



DETAILS AND PRINCIPLES REGARDING PROPOSED REVISED PILOTAGE CHARGES

GENERAL

Pursuant to section 33.2 of the *Pilotage Act*, S.C. 1985, c. P-14, the following document (“**Details and Principles**” or “**Document**”) provides additional details to expand upon the Notice of Revised Service Charges dated November 1, 2020 (the “**Notice**”). The Notice published by the Pacific Pilotage Authority (the “**Authority**”) proposes the establishment of revised charges to come into effect on March 5, 2021.

This Document includes a description of the proposal, including the Authority’s methodology in relation to establishing or revising the pilotage charges, and the circumstances in which the charges will apply (found at sections 7 and 8). In developing the charges, the Authority has observed all charging principles established under section 33.2 of the *Pilotage Act*. The pilotage charges below are based upon the current budgetary forecasts and other information and may be revised following representations obtained under section 33.3 of the *Pilotage Act*. The methodology and its application are set out in this Document for the proposed establishment of pilotage charges for 2021.

Except for the revisions proposed in the Notice, all the existing charges and related terms and calculations, as set out in the *Pacific Pilotage Tariff Regulations* (SOR/85-583), are to be reestablished without material change in the Authority’s Customer Guide to Charges. Once this occurs, the *Pacific Pilotage Tariff Regulations* (SOR/85-583) will be rescinded.

Persons interested in making representations to the Authority with regard to the proposals set out in the Notice may do so in writing to the address set out in Section 10, so as to be received by the Authority not later than **close of business on December 31, 2020**.

This Document consists of the following sections:

- 1) General overview of the Authority
- 2) Assignment volumes
- 3) Expected financial position of the Authority
- 4) Proposed revision to cash and reserves
- 5) Proposed revision to service charge rates
- 6) Justification of the proposal in relation to the charging principles and cost effectiveness assessment
- 7) Determination of charges
- 8) Cost of services
- 9) Consultation
- 10) Information regarding the Notice and on making representations to the Pacific Pilotage Authority

1. GENERAL OVERVIEW OF THE AUTHORITY

The Authority is a non-agent Crown corporation established in 1972 pursuant to the *Pilotage Act*. As a Crown corporation listed in Schedule III Part 1 of the *Financial Administration Act*, the Authority operates in accordance with a budget and corporate plan approved each year by the Treasury Board and Governor in Council, respectively.

The objective of the Authority is to establish, operate, maintain and administer in the interests of safety of navigation, an efficient pilotage service within the Authority's regional jurisdiction. The Authority is tasked with achieving this objective while respecting the following principles:

- a. that pilotage services be provided in a manner that promotes and contributes to the safety of navigation, including the safety of the public and marine personnel, and that protects human health, property and the environment;
- b. that pilotage services be provided in an efficient and cost-effective manner;
- c. that risk management tools be used effectively and that evolving technologies be taken into consideration; and
- d. that an Authority's pilotage charges be set at levels that allow the Authority to be financially self-sufficient.

The system of governance at the Authority is intended to make the Authority financially self-sufficient. The Corporation is governed by a seven-member Board of Directors (the "**Board**"). The Governor in Council appoints the Chairperson of the Authority, for a term determined by the Governor in Council, and the Minister of Transport appoints the other members of the Board for terms not exceeding four years.

The fundamental elements governing the mandate conferred on the Authority by the *Pilotage Act* include the exclusive right to provide pilotage services to ships in an area of water where ships are subject to compulsory pilotage. This includes the exclusive ability to set and collect charges for pilotage services provided or made available by the Authority or a contractor acting for the Authority, and the obligation by the Authority to provide these services.

When establishing a new charge for pilotage services or revising an existing charge, the Authority must follow the charging principles set out in section 33.2 of the *Pilotage Act*. These principles prescribe that, among other requirements, charges must not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services. Pursuant to the charging principles, the Board approves the amount and timing of the establishment or changes to customer service charges. The Board also approves the Authority's annual budget where the amounts to be recovered through service charges for the ensuing year are determined.

In addition, the Authority proceeds to a pre-consultation exercise with the industry stakeholders prior to the approval and publication of the Notice. A summary of the pre-consultation process is included in this Document.

Pursuant to section 33.2 of the *Pilotage Act*, the Authority plans its operations to be financially self-sufficient and based on reasonable and prudent projections would not result in revenues exceeding

current and future financial requirements related to the provision of compulsory pilotage services. Financial requirements include:

- a. operations and maintenance costs;
- b. management and administration costs;
- c. debt servicing requirements and financial requirements arising out of contractual agreements relating to the borrowing of money;
- d. capital costs and depreciation costs on capital assets;
- e. financial requirements necessary for the Authority to maintain an appropriate credit rating;
- f. tax liability;
- g. payments to the Minister for the purpose of defraying the costs of the administration of the *Pilotage Act*, including the development of regulations, and the enforcement of the *Pilotage Act*;
- h. reasonable reserves for future expenditures and contingencies; and
- i. other costs determined in accordance with accounting principles recommended by the Chartered Professional Accountants of Canada or its successor or assignee.

The financial statements and Management’s Discussion and Analysis, issued quarterly and annually provide extensive information on the revenues and expenses of the Authority. These documents are available at: <https://www.ppa.gc.ca/>.

2. ASSIGNMENT VOLUMES

Assignment volumes for the first nine months of 2020 have fallen well short of expectations, largely as a result of COVID-19, especially in the cruise sector as a result of the prohibition of cruise ships in Canadian waters until February 28, 2021. The Authority has provided pilotage services for 9,339 assignments over this period, as compared to 10,219 assignments during the same period in 2019. This represents a 8.6% decline of 880 assignments. For a more reflective picture of the impact of COVID-19, the assignment volumes should be looked at starting from March 2020. For the period from March to September 2020 there were 7,220 assignments compared to 8,364 in the same period in 2019. This is a reduction of 13.7%.

This reduction can be seen in the table below indicating the difference between actual 2019 and 2020 assignments:

	January 1 to September 30			March 1 to September 30		
	2020	2019	Variance	2020	2019	Variance
Contract pilot assignments	8,651			6,713		
Fraser River assignments	688			507		
Total assignments	9,339	10,219	-8.6%	7,220	8,364	-13.7%

In developing the outlook for shipping volumes, the primary source of information considered are estimates provided by terminal operators. In addition, a time series analysis of historical traffic patterns is compared to the estimates in order to obtain an additional level of precision. Forecasts of macro-economic indicators are also used where a correlation has been shown between the indicator and movements in traffic volume (e.g. Statistics Canada grain harvest data used as a predictor of grain shipping volumes).

The forecast for fiscal 2021 reflects actual data collected up to September 2020 and forecasted thereafter. The following table presents the Authority’s traffic growth assumptions by geographic area of operation and in total. Overall, the year-over-year traffic growth forecasts for fiscal 2021 is projected to increase by 9%. This assumes a limited recovery in cruise ship traffic at 30% of 2019 volumes.

Region	Actual assignment volume by year with estimates for fiscal 2020 and 2021					
	2016	2017	2018	2019.	2020 est.	2021 est.
Southern	10,008	10,587	10,422	10,185	9,249	10,083
Northern	503	496	521	535	338	368
Rupert	1,127	1,166	1,291	1,405	1,510	1,647
Fraser River	1,023	1,148	1,130	1,157	894	975
Total assignments	12,661	13,397	13,364	13,282	11,991	13,073

3. EXPECTED FINANCIAL POSITION OF THE AUTHORITY

This section will include commentary about the expected financial position of the Authority with the following proposed structure:

- Discussion on forecast expenses:
 - Summary of forecasted expenses;
 - Table of prior year actual, current year estimate, next year’s forecast; and
 - Details of material expense changes between the current year and forecast.
- Discussion on capital program:
 - Summary of forecasted capital expenditures;
 - Details on the material elements of the capital program; and
 - Summary on the proportion of the capital program which will be financed versus internally funded.

Based on projected volumes in section 2 above, the Authority anticipates that expenses for fiscal 2021 will be \$94.4 million. This represents a 14.3% increase over fiscal 2020 and as can be seen below, is primarily driven by an expected increase in volume and training for 12 new contract pilots and 2 new employee pilots, as well as the training for existing licensed pilots deferred from 2020.

Operating Expenses (in \$000’s)	Fiscal 2019 Actual	Fiscal 2020 Forecast	Fiscal 2021 Forecast
Coastal contract & callbacks	\$62,805	\$54,369	\$57,643
Employee pilots’ salary and benefits	2,846	3,067	3,350
Launch costs	10,565	8,531	9,313
Transportation & Travel	6,810	7,381	7,361
Salaries & benefits (Dispatch/Accounts/Management)	4,695	4,724	5,138
Training	2,542	620	5,465
Amortization	1,652	1,842	2,164

Operating Expenses (in \$000's)	Fiscal 2019 Actual	Fiscal 2020 Forecast	Fiscal 2021 Forecast
Other expenses (rent/utilities/supplies/professional/PPU/simulator)	2,057	1,868	2,816
Pilotage Act Administration fee	-	441	750
Total operating expenses	\$93,972	\$82,843	\$94,000

Expense Analysis

Overall expenses in fiscal 2020 are expected to decrease by \$11.1 million over 2019. Expenses in 2021 are expected to increase as follows, based on the cost drivers set out below:

1. Coastal contract and callback costs are expected to increase by \$3.3 million in fiscal 2021. This increase is primarily driven by:
 - a. a 9% increase in volumes over 2020;
 - b. a 1.75% increase in the pilotage unit fee payout;
 - c. a 2.00% increase in the hourly fee payout; and
 - d. an expected 1.5% increase in the length of vessels (which drives up the Pilotage Unit Fee payout).
2. Training costs are expected to increase by \$4.8 million in fiscal 2021. This is primarily due to coastal apprentice training costs as 14 new apprentices are forecasted to be hired, as well as the carrying forward of almost \$2 million from postponed 2020 training.
3. Amortization costs are expected to increase by \$0.3 million in fiscal 2021. This is primarily due to capital expenditure on the new launch, new dispatch and accounting system, and new portable pilotage units for apprentices.
4. Other expenses are expected to increase by \$0.9 million in fiscal 2021 as the Authority begins to return to normal operations with projects being started which were delayed in 2020.

Capital Projects

The Authority expects that its capital program will require \$8.4 million in expenditures in fiscal 2021, primarily related to the construction of a new pilot launch and a new dispatch and accounting system.

The new launch project commenced in 2019 and continued through fiscal 2020. The Authority will finish building this launch in 2021 and the expected capital expenditure in relation to this project in 2021 is \$3.4 million.

The new dispatch and accounting system project commenced in 2020 and will continue through 2021 and finalized in 2022. The dispatch and accounting system will replace the Authority’s older legacy system and will greatly improve the speed at which invoices can be issued to our customers. The 2021 capital costs associated with this system are expected to be \$1.5 million.

The expected refurbishment of the engines for the pilot launches in fiscal 2020 was delayed due to COVID-19 losses and will be completed in 2021. The total cost of these refurbishments is \$1.7 million.

All remaining capital costs are smaller in nature and include upgrades to buildings, communication equipment, portable pilotage units and other items totaling \$1.8 million.

The Authority intends to enter into new borrowings of \$5 million related to these capital expenditures.

4. PROPOSED REVISION TO CASH AND RESERVES

This section will include commentary about the expected cash and reserve balances of the Authority with the following proposed structure:

- Rationale for having the forecasted cash balance
- Summary of level of cash needed to operate as a going concern;
- Table of prior year actual, current year estimate, next year’s forecast; and
- Discussion on the reserve balance.

Service charges are set based on the Authority’s financial requirements, which consider projected volumes and planned expenditures. Since actual revenue and expenses will differ from these estimates, methods to accumulate the variance are required to mitigate potential risks to the Authority due to business interruptions.

There is also a need to absorb unpredictable factors – mainly fluctuations in traffic volumes resulting from unforeseen events (i.e. snow on the railways causing significant delays in getting grain to terminals or political decisions resulting in temporary shifts in trade and shipping volumes).

Considering the above-mentioned items, an operating cash balance of \$4 to \$6 million is deemed appropriate for this purpose.

As discussed in more detail in section 5, when determining the level of service charges required, the Authority considers its current and future financial requirements. Among other issues, the following are considered when establishing service charges:

- the Authority’s financial requirements and the extent to which operating costs are variable;
- the expected upcoming capital costs and the extent to which borrowing is introduced; and
- the current and anticipated balance in the cash and reserve account.

The Authority’s actual cash and reserve accounts as well as forecasted accounts are reflected below. Amounts are as of the fiscal year-end:

	Fiscal 2018 Actual	Fiscal 2019 Actual	Fiscal 2020 Forecast	Fiscal 2021 Forecast
Cash	6,171	9,014	8,973	5,551
Reserves	1,106	1,124	1,714	2,314
Total	7,277	10,138	10,687	7,865

The decline in the 2021 cash balance of \$3.4 million is a result of capital expenditure during 2021 which will be financed from existing cash balances, rather than from new debt.

The Authority intends to add to its reserve account an amount of \$600,000 in fiscal 2021. It must be noted that the reserve account has always existed to allow the Authority to pay out all obligations to staff and pilots or to operate for a period of up to 6 months under an event of force majeure. The Authority, however, agreed to a request from industry in fiscal 2013 to temporarily deplete this account in order to soften the effects of tariff increases on industry between fiscal 2014 and fiscal 2017. In consultation with industry, the Authority has now begun to rebuild this reserve at an agreed rate of \$600,000 per annum. This reserve helps provide stability to pilotage charges.

The Authority’s long-term objective is to keep its cash balance at approximately \$4 to \$6 million (see below). The figure below is contingent on the Authority obtaining approval for additional borrowing.



The review and determination of an appropriate corporate contingency, in which the cash and reserves are included, needs to be undertaken annually and will be considered in setting future customer service charges.

5. PROPOSED REVISION TO SERVICE CHARGE RATES

This section will include commentary about the proposed pilotage charge rates by the Authority with the following proposed structure:

- Basis for determination of rate changes;
- Table of proposed rate changes; and
- Commentary on rate changes.

The Authority determines the rate changes that are required as follows:

- Determine volumes as outlined in section 2;

- Determine expenses as per volumes and contractual requirements and as outlined in section 3;
- Determine capital expenditures and financing as outlined in section 3;
- Determine reserve account and cash required as outline in section 3; and
- Determine the rate necessary to achieve all the above.

Effective March 5, 2021 proposed changes to pilotage charges are calculated for each service on the basis of the following table:

Category	Rate Increase	New / Adjustment	Application Methodology	Effect on Customers
Base Rate (10 months)	2.5%	Adjustment	All rates affected	\$2.2 million
COVID-19 adjustment charge (10,894 assignments)	\$200	New		\$2.2 million
Total effect				\$4.4 million

The increase of 2.5% in the base rate and the temporary surcharge in 2021 is driven by projected increases in the Authority's base cost structure and deferral of training costs from 2020 to be incurred in 2021. The base rate increase translates to \$2.2 million over the 10 months of 2021, or an average of \$206 per assignment. The temporary COVID-19 additional charge of \$200 per assignment, is expected to generate an additional \$2.2 million of revenue in 2021 (from March 5) and is dependent on some recovery in operations in 2021 over 2020 levels. If the recovery is greater than expected, this temporary charge can be adjusted and reduced.

The Authority will commit to a mid-year review when there is more certainty in the cruise ship season as well as on some of the other assumptions on traffic volumes.

PROPOSED RATE REVISIONS

Description	Tariff section	Current Rates (FY2020)	Proposed Base Rate	% Change vs. Existing Base Rate
Vessel up to 226m				
Pilotage unit fee	6.1	4.6781	4.7951	2.5%
Vessel greater than 226m				
Pilotage unit fee	6.2	4.0822	4.1843	2.5%
Gross tonnage fee	6.2	0.01192	0.012218	2.5%
Tethered tanker with DWT greater than 39 999				
Pilotage unit fee	6.3	7.0176	7.1930	2.5%
Tethered tanker greater than 226m with DWT greater than 39 999				
Pilotage unit fee	6.4	6.1235	6.2766	2.5%
Gross tonnage fee	6.4	0.0179	0.01835	2.5%
Pilotage unit fee – dead ship	Sch 2.2	9.3563	9.5902	2.5%
Other charges				
Additional charge – bridging fee for COVID-19	7	-	200.00	New
Time charges	8 & Sch 5	234.82	240.69	2.5%

Description	Tariff section	Current Rates (FY2020)	Proposed Base Rate	% Change vs. Existing Base Rate
Minimum charge	9	1,087.33	1,114.51	2.5%
Cancellation charge	10 & Sch 4	939.30	962.78	2.5%
Out-of-region charges				
Per hour	Sch 5.1	234.82	240.69	2.5%
Embark/Disembark Anacortes, Bellingham, Cherry Point or Ferndale	10.2	2,097.95	2,150.40	2.5%
Embark/Disembark other out-of-region location	10.3	2,797.63	2,867.57	2.5%
Transportation charges				
Harbour or Port	Sch 6	179.98	184.48	2.5%
Fraser River	Sch 6	173.24	177.57	2.5%
Northern	Sch 6	1,785.21	1,829.84	2.5%
Prince Rupert	Sch 6	564.71	578.83	2.5%
Southern	Sch 6	564.71	578.83	2.5%
Area where pilot has begun travel and is cancelled	Sch 6	179.98	184.48	2.5%
Pine Island	Sch 6	5,643.64	5,784.73	2.5%
Pilot boat charges				
Brotchie Ledge	Sch 7	455.02	466.40	2.5%
Sand Heads	Sch 7	1,821.26	1,866.79	2.5%
Triple Island	Sch 7	2,362.84	2,421.91	2.5%
Cape Beale	Sch 7	7,121.27	7,299.30	2.5%
Pine Island	Sch 7	4,382.64	4,492.21	2.5%
Entrance to Nanaimo Harbour	Sch 7	917.06	939.99	2.5%
Prince Rupert Anchorages 8 – 9	Sch 7	636.33	652.24	2.5%
Prince Rupert Anchorages 10 - 31	Sch 7	1,078.48	1,105.44	2.5%
Pilot Boat capital charge	Sch 7	100.00	102.50	2.5%
Other charges				
Delay charge	16	234.82	240.69	2.5%
Short order charges				
• Order initiated less than 10 hours and between 06:00 and 17:59	17.1	939.30	962.78	2.5%
• Order initiated less than 10 hours and between 18:00 and 05:59	17.2	1,878.59	1,925.55	2.5%
Restricted ship charge	18	1,765.60	1,809.74	2.5%
Remote port charge	19	5,662.76	5,804.33	2.5%
Technology charge	20	50.00	51.25	2.5%
Pilotage Act administration charge	21	57.00	57.00	0%

Changes in these rates will be effective March 5, 2021.

6. JUSTIFICATION OF THE PROPOSAL IN RELATION TO THE CHARGING PRINCIPLES AND COST-EFFECTIVENESS ASSESSMENT

The Authority shall observe the following charging principles when establishing or revising pilotage charges:

- a) that pilotage charges be established and revised in accordance with an explicit methodology — that includes any conditions affecting the pilotage charges — that the Authority has established and published;
- b) that pilotage charges be structured in a way that does not encourage a user to engage in practices that diminish safety for the purpose of avoiding a charge;
- c) that pilotage charges be the same for Canadian users or ships and foreign users or ships;
- d) that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable; and
- e) that pilotage charges not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services.

The principles governing the establishment of new charges or the revision of existing charges by the Authority are set out in section 33.2 of the *Pilotage Act*. Each of the principles is presented below in italics, followed by an explanation of how the Notice complies with that principle.

33.2 (1) a. Pilotage charges shall be established and revised in accordance with an explicit methodology – that includes and conditions effecting the pilotage charges – that the Authority has established and published;

The Notice, required under section 33.3 of the *Pilotage Act*, has been published on the Authority's website. In addition, the Authority has sent a copy of the Notice to all known and affected industry associations. Based on this information, any person subject to the Authority's charges can calculate the amount that would be payable for a given pilotage assignment.

33.2 (1) b. that pilotage charges be structured in a way that does not encourage the user to engage in practices that diminish safety for the purpose of avoiding a charge;

For any given assignment, the Authority's charges are not structured in such a manner that safety may be affected. Given the fact that pilotage services are mandatory for any commercial vessel of 350 gross tons or larger, while travelling in Canadian pilotage waters, users have no option but to use the services of a pilot. In addition, the structure of the Authority's charges is such that the greatest proportion of a charge is not related to time or routing, but instead on the unalterable dimensions of the vessel which do not change between one journey or the next.

33.2 (1) c. that pilotage charges be the same for Canadian users or ships and foreign users or ships;

There is no differentiation in the proposed charges for an assignment whether the vessel is domestic or foreign.

33.2 (1) d. that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable;

The proposed charges are based on an allocation of operating and capital costs, that allow the Authority to fulfill its mandate and achieve financial self-sufficiency. The increases are fair and reasonable considering the increasing costs of business, coupled with new involuntary charges introduced to the Authority by Transport Canada.

33.2 (1) e. that pilotage charges not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services;

The Authority's charges are set to recover the Corporation's expenses net of other revenues determined in accordance with International Financial Reporting Standards ("IFRS") and the costs of complying with certain financial requirements, as described in detail in subsection 33.2 of the *Pilotage Act*.

7. DETERMINATION OF CHARGES

The Authority's aim when determining charges is to strive for area-by-area and port-by-port financial self-sufficiency over the longer-term. Rates are set on a port-by-port basis to achieve this aim. This is an effort to minimize cross-subsidization between stakeholders.

Charges are applied to a pilotage assignment-based size and time and type of move. The definitions are below:

Areas means the compulsory pilotage areas described in section 3 of the [Pacific Pilotage Regulations](#); (*zone*)

assignment means the assignment of a pilot to take the conduct of a ship in the Areas; (*affectation*)

Authority means the Pacific Pilotage Authority; (*Administration*)

breadth of the ship means the maximum distance, in metres and centimetres, to the outside of the shell plating of the ship; (*largeur du navire*)

dead ship means a ship normally self-propelled that is without the use of its propelling power; (*navire mort*)

draught means the greatest depth of the submerged part of a ship, in metres and centimetres, at the time pilotage services are performed; (*tirant d'eau*)

harbour means a place set out in Part 1 of Schedule 1 of the Customer Guide to Charges, published on the Authority's website; (*havre*)

harbour or port assignment means an assignment which occurs wholly within a harbour or port at which pilots are based; (*affectation dans un havre ou port*)

northern assignment means an assignment in the area north of Seymour Narrows or on the West Coast of Vancouver Island, excluding Barkley Sound and Alberni Inlet, during the course of which a ship enters or departs a harbour or port in that area or transits that area; (*affectation nord*)

overall length means the total distance, in metres and centimetres, from the foremost to the aftermost point of the hull of the ship; (*longueur hors tout*)

pilotage unit means, the result obtained by multiplying the overall length of the ship, by the breadth and the draught of the ship at the time of the assignment and by dividing the product by 100; (*unité de pilotage*)

pilot boat means a boat employed in the service of the Authority; (*bateau-pilote*)

port means a place set out in Part 2 of Schedule 1 of the Customer Guide to Charges, published on the Authority's website; (*port*)

Prince Rupert assignment means an assignment other than a harbour or port assignment that occurs within the area between the Triple Island boarding station and the port of Prince Rupert or the harbours of Porpoise Harbour or Port Simpson; (*affectation Prince Rupert*)

Region means the Region of the Authority as defined in the schedule to the [Pilotage Act](#); (*région*)

restricted ship means a ship that is unable to operate at full manoeuvring revolutions per minute or a ship that, because of maintenance on its engines while it was in port, requires more than one hour to work up to full manoeuvring revolutions per minute; (*navire à capacité limitée*)

southern assignment means an assignment other than a harbour or port assignment within Barkley Sound and Alberni Inlet and the area south of Seymour Narrows during the course of which a ship enters or departs a harbour or port in that area or transits that area. (*affectation sud*)

Calculations

Note that any references to "schedules" below refer to the schedules found in the Authority's Customer Guide to Charges, published on its website.

Compulsory Pilotage Areas — One-way trip for a vessel less than 226m

The charge for a ship, other than a dead ship for a one-way trip in a compulsory pilotage area is calculated as follows:

where

- PU:** The pilotage unit (LOA x breadth x deepest draft)/100
- UC:** The unit charge set out in schedule 2 column 3
- TC:** The time charge set out in schedule 3 item 1 column 2
- ETC:** The excess time charge set out in schedule 3 item 2 column 2
- PB:** A fee for the pilot boat set out in schedule 7 column 2
- FL:** Fuel charge set out in schedule 8

- PBRC:** Pilot Boat Replacement Charge set out in schedule 7 column 3
- EX:** Pilot expense set out in schedule 6
- T:** Technology Charge B. Schedule of Charges item o number 20
- PAAF:** Pilotage Act Administration Fee
- TS:** Temporary Additional Charge B. Schedule of Charges item d number 7

$$(PU \times UC) + TC + PB + FL + PBRC + EX + T + PAAF + TS$$

If vessel goes over 8 hours with second pilot:

$$(PU \times UC) + TC + TC + PB + FL + PBRC + EX + EX + T + PAAF + TS$$

If vessel goes over 8 hours without a second pilot:

$$(PU \times UC) + TC + ETC + PB + FL + PBRC + EX + T + PAAF + TS$$

Compulsory Pilotage Areas — One-way trip for a vessel 226m or more

where

- PU:** The pilotage unit (LOA x breadth x deepest draft)/100
- UC:** The unit charge from B. Schedule of Charges section 2.C.6.2(a)
- GT:** The gross tonnage of the ship
- GTF:** Gross tonnage fee from B. Schedule of Charges section 2.C.6.2(b)
- TC:** Time charge set out in schedule 3 item 1 column 2
- ETC:** Excess time charge set out in schedule 3 item 2 column 2
- PB:** A fee for the pilot boat set out in schedule 7 column 2
- FL:** Fuel charge set out in schedule 8
- PBRC:** Pilot Boat Replacement Charge set out in schedule 7 column 3
- EX:** Pilot expense set out in schedule 6
- T:** Technology Charge B. Schedule of Charges item o number 20
- PAAF:** Pilotage Act Administration Fee
- TS:** Temporary Additional Charge B. Schedule of Charges item d number 7

$$(PU \times UC) + (GT \times GTF) + TC + PB + FL + PBRC + EX + T + PAAF + TS$$

If vessel goes over 8 hours with second pilot:

$$(PU \times UC) + (GT \times GTF) + TC + TC + PB + FL + PBRC + EX + EX + T + PAAF + TS$$

If vessel goes over 8 hours without a second pilot:

$$(PU \times UC) + (GT \times GTF) + TC + ETC + PB + FL + PBRC + EX + T + PAAF + TS$$

Compulsory Pilotage Areas — One-way trip for a dead ship

The charge for a dead ship for a one-way trip in a compulsory pilotage area is calculated as follows:

where

- PU:** The pilotage unit (LOA x breadth x deepest draft)/100
- DS:** Another pilotage unit (PU + UC) set out in schedule 2 item 2 column 3
- UC:** The unit charge set out in schedule 2 item 1 column 3
- TC:** Time charge set out in schedule 3 item 1 column 2
- ETC:** Excess time charge set out in schedule 3 item 2 column 2
- PB:** A fee for the pilot boat set out in schedule 7 column 2
- FL:** Fuel charge set out in schedule 8
- PBRC:** Pilot Boat Replacement Charge set out in schedule 7 column 3
- EX:** Pilot expense set out in schedule 6
- T:** Technology Charge B. Schedule of Charges item o number 20
- PAAF:** Pilotage Act Administration Fee
- TS:** Temporary Additional Charge B. Schedule of Charges item d number 7

$$(PU \times UC) + DS + TC + PB + FL + PBRC + EX + T + PAAF + TS$$

8. COST OF SERVICES

The Authority records costs for pilotage services provided and does so in accordance with IFRS. There are currently two service delivery centres that are within the Authority's regional jurisdiction. The Fraser River Pilots (employee pilots) cover area 1 and the BC Coast Pilots cover areas 2-5 and are licensed for the entire area. Pilot boat services and facilities are localized, and other costs are generated by specific pilotage assignments. Shared costs include administrative overhead, dispatch centre costs, and training costs, and are allocated based on three centres namely: Fraser River licensed pilot training, BC Coast licensed pilot training and apprentice pilot training.

a) Cost Allocation Methodology

Coastal pilotage

The coastal pilotage costs are variable in that the expenses are dependent on the number of assignments carried out in areas 2 through 5. The Authority does not pay the BC Coast pilots unless they are doing assignments. These costs including the cost of callbacks are all variable.

Fraser River pilotage

The Fraser River pilotage costs are a mix of fixed and variable with fixed salaries and variable costs for overtime and callbacks a result of assignment volume and timing.

Launches

When determining the charges and measuring subsequent results, the direct costs for resources available to the area are applied to that individual service delivery centre based on the locations of the pilot launches and dispatch operations. These costs include:

- Pilot boat costs and crewing services;
- Local wharves and structures costs;
- Depreciation and financing costs related to the above; and
- Communications and other equipment related to the above.

Variable costs for launches are driven by activity in the specific area are also charged against that centre where they are incurred. These costs include pilot boat fuel.

Other costs

Costs that are not attributable to any single service delivery centre or grouping are allocated proportionally to their directly attributed costs, such as the Fraser River.

b) Cost Allocation Process

Individual budgets are developed for each of the cost centres using the actual costs for the previous year as the basis and working with industry to determine the expected volumes and assignments in the following year. These costs are then adjusted for contractual changes and commitments, planned alterations to area resources, and expected changes in activity.

- Pilot fees for the coast and Fraser River are allocated in accordance with the agreements in place and the expected assignment numbers for each centre.

- Pilot boat costs and crewing expenses are local resources and are costs assigned to that cost centre.
- Local wharves, storage facilities, and pilot/crewing offices have costs that are also charged directly to the specific cost centre.
- The assets above have depreciation and financing costs related to them that are also charged directly.

The variable costs for each station, including pilot boat fuel costs and transportation costs, are budgeted based on a forecast of number of assignments. The Authority uses several sources of information to predict traffic levels. The traffic patterns of previous years are combined with input from the industry, terminals, ports and associations.

The allocated costs are determined through the development of administration, dispatch, and training budgets. These budgets are based on historical costs, contractual agreements, and training requirement triggers. These costs are then charged to service delivery centres based on resources and activity levels for each.

9. CONSULTATION

Consultations in various forms took place with the affected parties throughout 2020. Formal consultation sessions were held either in-person or via video conference for the following stakeholders in the agreed upon 30-day consultation period prior to publishing the Notice.

Chamber of Shipping BC: Monthly Association meetings, as well as Service Charge meetings on September 17th and October 15th.

Shipping Federation of Canada: Monthly Association meetings, as well as Service Charge meetings September 24th and October 7th.

ISAC: Monthly Association meetings, as well as Service Charge meetings on September 21st.

CLIA: Monthly Association meetings, as well as Service Charge meetings on September 16th and October 22nd.

NOTE: The Authority's financial results are openly shared at every monthly Association meeting.

Alternatives to tariff increases were presented, where applicable, and feedback from participants was encouraged. For various ports and districts, the alternative to increased tariff rates would be a reduction in pilot numbers or availability. The most serious reductions in traffic have been due to COVID-19 and are not expected to be long-term. This makes it difficult to reduce pilot numbers without having severe impacts on service levels and industry when the recovery begins. Stakeholders have consistently indicated that their primary concerns are with service levels and have requested that the number of pilots be increased in some areas, and maintained in others, so that pilot availability is not compromised. The proposed amendments would address these concerns.

10. INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO THE PACIFIC PILOTAGE AUTHORITY

The Notice is available online and a copy may be downloaded from the Authority's website at <https://www.ppa.gc.ca/>. Information on the existing charges is also provided in the Authority's website.

Additional copies of the Notice can be obtained through request at the following address:

In writing: *Chief Executive Officer*
 Pacific Pilotage Authority
 1000-1130 West Pender Street
 Vancouver, BC
 V6E 4A4

By email: oberkev@ppa.gc.ca

By facsimile: *(604) 666-1647*

By telephone *(604) 666-3398*

Pursuant to section 33.3 of the Pilotage Act, any person may make representations about the proposal to the Authority, in writing, on or before the date set out in the Notice. Any person making written representations is to include a summary of those representations. The summary may be made public by the Authority. In addition, any person making written representations by the date set out in the Notice will have an opportunity to file a notice of objection related to the proposal with the Canadian Transportation Agency.

Pursuant to section 33.3 of the Pilotage Act, persons interested in making representations in writing to the Authority regarding the Notice may do so in writing to the following address:

PACIFIC PILOTAGE AUTHORITY
1000-1130 West Pender Street
Vancouver, BC
V6E 4A4
Attention: Chief Financial Officer

By facsimile: *(604) 666-1647*

Note: Representations must be received by the Authority not later than the close of business on December 31, 2020.