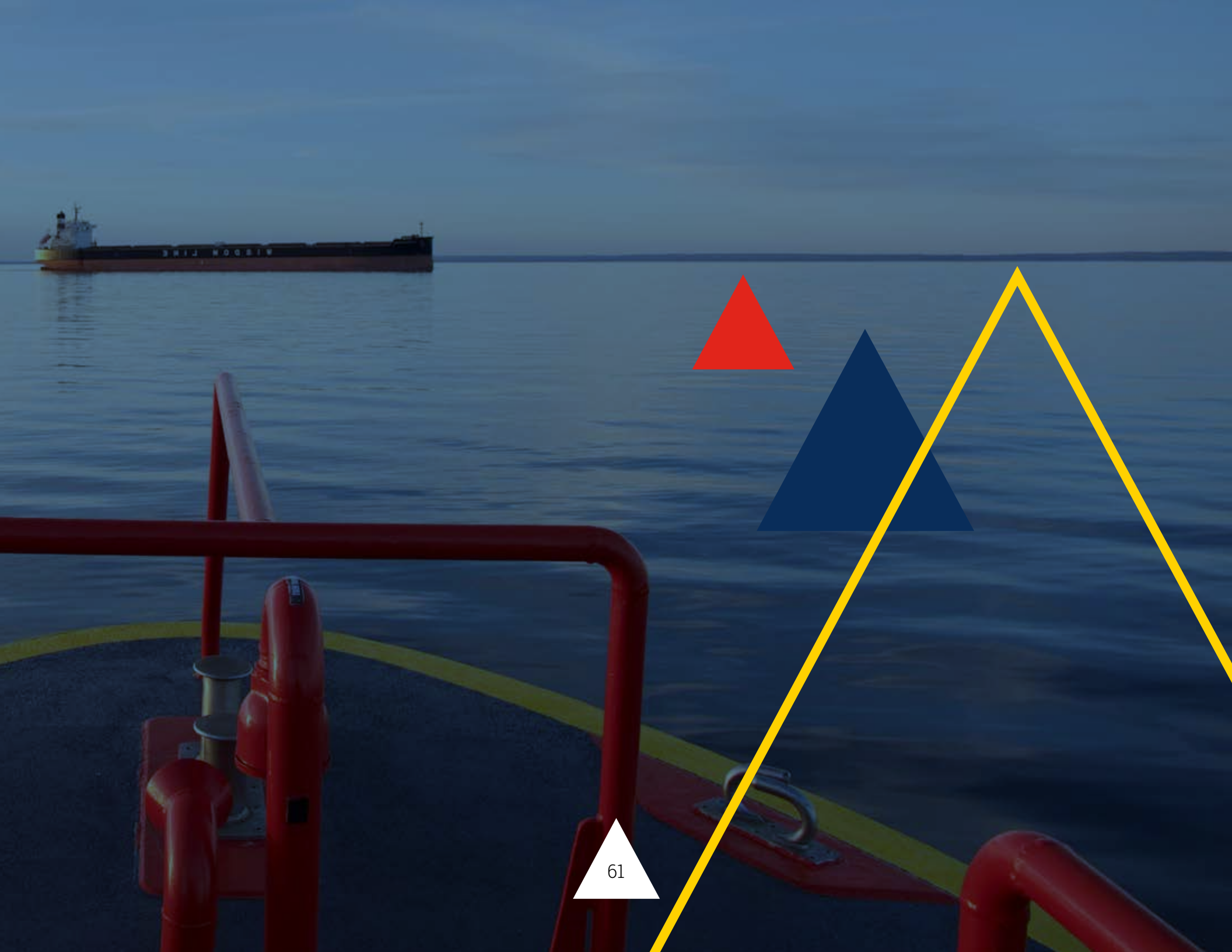
Administrative and Operational Expenses

Administrative and operational expenses totalled almost \$9.8 million in 2020 compared to \$8.9 million in 2019—an increase of 10%. This difference is explained in part by statutory and annual increases in employee pay and benefits (proportion of 76%) and the increase in amortization (proportion of 18%).



RISK MANAGEMENT

The concept of risk management is well integrated into the mission of the Laurentian Pilotage Authority. In order to ensure the continued safe, effective and efficient provision of pilotage services at all times, management conducts an annual review of the risks incurred. The identification and analysis of the principal risks to which the LPA is exposed make it possible to prioritize said risks and to propose specific mitigation measures according to their nature and degree. All the necessary energy is subsequently deployed to implement actions that help the organization maintain its financial self-sufficiency, its reputation and its credibility.



2021 Outlook



BACKGROUND

In 2020, global trade was impacted by a pandemic that has left no marine sector unscathed. Despite the decrease in assignments observed at the LPA as a direct consequence of a significant reduction in marine traffic, several large-scale projects have moved forward. However, a number of other initiatives had to be put on hold until the situation improves and a certain degree of stability is re-established. This slowdown will not prevent the Authority from making progress in the present, achieving its numerous objectives, positioning itself for the future and taking its rightful place.

The LPA will also have to tackle challenges that have presented themselves and work closely with its partners to ensure the continuity of its operations. It will need to be creative and agile and adapt to ensure that safe navigation continues on the river. In the context of this pandemic, it will have adopted the strictest health measures without compromising the safety and efficiency of its pilotage service. Its approach will have enabled it to maintain the quality of its services for the benefit of Canada and Quebec and for the well-being of the population it serves as well as corporation pilots, to supply foodstuffs and other essential goods.

STRATEGIC PRIORITIES

In order to fulfill its mandate, achieve its vision and pursue its mission, the LPA has established **three (3) strategic priorities**. These serve to guide its decision-making and help it to define and prioritize the projects to be implemented by the members of the team.

1

Optimize the establishment, operation, maintenance and management, for navigation safety, of an effective and efficient pilotage service in the navigable waters under its jurisdiction and ensure sound risk management that takes technological developments into account.

2

Maintain the Authority's financial self-sufficiency in order to reach its strategic objectives, ensure the sustainability of its assets, cover unforeseen circumstances and provide quality services while maintaining fair and reasonable pilotage charges.

3

Support the Government's objectives with respect to safety, the efficiency and effectiveness of the marine transportation system, the safety of marine personnel and the protection of the public, property and the environment in keeping with the policies, directives and instructions of the Minister of Transport and the Government of Canada.

FUNDAMENTAL PRINCIPLES

These three strategic priorities enable the Authority to determine the annual objectives that will put it in a favourable position in future years. These objectives, which are regularly reviewed by the Board of Directors, meet **seven (7) fundamental principles**:

- 1 Agile governance;
- 2 Exemplary leadership;
- 3 Relevant and targeted communications;
- 4 Safety and efficiency of navigation;
- 5 Human resources development;
- 6 Appropriate use of technology;
- 7 Financial self-sufficiency.

THE LPA AIMING FOR THE FUTURE

The Authority maintains and encourages an ongoing and in-depth reflection of its management practices and the quality of its services. It aspires to excellence and innovation so that the practices, policies, procedures and rules it adopts are in the best interests of its employees, partners, its clientele and the public.

Moving ever forward, the LPA has undertaken a major technological shift to help it achieve its mandate to increase navigation safety and efficiency on the St. Lawrence and Saguenay rivers. It is involved in defining a consistent and high-performance marine pilotage management system throughout the country by applying its notable expertise and putting forward its innovative ideas, in addition to working closely with Transport Canada to facilitate the integration and application of the new measures in the amended *Pilotage Act*. It cares about its employees' happiness and well-being, takes note of their concerns, and looks out for the health of marine pilots by studying various ways to mitigate the risks associated with their profession. The Authority manages pilotage charges transparently and controls its budget responsibly in order to remain financially viable and independent.



The following is the LPA's **objectives** that reflect the above and are directly aligned with its

three (3) strategic priorities:

- Manage the COVID-19 situation and ensure continuity of operations
- Develop and implement phase 1 of optimized pilotage services
- Develop and implement the business development plan for the simulation centre
- Develop and implement a pilotage management system
- Finalize the risk study on pilot fatigue and the risk analysis for the South Shore
- Overhaul pilot boat services between Montreal and Quebec City
- Develop and implement a pilotage charges program for 2021
- Create a dashboard to track financial and operational indicators (business intelligence tools) more closely
- Carry out a client satisfaction survey and monitor results
- Be closely involved in the implementation of the amended *Pilotage Act* and the development of national regulations by Transport Canada
- Continue service contract negotiations with the Corporation of Mid St. Lawrence Pilots and the Corporation of Lower St. Lawrence Pilots
- Promote psychological health, physical safety in the workplace, diversity and pay equity in support of the Canadian government's objectives and initiatives
- Roll out employee engagement measures and develop an action plan in response to the employee survey carried out in 2020

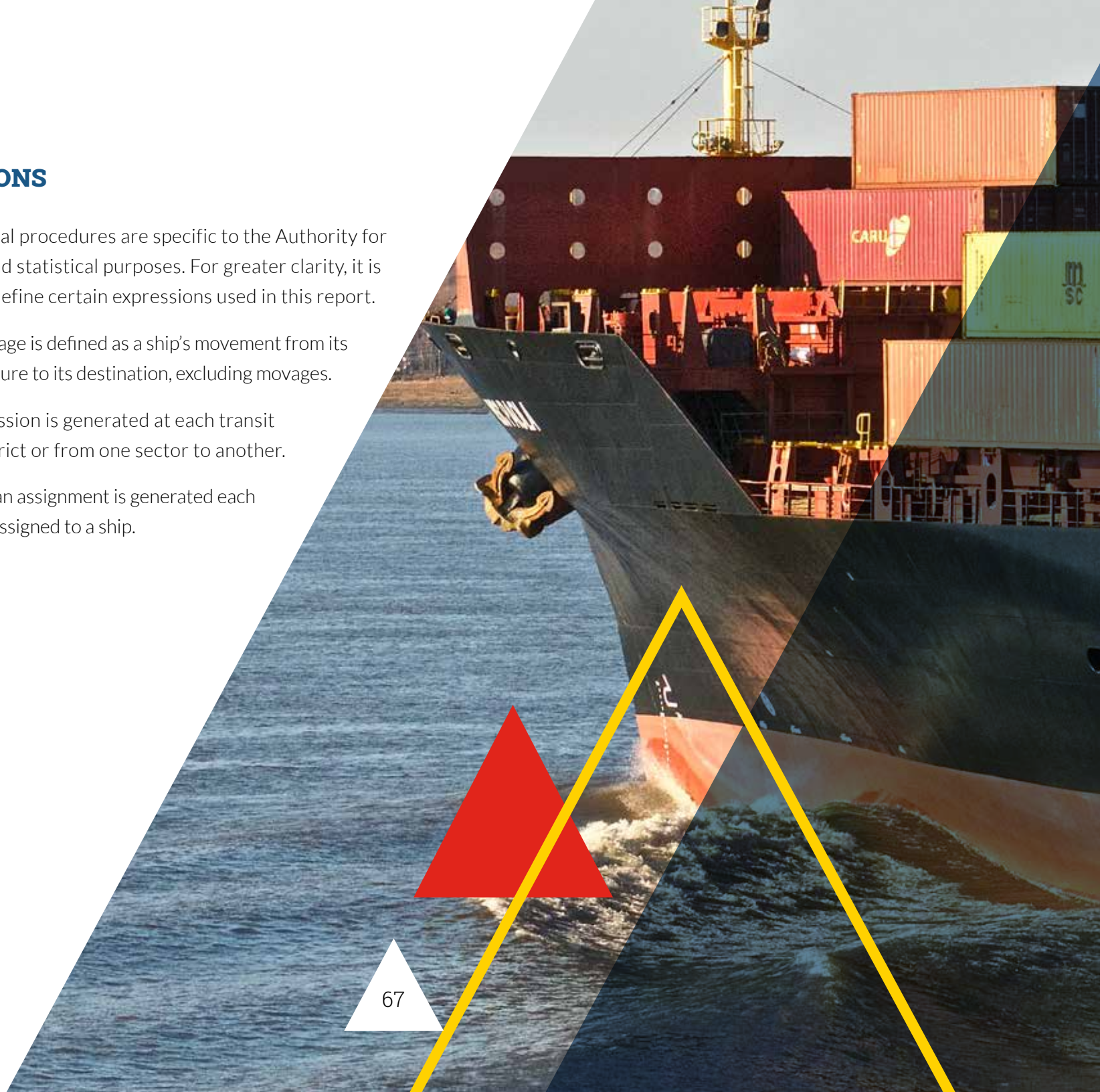
DEFINITIONS

Certain internal procedures are specific to the Authority for operational and statistical purposes. For greater clarity, it is important to define certain expressions used in this report.

Voyage : a voyage is defined as a ship's movement from its point of departure to its destination, excluding movages.

Mission : a mission is generated at each transit through a district or from one sector to another.

Assignment : an assignment is generated each time a pilot is assigned to a ship.



The background is a photograph of a ship navigating through a field of ice floes in a cold body of water. The image is partially covered by a large blue triangle on the left and a large grey triangle on the right. A yellow line forms a large triangle across the center. In the bottom right corner, there are two smaller triangles, one red and one blue, overlapping each other.

Financial statements

STATEMENT OF MANAGEMENT'S RESPONSABILITY

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

Management maintains books of account, financial and management controls, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis. These systems and practices provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that the transactions are in accordance with the *Pilotage Act* and its regulations, the Financial Administration Act and its regulations, notably the instruction given under article 89 pertaining to its travel, hospitality, conference and event expenditures, and the by-laws and policies of the Authority.

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

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



Fulvio Fracassi, LL.M.
Chief Executive Officer
Montreal, Canada
March 23, 2021



Josée Leroux, CPA, CA
Executive Director,
Finance and Administration
Montreal, Canada
March 23, 2021



INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Laurentian Pilotage Authority, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Laurentian Pilotage Authority as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Laurentian Pilotage Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Laurentian Pilotage Authority's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Laurentian Pilotage Authority to cease to continue as a going concern.

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

A handwritten signature in blue ink, appearing to read 'T. Swiderski', with a stylized flourish at the end.

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

Montréal, Canada
23 March 2021

LAURENTIAN PILOTAGE AUTHORITY

**Statement of Financial Position
as at December 31**

<i>(in Canadian dollars)</i>	2020	2019
Assets		
Current		
Cash and cash equivalents	\$11,774,111	\$11,898,837
Receivables and other accounts receivable (Note 5)	12,709,306	14,546,320
Investments (Note 6)	1,001,052	2,391,006
	25,484,469	28,836,163
Non-current		
Property and equipment (Note 7)	16,163,566	17,404,092
Intangible assets (Note 8)	1,818,511	1,385,491
Total Assets	\$43,466,546	\$47,625,746
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	\$13,882,877	\$15,344,336
Lease obligations (Note 11)	231,916	309,756
	14,114,793	15,654,092
Non-current		
Employee benefits	422,879	333,955
Lease obligations (Note 11)	2,051,896	2,196,786
Total Liabilities	16,589,568	18,184,833
Equity		
Retained earnings (Note 14)	26,876,978	29,440,913
	26,876,978	29,440,913
Total Liabilities and Equity	\$43,466,546	\$47,625,746

Commitments and contingent liability (Notes 13 and 17)

The notes to the Financial Statements form an integral part thereof.

Approved by the Board of Directors:



JULIUS SPIVACK

Interim Chairperson of the Board of Directors
and President of the Audit Committee

LAURENTIAN PILOTAGE AUTHORITY

**Statement of Comprehensive Income
for the Year Ended December 31**

<i>(in Canadian dollars)</i>	2020	2019
Revenues		
Pilotage charges	\$93,858,556	\$107,973,694
Other revenues	112,671	319,319
	<u>93,971,227</u>	<u>108,293,013</u>
Expenses		
Pilots' fees	75,866,741	87,522,100
Operating costs of pilot boats	10,885,855	11,276,030
Employee salaries and benefits	5,824,572	5,136,684
Depreciation and amortization	1,963,684	1,798,757
Professional and special services	969,536	890,790
Rents	307,339	322,100
Utilities, materials and supplies	281,926	280,401
Transportation, travel and hospitality	46,699	184,303
Finance charges	94,032	104,922
Communications	89,324	73,475
Maintenance	114,610	13,486
Other expenses	90,844	76,733
	<u>96,535,162</u>	<u>107,679,781</u>
Comprehensive Income for the Year	\$(2,563,935)	\$613,232

**Statement of Changes in Equity
for the Year Ended December 31**

<i>(in Canadian dollars)</i>	2020	2019
Retained earnings, beginning of the year	\$29,440,913	\$28,827,681
Comprehensive income for the year	(2,563,935)	613,232
Retained earnings, end of the year	\$26,876,978	\$29,440,913

The notes to the financial statements form an integral part thereof.

LAURENTIAN PILOTAGE AUTHORITY

**Statement of Cash Flows
for the Year Ended December 31**

<i>(in Canadian dollars)</i>	2020	2019
Operating Activities		
Comprehensive income for the year	\$(2,563,935)	\$613,232
Adjustments to determine net cash flows generated by (used for) the operating activities:		
Depreciation and amortization	1,963,684	1,798,757
Interest on lease obligations	87,259	94,617
Change in long-term portion of employee benefits	88,924	17,229
Interest income	(112,754)	(235,289)
Change in non-cash working capital items:		
Change in receivables and other accounts receivable	1,810,318	147,775
Change in accounts payable and accrued liabilities	(1,461,459)	(549,566)
Cash flows from operating activities	(187,963)	1,886,755
Investing Activities		
Net purchase of investment securities	\$1,389,954	\$2,762,207
Acquisitions of property and equipment	(379,784)	(711,292)
Acquisitions of intangible assets	(776,394)	(432,629)
Interest received	139,450	240,275
Cash flows from investing activities	373,226	1,858,561
Financing Activities		
Repayment of lease obligations		
Interest paid on lease obligations	\$(222,730)	\$(209,135)
	(87,259)	(94,617)
Cash flows from financing activities	(309,989)	(303,752)
Cash and Cash Equivalents		
Change for the year	\$(124,726)	\$3,441,564
Balance, beginning of the year	11,898,837	8,457,273
Balance, end of the year	\$11,774,111	\$11,898,837

The notes to the Financial Statements form an integral part thereof.

Represented by:		
Cash	\$6,826,621	\$9,031,733
Cash equivalents	4,947,490	2,867,104

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR-ENDED DECEMBER 31, 2020

1. Status and Activities

The Laurentian Pilotage Authority (the “Authority”) was established in 1972 in Canada under the Pilotage Act. Its mission is to establish, operate, maintain and manage, for the safety of navigation, an efficient and effective pilotage service within certain designated Canadian waters in and around the Province of Québec. The Act provides that the pilotage charges must allow the Authority to operate on a self-sustaining financial basis and be fair and reasonable. In accordance with the Canada Marine Act assented on June 11, 1998, that modified the Pilotage Act, the Authority no longer uses parliamentary appropriations.

The Authority is a Crown corporation listed under Part I of Schedule III to the Financial Administration Act. In July 2015, the Authority received a directive (C.P. 2015-1114) pursuant to section 89 of the Financial Administration Act to harmonize its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury

Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations and to report on the implementation of this directive in its next Corporate plan. The Authority has reported on the implementation of this directive in its 2020-2024 Corporate plan and complied therewith since 2016. The Authority is not an agent of Her Majesty and is exempt from income tax.

The Authority’s head office is located at 999 de Maisonneuve Boulevard West in Montréal, Québec.

2. Basis of Preparation

Statement of Compliance

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The issuance of these Financial Statements was approved by the Board of Directors as of March 23, 2021.

Measurement Basis

Unless otherwise specified, these Financial Statements have been prepared on a historical cost basis.

Functional Currency and Presentation Currency

These Financial Statements are presented in Canadian dollars, which is the Authority's functional currency.

Use of Estimates and Judgment

In preparing Financial Statements, management must use judgment and make estimates and assumptions that affect both the application of accounting policies and the carrying amount of assets, liabilities, revenues and expenses.

a. Significant Accounting Estimates

Significant accounting estimates are estimates and assumptions made by management that may result in material adjustments in the amount of assets and liabilities within the next year. In preparing these Financial Statements, management has not made any significant accounting estimates, except for the useful life of property and equipment and intangible assets.

b. Significant Judgments

Significant judgments regarding the carrying amount of assets and liabilities involve estimates and assumptions made by management and are based on previous experience and various other factors deemed reasonable under the circumstances. The element that is the subject of judgment is the accounting treatment related to the determination of the components and to the method used for depreciating the fixed assets.

3. Adoption of New Accounting Standards

The Authority did not implement any new standards during the year.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these Financial Statements.

Cash and Cash Equivalents

Cash includes amounts held by the Authority in the bank account and cash equivalents consist of amounts deposited in a savings account with a Canadian chartered bank.

Property and Equipment

Property and equipment obtained from the Government of Canada when the Authority was established, were recognized at the value then assigned to them. Property and equipment subsequently purchased by the Authority are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of fixed assets built by the Authority includes design, project management, materials and shipyard construction costs. When amounts are reported as work in progress, they are transferred to the appropriate class of fixed assets when the work is completed, and are subsequently depreciated.

The depreciation of property and equipment is calculated on the depreciable amount, which is the cost of the asset less its residual value, on a straight-line basis, at rates based on the estimated useful life of the assets, except for leasehold improvements related to the leasing of buildings, which are depreciated over the lesser of the term of the lease or the estimated useful life. Where significant parts of a property and equipment have different useful lives, such parts are recognized as separate components of the property and equipment.

For the purposes of calculating the depreciation, the expected useful lives for each main class of property and equipment are the following:

Buildings and leasehold improvements	10 to 30 years
Pilot boats and shuttle	
Hull and design	10 to 20 years
Mechanics	3 to 20 years
Electricity	15 years
Equipment	5 to 10 years
Trailer	5 to 10 years
Furniture and fixtures	5 to 10 years
Communications equipment	5 to 10 years
Computer equipment	3 to 10 years
Boarding facilities	10 to 25 years
Wharfs	
Piles and anchors	30 years
Sheet pile	30 years
Bracing steel	40 years
Concrete and stone	40 years
Fenders	25 years
Mechanical system and gangway	20 years
Fixed structure	15 years
Timber crib	12 years

The depreciation methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted prospectively as needed.

The gains or losses arising from the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized, based on the net amount, in the comprehensive income of the fiscal year.

Intangible Assets

Intangible assets are recognized at cost less accumulated amortization and accumulated impairment losses, and consist in the right to use a launching ramp, located in Les Escoumins, used for the operation of the Authority's pilot boats, as well as in software and in contributions, made to pilot corporations, to purchase portable units. The amortization of intangible assets is calculated on a straight-line basis, with estimated useful lives ranging from 3 to 15 years. The amortization method, useful life and residual value of the intangible assets are reviewed at each fiscal year-end and adjusted prospectively as needed. The cost of fixed assets built by the Authority includes the design and project management costs. The

amounts reported as work in progress are transferred to the appropriate class of fixed assets when the work is completed, and are subsequently amortized.

Impairment of Non-Financial Assets

The Authority reviews the carrying amount of its non-financial assets, namely the property and equipment and intangible assets, at each fiscal year-end to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable value is estimated. For the purposes of impairment testing, the assets that cannot be individually tested are grouped together to form the smallest group of assets that generates, through continuous use, cash inflows that are largely independent of the cash inflows from other assets or groups of assets (the "cash generating unit", or "CGU"). The recoverable value of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are recognized at their present value by applying a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds

its estimated recoverable value. Impairment losses are recognized in the comprehensive income. Impairment losses recognized in prior periods are assessed at each fiscal year-end to determine whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable value. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Employee Benefits

Short-Term and Long-Term Employee Benefits

Employees are entitled to paid leave as provided for in their collective agreements or conditions of employment. This involves days of sick leave, which accumulate, but do not vest, enabling the employees to be paid during their absence in recognition of services previously rendered, as well as special leave. As employees render services, the value of paid leave for these services is recognized both as a liability and as an expense. Management determines the present value of the sick leave and special leave obligation

based on assumptions and its best estimates, such as the discount rate, age of retirement, rate of use of days in excess of the sick leave granted annually, rate of use of the special leave, probability of employees leaving and salary review rate. These assumptions are reviewed annually. The short-term portion of the obligations is presented under Accounts Payable and Accrued Liabilities and the long-term portion is presented under Employee Benefits on the Statement of Financial Position.

Pension Plan

All employees of the Authority are covered by the Public Service Pension Plan (the Plan), which is a contributory plan established by law and sponsored by the Government of Canada. Employees and the Authority must contribute to the Plan to cover the cost of services rendered during the fiscal year. Under current legislation, the Authority has no legal or constructive obligation to pay additional contributions to cover past services or a funding shortfall of the Plan. Consequently, contributions are charged to expenses in the fiscal year during which the employees render the services and represent the total pension obligation of the Authority. The Authority is not required by law to make up for the actuarial deficits of the Plan.

Revenue Recognition

The Authority's revenues come mainly from pilotage charges and pilot boat operation. These revenues are based on a known price and recognized at a specific point in time, namely at the time when the Authority has fulfilled its pilotage mandate or provided the pilot boat service. In return, the Authority recognizes a receivable since the consideration is due as soon as the service is rendered.

Financial Instruments

With the exception of receivables that are measured at the transaction price in accordance with IFRS 15, financial instruments are initially measured at fair value. The subsequent measurement depends on their classification:

The classification of financial assets depends on both:

- How an entity manages the financial assets in the context of its economic model; and
- The contractual cash flow characteristics of the financial asset.

Financial assets are measured at amortized cost if they meet the following conditions:

- They are held according to an economic model whose objective is to hold financial assets in order to collect the contractual cash flows;
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, they are measured at amortized cost using the effective interest rate method, less any impairment losses.

The Authority's cash and cash equivalents as well as the receivables and the investments fall into this category of financial instruments.

After initial recognition, the financial liabilities are measured at amortized cost using the effective interest rate method, except for derivative financial instruments and financial liabilities designated at fair value through profit or loss. All the Authority's financial liabilities, namely the accounts payable, are measured at amortized cost after initial recognition.

Leases

The Authority has recognized a right-of-use asset and a lease obligation for a lease on the date upon which the underlying asset is available for use by the Authority (the “start date”).

The right-of-use asset is presented on the Statement of Financial Position under Property and Equipment. The asset is initially measured at cost, which includes the initial amount of the lease obligation, adjusted for the lease payments made on or before the commencement date, plus the initial direct costs incurred and an estimate of any costs for the dismantling and removal of the underlying asset, less any lease inducement received.

The right-of-use asset is depreciated over the shorter of the useful life of the underlying asset and the lease term on a straight-line basis. In addition, the cost of a right-of-use asset is reduced by the accumulated impairment losses and, where applicable, is adjusted for revaluations of the related lease obligation.

The lease obligation is initially measured at the present value of the lease payments that have not yet been made at the start date, calculated using the interest rate implicit

in the lease or, if this rate is not readily determinable, the Authority’s incremental borrowing rate. Currently, the Authority uses its incremental borrowing rate as the discount rate.

The Authority has elected not to separately account for the non-lease components of the leases for office space (building). As a result, the lease payments and the lease obligation include the payments relating to both the lease and non-lease components.

The interest expense relating to the lease obligations is recognized as an expense in the comprehensive income, using the effective interest rate method.

The lease payments relating to leases with a lease term of 12 months or less and the leases with a low value underlying asset are recognized as an expense in the comprehensive income on a straight-line basis over the term of the lease. Low value assets include computer equipment and small parts of office furniture.

5. Receivables and Other Accounts Receivable

	December 31, 2020	December 31, 2019
Financial instruments		
Receivables	\$11,271,347	\$11,985,514
Prepaid expenses	285,237	211,342
Other accounts receivable	1,152,722	2,349,464
	\$12,709,306	\$14,546,320

6. Investments

	December 31, 2020		December 31, 2019	
	Fair Value	Carrying	Fair Value	Carrying
Guaranteed Investment Certificates	\$1,001,052	\$1,001,052		
Provincial bonds	-	-	\$2,416,270	\$2,391,006

Provincial bonds matured between April 11 and November 27, 2020. The maturity date of the guaranteed investment certificate is May 13, 2021. Interest income during the year totalled \$52,315. The annualized rates of return on these bonds during the period ranged from 1.7% to 2.04% (from 1.7% to 2.15% in 2019). The annualized rate of return of the guaranteed investment certificate during the period is 0.8%.

7. Property and Equipment

<i>(in Canadian dollars)</i>	Lands	Buildings and Leasehold Improvements	Pilot Boats and Shuttle	Furniture and Fixtures	Communication Equipment	Computer Equipment	Boarding Facilities	Wharfs	Total
Cost									
Balance as at January 1, 2019	\$3,300	\$995,612	\$8,611,425	\$311,560	\$86,495	\$3,017,094	\$81,845	\$9,715,609	\$22,822,940
Recognition of right-of-use assets		\$2,243,029							\$2,243,029
Acquisitions	\$-	\$22,331	\$158,526	\$55,585	\$68,841	\$48,712	\$-	\$-	\$353,995
Disposals	\$-	\$-	\$-	\$-	\$-	(\$10,572)	\$-	\$-	(\$10,572)
Balance as at December 31, 2019	\$3,300	\$3,260,972	\$8,769,951	\$367,145	\$155,336	\$3,055,234	\$81,845	\$9,715,609	\$25,409,392
Acquisitions	\$-		\$55,960		\$45,963	\$199,986	\$-	\$77,875	\$379,784
Disposals	\$-	\$-					\$-	\$-	\$-
Balance as at December 31, 2020	\$3,300	\$3,260,972	\$8,825,911	\$367,145	\$201,299	\$3,255,220	\$81,845	\$9,793,484	\$25,789,176
Depreciation and Impairment Losses									
Balance as at January 1, 2019	\$-	\$185,972	\$2,490,206	\$148,948	\$55,768	\$935,148	\$30,288	\$2,610,684	\$6,457,014
Depreciation for the year	\$-	\$291,523	\$353,691	\$27,636	\$8,511	\$533,687	\$3,374	\$340,436	\$1,558,858
Disposals	\$-	\$-	\$-	\$-	\$-	(\$10,572)	\$-	\$-	(\$10,572)
Balance as at December 31, 2019	\$-	\$477,495	\$2,843,897	\$176,584	\$64,279	\$1,458,263	\$33,662	\$2,951,120	\$8,005,300
Depreciation for the year	\$-	\$289,170	\$369,919	\$26,528	\$29,573	\$561,310	\$3,374	\$340,436	\$1,620,310
Disposals	\$-								\$-
Balance as at December 31, 2020	\$-	\$766,665	\$3,213,816	\$203,112	\$93,852	\$2,019,573	\$37,036	\$3,291,556	\$9,625,610
Carrying Amount									
As at January 1, 2019	\$3,300	\$809,640	\$6,121,219	\$162,612	\$30,727	\$2,081,946	\$51,557	\$7,104,925	\$16,365,926
As at December 31, 2019	\$3,300	\$2,783,477	\$5,926,054	\$190,561	\$91,057	\$1,596,971	\$48,183	\$6,764,489	\$17,404,092
As at December 31, 2020	\$3,300	\$2,494,307	\$5,612,095	\$164,033	\$107,447	\$1,235,647	\$44,809	\$6,501,928	\$16,163,566

Please see Note 11 for more information on right-of-use assets included in “property and equipment”.

8. Intangible Assets

<i>(in Canadian dollars)</i>	«Right to use a Launching Ramp»	Software	PPU Financial Contribution	Work in Progress	Total
Cost					
Balance as at January 1, 2019	\$200,000	\$1,172,852	\$279,751	\$358,315	2,010,918
Acquisitions	-	20,188	-	218,655	238,843
Disposals	-	-	-	-	-
Balance as at December 31, 2019	\$200,000	\$1,193,040	\$279,751	\$576,970	\$2,249,761
Acquisitions	\$-	\$28,874	\$435,773	\$311,747	\$776,394
Disposals	-	-	(279,751)	-	(279,751)
Balance as at December 31, 2020	\$200,000	\$1,221,914	\$435,773	\$888,717	\$2,746,404
Amortization and Impairment Losses					
Balance as at January 1, 2019	\$110,021	\$261,292	\$253,058	-	\$624,371
Amortization for the year	\$13,411	\$199,795	\$26,693	-	\$239,899
Disposals	-	-	-	-	-
Balance as at December 31, 2019	\$123,432	\$461,087	\$279,751	\$-	\$864,270
Amortization for the year	\$13,323	\$222,485	\$107,566	-	\$343,374
Disposals	-	-	(279,751)	-	(279,751)
Balance as at December 31, 2020	\$136,755	\$683,572	\$107,566	\$-	\$927,893
Carrying Amount					
As at January 1, 2019	\$89,979	\$911,560	\$26,693	\$358,315	\$1,386,547
As at December 31, 2019	\$76,568	\$731,953	\$-	\$576,970	\$1,385,491
As at December 31, 2020	\$63,245	\$538,342	\$328,207	\$888,717	\$1,818,511

9. Credit Facility

The Authority has a credit facility in the form of a bank overdraft, authorized to a maximum amount of \$1,500,000 in 2020 (\$1,500,000 in 2019), bearing interest at the bank's base rate per annum. This bank overdraft is available as needed and renewable annually. It is secured by a \$3,000,000 (\$3,000,000 in 2019) first rank chattel mortgage on receivables. As at December 31, 2020, the Authority was not using this overdraft (nil in 2019).

10. Accounts Payable and Accrued Liabilities

	December 31, 2020	December 31, 2019
Financial instruments	\$13,828,608	\$15,296,408
Accounts Payable		
Employee benefits	54,269	47,928
	\$13,882,877	\$15,344,336

11. Leases

Two leases are recognized as right-of-use asset and lease obligation. They are contracts for the lease for office space.

Right-of-Use Assets (included in "property and equipment")

	Buildings and Leasehold Improvements
Balance as at January 1, 2020	\$2,243,029
Addition	0
Accumulated depreciation	(451,128)
Balance as at December 31, 2020	\$1,791,901

Lease Obligations

Balance as at January 1, 2020	\$2,506,542
Addition (interest on the lease obligation)	87,259
Lease payments	(309,989)
Balance as at December 31, 2020	2,283,812
Current portion	\$231,916
Non-current portion	\$2,051,896

The undiscounted contract payments to be made in respect of the lease obligations are as follows:

	December 31, 2020
Less than 1 year	\$310,917
Between 1 and 5 years	\$1,042,215
More than 5 years	\$1,373,523
Total	\$2,726,655

Future contract payments in connection with the variable lease payments are as follows:

	December 31, 2020
Less than 1 year	\$293,608
Between 1 and 5 years	\$1,234,338
More than 5 years	\$1,776,452
Total	\$3,304,398

Please see Note 16 for more information on the liquidity risk management.

Other Amounts Recognized in Comprehensive Income

Interest Expense on Lease Obligations	\$87,259
Expense recognized in respect of the variable lease payments not included in the lease obligations	\$277,997

Leases for Office Space

The leases have initial terms of 10 and 17 years. They are negotiated on an individual basis and contain a wide range of different terms and conditions.

Variable Lease Payments

The leases for office space provide for additional lease payments to reimburse a portion of the lessor's share of payments made for property taxes, insurance costs and operational costs such as energy, maintenance, administration and security costs, which vary according to the use and wear and tear of the office space. The final payment amounts are determined annually.

Renewal Options

The leases for office space have renewal options that can be exercised by the Authority only. Such options are used to maximize the operational flexibility of the Authority's operations. They are not taken into account in the assessment of the lease obligations as the Authority does not have reasonable certainty of exercising them. The Authority's practice is to ensure that the space meets its needs, which change over time.

12. Pilotage charges

The Authority shall, with the approval of its Board of Directors, establish pilotage charges to be paid to it for services provided. Once approved, the Authority must publish a Notice of Establishment or Revision of Pilotage Charges in accordance with a methodology based on the principles dictated by the *Pilotage Act*. As set out in the said Notice, as well as in the related documentation also available (Details and Principles Regarding the Review of Pilotage Charges), any person may, on or before the date set out in the Notice, make representations in writing to the Authority with respect to the proposal. Any person making written representations shall include a summary of such representations, which may be made public by the Authority. In addition, any person making written representations within the time limits set out in the Notice may file with the Canadian Transportation Agency a notice of objection to the proposal.

At the end of the statutory period, which is 60 days following the end of the 30-day period for written submissions, if any, an Announcement of Establishment of Pilotage Charges is published and the new charges can take effect.

Pilotage charges must be fair and reasonable and must permit the Authority to operate on a self-sustaining financial basis. Thus, the pilot charges set are intended to create a reasonable financial reserve as defined in the Act, allowing, among other things, the renewal of its fixed assets.

13. Commitments

As at December 31, 2020, the Authority had entered into agreements for expenditures related to pilotage services and for fixed assets. The estimated amounts payable are the following:

2021	\$1,168,233
2022	385,155
2023	368,980
2024	282,531
2025 and more	725,956
	<u>\$2,930,855¹</u>

¹ Includes a total of \$204,494 for acquisitions of fixed assets.

As at December 31, 2019, the Authority had entered into agreements for expenses related to pilotage services in the amount of \$3,340,802.

14. Capital Management

The Authority's capital structure consists of its retained earnings, and is governed by the Financial Administration Act. The Authority cannot change its capital structure nor contract debt instruments without the approval of the federal government.

The Authority manages its capital prudently in managing revenues, expenses, assets and general financial dealings to ensure that its objectives are achieved efficiently and in compliance with the different acts that govern it. In 2020, the Authority did not modify its capital management process.

As stipulated in the *Pilotage Act*, the Authority must operate on a self-sustaining financial basis and cannot use parliamentary appropriations. As at December 31, 2020, the retained earnings amounted to \$26,876,978 (\$29,440,913 in 2019) and working capital totaled \$11,369,676 (\$13,182,071 as at December 31, 2019).

15. Related Parties

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the ordinary course of business, under the same terms and conditions as those concluded with unrelated parties. These transactions are of no significance and do not have a material effect on these Financial Statements.

The only other related party transactions entered into by the Authority are with key executives, including members of the Board of Directors. As at December 31, the key executives' compensation was as follows:

	2020	2019
Compensation and other short-term benefits	\$916,357	\$924,323
Post-employment benefits	106,192	105,912
	\$1,022,549	\$1,030,235

16. Financial Instruments

Fair Value

The financial assets and liabilities are cash and cash equivalents, receivables, investments, as well as accounts payable. The carrying amount of each such item, with the exception of investments, corresponds to a reasonable approximation of the fair value because of their short-term maturity.

The fair values of financial instruments are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy that applies in the determination of the fair value requires the use of observable market inputs, whenever such inputs are available. A financial instrument for which a significant unobservable input has been considered in measuring the fair value is classified to the lowest level of the hierarchy.

The fair value measurement hierarchy consists of the following levels:

Level 1: the fair value is based on the quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: the fair value is based on input-based measurement techniques for assets or liabilities, other than the quoted market prices included within Level 1, that are directly or indirectly observable.

Level 3: the fair value is based on measurement techniques that are based on a significant portion of inputs that are not observable in the market.

As at December 31, 2020 and 2019, the cash and cash equivalents are measured at fair value based on Level 1 while receivables, accounts payable and investments are measured based on Level 2. For 2020, the fair value of the investments is \$1,001,052 (\$2,416,270 in 2019). The fair value is based on the quoted market prices as at the end of the fiscal year, obtained from independent brokers for identical assets in markets that are not considered sufficiently active.

Credit Risk

Credit risk is the risk that the Authority will incur a financial loss if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. It arises primarily from the Authority's receivables.

There is no significant credit risk with the Authority's receivables as the *Pilotage Act* stipulates that the owner, master, and agent of a ship are jointly and severally liable for pilotage charges, and provides a mechanism to withhold custom clearance if pilotage charges are unpaid. As at December 31, 2020, no receivable is delinquent (nil in 2019). The maximum credit risk associated with receivables is \$11,271,347 (\$11,985,514 as at December 31, 2019). There is no concentration of receivables.

The Authority deals only with Canadian chartered banks and recognized financial institutions with higher credit ratings. The maximum credit risk associated with cash and cash equivalents is \$11,774,111 (\$11,898,837 as at December 31, 2019). The maximum credit risk associated with investments is \$1,001,052 (\$2,391,006 as at December 31, 2019).

Interest Rate Risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Authority may be exposed to interest rate risk through the use of its operating credit facility, since it bears interest. As at December 31, 2020, the operating credit facility was not used (nil in 2019). In addition, the Authority is exposed to interest rate risk for its investments; however, the rates of return being guaranteed, any change in the interest rate would not have a material impact on the Financial Statements.

In fiscal year 2020, the interest expense, other than on the lease obligation, is \$72.93 (\$122 in 2019).

Liquidity Risk

The liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority must operate on a self-sustaining financial basis and cannot use parliamentary appropriations; it is therefore dependent on funding sources and cash flows from operating activities to meet its funding requirements. The Authority manages this liquidity risk

by monitoring its actual and projected cash flows on a continuous basis. In addition, as presented in Note 9, the Authority has a credit facility, which is available as needed and renewable annually. The accounts payable and accrued liabilities are due within a period of three months.

None of the Authority's risk exposure, objectives, policies and processes to manage and assess the liquidity risk has changed significantly from the previous fiscal year.

17. Contingent Liability

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





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