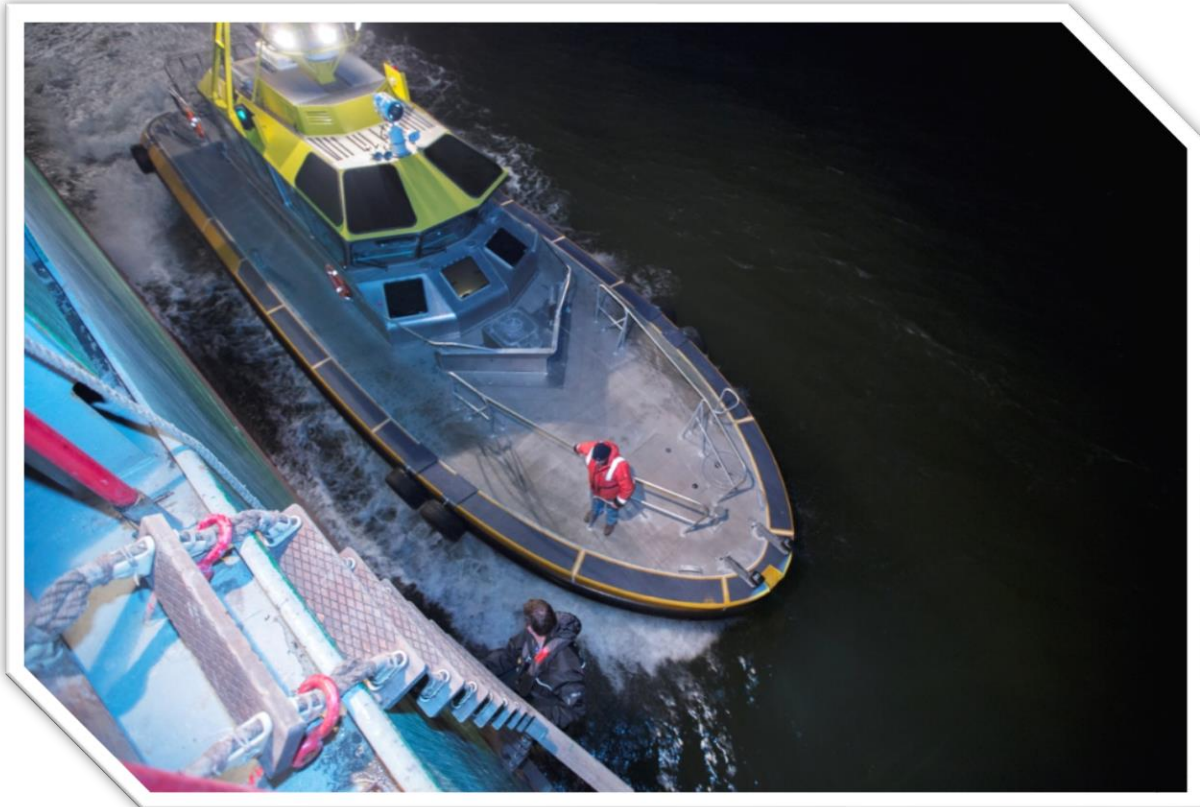




PACIFIC PILOTAGE AUTHORITY

Corporate Plan Summary (2023 – 2027)



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**Board Approval Date**  
**October 27, 2022**

## Executive Summary

The Pacific Pilotage Authority ("PPA" or "the Authority") provides pilotage services on the west coast of Canada, as mandated under the *Pilotage Act*.

The Authority continues to respond to and manage the operational and financial impacts of the global pandemic. Operationally we have continued to provide uninterrupted pilotage services throughout, whilst maintaining the safety of pilots and staff. Financially, we expect to incur a loss for 2022, and have experienced a decline in our cash balances over the past two years as we weathered the effects of the pandemic. Although we were pleased to see the return of cruise ships in 2022, other assignments have declined, notably grain shipments after a poor harvest in 2021.

### Objectives (summarized):

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

The Authority is focused on a number of fronts, which are also reflected in key objectives of the Authority and activities planned. These include:

- **Economic uncertainty** – rising inflation has led to an increase in interest rates, which have raised the prospect of an economic recession. Combined with uncertainty caused by the conflict in Europe and on-going disruptions and tensions in China due to COVID, the immediate outlook creates a constraint for business.
- **Variability in traffic volumes** – the economic uncertainty is likely to lead to greater variability in traffic volumes. Also, climate change is resulting in more extreme weather patterns, which can impact grain harvests. Positively we are expecting increased tanker traffic associated with energy projects, but timing of the projects and level of demand add to the variability.
- **Pilot recruitment and training** – there is an industry shortage of marine personnel from which the Authority can recruit and train qualified pilots to replace retiring pilots. The acquisition of new simulators, through a joint venture with the BC Coast Pilots, will increase our in-house training capabilities.
- **Industry needs** – there is a requirement for heli-hoisting of pilots for new energy related projects (Trans Mountain Expansion and LNG Canada). Negotiations are underway with the lead proponent from a Request for Proposals from potential service providers.
- **CEO succession** – our CEO will retire in early 2023 and his replacement was selected and started in early October 2022, allowing for an overlap for transition.
- **Technology and cybersecurity** – the implementation of technology solutions within the organization, including a new Pilot Dispatch and Accounting Management System ("PDAMS"), to provide more efficient systems and processes. Within the technology area there is also a growing risk of cybersecurity

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breaches. An incident response plan to address potential threats has been developed and is being refined, as well as increased training and awareness of staff to potential threats.

- **Continued engagement of stakeholders and Indigenous communities**, as marine practices and regulations continue to evolve.
- **Labour negotiations** – three collective agreements that cover all our unionized employees are due to expire in early 2023. Bargaining will commence later in 2022 with a view to negotiating new agreements.

Capital expenditures planned in 2023 of \$33 million principally comprises the helicopter services contract, which would likely be accounted for as a “right-of-use” asset funded by a lease. The balance of planned capital expenditures relates to recurring items, including an overhaul of launch engines, and is expected to be funded from operating cashflow or cash balances on hand.

A significant decision will be to conclude contract negotiations with the leading proponent for the helicopter service contract. The contract will be multi-year and cover services in either the south (Vancouver/Victoria) or north (Prince Rupert), or both. We will also be negotiating with the terminal operators to ensure that all costs will be recovered from vessels using the service and/or the terminal operators.

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

## TABLE OF CONTENTS

Page No.

Executive Summary

<b>1. Overview .....</b>	<b>1</b>
<b>Background.....</b>	<b>1</b>
<b>Mandate.....</b>	<b>1</b>
<b>Public policy role .....</b>	<b>1</b>
<b>Vision statement.....</b>	<b>1</b>
<b>Mission statement .....</b>	<b>1</b>
<b>Activities and operations.....</b>	<b>1</b>
<b>2. Operating environment .....</b>	<b>3</b>
<b>Internal environment.....</b>	<b>3</b>
<b>External environment.....</b>	<b>5</b>
<b>Alignment with Government priorities and direction .....</b>	<b>7</b>
<b>Other reviews and audits.....</b>	<b>7</b>
<b>3. Strategic Objectives, Activities, Risks and Expected Results .....</b>	<b>8</b>
<b>4. Financial overview .....</b>	<b>15</b>
<b>5. Appendices .....</b>	<b>18</b>
<b>Appendix 1 - Ministerial Direction.....</b>	<b>19</b>
<b>Appendix 2 - Corporate Governance Structure.....</b>	<b>22</b>
<b>Appendix 3 – Planned Results .....</b>	<b>26</b>
<b>Appendix 4 - Chief Financial Officer Attestation.....</b>	<b>30</b>
<b>Appendix 5 - Financial Annex .....</b>	<b>31</b>
<b>Appendix 6 - Borrowing Plan.....</b>	<b>37</b>
<b>Appendix 7 - Risk and Risk Responses .....</b>	<b>40</b>
<b>Appendix 8 - Compliance with Legislative and Policy Requirements.....</b>	<b>45</b>
<b>Appendix 9 - Government Priorities and Direction.....</b>	<b>47</b>

# 1. Overview

## Background

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

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

## Mandate

The Authority's mandate, enabled under the *Pilotage Act*, is to establish, operate, maintain and administer in the interests of safety of navigation, an efficient pilotage service.

## Public policy role

The Authority's role is to facilitate international trade by providing a safe and efficient pilotage service on the west coast of Canada.



## Vision statement

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

## Mission statement

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

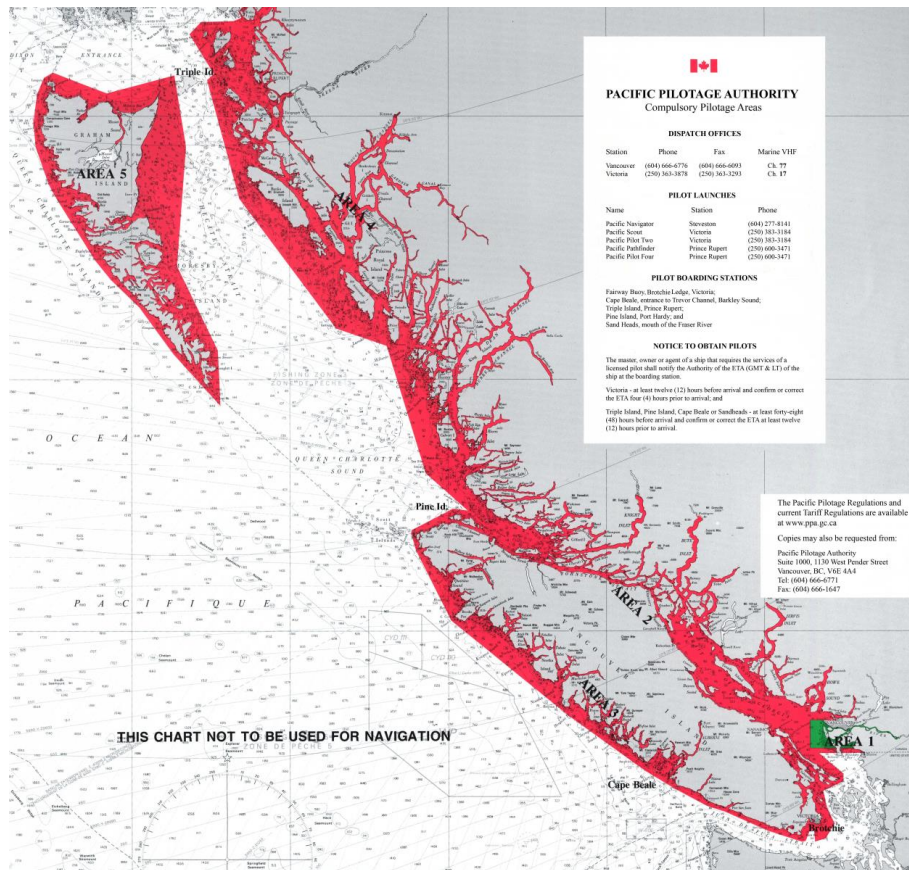
## Activities and operations

The Authority is one of four federally regulated pilotage authorities in Canada. The other three (Atlantic, Laurentian and Great Lakes) operate in eastern Canada.

The Authority is responsible for providing safe, reliable and efficient marine pilotage in the coastal waters of British Columbia, including the Fraser River. We service all major



ports on the coast, as compared to other jurisdictions that may service only one port, and include Vancouver, Deltaport, Victoria, Prince Rupert, and Stewart.



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

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

To provide pilots with water transportation to/from ships, the Authority operates pilot launches at three permanent boarding stations. These stations are at Victoria, Prince Rupert and Steveston, all of which have employee-crewed launches. The Authority also contracts launch operations from third parties at smaller, less active locations at Pine Island (northern tip of Vancouver Island) and Snake Island for the Nanaimo area.

Please refer to the Authority's 2021 Annual Report for further corporate information.  
<https://www.ppa.gc.ca/annual-reports>

## 2. Operating environment

### Internal environment

In order to fulfil its defined objectives and achieve its mandate, the following is a brief listing of the key internal factors that influence the operations of the Authority as well as some of the strengths used to support success:

- **Human Resources overview**

The following table summarizes the Authority's current staffing:

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

The Authority is anticipating limited changes to staffing with only two new positions planned in 2023, both administrative.

The Authority has collective agreements covering all of the above employee groups, with the exception of Executive Management and Management. These collective agreements are summarized below:

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

As the above agreements are due to expire in early 2023, the Authority will begin preliminary discussions on terms for new agreements with union representatives in the Fall of 2022. Given the inflationary issues of the day we expect these agreements will put pressure on the PPA expenses.

The Authority also contracts with the British Columbia Coast Pilots Ltd. ("BCCP") for coastal pilotage services. Currently a workforce of approximately 120 contract pilots provides coastal pilotage services to the Authority. The present agreement with BCCP expires on December 31, 2025.

Following the recent suspension of vaccination requirements for federal Crown corporations, the Authority has implemented a return-to-work plan for unvaccinated employees.

The Authority has also implemented a safe return-to-work plan for administrative and management employees who were working from home more frequently earlier in the pandemic. This plan currently involves a hybrid work model with a balance of in-office and remote work, but it may evolve in future in response to changes in the pandemic.

- **Pilot recruitment and training**

Shipping volumes on the west coast of Canada are expected to grow over the next five years with the addition of two major projects, namely the Trans Mountain Expansion (TMX) project coming on stream in 2024 and the LNG Canada project likely in 2025. Both projects require two pilots to be on the bridge in a number of areas along the transit route. Based on the duration of the transit and the need for a pilot change partway through, each transit will require up to four pilots.

The available supply of new apprentice pilots is challenging with a small labour pool of prospective applicants, competition from other marine service organizations and potentially long wait times between examinations and ultimate hiring. Hence, the impact of the proposed new projects brings a risk to the Authority in meeting demand with sufficient pilot supply, without sacrificing safety. Coast pilots also take six years to reach a level of proficiency in which no restrictions are placed on the class of ships they can pilot, and these unrestricted pilots will be needed for the TMX and LNG projects. To mitigate the risk, the Authority runs a familiarization program for potential apprentice applicants and is expanding its simulator capacity for pilot training.

- **Strong operations team – change in CEO**

The Authority is comprised of a highly effective management team with a significant understanding of the operation of the business. The Authority's CEO will retire in early 2023 and a replacement has been selected and started in October 2022. This allows for an overlap for knowledge transfer and a smooth transition.

- **Systems and technology**

The Authority is committed to investing in technology to ensure the safety and efficiency of its operations, including:

- In-house simulator: The Authority has invested in an advanced in-house simulator, in partnership with BCCP, which is being extensively used for:
  1. Pilot training
  2. Proof of concept for new projects
  3. Navigational risk assessments

The Authority, in partnership with the BCCP, has been expanding the simulator in 2022 with an additional two bridges. One is a tug bridge and the other is a full mission simulator, which includes a docking module allowing pilots to dock ships with the aid of a visual representation.



- **Portable Pilotage Units (PPUs):** The Authority continues to invest in PPUs, which are highly accurate portable navigation devices used to assist pilots in making timely decisions with reference to navigational safety. These PPUs are completely independent of a ship's navigation system and have become a standard practice tool used in piloting considering the growth in size of vessels.
- **Pilot Dispatch and Accounting Management System:** The Authority is currently developing a replacement for its existing system and it is planned to be operational by the end of 2022. It will enable a transition to electronic from manual source cards for the pilots.

The Authority is a mature organization with well-developed policies and procedures to deal with recurring and new challenges. The Authority is also ISO and ISM compliant and certified.

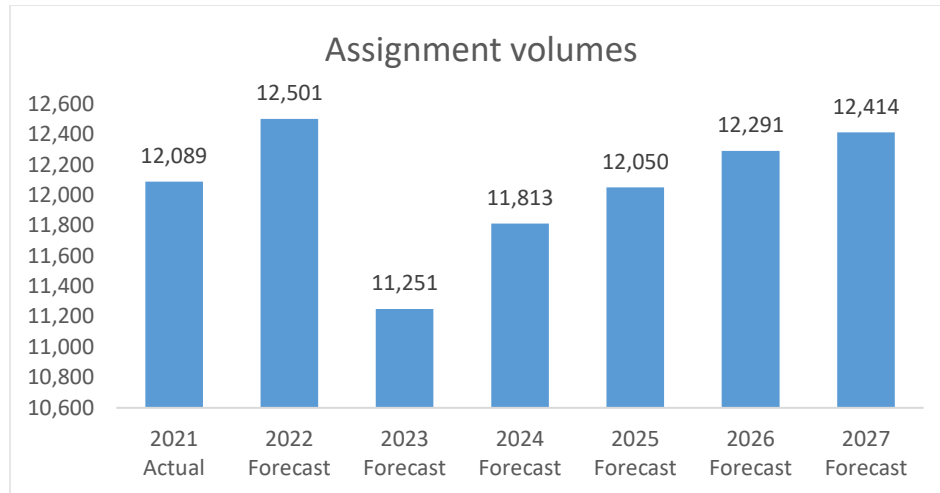
### **External environment**

Under the *Pilotage Act*, the Authority operates as a regulated monopoly. While this means there is no direct competition, there is nevertheless indirect competition in that there are options for shippers south of the border. Therefore, the Authority regularly conducts cost comparisons with the US ports on the West Coast.

The West Coast ports predominantly import products from and export products to Asia. The Port of Vancouver is the largest port in Canada by tonnage moved and has a diversified mix of products being shipped which ensures that even in a downturn in one area there are usually some products that continue to do well.

The following is a brief listing of the key external issues currently faced by the Authority:

- **Global economic uncertainty**  
Initially stemming from the pandemic, the impact of disruptions in the supply chain have been exacerbated by the conflict in Ukraine and rising inflation. With this uncertainty and continued pandemic-related challenges in China, forecasts for shipping assignments on the West coast for 2023 are gloomy. Furthermore, most of our costs are governed by contracts with annual cost-escalation clauses in line with increases in the Consumer Price Index.
- **Traffic trends**  
Although the Authority's traffic volumes have rebounded in 2022 with the return of a full cruise ship season, the outlook for 2023 is more pessimistic due to general economic uncertainty, and assignments are forecast to decline by 10% compared with 2022. Growth after 2023 is expected to come from the TMX and LNG energy projects.



- **Impact of trade barriers**

The imposition of any international trade barriers and tariffs on imports/exports (particularly with China and the U.S.) could have a significant effect on shipping volumes in western Canada as users and corporations adjust their trade to new operational markets based on new realities.

- **Anti-shipping and anti-fossil fuel activism**

Anti-shipping and anti-fossil fuel activism can affect both the safety of our business and our traffic assumptions. We have experienced instances where anti-energy activists have attempted to impede the movement of energy vessels in transit. This introduces new safety risks to our business practices.

- **Increasing size of vessels with delayed increase in supporting infrastructure**

Vessels continue to grow in size on the west coast of Canada. We have noted that investment into terminal growth and related infrastructure is slow in keeping pace with the growth in ship sizes. The result is an increasing risk of incidents. The Authority mitigates this risk through pilot training and the use of supporting technology and additional tugs to prevent incidents.

- **Increases in Parks and Marine Protected Areas**

The Authority remains involved in the Enhancing Cetacean Habitat and Observation (ECHO) Program, led by the Vancouver Fraser Port Authority (VFPA) since its inception in 2014. The program instituted a voluntary slowdown through Haro Strait and Boundary Pass during the months that the Southern Resident Killer Whales (SRKW) forage. The additional pilotage cost to shipowners from the slowdown has been reimbursed through funding provided by Transport Canada. The reimbursement will continue through the 2022 season.

## **Alignment with Government priorities and direction**

Please refer to Appendix 9 for a more detailed discussion on the Authority's alignment with Government priorities and direction.

- **Directives under Section 89 of the *Financial Administration Act* (FAA)**  
The Authority is fully compliant with the directive issued under Section 89 of the FAA with respect to travel, hospitality, and conference expenses.
- **Pilotage Act modernization**  
The implementation of the amended *Pilotage Act* is geared toward supporting the delivery of safe, efficient and environmentally responsible marine pilotage services into the future. To date Orders in Council (OIC) #1 (Definitions and Purpose and Principles among others), #2 (Offences and Punishments amongst others), #3 (Charges) and, in June 2021, #4 (Regulations) have been issued. OIC #4 was the final piece of the renewal and entails the movement of the regulation-making powers from the Authority to the Governor in Council. The General Pilotage Regulations, which now encompasses the Pacific Pilotage Regulations, received GIC approval in June 2022.
- **Auditor General Special Examination**  
The last Special Examination was conducted in 2016 and found no significant deficiencies. Areas for improvement have been addressed. The link to the full Special Examination report can be found here: <https://www.ppa.gc.ca/other-reports>. The next Special Examination is scheduled to commence in 2023.

## **Other reviews and audits**

The following reviews and audits were recently conducted:

- ISO 9001 and ISM certification issued in December 2021. This was the sixth consecutive year with no significant deficiencies identified.
- The Authority continues to mitigate the risk of disruption from a cybersecurity incident and has been strengthening policies and procedures following a cybersecurity audit in 2021.
- A review of the Authority's enterprise risk register was conducted in 2022 by an external consultant specializing in enterprise risk management.

### 3. Strategic Objectives, Activities, Risks and Expected Results

In 2019 the Authority established a set of strategic objectives to be achieved over a five-year horizon given the Authority's mandate. Those objectives, activities to achieve the objectives, expected results and performance measures (see also Key Performance Indicators on page 14) are as follows:

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

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

##### a) **Safe**

###### **Risk mitigated:**

- Failure to ensure the safety and wellbeing of pilots while on assignments (including transiting to and from and on the job)

<b>Activities</b>	<b>Expected Results</b>	<b>Performance Measures</b>	<b>Recent Results</b>
<b>Upgrade PSTAR visual, tidal current and bathymetry databases in partnership with the BCCP and the guidance of PTEC (On-going)</b>	Increased level of realism with simulations	Completion of simulator databases as below: - Port Alberni (2023) - Gold River (2024)  Maintain visual database of the specified areas to a minimum standard of LOD-2 and develop dynamic tidal current models for the specified areas	Planned upgrades have been deferred temporarily as we focus on the expansion of the simulator
<b>Upgrade PSTAR to include one tug and one full mission bridge simulators (On-going)</b>	BCCP agreement and Board approval  Reduce the reliance on outside establishments to meet the training goals of the PPA and BCCP	Documented evidence of agreement and approval  Year-over-year improvement in usage and training costs	The refurbishment of space for the simulator expansion is nearing completion. Delivery and installation of the new equipment is expected in Q3/2022.  A joint venture agreement is being developed with the BCCP to establish a simulation centre.

##### b) **Reliable**

###### **Risk mitigated:**

- A vessel's journey is delayed / extended, beyond the KPI threshold, resulting from actions by the PPA or the pilots

Activities	Expected Results	Performance Measures	Recent Results
<b>Upgrade the existing dispatch and accounting system and introduce e-source cards (On-going)</b>	Completion of new dispatch and accounting system, including e-source cards, by Q4 2022	Rollout of new system which fully meets scope requirements, including use of e-source cards by pilots	Parallel testing of beta version of new system against existing system has provided valuable feedback on deficiencies that are being addressed. Pilots have been testing mobile e-source card application.

c) **Efficient**

**Risk mitigated:**

- An objection to the PPA's service charges is submitted to the Canadian Transportation Agency (CTA) because pilots are not used efficiently

Activities	Expected Results	Performance Measures	Recent Results
<b>Implementation of heli-hoisting operation in the south and the north to accommodate TMX and LNG Canada (On-going)</b>	A fully operational and sustainable heli-hoisting program to support both TMX and LNG Canada projects	Implementation of program which results in an overall higher efficiency of pilot utilization - if implemented: a. 10% increase in pilot efficiency for the area served b. costs acceptable to industry as measured through no objections	RFP completed and lead proponent identified. Discussions on an implementation plan and contract terms have commenced.
<b>A complete review of the pilot transportation network coast wide, including launches, taxis and aircraft (On-going)</b>	Recommendations from the analysis to be implemented during the term of this plan – resulting in the highest productivity of the Authority's resources	Reduction of pilot travel time and pilot travel costs per assignment - Reduce travel time and travel costs by 5% in 2025	RFP issued to select a consultant qualified to undertake the analysis and provide recommendations.

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

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

a) **Cost management**

**Risk mitigated:**

- An objection to the PPA's service charges is upheld by the Canadian Transportation Agency (CTA)

Activities	Expected Results	Performance Measures	Recent Results
<b>Implement new Time and Attendance system and electronic logbook for launch crews (On-going)</b>	To improve quality and efficiency of collecting data that supports service charges (i.e. labour costs)	Implementation of new systems that fully meet functional requirements	Time & Attendance system was rolled out in 2021 and subject of a post-implementation internal audit. Now that system is operational user feedback is being tracked for opportunities to improve. E-logbook is experiencing some technical issues, which are being addressed.

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

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

a) **Promote organizational and environmental sustainability**

**Risks mitigated:**

- Selection and transition to a new CEO creates uncertainty and disrupts operations
- The anticipated shortfalls in human resources within the maritime sector, or other barriers to entry, may make it challenging to source sufficient qualified pilot candidates in the years ahead.
- Failure to ensure the safety and well-being of launch crew while working for the PPA
- Failure to adequately prepare for the expected impacts from climate change.

Activities	Expected Results	Performance Measures	Recent Results
<b>Select a new CEO to replace retiring CEO (On-going)</b>	New CEO selected and appointed in 2022	CEO onboarding plan developed, and succession binder completed	New CEO selected and started October 2022. Conflict of interest waiver obtained for former CEO, enabling him to continue working for the Authority as VP, External & Internal Relations during a transitional overlap with new CEO.
<b>Establish a Pay Equity Committee (On-going)</b>	Compensation practices at PPA provide men and women with equal pay for work of equal value	Job classes identified together with value of work and related compensation. Adjustments made to ensure no gender bias in compensation.	Employees advised of intent to create a pay equity plan. Met with unions to seek a representative for the committee.



Activities	Expected Results	Performance Measures	Recent Results
<b>Support physical and psychological health and safety (NEW)</b>	Development of healthy, resilient workplaces	Updated policies on harassment, and work-life balance	Draft of new harassment and violence prevention policy completed. Identified training providers of resilience and wellness training.
<b>Advance anti-racism, diversity and equity in pilot and launch operation (NEW)</b>	Increased diversity and inclusion amongst launch crew and pilots	Create scholarship program for women and members of indigenous communities to assist them with their marine studies and ultimately employment as launch crew or pilots	Activities to commence in Q3 of 2022
<b>Conduct a baseline audit of the Authority's current carbon footprint (NEW)</b>	Data on GHG emissions collected to support climate-related financial disclosures	Completion of baseline audit and process established to monitor and measure GHG emissions. Set emission reduction targets.	Activities to commence in Q3 of 2022

b) **Quality assurance**

**Risk mitigated:**

- Compromise of confidential information through technological weaknesses and/or cyber threats

Activities	Expected Results	Performance Measures	Recent Results
<b>Develop and implement procedures to address cybersecurity and privacy issues (On-going)</b>	Documentation and implementation of procedures to address cybersecurity and privacy risks	Completion of a crisis management procedures document and a privacy policy  Completion of a tabletop exercise in 2022.	Tabletop exercise completed in Q2 2022 and resulting recommendations being implemented.

**Objective #4: Demonstrate leadership**

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

a) **Demonstrate Leadership**

**Risk mitigated:**

- A marine incident involving a piloted or waived vessel results in negative impacts to the general public and/or communities' structures, food sources, cultural and spiritual heritage that damages the PPA's reputation

Activities	Expected Results	Performance Measures	Recent Results
<b>To actively engage with First Nations communities on the west coast of Canada (On-going)</b>	Ensures that the Authority is meeting the requirement to engage Indigenous communities affected by pilotage operations	To meet with 4 communities per annum	Met or communicated with six communities regarding prospective Board positions and offered assistance in completing applications for open positions. In addition, worked with four indigenous communities on local initiatives as well as OPP initiatives which included the North Coast Proactive Vessel Traffic Management initiative.

b) **Facilitate decision-making**

**Risk mitigated:**

- The implementation activities associated with amendments to the *Pilotage Act* do not work practically

Activities	Expected Results	Performance Measures	Recent Results
<b>Work with TC marine pilotage program officials and pilotage Authority CEOs regarding the takeover of the enforcement of Regulations (On-going)</b>	A seamless handover of the regulations to TC	Two meetings per year	Met the annual minimum of two meetings by the first quarter of 2022, with further meetings expected as required

**Objective #5: Manage risk**

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

a) **Manage operational risk**

**Risk mitigated:**

- A marine incident involving a piloted or waived vessel results in negative impacts to the general public and/or communities' structures, food sources, cultural and spiritual heritage that damages the PPA's reputation

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

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

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

### **a) Positive positioning**

#### **Risk mitigated:**

- A marine incident involving a piloted or waived vessel results in negative impacts to the general public and/or communities' structures, food sources, cultural and spiritual heritage that damages the PPA's reputation

Activities	Expected Results	Performance Measures	Recent Results
<b>Work closely with: - BCCP through a strategic partnership - National Pilotage Advisory Committee ("NPAC") to address any concerns over efficiency - the public "at large" and indigenous communities to communicate the Authority's value in protecting the marine environment (On-going)</b>	Ensure the Authority's continuing ability to deliver safe, reliable and affordable solutions in the future	<ul style="list-style-type: none"> <li>- Four meetings during the year with BCCP</li> <li>- Two meetings during the year with NPAC and resolution of two concerns.</li> <li>- Publish "Voyage of a Vessel" story on Authority's website</li> </ul>	Hosted NPAC and identified four areas of mutual concern

During the Authority's recent 2022 Strategic Planning session the following additional short- and medium-term initiatives were identified and will be included in an updated Management Action Plan for 2023:

Short-term (2023 and 2024)

- Hactivism – consideration of broader risks and impacts for the Authority from the increasing threat of cyber security breaches not necessarily motivated by financial gain, but also for political or social reasons

Medium-term (2025 to 2027)

- Environmental, social, governance (“ESG”) risks and impacts – consideration of broader risks and impacts for the Authority, and monitoring and reporting thereof, including climate change impacts

**Key Performance Indicators**

Performance of the Authority is regularly reviewed by the Board of Directors. Key performance indicators are incorporated as part of this review and results for the current year-to-date (to Jun 2022) and for next year (2023) are as follows:

<b>Safety</b>		<b>2022 (Actual)</b>	<b>2023 (Goal)</b>
1.	Assignments with incidents on vessels under pilotage	5 (99.9% incident free)	99.9% incident free
2.	Incidents on pilot launches	1 (99.9% free)	99.9% incident free
3.	Pollution incidents on pilot launches	0	0
<b>Reliability</b>			
4.	Number of delayed assignments caused by pilots	1 (99.9% delay free)	99.9% delay free
5.	Number of delays caused by dispatch errors	0 (100% free)	99.9% delay free
6.	Number of delays caused by launches	0 (100% free)	99.9% delay free
7.	Total number of delays	1 (99.9% free)	99.9% delay free
<b>Efficiency: General</b>			
8.	Maintain an average of 5 working days to resolve all complaints	3 days	≤ 5 days
9.	Maintain an average of 5 working days to resolve all invoice disputes	0.6 days	≤ 5 days
<b>Efficiency: Pilots</b>			
10.	Complaints regarding pilot service level (no. of complaints/number of assignments)	0.05%	0%
11.	Callbacks as percentage of assignments	2.3%	≤ 2.5%
12.	Annual assignments per pilot		
	a) Coastal	103	> 83
	b) Fraser River	122	> 99
13.	Annual utilization of pilots – terminal delays (hours delayed at terminal/total hours on assignment)	1%	≤ 5%

14.	Annual utilization of pilots – cancellations (number of cancellations/number of assignments)	8%	< 8%
<b>Financial</b>			
15.	Average revenue/cost per assignment		
	a) Revenue	\$7,756	\$9,072
	b) Cost	\$8,122	\$8,927
	c) Income (Loss)	\$(366)	\$145
16.	Maintain an adequate contingency fund	\$1.9M	\$3.4 M
17.	Accounts receivable - % of invoices under 30 days	89%	95%
18.	Working capital ratio – current assets/current liabilities	0.89	0.70

#### **4. Financial overview**

In accordance with our mandate, the Authority aims to be financially self-sufficient. We provide our services within a commercial framework through a combination of cost management and fees that are fair and reasonable.

As the economic impact of the global pandemic continues into 2022 together with new concerns over a recession and rising inflation, the Authority is expecting to end the year with a loss in the range of \$0.5 to \$1.5 million. We deferred the implementation of new service charge rates for 2022 until the outcome of a new contract with BCCP was determined through final offer selection. Increases in the payout to BCCP under the new contract were effective January 1, 2022, but corresponding increases in our service charge rates were not effective until June 5, 2022 due to the required consultation process. This contributed to a \$2.2 million loss midway through 2022. As the new service charge rates include an increase in a temporary surcharge, we expect to recover some, but not all, of the mid-year losses by the end of the year. The Authority's cash balances have declined since the start of the pandemic because of losses in 2021 and 2022 and capital investments. Cash is forecast to be \$5 million at the end of 2022.

The financial outlook for the planning period of 2023-2027 is impacted by the following key factors and assumptions:

- **Traffic assignment volumes** – volumes for 2022 are up over 2021 due to the return of cruise ships, but also include a drop in other assignments, notably grain shipments. With the potential recessionary impact of increasing interest rates, we have assumed a decrease in assignments in 2023 over 2022 of 10%. Thereafter we have assumed some recovery in 2024, including a nominal increase in tanker traffic from the TMX project due to start in 2024.
- **Inflation** – inflation is an important variable in our forecasts as most of the Authority's costs are governed by contracts or collective agreements which include increases linked to changes in the Consumer Price Index. We have assumed the annual inflation rate will end 2022 at 8.5%, which will be the basis for increases in some contracts and collective agreements in 2023, and then decline to 4.5% by the end of 2023.
- **Changes to service charges** – to maintain financial sustainability, we have assumed that we will be able to increase our service charges in line with any increases in our operating costs. As noted, most of our costs will increase directly

with changes in inflation and any inflationary increase in costs has been mirrored in forecast service charge increases.

- **Helicopter contracts** – we have identified a lead proponent through a Request for Proposals process to provide the Authority with a helicopter service for pilot transportation to/from vessels. This is primarily to service tanker vessels for the Trans Mountain Expansion and Canada LNG terminals. The Trans Mountain Expansion terminal is scheduled to start operation in early 2024, but to prepare for start-up the helicopter contract is assumed to start in Q3 of 2023. Contract discussions are currently underway with the lead proponent. The projected cost of the service for both terminals has been assumed in the plan to be fully recoverable from industry or the terminal operators and this is our objective in any contract negotiations.

A summary of the forecast surplus/deficit for 2023-2027 is provided in the table below:

STATEMENT OF COMPREHENSIVE INCOME							
(In thousands of dollars)	Actual	Forecast	Plan		Plan		
For the year ended December 31	2021	2022	2023	2024	2025	2026	2027
Total revenue	84,618	102,726	106,172	117,296	125,028	130,646	135,287
Total expenses	86,499	103,453	105,276	117,728	124,951	130,404	134,631
<b>Comprehensive income (loss)</b>	<b>(1,881)</b>	<b>(727)</b>	<b>896</b>	<b>(432)</b>	<b>77</b>	<b>242</b>	<b>656</b>

The projected surplus in 2023 reflects additional income from the temporary surcharge, which is assumed to remain in place until the end of the first quarter of 2024, although at a reduced amount for Q1 2024. The absence of the temporary surcharge for most of 2024 results in a deficit for the year. Thereafter small surpluses are expected as assignment volumes recover to historical levels.

The Authority's capital budget for 2023 includes the following significant items:

- **Helicopter lease** – the contract for helicopter services is likely to be treated as a lease for accounting purposes under International Financial Reporting Standards (IFRS) 16 and therefore a corresponding "right-of-use" asset would be recorded. This has been estimated at \$30 million in 2023 for the service to support TMX, based on a minimum annual commitment of approximately \$4 million for seven years. A similar amount is forecast in 2024 for a separate service to support the LNG terminal.
- **Pilot launch engine refurbishment** – the engines in the Pacific Scout are due to be completely refurbished at a planned cost of approximately \$1 million and the work is scheduled for 2023. This will extend their expected useful lives by another ten to fifteen years.
- **Office leasehold improvements** – leasehold improvements for approximately \$1 million for the Vancouver office and simulator space commenced in 2022 and are expected to carry over into 2023.

The Authority's projected financial liquidity at fiscal year-end during 2023-2027 with respect to cash, investments, bank debt and lease liabilities is summarized as follows:



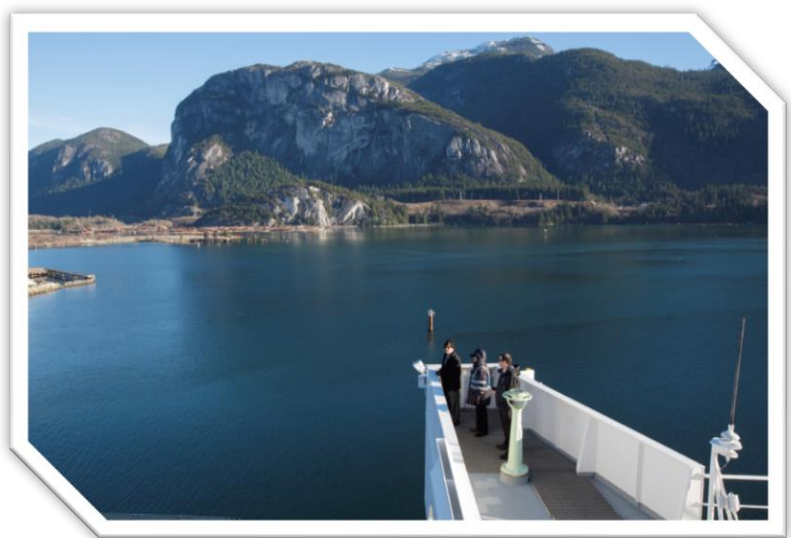
<b>CASH, INVESTMENTS AND LOANS SUMMARY</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>	<b>Plan</b>				
<b>Statement balance as at</b>	<b>31/Dec/21</b>	<b>31/Dec/22</b>	<b>31/Dec/23</b>	<b>31/Dec/24</b>	<b>31/Dec/25</b>	<b>31/Dec/26</b>	<b>31/Dec/27</b>
Cash	6,594	5,012	4,395	4,234	4,833	5,555	6,550
Investments							
Current portion	1,170	1,181	1,481	1,781	2,081	2,381	2,681
Non-current portion	1,191	1,181	1,481	1,781	2,081	2,381	2,681
Long-term loans							
Due within one year	(710)	(465)	(310)	(319)	(328)	(337)	(347)
Due after one year	(5,285)	(4,806)	(4,496)	(4,178)	(3,850)	(3,513)	(3,166)
Lease liabilities							
Due within one year	(302)	(306)	(4,251)	(8,317)	(8,583)	(8,849)	(9,121)
Due after one year	(1,303)	(2,796)	(26,608)	(46,353)	(37,771)	(28,921)	(19,800)

The Authority's investment balance is planned to increase by \$0.6 million annually to create a reserve balance by 2027 of approximately \$5 million for contingencies should there be an unforeseen disruption to operating cashflows. The reserve target is based on the financial impact to the Authority's cash balances in the event that annual revenues less variable costs are 25% less than planned, and assumes no financial risk from the helicopter contracts.

Lease liabilities, although significant, are expected to be funded from operations. Office lease payments are the equivalent of rent and already factored into our operating budget. Helicopter lease payments are expected to be fully recovered from the tanker industry or terminal operator.

## 5. Appendices

1. Ministerial Direction / Mandate Letter
2. Corporate Governance Structure
3. Planned Results
4. Chief Financial Officer Attestation
5. Financial Annex
6. Borrowing Plan
7. Risk and Risk Responses
8. Compliance with Legislative and Policy Requirements
9. Government Priorities and Direction



## Appendix 1 - Ministerial Direction

The Pacific Pilotage Authority is presently operating in accordance with the guidance expressed in the following letter from the Minister of Transport, received in September 2022.

September 6, 2022

Lorraine Cunningham  
Chair of the Board of Directors  
Pacific Pilotage Authority  
[lcunningham@ppa.gc.ca](mailto:lcunningham@ppa.gc.ca)

Dear Lorraine Cunningham:

As you know, following the 2021 general election, I had the honour of being reappointed as the Minister of Transport. My priorities have been outlined in the mandate letter the Prime Minister shared with me in December 2021, and today I write to you to set out my expectations as to how the Pacific Pilotage Authority (PPA) will help advance these priorities.

As the Minister accountable to Parliament for the PPA, I am committed to continuing our productive relationship to ensure that Canada's transportation system is safe, secure, efficient, and environmentally responsible. I recognise that the pandemic mitigation measures such as restrictions on cruise ships in Canadian ports dramatically reduced PPA's operations, and thus revenue. I appreciate PPA's efforts to pivot operations and continue to operate safely during this unprecedented time.

My priority upon my reappointment as the Minister of Transport was to enforce vaccination requirements across the federally regulated transportation sector. Thank you for the commitment you have demonstrated in developing and implementing your corporation's vaccination policy. Together, we mitigated the full impact of infection and severity of illness for travellers and workers in the transportation sector, and increased vaccine uptake, providing broader societal protection. As the COVID situation unfolds, we continue to adjust our measures accordingly, as we did in June of this year. I appreciate the corporation's ongoing collaboration as our response to COVID-19 continues to evolve as we learn more about this virus.

Ensuring goods and people can move efficiently throughout our country with robust and reliable supply chains and transportation systems is another key priority further reiterated in Budget 2022. The PPA is an important link in Canada's supply chain, and I trust that the corporation will strive to reduce and prevent bottlenecks in Canada's transportation network. I encourage you to work with my officials to ensure the PPA continues to be prepared to proactively mitigate and respond to emerging incidents and hazards, including cyber security threats.

Fighting climate change is a cornerstone of the government's plan to rebuild the economy, create middle-class jobs, and ensure Canadian industry remains competitive. The *Canadian Net-Zero Emissions Accountability Act* has legislated Canada's efforts to achieve net-zero greenhouse gas emissions by the year 2050. I expect the PPA to seek opportunities to advance

measures that support Canada's transition to net-zero, including accelerating the transition to zero-emission vehicles and considering targets related to this cause throughout your operations.

As part of the government's strategy to combat climate change, Budget 2021 announced that Canada's Crown corporations would demonstrate climate leadership by adopting the *Task Force on Climate-related Financial Disclosures* standards, or more rigorous and acceptable standards. I encourage the PPA to start reporting its climate-related financial risks by 2024.

Another pillar of the government's plan is to continue to address the profound systemic inequities and disparities that remain present in the core fabric of our society. I expect that the PPA will join us as we walk faster and farther along the road to reconciliation, particularly through meaningful partnership and collaboration with local Indigenous communities. This should include, but not be limited to, consulting Indigenous communities where appropriate and incorporating Indigenous perspectives into organizational operations and planning processes.

Diversity and equity within the PPA's workforce will improve its ability to deliver on all its objectives and I expect that as the PPA embarks on any hiring, it implements outreach and recruitment strategies that uphold the principles of equity, diversity, and inclusion. I trust that the PPA will also continue to ensure that it is doing its part, per the *Accessible Canada Act*, to help make the transportation system more accessible for persons with disabilities.

I also remain committed to open, transparent, and merit-based selection processes to attract qualified candidates for governance and leadership positions in the Transport portfolio. Candidates should also reflect Canada's diversity in terms of linguistic, regional and employment equity groups (women, Indigenous peoples, persons with disabilities and members of visible minorities), as well as members of ethnic and cultural groups. As Chairperson, you will be invited to participate in these processes for your organization, which will inform my ultimate appointment recommendations to the Governor in Council.

I expect that your short-, medium-, and long-term objectives as they relate to the government's priorities in this letter are clearly presented in your upcoming corporate plans and progress to achieving those objectives is reported in your subsequent annual reports. I also ask for your support in ensuring that, to the extent that it is within the PPA's control, future corporate plans are prepared sufficiently in advance, with the best information available at the time, to enable timely review and approval.

It is critical that the performance objectives of the corporation, Board and CEO flow within a consistent storyline. I ask that the measures you develop to assess your CEO's performance conform to best practices concerning the development of specific, measurable objectives, based on the observable behaviours in areas where your CEO can exercise sufficient influence to achieve the desired outcomes. The rationale included for the overall rating of your CEO should clearly identify why your Board is providing the rating and which performance objectives were weighed most heavily when arriving at the determination.

As always, the legal, fiduciary, and ethical obligations of public office holders remain. All appointees should abide by the principles found in the Prime Minister's statement on Open and Accountable Government. All boards should ensure ongoing compliance, both for their organization and for themselves, with relevant legislation, Treasury Board policies, Governor in Council and ministerial directives.

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It is an honour to serve Canadians as Minister of Transport and a privilege to be able to work with key partners such as the PPA.

Sincerely,

A handwritten signature in black ink, appearing to read "Omar Alghabra", written in a cursive style.

The Honourable Omar Alghabra, P.C., M.P. Minister of Transport

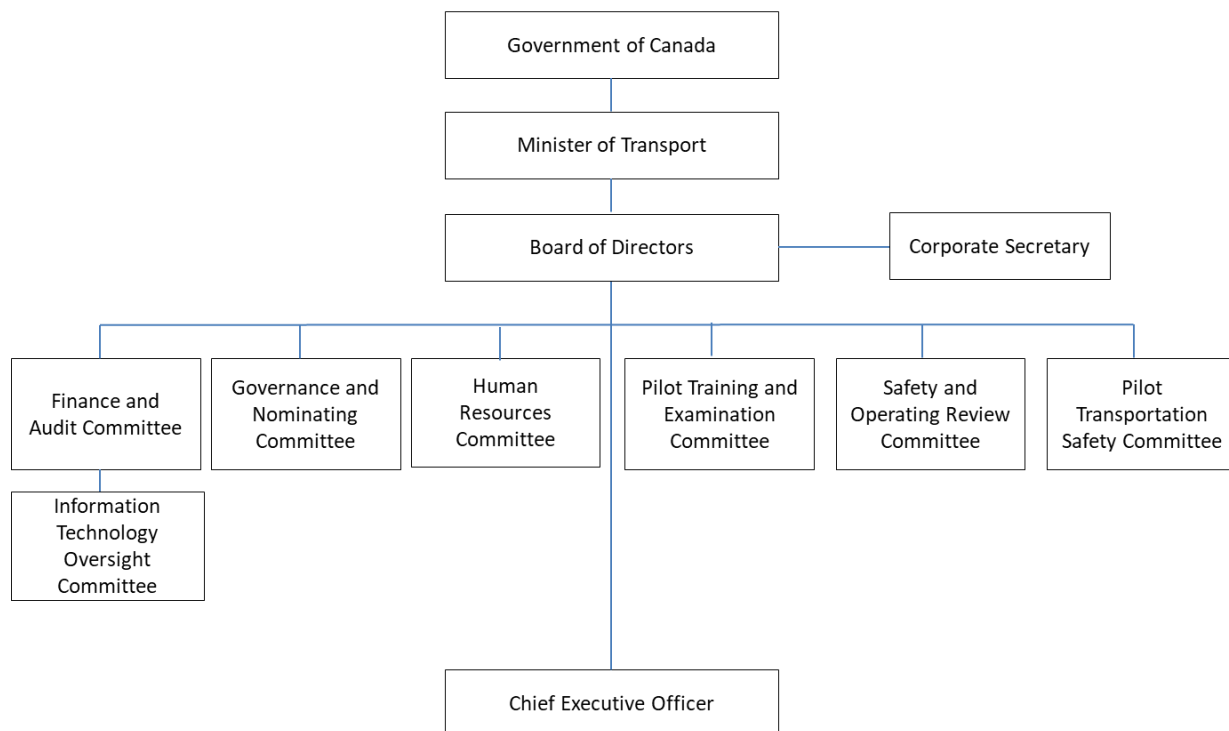
## Appendix 2 - Corporate Governance Structure

The Authority complies with the Treasury Board guidelines on corporate governance practices (guidelines on Board responsibilities, public policy objectives, communications, Board and management relations, Board independence, the position of the Chief Executive Officer (“CEO”), renewal of the Board, education of directors, compensation, and the responsibility for corporate governance). The Board has developed a skills framework to assess the skills of Directors that are currently on the Board as well as those skills that are required for the future. The Board assesses its performance as well as the performance of committees and individual Board members annually.

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

The Board has constituted several committees to focus on the major areas of the Authority. These committees are chaired by a Board member, have terms of reference and mandates and report directly to the Board on a regular basis. We have a strong and committed governance body which provides effective oversight. Board members are very engaged and have attended all Board and committee meetings during 2021 and 2022 to date.

### Pacific Pilotage Authority Governance chart





## Committees

1. **Finance and Audit Committee** - the Chair and at least three Board members are designated as members of this Committee. This Committee meets six times per annum and additionally, as required. Members are expected to be financially literate. Its mandate includes oversight of financial matters, financial reporting, external audit, internal audit, compliance with the *Financial Administration Act* and the Authority's enterprise risk management framework.
2. **Governance and Nominating Committee (GNC)** – this Committee meets on an as needed basis, at the call of the Committee Chair. Its mandate is to ensure the Authority follows good corporate governance practices. The GNC also identifies and recruits candidates to apply for the merit-based selection criteria for appointment to the Board. The GNC is comprised of Board members appointed by the Board and is chaired by the Board Vice-Chair. The Corporate Secretary serves on the GNC as a non-voting member.
3. **Human Resources Committee (HRC)** – this Committee meets on an as needed basis, at the call of the Committee Chair. Its mandate includes ensuring the Chief Executive Officer (CEO) evaluation and executive development planning is in place at the Authority. The HRC is also mandated to review the compensation of the CEO, including the annual performance management plan and to oversee the establishment of safety standards and safe operation of the Authority's Vancouver office. The HRC is comprised of the Board Chair and Vice-Chair. This year, the Committee has the additional mandate of on-boarding a new CEO throughout Q4 of 2022 and into 2023. The CEO and the Director for People and Organizational Development serve on the HRC as non-voting members.
4. **Pilot Training and Examination Committee (PTEC)** – this Committee meets four times per annum and additionally, as required, to conduct pilot examinations. Its mandate is to conduct pilot examinations and review ongoing training programs for pilots. It is chaired by a Board member and includes members of the Authority's management and BC Coast Pilots. A Committee of Examiners is established for the purpose of conducting pilot examinations.
5. **Safety and Operating Review Committee (SORC)** – this Committee meets four times per year with a mandate to review and assess pilotage practices and areas of concern and to seek solutions which result in improved safety and efficiency. It is chaired by a Board member and comprised of Authority management, BC Coast Pilots and members of the marine industry.
6. **Pilot Transportation Safety Committee (PTSC)** – – this Committee meets at least twice per annum or more frequently as required. The Committee is responsible for establishing safety standards and monitoring the safe operation of pilot launches, water taxis, airplanes and helicopters utilized in the transfer of pilots to/from ships and ensuring that the Authority adheres to regulations and safe practices issued by Transport Canada. It is chaired by a Board member and

composed of BC Coast and Fraser River pilots, Authority management and pilot launch personnel.

7. **Information Technology Oversight Committee (ITOC)** – this sub-Committee of the Finance and Audit Committee meets four times per annum, or more frequently as required. The Committee is responsible for overseeing the identification and mitigation of risks arising from the implementation and use of information technology. It is chaired by a Board member and includes members of Authority management.

## Directors

The following individuals hold the position of directors on the Board of the Authority:

Name	Location	Appointment Date	Term
<b>Lorraine Cunningham (Chair)</b>	Vancouver	June 4, 2020	4 years
<b>Katherine Bright</b>	Vancouver	June 14, 2018	3.5 years
<b>Captain Allan Ranger</b>	Vancouver Island	February 6, 2018	3 years
<b>Victoria Withers</b>	Vancouver	February 6, 2018	4 years
<b>Billie V. Raptis</b>	Vancouver	February 6, 2018	4 years
<b>James Marshall</b>	Vancouver Island	February 21, 2018	4 years
<b>Peter Bernard</b>	Vancouver	March 4, 2020	3 years

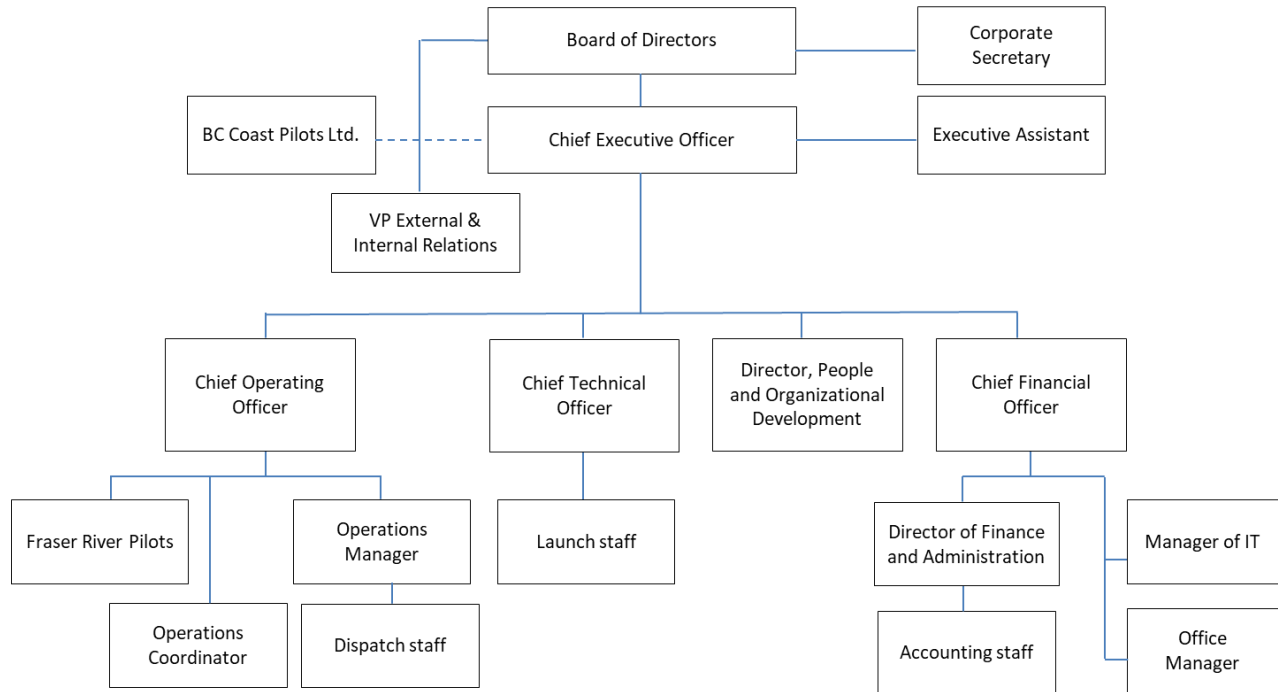
*Total Board expenses for fiscal 2021 amounted to \$222,000 (including compensation, travel and training).*

The Privy Council Office is working on renewing or replacing members of the Board whose terms expired in 2021 and 2022. The Authority:

- has an ongoing identification process through the Governance and Nominating Committee to reach out to potential candidates that are interested and fit the Authority's skills matrix. In the past the Authority had Board members go into holdover until a new member was appointed, except for the Chair. Those members with expiring terms have indicated a willingness to remain in their role until their replacements are named;
- has a very robust new Board member orientation program to assist new Board members become familiarized with the organization as quickly as possible;
- ensures that the Board members are rotated through committee positions to maximize exposure and ensure that the oversight knowledge is more widely shared.

The Authority's organization chart below illustrates its reporting structure.

## Pacific Pilotage Authority Organizational chart



### Senior Executives

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

Name	Position
<b>Julie Gascon</b>	Chief Executive Officer
<b>Kevin Obermeyer</b>	VP, External and Internal Relations
<b>Stuart Mackenzie</b>	Chief Financial Officer
<b>Brian Young</b>	Chief Operating Officer
<b>Paulo Ekkebus</b>	Chief Technical Officer
<b>Danielle Lewis</b>	Director – People and Organizational Development
<b>Teresa Lei</b>	Director – Finance and Administration

*Total Senior Executive compensation for fiscal 2021 amounted to \$1,442,000.*

### Appendix 3 – Planned Results

The following provides an overview of the Authority's key outcomes for the planning period and the Chief Executive Officer's results commitment.

<b>Objective: Meet the mandate of providing a safe and efficient pilotage operation on the west coast of Canada</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Deliver 99.9% of pilotage assignments and pilot dispatches free of incident <i>(Short-term)</i>	Incident-free pilotage assignments and pilot launch operations of at least 99.9%
All apprentice & licensed pilots trained in accordance with Quality Assurance Program <i>(Short-term)</i>	Compare annual training required with training taken by pilots - 100% of the required training must be done
Pilots use the simulator for area familiarization or to practice ship handling <i>(Medium-term)</i>	Comparison of pilots' 5-year area currency statistics to their simulator usage - Every pilot will use the simulator at least once every five years
Pilot Training and Exam Committee must provide recommendations and lessons learned after incident investigations <i>(Short-term)</i>	Recommendations provided to pilots within one month of completing an incident investigation for all Class A and B incidents
Increased level of realism with simulations through upgrade to PSTAR visual and current tidal databases <i>(Medium-term)</i>	Completion of simulator databases as below: - Port Alberni (2023), Gold River (2024) Maintain visual database of the specified areas to a minimum standard of LOD-2 and develop dynamic tidal current models for the specified areas
Pilots dispatched to, and arrive at an assignment on time <i>(Short-term)</i>	99.9% delay free pilotage and launch operations
Completion of phase 2 of simulator upgrade <i>(Short-term)</i>	Build-out of space for new simulator and installation of new equipment by December 31, 2022
Reduced reliance on outside establishments to meet the training goals of the PPA and BCCP <i>(Medium-term)</i>	Year-over-year comparison of usage and training costs - External training costs reduced by 5% in 2023 - Utilization goal is 30% in 2023 moving to 40% in 2024
Implementation of new dispatch and accounting system, including e-source cards <i>(Short-term)</i>	Implementation by December 31, 2022
Implementation of heli-hoisting operation in the south and north to accommodate TMX and LNG Canada	Implementation of fully-tested and financially sustainable heli-hoisting operation for commencement of TMX and LNG operations (TMX expected in Q1 2024, LNG Canada in 2025)

<b>Objective: Plan, organize, direct and control financial, administrative, and operational activities of the Authority</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Develop and maintain a Safety and Operational Procedures manual for all ports not located within a port authority and publish the information on the PPA website <i>(Medium-term)</i>	Completion of a safety and operational manual for all out-ports by 2023
Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate <i>(Short-term)</i>	Systematic building of reserves for unplanned events - add \$600k per annum to the reserve account.  Maintaining a ratio of current assets to current liabilities (excluding helicopter lease liabilities) of at least 1.0
Recommendations from the analysis on pilot transportation to be implemented during the term of this plan – resulting in the highest productivity of the Authority's resources <i>(Medium-term)</i>	Reduction of pilot travel time and pilot travel costs per assignment - Reduce travel time and travel costs by 5% by 2024
<b>Objective: Continue to develop the capacity within PPA to identify and take action on emerging issues and opportunities</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Allow the Authority to identify emerging issues and opportunities through ERMS and SORC committees <i>(Medium-term)</i>	<ul style="list-style-type: none"> <li>•2 ERMS meetings</li> <li>•2 SORC meetings</li> <li>•Risk register kept up to date as per ERMS procedures</li> </ul>
Early warning of global economic changes by monitoring multiple indexes, publications and economic indicators <i>(Short-term)</i>	Publication of economic forecasts in the CEO quarterly report
<b>Objective: Embrace a culture of continuous improvement including the implementation of sustainable practices</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Meet the requirements of the ISO/ISM codes <i>(Short-term)</i>	Non-conformances (NC) raised at routine audits - zero NCs
Documentation and implementation of procedures to address cybersecurity risks <i>(Short-term)</i>	Completion of a tabletop exercise in 2022 and updated a crisis management procedures document from lessons learned.
50% of the office employees using public transportation or walk/cycle to work <i>(Medium-term)</i>	Ratio of office employees using public transportation vs those who do not – 50%

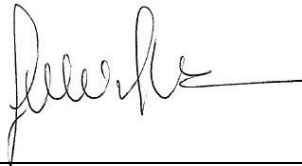
Regular use of video/teleconferencing for stakeholder meetings ( <i>Short-term</i> )	Ratio of meetings attended by suggested methods vs other meetings – 90%
Baseline of PPA's carbon footprint and plan for reduction ( <i>Medium-term</i> )	Analysis of PPA's existing carbon footprint conducted in 2022
<b>Objective: Ensure the continuity of PPA's people and knowledge capital</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Successful recruitment of a new CEO and implementation of plan to transition ( <i>Short-term</i> )	Interviews of potential candidates in Q3 2022  New CEO selected by end of Q3 2022.
A sustainable workforce is achieved within the Authority and meets the government's social policies ( <i>Medium-term</i> )	New hires are brought on with verifiable consideration of diversity - Implementation of a hiring program that recognizes diversity
<b>Objective: Establish and maintain clear and effective relationships with PPA's key stakeholders</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Open and transparent communication providing an understanding of the PPA's role ( <i>Short-term</i> )	Eight monthly association meetings during the year.  Participate in 80% of the National Advisory meetings with industry
<b>Objective: Demonstrate effective leadership and direction</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Active participation in support of improvements to navigational safety and efficiency of marine operations ( <i>Medium-term</i> )	Participation in 80% of all OPP meetings
Active engagement with Indigenous communities affected by pilotage operations ( <i>Medium-term</i> )	Meet with four communities per annum
A healthy, respectful, and supportive work environment ( <i>Medium-term</i> )	Publish information from Health Canada on mental health in newsletters for employees  Updated policies on harassment and employee welfare



<b>Objective: Support the government's environmental, social and economic initiatives</b>	
<b>Expected Results</b>	<b>Performance Measures</b>
Open and honest communication with stakeholders regarding financial position of the Authority ( <i>Short-term</i> )	Meeting with all the industry associations on the West Coast regarding pilotage charges at least once during the 30-day consultation process
Increased diversity, equity and inclusion within the organization ( <i>Medium-term</i> )	Implementation of two initiatives in 2022. Commence scholarship program in 2023 to attract women and indigenous community members to join the Authority's launch crew

**Chief Executive Officer Results Commitment**

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




---

**Julie Gascon, Chief Executive Officer**

October 19, 2022  
**Date**

#### **Appendix 4 - Chief Financial Officer Attestation**

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

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

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



---

**Stuart Mackenzie, Chief Financial Officer**

October 19, 2022  
**Date**

## Appendix 5 - Financial Annex

The financial statements in this appendix reflect accounting under International Financial Reporting Standards (IFRS), which are used in preparing the Authority's Annual Report.

STATEMENT OF FINANCIAL POSITION							
(in thousands of dollars)	Actual	Forecast	Plan				
Statement balance as at	31/Dec/21	31/Dec/22	31/Dec/23	31/Dec/24	31/Dec/25	31/Dec/26	31/Dec/27
<b>Assets</b>							
<b>Current</b>							
Cash and cash equivalents	6,594	5,012	4,395	4,234	4,833	5,555	6,550
Trade accounts receivable	4,986	4,985	5,783	6,940	7,397	7,730	8,004
Other receivables	1,060	526	610	732	780	815	844
Prepaid expenses	178	302	350	420	448	468	485
Investments	1,170	1,181	1,481	1,781	2,081	2,381	2,681
	13,988	12,006	12,619	14,107	15,539	16,949	18,564
<b>Non-current</b>							
Long-term investments	1,191	1,181	1,481	1,781	2,081	2,381	2,681
Other receivables	149	120	140	168	179	187	193
Property and equipment							
Buildings & floats	695	945	1,045	2,295	2,295	2,295	2,295
Pilot boats	22,445	22,829	24,779	24,979	26,049	26,999	27,949
Equipment	4,005	3,355	3,865	4,700	5,535	6,370	7,205
Leasehold improvements	180	725	1,725	1,725	1,725	1,725	1,725
Right-of-use assets	2,596	4,366	33,981	63,981	63,981	63,981	63,981
	29,921	32,220	65,395	97,680	99,585	101,370	103,155
Accumulated depreciation	13,321	14,209	18,527	27,385	38,558	49,904	61,416
Total property and equipment	16,600	18,011	46,868	70,295	61,027	51,466	41,739
Intangibles	587	1,012	1,008	839	670	501	332
	32,515	32,330	62,116	87,190	79,496	71,484	63,509
<b>Liabilities</b>							
<b>Current</b>							
Accounts payable and accrued liabilities	12,105	11,790	13,242	15,034	15,815	16,411	16,916
Other employee benefits	174	291	337	405	431	451	467
Lease Liabilities	302	306	4,251	8,317	8,583	8,849	9,121
Bank Debt	710	465	310	319	328	337	347
	13,291	12,852	18,140	24,075	25,157	26,048	26,851
<b>Non-current</b>							
Lease Liabilities	1,303	2,796	26,608	46,353	37,771	28,921	19,800
Bank Debt	5,285	4,806	4,496	4,178	3,850	3,513	3,166
Other employee benefits	655	622	722	866	923	965	999
	7,243	8,224	31,826	51,397	42,544	33,399	23,965
	20,534	21,076	49,966	75,472	67,701	59,447	50,816
<b>Equity</b>							
Retained earnings	11,981	11,254	12,150	11,718	11,795	12,037	12,693
	32,515	32,330	62,116	87,190	79,496	71,484	63,509

<b>STATEMENT OF COMPREHENSIVE INCOME</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>			<b>Plan</b>		
<b>For the year ended December 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Revenue</b>							
Pilotage charges							
Coastal Pilotage	60,512	70,137	70,879	78,518	82,892	87,086	90,595
River Pilotage	3,799	3,293	3,336	3,697	3,903	4,100	4,265
Travel revenue	6,401	9,737	9,507	10,433	10,908	11,348	11,691
Launch revenue	9,773	13,081	12,921	14,449	15,401	16,023	16,507
Surcharge revenue	3,823	6,223	7,112	3,484	3,055	3,209	3,338
Other revenues							
Other income	310	255	2,417	6,715	8,869	8,880	8,891
<b>Total revenue</b>	<b>84,618</b>	<b>102,726</b>	<b>106,172</b>	<b>117,296</b>	<b>125,028</b>	<b>130,646</b>	<b>135,287</b>
<b>Expenses</b>							
Contract pilots' fees	52,743	64,669	63,785	70,694	74,589	78,325	81,452
Salaries and benefits	14,186	15,451	16,656	17,245	17,750	18,204	18,618
Pilots' transportation	10,297	10,753	9,532	10,280	10,708	11,153	11,499
Pilots' training	1,935	3,195	3,396	2,588	2,393	2,750	2,696
Depreciation	1,623	1,960	4,482	9,027	11,342	11,515	11,681
Fuel	1,602	2,849	2,680	2,884	3,000	3,122	3,216
Repairs and maintenance	1,160	1,318	1,240	1,334	1,388	1,444	1,488
Transport Canada administration fee	730	887	969	1,043	1,085	1,129	1,163
Professional and special services	726	853	888	952	990	1,031	1,062
Other expenses	1,497	1,518	1,648	1,681	1,706	1,731	1,756
<b>Total expenses</b>	<b>86,499</b>	<b>103,453</b>	<b>105,276</b>	<b>117,728</b>	<b>124,951</b>	<b>130,404</b>	<b>134,631</b>
<b>Comprehensive income (loss)</b>	<b>(1,881)</b>	<b>(727)</b>	<b>896</b>	<b>(432)</b>	<b>77</b>	<b>242</b>	<b>656</b>

<b>STATEMENT OF CHANGES IN EQUITY</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>			<b>Budget</b>		
<b>For the year ended December 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Retained earnings, beginning of year	13,862	11,981	11,254	12,150	11,718	11,795	12,037
Comprehensive income(loss) for the year	(1,881)	(727)	896	(432)	77	242	656
Retained earnings, end of year	<b>11,981</b>	<b>11,254</b>	<b>12,150</b>	<b>11,718</b>	<b>11,795</b>	<b>12,037</b>	<b>12,693</b>

<b>STATEMENT OF CASH FLOWS</b>							
<b>(in thousands of dollars)</b>							
<b>For the year ended December 31</b>	<b>Actual</b>	<b>Forecast</b>			<b>Plan</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Cash flows from operating activities</b>							
Cash receipts from customers	84,224	102,472	102,957	109,424	115,702	121,433	126,122
Cash paid to employees	(14,122)	(15,681)	(16,126)	(16,789)	(17,498)	(17,991)	(18,430)
Cash paid to suppliers and others	(69,165)	(85,498)	(83,332)	(90,128)	(95,334)	(100,303)	(104,017)
Other income received	259	255	2,417	6,715	8,869	8,880	8,891
Net cash provided by operations	1,196	1,548	5,916	9,222	11,739	12,019	12,566
<b>Cash flows from investing activities</b>							
Purchases of investments	(1,890)	(1)	(600)	(600)	(600)	(600)	(600)
Proceeds on disposal of investments	1,252	-	-	-	-	-	-
Acquisition of property and equipment	(3,561)	(1,569)	(3,175)	(2,285)	(1,905)	(1,785)	(1,785)
Acquisition of intangible assets	(172)	(533)	(50)	-	-	-	-
Net cash used in investing activities	(4,371)	(2,103)	(3,825)	(2,885)	(2,505)	(2,385)	(2,385)
<b>Cash flows from financing activities</b>							
Proceeds from borrowings	2,827	-	-	-	-	-	-
Repayment of borrowings	(419)	(724)	(465)	(309)	(319)	(328)	(337)
Repayment of lease liabilities	(346)	(303)	(2,243)	(6,189)	(8,316)	(8,584)	(8,849)
Cash provided by (used in) financing activities	2,062	(1,027)	(2,708)	(6,498)	(8,635)	(8,912)	(9,186)
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,113)	(1,582)	(617)	(161)	599	722	995
Cash and cash equivalents, beginning of period	7,707	6,594	5,012	4,395	4,234	4,833	5,555
Cash and cash equivalents, end of period	6,594	5,012	4,395	4,234	4,833	5,555	6,550

## Operating Budget

The following table identifies the major activities that generate revenues and incur expenses for the Authority:

<b>OPERATING SEGMENT ANALYSIS</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>			<b>Plan</b>		
<b>For the year ended December 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Coastal Pilotage	60,512	70,137	70,879	78,518	82,892	87,086	90,595
Coastal Contract	52,743	64,669	63,785	70,694	74,589	78,325	81,452
<b>Coastal Margin (note 1 below)</b>	<b>7,769</b>	<b>5,468</b>	<b>7,094</b>	<b>7,824</b>	<b>8,303</b>	<b>8,761</b>	<b>9,143</b>
River Pilotage	3,799	3,293	3,336	3,697	3,903	4,100	4,265
River Wages & Benefits	3,244	3,452	3,756	3,894	3,991	4,092	4,184
<b>River Margin</b>	<b>555</b>	<b>(159)</b>	<b>(420)</b>	<b>(197)</b>	<b>(88)</b>	<b>8</b>	<b>81</b>
Launch Revenue (note 2)	9,773	13,081	12,921	14,449	15,401	16,023	16,507
Launch Expenses (note 2)	9,822	12,955	12,901	13,720	14,236	14,735	15,140
<b>Launch Margin</b>	<b>(49)</b>	<b>126</b>	<b>20</b>	<b>729</b>	<b>1,165</b>	<b>1,288</b>	<b>1,367</b>
Travel Revenue (note 3)	6,401	9,737	9,507	10,433	10,908	11,348	11,691
Travel Expenses (note 3)	9,507	8,687	7,589	8,189	8,532	8,889	9,167
<b>Travel Margin</b>	<b>(3,106)</b>	<b>1,050</b>	<b>1,918</b>	<b>2,244</b>	<b>2,376</b>	<b>2,459</b>	<b>2,524</b>
<b>Other Revenue</b>							
Surcharges (note 4)	3,823	6,223	7,112	3,484	3,055	3,209	3,338
Other Income (note 5)	310	255	2,417	6,715	8,869	8,880	8,891
	4,133	6,478	9,529	10,199	11,924	12,089	12,229
<b>Other Expenses</b>							
Salaries & Benefits - office & admin	4,845	5,398	5,976	6,063	6,214	6,339	6,466
Training (note 6)	1,935	3,195	3,396	2,588	2,393	2,750	2,696
Depreciation (note 5)	1,623	1,960	4,482	9,027	11,342	11,515	11,681
Transport Canada administration fee	730	887	969	1,043	1,085	1,129	1,163
All Other Costs	2,050	2,250	2,422	2,510	2,569	2,630	2,682
	11,183	13,690	17,245	21,231	23,603	24,363	24,688
<b>NET INCOME (LOSS)</b>	<b>(1,881)</b>	<b>(727)</b>	<b>896</b>	<b>(432)</b>	<b>77</b>	<b>242</b>	<b>656</b>

Significant items or fluctuations from year-to-year in the table above include:

1. The increase in both coastal pilotage revenue and coastal contract expenses in 2022 is due to the full return of cruise ships. The decline in the coastal margin in 2022 is because of the delay in the effective date for service charge rate increases, five months after coastal contract rates went up.
2. The increase in both launch revenue and expenses in 2022 is also due to the return of cruise ships. Margins in 2022 have been impacted by staffing shortages leading to additional overtime costs. Increased labour and repair costs are forecast to continue and therefore service charge rates have been assumed to increase ahead of inflation in later years to generate sufficient margins.
3. For travel operations, revenue increased with the return of cruise. However, we experienced significant costs savings over 2021 as we resumed using publicly scheduled rather than charter flights for pilot transportation. We had used charter flights to mitigate the risk of pilots becoming infected during the peak of the pandemic.

4. The temporary surcharge of \$175 per assignment, which was instituted in 2021 to offset the impact of the pandemic, was increased to \$400 in June 2022. It has been assumed to continue to the end of Q3 2023, then reduced to \$200 for Q1 2024, and end thereafter. Hence the decrease in surcharge revenue in 2024.
5. The pending contracts for helicopter services (starting in 2023 and 2024) are reflected in two lines in the above table – Other income (recovery from tanker industry of helicopter costs) and Depreciation (depreciation of capital asset created from accounting for helicopter contract). The costs are assumed to be fully recoverable from industry or terminal operator and therefore should not impact our net income. This is our objective in the helicopter related contract negotiations.
6. Much of the regular training for pilots was cancelled during the pandemic and there is a backlog which we expect to schedule and perform during 2022 and 2023. For 2024 onwards, training should return to a more consistent level.

In comparing the forecast above for 2022 to the corresponding year in the Corporate Plan for 2022-2026, the key variances were that both revenue and expenses are forecast to be \$3 million less than planned. The drop in revenue is largely due to estimates for assignments being lower than expected, mainly from a poor grain harvest. This overall decrease is despite a projected full cruise ship season in 2022, whereas we had planned conservatively for it returning at only 75% of pre-pandemic levels. The drop in expenses reflects the drop in revenue, as our largest expense, coastal contract, is directly tied to revenue. Partially offsetting that, we have incurred additional wage costs above plan because of staffing shortages, notably in launch operations. Although it did not impact our planned surplus for 2022, we had also expected the helicopter services contract to be initiated in 2022, but it is now forecast for 2023.

## Capital Budget

A summary of our capital budget by asset category for 2023-2027 is as follows:

<b>CAPITAL INVESTMENTS</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>	<b>Plan</b>				
<b>For the year ended December 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Building and floats	60	250	100	1,250	-	-	-
Pilot boats, engines and generators	2,785	384	1,950	200	1,070	950	950
Equipment	545	421	510	835	835	835	835
Leasehold improvements	-	545	1,000	-	-	-	-
Right-of-use assets	1,274	1,771	29,615	30,000	-	-	-
Intangibles	452	533	50	-	-	-	-
<b>Total</b>	<b>5,116</b>	<b>3,904</b>	<b>33,225</b>	<b>32,285</b>	<b>1,905</b>	<b>1,785</b>	<b>1,785</b>

Included in the above summary for 2023-2027 are:

- Pilot boats, engines and generators – engine refurbishments are planned for two launches, plus other upgrades and refurbishments to other launches
- Equipment – this includes expansion of our simulator capabilities and new portable pilotage units (PPUs) for apprentices plus cyclical replacement of existing units

- Right-of-use assets – this category includes the assets corresponding to the leases for helicopters

The commencement of heli-hoisting operations will increase our functional capacity. This will be funded through cost recoveries from industry or the terminal operators. All the remaining capital expenditure is intended to maintain our capacity by replacing or refurbishing end-of-life assets and will be funded from operating cashflow or existing cash reserves.

### **Sensitivity of Corporate Plan Projections**

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

- Number of cruises and volumes of containers, auto, grain, forest products, coal and other bulk commodities
- Receivership or bankruptcy applications by any carriers and/or agencies
- Foreign exchange rates
- West Coast port competition for shipping traffic
- General economic conditions in Asia and North America, and prevailing trade agreements
- Objection to increases in pilotage service charges
- Continued impact of the global pandemic from subsequent waves of infections, delaying a return to pre-pandemic level of operations



## Appendix 6 - Borrowing Plan

The Authority's borrowing limit, pursuant to section 36 of the *Pilotage Act* and as set by the Governor General in Council (PC Number: 2020-1123, dated 2020-12-18), is \$18.9 million and the Authority is currently within that limit. We are seeking to maintain the statutory borrowing limit of \$18.9 million for 2023.

Borrowing in 2023 that requires Minister of Finance approval comprises:

1. New lease liability requiring Minister of Finance approval:
  - Helicopter contract (TMX project) - \$30 million (maximum balance in 2023, which will decline to \$28 million by year-end)
2. Operating line of credit – \$3.5 million (currently the Authority has not drawn on this facility)

There are no new long-term bank loans expected in 2023. Existing bank loans drawn in 2022 and earlier will be repaid in accordance with existing terms.

The following table shows the Authority's projected borrowings for the plan years, including new lease liabilities requiring Minister of Finance approval:

<b>BORROWING PLAN</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>	<b>Plan</b>				
<b>Statement balance as at</b>	<b>31-Dec-21</b>	<b>31-Dec-22</b>	<b>31-Dec-23</b>	<b>31-Dec-24</b>	<b>31-Dec-25</b>	<b>31-Dec-26</b>	<b>31-Dec-27</b>
Long-term loans							
Due within one year	710	465	310	319	328	337	347
Due after one year	5,285	4,806	4,496	4,178	3,850	3,513	3,166
Lease liabilities requiring approval							
Due within one year	-	-	3,964	8,051	8,300	8,557	8,821
Due after one year	-	-	24,099	44,111	35,811	27,254	18,433
Operating line of credit	3,500	1,000	3,500	3,500	3,500	3,500	3,500
<b>Total</b>	<b>9,495</b>	<b>6,271</b>	<b>36,369</b>	<b>60,158</b>	<b>51,789</b>	<b>43,161</b>	<b>34,267</b>

It should be noted that lease liabilities, including those requiring Minister of Finance approval, are not required to be included in the calculation of the Authority's borrowing limit pursuant to the *Pilotage Act*.

Continuity of bank loans and new lease liabilities requiring approval is as follows:

<b>CONTINUITY OF BORROWINGS</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>	<b>Plan</b>				
<b>For the year ended December 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Bank Loans</b>							
Opening balance	3,587	5,995	5,271	4,806	4,497	4,178	3,850
Repayment	(419)	(724)	(465)	(309)	(319)	(328)	(337)
New	2,827	-	-	-	-	-	-
Closing balance	5,995	5,271	4,806	4,497	4,178	3,850	3,513
<b>Lease liabilities requiring approval</b>							
Opening balance	-	-	-	28,063	52,161	44,111	35,811
Repayment	-	-	(1,937)	(5,901)	(8,051)	(8,300)	(8,557)
New	-	-	30,000	30,000	-	-	-
Closing balance	-	-	28,063	52,161	44,111	35,811	27,254

A summary of existing leases and upcoming leases, some of which require approval from the Minister of Finance, is as follows:

<b>LEASE LIABILITIES BY ASSET CLASS</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>	<b>Plan</b>				
<b>For the year ended December 31</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Existing leases:</b>							
<b>Office</b>							
Vancouver office (to Feb 2033)	1,477	3,040	2,769	2,509	2,243	1,960	1,667
Victoria office (to Aug 2024)	93	44	18	-	-	-	-
<b>Equipment</b>							
Vehicle	-	18	9	-	-	-	-
<b>Pilot accommodation space</b>							
Coast Hotel - Victoria (to Apr 2022)	35	-	-	-	-	-	-
<b>New leases requiring approval:</b>							
<b>Equipment</b>							
Helicopter (TMX project to 2028)	-	-	28,063	24,099	20,012	15,799	11,455
Helicopter (LNG project to 2029)	-	-	-	28,063	24,099	20,012	15,799
<b>Total</b>	<b>1,605</b>	<b>3,102</b>	<b>30,859</b>	<b>54,670</b>	<b>46,354</b>	<b>37,770</b>	<b>28,921</b>

For upcoming leases in 2023 requiring approval, the Authority seeks the Minister of Finance's approval to enter into:

- An equipment (helicopter) services lease worth a maximum commitment of \$30 million over a term of no more than 7 years

In addition to the fixed commitment of approximately \$4 million annually for the helicopter services lease, there will be approximately \$1 million annually in variable operating costs. As they are variable and dependent on usage, they would not be required to be recorded as part of the lease commitment.

The Authority expects to enter a second helicopter services lease for the Canada LNG terminal in 2024. Approval for that will be requested in next year's Corporate Plan.

## **Operating Line of Credit**

Although the Authority expects to maintain sufficient liquidity to fund operations during the planning period, there can be fluctuations within a month between high and low points for cash of up to \$5 million. Accordingly, the Authority may request to borrow, on a day-to-day basis from its bank, sums of money to manage its cash flow. The Authority views the availability of an operating line of credit as a 'best business practice' and wishes to renew this facility. These borrowings would be charged at market rates levied by a Canadian bank and repaid prior to December 31.

Currently, the Authority has an operating line of credit facility up to \$3.5 million provided by its bank. The Authority does not expect to draw on this facility in 2022 above \$1 million, but with the uncertain economic outlook we are requesting an increase to draw up to \$3.5 million as part of our borrowing plan for 2023.

## **Investment Policy**

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

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

## Appendix 7 - Risk and Risk Responses

Under the Authority's risk management policy, the Authority is committed to:

- behaving as a responsible corporate citizen; protecting employees, visitors, customers, and their property, as well as the community and the broader environment from unnecessary injury, loss or damage.
- encouraging the British Columbia Coast Pilots (BCCP) in particular, as well as other third parties that the Authority relies upon, to adopt sound risk management practices for their own organizations.
- achieving its business objectives by seeking opportunities to improve the business and optimize risk management; and
- finding the right balance between the cost of control and the benefits that control would bring

The Authority has adopted the following methodology to assess a risk's profile:

### Risk Impact Ranking Methodology

	Indigenous		Financial	Operational				Strategic	
	Cultural	Disruption of Community		Human	Property	Vessel(s)	Environmental	Disruption of Business	Reputation
<b>Most severe</b>	Incident causes long term harm for more than one month to traditional food sources, cultural or ceremonial practices	Community projects, programs, businesses or employment disrupted for more than one month	Above \$10 million cash impact on the Authority	Multiple deaths and multiple people with serious long-term injury requiring Intensive care.	Incident results in damage to infrastructure such that it becomes inoperable for greater than one month or results in financial loss exceeding \$50 million	Incident results in sinking of vessel or in the vessel sustaining sufficient damage to result in it being a constructive total loss	Incident causes sustained long term harm to environment (i.e. damage lasts greater than six months)	Operational cessation or major operational issues (e.g. delays) lasting more than one month	Sustained front page adverse national and international media coverage.  Adverse social media commentary sustained for greater than one month.
<b>Severe</b>	Incident causes medium-term harm for up to one month to traditional food sources, cultural or ceremonial practices	Community projects, programs, businesses, or employment disrupted for up to one month	Impact on the Authority between \$5 and \$10 million	Single death and multiple people with serious long-term injury requiring Intensive care	Incident results in damage to infrastructure such that it becomes inoperable for up to one month or results in financial loss of \$25 - \$50 million.	Incident results in vessel sustaining damage significant enough to require towing to dry dock with loss of operations for more than one month	Incident causes sustained medium term harm to environment (i.e. damage lasts more than one month)	Operational cessation or major operational issues (e.g. delays) lasting up to one month	Front page adverse national media coverage and intermittent international coverage  Adverse social media commentary sustained for greater than two weeks.

	Indigenous		Financial	Operational				Strategic	
	Cultural	Disruption of Community		Human	Property	Vessel(s)	Environmental	Disruption of Business	Reputation
<b>Less severe</b>	Incident causes medium-term harm for up to three weeks to traditional food sources, cultural or ceremonial practices	Community projects, programs, businesses or employment disrupted for up to three weeks	\$1million-\$5million cash impact	Some people with serious long-term injury and multiple minor injuries	Incident results in damage to infrastructure such that it becomes inoperable for up to one month or results in financial loss of \$10 - \$25 million.	Incident results in vessel grounding or sustaining damage significant enough to require towing to dry dock with loss of operations of not more than 1 month	Incident causes medium term harm to environment (i.e. damage lasts up to One month)	Operational cessation or major operational issues (e.g. delays) lasting up to two weeks	Intermittent adverse national media coverage  Adverse social media commentary sustained for greater up to 2 weeks.
<b>Moderate</b>	Incident causes short-term harm for up to two weeks to traditional food sources, cultural or ceremonial practices	Community projects, programs, businesses or employment disrupted for up to two weeks	Between \$500,000 to \$1million cash impact	One person with serious long-term injury or illness contracted through work  Some minor injuries  Multiple PPA staff with minor illness contracted through work.  Significant effect on stress levels / morale of multiple PPA staff.	Incident results in damage to infrastructure such that it becomes inoperable for up to one week or results in financial impact of \$500,000 - \$10 million	Incident results in vessel sustaining damage significant enough to result in loss of operations for not more than 2 weeks	Incident causes short term harm to environment (i.e. damage lasts no greater than one week)	Operational issues (e.g. delays) lasting up to one week but no cessation of business	Sustained front page adverse local media coverage Board and Ottawa receive complaints from industry associations and major clients  Adverse social media commentary sustained for greater up to a week.
<b>Minor</b>	Incident causes short term harm for up to one week to traditional food sources, cultural or ceremonial practices	Community projects, programs, businesses or employment disrupted for up to one week	Up to \$500,000 cash impact	Single or multiple minor injuries requiring on site First Aid and/or off-site treatment  Significant effect on morale of a PPA staff member.	Damage to facilities cause operations to cease for up to 72 hours or a financial impact up to \$500,000	Incident results in vessel sustaining minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours	Incident causes minimal or intermittent harm to environment over a period of time (i.e. damage lasts no greater than a day)	Operational issues (e.g. delays) lasting up to 72 hours	Intermittent adverse local media coverage  Complaints received from industry and/or clients  Some adverse social media commentary but not sustained

## Risk Likelihood Ranking Criteria

Likelihood	Risks that are ongoing	Risks that are one-time
<b>Frequent</b>	We expect that the risk will occur many times a month. The risk is happening.	We fully expect the risk to occur. The risk is already occurring (i.e. it is an issue).
<b>Probable</b>	We expect that the risk will occur at least once a year.	We expect the risk will most probably occur.
<b>Occasional</b>	We expect that the risk will occur once in 3 years.	We expect that the risk may occur at some time and we think it more likely than not.
<b>Improbable</b>	We expect that the risk will occur once in 10 years.	We expect that the risk may occur at some time and we think it less likely than not.
<b>Remote</b>	We expect that the risk will occur once in 50 years.	We expect that the risk may occur only in exceptional circumstances but that it is highly doubtful that it will.

## Risk Ranking Key

A risk's ranking is a combination of its likelihood and impact, as illustrated on the heat map below:

		<u>Impact</u>				
		Minor	Moderate	Less Severe	Severe	Most Severe
<u>Likelihood</u>	Frequent					
	Probable					
	Occasional					
	Improbable					
	Remote					

<b>Extreme</b>	<ul style="list-style-type: none"> <li>Exposure to this level of risk would normally be immediately reduced (e.g. by improving controls or discontinuing activity etc.) except only in extreme circumstances</li> <li>The CEO must be informed and take control of the management of this risk exposure</li> </ul>
<b>Very High</b>	<ul style="list-style-type: none"> <li>Exposure to this level of risk would normally be immediately reduced unless strategic imperatives dictate otherwise</li> <li>Demonstrably improving the risk control is required and at least one senior management team member should manage that process</li> <li>The CEO must be informed of progress</li> </ul>

<b>High</b>	<ul style="list-style-type: none"> <li>• Exposure to this level of risk should be reduced as soon as practicable</li> <li>• Improving the risk control is recommended and the relevant management should manage that process</li> <li>• Relevant senior management must be informed of progress</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>• Unnecessary exposure to this level of risk should be reduced if practicable</li> <li>• Improving the risk control is recommended if practicable and the relevant management should manage that process</li> <li>• Control and responsibility must be specified</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>• Exposure to this level of risk is acceptable without additional risk treatments and be subject to periodic review to ensure the risk does not increase</li> <li>• Improving the risk control is not required</li> <li>• Can be managed by routine controls and procedures</li> </ul>

At present, the seven highest rated key risks identified for the Authority are:

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Causes</b>	<b>Consequences</b>	<b>Mitigating controls</b>
Unable to cover committed obligations and overhead because of a decrease in assignment volumes (Ranking score 12)	Probable	Less severe	<ul style="list-style-type: none"> <li>• COVID-19 pandemic</li> <li>• Economic recession</li> <li>• Trade barriers between Canada and China</li> <li>• Political activism on anti-trade or anti-fossil fuel</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of revenue</li> <li>• Inability to be financially self-sufficient</li> </ul>	<ul style="list-style-type: none"> <li>• Diversified mix of products</li> <li>• Existing variable cost structure</li> <li>• Maintain cash reserves</li> </ul>
Significant interruption to operations due to a pandemic (Ranking score 10)	Frequent	Moderate	<ul style="list-style-type: none"> <li>• Unsafe work practices</li> <li>• Failure to report illness</li> <li>• Poor communication of procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Poor health of employees</li> <li>• Staffing shortages</li> <li>• Decline in reputation as safe employer</li> </ul>	<ul style="list-style-type: none"> <li>• Office employees able to work from home</li> <li>• Advance reporting by Health Canada for vessels with health concerns</li> <li>• Communication protocols in place</li> </ul>

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Causes</b>	<b>Consequences</b>	<b>Mitigating controls</b>
New heli-hoisting program causes financial loss or compromises pilot safety (Ranking score 10)	Improbable	Most Severe	<ul style="list-style-type: none"> <li>• Costs cannot be recovered from industry</li> <li>• Technical failure of helicopter or wire hoist causes injury</li> </ul>	<ul style="list-style-type: none"> <li>• Significant financial loss to PPA</li> <li>• Injury or death of a pilot, or damage to vessels</li> </ul>	<ul style="list-style-type: none"> <li>• Commitment from terminal operator to ensure recovery of all costs</li> <li>• Standard operating procedures to be reviewed and communicated to pilots</li> </ul>
Compromise of the confidentiality, integrity or availability of information (Ranking score 9)	Occasional	Less severe	<ul style="list-style-type: none"> <li>• Cybersecurity attack</li> <li>• Aging technology infrastructure</li> <li>• Failure of security systems</li> </ul>	<ul style="list-style-type: none"> <li>• Increased costs</li> <li>• Damage to reputation</li> <li>• Delays in operations including pilot dispatch</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced security protocols</li> <li>• Incident response plan</li> <li>• Back-up systems</li> </ul>
New pilot dispatch and accounting system does not meet scope requirements (Ranking score 9)	Occasional	Less severe	<ul style="list-style-type: none"> <li>• Developer unable to deliver</li> <li>• Ineffective oversight of vendor</li> <li>• Inadequate internal resources</li> </ul>	<ul style="list-style-type: none"> <li>• Inaccurate operational or financial data</li> <li>• Less functionality than current system</li> <li>• Frustration for staff</li> </ul>	<ul style="list-style-type: none"> <li>• Regular checkpoints with developer</li> <li>• Regular reporting to senior management and Board</li> <li>• Robust training program for staff before implementation</li> </ul>
Inability to source and train sufficient qualified pilot candidates (Ranking score 8)	Improbable	Severe	<ul style="list-style-type: none"> <li>• Shortfalls in human resources within the maritime sector</li> <li>• Regulatory changes</li> <li>• Long wait time between examination and hiring</li> </ul>	<ul style="list-style-type: none"> <li>• Inability to provide timely and efficient pilotage services</li> <li>• Stress and fatigue of existing staff</li> <li>• Reputation as service provider impacted</li> </ul>	<ul style="list-style-type: none"> <li>• Actively promote piloting as a career</li> <li>• Participation in regulatory changes</li> <li>• More frequent exams</li> </ul>
Inadequate response to a disaster or emergency (Ranking score 8)	Improbable	Severe	<ul style="list-style-type: none"> <li>• Natural disasters are unpredictable</li> <li>• Poor communications</li> <li>• Equipment failures</li> </ul>	<ul style="list-style-type: none"> <li>• Vessel delays</li> <li>• Impact of emergency may be exacerbated</li> </ul>	<ul style="list-style-type: none"> <li>• Emergency response plans in place</li> <li>• Operations can be administered virtually</li> </ul>



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

Below is a list of the legislative and policy directives with which the Authority currently complies:

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

As part of a commitment to clear and transparent governance, the Authority voluntarily reports, through its website, annual summaries of all requests related to the *Access to Information Act* received for itself and its subsidiaries. To date in 2021, three requests have been processed by the Authority.

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

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

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

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

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

Expenses are reported by month and are reflected in the period during which they were reimbursed. These disclosures include business expenses related to business travel, hospitality, conferences, and event expenses for activities directly related to the delivery of the Authority's core mandate or legal requirements, engagement with its key stakeholders, internal governance, and training.

### ***Trade agreements***

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

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

## **Other**

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

- *Canada Business Corporations Act*, R.S.C. 1985, c C-44
- *Financial Administration Act*, R.S.C. 1985, c F-11
- *Conflict of Interest Act*
- *Canadian Human Rights Act*
- *Privacy Act*
- *Employment Equity Act*
- *Pay Equity Act*
- *Auditor General Act* R.S.C., 1985, c. A-17
- *Commercial Arbitration Act*, R.S.C. 1985, c 17 (2nd Supp.)
- *Lobbying Act*, R.S.C. 1985, c 44 (4th Supp.)
- *Public Servants Disclosure Protection Act*, S.C. 2005, c 46
- *Pilotage Act*, R.S.C. 1985, C. P-14
- *Canada Shipping Act*
- *Canada Labour Code*, R.S.C. 1985, c L-2
- *Canadian Environmental Assessment Act*, 2012, S.C. 2012, c 19, s 52
- *Canadian Environmental Protection Act*, 1999, S.C. 1999, c 33
- *Customs Act*, R.S.C. 1985, c 1 (2nd Supp.)
- *Health of Animals Act*, S.C. 1990, c 31
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, S.C. 2000, c 1
- *Canada Transportation Act*, S.C. 1996, c 10

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

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

The Government of Canada's priorities aim to finish the fight against COVID-19 and the recovery of a strong middle class; open and transparent governance; a clean environment and a resilient economy; strength through diversity; and security and opportunity.

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

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

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

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

### ***COVID-19***

The Authority continues to respond to changes as a result of the pandemic, including updating policies to reflect the suspension of mandatory vaccinations required for federal employees and contractors. We have also encouraged administrative staff to increase the number of days working in the office, which promotes better communication through closer interaction of staff. However, we do remain vigilant with respect to an increase in infections from new variants and have safety protocols ready to be re-instituted if necessary.

### ***Supply chain***

We are keenly aware of the role that the Authority plays in Canada's supply chain and place great emphasis on ensuring minimum disruption or delays in the pilotage section of that chain. Ensuring a consistent and reliable service is top of mind whether it be through the provision of pilots, launch or dispatch staff. We are also dedicating more resources to cybersecurity to mitigate the risk of disruption from a cyber incident.

### ***Gender-based analysis / diversity and employment equity***

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

From a gender diversity perspective, the Authority's Board consists of a majority of female directors (57%), and management has 40% female representation. The

Authority's continued goal is to recruit female representation in the launch and pilot portions of our business and our hope is that growing interest from women in the broader marine industry will improve our chances of success.

The Authority is committed to maintaining an inclusive and diverse workforce with representation from all employment equity groups, including indigenous peoples and members of visible minorities.

### ***Indigenous relationships***

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

### ***Sustainable development and greening of government operations***

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

1. Successfully enabled staff to work from home during the pandemic, thereby reducing time spent commuting to work
2. Transitioned to on-line meetings, reducing travel, and will continue this for many meetings in the future, which will also enable potential Board members to be located outside the lower mainland of BC
3. is an associate member of the Green Marine organization
4. is ISO and ISM certified
5. has a sustainability policy in place
6. ensures that our leased offices in Vancouver are in a LEED certified building.

The Authority makes itself available to speak to community groups about the role pilotage plays in ensuring the protection of the marine environment.

### ***Climate change***

The Authority is mindful of the impact of climate change. We are working to establish a baseline for our carbon footprint from which we can start to identify steps to set reduction targets and corresponding timeframes. whilst aligning ourselves with the government's strategy of net zero emissions by 2050. We also have a view to ensuring we will be in a position to report on the Authority's climate-related financial risks by 2024 by following the standards published by the *Task Force on Climate-related Financial Disclosures*.

### ***Safe workspaces***

The Authority works hard to ensure that its workplaces are civil, respectful and free from harassment. To ensure that this occurs there are policies and procedures in place that address this and includes a "Whistle Blower Policy". The Authority has an open-door policy and holds regular meetings with staff as well as the use of anonymous surveys to

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glean feedback. In addition, we have worked with consultants to address any real or perceived issues to improve team cohesiveness.

***Accessibility***

The Authority is an inclusive work environment with no limitations with respect to the head office staff and dispatch. We have always hired the best person for the job with no limitations or exceptions.