



**Laurentian
Pilotage
Authority**



Canada

Annual report **2017**

“Tides, currents, fog, ice
and a host of other factors
make the Saint Lawrence
a challenging river to
navigate.”

Laurentian Pilotage Authority

999 de Maisonneuve Blvd. W., Suite 1410
Montreal QC H3A 3L4
Telephone : 514.283.6320
Fax : 514.496.2409

pilotagestlaurent.gc.ca

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Mandate and Activities



Who we are

The Laurentian Pilotage Authority (“LPA”) is a federal Crown corporation responsible for administering and providing marine pilotage and related services on the waters of the Laurentian region—including the Gulf of St. Lawrence, St. Lawrence River and Saguenay River. The LPA monitors navigation, manages regulations and provides services for three pilotage districts covering a distance of 265 nautical miles between Montreal and Les Escoumins and another 70 nautical miles along the Saguenay River.

Three mandate areas

As the gateway to marine pilotage services on its territory, the LPA is responsible for all aspects of pilotage thus making it a turnkey organization with a legislative mandate in the following three areas:

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

Pilotage service tariffs

The LPA is also mandated, with the approval of the Governor-in-Council, to set pilotage tariffs to be paid to the LPA by its clientele. The tariffs set by the Authority must comply with the following requirements:

- ▷ Permit the self-funding of its operations and asset replacements;
- ▷ Be fair and reasonable.

“The Laurentian Pilotage Authority was established on February 1, 1972, under the *Pilotage Act*, Statutes of Canada 1970-71-72, Chapter 52.”





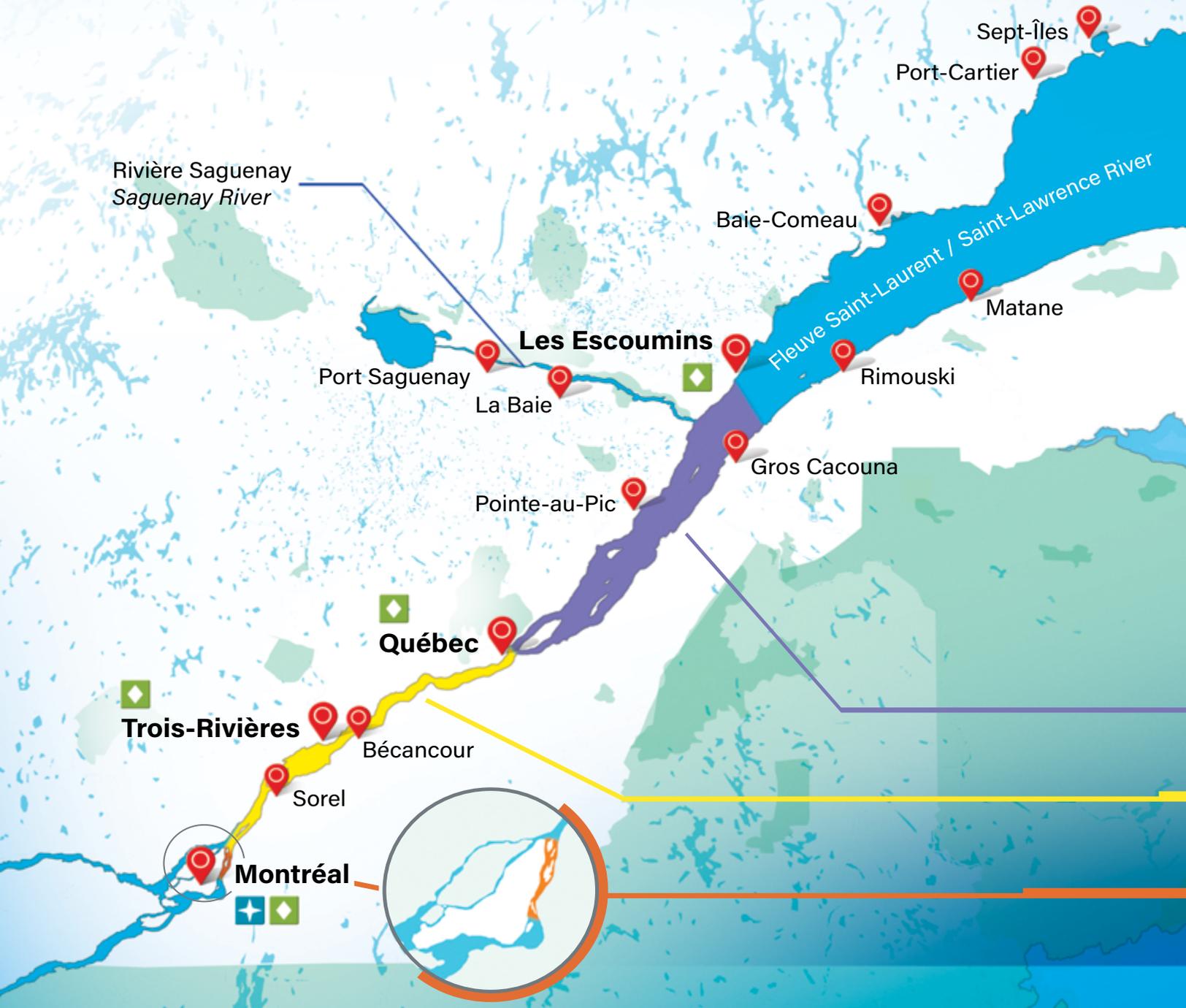
Administration de pilotage
des Laurentides

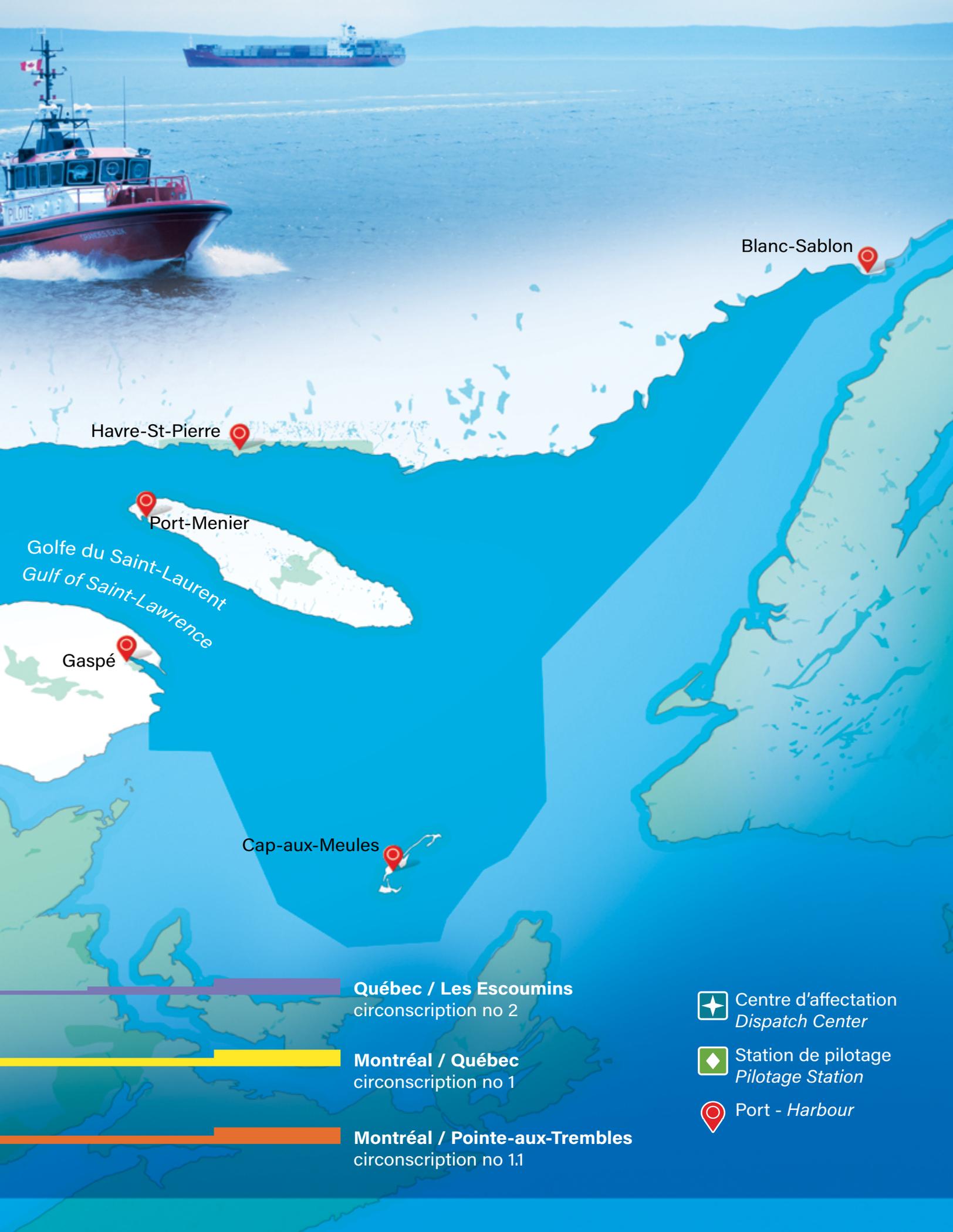
Laurentian Pilotage
Authority

Canada

Limites géographiques des activités

Geographical limits of activities





Blanc-Sablon

Havre-St-Pierre

Port-Menier

Golfe du Saint-Laurent
Gulf of Saint-Lawrence

Gaspé

Cap-aux-Meules

Québec / Les Escoumins
circonscription no 2

Montréal / Québec
circonscription no 1

Montréal / Pointe-aux-Trembles
circonscription no 1.1

 Centre d'affectation
Dispatch Center

 Station de pilotage
Pilotage Station

 Port - Harbour

Headquarters and Operations Centre	Dispatch Centre	Les Escoumins Pilot Station	Other Pilot Stations
Manage, supervise and deliver marine pilotage services	Monitor marine traffic in our territorial waters	Pilot boarding services	Subcontracted pilot boarding services
Develop and apply pilotage regulations, policies and procedures	Point of contact for client pilotage service requests	Operate two pilot boats	Standards set by the LPA and specified in service contracts
Incident/accident investigations	Dispatch pilots according to licence category and type of ship	Client point of contact	Quebec City Trois-Rivières Sorel Montreal (Saint-Lambert)
Approve training plans and periodic assessment of pilots	Open 24/7	Managed and administered by the LPA	
Issue, suspend and revoke pilot licences and certificates			

Highlights

+1.3%
compared to 2016

22,732
assignments

979
ships served

+3.9%

95.0M \$
Revenues

+5.4%

94.7M \$
Expenses

99.93%
incident-free Assignments

99.8%
missions without delays

0.3M \$
Comprehensive Income

No major accident reported during the year

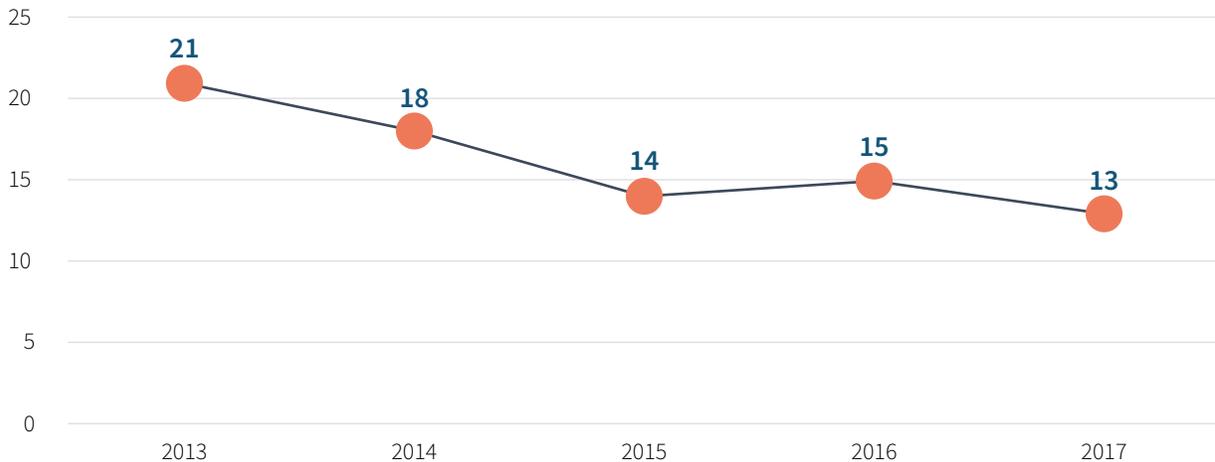


Number of voyages (excluding ship movages) per ship type

2016			2017	
2,539	39.2%		2,516	37.5%
Bulk carriers				
1,845	28.5%		1,875	28.0%
Tankers				
787	12.1%		819	12.2%
Container ships				
726	11.2%		799	11.9%
General cargo ships				
255	3.9%		343	5.1%
Cruise ships				
126	1.9%		135	2.0%
RoRo ship				
207	3.2%		221	3.3%
Other				
6 485	100.0%		6 708	100.0%

During the year, the LPA conducted incidents reviews and performed in-depth analyses where appropriate, and proposed changes or improvements to practices to prevent reoccurrences. The Authority has investigated more than eight incidents this year.

Number of incidents/accidents by year





Message from the Chairperson and the Chief Executive Officer

On behalf of the Laurentian Pilotage Authority (LPA), we are pleased to present our annual report for the year ended December 31, 2017. Once again, the past year has allowed the LPA to demonstrate leadership in its navigation safety role by offering efficient pilotage services and protecting the public interest. To achieve this, the Authority has focused on the three areas of its mandate: supervise, manage and offer efficient and safe pilotage services; regulate to ensure navigation safety; and exercise its role as a quasi-professional order.

The Authority ended the year with a total of 22,732 assignments—300 more than the previous year. This was achieved while maintaining our excellent safety record; there were no major accidents in 2017 and our services were provided with an accident-free rate of 99.93%. Moreover, thanks to the efforts of our Dispatch Centre team and the cooperation of both pilot corporations, pilotage services were provided 99.8% of the time without any delays due to a lack of pilot availability.

Revenues were \$95 million, up 3.9% compared to 2016, which yielded a comprehensive income of \$308,000; the continued soundness of the LPA's financial situation allowed a tariff freeze to be maintained in 2017 for the second consecutive year.

As you will see from reading the report, 2017 was a year of many achievements. In accordance with our 2017–2021 Corporate Plan, the Authority secured additional high-level navigation expertise. We implemented better post-incident follow-up measures with our in-house expertise and issued policies and procedures to ensure navigation safety and the protection of shore-side residents. For example, notices to pilots and other policies were issued in 2017 concerning speed limits applicable to high water levels, along with notices limiting night departures for some ships.

In order to facilitate the transit of cruise ships and ensure their safe passage, the Authority, in collaboration with the Corporation of Mid St. Lawrence Pilots (CPSLC), ensured that bridge clearance (air draft) is sufficient for each vessel. The LPA, in collaboration with pilots corporations, also contributed to the efficiency and competitiveness of marine transportation by helping client agencies manage ship transits on the St. Lawrence.

The year 2017 was also the first full year of the Pilotage Advisory Committee, which was set up by the Authority at the end of 2016. This Committee has enabled us to better exercise our leadership role and consult stakeholders on significant pilotage and navigation safety issues. As a result, we have been able to make more informed decisions and propose certain regulatory and policy changes to maintain and increase the safety, quality and efficiency of our services.

A key issue in 2017 was the *Pilotage Act* Review launched by the Minister of Transport. The LPA developed and filed a detailed submission to Marc Grégoire, Chair of the *Pilotage Act* Review recommending that the current legislation be modernized to better meet the needs of safety and efficiency of pilotage services. Mr. Grégoire's recommendations should be submitted to the Minister of Transport in April 2018.

The LPA commissioned a new corporate video to inform the various players in the marine community and the general public about its mandate and role regarding marine navigation safety and efficiency. This high-quality video production will help increase the Authority's visibility and foster interest in the marine community.

Lastly, we had the opportunity to welcome our new Chairperson, Ricky Fontaine, following his appointment in December 2017. Mr. Fontaine has a great deal of experience in organization management and governance, and we are confident that under his leadership the Board of Directors will guide the LPA in maintaining the foundation of its ongoing success. We would like to take this opportunity to thank Mr. Julius Spivack, Vice-President of the Board of Directors, for serving as acting chairperson for the last few years.

While 2017 saw more than its fair share of projects, 2018 promises to be particularly exciting. We will continue working with Transport Canada and the Minister in the public interest to improve the current legislative framework. The LPA regulatory modernization project is another important priority. We expect to complete our consultations and submit a final draft to Ottawa in 2018.

We are developing best practices to improve navigation

safety and service efficiency. We will also promote the disclosure of near-misses to enable us to be more proactive, avoid accidents and thus maintain a sterling navigation safety record. Regarding the use of technological tools, we will continue to deploy next-generation portable pilot units (PPUs). This equipment will not only help ensure navigation safety, it will also enable us to make our services more efficient, by removing certain nighttime navigation restrictions.

We will also continue to increase our focus on our role as a quasi-professional order. In addition to improving pilot skills and periodic assessment, we will also work with pilots and the marine industry to develop a code of conduct for pilots. The aim is to protect the public interest, establish standards and enhance the credibility of the marine pilot profession.

As in recent years, we would like to thank our devoted and professional employees for their commitment, confidence and dedication which have enabled us to provide safe, reliable and efficient services to the marine industry. We also wish to thank LPA licensed pilots and their corporations for their outstanding contribution to navigation safety throughout our territory.



A handwritten signature in black ink, appearing to read 'Ricky Fontaine'.

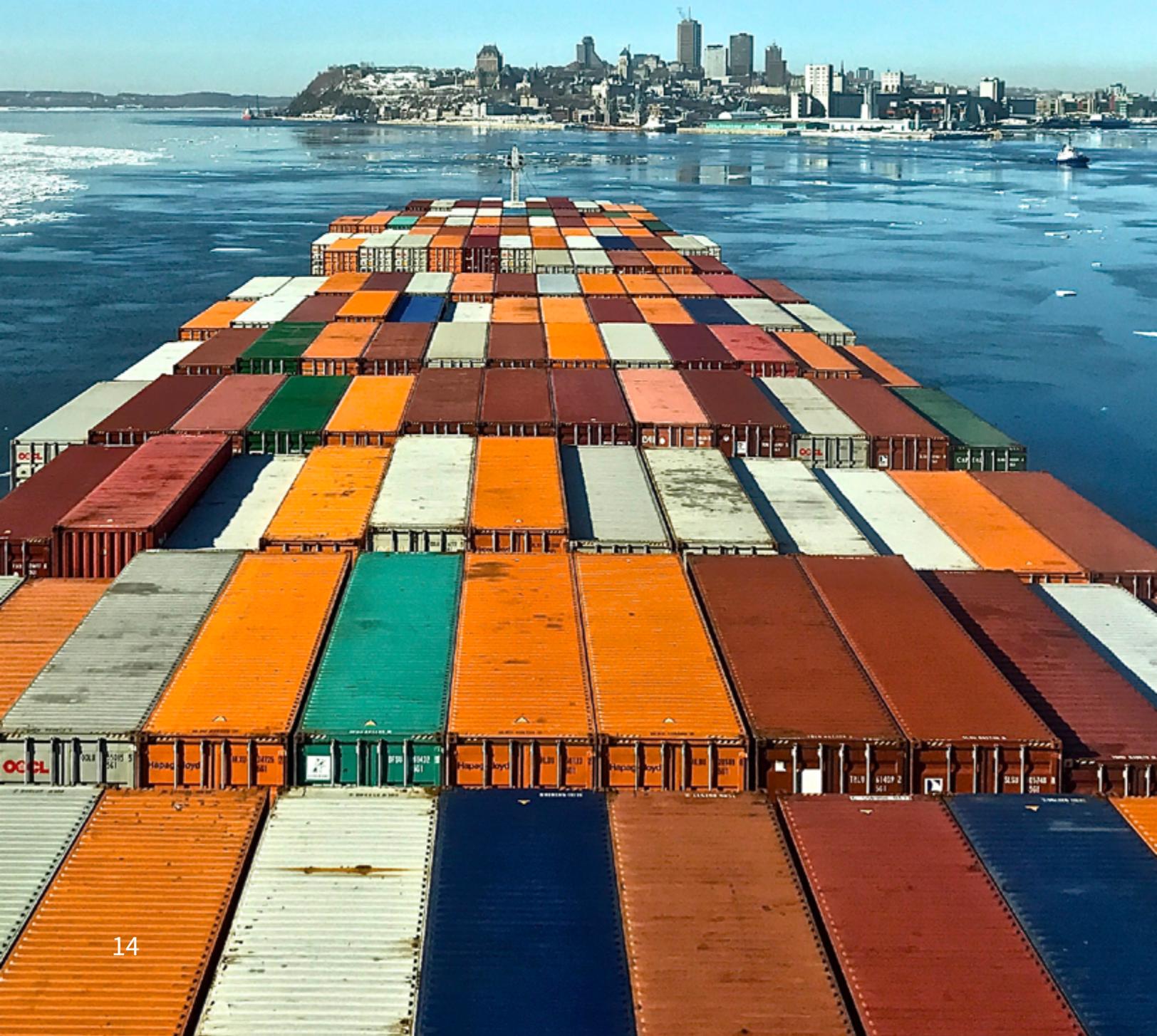
**Ricky Fontaine, Chairperson
of the Board of Directors**



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

Fulvio Fracassi, Chief Executive Officer

Vision Mission Values



Vision

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

Mission

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

Values

Honesty, integrity and respect

We commit to act with both honesty and integrity in all our activities. We work together in the spirit of openness, honesty and transparency, thereby fostering involvement, collaboration and respectful communication.

Professionalism and quality services

We strive for excellence in all our activities, including customer service, by constantly seeking to learn and to better ourselves.

Collaboration

Collaborating with our partners, including the marine shipping industry, pilots and their representative organizations, as well as our employees, is key to achieving our vision and mission. We strive to maintain positive relationships and collaborate with all our partners to better serve the public interest.

Accountability

We commit to effectively use the resources at our disposal and to comply with all regulations, policies, and procedures in a manner consistent with our mission.

Adaptability and innovation

We foster innovation and creativity. We encourage and support originality and diversity of ideas. As part of our individual projects or the work we do with our partners, we welcome any new idea or method that may improve our services or the way we use our resources.

Description of Activities

Authority management

The Authority has its headquarters in Montreal. The LPA Board of Directors consists of seven members appointed by the Governor-in-Council. The Chairperson of the Board and the members serve on a part-time basis and their primary responsibility is to evaluate and approve the strategic priorities of the Authority proposed by the Chief Executive Officer and senior management. These include safeguarding the resources of the Authority, including its financial resources, and ensuring that mechanisms are in place to effectively monitor and manage risks that could prevent the Authority from carrying out its mandate. The Board must also ensure that competent managers are in place to allow it to fulfill its permanent mandate over the long term.

The Chief Executive Officer holds a full-time position and is responsible for the management of the Crown Corporation. He has full authority over the activities of the Authority and may exercise the powers conferred by the Authority's by-laws. He is the Authority's spokesperson and primary contact for all major issues of strategic or operational importance.

The Authority has 49 permanent and temporary employees, including managerial and administrative staff, dispatchers and ship crews. As of December 31, 2017, the Authority had 173 licensed pilots, two holders of a pilotage certificate and 19 apprentice pilots. Their number varies with the requirements.



Supervision, management and delivery of pilotage services

The Authority is responsible for the supervision, management and delivery of marine pilotage services in each of the pilotage districts on its territory. Ships are piloted by holders of LPA pilotage licences from two separate corporations with which the Authority has service agreements.

To ensure the safety of marine navigation on its territory, the Authority has established three compulsory pilotage districts: one for the Port of Montreal, another for the navigable waters between Montreal and Quebec City and a third for the navigable waters between Quebec City and Les Escoumins, including the Saguenay River. These pilotage districts cover a distance of 265 nautical miles between Montreal and Les Escoumins and another 70 nautical miles along the Saguenay.

Pilotage on the St. Lawrence River waterway between Montreal and Les Escoumins is carried out year-round, despite the ice, wind and tide conditions. Our ability to provide services under sometimes difficult conditions has improved given the expertise gained by pilots, the use of electronic instruments supplied by the LPA, and the fact that ships are better equipped.

The Authority operates a 24-hours-a-day, 365-days-a-year pilot dispatch centre located in Montreal. The centre monitors ships traffic on the Authority's territorial waters and is responsible for assigning pilots to ships within its jurisdiction. The dispatch centre is the primary point of contact for clients.

Pilot boats are used to transfer pilots from shore to ships and vice-versa. The Authority owns and operates a pilot boarding station in Les Escoumins, as well as pilot boats capable of transporting pilots to ships throughout the year. The Authority contracts out the operation of the pilot boarding stations located in Quebec City, Trois-Rivières, Sorel and Montreal to Ocean Group. The service contract sets out LPA requirements and standards for the safety and quality of services for the boarding of its licensed pilots.



One of the key activities performed by the LPA as a public authority is the review of incidents, accidents and near misses involving holders of pilotage licences or certificates. The results of these investigations are primarily used to develop and implement measures to prevent the repeat of a similar event. The Authority also reviews cases where a captain relieves a pilot from the conduct of a vessel, as well as general compliance with the requirements of its legislation, regulations and policies.

The Authority must coordinate its work, its activities as well as its management with a number of organizations, including the St. Lawrence Seaway Management Corporation, which operates the Seaway, the Canadian Coast Guard, which oversees a number of marine services, Transport Canada, the main ports in the region, the Great Lakes Pilotage Authority, and the associations representing agents, owners and operators of Canadian and foreign ships.



Regulating to ensure navigation safety

The Authority may implement general regulations in keeping with its objectives to manage and provide efficient pilotage services to ensure navigation safety. To date, the Authority has made regulations principally with respect to:

1. establishing compulsory pilotage areas;
2. prescribing the ships or classes of ships subject to compulsory pilotage;
3. prescribing requirements that must be satisfied in order to obtain a pilotage licence or certificate, and the various categories of pilotage licences or certificates that the Authority may issue;
4. prescribing pilotage tariffs.

Existing regulations may be modified from time to time in response to new circumstances and the changing nature of the services the Authority is called upon to provide.

The Authority may, in its capacity as a public pilotage authority, also establish policies, practices and procedures applicable to pilots and the shipping industry in keeping with its regulatory and legislative mandate. For example, notices to pilots and other policies were issued concerning speed limits applicable to high water levels, along with notices of arrival applicable to ships and notices restricting certain ship departures.

The Laurentian Pilotage Authority must set pilotage charges at a fair and reasonable level that are adequate to allow the Authority to operate on a financially self-sufficient basis. Tariffs and tariff increases, which must respect these same criteria, are published and authorized by the Governor-in-Council.



Role of quasi-professional order

Although the Authority is not a professional order, it plays a similar role in terms of overseeing the exercise of the marine pilot profession. Its role and responsibilities must therefore be carried out in a way that protects the public interest. The following responsibilities—which are recognized as those of professional orders—apply to the Authority:

Overseeing the competency and integrity of apprentice pilots and pilots

Before issuing licences to pilots or apprentice pilots, the Authority must ensure that candidates meet all the regulatory requirements and that they have all of the training and knowledge required to obtain a licence. This includes approving periodic training and assessment of pilots and chairing the Board of Examiners responsible for assessing pilotage candidates skills.

Overseeing the exercise of the profession

The Authority is responsible for the smooth running of the pilotage system and the delivery of quality pilotage services by certified or licensed pilots. This includes ensuring that pilots maintain their skills at a high level. The Authority may therefore require a pilot to take refresher training or suspend or revoke their licence in the event of a serious breach of duty or negligence as set out in the *Pilotage Act* and its regulations.

Regulating the exercise of the profession

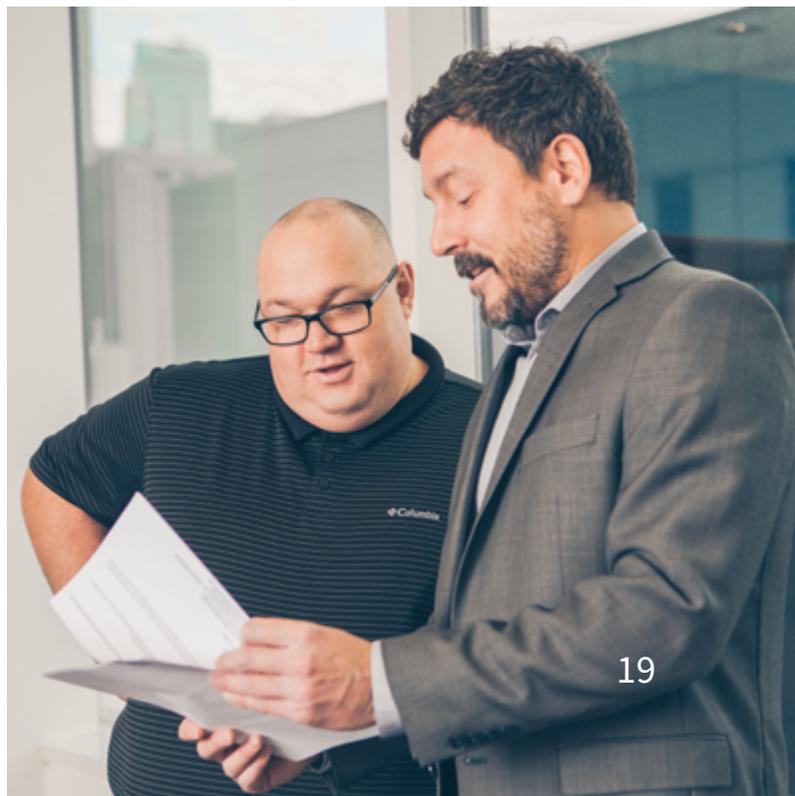
The LPA regulates the pilot profession on its territory and ensures that pilots and ships that are subject to compulsory pilotage respect these rules and regulations, which are also aimed at protecting the public interest.

Managing the disciplinary process

Upon receipt of a complaint, after a significant event or at its own initiative, the Authority may investigate a pilot's conduct to determine whether the standards and requirements set out in the legislation, regulations or policies of the LPA were met. Based on the results of its investigation, the Authority may implement corrective measures such as requiring additional training or take disciplinary measures—including the suspension or revocation of a pilotage licence or certificate when justified by the circumstances.

Fostering the development of the profession

In order to promote the profession and foster skills development and maintenance, the LPA upholds the soundness of the pilotage system and the profession by ensuring objectivity and integrity to meet navigation safety requirements and defend the public interest. This includes promoting the profession and ensuring top-quality pilot training and skills.



Annual Review

Level of service

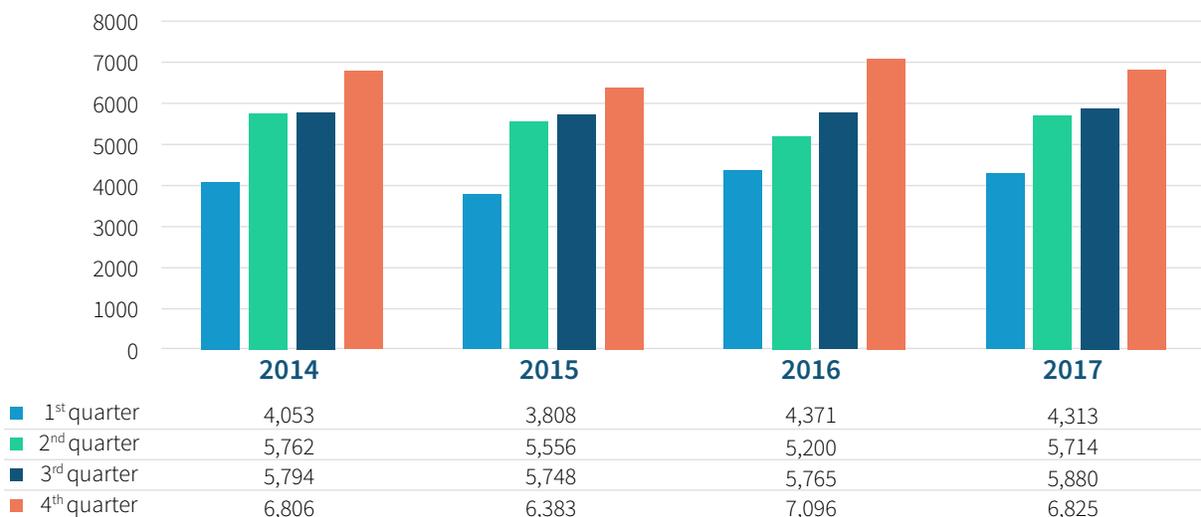
During 2017, the Laurentian Pilotage Authority provided pilotage services to 979 different ships as part of its activities. The following figure illustrates the distribution of these vessels by category, notwithstanding the number of voyages made. The

served vessels generated 16,689 pilotage requests (missions) totalling 22,732 assignments, which is 300 more than the previous year (+1.3%), while maintaining the quality of its service.

Types of ships served by the Authority, independent of number of voyages accomplished



Number of assignments by quarter



The LPA measures several parameters to gauge the quality and efficiency of its services. Two of these parameters are the number of service delays and delay, in hours, due to a lack of pilot availability. The following graphs provide details of these elements for the years 2015 to 2017, according to the appropriate category. In order to measure its efficiency percentage, the Authority only takes into account the elements and factors it controls, namely the number of delays caused by a shortage of pilots. The LPA then compares this data with the number of missions requested by its clients, irrespective of the number of pilots assigned to the ship.

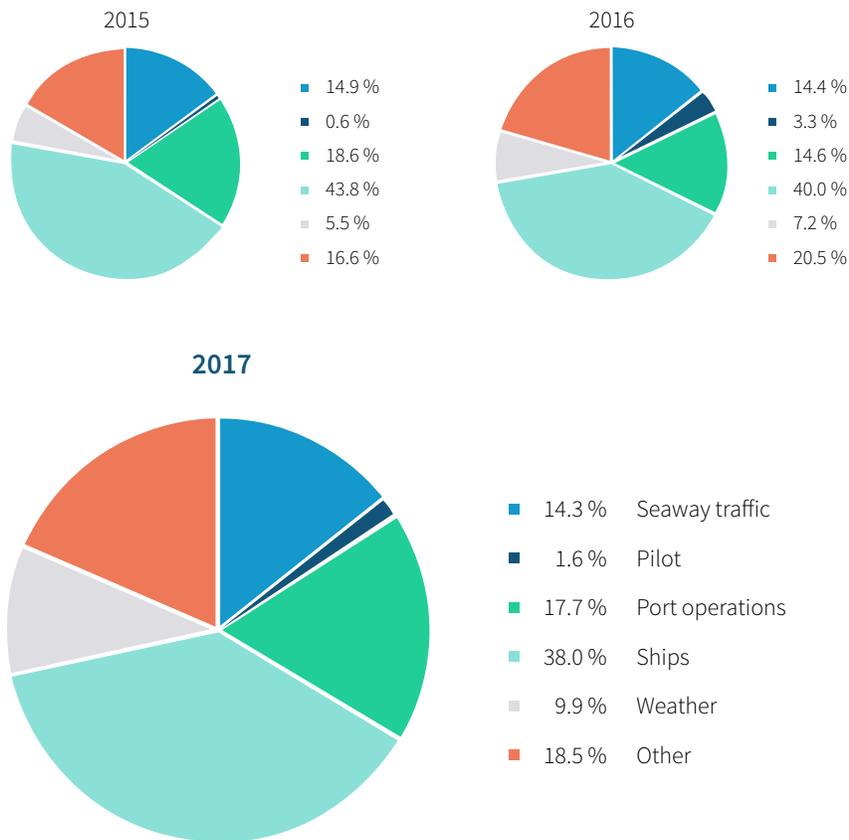
Service efficiency

	Percentage of pilotage missions with no pilot-related delays	Percentage of pilot-related service delays (hours)
2017	99.8%	1.6% (92h)
2016	99.8%	3.3% (171h)
2015	99.9%	0.6% (30h)

Delay breakdown according to cause of delays (number)



Delay breakdown according to cause



Based on this calculation, the efficiency percentage of missions with no pilot-related delays was 99.8% in 2017 (99.8% in 2016). In terms of hours, this represents only 1.6% of the total hours of delay, as illustrated above.

Thanks to the efforts of the Authority and the two pilotage corporations, the LPA's 2017 balance sheet was as healthy as that of the previous year. For their part, pilots from the Corporation of Mid St. Lawrence Pilots (CPSLC) provided excellent availability once again this year. As was the case last year, pilots from the Corporation of Lower St. Lawrence Pilots (CPBSL) provided delay-free services. Despite this, the Authority's priority remains the reduction and eventual elimination of any avoidable service delays.

It should be noted that in order to represent more accurately the service delay in hours to ships, the calculation is made independent of the number of pilots assigned to a vessel. For purposes of comparison, we have adjusted the statistics for 2015 to reflect the change in the computation formula implemented in 2016.

Safety and Marine Occurrences — Incidents/Accidents

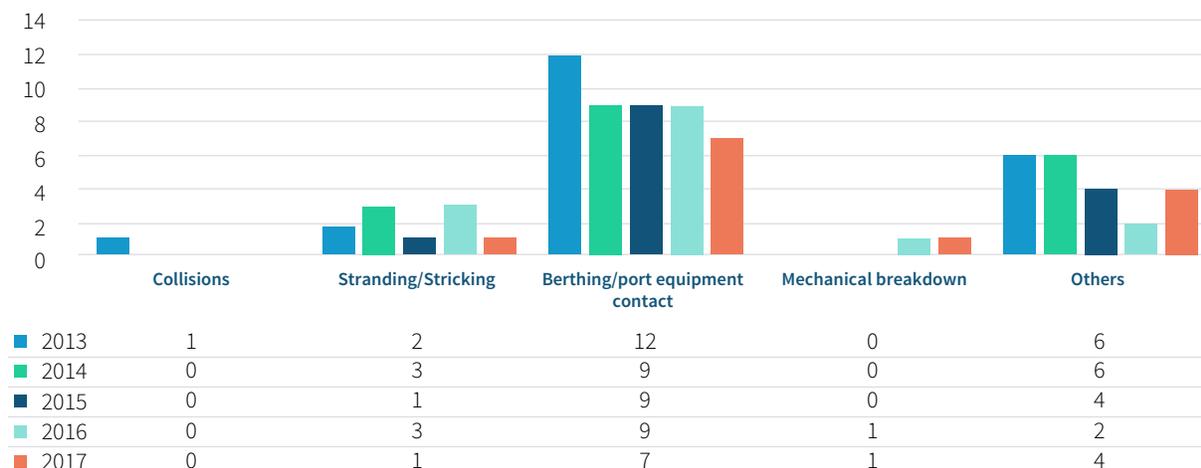
The primary objective of the Authority is to ensure navigational safety on the St. Lawrence and the Saguenay Rivers through the provision of efficient pilotage services. The prevention and elimination of incidents/accidents is a key priority, in addition to being efficient, economical and meeting clients' needs. Pilot competence, the ongoing training program and the quality of navigational equipment all contribute to efficiency, quality and excellence in marine safety.

The Authority is proud to announce that in 2017, there was no report of any major accidents that can be attributed to a pilotage system failure. Of the 22,732 assignments carried out, 99.93% were performed without incident (99.93% in 2016). Certain marine occurrences, such as collisions with a wharf or other port equipment which generally represent the majority of these incidents, were nevertheless reported and recorded. The table below illustrates in detail the number of marine occurrences over the past year by category and level of severity. The chart at the bottom of the page compares the number of marine occurrences in each category by year.

Marine incidents/accidents in 2017

Occurrences	Severity			Total
	Serious	Moderate	Minor	
Collisions				0
Stranding/stricking		1		1
Berthing/port equipment contact			7	7
Mechanical breakdown			1	1
Others		1	3	4
Total	0	2	11	13

Number of marine occurrences by type of incident/accident, over the years



2017 Achievements



“Operating a ship is not the same as operating an automobile; pilots use state-of-the-art technology, often one-of-a-kind instruments.”

Mandate

Manage and provide safe and efficient pilotage services

Navigation safety

In 2017, the LPA's record on navigational safety was, once again, excellent. This year, as in 2016, incident-free assignments accounted for 99.93% of all assignments.

Follow-up after accidents/incidents

During 2017, the LPA followed up each incident and performed an in-depth analysis of events. Where necessary, appropriate changes or improvements to practices were proposed to prevent a reoccurrence.

The Authority has developed an approach based on collaboration with pilots for investigations into incidents or accidents. It has begun promoting the voluntary disclosure of near misses as a way to encourage continuous improvement and navigation safety. The Authority will promote the adoption of a voluntary disclosure culture that would enable it to be more proactive in cases of near-misses, which would help to avoid major accidents and maintain a sterling navigation safety record. The Authority has investigated more than eight incidents this year.

Ice navigation management

The extreme weather experienced at the beginning of winter 2017 prompted the LPA, in consultation with the Pilotage Advisory Committee, to declare the opening of the winter navigation period at an earlier date than usual. The Authority worked closely with Transport Canada, the Canadian Coast Guard and the two pilot corporations to ensure that ships could transit through its sector without issue, despite the presence of ice. The Quebec Bridge sector required a greater number of interventions, given the conditions in 2017.

Spring floods

In order to protect waterfront properties and prevent shoreline erosion, the Authority implemented additional speed reductions when water levels were significantly increased by spring runoff. Certain night transit restrictions applicable to deep-draft ships were also put in place. These additional measures resulted in adequate management of the situation, and only a single problematic case arose.

In order to facilitate the transit of cruise ships and ensure their safe passage, the Authority, in collaboration with the Corporation of Mid St. Lawrence Pilots (CPSLC), ensured that bridge clearance (air draft) is sufficient for each vessel. The high water levels greatly reduced the available clearance under bridges and necessitated careful management by the LPA's Marine Safety and Efficiency Team.

Efficiency and service delays

The Authority provided 99.8% pilotage missions with no pilot-related service delays in 2017. Service delays were minimal due to the excellent work of its dispatch centre and the collaboration and availability of pilots, including during peak traffic periods such as the seaway closing period and in the fall.

Only eight ship delays occurred during the seaway closing period. The Authority conducted around 40 assignments per day per sector, which represents more than twice the normal assignment per day. This was possible thanks to the significant advantages in terms of availability of pilots obtained upon the renewal of the most recent contract with the CPSLC. There were only 66 delays throughout the year due to a lack of pilot availability. These delays were due in large part to peak periods of sustained traffic in the fall, when 71% of the delays occurred.

As for delays attributable to ships, there are ongoing discussions with the Authority's clients to identify and implement possible solutions to reduce delays. These types of delays cause pilots to be detained aboard a ship and render them unavailable to serve other clients. This can lead to a shortage of pilots during peak traffic periods, resulting in inefficiency within the marine transportation system.

Traffic management

In collaboration with pilots from all corporations, the LPA contributed to the efficiency and competitiveness of marine transportation by helping client agencies manage ship transits. By calculating tide windows and planning in advance for the arrival of large vessels in Quebec City, the Authority is able to advise agents accordingly. Thanks to its work downstream, large vessels are able to better plan their voyage and transit directly between Quebec City and Montreal without stopping. This planning begins even before ships arrive at Les Escoumins.

Portable units (PPUs) and rate of turn

The CPSLC portable pilot unit (PPU) maintenance contract expired in February 2017. The LPA proceeded with the purchase of new PPUs and signed a four-year agreement with NavSim Technology for the acquisition, service and support of 120 new-generation portable units, which will now include rate of turn (ROT) sensors. This new tool will make it easier for CPLSC pilots to predict the trajectory of a vessel, thus improving service to clients while maintaining our high safety levels.

Ten of these new PPUs were made available to CPSLC in 2017 for pilot familiarization, testing and training. An online training course has been prepared in order to support training needs. The new PPUs should officially enter service around the end of January 2018.



Renewing and maintaining capital assets

The Authority's breakwater wharf and pilot boats are located in its Escoumins pilot boarding station. The LPA ensures that these assets are well maintained in order to maximize their useful life.

The members of the Les Escoumins Pilot Station helped plan and carry out certain tasks for the five-year inspection of the Taukamaim pilot boat. Dry dock work was carried out by Ocean Group at the Île-aux-Coudres shipyard, and came in under budget.

In 2017, the Authority undertook assessment and emergency repair work on its wooden wharf at Les Escoumins after it had been damaged by a winter storm. The assessment determined that additional work will be required in 2018.

In accordance with its contract with Ocean Group, the Authority also inaugurated a new pilot boarding station in Trois-Rivières in June 2017, in District No. 1; the former facility had been demolished to make way for a new one that would be better suited to pilots' needs.

Rendez-Vous 2017 Tall Ships Regatta

The Rendez-Vous 2017 Tall Ships Regatta is a five month, 7,000-nautical-mile transatlantic race. The high point of the 2017 Regatta was the arrival of a fleet of 40 tall ships at Quebec City and Lévis after having departed Europe and visiting more than 35 Canadian ports. This spectacular event was a success thanks in part to the Corporation of Lower St. Lawrence Pilots (CPBSL), which made more pilots available to the Authority in rotation. The Regatta could not have taken place without the hard work of the Authority's dispatch centre employees, who coordinated the simultaneous departure of the tall ships with the event organizers. The excellent work done by the dispatch centre employees was highlighted by the president of CPBSL in a letter addressed to the LPA.

Regulating to ensure navigation safety

Improving and modernizing regulations

A second consultation phase, backed by a new version of the regulatory proposal, was completed in 2017 with various partners and members of the Pilotage Advisory Committee. This exercise resulted in several improvements to the proposed regulation. The proposed regulation includes measures such as periodic assessment of pilots, and introduces additional tools to enable more thorough accident reviews, improved information exchange between pilots and captains, and greater flexibility in determining the application of winter navigation rules.



Regulatory requirements for apprentice pilots

The recruitment of apprentice pilots is an essential component to the continued delivery of efficient pilotage services. The Authority must ensure that there will be enough pilots available to provide pilotage services without undue delays in the coming years. It is therefore proposing a regulation on the easing of criteria to become an apprentice pilot, leading to a wider pool of candidates who may qualify for an apprentice pilot licence. This proposed regulation was published in Part I of the Canada Gazette on December 9, 2017. Currently there are 13 apprentice pilots being trained in the district comprising the navigable waters between Montreal and Quebec City (seven within the Montreal–Trois-Rivières sector, five within the Trois-Rivières–Quebec City sector, and one within the Port of Montreal sector), and six apprentice pilots are in training for the district of navigable waters between Quebec City and Les Escoumins, for a total of 19 apprentice pilots.

Risk analysis for the Gulf of St. Lawrence

In 2017, the LPA supervised and worked closely with its consultants and experts assigned to perform a risk assessment in the North Shore ports (Baie-Comeau, Port-Cartier, Sept-Îles and Havre-Saint-Pierre). The question under study was to determine whether the existing unregulated pilotage services meet safety needs and whether the LPA should play a role in supervising or regulating these services. This highly complex and sensitive file is essentially comprised of four simultaneous risk analyses requiring a great deal of time and resources in terms of expertise, as well as managing relations and expectations.

Preliminary versions of the reports have been distributed to stakeholders for comment and a final version is expected by early May 2018. The other two phases of the risk analysis, covering the South Shore and the navigation lane of the former District No. 3, will begin in 2018 and 2019 respectively.

Role of quasi-professional order

Overseeing the competency and integrity of LPA certified or licensed pilots

The LPA focused its efforts during the year on documenting and including in its general regulatory review ongoing pilot training and periodic assessments which can be found, amongst other things, in the agreement between the LPA and CPBSL. The CPBSL submitted its apprentice pilot program to the Authority towards the end of the year; work will be required with this corporation to enhance the program. Discussions on improving training and periodic assessment of pilots have taken place and the CPBSL has expressed interest in conducting more detailed exchanges on this matter to introduce similar improvements to those implemented in the Lower St. Lawrence region. This training program enhances training for pilots and apprentice pilots and improves the five-yearly periodic assessment system. The assessment system also contains criteria and training exercises necessary for obtaining changes to a higher class of pilot licence.

Following receipt of a complaint in 2017 alleging that a pilot licensed by the LPA did not comply with applicable speed limits in certain sectors of the St. Lawrence River, the Authority conducted an investigation which led to the licence suspension of the pilot concerned. Additional preventive measures also resulted from this investigation—including training requirements to avoid a repeat of this type of situation.

Also in 2017, a judicial review before the Federal Court of Canada was instituted by the CPBSL following the licence suspension of two pilots who had anchored a vessel without just cause. The hearing will take place on February 27, 2018. The Authority will continue to vigorously defend its decision which is aimed at protecting the public interest.

Leadership

Specialized resources

The Authority has rebranded its operations department as the Marine Safety and Efficiency Team to better reflect the fundamental aspects of its mission. Within this new structure, Captain Alain Richard joined the Authority as Executive Director, Marine Safety and Efficiency in April 2017. With the addition of Captain Christian Ouellet to the LPA team as marine safety expert in June 2017, the LPA can now count on the expertise of three captains, including Captain Patricia Hébert, to exercise its leadership role in the field of marine safety and efficiency.

The arrival of this additional expertise has enhanced the Authority's presence on certain committees and working groups. The LPA's experts were invited to take part in public consultations led by the Federal Environmental Assessment Panel so they could be on hand to answer questions related to pilotage and marine navigation safety.

Pilotage Advisory Committee

Since 2016, the Authority has chaired the Pilotage Advisory Committee established to consult stakeholders on pilotage-related matters. Feedback has been positive following its first complete year. This committee has enabled the LPA to consult and listen to stakeholders on significant operational and strategic issues—including the review of the *Pilotage Act*, regulatory changes, the risk assessment in the North Shore and the issuance of policies on the safety and efficiency of pilotage services.

“The Authority’s key orientation in 2017 is to exercise its leadership role.”

Protecting the public interest

The LPA challenged before the Federal Court of Canada the arbitration decision retaining CPSLC's final contract offer that raised serious concerns regarding its consistency with existing pilotage regulations, and the capacity of the LPA to safeguard its independence to determine when to take enforcement actions for non-conformity with the *Pilotage Act*. The Federal Court judgment delivered on December 29, 2016, allowed in part our appeal. The Court ordered the case to be returned to the Adjudicator. The LPA has appealed the judgment to the Federal Court of Appeal and the case will be heard in March 2018.

Review of the *Pilotage Act*

The Chief Executive Officer continued his leadership role on this strategic file by developing a detailed submission containing proposals to improve the current pilotage system. This submission was filed with Marc Grégoire, Chair of the *Pilotage Act* Review appointed by the Minister of Transport. The LPA's recommendations emphasize the need to modernize the legislation and provide the Authority with more powers to better meet its mandate and ensure the effective management and delivery of pilotage services. The industry's support for the LPA's approach demonstrates that clients have a high level of confidence in the LPA and the need to improve the pilotage system.

The challenges associated with the current legislative framework include governance, regulatory powers, internal pilotage expertise, incident/accident investigations, arbitration and tariffing mechanisms and modernized powers to enforce laws and regulations. Mr. Grégoire's draft recommendations will be available for consultation in March 2018 and the final recommendations will be submitted to the Minister by April 2018.

Marine safety committees

Throughout 2017, representatives of the LPA continued to serve on various advisory committees or working groups on marine safety, thereby ensuring the interests of the Authority and that of its mission are well represented.

Corporate video

In keeping with the strategic issues set out in its Corporate Plan, the LPA continued its efforts in 2017 to increase its visibility for partners and stakeholders as well as the general public. A high-quality corporate video clearly describing the LPA's mandate and role in marine safety and efficiency has been produced. This video was a 2017 Hermes Creative Award gold winner in the Government category.



Sound Management

Finances

Revenue and cost management

The Authority recorded a comprehensive income of \$0.3 million during 2017 and had a cash position of approximately \$9.6 million as of December 31, 2017, as well as investments of \$5.1 million (cash reserve). All this was accomplished even though the Authority has maintained a freeze on its tariffs since 2015.

Revenues from pilotage charges and the cost of pilotage services relate directly to marine traffic and pilotage operations performed by pilots. Additional factors that have a bearing on the cost of pilotage include the number of pilot assignments, the size and draft of vessels, and the total number of pilotage hours.

The size and draft of ships plying the St. Lawrence River varies from year to year, and pilotage operations may also vary from one mission to the next, directly impacting the number of pilot assignments and, accordingly, pilot services and compensation. For the last few years, an upward trend has been noted in the size and draft of ships navigating our waters.

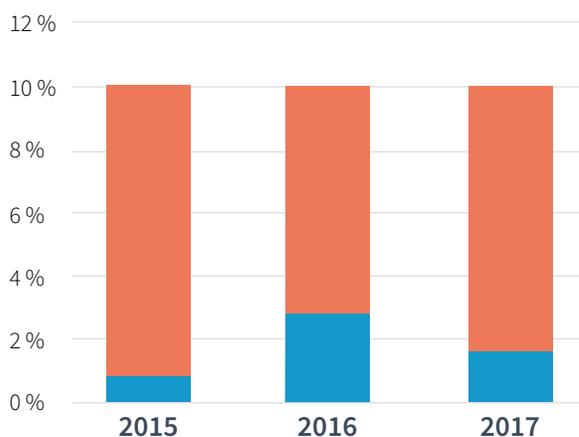
Revenues and expenses of pilot boats are also related to the number of services provided to ships. Administrative and dispatch centre expenses remain relatively stable and are not significantly affected by the volume of marine traffic.

Service contracts with the two pilot corporations are up to date, with renewals being scheduled in 2020 for the Corporation of Mid St. Lawrence Pilots, and in 2021 for the Corporation of Lower St. Lawrence Pilots.

Comparative 5-year statement of income (in thousands of dollars)

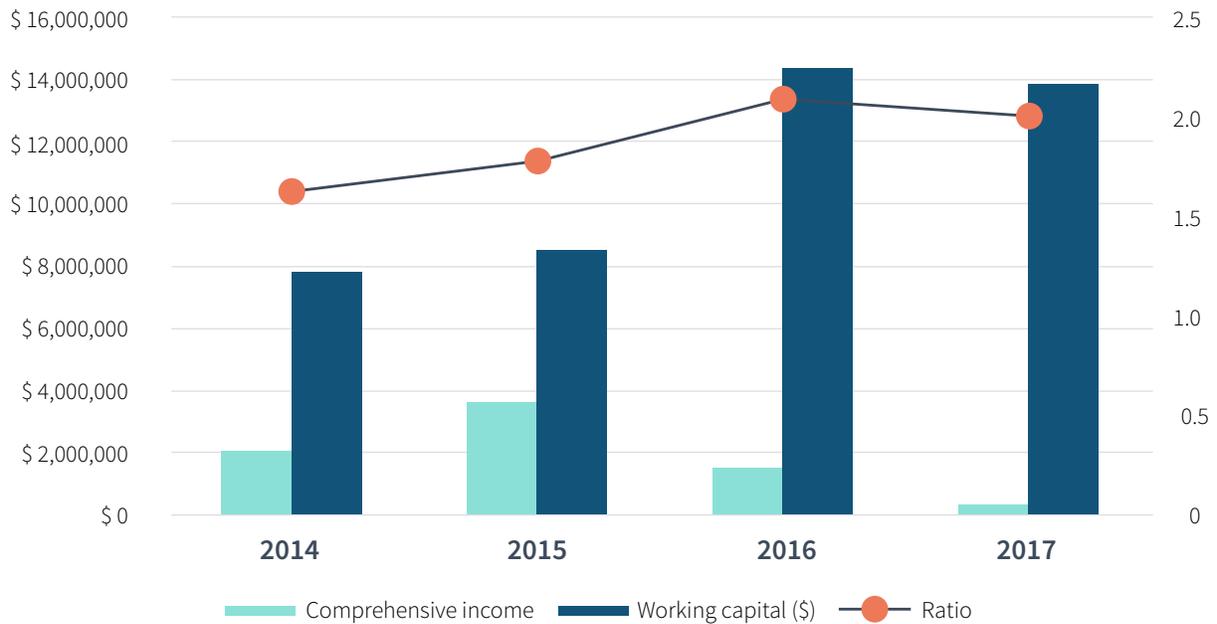
	2017	2016	2015	2014	2013
Revenues	\$ 95,017	\$ 91,430	\$ 86,229	\$ 85,136	\$ 78,066
Expenses	\$ 94,709	\$ 89,890	\$ 82,597	\$ 83,045	\$ 76,554
Comprehensive income	\$ 308	\$ 1,540	\$ 3,632	2,091	\$ 1,512
Working capital	\$ 13,890	\$ 14,341	\$ 8,506	\$ 7,801	\$ 3,152
Retained earnings	\$ 29,437	29,130	\$ 27,590	\$ 23,958	\$ 21,868
Number of assignments	22,732	22,432	21,495	22,415	20,928

Percentage of accounts receivable > 28 days, as at December 31



Percentage of outstanding pilotage services-related accounts receivable with unpaid invoices exceeding the established credit terms of 28 days, calculated on the annual average based on the maximum target of 10%.

Comprehensive income, working capital (in \$) and working capital ratio



Human Resources

Signing of an agreement-in-principle with the Canadian Merchant Service Guild

An agreement-in-principle on a new collective agreement with members of the Canadian Merchant Service Guild for captains and engineers at the Les Escoumins boarding station was signed in 2017. This agreement-in-principle provides for a five-year contract and would regularize the status of relief employees and implement new mechanisms to facilitate the replacement of the Station Manager during absences.

Succession, personnel development and emergency plans

As required by the Strategic Plan for Human Resources Management, significant effort was put into the succession plan for the management team. Assessments of potential carried out with key employees were used to update this plan with the Corporate Governance and Human Resources Committee in November 2017.

The Human Resources Department has written and implemented personnel development plans for several employees to help maintain skills and to enable the progression of employees identified as having management potential.

In keeping with sound management practices, the Authority has identified critical positions and drafted emergency plans accordingly. These plans serve to identify and train the resources required to take over crucial tasks in the event that an employee is absent for an extended period.

Information Technology

Workstation modernization

In 2017, the information technology team ensured the various information systems in place are optimal and updated systems where necessary. In order to increase the versatility of the dispatch centre and improve emergency preparedness, the operations continuity plan has been revised and the appropriate information systems updated. Dispatch Centre employees now work on laptop computers, enabling them to resume operations more quickly in the event of an evacuation.



IT security hardening

To protect the Authority from cyberattacks, the IT team has revised and updated its network systems and firewalls. New security measures have also been put in place to ensure adequate security and ensure that pilotage services are not interrupted for extended periods.

IT audit

An audit of all IT used by the LPA was initiated and completed during the year at management's initiative. The report identified potential areas for improvement—such as developing an IT strategic plan, the importance of sound project management for large-scale projects and updating our IT recovery plan.

Conformity with Government Policies and Legislation

The Authority is being managed in conformity with applicable policies and procedures of the Government of Canada and its financial management adheres to the Financial Administration Act. Management personnel establish and maintain good relations with key people within the Federal Government. In addition, the Authority now discloses details of travel, hospitality and conference expenses incurred by the Chief Executive Officer and members of the Board of Directors within 30 days following the end of a quarter.

Internal audit of the payroll processing system and the dispatch and invoicing departments

The Authority completed an internal audit of the payroll system in 2017; the report concluded the payroll processing control environment to be adequate and that the identified controls minimize the risk of errors or fraud related to this process.

The internal audit of the payroll processing system and the dispatch and invoicing departments was also completed in 2017; the report indicated that the dispatch rules are understood and applied by the dispatch team, and the established procedures ensure identification of ships that are subject to compulsory pilotage.

Financial statements (IFRS)

In 2017, the LPA published its unaudited quarterly financial statements in accordance with the International Financial Reporting Standards (IFRS) on its web site.

Government policies

The Authority is committed to adhering to the spirit and objectives of governmental policies. The LPA has implemented operational efficiency gains and has contributed to the safety and efficiency of the marine transportation system in its region. The Authority must balance its responsibilities towards the Canadian economy and its stakeholders to ensure it provides all required service levels at a reasonable cost.

Canadian Environmental Assessment Act, 2012

In fulfilling its mandate during 2017, the Authority did not initiate or participate in any activity performed on federal land or outside Canada and related to projects that might possibly result in significant adverse environmental effects.





Diversity

The Authority recognizes the importance of maintaining and enhancing the multicultural heritage of Canadians. Accordingly, it acknowledges the importance of diversity in the Canadian population in terms of race, nationality of origin, ethnic origin, colour and religion, which is a fundamental characteristic of Canadian society. The LPA is therefore committed to diversity within its organization by encouraging, for example, women, indigenous people, disabled people, or members of visible minorities to apply for available positions.

The Authority has, amongst other things, included language inviting candidates from designated groups (women, visible minorities, indigenous people and disabled people) to apply for employment opportunities published on its web site. It should be noted, however, that the participation of women in the marine sector continues to face challenges. The Authority is therefore engaged in raising women's interest in the marine sector through the participation of Captain Patricia Hébert, Director of Marine Safety, in certain events open to the general public to increase awareness of the organization and the services it provides.

Mental health

The Authority has made mental health a priority within its organization. We believe that the promotion of mental health is important as this has a bearing on employees' fitness for duty and prevents absences related to mental health issues. Following the mental health training dispensed to its managers and employees in 2016, the LPA provided conflict management training to its personnel. This training was aimed at identifying the early signs of conflicts and understanding the steps involved in resolving disputes. Conflict prevention has a recognized role in bringing about a significant reduction in psychological distress.

Internal communication skills training has also been provided to managers so that they may be better equipped to communicate with employees clearly, effectively and concisely. Disseminating information quickly is essential to reduce workplace stress and resistance to changes that directly impact employees' mental health.



In addition to various information articles sent to employees on a variety of mental health-related topics, the Human Resources Department promoted the Employee Assistance Program (EAP) throughout the year and held an information session on this service. This presentation was aimed at making employees aware of EAP tools, such as counselling services that comprise a psychological help component. The Authority noted in its annual statistical report a significant increase in the use of counselling services—specifically in the “psychological” category.

Lastly, the LPA made use of several recognition practices in 2017. Recognition is an important employee mobilization tool. The LPA believes that employees will take their work to heart if they feel that their efforts are recognized and that their contributions benefit them as much as they do the organization.

Gender equity

The Authority believes that all Canadians should have the same opportunities to participate actively in maintaining the safety, efficiency and quality of pilotage services, and it strongly encourages women and men to consider a career in the organization.

The Authority’s recruitment program is designed to ensure fair treatment of all candidates. The LPA is committed to monitoring any gender bias in hiring and promotion.

The Authority is committed to improving accessibility by eliminating barriers, in order to encourage and help women participate fully in all disciplines.

Risk Management

To ensure the continued delivery of safe and efficient pilotage services, the management of the LPA conducts an annual review of risks. This process allows the LPA to maintain its financial self-sufficiency and fulfill its mandate, as well as to preserve its image and reputation, while enabling it to achieve its strategic objectives.

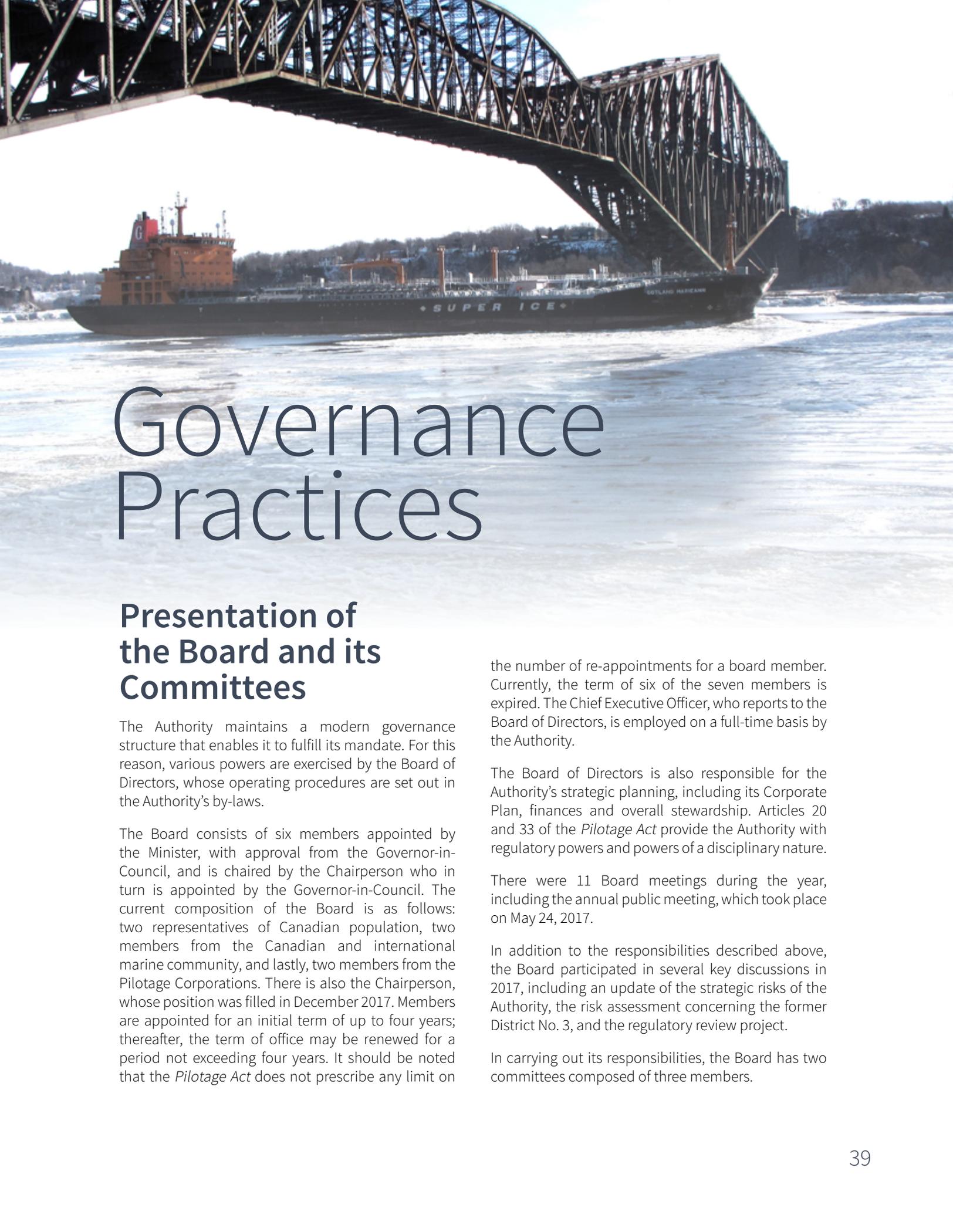
The following table lists the 10 major strategic and operational risks identified by senior management. It should be noted that a yellow “residual risk” box indicates a low risk whose management is considered adequate, an orange “residual risk” box indicates a moderate risk that requires the attention of management, and a red “residual risk” box indicates a high risk that requires immediate action on the part of management.



Top 10 Risk Matrix

No.	Risks	Inherent	Residual
1	Lack of adequate legislative powers and absence of managerial rights with regard to the pilot corporations significantly hinder the LPA's ability to fully carry out its mission and serve the public interest.		
2	Negative impact on service efficiency and pilotage governance because the assignment rules for notice of departure, at night, imposed by arbitration decision are manifestly different from those required by the regulations.		
3	Establishment of an efficient tariff planning and setting process in order to maintain a competitive rate structure for clients while ensuring the organization's financial self-sufficiency.		
4	Lack of thorough monitoring procedures following accidents and recurrent training and assessments of pilots.		
5	Delays in the installation/removal of priority lighted buoys.		
6	Potentially insufficient number of future pilots based on projected annual increases in assignment numbers and the potential impact of risk study findings.		
7	Impact on navigation efficiency because of delays attributable to pilots, ships and navigation restrictions.		
8	Sub-optimal coordination between public organizations for the purposes of providing marine services.		
9	Information technology (obsolescence of current system [Klein]), lack of modern technologies to help us fulfill our mandate).		
10	External communications and public positioning.		

Following the recent update of our risk profile and mitigation measures, LPA management believes the risks are generally well controlled. However, the shortcomings of the *Pilotage Act* and the apparent ability to circumvent the regulatory process through a service contract or an arbitration decision are significant concerns for the LPA. The only way to mitigate this risk is to seek changes to the *Pilotage Act* and the judicial review process.



Governance Practices

Presentation of the Board and its Committees

The Authority maintains a modern governance structure that enables it to fulfill its mandate. For this reason, various powers are exercised by the Board of Directors, whose operating procedures are set out in the Authority's by-laws.

The Board consists of six members appointed by the Minister, with approval from the Governor-in-Council, and is chaired by the Chairperson who in turn is appointed by the Governor-in-Council. The current composition of the Board is as follows: two representatives of Canadian population, two members from the Canadian and international marine community, and lastly, two members from the Pilotage Corporations. There is also the Chairperson, whose position was filled in December 2017. Members are appointed for an initial term of up to four years; thereafter, the term of office may be renewed for a period not exceeding four years. It should be noted that the *Pilotage Act* does not prescribe any limit on

the number of re-appointments for a board member. Currently, the term of six of the seven members is expired. The Chief Executive Officer, who reports to the Board of Directors, is employed on a full-time basis by the Authority.

The Board of Directors is also responsible for the Authority's strategic planning, including its Corporate Plan, finances and overall stewardship. Articles 20 and 33 of the *Pilotage Act* provide the Authority with regulatory powers and powers of a disciplinary nature.

There were 11 Board meetings during the year, including the annual public meeting, which took place on May 24, 2017.

In addition to the responsibilities described above, the Board participated in several key discussions in 2017, including an update of the strategic risks of the Authority, the risk assessment concerning the former District No. 3, and the regulatory review project.

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

Audit Committee

The Audit Committee is responsible for monitoring, analyzing and supervising the Authority's financial situation and different management practices, including, but not limited to financial controls, strategic planning and the efficient operation of its information systems. The Committee met five times in 2017.

Governance and Human Resources Committee

The Governance and Human Resources Committee is responsible for reviewing the Authority's governance practices and, where necessary, making changes to the human capital management strategy, including current policies. The Committee members met three times in the year. Several issues were of particular interest to the committee in the past year. Topics discussed included:

- ▷ Implementing a succession plan for senior management
- ▷ Improving work organization
- ▷ Maintaining the organizational climate
- ▷ Establishing strategic human resources priorities
- ▷ Reviewing the Authority's organization chart

Audit Committee

Mr. Julius Spivack (President)
Mr. Louis Rhéaume
Mr. Gilles Morin

Governance and Human Resources Committee

Mr. Frank Di Tomaso (President)
Mr. Jacques Vigneault
Mr. Michel Tosini

Management

Management is led by the Chief Executive Officer, whose broad responsibilities are to lay out the framework of the Authority's strategy, assume the leadership of the Authority and oversee the stewardship of its resources, with a view to carrying out the Authority's mission.

Meetings of the internal management committee are held on a regular basis allowing management to discuss matters pertaining to the Authority's day-to-day business.

Management also meets and communicates with representatives of government authorities, pilot corporations and marine industry clients on a regular basis.

Access to Information | Travel Expenses

No request for access to information was made in 2017 and one request, received in 2016, was processed.

In accordance with the directives specified in the guidelines for travel, hospitality and conference expenditures, the amounts related to these costs are as follows:

Summary of travel, hospitality and conference expenses

For the twelve-month period ended December 31, 2017

	2017		
	Interim Chairperson of the Board of Directors	Chief Executive Officer	Board of Directors (5 members)
Travel*			
Operational activities	\$ 3,082	\$ 14,204	\$ 152
Key stakeholders	-	3,153	-
Internal governance	949	6,871	9,175
Training	-	5,141	-
Other	-	-	-
A - Total travel	\$ 4,031	\$ 29,369	\$ 9,327
B - Hospitality	\$ -	\$ 2,752	\$ -
C - Conference fees	\$ 171	\$ 612	\$ -
TOTAL - (A+B+C)	\$ 4,202	\$ 32,733	\$ 9,327
* International travel (included in travel)	\$ -	\$ -	\$ -





Biographies of the members of the Board of Directors



Ricky Fontaine,
Adm. A., GFAA, ASC
Chairperson

Ricky Fontaine holds a bachelor's degree in administration from Université du Québec à Trois-Rivières, has completed master level studies in finance at Université de Sherbrooke and holds a certification in governance from the College of Corporate Directors of Université Laval. He has also completed training with the Banff School of Management and Harvard-MIT University. Mr. Fontaine has held senior executive positions with national, regional and local organizations in the private, public, parapublic and non-governmental sectors. Since 2013, he has been Director General of the Uashat mak Mani-Utenam local government.

Julius Spivack,
B. Comm.
Vice-Chairperson



Julius Spivack is a consultant and has been involved in international trade for over 30 years. Over the years, he has headed a number of Canadian companies, as well as organizations based in Africa.



Capt. Jacques Vigneault
Member

Captain Jacques Vigneault has worked as a pilot on the St. Lawrence River for almost 30 years. He has held a number of management positions with the Corporation of Mid St. Lawrence Pilots, and has served on various committees dealing with pilotage activities on the St. Lawrence River.

**Frank Di Tomaso,
FCPA, FCA, ICD.D.
Member**

Frank Di Tomaso is a Chartered Professional Accountant, holder of a fellowship and an ICD.D. He is a Corporate Director and was a Partner and Advisory 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 corporations. He is engaged both in the business and social community. In that regard, he received the Award of Distinction from the Concordia University John Molson School of Business in 2004, in recognition of his outstanding contribution to the world of business and the community.



**Capt. Louis Rhéaume, CMM
Member**

A certified master mariner, Captain Louis Rhéaume completed a major in marine transportation at Université du Québec à Rimouski in 2002, CITT intermodal transportation 1977/1978, and graduated from the Institut maritime du Québec in 1973. He has been a member of the Board of Directors of the Laurentian Pilotage Authority since 2006. Captain Rhéaume has worked as a pilot on the St. Lawrence River since 1984 and he was President of the Corporation of Lower St. Lawrence Pilots from 1999 to 2001.

**Michel Tosini
Member**

In addition to a degree in logistics, Michel Tosini holds a certificate in executive management from the Richard Ivey School of Business, University of Western Ontario. Since 2006, he has been Vice-President and General Manager of Federal Marine Terminals, Inc., a division of Fednav Limited. He is Chairman of the Board of Directors of SODES and he sits 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.



**Gilles Morin
Member**

Gilles M.-J. Morin (retired) graduated from Université du Québec à Trois-Rivières and then continued on to postgraduate studies (management) at Laval University. He has worked several years for Upper Lakes Group in various senior management roles, notably in marine transportation, stevedoring and logistics, and grain trading.

Biographies of management



Fulvio Fracassi
Chief Executive Officer

Fulvio Fracassi has been Chief Executive Officer of the Laurentian Pilotage Authority since September 24, 2012. Before joining the Authority, he was Director General of Transport Canada's National Marine Security Program. Mr. Fracassi is a McGill University graduate in civil and common law and is a member of the Quebec and Ontario Bars. He holds a commercial aviation pilot licence.

Claude Lambert, CPA, CA, MBA
Executive Director, Finance and Administration



Claude Lambert is a professional accountant who has been with the Authority since 2009. Mr. Lambert has held various financial and administrative senior management positions in a number of industries, such as pharmaceuticals, food and insurance.



Mario St-Pierre
Lawyer and Corporate Secretary

Mario St-Pierre holds a master's degree in public law (London). As a lawyer, he specializes in representing public organizations. He has been advising the Authority for many years, initially as a member of one of Quebec's most prestigious law firms and, later, as the Authority's Corporate Secretary and General Counsel.



Capt. Alain Richard, CMM, B. Econ.
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. During his more than 35 years in the marine transport industry, Captain Richard has acquired solid experience on various types of vessels. He was previously an instructor and director at the Institut maritime du Québec, and worked as project manager at Innovation maritime, where he developed software to reduce fuel consumption by merchant vessels through tidal analysis.





Steve Lapointe
Pilot Dispatch Director

Mr. Lapointe graduated from CÉGEP de Rimouski in police technology and from the Institut maritime du Québec de Rimouski in transportation logistics. He has acquired more than 10 years of experience in the LPA's dispatch department where he held positions with increasing responsibilities. He was promoted to the position of Pilot Dispatch Director in August 2014.

Éric Bérubé
Escoumins Pilot Station Director



Mr. Bérubé holds a diploma in mechanical engineering and a diploma as a programmer/analyst. He has worked for a number of marine companies as a marine engineer and gained marine sector supervisory experience through his work as a maintenance supervisor and programmer for Groupe CNP, Plastiques Gagnon and Quebec's Ministère de l'enseignement supérieur.

Capt. Patricia Hébert,
CMM, MM
Director Marine Safety and Efficiency



Captain Hébert holds a Master Mariner licence and has sailed eight years for Transport Desgagnés. She subsequently worked for five years as a ship inspector for Transport Canada before joining the Laurentian Pilotage Authority in January 2014, as Assistant Director of Operations.



Benoit Sabourin,
B.B.A.
Controller

Mr. Sabourin holds a bachelor of business administration degree. He joined the Authority in 1983. He has held various positions within the organization and was promoted to the position of Controller in 2013.



Isabelle Roy, CRHA
Human Resources Advisor

Isabelle Roy holds a bachelor in labour relations degree from Université de Montreal and a certificate in business management from Université de Sherbrooke. She has 20 years of experience in human resources management, notably in labour relations and organizational development. Ms. Roy has worked in the public and parapublic sectors and joined the Authority in 2014.

Summary of Results and Statistics

The following section presents an analysis of the Authority's overall business result compared to previous years. It should be read concurrently with the audited financial statements and the accompanying notes.

Summary of Results and Statistics

Fiscal year ended December 31 (in thousands of dollars)

	2017	2016	2015	2014	2013
Revenues					
Pilotage charges	\$ 83,543	\$ 80,278	\$ 75,135	\$ 73,699	\$ 68,645
Pilot boats	\$ 11,303	\$ 10,993	\$ 10,552	\$ 11,302	\$ 9,316
Other	\$ 171	\$ 159	\$ 542	\$ 135	\$ 105
TOTAL	\$ 95,017	\$ 91,430	\$ 86,229	\$ 85,136	\$ 78,066
Expenses					
Pilot fees	\$ 77,158	\$ 73,365	\$ 67,217	\$ 67,059	\$ 62,824
Operating costs for pilot boats	\$ 10,893	\$ 10,362	\$ 9,897	\$ 10,894	\$ 8,804
Operations and Administration	\$ 6,658	\$ 6,163	\$ 5,483	\$ 5,092	\$ 4,926
TOTAL	\$ 94,709	\$ 89,890	\$ 82,597	\$ 83,045	\$ 76,554
Comprehensive income	\$ 308	\$ 1,540	\$ 3,632	\$ 2,091	\$ 1,512
Working capital	\$ 13,890	\$ 14,341	\$ 8,506	\$ 7,801	\$ 3,152
Retained earnings ¹	\$ 29,438	\$ 29,130	\$ 27,590	\$ 23,958	\$ 21,868
Human Resources					
Management	6	5	5	5	5
Administration & Operations	15	13	12	10	10
Dispatch	17	15	17	17	19
Boat crews	11	12	11	11	10
Contract pilots ²	173	169	174	176	180
Apprentices pilots	19	16	10	11	8
Statistics					
Number of assignments	22,732	22,432	21,495	22,415	20,928
Pilotage certificate holders	2	4	4	4	7

¹ This statistic now includes the contributed capital in accordance with IFRS presentation requirements.

² Number of active licences, in pilot-years.

This figure is thus adjusted to account for suspended licences (long-term disability, etc.), semi-retirements and for pilot corporation directors. The 2014 figure was adjusted to account for the cancellation of district no. 1.1 licences in 2015.

Commentary and Management Analysis

General Comments

The mandate of the LPA is to maintain and administer an efficient marine pilotage system at reasonable cost, in the interest of navigational safety. While all stakeholders agree that pilotage ensures a safe and sustainable network, not all of them agree on the costs and efficiency of these services. Shipowners are employing new methods to reduce their operating costs leading to the adoption of new technologies on ships with the aim of optimizing travel times fuel efficiency.

The LPA understands that maintaining its costs at a reasonable level while preserving the levels of safety and efficiency plays an important role in its region's competitiveness and economic development. To achieve this, the Authority must modernize and optimize its use of information technology (IT) to maximize the efficiency of its pilotage services. Secondly, the Authority must closely monitor changes in marine traffic as voyages are becoming more frequent and ships are getting larger.

Pilotage Services

Pilotage services for all districts are rendered by contract pilots (non-employees) represented by pilot corporations with which the Authority negotiates service contracts. Under the *Pilotage Act*, pilots working in a given district are either contract pilots or pilots employed by the Authority, depending on their choice. The Authority may not have its own employee pilots in a district where there is a pilot corporation.

Since each district's pilotage services are only offered by a single group and since the *Pilotage Act* disallows competition, the Authority must negotiate with the pilot corporations that are in a monopoly position. However, the *Pilotage Act* provides a mandatory dispute resolution mechanism for settling any disputes that may arise during contract negotiations. When this provision is called into play, an adjudicator must choose between the Corporation's final offer and that of the Authority.

The costs associated with pilotage contracts account for more than 80% of the Authority's total expenses. Consequently, the outcome of contract negotiations has a decisive impact on the Authority's future financial situation.



Traffic

Marine traffic, as well as the size and draft of ships directly affect the Authority's financial results and operations. Marine traffic variation is seasonal in nature. It varies monthly, whereas during the first quarter of the year, which includes the winter months, assignments are minimal; at that time, ship itineraries end at the Port of Montreal, since the St. Lawrence Seaway is closed to traffic. Cruise ships, which do not operate in winter, resume service in the summer and are very active during the fall. The fourth quarter is the busiest period.

As some expenses are by nature fixed, changes in traffic volume are an important consideration in planning cash inflows in order to meet financial obligations.

Though the Authority assesses the market situation annually, it has no control over traffic volume, which is influenced by a number of factors, including:

North American and international economic conditions

A strong economy or a severe economic downturn has an impact on shipping requirements.

Climatic conditions

Variations between clement weather and more severe winters influence pilotage costs and activities.

Value of the Canadian dollar

Fluctuations in the exchange rate affect import and export levels and, by the same token, marine activity.

Inflation and interest rates

These two economic factors influence commodity prices and international trade, on which marine traffic depends.

Competition with other modes of transportation

The cost and speed of shipment are important factors for marine operators, and other modes of transportation are competitive in both respects.

Competition from the United States

The cost of pilotage services is just one of the costs that must be borne by carriers. Ports along the U.S. eastern seaboard and the Gulf of Mexico are fierce competitors of the St. Lawrence corridor. Moreover, the outcome of NAFTA negotiations and potential new tariffs on steel and aluminum could have a negative influence.

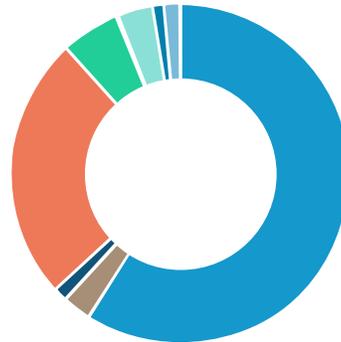
Revenues and expenses

The current tariff program took effect in March 2015 and has not been changed. The 2017 results therefore reflect a tariff freeze.

Expenses for 2017 are primarily comprised of fees for pilot groups are influenced by marine traffic volumes, pilotage operations performed and the ship's dimension.

The Authority developed the tariff program for 2018 and 2019 following consultation with representatives of the marine industry. This new program, scheduled to take effect on April 1, 2018, will increase rates by 2.50% (equivalent to 1.80% over a 12-months period). A further 2.25% rate increase will apply from January 1, 2019. The program has the support of the marine industry and no notice of objection has been filed.

Distribution of administrative expenses (2017)



- Employee salaries and benefits (59.0 %)
- Informations (1.3 %)
- Rents (5.6 %)
- Utilities, material and supplies (3.4 %)
- Interests (0.1 %)
- Transport et communication (2.7 %)
- Professional and special services (25.1 %)
- Maintenance (0.2 %)
- Amotization (1.1 %)
- Other expenses (1.5 %)

The distribution of administrative expenses is similar to that for 2016.



Financing

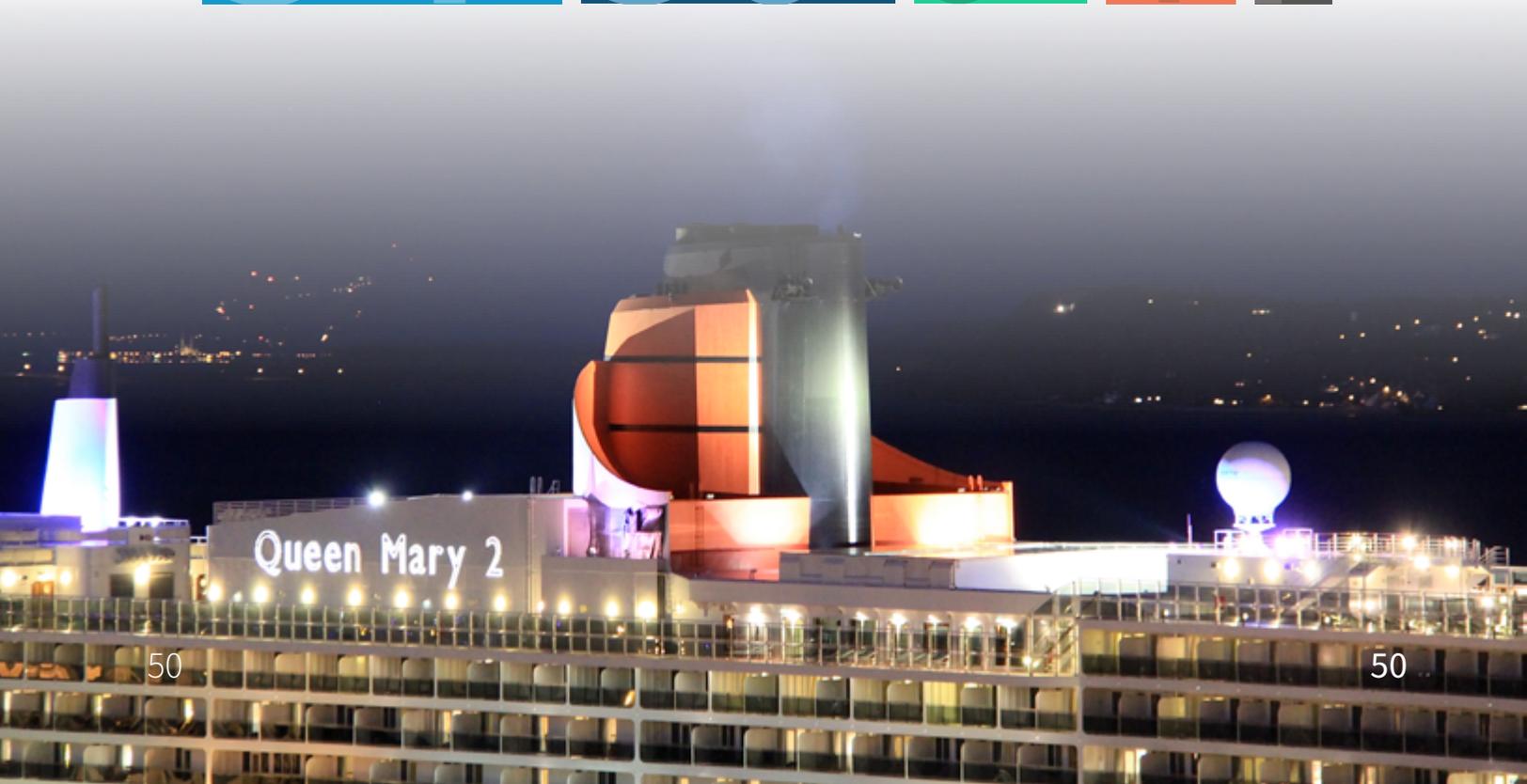
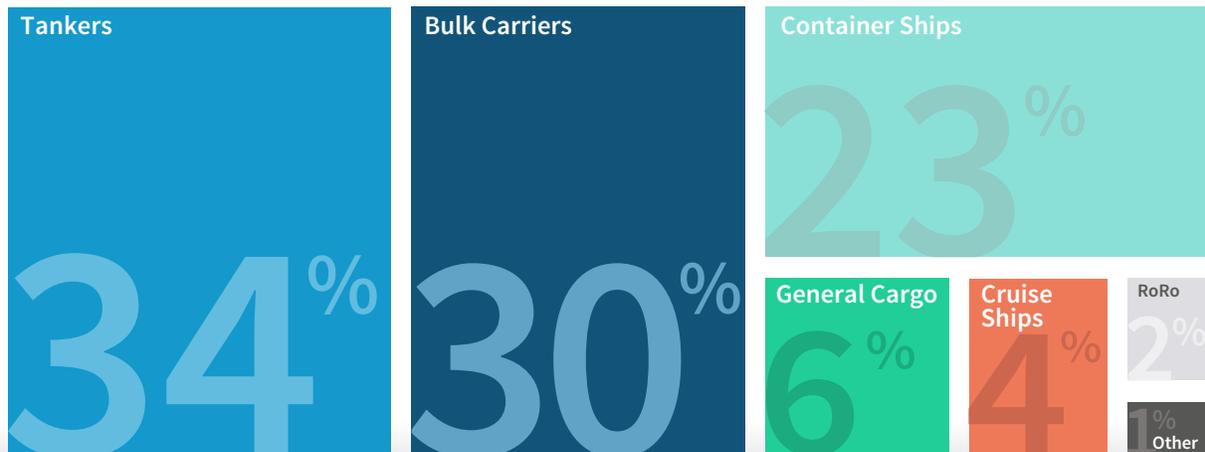
Since the Authority is not entitled to receive parliamentary appropriations, under the *Pilotage Act*, it must ensure that it is financially self-sufficient at all times. In 2017, the Authority was authorized, by the Minister of Finance, to carry a bank overdraft up to \$1,500,000 (\$1,500,000 in 2016).

Cash position

As of December 31, 2017, the Authority had a cash balance of \$9.6 million (\$11.0 million as of December 31, 2016), and \$13.9 million in working capital (\$14.3 million in 2016). Its other assets consisted of accounts receivable totalling \$13.1 million (\$11.5 million in 2016) and short-term investments of \$5.1 million (\$5.0 million in 2016).

Analysis of Actual Results in 2017

Distribution of revenues per type of ship — 2017



Comparison between the 2017 results and the budget

Revenues

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

Fees

Pilotage fees were \$1.5 million lower than forecast. These variances are due in part to changes in traffic volume, which also affected revenues. The late replacement of portable units for a pilot district and a lower than forecast number of apprentice pilots are further reasons for the lower fees. Lastly, the mix in pilotage operations carried out also explain this variance.

Administrative and Operational Expenses | Other Expenses

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

Comprehensive Income

For the above-mentioned reasons, the actual comprehensive income of \$308,000 for 2017 is \$723,000 higher than the projected negative comprehensive income of \$415,000.

Comparison between the 2017 results and the 2016 results

Revenues

Pilotage revenues were \$3.58 million (3.9%) higher in 2017 compared to 2016. This variance can be attributed to an increase in container and passenger ship traffic as well as general cargo ships and bulk carriers transporting ore.

Fees

The bulk of the \$3.79 million (5.2%) increase in pilotage fees is directly linked to the increase in traffic that also influenced revenues. The rest of the variance is directly linked to the increase in the rate of fees for contracts signed with pilot corporations.

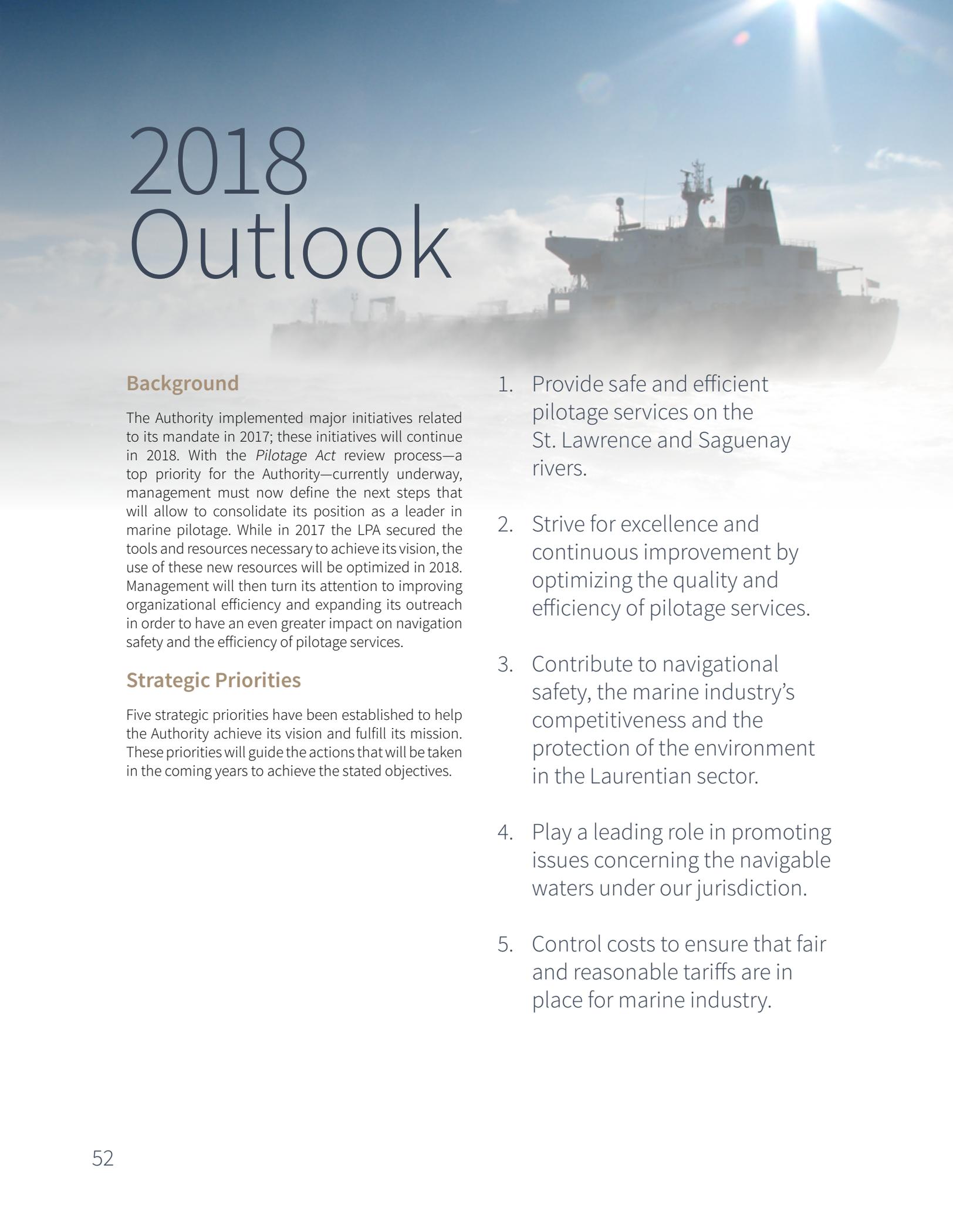
Administrative and Operational Expenses | Other Expenses

Compared to 2016, administrative expenses increased by 8.0%, or \$495,000, while costs related to staff salaries and benefits increased by \$107,000 and costs related to professional and special services increased by \$305,000 as a result of risk studies being undertaken, ongoing litigations and personnel recruitment expenses. Costs related to utilities and supplies (\$85,000) travel and hospitality (+\$40,000) and other expenses (\$+16,000) also increased. Maintenance expenses (-\$58,000) were down from 2016.

Comprehensive Income

The LPA ended the year with a comprehensive income of \$308,000, compared to a comprehensive income of \$1.5 million in 2016.

2018 Outlook



Background

The Authority implemented major initiatives related to its mandate in 2017; these initiatives will continue in 2018. With the *Pilotage Act* review process—a top priority for the Authority—currently underway, management must now define the next steps that will allow to consolidate its position as a leader in marine pilotage. While in 2017 the LPA secured the tools and resources necessary to achieve its vision, the use of these new resources will be optimized in 2018. Management will then turn its attention to improving organizational efficiency and expanding its outreach in order to have an even greater impact on navigation safety and the efficiency of pilotage services.

Strategic Priorities

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

1. Provide safe and efficient pilotage services on the St. Lawrence and Saguenay rivers.
2. Strive for excellence and continuous improvement by optimizing the quality and efficiency of pilotage services.
3. Contribute to navigational safety, the marine industry's competitiveness and the protection of the environment in the Laurentian sector.
4. Play a leading role in promoting issues concerning the navigable waters under our jurisdiction.
5. Control costs to ensure that fair and reasonable tariffs are in place for marine industry.

The Authority conducted a strategic planning exercise and identified a number of initiatives to fulfill the aforementioned strategic priorities. These initiatives have been organized into the following seven areas.

Leadership

The LPA has been working particularly hard over the past two years to strengthen relations with various marine industry stakeholders and exercise its leadership responsibilities under the *Pilotage Act*. The Authority believes that maintaining good relations with groups representing shipowners, pilots and other partners, representatives of port authorities, the Canadian Coast Guard and Transport Canada are essential for it to effectively carry out its mandate. Good relations permit better information exchange and facilitate problem solving.

Navigation Safety

Navigation safety is at the heart of the LPA's mandate. It is therefore essential that the Authority be engaged in an appropriate manner to ensure safety throughout the territory for which we are responsible. In this regard, the Authority's intent is to continue to be proactive and identify when risk reviews should be undertaken to ensure that the pilotage requirements continue to address the needs of safety and ensure the efficiency of pilotage services, including in the Gulf of the St. Lawrence.

Governance | Efficiency | Service Quality

Proposed changes to the LPA's regulations have been drafted to modernize requirements essential to safety and efficiency of marine pilotage services.

The LPA also intends to establish policies and procedures to be followed in the provision of pilotage services including information exchange between a captain and pilot and the publication of voyage plan. Establishing a policy on compliance and enforcement of the *Pilotage Act* and its associated regulations is also essential to sound governance.

Periodic skills training and assessment of certified or licensed pilots have become an essential component of the safety and efficiency of pilotage services. It is a priority for the LPA to ensure that a system for training and comprehensive periodic assessments of its pilots is in place.

Information Technology

Technology must become a catalyst for reaching an organization's goals and maximize the safety and efficiency of our services. In order to become a leader in its area of responsibility, the Laurentian Pilotage Authority will explore the use of available technology. A number of priorities have already been identified and will be studied; the Authority intends to prepare and implement a technology strategic plan.

Communications

The Authority wishes to increase its visibility and ensure Canadians understand the benefits that pilotage brings to the safety and efficiency of navigation. We will step up our presence and visibility and improve its communications to become the point of contact on all pilotage-related matters. In this regard, the LPA will develop and implement an external communication plan in 2018.

Human Resources

It is essential for the organization to have adequate human resources in place, with the appropriate skills and training to achieve the strategic objectives defined by management and ensure the Authority's ongoing sustainability. Promoting diversity and mental health are also key to the success of any organization. The LPA's strategic H.R. plan reflects these values and priorities. Moreover, a succession plan for the management team was developed and implemented starting in 2017, and will be updated in subsequent years.

Financial Management

Sufficient revenue must be generated in order to enable the LPA to implement all of the above-described actions, invest in its infrastructures, fulfill its mandate and achieve its objectives, while maintaining costs at a reasonable level for its clients. Sound financial management and cost control measures are therefore required on a continuing basis.

Definitions

Certain internal operational and statistical procedures are specific to the Authority. To facilitate understanding, it is important to define certain expressions used in this report.

Voyage :

A voyage is defined as a ship's transit from its point of departure to its destination, excluding movages.

Movement :

A movement is the transit of a ship within the geographical boundaries of a port, whether the ship is moved from one anchorage point to another or brought to the same point.

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

Statement of Management's Responsibility

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 article 89 pertaining to its travel, hospitality, conference and event expenditures, and the by-laws and policies of the Authority.

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

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



Fulvio Fracassi
Chief Executive Officer



Claude Lambert
Director, Finance and Administration

Montreal, Canada
March 9, 2018



INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of the Laurentian Pilotage Authority, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Laurentian Pilotage Authority as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Laurentian Pilotage Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with 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*.



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

9 March 2018
Montréal, Canada

Statement of Financial Position as at December 31

<i>(in Canadian dollars)</i>	2017	2016
Assets		
Current assets		
Cash (note 15)	\$ 9,565,813	\$ 10,970,651
Receivables (note 15)	13,100,652	11,534,302
Short-term investments (notes 5 and 15)	5,097,644	5,024,126
	27,764,109	27,529,079
Non-current assets		
Property and equipment (note 6)	15,813,508	14,952,170
Intangible assets (note 7)	216,658	377,253
Total assets	\$ 43,794,275	\$ 42,858,502
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 9 and 15)	\$ 13,874,287	\$ 13,188,272
	13,874,287	13,188,272
Non-current liabilities		
Employee benefits (note 10)	309,716	340,032
Lease inducement (note 4)	172,648	200,272
Total liabilities	14,356,651	13,728,576
Equity		
Retained earnings (note 13)	29,437,624	29,129,926
	29,437,624	29,129,926
Total liabilities and Equity	\$ 43,794,275	\$ 42,858,502

Commitments and contingencies (notes 12 and 16)

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

Approved by the Board of Directors:



Ricky Fontaine
Chairman



Gilles Morin
Member

Statement of Comprehensive Income for the year ended December 31

<i>(in Canadian dollars)</i>	2017	2016
Revenues		
Pilotage charges (note 11)	\$ 94,846,588	\$ 91,271,266
Other income	170,512	158,941
	95,017,100	91,430,207
Expenses		
Pilot fees	77,158,204	73,365,229
Operating costs of pilot boats	10,893,192	10,362,464
Employee salaries and benefits	3,930,866	3,824,079
Professional and special services	1,674,465	1,369,481
Rents	372,506	370,102
Utilities, material and supplies	311,999	227,420
Transportation, travel and hospitality	120,893	80,879
Communications	75,756	76,844
Maintenance	12,595	70,716
Finance costs	11,952	12,628
Other expenses	146,974	130,621
	94,709,402	89,890,463
Comprehensive income for the year	\$ 307,698	\$ 1,539,744

Statement of Changes in Equity for the year ended December 31

<i>(in Canadian dollars)</i>	2017	2016
Retained earnings, beginning of the year	\$ 29,129,926	\$ 27,590,182
Comprehensive income for the year	307,698	1,539,744
Retained earnings, end of the year	\$ 29,437,624	\$ 29,129,926

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

Statement of Cash Flows for the year ended December 31

<i>(in Canadian dollars)</i>	2017	2016
Operating activities		
Comprehensive income for the year	\$ 307,698	\$ 1,539,744
Adjustments to determine net cash flows generated by (used for) operating activities:		
Depreciation and amortization	841,868	1,055,568
Change in long-term portion of employee benefits	(30,316)	(93,031)
Change in long-term portion of the lease inducement	(27,624)	(27,624)
Loss (gain) on asset disposals	5,852	(250)
Changes in non-cash working capital items:		
Changes in receivables	(1,566,350)	(1 288 005)
Changes in accounts payable and accrued liabilities	686,015	2 255 185
Cash flows from operating activities	217,143	3,441,587
Investing activities		
Net purchase of investments	\$ (73,518)	\$ (18,866)
Acquisition of property and equipment	(1,548,523)	(115,871)
Acquisition of intangible assets	-	(1,500)
Proceeds on property and equipment disposal	60	250
Cash flows from investing activities	(1,621,981)	(135,987)
Cash		
Change for the year	\$ (1,404,838)	\$ 3,305,600
Balance, beginning of year	10,970,651	7,665,051
Balance, end of year	\$ 9,565,813	\$ 10,970,651

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

Notes to the Financial Statements

December 31, 2017 (In Canadian dollars)

1. Status and activities

The Laurentian Pilotage Authority (the “Authority”) was established in 1972 in Canada under the *Pilotage Act*. Its objectives are to establish, operate, maintain and administer, in the interest of navigational safety, an efficient pilotage service within certain designated Canadian waters in and around the Province of Québec. The Act provides that tariffs of pilotage charges shall permit the Authority to operate on a self-sustaining financial basis and shall 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 has access to Parliamentary appropriations.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. In July 2015, the Authority received instruction (C.P. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to harmonize their 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 their legal obligations and to report on the implementation of this directive in their next Corporate plan. The Authority has reported on the implementation of this directive in its 2017-2021 Corporate plan and complied with this directive since 2016. The Authority is not an agent of Her Majesty and is exempt from income taxes.

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

2. Basis of preparation

Statement of compliance

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

These financial statements were approved for issue by the Board of Directors on March 9, 2018.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except if stated otherwise.

Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the Authority’s functional currency.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported 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 to the carrying amount of assets and liabilities within the next year. Management has not made any critical accounting estimates in preparation of these financial statements except for obligations related to employee benefits and for the useful lives of property and equipment, and of intangible assets.

b) Significant judgments

Significant judgments on the accounting value of assets and liabilities are estimates and assumptions made by management based on previous experience and various other factors characterized as reasonable in the circumstances. Elements that were based on judgment were accounting policies related to the contribution for the acquisition of portable units as well as the determination of categories and the method used for the depreciation of property and equipment and of intangible assets.

3. Accounting standards

a) New standards issued but not yet effective

A number of new standards, interpretations and amendments to existing standards have been issued by the IASB which are mandatory, but not yet effective for the period ended December 31, 2017, and have not been used in preparing the financial statements. The Corporation did not decide to adopt any of these standards and amendments before their effective date.

• IFRS 9, Financial Instruments

IFRS 9 replaces the guidance of IAS 39, Financial Instruments: *Recognition and Measurement*, on the classification and measurement of financial assets and financial liabilities. According to IFRS 9, financial instruments are sorted and evaluated at amortized cost, or at fair value, depending on the economic model they are held and on their contractual cash flow features.

This standard applies to fiscal years beginning on or after January 1, 2018. Given the nature of the financial instruments held by the Authority, the Authority estimates that the new classification of its financial instruments under IFRS 9 will not have a material impact on its financial statements. The Authority does not hold any derivative financial instruments.

• IAS 15, Revenue from Contracts with Customers

The standard establishes a single model for contracts with clients as well as two approaches for accounting for revenues: at a point in time or with the passage of time. The proposed model consists of a five-step transaction analysis with the objective of determining if revenues from ordinary activities are recorded, what amount is recorded and at what time. New thresholds have been implemented concerning estimates and judgments, which could have an impact on the amount of recorded revenues and/or the timing of their recording. This new standard will void and replace the actual IFRS requirements for accounting for revenues.

This standard is effective for fiscal years beginning on or after January 1, 2018. The Authority believes that this new standard will not have a material impact on its financial statements, given that the majority of its revenues are related to pilotage fees and pilot boat operations and are recognized at the time of service delivery, at a known cost, and that these services are not progressively rendered.

• IFRS 16, Leases

The standard requires lessees to recognize assets and liabilities in the statement of financial position for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

This standard is effective for fiscal years beginning on or after January 1, 2019, and early adoption is permitted for entities applying IFRS 15. The Authority is currently evaluating its contracts to determine the change to be made in their recognition and the impact of this standard on its financial statements. Therefore, the extent of the impact of adoption has not yet been determined.

b) New standards applied during the period

No new standard impacting the Authority was applied during the period.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to periods presented in these financial statements.

Cash

Cash comprises cash on hand held by the Authority in various bank accounts.

Property and equipment

Property and equipment obtained from Canada when the Authority was established were recorded at the then assigned values. Property and equipment purchased subsequently by the Authority are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of assets built by the Authority includes design, project management, materials and shipyard construction costs. Amounts included in work in progress are transferred to the appropriate property and equipment classification upon completion, and are subsequently depreciated.

Depreciation of property and equipment is determined based on the depreciable amount, i.e. cost less residual value of the asset, on a straight-line basis, at rates based on the estimated useful lives of the assets. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment.

The estimated useful lives for each of the major categories of property and equipment for the purposes of calculating depreciation are as follows:

Buildings	9 to 30 years
Pilot boats	
Hull and design	20 years
Machinery	20 years
Electrical	15 years
Equipment	5 to 10 years
Trailer	9 to 10 years
Furniture and fixtures	10 years
Communications equipment	5 to 10 years
Computer equipment	3 to 5 years
Boarding facilities	10 to 25 years
Wharfs	
Piles and anchorings	30 years
Sheeting pile	30 years
Steel of braced frame	40 years
Concrete and stone	40 years
Fenders	25 years
Mechanical system and gangway	20 years
Fixed structure	15 years
Timber crib	25 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively if appropriate.

Gains or losses resulting from the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within comprehensive income for the financial year.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses and consist in the right to use a boat launching ramp at Les Escoumins for pilot boat operations, in software and in a contribution, to a pilot corporation, used to purchase portable units. Amortization of intangible assets is calculated on a straight-line basis with estimated useful lives between 4 to 15 years. The amortization method, useful life and residual value of the intangible assets are reviewed at each financial year-end and adjusted prospectively if appropriate.

Impairment of non-financial assets

The Authority reviews the carrying amount of its non-financial assets, which include property and equipment, and the intangible assets, at each financial year-end to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (the "cash generating unit", or "CGU").

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value by applying a discount rate that reflects 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 amount. Impairment losses are recognized in comprehensive income.

Impairment losses recognized in prior periods are assessed at each financial year-end for any indications 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 amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Employee benefits

Short-term and long-term employee benefits

Employees are entitled to be compensated for absences as provided in their collective agreements or conditions of employment. This involves sick leaves that accumulate, but do not vest, enabling the employees to be paid during their absence in recognition of prior services, and special leaves.

As employees render services, the value of compensated absences attributed to those services is recorded as a liability and an expense. Management uses assumptions and its best estimates, such as the discount rate, the retirement age, the utilization rate of days in excess of the sick leaves granted annually, the usage rate of special leaves, the probability of departure and salary review rate, to calculate the present value of the sick leaves and special leaves benefits obligation. These assumptions are reviewed annually.

The Authority's short-term benefit obligations are included under *Accounts payable and accrued liabilities* and under *Employee benefits* for the long-term portion in the statement of financial position.

Pension plan

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

Termination benefits

In February 2012, July 2013 and July 2014, termination benefits for certain categories of employees were modified; consequently, accumulation of termination benefits in the event of resignation and retirement was terminated for all employees. Termination benefits in the event of termination of a work contract before the normal expected retirement date are still granted. The Authority now accounts for termination benefits when it is unequivocally committed to execute a formal non-cancellable employment termination plan, before the normal expected retirement date or to provide termination benefits as part of a program to encourage voluntary departures.

The termination benefit obligation is calculated at a present value based on management's best estimate assumptions regarding wage, the discount rate and the timing of retirement. These assumptions are reviewed on a yearly basis.

Lease inducement

The Authority has benefited from a free rental clause from April 1st, 2014 to April 30th, 2015 in its lease for its head office premises. These free rents are considered a lease inducement and are presented as a liability as at December 31st, for the expired portion as at that date. The lease inducement is amortized on a linear basis over the lease duration from May 1st, 2015. Term of the lease expires March 31, 2026.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Authority's revenue is generated by service delivery and is recognized when the amount can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Authority and the costs incurred or costs to complete the transaction can be reliably measured.

Revenues earned from pilotage charges and pilot boat operations meet these criteria and are recognized as the services are rendered.

Lease payments

All of the Authority's leases are operating leases and the leased assets are not recognized on the statement of financial position because substantially all the risks and rewards of ownership of the leased assets are not transferred to the Authority.

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

Financial instruments

All financial instruments are recognized initially at fair value. Subsequent measurement and the recognition for changes in the fair value of the financial instruments depend on their classification, which is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Directly attributable transaction costs are added to the initial fair value. After initial recognition, they are measured at amortized cost using the effective interest method less impairment losses. Cash and receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the intention to hold to maturity. These investments are measured at amortized cost using the effective interest method. Investments held by the Authority have been included in this category.

All the Authority's financial liabilities, including accounts payable and accrued liabilities, are classified as other liabilities. Directly attributable transaction costs are deducted from the initial fair value of these liabilities. After initial recognition, they are measured at amortized cost using the effective interest rate method.

The Authority did not hold any derivative financial instruments as at December 31, 2017.

5. Investments

	December 31, 2017		December 31, 2016	
	Fair value	Carrying value	Fair value	Carrying value
Current				
Provincial bonds	\$ 5,102,969	\$ 5,097,643	\$ 5,064,648	\$ 5,024,126
Non current				
Provincial bonds	\$ -	\$ -	\$ -	\$ -

Interest income for the year totaled \$46,069 (\$46,988 in 2016). Annual yields on these investments ranged from 0.66% to 1.42% (between 0.56% and 1.06% in 2016). Current provincial bonds' expiry dates vary between March 5 and December 2, 2018 (from February 4 to December 2, 2017 in 2016) and no investment was held on a non-current basis (*nil* in 2016).

6. Property and equipment

Cost	Land	Buildings	Pilot boats	Furniture and fixtures	Communications equipment	Computer equipment	Boarding facilities	Wharfs	Total
Balance as at January 1, 2016	\$ 3,300	\$ 441,360	\$ 8,621,594	\$ 163,056	\$ 61,466	\$ 615,181	\$ 58,795	\$ 9,715,609	\$ 19,680,361
Acquisitions	-	80,887	18,847	16,137	-	-	-	-	\$ 115,871
Disposals	-	(16,024)	-	(9,058)	-	(6,727)	-	-	\$ (31,809)
Balance as at December 31, 2016	\$ 3,300	\$ 506,223	\$ 8,640,441	\$ 170,135	\$ 61,466	\$ 608,454	\$ 58,795	\$ 9,715,609	\$ 19,764,423
Acquisitions	\$ -	\$ 27,355	3,145	\$ 12,556	\$ 29,915	\$ 1,452,502	\$ 23,050	\$ -	\$ 1,548,523
Disposals	-	(2,846)	(32,161)	(7,808)	(7,556)	(53,457)	-	-	(103,828)
Balance as at December 31, 2017	\$ 3,300	\$ 530,732	\$ 8,611,425	\$ 174,883	\$ 83,825	\$ 2,007,499	\$ 81,845	\$ 9,715,609	\$ 21,209,118
Depreciation and impairment losses									
Balance as at January 1, 2016	\$ -	\$ 131,373	\$ 1,502,575	\$ 123,570	\$ 44,224	\$ 577,446	\$ 20,564	\$ 1,759,109	\$ 4,158,861
Depreciation for the year	-	20,891	339,703	11,304	3,338	29,332	2,744	277,889	685,201
Disposals	-	(16,024)	-	(9,058)	-	(6,727)	-	-	(31,809)
Balance as at December 31, 2016	\$ -	\$ 136,240	\$ 1,842,278	\$ 125,816	\$ 47,562	\$ 600,051	\$ 23,308	\$ 2,036,998	\$ 4,812,253
Depreciation for the year	\$ -	\$ 26,319	\$ 337,088	\$ 8,997	\$ 9,322	\$ 18,927	\$ 3,490	\$ 277,130	\$ 681,273
Disposals	-	(2,847)	(26,248)	(7,808)	(7,556)	(53,457)	-	-	(97,916)
Balance as at December 31, 2017	\$ -	\$ 159,712	\$ 2,153,118	\$ 127,005	\$ 49,328	\$ 565,521	\$ 26,798	\$ 2,314,128	\$ 5,395,610
Carrying amounts									
As at January 1, 2016	\$ 3,300	\$ 309,987	\$ 7,119,019	\$ 39,486	\$ 17,242	\$ 37,735	\$ 38,231	\$ 7,956,500	\$ 15,521,500
As at December 31, 2016	\$ 3,300	\$ 369,983	\$ 6,798,163	\$ 44,319	\$ 13,904	\$ 8,403	\$ 35,487	\$ 7,678,611	\$ 14,952,170
As at December 31, 2017	\$ 3,300	\$ 371,020	\$ 6,458,307	\$ 47,878	\$ 34,497	\$ 1,441,978	\$ 55,047	\$ 7,401,481	\$ 15,813,508

7. Intangible asset

	Right to use a boat launching ramp	Software	PPU financial contribution	Total
Cost				
Balance as at January 1, 2016	\$ 200,000	\$ 113,650	\$ 1,276,989	\$ 1,590,639
Acquisitions	-	1,500	-	1,500
Disposals	-	-	(32,838)	(32,838)
Balance as at December 31, 2016	\$ 200,000	\$ 115,150	\$ 1,244,151	\$ 1,559,301
Acquisitions	\$ -	\$ -	\$ -	\$ -
Disposals	-	-	-	-
Balance as at December 31, 2017	\$ 200,000	\$ 115,150	\$ 1,244,151	\$ 1,559,301
Amortization and impairment losses				
Balance as at January 1, 2016	\$ 70,013	\$ 47,724	\$ 726,782	\$ 844,519
Amortization for the year	\$ 13,360	\$ 22,780	\$ 334,227	\$ 370,367
Disposals	-	-	(32,838)	(32,838)
Balance as at December 31, 2016	\$ 83,373	\$ 70,504	\$ 1,028,171	\$ 1,182,048
Amortization for the year	\$ 13,324	\$ 22,718	\$ 124,553	\$ 160,595
Disposals	-	-	-	-
Balance as at December 31, 2017	\$ 96,697	\$ 93,222	\$ 1,152,724	\$ 1,342,643
Carrying amounts				
As at January 1, 2016	\$ 129,987	\$ 65,926	\$ 550,207	\$ 746,120
As at December 31, 2016	\$ 116,627	\$ 44,646	\$ 215,980	\$ 377,253
As at December 31, 2017	\$ 103,303	\$ 21,928	\$ 91,427	\$ 216,658

8. Credit facility

The Authority had an operating line of credit available as a bank overdraft facility for a maximum amount of \$1,500,000 in 2017 (\$1,500,000 in 2016), bearing an interest rate equivalent to the bank's rate per annum, which remained between 2.70% and 3.20% in 2017

(2.70% in 2016). This overdraft facility is available as required and is renewable annually. It is secured by a \$3,000,000 (\$3,000,000 in 2016) first rank immovable mortgage on receivables. As at December 31, 2017, the Authority was not using this overdraft (nil in 2016).

9. Accounts payable and accrued liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts payable	\$ 13,802,677	\$ 12,984,435
Employee benefits	43,986	176,213
Lease inducement	27,624	27,624
	\$ 13,874,287	\$ 13,188,272

10. Employee benefits

Pension plan

All of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was \$1.01 (\$1.15 in 2016) for every dollar contributed by participating employees before December 31, 2012. It was \$1.00 (\$1.11 in 2016) for every dollar contributed by participating employees after December 31, 2012. Total contributions of \$338,220 (\$373,570 in 2016) were recognized as expense in the current year.

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

Termination benefits and compensated absences

Termination benefits

The Authority provides termination benefits to certain unionized staff eligible based on the type of employment termination, on years of service and final salary (the accumulation of termination benefits for voluntary separations has been discontinued for all employees as of July 2014, in accordance with the employee's group). This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. In order to calculate the termination benefits' obligation, management uses a remuneration growth rate of 3.88% (2016: 3.89%), a discount rate of 2.15% (2016: 2.02%) and the age of 60 (2016: age of 60) as the retirement age assumption.

Compensated absences (special leaves and sick leaves)

The Authority provides special leaves and sick leaves to its employees based on their salary and the entitlements accumulated over their years of service. These entitlements are accumulated but do not vest. In order to calculate the termination benefits' obligation, management uses a remuneration growth rate of 3.88% (2016: 3.89%), a discount rate of 2.15% (2016: 2.02%) and the age of 60 (2016: age of 60) as the retirement age assumption.

Relevant information about termination benefits, special leaves and sick leaves are the following:

	December 31, 2017	December 31, 2016
Obligation, beginning of year	\$ 516,245	\$ 567,733
Expense for the year	\$ 53,153	\$ 213,146
Benefits paid during the year	\$ (215,696)	\$ (264,634)
Obligation, end of year	\$ 353,702	\$ 516,245
Short-term portion (included in <i>accounts payable and accrued liabilities</i>)	\$ 43,986	\$ 176,213
Long-term portion	\$ 309,716	\$ 340,032
	\$ 353,702	\$ 516,245

11. Regulations prescribing tariffs of pilotage charges

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

of public hearings. Once its investigation is complete, the Agency must make a recommendation within 120 days following the receipt of notices of objection, and the Authority is required to govern itself accordingly.

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

The tariffs of pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs

set are intended to allow the Authority to recover its costs and to provide for a reasonable financial reserve necessary to, amongst other things, replace its assets.

12. Commitments

Operating leases

The Authority rents office space and equipment. The operating leases run for an initial period between 1 and 11 years, with option to renew the lease after that date.

Non-cancellable operating lease rentals are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Less than 1 year	\$ 456,412	\$ 426,935
1 to 5 years	1,821,116	1,777,480
Over 5 years	1,345,853	1,812,662
	\$ 3,623,381	\$ 4,017,077

Other commitments

As at December 31, 2017, the Authority had entered into agreements covering legal services and ancillary costs to pilotage services. Estimated amounts payable are:

2018	\$ 1,683,326
2019	1,061,147
2020	726,701
2021	339,164
2022	0
	<u>\$ 3,810,338</u>

As at December 31, 2016, the Authority had entered into agreements covering legal services and ancillary costs to pilotage services amounting to \$3,616,679.

13. Capital management

The Authority's capital consists of its retained earnings, and is regulated by the Financial Administration Act. The Authority is not allowed to modify its capital structure nor contract debt instruments without obtaining the approval of the federal government.

The Authority manages its capital prudently in managing revenues, expenses, assets and general financial transactions to ensure that its objectives are achieved efficiently and in compliance with the different acts that govern it. In 2017, 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 does not have access to parliamentary appropriations. As at December 31, 2017 retained earnings amounted to \$29,437,624 (\$29,129,926 in 2016) and working capital totaled \$13,889,822 (\$14,340,807 as at December 31, 2016).

14. 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 that apply to unrelated parties. These transactions are not significant 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 management personnel, including members of the Board of Directors. Key management personnel's compensation was as follows as at December 31:

	<u>2017</u>	<u>2016</u>
Compensation and other short-term benefits	\$ 996,054	\$ 875,869
Pension plan contributions	106,626	112,216
Termination benefits	121	170,100
	\$ 1,102,802	\$ 1,158,185

15. Financial instruments

Fair value

Financial assets and liabilities are cash, receivables, investments, and accounts payable and accrued liabilities. The carrying amounts of each of these items, with the exception of investments, approximate their fair value because of their short-term maturity.

Fair values of financial instruments are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy used in determining the fair value warrants the use of observable inputs on the market each time such inputs exist. A financial instrument for which a significant non-observable input was used in the evaluation of the fair value is classified to the lowest level of the hierarchy. The fair value hierarchy has the following levels:

- ▷ Level 1: fair value measurement is derived from market prices (unadjusted) on active markets, for identical assets or liabilities, on which the entity can access at the evaluation date.
- ▷ Level 2: fair value measurement is derived from valuation techniques based on inputs concerning assets or liabilities other than quoted prices in active markets that are either directly or indirectly observable.
- ▷ Level 3: fair value measurement is derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at December 31, 2017, cash is evaluated at fair value according to level 1, while receivables, accounts payable, accrued liabilities and investments are evaluated according to level 2. For 2017, the fair value of these investments is \$5,102,969 (\$5,064,648 in 2016). Fair value of these investments is determined based on quoted market prices as at the financial year's closing day, obtained from independent brokers for identical assets in markets that are not considered sufficiently liquid.

Credit risk

Credit risk arises from the possibility that a client or the issuer of a financial instrument fails to meet its contractual obligations. It results mostly from the Authority's accounts receivable.

There is no significant risk with receivables as the *Pilotage Act* stipulates that the owner, master, and agent of a ship are jointly and severally liable for pilotage charges, and the *Pilotage Act* provides a mechanism to withhold custom clearance if pilotage charges are unpaid. As at December 31, 2017, no receivable is delinquent (*nil* in 2016). The maximum credit risk associated with receivables is \$13,100,652 (\$11,534,302 as at December 31, 2016). There is no concentration of receivables.

The Authority only does business with Canadian chartered banks and recognized financial institutions with a superior credit rating. The maximum credit risk associated with cash is \$9,565,813 (\$10,970,651 as at December 31, 2016). Moreover, for its current and non-current investments, the Authority adheres to guidelines issued by the minister of Finance in dealing solely for bonds or other titles issued or guaranteed by Her Majesty in right of Canada or a Canadian province or municipality. The maximum credit risk associated with current and non-current investments is \$5,097,644 (\$5,024,126 as at December 31, 2016).

Interest rate risk

The interest rate risk arises when the fair value or the future cash flows of a financial instrument vary because of the market interest rate fluctuations.

The Authority may be exposed to interest rate risk with the use of its operating line of credit as this instrument bears interest. As of December 31, 2017, this credit line was not used (*nil* in 2016). Moreover, the Authority has an exposure to interest rate risk for its current and non-current investments; however, yield rates being guaranteed, any interest rate variation would not have a significant impact on its financial statements.

During financial year 2017, the total interest expense was \$516 (\$767 in 2016).

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority must operate on a self-sustaining financial basis and does not have access to parliamentary appropriations and, as a result, depends on its funding sources and cash flows from operating activities to fulfill its financing requirements. The Authority manages liquidity risk by continuously monitoring actual and projected cash flows. In addition, as presented in note 8, the Authority has access to a credit facility, which is renewable annually, as required. Accounts payable and accrued liabilities are due within a three-month period.

The Authority's risk exposition, its objectives, policies and management and evaluation process of this risk have not changed significantly since the previous period.

16. Contingencies

The Authority is subject to various claims or lawsuits within the normal course of business. To date, two notices of litigation and one claim, totalling \$ 2,147,513 and related to the same clause of a contractual agreement, have been filed to the Authority. Both notices of litigation have been referred to an adjudicator in accordance with the contractual agreement between the parties. As at December 31, 2017 and 2016, due to the uncertainty associated with the arbitration process, the Authority is not in a position to determine neither the financial impact, nor the timing of the ruling.

Company Directory

Laurentian Pilotage Authority

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

Photo credits:

Yves Demers
Annie Garofano
Bruce Harvey
Gilles Létourneau
Louis Rhéaume
Julie Soto

pilotagestlaurent.gc.ca

