



Laurentian
Pilotage
Authority

ANNUAL REPORT 2021



Canada



Administration de pilotage
des Laurentides

Laurentian Pilotage
Authority



Limites géographiques des activités *Geographical limits of activities*



TABLE OF CONTENTS

Blanc-Sablon

4

Mandate
and activities

8

Highlights

10

Message from
the chairperson of the
Board of Directors

12

Message from
the Chief Executive
Officer

14

The year in
figures

22

Description
of activities

28

Achievements
in 2021

42

Governance
and responsibilities

56

2022
Outlook

62

Financial
statements



Centre d'affectation
Dispatch Center



Station de pilotage
Pilotage Station



Port - Harbour

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, complying with the regulations governing the organization, and 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

-0.29%



21,153

assignments



99.95%

incident-free
assignments



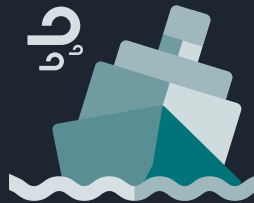
1,288

ships served



99.9%

service efficiency
(without delays)



0

major
accidents

+5.3%



\$99.0 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 2021. The LPA continued to play its leadership role in 2021 by ensuring navigation safety through the provision of safe and efficient pilotage services as well as by serving on a wide range of marine industry committees.





The effects of COVID-19 were felt around the world once again last year. This has heightened the importance of marine transportation and proved beyond doubt that it is a powerful driver of economic vitality for people and nations. After losing steam in 2020, global maritime trade saw a 4.3% rebound in 2021, according to the United Nations Conference on Trade and Development (UNCTAD). This short climb is encouraging, but the risks and uncertainties surrounding the industry remain and the current situation is still quite fragile. Logistical issues coupled with backlogged ports, a shortage of shipping containers and workers have led to increased freight rates, which hampered economic recovery.

This global situation has directly affected the LPA. The resumption of traffic growth was weaker than expected and although revenues increased from the previous year, they were still lower than pre-pandemic levels. Despite these challenges, the Authority's balance sheet has remained healthy and bodes well for investments in the short, medium and long terms which will benefit our partners, customers, and the community at large. The LPA has also been able to achieve its strategic and operational objectives, as detailed in this report. This includes our close collaboration with Transport Canada (TC) and other pilotage authorities on the implementation of the modified *Pilotage Act* and the development of the National Marine Pilotage Regulation. In addition, we played a leading role in the creation of the national pilotage committee co-chaired by our Chief Executive Officer and significant progress has been made in our technology projects aimed at improving the safety and efficiency of our services.

In closing, I would like to thank and acknowledge our Board of Directors, which is currently composed of six members. The stability of our board allows us to ensure the continuity of our large-scale projects and take into account a broad and strategic perspective in planning for the LPA's future. On my own behalf and on behalf of the members of the Board of Directors, I would like to thank Fulvio Fracassi, Chief Executive Officer of the Laurentian Pilotage Authority, his management team and all of the employees who actively contribute to the Authority's success. I also wish to give a heartfelt thank you to the Government of Canada, Transport Canada and its newly reappointed minister, the Honourable Omar Alghabra, as well as our many marine industry partners, specifically the two pilot corporations and the St. Lawrence pilots with whom we maintain a close working relationship.

Sincerely,



Julius Spivack,
Interim Chairperson
of the Board of Directors



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to present our annual report, which sets out our principal achievements and our operating and financial results for 2021.

Like most small, medium and large businesses, the Laurentian Pilotage Authority (LPA) had to deal with the economic and operational impacts of the pandemic for the second year in a row. The LPA has kept in place the measures implemented last year to protect the health and safety of its employees, marine pilots and the general public, while maintaining the quality of its pilotage services that are essential to the proper functioning of the supply chain. The actions taken over the past twelve months enabled us to ensure navigation safety as well as contribute to the protection of marine personnel, the public, property and the environment, through the provision of safe and efficient marine pilotage services on the St. Lawrence and Saguenay rivers.

In the last year, the number of pilot assignments remained virtually the same as 2020, with a small negative variance of 0.29% bringing the total to 21,153. As the expected economic recovery stimulated by an increase in marine traffic and trade volumes did not materialize, the Authority's revenues remained just below the \$100 million mark, stopping short at \$99 million.

In 2021, we continued to achieve excellent safety and efficiency results by keeping incidents and delays at a minimum. In this regard, 99.95% of pilotage missions were completed incident free. The eight incidents experienced out of 21,153 pilotage missions represent an improvement compared with previous years. This impressive statistic and result is indicative of the in-depth knowledge of the river and the mastery of the navigation



conditions held by the pilots of the St. Lawrence. In addition, as in 2020, pilotage services were provided 99.9% of the time without any delays attributable to a lack of pilot availability.

In 2021, the Authority's team focused on advancing and completing key projects having a positive impact on its activities as well as those of the industry. In this regard, we continued to support Transport Canada (TC) in implementing the modifications to the *Pilotage Act* and developing national marine pilotage regulations. The LPA also came to an agreement on renewing the service contract with the Corporation des pilotes du Saint-Laurent central [Corporation of Mid St. Lawrence Pilots] and initiated negotiations with the Corporation des pilotes du Bas-Saint-Laurent [Corporation of Lower St. Lawrence Pilots]. In addition, we continued to support TC with respect to their follow up regarding the risk analysis on pilotage in North Shore ports and advanced our work with the risk assessment for South Shore ports.

On the technology front, the Authority continued to develop its Marine Simulation and Resource Centre, including leading and completing several studies on improving pilotage and navigation practices. A business development plan has also been prepared with the goal of maximizing the benefits of this centre and making it even more accessible to its partners, customers and other marine industry stakeholders. It has also worked on optimizing ship transits by completing the first phase of its Optimized Pilotage Services (OPS) initiative. This software tool will soon be entering its second phase of development. In addition, in order to facilitate operations and management, the LPA has focused on developing business intelligence system, which will allow it to improve its performance tracking and decision-making.

For the first time in its history, the LPA has been recognized as one of Montreal's best employers for the working conditions and other benefits it offers its employees. The Authority also focused on continuing its efforts to promote and achieve diversity, equity and

inclusion within its ranks. As a responsible corporate citizen, it has begun developing a sustainable development plan that will lead to the gradual introduction of new green measures in its activities.

All these achievements and others described in our annual report would not have been possible without the support of our talented and hardworking employees whom I would like to thank personally. Their daily contributions make the LPA a trusted partner that all marine industry stakeholders can count on. I would also like to thank the Board of Directors, the Government of Canada and its various departments for their unwavering support that has allowed the Authority to excel and achieve its objectives. In addition, I would like to extend my thanks to the pilots and their corporations for their collaboration and professionalism, as well as for their safe and efficient navigation in the waters that we hold so dear.

Enjoy reading.



Fulvio Fracassi,
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)

	2021	2020	2019	2018	2017
Revenues	\$98,914	\$93,971	\$108,293	\$105,902	\$95,017
Expenses	\$100,269	\$96,535	\$107,680	\$106,512	\$94,709
Comprehensive income	\$(1,355)	\$(2,564)	\$613	\$(610)	\$308
Working capital	\$11,321	\$11,370	\$13,182	\$11,810	\$13,890
Retained earnings	\$25,522	\$26,877	\$29,441	\$28,828	\$29,438
Number of assignments	21,153	21,215	24,670	24,950	22,732

Human Ressources

	2021	2020	2019	2018	2017
Management	5	5	5	7	6
Administration & Operations	19	17	15	14	15
Dispatch	20	22	19	15	17
Boat Crews	18	14	15	13	11

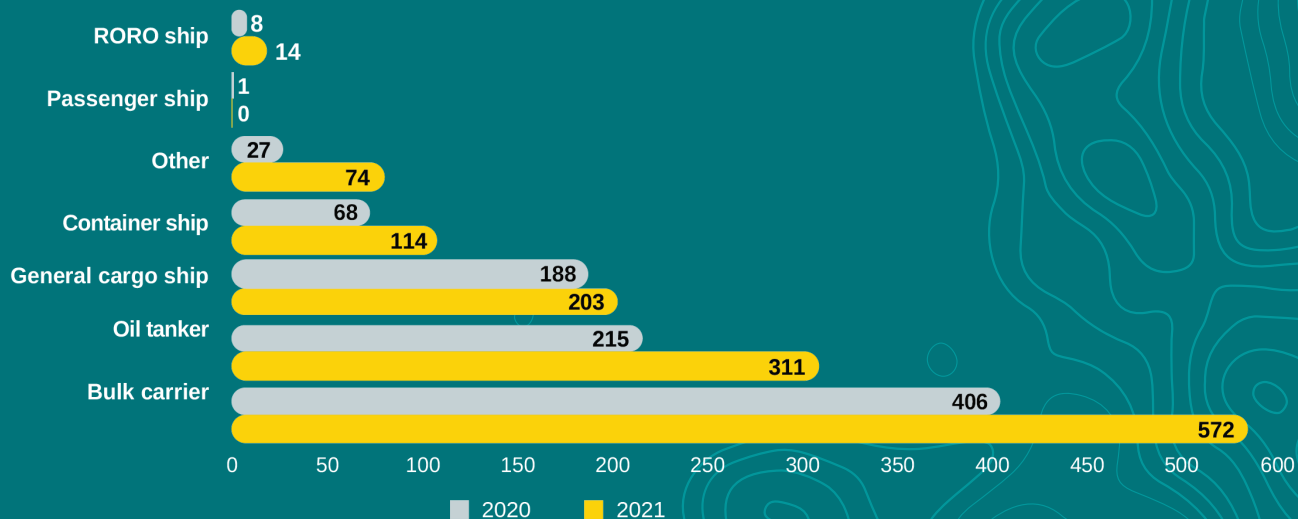
Pilots and Certificates

	2021	2020	2019	2018	2017
Contract Pilots*	198	195	180	174	173
Apprentice Pilots	20	19	14	17	19
Pilotage Certificate Holders	2	2	2	2	2





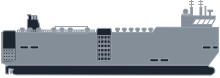
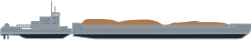
* Number of active licences, in pilot-years. This figure is adjusted to account for suspended licences (long-term disability, etc.), semi-retirements and for pilot corporation directors.

LEVEL OF SERVICE

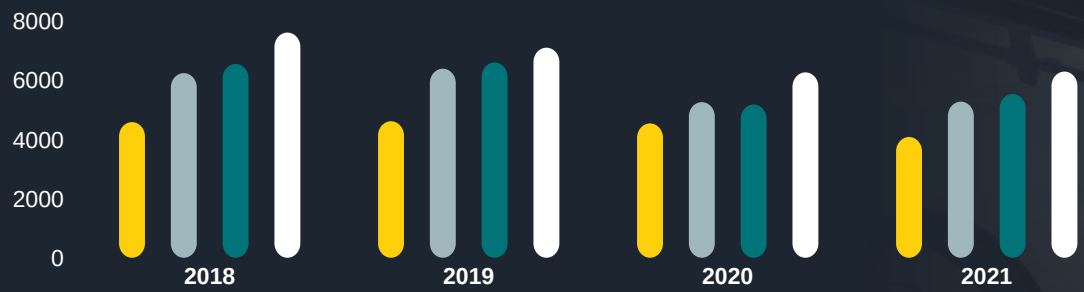
Number of different ships served by the Authority,
regardless of the number of voyages performed



Number of voyages performed by type of ship

		2021		2020	
Bulk carrier		2,924	44.20 %	2,699	41.28 %
Oil tanker		1,711	25.87 %	1,690	25.85 %
Container ship		774	11.70 %	777	11.88 %
General cargo ship		919	13.89 %	1,030	15.75 %
Passenger ship		–	0.00 %	3	0.05 %
RORO ship		174	2.63 %	158	2.42 %
Other		113	1.71 %	181	2.77 %
		6,615	100.00 %	6,538	100.00 %

Number of assignments per quarter



1st quarter	4,578	4,607	4,534	4,076
2nd quarter	6,231	6,381	5,252	5,268
3rd quarter	6,541	6,592	5,172	5,526
4th quarter	7,600	7,090	6,257	6,283
Total	24,950	24,670	21,215	21,153

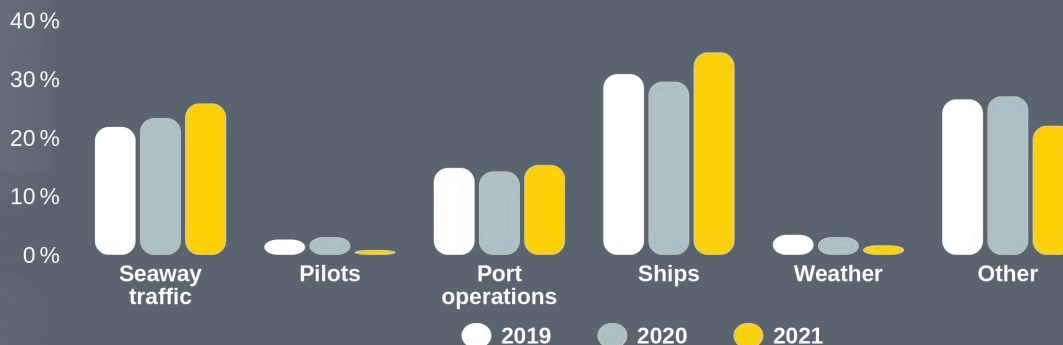
SERVICE EFFICIENCY

	% of pilotage missions with no pilot-related delays	% of pilot-related service delays	
2021	99.9 %	0.98 %	(51h)
2020	99.9 %	0.96 %	(44h)
2019	99.3 %	6.2 %	(434h)



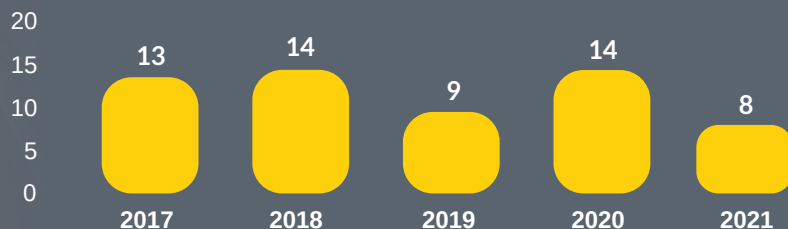


Breakdown of the number of delays by cause



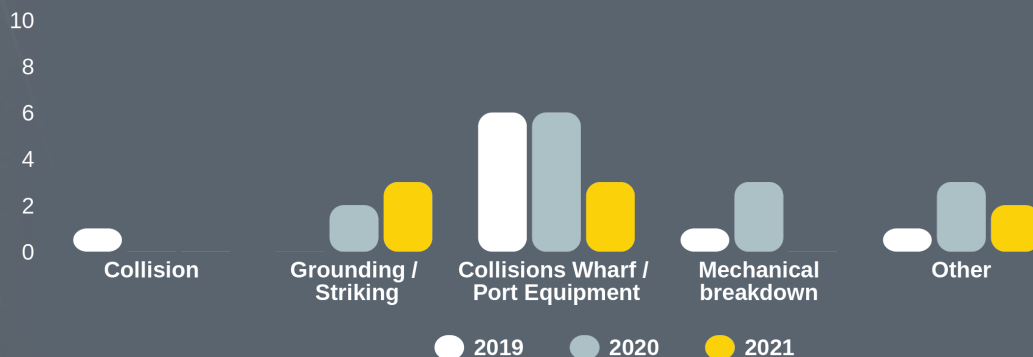
SAFETY AND MARINE OCCURRENCES – INCIDENTS/ACCIDENTS

Number of incidents/accidents



21

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. The Authority also operates a shuttle service in Port of Montreal waters to transport pilots to ships docked at terminals.



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 62. In addition, the LPA works with 198 licensed pilots and 20 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 waterway in the world. Upon entering the Authority's compulsory pilotage areas, the masters of domestic and foreign flagged vessels transfer the vessel's conduct to licenced 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 a licence or permit is issued 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	198 pilots 20 apprentice pilots 2 certified
Operation of the marine simulation centre	20 employees	18 employees	And many other business and service partners
24 employees			

ACHIEVEMENTS IN 2021

PANDEMIC MANAGEMENT: OPERATIONAL CONTINUITY DURING THE PANDEMIC

In 2021, management's priorities included continuing to protect the health and safety of the Authority's employees and marine pilots and ensuring the continuity of the LPA operations in a fast-changing environment that has changed as a result of the pandemic.

28

Adapting to changing operational and strategic realities

Despite the slowdown of the pandemic observed at certain periods of the past year, management's vigilance towards its consequences and its dangers did not diminish. While some management practices returned to their pre-pandemic state, COVID-19 and its impacts continued to be a priority internally and with business partners. A number of measures put in place on a temporary basis to adapt to changing realities have since however become permanent.

In this regard, ongoing communication with both pilot corporations were maintained regarding COVID-19 related risks and concerns encountered by pilots including onboard ships. The LPA took immediate action when these concerns and potential risks were brought to its attention. The Authority's relations with health agencies and Transport Canada as well as the application of protocols in place allowed the continued smooth running of operations.

Promoting employees' health and physical safety

Close monitoring of compliance with provincial and federal health authorities' instructions has been maintained and has been achieved in different ways. Aware of the need of certain employees to return to the work site, the LPA has applied an attendance monitoring system to avoid having too many employees present on site at the same time. In keeping with the goal of offering maximum protection to its employees, the Authority has ensured the availability of masks and basic hygiene products and the maintenance of hygiene measures at its premises at all times.







The LPA put in place its vaccine policy in the fall in accordance with the instructions issued by the federal government via Transport Canada. This policy required all employees to provide proofs of vaccination. Proof of double vaccination or presentation of a medical note authorizing the implementation of accommodation measures was required for an employee to continue to be in active duty. The LPA is able to certify that 96% of its employee have a vaccination status compliant with requirements.

Moreover, a mandatory vaccination policy applicable to the Authority's suppliers and visitors has also been developed and implemented. This policy, in line with government directives, requires all pilots boarding a vessel to be vaccinated. All of the Authority's suppliers are also required to provide written confirmation that employees providing in-person services are fully vaccinated. This confirmation is required when these employees are in proximity of a client, an LPA employee or a marine pilot, or when they visit establishments or pilot boats managed by the Authority. The policy requires that all suppliers or visitors going to an LPA premises to provide proof of COVID-19 vaccination beforehand.

IMPLEMENTATION OF THE MODIFIED *PILOTAGE ACT*

Continued Integration of Amendments to the *Pilotage Act*

In 2021, the Authority pursued the extensive process of implementing the amendments set out in the modified *Pilotage Act* initiated in 2019. These amendments 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 Act's fourth and final order-in-council was issued last year bringing into force the remaining provisions of the amended Act. This included Transport Canada's regulatory powers under the Act, to which the Authority has to comply. The next step of this major file consists of clarifying certain roles and responsibilities with the stakeholders directly concerned. The LPA will continue to work closely with Transport Canada in the coming months in order to facilitate the implementation of the amended Act.

LPA SERVING THE CANADIAN GOVERNMENT, CITIZENS AND CUSTOMERS

National Marine Pilotage Regulation Participation

The LPA has continued working with Transport Canada and other pilotage authorities in the country to develop the draft national marine pilotage regulation. This regulatory project, headed by Transport Canada, includes provisions requiring the implementation of a management system by each of the pilotage authorities. This new regulatory framework on pilotage management systems will take into account authorities' policies, procedures and instructions and will apply to all related stakeholders (employees, pilots, corporations and other partners). In 2021, the internal committee assigned to this file continued its analysis and documented numerous processes being applied within the Authority.

Pilotage Management Systems Working Committee

The LPA has continued work to develop its management systems in accordance with the Act. It has provided its comments to Transport Canada on the proposed draft national marine pilotage regulations and the administrative monetary penalties proposed therein.

Work to align the LPA's policies with the proposed pilotage management system have continued throughout the year, in particular following the negotiation of work contracts with the two pilot corporations. A certain number of topics traditionally included in these service contracts have been transferred to policies which will be an integral part of the Authority's management systems, in accordance with the amended *Pilotage Act*.

The LPA's organizational structure was updated in the fall in order to formalize responsibilities for the implementation, application and maintenance of the Authority's management systems. The development of a work plan defining and outlining the various steps to be carried out has begun under the responsibility of the Executive Director, Finance and Administration.

Client Satisfaction Survey and Results Monitoring

A client satisfaction survey on LPA services was launched in early winter 2021. Four separate categories were evaluated: overall perception and general satisfaction with the organization, satisfaction with pilot boat services at Les Escoumins, satisfaction with the dispatch centre and satisfaction with the billing department services.

The results of this survey are positive and a satisfaction rate of 90% was reached in most of the evaluated categories. Following the compilation and analysis of the results, management considered measures to implement to maintain the current level of service excellence as well seeking areas for further improvement.





SERVICE CONTRACTS

Negotiation of New Service Contracts with the Pilot Corporations

In 2021, the Laurentian Pilotage Authority and the Corporation des pilotes du Saint-Laurent central [Corporation of Mid St. Lawrence Pilots] signed a new service contract with a three-year term. In accordance with the amended Pilotage Act, provisions pertaining to navigation safety were removed from the service contract. These safety rules are now included in the Authority's policies.

The LPA and the Corporation des pilotes du Bas-Saint-Laurent [Corporation of Lower St. Lawrence Pilots] began negotiations in the fall for the renewal of the service contract which expired on December 31, 2021. In compliance with the Pilotage Act, we will seek to change the service contract to remove prohibited provisions covering subject matters coming within TC's regulatory powers, such as double pilotage and navigation safety rules.

SAFETY AND EFFICIENCY OF NAVIGATION AND OPERATIONS

Navigation Simulator Updates

The Authority operates a marine navigation simulation centre at its Montreal office. In order to ensure safe, efficient and effective marine transits and optimize its operations and those of its partners, it has continued the development of its pilot-grade simulator and continued to improve its database. The Authority is confident that this cutting-edge simulator will play an increasingly important role in the development and adoption of good pilotage and navigation practices.

Improvements were made to the 3D Canadian ports environment in 2021—including Montreal, Quebec City, Trois-Rivières, Matane, Baie-Déception and Puvirnituk. The LPA has also undertaken a research project to understand the forces interaction when an underway vessel passes close to a berthed vessel. The results of this study will serve to adjust navigation practices to reduce the risk of damage caused by such a situation.

Another study is being conducted on the impacts of propeller turbulences created by tugs assisting vessels during berthing in confined areas, where the turbulences hit the dock structures behind the tugs, causing damage. A variety of experimental berthing manoeuvres are being trialed with the simulator in order to alleviate the problem.

In addition to these projects, training of masters sailing in northern Quebec waters, the development of training for LPA pilot boat captains, and marine incident re-enactments and analyses have been carried out.

Simulation Centre Business Development Plan

In the last number of months, the LPA has drafted and finalized a business development plan to maximize the potential of its simulation centre and promote its leadership and expertise in marine simulation.

The Authority seeks to make use of these advanced technologies so that it may continue to offer the safest, most efficient and effective pilot services in a context where the size of ships on the river and the associated risks keep increasing. The LPA's Marine Simulation and Resource Centre enables analysis of this type of risk in addition to optimizing the efficiency and quality of pilotage services and offering other types of applications. The Authority plans to make the centre available to marine industry stakeholders in the near future so that they may make use of its capabilities to perform various types of analyses relating to their operations and to adapt their practices according as necessary.



Optimized Pilotage Services

The LPA is leading the optimized pilotage services and St. Lawrence transits software project in collaboration with several industry partners, including Innovation maritime, Réseau Québec Maritime and the pilot corporations. This software, which takes into account multiple administrative, regulatory and physical parameters in order to find the best ship transit windows between Les Escoumins and Montreal, is making significant progress in terms of its development and performance.

The first development phase, which was completed in June 2021, has already integrated a number of essential parameters to compute optimized transits windows. The second phase will consist of improving the coordination of the Authority's pilotage services with those of its partners. The implementation of this high-tech tool will also contribute to the achievement of the LPA's environmental objectives which consist of reducing the fuel consumption and greenhouse gas emissions for ships sailing on the river.

Pilotage in North Shore Ports

After conducting risk studies in the ports of Havre-Saint-Pierre, Sept-Îles, Port-Cartier and Baie-Comeau, and conveying its recommendations in favour of a regulatory framework for pilotage in these zones pursuant to the Act, the Authority has continued to support Transport Canada in its reflections on potential consultations with stakeholders. In preparation for the adoption of a position by Transport Canada on regulating and the introduction of compulsory pilotage in North Shore Ports, the LPA continues to closely monitor this file, taking into account the possible impacts on its operations.

South Shore Ports Risk Analysis

With the aim of promoting safe navigation in the waters under its jurisdiction, the LPA has carried out a risk study on unregulated pilotage areas in the main South Shore ports of the St. Lawrence. Phase I of this analysis was completed last year and the preliminary report is currently being assessed to determine the next steps. Ports included in this study are Rimouski, Matane, Les Méchins, Gaspé, Cap-aux-Meules and Mines Seleine.

Risk Assessment of the Safe Duration of a Voyage Between Les Escoumins and Quebec City

A risk analysis aimed at determining the safe duration of a voyage between Les Escoumins and Quebec City with a single pilot was completed last year. A copy of the analysis report prepared in accordance with the Pilotage Risk Management Methodology (PRMM) has been submitted to the stakeholders involved—the CPBSL, Transport Canada and other industry representatives. This report's recommendations are being analyzed and consultations will be held with stakeholders to obtain comments and plan the next steps.

Implementation of a New Dispatch and Billing Management Platform

The LPA launched a new platform in January to facilitate dispatch management and billing of CPSLC and CPBSL pilots. This platform is a modern system which better meets new operating realities. It allows the automation of certain tasks and brings significant improvements in terms of information quantity and quality and offers better stability and performance. This project, which has been in development for several months, required the buy-in and support of a substantial number of employees from all departments.

Recruitment of Apprentices Pilots

In order to grow its workforce and ensure quality service to its customers, the LPA recruited eight apprentice pilots in the past year. All apprentices who joined one of the St. Lawrence pilot corporations will undergo a 24-month training program which began on April 1. The Authority and both pilot corporations have been working closely to promote marine industry professions to the public in a context of labour shortages.

Ville-Marie Shuttle Operations

The “Ville-Marie” shuttle provided transportation to 1,650 CPLSC pilots between May and November last year. This service, offered 24/7, significantly reduces the travel time of pilots in the Port of Montreal. For ship owners, operation of this vessel by the LPA means more scheduling flexibility and more flexible assignment rules. Use of the shuttle has doubled since it was launched in spring 2019, increasing by more than 106%.

Business Intelligence Development

The Authority keeps abreast of new technologies which can be used to optimize its operations and management, and has implemented a new information analysis structure to enable LPA managers in consulting multiple operational and financial data sets. When combined with modern analytical tools, this data model makes it possible to create interactive dashboards, allowing users to undertake detailed quick analyses. This system will allow current performance indicators to be improved and new ones to be developed, thereby making it easier to read a situation in near real-time and make strategic decisions. The implementation of business intelligence tools will allow managers to refine forecasts, answer to information requests easier and improve performance tracking.

IT Master Plan Update

An IT master plan has been developed in order to take advantage of technological evolution. This plan—which is closely linked to the corporate plan and where the first actions have been implemented—deals with the risks and issues associated with continuity of operations, cybersecurity asset renewal, and technological development. On the whole, the master plan optimizes the Authority’s day-to-day operations and facilitates its management.



ASSET MANAGEMENT

Cybersecurity Awareness

Cybersecurity has become a major issue for all enterprises, particularly organizations in the marine industry such as the LPA. Initiatives to raise employees' awareness on the proper use and protection of corporate data have been put forward over the past year. In addition to rolling out a wide-scale cybersecurity information and awareness program, the Authority has invited its employees to undergo online training to improve their knowledge and help them detect and limit potential cyberattacks. This training is complemented by phishing simulation campaigns to test employees' acquired knowledge. In addition to these measures, the Authority has made information security a priority and remains vigilant to situations that could affect it.

Timber Crib Wharf Refurbishment

The timber crib wharf at the Les Escoumins pilot station acts as a breakwater to preserve the shoreline and to protect pilot boats. Exposure to severe weather has degraded the wharf and major repairs have become necessary.

During the past year, the LPA has prepared the project by developing an operational plan and signing agreements with stakeholders directly concerned by the project, such as Indigenous communities, the local port authority and businesses in the area offering whale watching excursions. It has also obtaining the permits required to carry out repair work in accordance with the conditions set out by Transport Canada and Fisheries and Oceans Canada. The construction work, which is slated to begin in spring 2022, should allow the LPA to give new life to an important asset to ensure the continued smooth running of its operations and benefit the Les Escoumins community as a whole.



HUMAN CAPITAL AND HUMAN RESOURCES

The LPA is One of Montreal's Top 100 Employers

The LPA is proud to have been recognized in 2021 as one of Montreal's top 100 employers by the editors of *Canada's Top 100 Employers* for offering progressive and forward-thinking programs to its employees. The Authority was assessed according to eight separate criteria: (1) Physical Workplace; (2) Workplace Atmosphere & Social; (3) Health, Financial & Family Benefits; (4) Vacation & Time Off; (5) Employee Communications; (6) Performance Management; (7) Training & Skills Development; and (8) Community Involvement. In addition to maintaining its current initiatives, the Authority is open to adopting new measures. It does not hesitate to survey its employees so that they are part of proposals to enhance sense of belonging, wellbeing and happiness within the Authority.

Preserving Mental Health in the Workplace

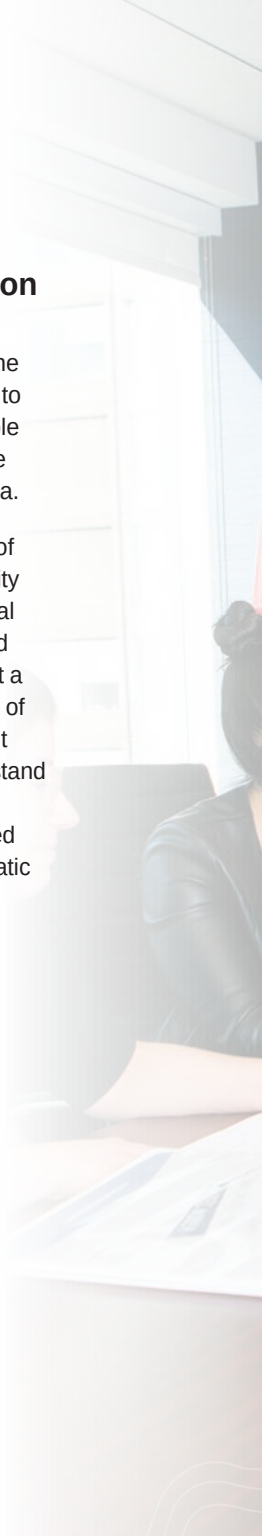
As the last year was once again marked by the pandemic, the Authority continued to monitor various indicators that would allow it to predict, track and resolve problems that could affect employee health.

Among the actions implemented is a review of the employee assistance program and the remote health consultation service. Also, the disability management program implemented at the end of 2020 has been renewed and its rollout has made possible to ensure effective oversight of the return to work of employees who have experienced various types of difficulties. The initiative to increase communication volume from management to employees started at the very outset of the pandemic has been maintained; it has allowed the breaking down of isolation and the preservation of strong ties with employees.

Diversity, Inclusion and Pay Equity Within the Organization

Aware of the importance of supporting and fostering diversity in its workforce, the LPA has pursued its recruiting initiatives to achieve equitable representation of visible minorities on its team, proportional to the targets set by the Government of Canada.

Senior management has stayed abreast of best practices regarding inclusion, diversity and discrimination by taking part in several workshops and training sessions provided by professionals. Sensitive to the fact that a feeling of exclusion can also be the result of geographic isolation, the Authority has put forth a strategy to learn about and understand employees working in remote regions. An inclusion committee has also been created in order to defuse or correct any problematic situation, whether potential or actual.





Administration de pilotage
des Laurentides

Laurentian Pilotage
Authority

Canada



ENVIRONMENT AND COMMUNITY

Green Plan

In recent months, the Authority initiated an extensive reflection on its current sustainable development practices. A working committee has been set up to analyze the administrative and operational initiatives underway and to propose new actions to reduce the Authority's environmental footprint, in keeping with its mission and the Act. This team subsequently mandated a specialized environmental firm to help them define, structure and implement new measures for its premises and also for its Montreal shuttle operation, its pilot station and its pilot boats at Les Escoumins.

Renewal of Green Marine Certification

The LPA's Green Marine certification has been renewed in recognition of its compliance with numerous environmental criteria in operating its boarding station and pilot boats. The LPA is the first marine pilotage authority in Canada to register for this program and has been evaluated on its oily water management, garbage management, and underwater noise generated by its vessels. In terms of initiatives aimed at further improving its record, the LPA has made an inventory of its inputs and outputs, installed a large tank to store bulk oil, and eliminated hundreds of plastic containers annually.

VISIBILITY OF THE AUTHORITY

A Sustained Industry Presence

The LPA participated in multiple committees in 2021 to share its perspectives on marine pilotage and navigation safety with regulatory authorities and other industry players. These include Transport Canada's Canadian Marine Advisory Council, Transport Canada's Regional Canadian Marine Advisory Council, the Regional Subcommittee on e-Navigation, the Canadian Coast Guard's National Marine Advisory Board Subcommittee, the Canadian Maritime Autonomous Surface Ship Committee, the Federal Environmental Assessment Committee for the Port of Trois-Rivières expansion project, and many others. The LPA is also represented on the Board of Directors of the St. Lawrence Economic Development Council (SODES).

The Authority was also a presenter at events to promote its technology projects such as simulation and optimized pilotage services. It is also involved in research and development as a member of the consortium created by Halifax-based artificial intelligence company GSTS (Global Spatial Technology Solutions), to develop the OCIANA platform. This tool has the capacity to help mariners make better-informed decisions by providing them with near real-time information on marine traffic.

The Authority believes that its presentations to these forums and participation in discussions are essential to demonstrate the importance of marine safety, effectiveness and efficiency in the development and success of these projects. These actions also reflect the Authority's commitment to promote its leadership role in this area of expertise.



Digital Presence

The LPA continued to be active on social networks in 2021 to promote its mandate to the public, provide information about its activities, support recruitment activities or to provide marine industry-related news of interest to the public. Between January and December, more than one hundred different posts were published on Facebook and LinkedIn. These posts attracted a higher level of engagement compared to previous years. The number of followers who subscribed to these pages increased by 19.3% on the first platform and by 42.3% on the second.

GOVERNANCE AND RESPONSABILITIES

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*.

42

Government Policies

The Authority complies with the Acts and regulations enacted by the federal government and complies with government directives to which it is subjected. 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 2021, 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 2021	Expenses Incurred in 2020
Travel	\$16,131	\$9,540
Hospitality	\$1,577	\$2,410
Conferences	\$0	\$2,689
Total	\$17,708	\$14,639

GOVERNANCE PRACTICES

Board of Directors

Under the *Pilotage Act*, the LPA has a Board of Directors 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.

The Board met eleven times in the last year: seven regular meetings, three special 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 modified *Pilotage Act*, the setting of pilotage charges for 2021 and 2022, service contract negotiations with the CPBSL, follow-up of the LPA financial statements, pandemic impact management, diversity and inclusion, simulator development as well as optimized pilotage.

The LPA annual public meeting was again held via videoconference on August 21, 2021, 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, discussed in turn the 2020 achievements with the audience and presented the strategic priorities and objectives for 2021–2022.

Committees

Governance and Human Resources Committee

Mrs. Sophie-Emmanuelle Chebin (President)
Mr. Frank Di Tomaso
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. The committee met eight times in 2021, including four meetings held as regular sessions.

Audit Committee

Mr. Julius Spivack (President)
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)*. This committee met six times in 2021, including five meetings held as regular sessions.



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.



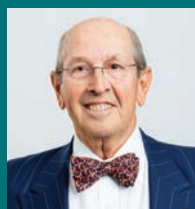
Christiane Chabot,
B.Sc.
Director

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.



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.



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.



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.

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.

Every three weeks, management holds an Internal Management Committee meeting which includes a dozen employees representing all 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).



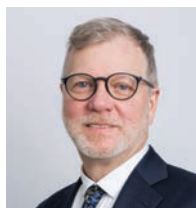
Anaïs de Lausnay,
General Counsel
and Corporate Secretary

As senior legal counsel, maître Anaïs de Lausnay heads the Authority's legal affairs and ensures that solutions to various issues are implemented that respect the Authority'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.



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 has acquired solid experience in the course of her duties, including in the areas of governance, internal controls and risk management. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

General Comments

Year 2021—the second year of the pandemic—unfortunately did not turn out to be the year in which the hoped-for economic recovery occurred. As teleworking was maintained throughout the year, several initiatives first introduced temporarily in 2020 have been made permanent. Management has decided to offer LPA employees a permanent equitable hybrid arrangement combining remote and on-site work. This project will be initiated as soon as the public authorities allow a return to on-site work.

The negative impacts—which are a direct consequence of the economic slowdown caused by this exceptional situation—can still be felt in the industry. The number of pilot assignments performed in 2021 is almost identical, within 62 assignments of 2020. The 21,153 assignments performed last year generated income well beyond the budget forecasts made for this period.

Of the challenges faced by the Authority over the past twelve months, negotiations for a new service contract with the Corporation of Mid St. Lawrence Pilots stand out in particular. This contract, valid until 2023, is a historic one as it is the first to be signed under the modified *Pilotage Act*.

Of course, the LPA's operations and management methods saw many other issues and challenges. Management is proud to note that its team members have been able to overcome these challenges while continuing to carry out their responsibilities to a high standard of quality and reliability. This became clear at the start of the year when the results of the customer survey turned out to be highly positive.

Financial Results

Fiscal year 2021 was strongly influenced by the pandemic, which continued to persist around the world. The number of pilot assignments remained comparable to 2020, which enabled the authority to post total income of \$99 million compared to \$94 million the previous year. This increase is largely explained by an increase in bulk carrier traffic and a 3% increase in pilotage fees in agreement with the industry. The revenue increase combined with strict budgetary controls have enabled the authority to end the fiscal year with a loss of \$1.36 million—a better performance than 2020.

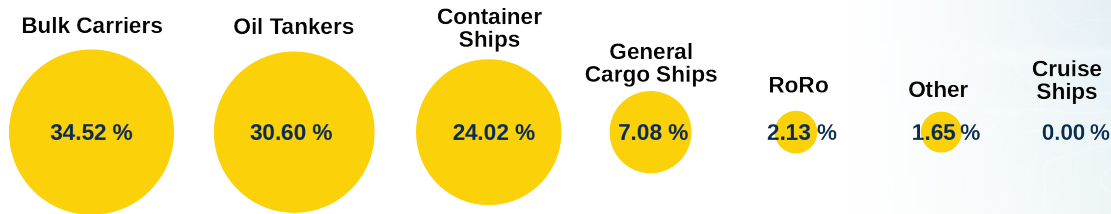
Pilotage Charges

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.

At the end of 2021, the LPA submitted a pilotage charge review notice for 2022, in accordance with the established methodology. A new charge review schedule was produced in 2021 to ensure that the new rates for the following year can come into effect at the very start of the year, thereby avoiding income discrepancies.



Revenue distribution by type of ship (2021)



Pilotage Services

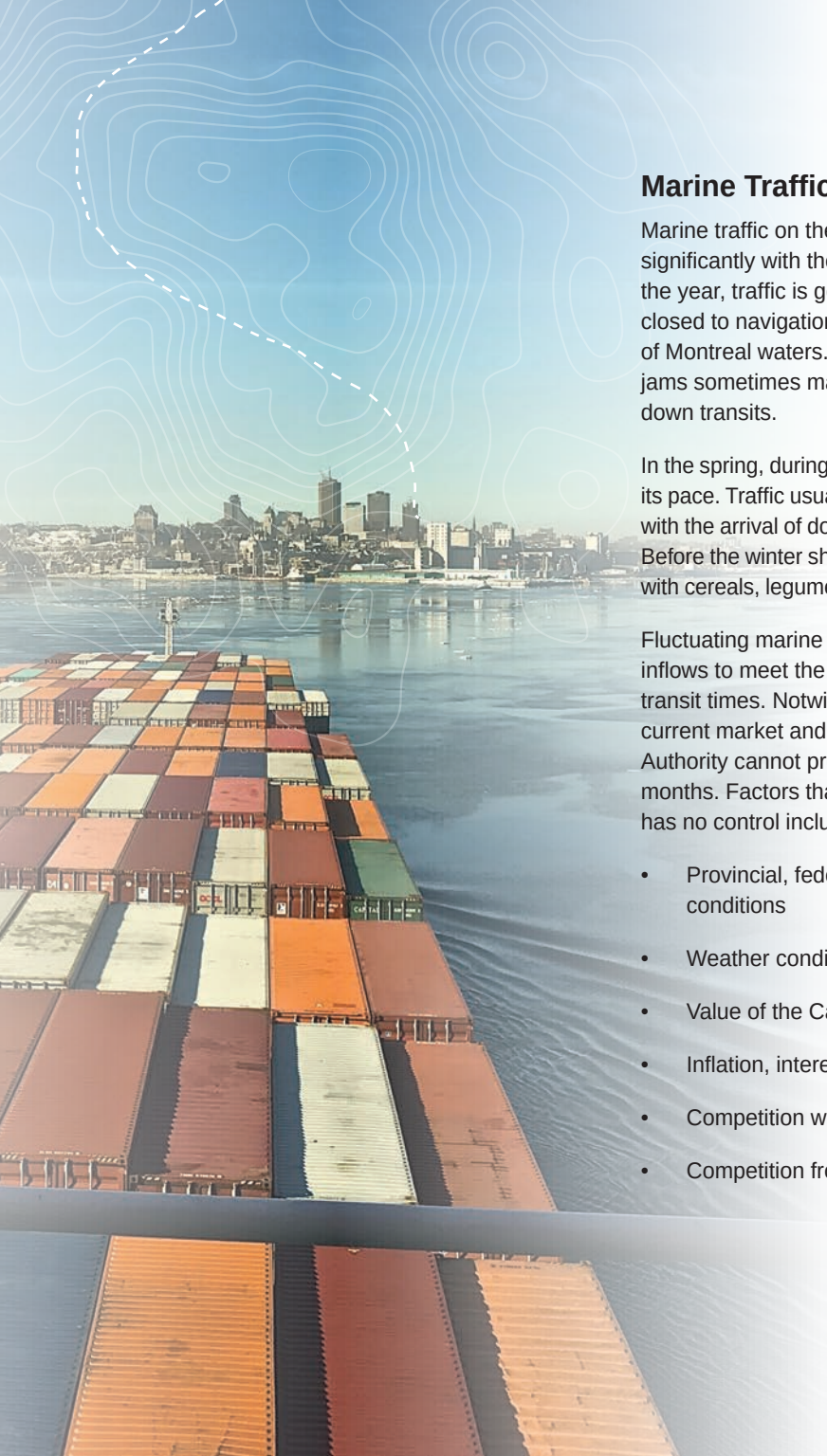
Pilotage services for the three districts under the LPA's jurisdiction are provided by non-employee contract pilots. These pilots are represented by two corporations: the Corporation des pilotes du Saint-Laurent central [Corporation of Mid St. Lawrence Pilots] and the Corporation des pilotes du Bas-Saint-Laurent [Corporation of Lower St. Lawrence Pilots], with which it negotiates separate service contracts.

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.

On June 30, 2020, the service contract with the CPSLC expired. A new three-year contract was signed on April 23, 2021. The agreement with the CPBSL expired on December 31, 2021.

Pilotage services are supported by a pilot boarding service provided by a subcontractor to all ports, with the exception of Les Escoumins. Pilot boarding services provided by pilot boats represents around 10% of the Authority's total expenses. In 2021, the LPA assessed the quality of boarding services offered at all of these locations and launched calls for tenders for those under the responsibility of its business partner.



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.

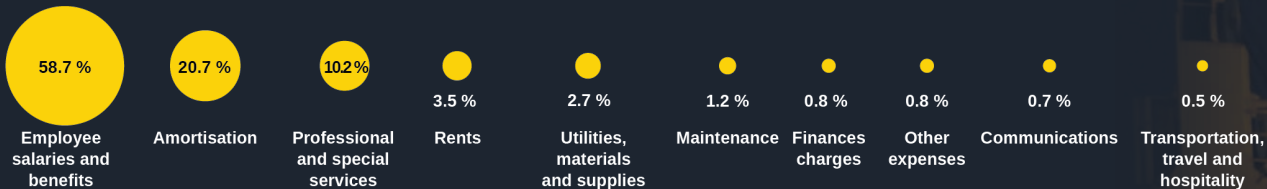
In the spring, during the second quarter, traffic gradually resumes its pace. Traffic usually peaks during the fourth quarter in the fall, with the arrival of dozens of international and domestic cruise ships. Before the winter shutdown of the Seaway, bulk carriers leave loaded with cereals, legumes, 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 (2021)

In 2021, employee salaries and benefits and amortization accounted for 79.4% of the LPA's administrative expenses—an increase of 3.67% from the previous year.



Results Analysis

Revenues

With marine traffic similar to 2020, revenues generated by pilotage, excluding revenues generated from pilot boat operation increased by \$5.1 million to reach \$86.4 million in 2021. This increase is essentially explained by the adjustment made to pilotage charges and the increase in bulk carrier traffic observed on the St. Lawrence. Revenues from pilot boat operation are similar to those of the previous year. The LPA's total income for 2021 was \$99 million, which represents a net increase of \$5 million compared to 2020.

Fees paid to pilot corporations and Boarding Fees

Fees payable to pilot corporations active in the three districts under the LPA's jurisdiction and operating costs of pilot boats increased by \$3.35 million, reaching a total of \$90.1 million. This is the direct result of an increase in revenues for 2021.

Administrative and Operational Expenses

Administrative and operational expenses totalled almost \$10.2 million in 2021 compared to \$9.8 million in 2020—an increase of 3.9%. This difference is explained in part by statutory and annual increases in employee pay and benefits, and by the increase in amortizations.



RISK MANAGEMENT

Risk management is a fundamental component of overall enterprise management that the Authority considers to be of high importance. A complete overhaul of the risk management matrix was started in 2021. Management carried out a comprehensive risk identification and evaluation exercise with support from a expert consultant. This work will be completed in winter 2022 with the introduction of a new risk management policy and fully reviewed and adapted documentation. Management has been able to prioritize the risks it encounters and has ensured the maintenance and proper operation of the mitigation measures required to ensure that the Authority is not exposed to their impacts.

2022 OUTLOOK

Background

In 2021, global trade continued to be impacted the pandemic that has left no economic sector left unscathed—not even in the maritime sector. Despite a further decrease in assignments observed at the Authority—which was the direct consequence of a further drop in marine traffic on the St. Lawrence—several large-scale projects were started or completed internally. However, a number of initiatives had to be put on hold until a certain degree of stability is re-established. The specific context with which organizations had to contend with did diminished the Authority's drive to continue moving forward and remain focused on the future. The LPA will also have to tackle numerous emerging challenges and work with its numerous partners to effectively ensure the continuity of day-to-day operations. It will need to adapt, be creative, agile and resilient to ensure that safe navigation continues on the St. Lawrence and Saguenay rivers. It has adopted the strictest health measures in recent months without compromising the safety and efficiency of its pilotage service. Notwithstanding the multiple operating constraints brought on by the pandemic, the transportation of food products, construction materials, various fuels and other essential goods under the responsibility of the LPA and St. Lawrence pilots has never been affected.





Fundamental Principles of Strategic Priorities

The LPA's strategic priorities determine the annual objectives, allowing for favourable positioning for 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 Navigation safety and efficiency
- 5 Human resources development
- 6 Appropriate use of technology
- 7 Financial self-sufficiency

Strategic Priorities

The LPA has adopted **three (3) strategic priorities** to guide its decision-making and to help define and prioritize projects to be implemented by team members.

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, taking technological developments into account.

- Review Post-Pandemic Work Organization and Operational Continuity.
- Rollout Phase I and II of Optimized Pilotage Services.
- Complete the Simulation Centre Business Development Plan and Continue its Rollout.
- Continue the Development and Implementation of a Management System.
- Undertake Consultations following the Risk Study on Fatigue recommendations and Finalize the South Shore Risk Analysis.
- Continue the Overhaul of Pilot Boat Services Between Montreal and Quebec City.
- Ensure Implementation of the IT Master Plan.

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.

- Review the Financial Needs Strategy and Define an Adequate and Reasonable Cash Position.
- Overhaul the Billing and Revenue Calculation System.
- Develop a pilotage charge Program for early 2023 implementation.

- Continue Exploring Other Sources of Income/Subsidies Where Appropriate.
- Establish a Financial and Operational Indicators tracking Dashboard.
- Client Satisfaction Survey Follow-Up.

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.

- Work closely with TC and the pilotage authorities in the Implementation of the *modified Act* and the Development of National Pilotage Regulations.
- Develop and Implement the LPA Green Plan.
- Negotiate the Service Contract with the CPBSL.
- Support TC in its consultations, if applicable, with Stakeholders and Develop a Plan for the Potential Implementation of pilotage Services in the North Shore ports (Operations and Budget).
- Continue to Support the Government's Objectives relating to Workplace Mental Health, Diversity and Inclusion.
- Roll Out Employee Engagement Measures in Response to the Pilotage 2020 Employee Survey.
- Continue the Rollout of the Strategic HR Plan and Ensure Resource Optimization.



The LPA Looking Ahead

The LPA gives careful consideration every day to its preferred management methods and remains open to potentially beneficial changes. It aspires to excellence and innovation so that the practices, policies, procedures and rules adopted are in the best interests of employees, partners, customers and Canadians.

Moving ever forward, the LPA has undertaken a major technological shift to help achieve its mandate to ensure safer and more efficient marine pilotage safety and navigation 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 modified Pilotage Act. The LPA cares about its employees' happiness and wellbeing, and supports diversity and inclusion by listening and taking note of their concerns. It also looks out for the health and safety of marine pilots by taking concrete actions 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 while ensuring positive progress.





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.

FINANCIAL STATEMENTS

62



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 Financial Administration Act and 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 her opinion on the financial statements of the Authority.



Fulvio Fracassi, LL.M.
Chief Executive Officer

Montreal, Canada
March 30, 2022



Josée Leroux, CPA, CA
Executive Director, Finance and Administration

Montreal, Canada
March 30, 2022



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 (the Authority), which comprise the statement of financial position as at 31 December 2021, 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 Authority as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the 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 'Tina Swiderski'.

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

Montréal, Canada
30 March 2022

LAURENTIAN PILOTAGE AUTHORITY

Statement of Financial Position as at December 31

(in Canadian dollars)

Assets

Current

Cash and cash equivalents	\$13,577,495	\$11,774,111
Receivables and other accounts receivable (Note 5)	13,031,570	12,709,306
Investments (Note 6)		1,001,052
	26,609,065	25,484,469

Non-current

Property and equipment (Note 7)	14,622,528	16,163,566
Intangible assets (Note 8)	1,771,774	1,818,511

Total Assets

\$43,003,367	\$43,466,546
--------------	--------------

Liabilities

Current

Accounts payable and accrued liabilities (Note 10)	\$15,047,149	\$13,882,877
Lease obligations (Note 11)	241,278	231,916
	15,288,427	14,114,793

Non-current

Employee benefits	382,872	422,879
Lease obligations (Note 11)	1,810,230	2,051,896

Total Liabilities

17,481,529	16,589,568
------------	------------

Equity

Retained earnings (Note 14)	25,521,838	26,876,978
	25,521,838	26,876,978

Total Liabilities and Equity

\$43,003,367	\$43,466,546
--------------	--------------

Commitments and contingent liability (Notes 13 and 18)

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

(in Canadian dollars)

Revenues

Pilotage charges	\$86,432,521	\$81,334,216
Pilot boat revenue	12,355,889	12,524,340
Other revenues	125,167	112,671
	98,913,577	93,971,227

Expenses

Pilots' fees	79,307,037	75,866,741
Pilot boat service – outsourced	8,476,319	8,772,586
Employee salaries and benefits – boarding services	1,687,976	1,683,524
Pilot boat and shuttle maintenance and operating costs	629,810	429,745
Employee salaries and benefits	5,969,302	5,824,572
Depreciation and amortization	2,105,502	1,963,684
Professional and special services	1,038,628	969,536
Rents	360,341	307,339
Utilities, materials and supplies	273,105	281,926
Transportation, travel and hospitality	52,720	46,699
Finance charges	86,021	94,032
Communications	73,459	89,324
Maintenance	124,384	114,610
Other expenses	84,113	90,844
	100,268,717	96,535,162

Comprehensive Income for the Year

	\$(1,355,140)	\$(2,563,935)
--	----------------------	----------------------

Statement of Changes in Equity for the Year Ended December 31

(in Canadian dollars)

Retained earnings, beginning of the year	\$26,876,978	\$29,440,913
Comprehensive income for the year	(1,355,140)	(2,563,935)
Retained earnings, end of the year	\$25,521,838	\$26,876,978

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

LAURENTIAN PILOTAGE AUTHORITY

Statement of Cash Flows for or the Year Ended December 31

(in Canadian dollars)

Operating Activities

Comprehensive income for the year

Adjustments to determine net cash flows generated by (used for)
the operating activities:

Depreciation and amortization

Interest on lease obligations

Change in long-term portion of employee benefits

Loss (gain) on asset disposals

Interest income

Change in non-cash working capital items:

Change in receivables and other accounts receivable

Change in accounts payable and accrued liabilities

Cash flows from operating activities

Investing Activities

Net receipt of investment securities

Acquisitions of property and equipment

Acquisitions of intangible assets

Interest received

Cash flows from investing activities

Financing Activities

Repayment of lease obligations

Interest paid on lease obligations

Cash flows from financing activities

Cash and Cash Equivalents

Change for the year

Balance, beginning of the year

Balance, end of the year

Represented by:

Cash

Cash equivalents

	2021	2020
	\$(1,355,140)	\$(2,563,935)
	2,105,502	1,963,684
	79,056	87,259
	(40,007)	88,924
	337	-
	(50,934)	(112,754)
	(322,264)	1,810,318
	1,164,272	(1,461,459)
	1,580,822	(187,963)
	\$1,001,052	\$1,389,954
	(75,950)	(379,784)
	(442,114)	(776,394)
	50,934	139,450
	533,922	373,226
	\$(232,304)	\$(222,730)
	(79,056)	(87,259)
	(311,360)	(309,989)
	\$1,803,384	\$(124,726)
	11,774,111	11,898,837
	\$13,577,495	\$11,774,111
	\$10,610,186	\$6,826,621
	2,967,309	4,947,490

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR-ENDED DECEMBER 31, 2021

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 2021-2025 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 Montreal, Quebec.

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 30, 2022.

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 amortisation 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 amortisation of intangible assets is calculated on a straight-line basis, with estimated useful lives ranging from 3 to 15 years. The amortisation 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 amortised.

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 amortisation, 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

	Decembre 31, 2021	Decembre 31, 2020
Receivables	\$11,316,904	\$11,271,347
Prepaid expenses	322,678	285,237
Other accounts receivable	1,391,988	1,152,722
	\$13,031,570	\$12,709,306

6. Investments

	Decembre 31, 2021		Decembre 31, 2020	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Guaranteed Investment Certificates	—	—	\$1,001,052	\$1,001,052

During 2021, APL held two guaranteed investment certificates that matured on May 13 and August 3, 2021. Interest income related to these certificates during the year totaled \$6,386.30. The annualized rates of return on the guaranteed investment certificates during the period were 0.8% and 0.7%.

7. Property and Equipment

	Land	Buildings and leasehold improvements	Pilot boats and Shuttle	Furniture and fixtures
Cost				
Balance as at January 1, 2020	\$3,300	\$3,260,972	\$8,769,951	\$367,145
Acquisitions	—	—	55,960	—
Balance as at December 31, 2020	\$3,300	\$3,260,972	\$8,825,911	\$367,145
Acquisitions	\$—			
Disposals	—	—		(19,060)
Balance as at December 31, 2021	\$3,300	\$3,260,972	\$8,825,911	\$348,085
Depreciation and impairment losses				
Balance as at January 1, 2020	\$—	\$477,495	\$2,843,897	\$176,584
Depreciation for the year	—	289,170	369,919	26,528
Balance as at December 31, 2020	\$—	\$766,665	\$3,213,816	\$203,112
Depreciation for the year	\$—	\$289,167	\$360,942	\$26,071
Disposals	—			(18,757)
Balance as at December 31, 2021	\$—	\$1,055,832	\$3,574,758	\$210,426
Carrying amounts				
As at January 1, 2020	\$3,300	\$2,783,477	\$5,926,054	\$190,561
As at December 31, 2020	\$3,300	\$2,494,307	\$5,612,095	\$164,033
As at December 31, 2021	\$3,300	\$2,205,140	\$5,251,153	\$137,659

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

Communications equipment	Computer equipment	Boarding facilities	Wharfs	Work in progress	Total
\$155,336	\$3,055,234	\$81,845	\$9,715,609	\$–	\$25,409,392
45,963	199,986	–	77,875	–	379,784
\$201,299	\$3,255,220	\$81,845	\$9,793,484	\$–	\$25,789,176
\$3,620	\$12,788	\$–	\$–	\$59,542	\$75,950
(29,977)	(491,199)	–	–	–	(540,236)
\$174,942	\$2,776,809	\$81,845	\$9,793,484	\$59,542	\$25,324,890
\$64,279	\$1,458,263	\$33,662	\$2,951,120		\$8,005,300
29,573	561,310	3,374	340,436		1,620,310
\$93,852	\$2,019,573	\$37,036	\$3,291,556	\$–	\$9,625,610
\$32,663	\$563,979	\$3,374	\$340,464		\$1,616,660
(29,977)	(491,174)				(539,908)
\$96,538	\$2,092,378	\$40,410	\$3,632,020	\$–	\$10,702,362
\$91,057	\$1,596,971	\$48,183	\$6,764,489	\$–	\$17,404,092
\$107,447	\$1,235,647	\$44,809	\$6,501,928	\$–	\$16,163,566
\$78,404	\$684,431	\$41,435	\$6,161,464	\$59,542	\$14,622,528

8. Intangible assets

Cost

Balance as at January 1, 2020	\$200,000	\$1,193,040	\$279,751
Acquisitions	—	28,874	435,773
Cessions	—	—	(279,751)
Balance as at December 31, 2020	\$200,000	\$1,221,914	\$435,773

Acquisitions	\$—	\$246,339	\$—
Cessions	—	(14,136)	—
Transfer Work in progress finalized		888,717	
Balance as at December 31, 2021	\$200,000	\$2,342,834	\$435,773

Amortization and impairment losses

Balance as at January 1, 2020	\$123,432	\$461,087	\$279,751
Amortization for the year	\$13,323	\$222,485	\$107,566
Cessions			(279,751)
Balance as at December 31, 2020	\$136,755	\$683,572	\$107,566

Amortization for the year	\$13,324	\$366,215	\$109,303
Cessions		(14,127)	
Balance as at December 31, 2021	\$150,079	\$1,035,660	\$216,869

Carrying amounts

As at January 1, 2020	\$76,568	\$731,953	\$—
As at December 31, 2020	\$63,245	\$538,342	\$328,207
As at December 31, 2021	\$49,921	\$1,307,174	\$218,904

Work in progress	Total
\$576,970	\$2,249,761
311,747	776,394
	(279,751)
\$888,717	\$2,746,404
\$195,775	\$442,114
	(14,136)
(888,717)	888,717
\$195,775	\$3,174,382
	\$864,270
	\$343,374
	(279,751)
\$—	\$927,893
	\$488,842
	(14,127)
\$—	\$1,402,608
\$576,970	\$1,385,491
\$888,717	\$1,818,511
\$195,775	\$1,771,774

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 2021 (\$1,500,000 in 2020), 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 2020) first rank chattel mortgage on receivables. As at December 31, 2021, the Authority was not using this overdraft (nil in 2020).

10. Accounts Payable and Accrued Liabilities

	December 31, 2021	December 31, 2020
Accounts Payable	\$14,997,309	\$13,828,608
Employee benefits	49,840	54,269
	\$15,047,149	\$13,882,877

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, 2021	\$2,243,029
Addition	0
Accumulated depreciation	(676,692)
Balance as at December 31, 2021	\$1,566,337

Lease Obligations

Balance as at January 1, 2021	\$2,283,812
Interest on the lease obligation	79,056
Lease payments	(311,360)
Balance as at December 31, 2021	2,051,508
Current portion	\$241,278
Non-current portion	\$1,810,230

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

	December 31, 2021
Less than 1 year	\$312,094
Between 1 and 5 years	\$987,848
More than 5 years	\$1,115,795
Total	\$2,415,737

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

	December 31, 2021
Less than 1 year	\$353,655
Between 1 and 5 years	\$1,486,781
More than 5 years	\$1,715,002
Total	\$3,555,438

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

Other Amounts Recognized in Comprehensive Income

Interest Expense on Lease Obligations	\$79,056
Expense recognized in respect of the variable lease payments not included in the lease obligations	\$324,865

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. Regulation of 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, 2021, the Authority had entered into agreements for expenditures related to pilotage services and for capital assets. The estimated amounts payable are the following:

2022	\$6,122,472
2023	851,775
2024	286,607
2025	267,315
2026 et plus	458,641
	<hr/>
	7,986,810 ¹

¹ Includes a total of \$4,015,0000 for the reconstruction of the Les Escoumins wood loading dock.

As at December 31, 2020, the Authority had entered into agreements for expenses related to pilotage services and capital assets in the amount of \$2,930,855.

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 2021, 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, 2021, the retained earnings amounted to \$25,521,838 (\$26,876,978 in 2020) and working capital totaled \$11,320,638 (\$11,369,676 as at December 31, 2020).

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:

	2021	2020
Compensation and other short-term benefits	\$968,467	\$916,357
Post-employment benefits	105,055	106,192
	<u>\$1,073,522</u>	<u>\$1,022,549</u>

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, 2021 and 2020, 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.

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, 2021, no receivable is delinquent (nil in 2020). The maximum credit risk associated with receivables is \$11,316,904 (\$11,271,347 as at December 31, 2020). 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 \$13,577,495 (\$11,774,111 as at December 31, 2020).

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, 2021, the operating credit facility was not used (nil in 2020). 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.

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 have changed significantly from the previous fiscal year.

17. Corresponding figures

In 2021, the Authority has reclassified expenses previously reported under "Cost of Pilot Boat Operations" into the following:

- Pilot boat service – Outsourced
- Employee salaries and benefits – boarding services
- Pilot boat and shuttle maintenance and operating costs

In accordance with IAS 1, the purpose of this reclassification is to align the presentation of all expense items by their nature.

In addition, revenues related to pilot boats, previously included in the item "Pilotage charges", are now presented in the item "Pilot boat revenue".

This reclassification was made for fiscal years 2020 and 2021 and had no impact on the opening balances of the comparative period.

18. 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.





Laurentian
Pilotage
Authority

Head Office

999 de Maisonneuve Blvd. W., Suite 1410
Montreal QC H3A 3L4
Telephone: 514 283-6320
Fax: 514 496-2409

Les Escoumins Pilot Station

40, rue des Pilotes
Les Escoumins QC G0T 1K0
Telephone: 418 233-2995
Fax: 418 233-3479

pilotagestlaurent.gc.ca



Photo credits: Jessy Bedard, Jean-Maxime Chenard,
Yves Demers, Annie Garofano, Louis Rhéaume

Canada