PACIFIC PILOTAGE AUTHORITY

Corporate Plan Summary (2021 – 2025)

1000 – 1130 West Pender Street
Vancouver, B.C. V6E 4A4
(604) 666-6771
www.ppa.gc.ca

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PACIFIC PILOTAGE AUTHORITY
CORPORATE PLAN
2021 TO 2025

Executive Summary

The Pacific Pilotage Authority ("PPA" or "the Authority") manages Canada's interests by providing pilotage services on the west coast of Canada.

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

In 2021, we anticipate a 7% increase in assignment volumes on the West Coast following a 16% decrease in assignment volumes in 2020. The west coast of Canada is expected to handle approximately 11,300 assignments in 2020, 12,100 assignments in 2021, and 12,300 in 2022. This volume is expected to increase to 13,100 assignments in 2023 as a result of the Trans Mountain Expansion project moving to production.

The COVID-19 pandemic has had a twofold impact on the organization. The expected assignment levels have fallen with the loss of cruise assignments and reductions in container vessels and auto carriers which have significantly reduced the Authority's expected revenue. In addition, many costs have increased as a direct result of the need for social distancing, the supply of personal protective equipment and the loss of scheduled flights.

With the expectation of reduced volumes in 2020 continuing into 2021, the Authority will focus on reducing costs where possible. The Authority, however, will continue all required training activity, which is a key component in reducing incidents and accidents. The Authority will also strive to maintain its low incident and delay free assignment ratios. The Authority has achieved 99.96% incident-free and 99.98% delay-free ratios over the past decade.

The Authority will continue to work closely with the Government of Canada on the implementation of the *Pilotage Act* amendments and remaining Order in Council #4. It is our intent to ensure we support the transition of the regulations from the Authority to the Government in a seamless fashion.

The Authority's strategic goals include embracing a culture of continuous improvement. To this end, the Authority intends to continue to identify and implement improvements to its day-to-day service delivery model and operating capabilities. This includes cost comparisons to other pilotage authorities to identify areas for improvement, maintaining ISO compliance, implementing new key performance indicators to gauge performance, and evaluating the implementation of helicopter boarding services for future energy projects.

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In the Corporate Plan years, the Authority will face some major decisions and challenges. The key major decisions and challenges include:

- implementation of *Pilotage Act* review changes;
- facilitation of helicopter boarding;
- succession planning for impending retirements of key members of the management team;
- negotiation of a new contract with the coast pilots; and
- implementation of an advanced traffic, financial, and workforce planning model.

Key capital projects over the Corporate Plan years include:

- The completion of construction of a pilot launch for the Victoria and Cape Beale stations;
- An upgrade to our dispatching and accounting system;
- The purchase of replacement Portable Pilotage Units (PPUs) and additional units required for new pilots;
- Upgrades to our simulator (for pilot training, proof of concepts and risk assessments); and
- The implementation of a time and attendance system.

The arrival of new energy projects on the West Coast will result in an increased need for pilot transportation using helicopters, as this was a recommendation out of the Termpol (risk analysis) process. The new pilot launch, a new helicopter program and the new dispatch and accounting programs will require a combination of internal and external financing.

The Authority is expected to post comprehensive losses of $5.3 million and $3.8 million in 2020 and 2021, respectively, because of the significant effects of COVID-19 on the business. To avoid a very significant tariff increase in the short term to recover these losses from its customers, the Authority will be seeking to increase its borrowing limit by $7 million in 2021 to finance these losses. The new borrowing will be structured as a 10-year term loan. The loan will supplement increased cash flow from planned tariff increases of 3% in 2021 and 2.0% in 2022 and surcharges of $250 per assignment in each of 2021 and 2022.

In 2021, we plan to implement a 3.0% tariff increase and a $250 per assignment surcharge which will allow the Authority to remain solvent and begin payment on the new loans extended in 2020. With these proposed tariffs and added borrowing, the Authority expects to generate long term positive operating cash flows, offset by capital expenditures, to result in a stable long-term average operating cash position of $3 million.

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 lead 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.

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1. Corporation, mandate, mission, vision

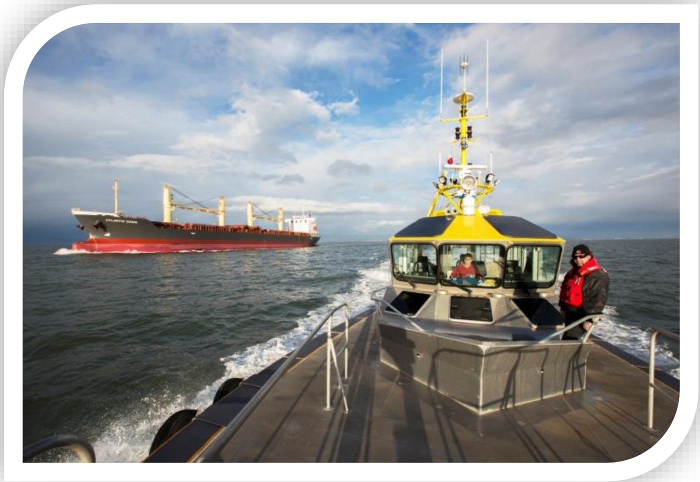
Background

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 PPA'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 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.

Key authorities

The Authority is empowered by the *Pilotage Act* to:

1. Set charges for services that the Authority provides or makes available in relation to compulsory pilotage and in addition establish charges for services other than services related to compulsory pilotage.
2. Employ such officers and employees, including licensed pilots, as are required.
3. Contract with a body corporate for the services of licensed pilots.
4. Make by-laws respecting the management of its internal affairs.
5. Purchase, lease, or otherwise acquire land, buildings, wharves or other structures, pilot launches and such other equipment, supplies and services as may be required and to dispose of any assets acquired.

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Purpose and principles

The *Pilotage Act* sets out a framework for the provision of pilotage services in accordance with the following principles:

1. 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;
2. that pilotage services be provided in an efficient and cost-effective manner;
3. that risk management tools be used effectively and that evolving technologies be taken into consideration; and
4. that an Authority's pilotage charges be set at levels that allow the Authority to be financially self-sufficient.

Vision statement

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

Mission statement

The Pacific Pilotage 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.

Corporate objectives

In order to achieve its mandate, the Authority's corporate objectives are:

1. 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.
2. 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.
3. 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.

4. 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.
5. 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.
6. 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.

Description of operations

The Authority is responsible for providing safe, reliable and efficient marine pilotage in the coastal waters of British Columbia, including the Fraser River. The Authority has established five areas subject to compulsory pilotage.

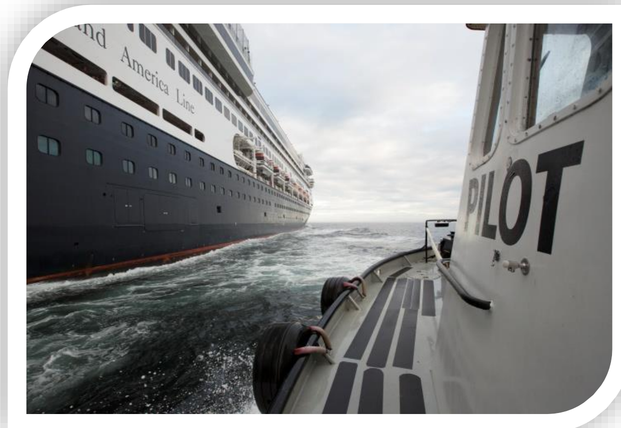
When a vessel intends to enter compulsory pilotage waters on the British Columbia coast, it will initiate an order for a pilot at a specified time, date and boarding station. A pilot either contracted to or employed by the Authority will carry out this assignment. Pilots are boarded on vessels from a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

Additionally, a contract launch is operated by a contractor at Pine Island (northern tip of Vancouver Island). The Nanaimo Port Authority is also a contract launch operation carrying out pilot changes off Snake Island in the Nanaimo area.

On the west coast of Vancouver Island at Cape Beale, the Authority has a designated boarding station which services the Port Alberni region. The Authority has the flexibility to service this station by helicopter or by pilot launch.



Pilot launches

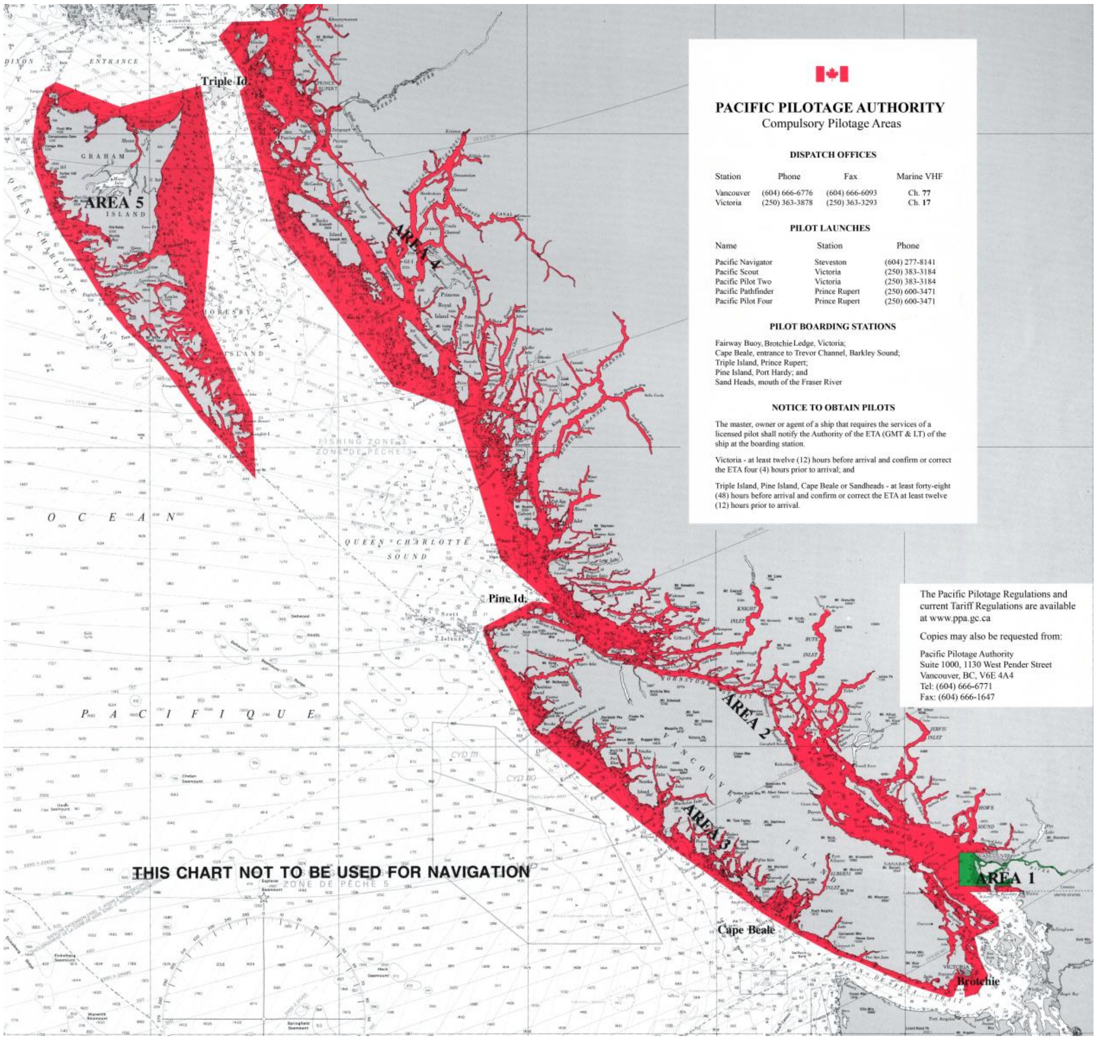
The Authority's pilot launch fleet consists of six specially designed pilot boats.

The Authority commenced a Request for Proposal process in 2018 to replace a pilot launch built in 1971. The contract to build a new launch was awarded to Ocean Pacific Marine in Campbell River, BC. The launch's hull and wheelhouse construction are being completed in Dalian, China and will be shipped to Canada for outfitting and completion.

The new 19.9 metre pilot launch (Pacific Guardian) is designed by Camarc Design in Scotland who have designed four other launches currently operated by the Authority. The Pacific Guardian's main engines will be fully IMO Tier III compliant resulting in reduced emissions. The anticipated completion date for the pilot launch is the first quarter of 2021.

Area of jurisdiction

The Authority's jurisdiction covers the entire coastline of British Columbia. We service all major ports on the coast as compared to other jurisdictions that may service only one port. As indicated in the following diagram, the most northern port we service is Stewart, BC. To the north is Alaska, USA, and to the south is Washington State, USA.



Please refer to the Authority's fiscal 2019 Annual Report for further corporate information.
https://www.ppa.gc.ca/annual-reports

2. Operating environment

At its most basic level, the Authority provides marine pilots as trusted navigators who use their knowledge of local waters and expert ship handling skills to direct a vessel and navigate it through BC's ports and waterways using the safest route. This route can change daily depending on factors like other marine traffic, winds and tides.

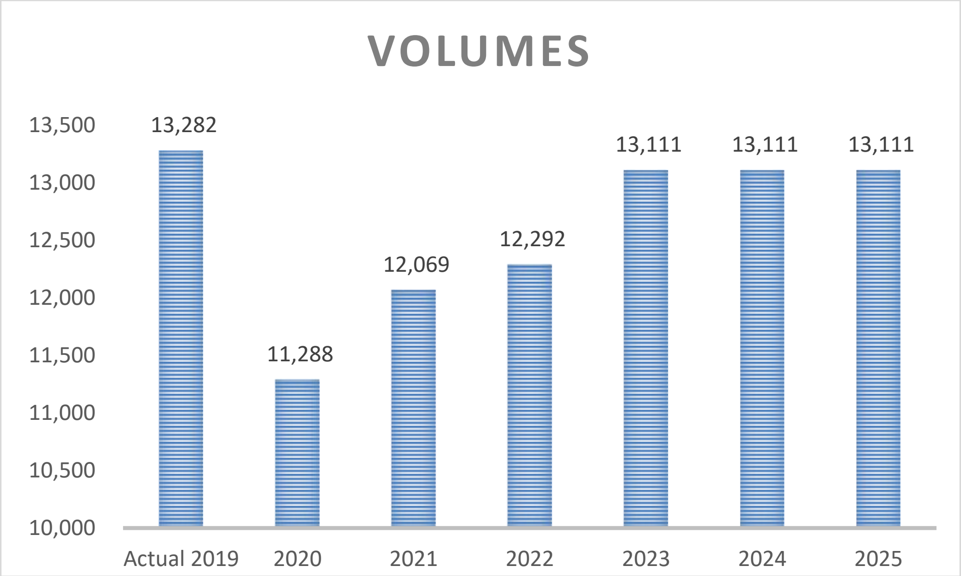
External environment

To fulfil its defined objectives in achieving its mandate, the following is a brief listing of the key external environmental issues faced by the Authority:

- **The economy and COVID-19**
  The overall current state and future outlook of local, national and international economic health will have a direct impact on cargo trade and tourism. This will directly impact the Authority's assignment volumes and ultimately drive how the Authority supplies its services in a safe and efficient manner.

  The COVID-19 pandemic has had a multi-pronged impact on the Authority. Firstly, as a direct result of COVID-19, cruise vessels operating overnight trips with over 100 passengers and crew were prohibited until October 31st effectively cancelling the Alaska cruise season and significantly reducing the expected 2020 revenue. In addition, vessel traffic in the container and auto carrier sectors was also significantly reduced due to severely reduced consumer spending during this period. In combination, these sectors have negatively affected the expected revenue in 2020 by $19 million. Secondly, as a direct result of the pandemic, the expenses for the Authority increased. Due to the cancellation of many scheduled flights, much more costly chartered flights are required to transport pilots. There were also costs as a result of the need to maintain social distancing and the supply of personal protective equipment (PPE) to the pilots and staff who had to operate in close proximity to each other, as well as ensuring safety when boarding foreign vessels arriving and departing the West Coast. The expectation is that the declines in the cruise sector and container sector will improve in 2021 but will not return to 2019 assignment levels.

- **Traffic trends**
  As can be seen below, the Authority's traffic is expected to decrease by 15% in fiscal 2020 as a result of COVID-19, and slowly increase back to 13,111 assignments by fiscal 2023. Much of this is dependent on when the cruise ships return to BC. While the cruise industry is forecasting a full return in 2021, the Authority is taking a cautious approach and has only forecast a 30% return of the cruise industry in 2021 and 50% in 2022 and beyond. This reflects the opinion that the cruise industry may well undergo a significant change due to a change in passengers' trust in the cruise industry as a whole.



- **<u>Impact of trade barriers</u>**
  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.

- **<u>*Pilotage Act* modernization</u>**
  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.

  Key authorities have changed as amendments to the *Pilotage Act* come into force. The Authority will continue to play an integral role in both the transition to the new pilotage system, as well as the ongoing delivery of pilotage services on the west coast of Canada.

  To date Order in Council (OIC) #1 (Definitions and Purpose and Principles among others), #2 (Offences and Punishments amongst others) and #3 (Charges) have been completed with the expectation that OIC #4 (Regulations) will come into force in February 2022. OIC #4 is the final piece of the renewal and entails the movement of the regulation-making powers from the Authority to the Governor in Council.

- **<u>Anti-shipping and anti-fossil fuel activism</u>**
  Anti-shipping and anti-fossil fuel activism can affect both the safety of our business and our volume assumptions. We have already 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.

In addition, this activism can affect our volume assumptions and our apprentice hiring decisions. This is a threat because we rely on our forecasted volumes to determine apprentice hiring and the related tariffs which we require in order to balance expenses and revenues and maintain a cash flow position that is low but allows us to continue as a going concern.

- **Increasing size of vessels with no increase in supporting infrastructure**
  Vessels are growing at an average annual pace of 3% on the west coast of Canada. We have noted that investment into terminal growth and related infrastructure generally fails to keep pace with the growth in ship sizes. The result is an increasing risk of incidents. The Authority reduces this risk by continuously evaluating and adjust mitigations, including the usage of supporting technology discussed in detail on page 10 under factors affecting the internal environment.

- **Increases in Parks and Marine Protected Areas**
  The preservation and restoration of marine ecosystems vulnerable to increased marine shipping and development is a federal government responsibility. Accordingly, this is a key priority of the Authority in meeting its mandate. The results of changes to boundaries associated with parks and marine protected areas, however, may influence traffic patterns and the areas of our operation.

  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 is designed to better understand and reduce the cumulative effects of shipping on at-risk whales throughout the southern coast of British Columbia. As some of the area involved lies within compulsory pilotage waters, the Authority is dedicated to ensuring the success of the ECHO program. The program has instituted a voluntary slowdown through Haro Strait and Boundary Pass during the months that the Southern Resident Killer Whales (SRKW) forage. This voluntary slowdown was introduced in the summer of 2017 in Haro Strait and the slowdown area was expanded in 2019 and 2020 to include Boundary Pass. The total vessel participation rate in 2019 was 82%.

  In May 2019, the Authority was a signatory to the Conservation Agreement to Support the Recovery of the SRKW. This agreement between relevant government departments, marine industry associations, and the VFPA has ensured the continued commitment of the Authority to the ECHO program.

  The Authority is represented both in the ECHO's Advisory Working Group and the Vessel Operator Committee. Part of the Authority's responsibility is to liaise with the BC Coast Pilots in regard to participation and collect the associated data. To this end the Authority's dispatch system has been amended to capture the data which is then shared with the ECHO program directors. A key element is the Canadian Coast Guard's Automatic Identification System (AIS) data feed that is provided to the Authority at a nominal cost. This enables the Authority to calculate the increase in time of participating vessels in the slowdown area and the potential increased pilotage costs as a result. This information has been instrumental in the reimbursement program that Transport Canada (TC) initiated in 2019. The TC reimbursement program is designed to increase the participation rate by providing a means where agents and ship owners can be reimbursed for added pilotage costs. The ECHO program remains a unique collaborative program with respect to noise reduction for at-risk species.

Internal environment

- **Human Resources overview**

The following table summarizes the Authority's current staffing:

Function	Full Time Equivalents
Executive Management	4
Management	5
Fraser River Employee Pilots	9
Administrative & Accounting	6
Dispatch	17
Launch	39
Total	**80**

The Authority has collective agreements with three groups of employees. 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, 2022.

The Authority contracts with the British Columbia Coast Pilots Ltd. for coastal pilotage services. During 2019, a workforce of approximately 123 contract pilots provided coastal pilotage services to the Authority. We expect this number to increase to approximately 135 pilots by the end of fiscal 2025 to meet the demand of new projects.

The present agreement with BC Coast Pilots Ltd expires on December 31, 2021. Negotiations will commence in the third quarter of 2021 and as this is subject to final offer selection (FOS) under the Pilotage Act, we do not anticipate anything that would negatively impact the operation.

Factors affecting the internal environment

In order to fulfil its defined objectives in achieving its mandate, the following is a brief listing of the key internal issues faced by the Authority as well as some of the strengths used to support success:

- **<u>Pilot supply</u>**
  Shipping volumes on the west coast of Canada are expected to grow significantly. This is largely as a result of two major projects, namely the Trans Mountain Expansion (TMX) project and the Canada LNG project coming on stream in late 2022 and early 2023. 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 impact of the proposed new projects brings a risk to the Authority in meeting demand with sufficient pilot supply, without sacrificing safety or increasing the risks of fatigue. Coast pilots take six years to reach a level of proficiency in which no restrictions are placed on the class of ships they can pilot. The risks of short supply and fatigue given increasing demand may necessitate a future review of the geographical distribution of pilotage services. We believe the model we operate with today is the best given our mandate but continue to monitor other models for pilot supply best practices.

- **<u>New projects</u>**
  The arrival of new projects brings opportunities for growth in western Canada's trade and ultimately in the Authority's business.

  However, the Authority finds itself with an ever-increasing portfolio of responsibility in being called on to provide assistance along with the pilots in determining the safety of the proposals with respect to pilotage.

  In addition, there are a multitude of groups, including Indigenous communities, looking for insight into the safety and security of these large projects. Our safety mandate makes the Authority well equipped to speak objectively to the operational reality of the safety of shipping in western Canada.

- **Engagement philosophy**
  The Authority is aligned with the Government's policy on openness and transparency. To this extent the Authority has strengthened its relationships with its key stakeholders, adopting a collaborative approach to consultation to assist the organization in making the best decisions.

  Safety culture
  All the key strategic issues identified above in meeting our objectives are addressed within a cultural environment of maintaining a world class level of safety and reliability; something which is contextually considered within each and every decision we make.

- **Alignment with Government priorities**
  The activities of the Authority support the Government's priorities. Diversity is a key component of our hiring process and we are proud to have a gender balanced office staff, management team and Board. In addition, we have increased the number of pilots, launch crews and dispatch staff who are Indigenous. While the ratio varies by geographic area the overall number is presently at 5%.

  Please refer to Appendix 9 for more details on the Authority's support for Government priorities.

- **Well-developed systems**
  The Authority is a mature company with well-developed policies and procedures to deal with regular and new challenges. We have a strong and committed governance body which provides effective oversight. The Authority is also ISO and ISM compliant and certified.

- **Social media issues**
  Social media has become an established communication channel to connect organizations to the public, media outlets, stakeholders and governments. The Authority ensures that its public communications adhere to the Government of Canada's requirements and guidelines.

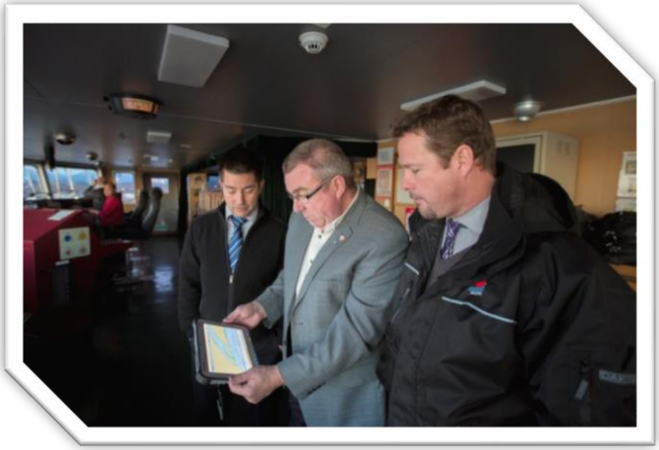
  However, in four out of its five areas of operation the Authority contracts with a pilot corporation for the provision of pilotage services and that corporation, as an independent business, is not subject to external oversight of its public communications.

  The pilot corporation has engaged in an outreach and social media initiative to promote its business interests and to build social license within some communities they see as strategic. The Authority has noted an increasing risk that the communications of the Authority and those of the pilot corporation may not always be aligned as the Authority must strictly adhere to its statutory mandate whereas the pilot corporation has no such obligation. As such, social license risks may have increased.

- **Strong operations team**
  The Authority is comprised of a highly effective management team with a significant understanding of the operation of the business. The team is highly committed and engaged in the success of the business on behalf of the Government of Canada.

- **Long term union contracts**
  The Authority has negotiated long term union contracts (usually terms of 4-5 years) in order to ensure a stable and committed workforce in the provision of pilotage services to industry.

- **Technology**
  The Authority is committed to investing in technology to ensure the safety and efficiency of its operations. Today, we find ourselves in an operating environment of a continual increase in ship size, and at the same time, we find that there is an associated low rate of infrastructure investment by the terminals. The result is an increasing risk curve for incidents. To try and mitigate some of this risk, the Authority uses technology as a supporting tool to directly address and reduce these risks:



  - Berthing aid systems: The Authority has been working with the ports and terminals to recommend their investment into berthing aid systems to safely cater to the ever-larger vessels which call the West Coast. These systems provide the pilots with an accurate reading on the berthing velocity and angle of approach of vessels.
  - 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.

- In-house simulator: The Authority has also invested in an advanced in-house simulator, in partnership with the BC Coast Pilots, which is being extensively used for:
    1. Pilot training
    2. Proof of concept for new projects
    3. Navigational risk assessments
- Tug-assist software: The Authority has developed standardized tug power packages required for berthing and unberthing operations. The growth in ship sizes has necessitated the development of tug package standards, using Marin Software. The adoption of this standard is a developing process owing to areas of customer concern related to payment for the tugs.

The Authority intends to analyse worldwide best practices of computer simulated aids to pilot navigation over the coming Corporate Plan years. The results of this analysis will guide future decisions on piloting and manpower.

- **Auditor General Special Examination**

  The last Special Examination was conducted in 2016 and found no significant deficiencies. There were five areas that were examined namely, Corporate Governance, Strategic Planning, Human Resource Management, Management of Pilots, and Management of Pilotage operations. There were fourteen sub-sections of the above areas which "met the criteria" and nine sections where the Authority "met the criteria with improvements needed". All nine areas for improvement have been addressed.

  The next special examination is to occur no more than ten years from the previous examination.

  The link to the full Special Examination report can be found here: https://www.ppa.gc.ca/other-reports

- **Other reviews and audits**

  During 2019 and 2020 the following reviews and audits were conducted:

    - ISO 9002 and ISM certification issued in December 2019. This was the fourth consecutive year with no significant deficiencies identified.
    - Risk assessment and simulations for the very large cruise ships calling in Vancouver. This resulted in the realignment of the traffic separation scheme in English Bay to minimize the turn under the First Narrows Bridge.
    - A full review of the risk register was conducted by Keith Old of ERM Focus Services Inc. resulting in a revamp of the register based on his recommendations for improvement.

External economic and business environment

- **Competition**
  Under the *Pilotage Act*, the Authority operates in a regulated monopoly environment. While this is means there is no direct competition there is nevertheless indirect competition in that there are options for shippers south of the border. As a result the Authority conducts regular comparisons with the US ports on the West Coast to compare the costs of pilotage with that of the Canadian ports on the West Coast.

- **Markets**
  The West Coast ports largely import products from and export products to a number of Asian ports. The Port of Vancouver is the largest port by tonnage moved and has a diversified mix of products being shipped which ensures that even in a downturn there are usually some products that continue to do well. As an example, while due to COVID-19 there has been a reduction in container vessels and auto carriers, there has been an increase in grain, petroleum, sulphur and potash vessels.

- **Directives under Section 89 of the *Financial Administration Act* (FAA)**
  The Authority is in full compliance with the directive issued under Section 89 of the FAA with respect to travel, hospitality, and conference expenses.

- **Alignment with Government priorities**
  The activities of the Authority support the Canadian government's priorities. By providing pilotage services, we contribute to the delivery of a safe and secure economic gateway for Canada. Our open book approach to engagement is recognized by stakeholders both locally and nationally, and we find ourselves being called upon regularly to speak about best practices.

  The Authority's activities are key to the Canadian government ensuring that our western coastal waterways are protected from a major incident and subsequent environmental damage. In addition, as noted above, in 2020 we committed ourselves to the continued support the ECHO program. The Authority provided financial and operational support to the program including the use and upgrade of its dispatch system to meet the objectives of the program in 2020.

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

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.

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.

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.

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.

Objective #4: Demonstrate leadership

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

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.

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.

Please refer to the Activities and Objectives FY 2020 - 2024 section below for a list of the activities and expected results associated with each listed strategic priority.

Recent and relevant results

In 2019, the Authority measured its results against a set of strategic goals and objectives which were set for 2020 – 2024. The Authority's recent and relevant results against the previous strategic plan are outlined below. Certain strategic goals, due to their long-term nature, are measured over several years.

Safety:

- 2019 was another extremely safe year on the West Coast with 1 incident occurring on the Fraser River in 1,157 assignments (a 99.91% success rate) and just 5 incidents in,12,125 assignments on the coast (a success rate of 99.96%). The coast wide success rate was therefore 99.96%.
- In 2019 there were four delays caused by pilots being held up in traffic and one from a launch delay for a total time delay of 16.75 hours to the vessels, resulting in a 99.97% success rate.

Efficiency:

- There were 17 complaints of an operational nature received in 2019 for rate of 0.13%.
- Call-backs were 2.03% of total assignments and did not exceed the 2.5% threshold.
- The estimated utilization of pilots was 99.6%.

Self sufficiency:

- The Authority's ongoing use of the forecasting model and monthly meetings with the four industry associations resulted in tariff increases which were supported by industry. The present objection that the four Authorities are facing is specifically directed at the recovery of the administrative fee charged to the Authority under the *Pilotage Act* and not the PPA's tariff increase for 2020.
- Overhead expenses for 2019 were 7.3% of total expenses, well below the 8.5% performance measure.

Continuous improvement:

- Maintained ISO Certification for the Fraser River pilot group and dispatch office
- Maintained ISM certification for the PPA owned and operated launches

Activities and Objectives – FY2020 – FY2024

In 2019, the Authority developed an updated set of activities, expected results and performance measures to achieve the objectives and priorities as outlined in Section 3 above.

Objective #1 - Major Priority (i) Safe

Risks:

- Risk that pilots are not adequately trained leading to an incident or accident
- Risk that an incident occurs and there are no best practices developed in order to lower the risk of a future occurrence

Activities	Expected Results	Performance Measures	Actual Results
All pilots are required to adhere to the Quality Assurance Program (QAP) Policy and Procedures (Ongoing)	All apprentice & licensed pilots trained in accordance with QAP	Compare annual training required with training taken by pilots - 100% of the required training must be done	100% on track in 2020 prior to COVID-19. Some training delayed due to closure of facilities as a result of the pandemic
Encourage pilots to use the simulator for informal practice over and above the required formal training (Ongoing)	Pilots use the simulator for area familiarization or to practice ship handling	Comparison of pilots' 5-year area currency statistics to their simulator usage - Every pilot will use the simulator at least once every five years	There has been significant non-QAP required training as a result of an LPG project in Prince Rupert
Post Incident protocol in place with oversight by the Pilot Training and Exam Committee (PTEC) (Ongoing)	PTEC must promulgate recommendations & lessons learned after incident investigations	Recommendations provided to pilots: - For every major incident; and - Within one month of completing an incident investigation All investigated incidents must be followed up with recommendations	On track. PTEC does the assessment for 100% of the major incidents and assesses the pilot as part of the investigation. Recommendations will be made following this assessment

Activities	Expected Results	Performance Measures	Actual Results
Upgrade PSTAR visual and tidal current databases in partnership with the BCCP and the guidance of PTEC (NEW)	Increased level of realism with simulations	Completion of simulator databases as below: - Prince Rupert (2020) - Seymour Narrows (2020) - Blackney Passage (2020) - Current & Race Passage (2020) - Johnstone Strait (2020) - Port Edward (2021) - Port Alberni (2022) - Gold River (2023) Maintain visual database of the specified areas to a minimum standard of LOD-2 and develop dynamic tidal current models for the specified areas	On track for 2020: Prince Rupert is 90% complete with some additional work on the 3-D tides and current for the remaining area off RTI and PRG. The 3-D tide and current modeling has been completed and added to the database for Johnstone Strait.
Upgrade PSTAR to include two tug simulators (NEW CAPITAL PROJECT)	Develop recommendations for simulator upgrade BCCP agreement and Board approval Reduce the reliance on outside establishments to meet the training goals of the PPA and BCCP	Recommendations ready by year-end 2019 Documented evidence of agreement and approval Year-over-year comparison of usage and training costs - External training costs reduced by 15% - Utilization goal is 25% in 2020 and 30% in 2021 moving to 40% in 2022	Recommendations were completed but were dependent on partnering with a third party This will be revisited after assessing the Authority's financial position as a result of the COVID-19 impact on vessel movements

Objective #1 - Major Priority (ii) **Reliable**

Risks:

- Risks that an assignment is delayed due to launch crew/dispatch unavailability
- Risk that an assignment is delayed due to launch asset unavailability
- Risk that an invoice is received too late for an agency to collect from a ship owner
- Risk that a pilot is dispatched for a vessel which cannot transit due to safety restrictions - tide/current/air draft

Activities	Expected Results	Performance Measures	Actual Results
- Launch stations with crews ready to go - 24/7 365 dispatch operation - Website redundancy system to result in 100% uptime (Ongoing)	Ensures that pilots can be dispatched to, and arrive at an assignment on time	99.9% delay free pilotage and launch operations	On track in 2020 at 99.98%

Activities	Expected Results	Performance Measures	Actual Results
Building of a new pilot launch for the Victoria station (Capital project ongoing from 2019)	The delivery of the designed pilot launch on time and on budget	Check construction progress against RFP, contractual requirements and TC construction regulations. Vessel delivered in March 2021	On track in 2020. The hull and housing are nearing completion and engines are en route
Upgrade the existing dispatch and accounting system and introduce e-source cards (NEW CAPITAL PROJECT)	Completion of updated dispatch and accounting system including e-source cards by Q4 2021	2020 - Contract let with front runner from RFP 2021 - Completion of the upgrades and e-source cards	On track in 2020. The front runner will be decided upon in July and contract let in August
Automate air draft windows at First Narrows (NEW)	The establishment of TCZ-1 windows for air draft will enable customers to access windows by entering parameters on the PPA website This will improve the safety and efficiency of the movement of air draft restricted vessels and enable better planning	Establishment of a web-based window for air draft restricted vessels Confirm 100% accuracy of calculated windows	Web-based air draft windows for restricted vessels completed The accuracy was confirmed

Objective #1 - Major Priority (iii) **Efficient**

Risks:

- Risks that pilots are not used efficiently, increasing the costs of pilotage to industry
- Risks that costs of pilotage transportation are higher than they need to be

Activities	Expected Results	Performance Measures	Actual Results
The completion of a cost benefit analysis on the use of helicopters in both the north and the south (Ongoing)	Recommendations from analysis to be implemented – resulting in the highest productivity of the Authority's resources	Successful completion of analysis and recommendation to the Board – analysis accepted by the Board 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	2020 on track for completion For future plan years

Activities	Expected Results	Performance Measures	Actual Results
A complete review of the pilot transportation network coast wide, including launches, taxis and aircraft (NEW)	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% by 2023	For future plan years

Objective #2 - Major Priority (i) **Ensure financial self-sufficiency**

Risks:

- Risks that budgeting and forecasting is incorrect
- Risk that industry, proponents and the Authority have not accurately predicted the future requirements for pilotage services

Activities	Expected Results	Performance Measures	Actual Results
Organization setup with qualified financial personnel to ensure that forecasting, budgeting, planning, spending, and analysis results in a self-sufficient organization (Ongoing)	Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Going concern assumption not challenged through year end audit by the Office of the Auditor General	Successful audit for 2019 with no going concern issues. The previously mentioned COVID-19 issues of loss of assignments and increased costs will significantly affect our 2020 finances but should not lead to a going concern issue due to the actions being taken.
Develop a reserve to allow for unforeseen events (Ongoing)	Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Systematic building of reserves for unplanned events - add $600k per annum to the reserve account	On track until COVID-19 issues resulted in a loss of business from the cancellation of the cruise season as well as reductions in container vessels and auto carriers due to a significant decrease in consumer spending. While the intention is still to place the $600K into our reserves the Authority might not be in a position to do so in 2020.

Activities	Expected Results	Performance Measures	Actual Results
Integrate forecasting model into scenario planning for future large projects to allow foresight into financial effects on the Authority (NEW)	Expected to allow the Authority to make effective decisions about the future of pilotage charges and manpower given scenarios of demand assumptions including projects Expected to provide a method of reporting mass data to industry in an easy to understand format	Continued development of forecasting model in line with milestones - Achieve milestone implementation dates on time Model continued to be requested and wanted by industry - Continued positive feedback from industry on the model	In fiscal 2020, the forecasting model was upgraded to allow scenario planning to be added into the tool In fiscal 2021, the model will be further developed to allow for specific projects to be added to the model to understand the revenues, expenses and manpower requirements necessary

Objective #2 - Major Priority (ii) **Cost management**

Risks:

- Risks that the Authority's pilotage costs are higher than competitive areas of operation
- Risks that certain areas of the Authority's business contribute excessively to the overhead of the company, resulting in a greater burden for specific users
- Risks of excessive cross subsidization in remote areas of operation

Activities	Expected Results	Performance Measures	Actual Results
Review and compare rate increases, and cost per assignment for a very large container vessel, a Cape size vessel and a Panamax vessel calling in Halifax, Montreal, Vancouver, Seattle and Tacoma (Ongoing)	A relative comparison of service delivery and pilotage charges for pilotage areas across Canada and the west coast of United States	The completion of the service level and cost comparison - Annual completion of review	2020 on track for completion
Use modelling tools to analyse and review/compare margins in each business function (NEW)	Ensure that revenues generate enough margin to cover the Authority's overhead and adequately contribute to committed capital costs	Completion of review and comparison in fiscal 2020 with results reported on suggested changes to tariff structure if necessary	Review will be completed by early fiscal 2021

Activities	Expected Results	Performance Measures	Actual Results
Hire an intern or allocate an internal resource to conduct research on the cost of servicing the remote ports of BC (NEW)	To ensure that charges for areas of the pilotage operation are set in a cost-effective manner	Completion of remote port costing in 2021 Results of analysis supports status quo, or a change is brought and presented to industry for evaluation in 2021 If changes are recommended, a 5% reduction in costs for each area of recommendation	On track for completion in fiscal 2021

Objective #2 - Major Priority (iii) **Fair and reasonable fees**

Risks:

- Risks that the Authority's fees are not fair and reasonable
- Risks that new opportunities for revenue generation as a result of the amendments to the Pilotage *Act* are not identified

Activities	Expected Results	Performance Measures	Actual Results
Work with the University of B.C. to refine the forecasting model (Ongoing)	To ensure that charges are fair and reasonable To ensure that business decisions are based on good rationale and are cost effective based on scenario analysis	Completion of the UBC forecasting model in fiscal 2019	UBC forecasting model was completed in fiscal 2019 The Authority will work with UBC to look into the value of adding the forecasting model into the existing business intelligence tool developed in house
Analyse potential new sources of revenue in order to minimize cross subsidization where possible and advantageous from a business perspective (NEW)	To ensure that charges are fair and reasonable – to evaluate the opportunities to minimize cross-subsidization across business activities	Completion of the analysis in fiscal 2020	On track for completion in fiscal 2020

Objective #3 - Major Priority (i) **Promote organizational and environmental sustainability**

Risks:

- Risk that the Authority cannot continue to function as effectively in the future as a result of senior talent attrition
- Risk that the Authority does not fully align itself with Government priorities
- Risks that the Authority does not have a workforce with a diverse skill set

Activities	Expected Results	Performance Measures	Actual Results
To continue the succession planning process for senior management positions (Ongoing)	A sustainable workforce is achieved within the Authority	Job descriptions completed in fiscal 2020 Succession binders to be completed by 2022 CEO succession planning is continued resulting in the identification of a new CEO by fourth quarter 2022	Completed Future plan year On track in 2020 with the formulation of a search committee
Participation in the ECHO slowdown program and assistance with Government's repayment program (Ongoing)	100% participation by the pilots on vessels that are participating in the slowdown program	Review of assignment data for vessel and pilot participation – 100% pilot participation	On track and at the point of authoring this report, there was 100% participation in the program
Introduce a program and hiring protocol for enhancing consideration of diversity within the Authority (NEW)	A sustainable workforce is achieved within the Authority and meets the Government's social policies	New hires are brought on with verifiable consideration of diversity - Implementation of a hiring program that aligns with Government policy by 2021	A future plan year goal
Quality Assurance Program – Pilots (Ongoing)	Peer assessments of apprentice and licensed pilots completed as per the QAP	Approximately 25 licensed pilot assessments per year and three assessments per apprenticeship period - 20% of licensed pilots assessed per year; apprentice pilots assessed every three months	2020 on track for completion

Objective #3 - Major Priority (ii) **Quality Assurance**

Risks:

- Risk of an incident on a launch
- Risks that the Authority is not protected from a cyber threat

Activities	Expected Results	Performance Measures	Actual Results
Quality Management System – Pilot launch and office (Ongoing)	Meet the requirements of the ISO/ISM codes	Non-conformances (NC) raised at routine audits - Zero NCs	Received ISO and ISM certification for the fourth consecutive year with no major deficiencies identified

Activities	Expected Results	Performance Measures	Actual Results
Develop and implement a procedure to address cybersecurity issues and concerns (Ongoing from 2019)	2019 - Draft initial procedure for IT consultants to review 2020 - Work with IT consultants to incorporate their recommendations into our procedure	2019: The completion of a gap analysis 2020: The completion of a procedures document The completion of a tabletop exercise	Completed On track for completion in fiscal 2020

Objective #3 - Major Priority (iii) **Environmental Sensitivity**

Risks:

- Risks that the Authority does not actively contribute to lowering the effects on climate change

Activities	Expected Results	Performance Measures	Actual Results
Minimize PPA's carbon footprint for commuting (Ongoing)	50% of the office employees will use public transportation or walk/cycle to work	Ratio of office employees using public transportation vs those who do not – 50%	Fiscal 2020 is an anomaly year as a result of the effects of COVID-19. This measure will be pushed forward to be evaluated in fiscal 2021.
Minimize PPA's carbon footprint for meetings (Ongoing)	Walk, take public transportation or use video/teleconferencing for stakeholder meetings	Ratio of meetings attended by suggested methods vs other meetings – 90%	On track in 2020 with 99.9% of meetings done without travel
Fit tier-3 engines on all new pilot launches (NEW CAPITAL PROJECT)	New launch to be completed in 2020 will have two tier-3 engines	Compliance with TC regulations on engines – 100% compliance	2020 completed with the purchase of tier-3 engines for the new launch

Objective #4 - Major Priority (i) **Demonstrate Leadership**

Risks:

- Risks that the Authority does not provide its expertise in national and regional discussions on navigational safety and the efficiency of marine operations

Activities	Expected Results	Performance Measures	Actual Results
The Authority actively participates in OPP initiatives on the west coast of Canada (Ongoing)	Ensures that the Authority provides a voice to support improvements to navigational safety and efficiency of marine operations	Participation in 80% of all OPP meetings	2020 to date 90% of the OPP meetings attended by a PPA manager

Activities	Expected Results	Performance Measures	Actual Results
To actively engage with First Nations communities on the west coast of Canada as the official marine specialists in pilotage operations (Ongoing)	Ensures that the Authority is meeting the requirement to engage Indigenous communities affected by pilotage operations	To meet with 4 communities per annum	2020 on track to exceed the goal of 4

Objective #4 - Major Priority (ii) **Facilitate decision-making**

Risks:

- Risk that the implementation activities associated with amendments to the *Pilotage Act* cannot not work practically

Activities	Expected Results	Performance Measures	Actual Results
Work closely with TC Ottawa on the *Pilotage Act* amendments (NEW)	Implementation of the *Pilotage Act* amendments	80% attendance at all TC meetings and teleconferences on the implementation of amendments	100% attendance to date
Work with TC marine pilotage program officials and pilotage Authority CEOs regarding the takeover of the enforcement of Regulations (NEW)	A seamless handover of the regulations to TC	Two meetings per year	2020 met the minimum of two meetings by the second quarter

Objective #4 - Major Priority (iii) **Engage stakeholders and the community**

Risks:

- Risks that industry is not informed of the current operating environment and upcoming changes which may affect them
- Risk that the community does not understand the positive role and impact of pilotage on the safety of the transportation system

Activities	Expected Results	Performance Measures	Actual Results
Monthly operational meeting with the industry associations and pilots (Ongoing)	Ensuring open and transparent communication ensuring an understanding of the PPA's role	8 monthly association meetings	2020 on track
Quarterly meetings with all the PPA customers and the ports (Ongoing)	Ensuring open and transparent communication ensuring an understanding of the PPA's role	4 customer and port meetings	2020 on track

Activities	Expected Results	Performance Measures	Actual Results
Engage social media as the medium to expand the Authority's stakeholder engagement. Investigate the use of LinkedIn, Facebook and Instagram as possible media (NEW)	The introduction of a social media program will ensure a better understanding of the role of the Authority and the safety of vessels under pilotage on the West Coast	2020 - Hiring of a media consultancy company 2021 - Implement a social media program	Completed. Management training undertaken in June 2020. For future plan years.

Objective #5 - Major Priority (i) **Manage organizational risk**

Risks:

- Risks that emerging issues and opportunities are not identified and acted upon

Activities	Expected Results	Performance Measures	Actual Results
The Authority has in place ERMS and SORC committees and conducts monthly association meetings with the industry (Ongoing)	Allows the Authority to identify emerging issues and opportunities	• 8 monthly associations meetings per annum • 2 ERMS meetings • 2 SORC meetings • Risk register kept up to date as per ERMS procedures • Maintain ISO/ISM accreditation	2020 on track to meet the goals

Objective #5 - Major Priority (ii) **Manage operational risk**

Risks:

- Risks that a ship operating outside of Port Authority jurisdiction is not aware of safety and operational best practices for British Columbia waters

Activities	Expected Results	Performance Measures	Actual Results
Develop a Safety and Operational Procedures manual for all ports not located within a port authority and publish the information on the PPA website (NEW)	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	For future plan years

Objective #6 - Major Priority (i) **Focus on the future**

Risks:

- Risks that events occurring outside of the Authority's immediate business will have a significant impact on the Authority's business

Activities	Expected Results	Performance Measures	Actual Results
- Monitoring of the Baltic Dry vessel index **- Monitoring of exchanges around the world** **- Addressing global events and economic forecast in the quarterly CEO report** **- Discussing the above at the monthly association meetings** **- Relevant publications available to the management team** **(NEW)**	Early warning of global economic changes	Publication of forecasts in the CEO quarterly report	2020 on track and competed for the first quarter

Objective #6 - Major Priority (ii) **Positive positioning**

Risks:

- Risks that the safety and efficiency of the pilotage system is negatively affected as a result of the *Pilotage Act* amendments

Activities	Expected Results	Performance Measures	Actual Results
Implement a strategy to firmly establish the value of the Pacific Pilotage Authority to the shareholder, the pilots, our customers and communities in which we operate (NEW)	No reduction in safety or efficiency as a result of the transfer of regulatory control from the Pilotage Authorities to TC	The completion of a document clearly indicating the areas for which the PPA remains responsible to manage and oversee, in light of the *Pilotage Act* amendments	Completed and shared with TC

Risk Assessments

An Enterprise Risk Management and Safety (ERMS) System has been incorporated as part of the Authority's strategy and is well advanced in 'cultivating a culture of risk awareness' throughout the organization. All areas of the Authority's operations have been incorporated into this program, including contract and employee pilots, launches, dispatch and administration.

Risks are designated by the ERMS Committee as either operational or strategic. Operational risks are assigned to the appropriate management representative for mitigation and review. Strategic risks are overseen by the Board and are actively managed and mitigated by the appropriate Board committee.

The Authority remains committed to ensuring that all risks have appropriate mitigation measures in place and are reviewed on a regular basis. Detailed risk descriptions and mitigation measures are kept current by the risk owners and are part of a comprehensive risk document.

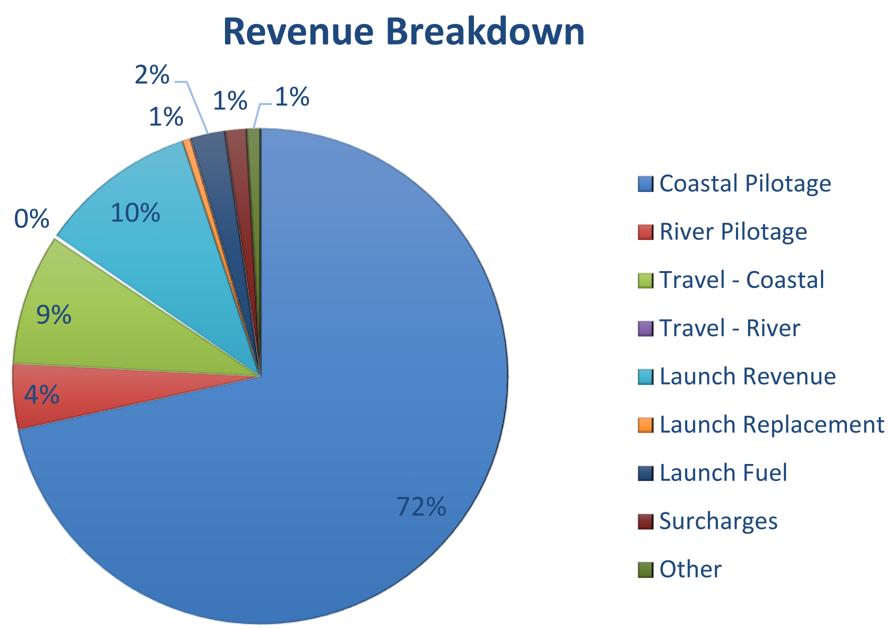
All strategic risks are listed below. Details for each of the top three strategic risks, including mitigating controls can be found in Appendix 7:

Strategic risks:
- Decrease in assignment volumes
- Relations with communities and the general public following an incident
- Tariff objection
- Economic health of the BC Coast Pilots
- Future supply of suitable qualified pilot candidates
- Political activism and its effects on the Authority
- Social media risk
- Cybersecurity
- Managing CEO succession
- Major energy projects’ effects on the Authority
- Single-contractor relationship
- Governance

4. Financial overview

The Authority is operationally self-sufficient and financially autonomous, with the exception of needing to borrow money from chartered banks. In fiscal 2020 and 2021, the Authority will need to borrow money from chartered banks in order to assist in financing certain capital projects. In 2021, the Authority will need to borrow to add liquidity to the business. Additional liquidity will be needed due to cash flow shortfalls from assignment volume decreases due to the effects of COVID-19 on the business.

The Authority's projected revenues from operations for 2020 are broken down as follows:



In FY2021 the Authority is expected to generate $89.7 million in revenues, total expenses of $93.5 million and a total comprehensive loss of $3.8 million. This loss is based on the following assumptions which are expanded on in Appendix 5:

- The Authority anticipates 12,069 assignments in fiscal 2021, representing a 7% increase over fiscal 2020
    - Of these 12,069 assignments, 1,205 will be catered to by employee pilots on the Fraser River, representing a 34% increase over fiscal 2020
- Capital expenditures for fiscal 2021 are expected to be $7.1 million.
- There will be 12 new apprentice hires, and 5 unlimited pilots are expected to retire. Apprentice wages, benefits and training costs for fiscal 2021 are expected to be $3.7 million.

- In order to balance the Authority's cash outflows as discussed above, the Authority is also planning tariff rate increases, following consultations with industry and regulatory amendments, with an effective date of January 1, 2021.

STATEMENT OF INCOME								
For the year ended December 31	Actual	Forecast	Budget	Budget				
(in thousands of dollars)	2019	2020	2020	2021	2022	2023	2024	2025
Total Revenue	96,856	77,452	101,631	89,688	94,624	96,901	97,870	98,825
Total Expenses	94,019	82,770	102,533	93,518	94,890	97,182	96,177	96,896
Total Comprehensive Income (Loss)	2,837	(5,318)	(901)	(3,830)	(267)	(280)	1,692	1,930

The large decrease in revenues and expenses in fiscal 2020 relates to the effects of COVID-19 on the Authority's business. The following years reflect a gradual build-up of previously lost cruise ship and container volumes as well as a return to normal in fiscal 2021 for the auto sector.

Capital investments

In fiscal 2021, the Authority is planning to invest $7.1 million in capital projects, of which all but $3.5 million would be financed through operating cash flows.

The breakdown of the capital projects are as follows:

- Launch expenditures of $4.04 million comprised of:
  - $2 million related to the final build costs associated with the Pacific Guardian (new pilot boat)
  - $1.6 million related to timed out engines and jets for the Pacific Chinook, Pacific Pathfinder, Pacific Navigator and Pacific Scout.
  - $340k related to electronic and chair upgrades for the Pacific Chinook, Pacific Pathfinder, Pacific Navigator and Pacific Scout.
  - $100k related to a generator replacement for the Pacific Navigator
- Computer, software and communication expenditures of $2.6 million primarily comprised of:
  - $447k related to an upgrade of the in-house simulator
  - $496k related to replacement PPUs and additional units required for new pilots
  - $1.5 Million related to the dispatch and accounting system

- Building and float expenditures of $300k primarily comprised of:
  - $240k related to a full renovation of the Victoria building
  - $50k related to an upgrade of the Victoria floats

CAPITAL INVESTMENTS								
For the year ended December 31	Actual	Forecast	Budget	Budget				
(in thousands of dollars)	2019	2020	2020	2021	2022	2023	2024	2025
Buildings & Floats	279	50	50	300	-	-	-	-
Pilot Boats	1,127	3,440	5,885	4,040	140	130	1,150	0
Computers, Software and Communication	298	921	2,410	2,733	3,305	927	466	470
Total Capital Investments	1,704	4,411	8,345	7,073	3,445	1,057	1,616	470
Right of Use Assets	59	704	0	0	1,000	0	0	0
Total Capital including Leases	1,763	5,114	8,345	7,073	4,445	1,057	1,616	470

The forecast for 2020 is approximately $3.2 million lower than the original budget. The primary reason *for* the decrease is a delay in the completion of a new pilot launch and a new dispatch and accounting system, as well as the postponement of some smaller capital projects as a result of COVID-19 and the need to maintain a positive cash position. The 2021 budget reflects the completion of the 2020 projects that had been delayed and postponed due to COVID-19 concerns.

Debt

According to PC Number: 2018-1493, dated 2018-11-29, "Her Excellency the Governor General in Council, on the recommendation of the Minister of Transport, pursuant to section 36 of the *Pilotage Act*, (a) repeals paragraph (b) of Order in Council P.C. 2006-176 of March 30, 2006; and (b) fixes the maximum amount of money that can be borrowed at any time by the Pacific Pilotage Authority, in Canada or elsewhere, for the purpose of defraying its expenses, at CDN $11,900,000."

In terms of new financing requirements, in fiscal 2021, the Authority intends to seek approval to increase this limit by $7 million to $18.9 million. The Authority expects to incur an operating loss of $5.3 million in fiscal 2020. This loss is $4.4 million greater than originally anticipated and is entirely driven by the effects of COVID-19 on the Authority's business.

The Authority intends to implement a surcharge of $250 per assignment in both fiscal 2021 and fiscal 2022 to help to recoup lower revenues; but in order to lessen the effects of COVID-19 on industry, the Authority is seeking authority to increase its long-term borrowings to finance these losses. While our customers (i.e. the marine industry) are quite likely to push back on any additional charges, we are working closely with them to minimize the impact. We have also committed to a mid-year review and in the event that the number of assignments is significantly higher than forecast in this plan, we will discontinue the surcharge. It is our understanding that the proposed fees would not result in any loss of business to our competitor ports in the United States.

The Authority submits the following borrowing plan for Minister of Finance approval at $3.5 million in short term borrowing and $15.400 million in long term borrowing for 2021.

1. Operating line of credit – $3.5 million
2. Long-term borrowing - $15.400 million comprised of:
    - Already approved long term borrowing of $8.4 million for:
        i. loans related to the Pacific Chinook pilot boat
        ii. loans related to the new pilot boat (Pacific Guardian) and the new dispatch and accounting system
    - $7 million in a new long-term loan to finance the effects of COVID-19 on the business.

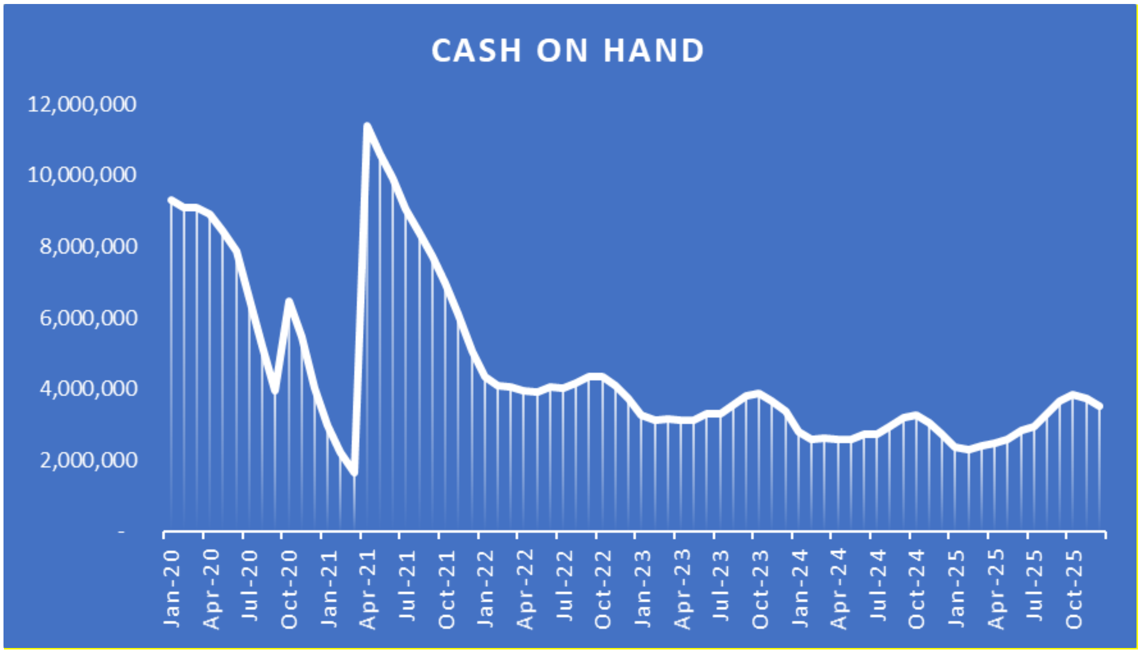
The following table shows the Authority's total borrowing, other than lease liabilities, for the plan years; and as can be seen, the Authority is able to maintain its debt position within the limits defined above.

BORROWING PLAN								
For the year ended December 31	Actual 2019	Forecast 2020	Budget 2020	Budget				
(in thousands of dollars)				2021	2022	2023	2024	2025
Operating Line of Credit	5,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Long-term loan at Year End	1,419	4,631	7,731	13,681	11,958	10,465	9,106	7,711
Total	6,419	8,131	11,231	17,181	15,458	13,965	12,606	11,211

The Operating Line of Credit was established in order to protect the Authority from variability in its operating cash flows. As such, outside of the variability in cash flows, the operating line of credit is always expected to have an actual outstanding balance of nil. A description of new borrowing over all the planning years is displayed in Appendix 5.

Forecasted cash flow position

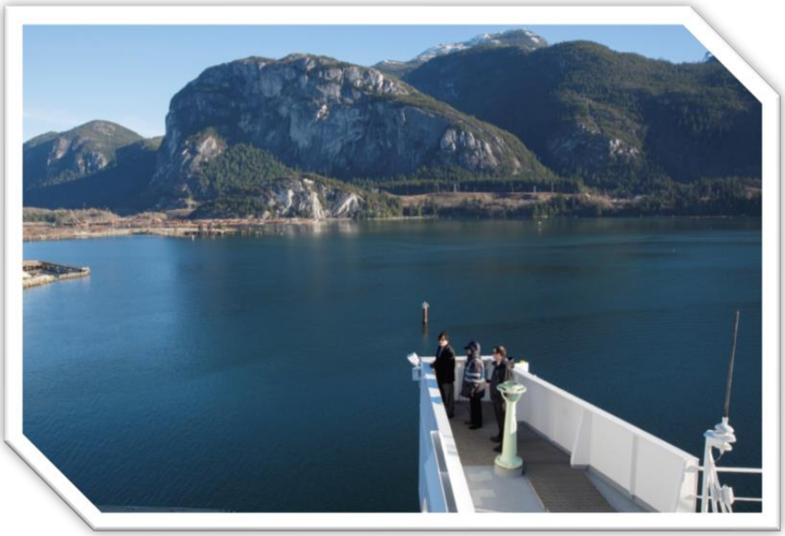
The cash flow graph below summarizes the effects of the expected revenues, expenses, capital expenditures and adjustments from financing and new tariffs below:



As can be seen, the Authority expects to maintain a relatively low medium-term operating cash position over the planning years that hovers around $4 million. This is generally considered enough to account for the seasonality of the Authority's current business; the operating line of credit exists as a buffer against unanticipated variability.

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
10. Acronyms



Appendix 1 - Ministerial Direction / Mandate Letter

The Pacific Pilotage Authority is presently operating in accordance with the guidance expressed in the Prime Minister's letter to the Minister of Transport dated November 12, 2015. A copy of the letter can be found at https://pm.gc.ca/en/mandate-letters/minister-transport-mandate-letter

No additional mandate letters have been received directly by the Authority from the Minister of Transport

Appendix 2 - Corporate Governance Structure

Corporate governance is the process of establishing and monitoring the policies and procedures which will ensure the appropriate stewardship of the business and affairs of the Authority, including financial viability.

Similar to other Crown corporations, the Pacific Pilotage Authority operates at arm's length from its sole shareholder, the Government of Canada. While the shareholder provides policy direction for the corporation's ongoing operations, as stated in the *Financial Administration Act*, the Pacific Pilotage Authority Board of Directors ensures that the corporation fulfils its mandate by setting the corporation's strategic direction, organizational goals, and monitoring their implementation. The Authority reports to Parliament through the Minister of Transport.

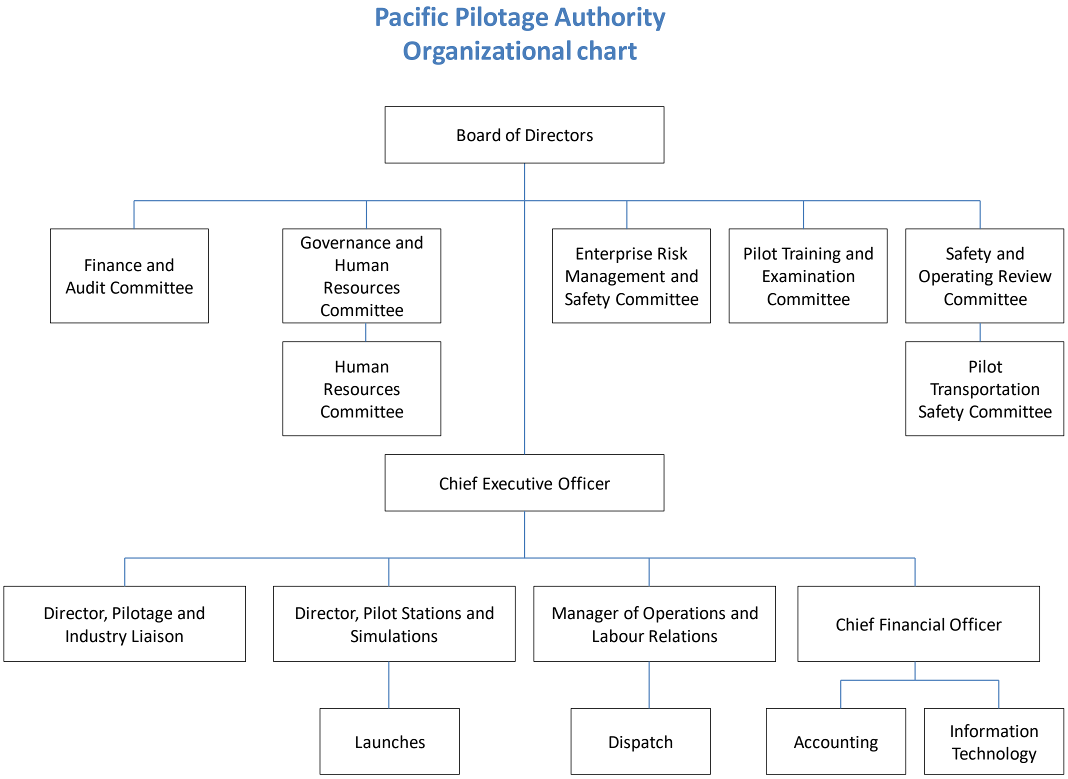
The Chair of the Board is appointed by the Governor in Council on the recommendation of the Minister of Transport, and the Board of Directors is appointed by the Minister of Transport with the approval of the Governor in Council. There are seven members on the Authority's Board of Directors.

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

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 CEO, renewal of the Board, education of directors, compensation, etc.). This includes Board self-assessments, a nomination committee for prospective directors and the development of directors' skills.

In addition, 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.

The Authority is managed by a CEO who reports to the Board through the Chair. The Authority's organization chart indicates the reporting structure.



Committees

1. Finance and Audit Committee - the Chair and three Board members are designated as members of the Finance and Audit Committee. The Finance and Audit Committee has six regularly scheduled meetings per annum and members are expected to be financially literate. Its mandate includes responsibility for all financial matters, external audit, internal audit and insurance. 100% attendance by committee members.

2. a) Governance and Human Resources (GHR)Committee – this Committee meets four times per annum or at the call of the Committee Chair. Its mandate is to provide a focus on corporate governance, recommend candidates for Board membership as well as the Chair and CEO positions. This Committee also oversees new member Board orientation, the Board of Directors' and Chair assessment process, training and skills requirements, and succession planning of the Authority's management team. 100% attendance by committee members.

   b) Human Resources Committee – this sub-committee meets on an as needed basis or at the call of the Committee Chair. It reports through the GHR Committee. Its mandate includes responsibility for the CEO's performance management program reporting required by the Minister, CEO succession planning, executive development planning and management compensation. 100% attendance by committee members.

3. Pilot Training and Examination Committee (PTEC) – this Committee meets four times per annum and as required to conduct pilot examinations. Its mandate is to conduct pilot examinations and review ongoing training programs for pilots and includes members of the Authority's management and pilots. The Committee is joined by one external examiner during pilot examinations. 100% attendance by committee members.

4. a) 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 director of the Board and comprised of Authority management, BC Coast Pilots and members of the marine industry. 100% attendance by committee members.

   b) Pilot Transportation Safety Committee (PTSC) – this sub-committee of the SOR Committee meets at least twice per annum or more frequently as required. Members of this Committee regularly attend launch stations to observe drills and inspect safety equipment. 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. It also ensures that the Authority adheres to regulations and safe practices issued by Transport Canada. It is composed of BC Coast and Fraser River pilots, Authority management and pilot launch personnel. 100% attendance by committee members.

5. Enterprise Risk Management and Safety (ERMS) Committee – this Committee meets at least semi-annually and is chaired by a director of the Board. The Committee is a function of the Board's oversight role in regard to the risks facing the Authority. The Authority maintains a rigorous and coordinated approach to assessing and responding to all risks that affect the achievement of the Authority's strategic, financial and operational objectives. 100% attendance by committee members.

   The ERMS system is designed to achieve the following:
   - Assist the Board of Directors in its strategic risk oversight role
   - Document, categorize and rank the Authority's risks in a risk register
   - Ensure every identified risk is maintained by a manager and/or Board committee
   - Confirm that the risk register is updated regularly in accordance with the review schedule

- Ensure all safety protocols are monitored, certifications are up to date, and any areas of non-compliance are addressed
- Ensure every risk is reported on by the risk owner on an annual basis
- Assist the management team in its operational risk oversight role
- Liaise with the other committees of the Board of Directors to ensure that mitigations are established for each of the identified risks as deemed necessary

NOTE: The high attendance of the committee members is due to the fact that the Authority works hard to arrange the scheduling of the committee meetings to ensure that all committee members are available to attend.

Directors

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

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

Total Board expenses for fiscal 2019 amounted to $272,000; including compensation, travel and training. Fiscal 2020 compensation is expected to be lower due to lower travel costs.

There are no members of the Board whose terms expire in 2020. The Privy Council Office controls the length of terms. To reduce the risks of many members' terms expiring in the same fiscal year, the Authority:

- has an ongoing identification process through the Governance and Human Resources 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, with the exception of 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;
- ensure that the Board members are rotated through committee positions to maximize exposure and ensure that the oversight knowledge is more widely shared.

Senior Executives

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

Name	Position
Kevin Obermeyer	Chief Executive Officer
Stuart Mackenzie (as of Oct.13, 2020)	Chief Financial Officer
Brian Young	Director – Pilotage & Industry Liaison
Paulo Ekkebus	Director – Pilot Stations and Simulations

Total Senior Executive compensation for fiscal 2019 amounted to $995,000.

Appendix 3 – Planned Results

The following provides an overview of the Authority's intended results for the future and the Chief Executive Officer's results commitment.

Expected Results	Performance Measures
All apprentice & licensed pilots trained in accordance with Quality Assurance Program	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	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 promulgate recommendations & lessons learned after incident investigations	Recommendations provided to pilots: - For every incident; and - Within one month of completing an incident investigation All investigated incidents must be followed up with recommendations
Increased level of realism with simulations through upgrade to PSTAR visual and current tidal databases	Completion of simulator databases as below: - Prince Rupert (2020), Seymour Narrows (2020), Blackney Passage (2020), Current & Race Passage (2020), Johnstone Strait (2020), Port Edward (2021), Port Alberni (2022), Gold River (2023) Maintain visual database of the specified areas to a minimum standard of LOD-2 and develop dynamic tidal current models for the specified areas
Develop recommendations for simulator upgrade. BCCP agreement and Board approval. Reduce the reliance on outside establishments to meet the training goals of the PPA and BCCP	Recommendations ready by year-end 2020 Documented evidence of agreement and approval Year-over-year comparison of usage and training costs - External training costs reduced by 15% - Utilization goal is 25% in 2020 and 30% in 2021 moving to 40% in 2022
Ensure that pilots can be dispatched to, and arrive at an assignment on time	99.9% delay free pilotage and launch operations
The delivery of the designed pilot launch on time and on budget	Check construction progress against RFP, contractual requirements and TC construction regulations - Vessel delivered in March 2021
Completion of updated dispatch and accounting system including e-source cards by Q4 2021	2020 - Contract let with front runner from RFP 2021 - Completion of the upgrades and e-source cards
The establishment of TCZ-1 windows for air draft will enable customers to access windows by entering parameters on the PPA website	Establishment of a web-based window for air draft restricted vessels Confirm 100% accuracy of calculated windows

Expected Results	Performance Measures
Recommendations from cost benefit analysis on helicopters to be implemented – resulting in the highest productivity of the Authority's resources	Successful completion of analysis and recommendation to the Board – analysis accepted by the Board 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
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	Reduction of pilot travel time and pilot travel costs per assignment - Reduce travel time and travel costs by 5% by 2023
Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Going concern assumption not challenged through year end audit by the Office of the Auditor General
Company will continue to operate as a going concern and maintain its financial self-sufficiency mandate	Systematic building of reserves for unplanned events - add $600k per annum to the reserve account
Expected to allow the Authority to make effective decisions about the future of pilotage charges and manpower given scenarios of demand assumptions including projects. Expected to provide a method of reporting mass data to industry in an easy to understand format	Continued development of forecasting model in line with milestones - Achieve milestone implementation dates on time Model continued to be requested and wanted by industry - Continued positive feedback from industry on the model
A relative comparison of service delivery and pilotage charges for pilotage areas across Canada and the west coast of United States	The completion of the service level and cost comparison - Annual completion of review
Ensure that revenues generate enough margin to cover the Authority's overhead and adequately contribute to committed capital costs	Completion of review and comparison in fiscal 2020 with results reported on suggested changes to tariff structure if necessary
To ensure that charges for areas of the pilotage operation are set in a cost-effective manner	Completion of remote port costing in 2021 Results of analysis supports status quo, or a change is brought and presented to industry for evaluation in 2021 If changes are recommended, a 5% reduction in costs for each area of recommendation
To ensure that charges are fair and reasonable To ensure that business decisions are based on good rationale and are cost effective based on scenario analysis	Completion of the UBC forecasting model and integration into Business Intelligence Tool

Expected Results	**Performance Measures**
To ensure that charges are fair and reasonable – to evaluate the opportunities to minimize cross-subsidization across business activities.	Completion of the analysis in fiscal 2020
A sustainable workforce is achieved within the Authority through effective succession planning for senior management positions	Job descriptions completed in fiscal 2020. Succession binders to be completed by 2022. CEO succession planning is continued resulting in the identification of a new CEO by the end of the planning period
100% participation by the pilots on vessels that are participating in the ECHO slowdown program	Review of assignment data for vessel and pilot participation – 100% pilot participation
A sustainable workforce is achieved within the Authority and meets the Government's social policies	New hires are brought on with verifiable consideration of diversity - Implementation of a hiring program that recognizes diversity by 2021
Peer assessments of apprentice and licensed pilots completed as per the QAP	Approximately 25 licensed pilot assessments per year and three assessments per apprenticeship period - 20% of licensed pilots assessed per year; apprentice pilots assessed every three months
Meet the requirements of the ISO/ISM codes	Non-conformances (NC) raised at routine audits - Zero NCs
2019 - Draft initial procedure for IT consultants to review regarding cybersecurity 2020 - Work with IT consultants to incorporate their recommendations into our procedure	2020 - The completion of a gap analysis 2021 - The completion of a procedures document The completion of a tabletop exercise
50% of the office employees will use public transportation or walk/cycle to work	Ratio of office employees using public transportation vs those who do not – 50%
Walk, take public transportation or use video/teleconferencing for stakeholder meetings	Ratio of meetings attended by suggested methods vs other meetings – 90%
New launch to be completed in 2020 will have two tier-3 engines	Compliance with TC regulations on engines – 100% compliance
Ensures that the Authority provides a voice to support improvements to navigational safety and efficiency of marine operations	Participation in 80% of all OPP meetings
Ensures that the Authority is meeting the requirement to engage Indigenous communities affected by pilotage operations	To meet with 4 communities per annum
Implementation of the *Pilotage Act* amendments	80% attendance at all TC meetings and teleconferences on the implementation of amendments
A seamless handover of the regulations to TC	2 meetings per year
Ensuring open and transparent communication ensuring an understanding of the PPA's role	8 monthly association meetings
Ensuring open and transparent communication ensuring an understanding of the PPA's role	4 customer and port meetings

Expected Results	Performance Measures
The introduction of a social media program to ensure a better understanding of the role of the Pilotage Authority and the safety of vessels under pilotage on the West Coast	2020 - Hiring of a media consultancy company 2021 - Implement a social media program
Allow the Authority to identify emerging issues and opportunities through ERMS and SORC committees	•8 monthly associations meetings per annum •2 ERMS meetings •2 SORC meetings •Risk register kept up to date as per ERMS procedures •Maintain ISO/ISM accreditation
Develop a Safety and Operational Procedures manual for all ports not located within a port authority and publish the information on the PPA website	Completion of a safety and operational manual for all out-ports by 2023
Early warning of global economic changes by monitoring multiple indexes, publications and economic indicators	Publication of forecasts in the CEO quarterly report
No reduction in safety or efficiency as a result of the transfer of regulatory control from the Pilotage Authorities to TC.	The completion of a document clearly indicating the areas for which the PPA remains responsible to manage and oversee, in light of the *Pilotage Act* amendments

Chief Executive Officer Results Commitment

I, Kevin Obermeyer, 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.

K. Obermeyer

August 26, 2020

Kevin Obermeyer, Chief Executive Officer **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.

August 10, 2020

Stefan Woloszyn, Chief Financial Officer **Date**

Appendix 5 - Financial Annex

The financial statements in this appendix reflect accounting under International Financial Reporting Standards (IFRS).

For FY2021, forecasted expenses will outpace budgeted revenues by $3.8 million. The budgeted outlook for 2021 assumes a 7% increase in assignments following a 16% decrease in 2020. Beyond 2021, volumes are expected to increase from 12,069 assignments in fiscal 2021 to 13,111 assignments in fiscal 2023. The increase in fiscal 2023 assumes a large industrial project moves into production (TMX).

Potential income growth from new, future revenue sources or expenses from significant, unplanned capital investments are not reflected in the budget forecasts.

Financial Planning Factors

When preparing its forecasts and budgets, the Authority considers a variety of elements, both financial and non-financial. During the budget preparations, the following assumptions have been applied:

Interest rates

Based on forecasts the Authority assumes a 0.85% interest rate on cash reserves and a borrowing rate of 2.50% in fiscal 2020 and fiscal 2021.

Inflation rate

Based on historical trends, the budgeted rate for inflation, related to goods and services, have been set at 1.8% for fiscal 2020 and 2.5% for each of the Corporate Plan years thereafter.

PACIFIC PILOTAGE AUTHORITY
CORPORATE PLAN
2021 TO 2025

Financial Position

STATEMENT OF FINANCIAL POSITION

As at December 31st

(in thousands of dollars)

	Actual	Budget	Forecast	Budget				
	2019	2020	2020	2021	2022	2023	2024	2025
ASSETS								
Current Assets								
Cash and cash equivalents	9,014	5,028	4,030	5,075	3,718	3,390	2,729	3,531
Accounts receivable - trade	5,832	6,867	4,739	5,213	5,326	5,472	5,527	5,580
Accounts receivable - other	68	125	68	68	68	68	68	68
Accounts receivable - GST	582	960	582	582	582	582	582	582
Travel advances	10	23	10	10	10	10	10	10
Prepaid expenses	88	190	88	88	88	88	88	88
Prepaid travel & Other	77	127	77	77	77	77	77	77
Investments	829	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	16,500	13,320	9,594	11,112	9,869	9,687	9,081	9,936
Non-current Assets								
Long-term investments	285	1,725	1,714	2,314	2,914	3,514	4,114	4,714
Mortgage Receivable	-			-	-	-	-	-
Other Receivables	171	210	171	171	171	171	171	171
Fixed Assets								
Buildings & floats	876	1,205	926	1,226	1,226	1,226	1,226	1,226
Pilot boats	17,285	23,751	20,725	24,765	24,905	25,035	26,184	26,185
Communication and other	377	243	417	507	547	587	627	667
Computer software and equipme	3,384	6,167	4,265	6,908	10,173	11,059	11,486	11,916
Intangibles	665	665	665	665	665	665	665	665
Right of Use Assets	1,570	1,570	2,274	2,274	3,274	3,274	3,274	3,274
	24,157	33,601	29,272	36,345	40,790	41,846	43,462	43,933
Accumulated depreciation	11,827	13,678	13,919	18,137	23,788	27,195	28,855	30,485
Total fixed assets	12,330	19,923	15,353	18,208	17,002	14,651	14,607	13,448
TOTAL NON-CURRENT ASSETS	12,786	21,858	17,238	20,693	20,087	18,336	18,892	18,333
TOTAL ASSETS	29,286	35,178	26,832	31,805	29,956	28,023	27,973	28,269

Financial Position

STATEMENT OF FINANCIAL POSITION

As at December 31st

(in thousands of dollars)

	Actual	Budget	Forecast	Budget				
	2019	**2020**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
LIABILITIES								
Current Liabilities								
Accounts payable and accrued liabili	6,494	7,152	6,442	6,977	6,924	7,082	7,011	7,068
Wages and employee deductions pa	5,281	5,942	4,831	4,631	4,431	4,231	4,030	3,831
Employee termination benefits	984	978	984	984	984	984	984	984
TOTAL CURRENT LIABILITIES	12,759	14,072	12,257	12,592	12,339	12,297	12,025	11,883
Non-current Liabilities								
Lease Liabilities	989	646	1,142	560	954	837	725	629
Borrowings	1,419	7,731	4,631	13,682	11,958	10,465	9,106	7,711
TOTAL NON-CURRENT LIABILITIES	2,407	8,377	5,773	14,242	12,912	11,302	9,831	8,340
TOTAL LIABILITIES	15,166	22,449	18,030	26,834	25,251	23,599	21,856	20,223
Equity								
Retained earnings	14,120	12,729	8,802	4,971	4,705	4,424	6,117	8,046
	29,286	35,178	26,832	31,805	29,956	28,023	27,973	28,269

PACIFIC PILOTAGE AUTHORITY
CORPORATE PLAN
2021 TO 2025

Income

STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31 (in thousands of dollars)	2019	2020 Budget	2020 Forecast	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025
Revenue								
Pilotage Tariffs	95,344	100,271	77,095	86,067	90,939	96,528	97,494	98,444
Pilotage Surcharges	1,344	673	-	3,017	3,073	-	-	-
Others (interest, supplementary fees & charges)	168	687	358	604	611	373	377	381
Total Revenue	96,855	101,631	77,453	89,688	94,623	96,901	97,871	98,825
Direct Pilotage Costs								
Pilot Costs								
Pilotage Fees (if under contract)	62,805	68,004	50,974	55,357	57,368	60,618	60,618	60,618
Pilot Salaries and Benefits	2,846	2,976	3,045	2,950	3,045	3,171	3,256	3,341
Total Pilot Costs	65,651	70,980	54,019	58,307	60,413	63,789	63,874	63,959
Pilotage Boat and Pilot Travel								
Pilot Boat Crew (salaries and benefits)	5,610	5,801	5,890	5,580	5,736	5,920	6,057	6,195
Pilot Boat Operating Cost (fuel, maintenance)	3,105	3,523	3,262	2,977	2,745	2,971	3,078	3,186
Pilot Boat Ownership Costs (Depreciation & Finance)	898	956	829	991	996	1,001	1,047	1,047
Pilotage Boat Fees (if under contract)	1,849	1,796	370	555	925	925	925	925
Pilot Travel Expenses	6,810	6,512	6,914	6,850	6,414	7,001	7,161	7,321
Other Related Costs	-	-	-	-	-	-	-	-
Total Pilot Boat and Pilot Travel	18,273	18,588	17,265	16,952	16,816	17,819	18,269	18,674
Other Pilotage Expenses								
Pilotage Portable Units & Dispatch/Accounting	576	635	633	696	766	843	927	1,020
Pilotage Training	2,542	3,760	1,500	5,465	3,280	3,362	3,446	3,532
Dispatch Center	2,081	2,106	2,143	2,207	2,274	2,342	2,412	2,484
Other Pilotage Costs	-	-	-	-	-	-	-	-
Total Other Pilotage Expenses	5,198	6,501	4,276	8,369	6,320	6,547	6,785	7,036
Total Direct Pilotage Costs	89,122	96,069	75,560	83,628	83,549	88,154	88,929	89,669
Indirect Pilotage Costs								
Administrative Expenses								
Administration (salaries and benefits)	2,780	2,622	2,691	2,765	2,840	2,912	2,983	3,051
Regulatory Fees (TC service fee)	-	759	441	750	781	719	719	719
Rent/Utilities/Supplies/Professional & Other	1,318	2,503	2,816	3,148	3,065	2,991	2,936	2,873
Other Amortization	754	579	1,263	3,227	4,655	2,405	612	582
Total Administration Expenses	4,849	6,463	7,212	9,890	11,341	9,028	7,249	7,226
Total Indirect Pilotage Costs	4,850	6,463	7,211	9,890	11,341	9,028	7,249	7,226
Total Expenses	93,971	102,532	82,772	93,518	94,890	97,182	96,178	96,895
Other Comprehensive Income (Loss)	(47)	-	-	-	-	-	-	-
Comprehensive Income (Loss)	2,837	(901)	(5,319)	(3,830)	(267)	(280)	1,692	1,930
Number of Contract Pilots	113	119	123	130	135	135	135	135
Number of Employee Pilots	8	10	9	9	9	9	9	9
Number of Assignments	13,364	13,573	11,288	12,069	12,292	13,111	13,111	13,111
Average Assignment per Pilot	118	114	92	93	91	97	97	97
Revenue over Assignments ratio	7,247	7,488	6,861	7,431	7,698	7,391	7,465	7,538

STATEMENT OF CASH FLOWS

for the year ended December 31
(in thousands of dollars)

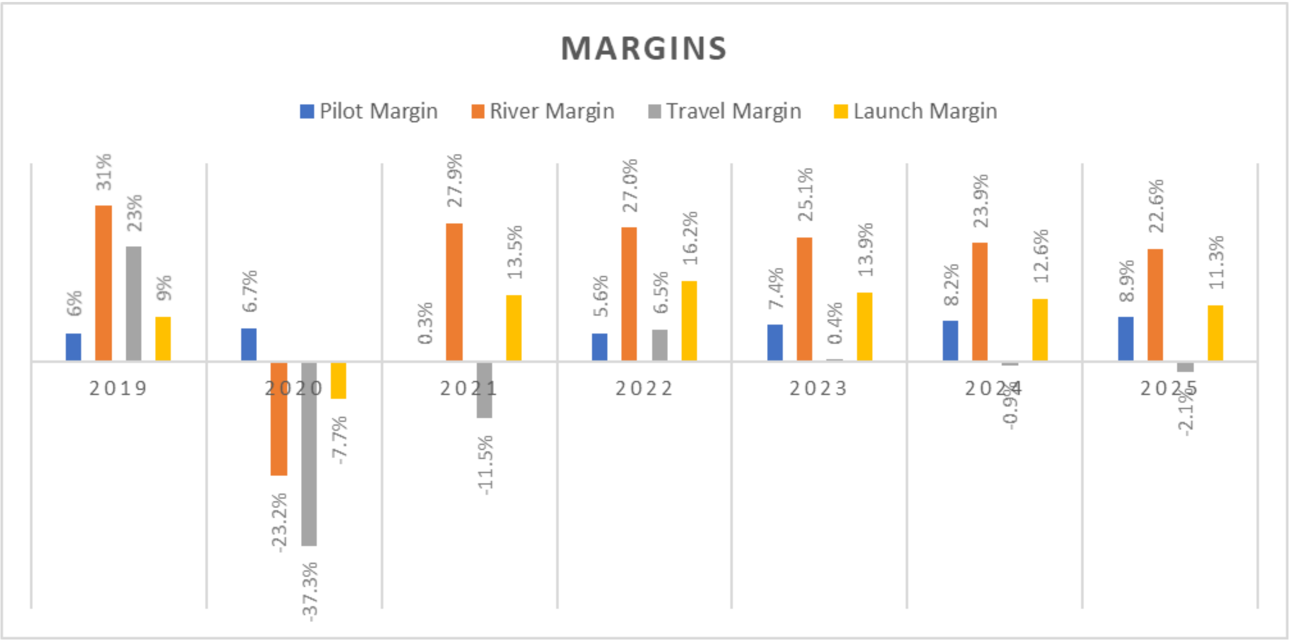
	2019	Budget 2020	Forecast 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash receipts from customers	96,927	100,607	78,546	89,214	94,511	96,755	97,816	98,771
Cash paid to employees	(13,141)	(13,505)	(12,918)	(12,903)	(13,294)	(13,746)	(14,109)	(14,472)
Cash paid to suppliers & other	(78,575)	(86,092)	(68,263)	(76,061)	(76,199)	(80,071)	(80,681)	(80,936)
Other income received	121	-	-	-	-	-	-	-
Adjustments								
Net cash provided by (used in)operations	5,332	1,010	(2,635)	250	5,018	2,938	3,026	3,363
CASH FLOWS FROM INVESTING ACTIVITIES								
Net purchase of investments	(11)	(611)	(600)	(600)	(600)	(600)	(600)	(600)
Acquisition of property and equipment	(1,763)	(8,345)	(5,114)	(7,073)	(4,445)	(1,057)	(1,616)	(470)
Net cash (used in) provovided by investing activities	(1,774)	(8,956)	(5,714)	(7,673)	(5,045)	(1,657)	(2,216)	(1,070)
CASH FLOWS FROM FINANCING ACTIVITIES								
Net (payments) proceeds from borrowing and lease activ	(715)	4,565	3,365	8,469	(1,329)	(1,609)	(1,472)	(1,491)
Net cash (used in) provided by financing activities	(715)	4,565	3,365	8,469	(1,329)	(1,609)	(1,472)	(1,491)
Net increase (decrease) in cash and cash equivalents	2,843	(3,381)	(4,984)	1,046	(1,356)	(328)	(662)	802
Cash and cash equivalents, beginning of period	6,171	8,409	9,014	4,030	5,075	3,718	3,390	2,729
Cash and cash equivalents, end of period	9,014	5,028	4,030	5,076	3,719	3,390	2,728	3,531

Changes in Equity

STATEMENT OF CHANGES IN EQUITY

for the year ended December 31
(in thousands of dollars)

	2019	Budget 2020	Forecast 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025
BALANCE, BEGINNING OF YEAR	11,283	13,630	14,120	8,802	4,972	4,705	4,425	6,117
Net Income (Loss)	2,884	(901)	(5,317)	(3,830)	(267)	(280)	1,692	1,931
Actuarial Gains (Losses)	(47)	-	-	-	-	-	-	-
BALANCE, END OF YEAR	14,120	12,729	8,802	4,972	4,705	4,425	6,117	8,047



Description of activities worth noting and variances

As can be seen above, 2020 margins for the River, travel and the launch programs are negative. These negative margins are due to:

- River margins – COVID-19 has affected River revenues primarily through the auto sector assignment volumes. Volumes are expected to decrease in 2020 by 60%. The River is a relatively fixed costs portion of the Authority's business because the pilots who cater to River assignments are employee pilots.
  - The recovery in River margins in fiscal 2021 is due to an assumption that assignment volumes for the auto sector will fully rebound in fiscal 2021, as advised by industry.

- Travel margins - COVID-19 has affected the travel portion of the Authority's business through the requirement to charter aircraft to fly pilots to areas where regular scheduled services have been restricted or suspended. It is expected that the Authority will expend an additional $1.3 million in travel costs in fiscal 2020 and $700k in fiscal 2021 as a result of these additional requirements. Travel margins are expected to rebound in fiscal 2022 with another reduction in margins in fiscal 2023 as a result of additional travel required for the TMX project. The Authority will consult with industry regarding the recovery of travel costs related to TMX in future years.

- Launch margins - COVID-19 has affected the launch portion of the Authority's business primarily through reduced assignment volumes. As can be seen in fiscal

2021, with a 7% increase in overall assignment volumes, it is expected that the margins in this sector will fully rebound.

In addition, the Authority plans on re-investing $600k of cash flow per year over the planning years to rebuild the Authority's investments account ($600k will be added in accordance with the Corporate Plan in fiscal 2020). This has been done in consultation with industry. The balance used to be $4.5 million but was systematically reduced in the past to soften the effect of tariffs.

CAPITAL BUDGET
For the year ended December 31
(in thousands of dollars)

FUNDING	Actual 2019	Current Forecast 2020	Budget 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025
Pre-approved borrowing	1,400	8,400	1,400	-	-	-	-	-
New borrowing request	5,800		5,800		-	-	-	-
TOTAL FUNDING	7,200	8,400	7,200	-	-	-	-	-
EXPENDITURES								
Buildings & floats	279	50	50	300	-	-	-	-
Launches	1,127	3,440	5,885	4,040	140	130	1,150	-
Communications & Other	-	40	40	90	40	40	40	40
Computers & Software	298	881	2,370	2,643	3,265	887	426	430
Right of use assets	59	704	-	-	1,000	-	-	-
TOTAL EXPENDITURES	1,763	5,114	8,345	7,073	4,445	1,057	1,616	470
EXCESS (SHORTFALL) OF FUNDING OVER EXPENDITURES	5,437	3,286	(1,145)	(7,073)	(4,445)	(1,057)	(1,616)	(470)

The borrowing reflected above is a summary of borrowing for capital expenditures, excluding lease liabilities.

As expenditures for the new pilot launch and dispatch and accounting system have been delayed, pre-approved borrowings for these capital expenditures in 2020 will exceed the amounts forecasted to be expended on these assets in 2020 by $3.5 million. However, these delayed expenditures are expected to be fully incurred in 2021, and pre-approved borrowings not used in 2020 are expected to be fully used in 2021 in respect of these assets.

It is expected that any funding in addition to pre-approved borrowings can be catered to by internal operating cash.

Financial – Tariff Adjustment

In order to finance its activities, the Authority charges users for its services through a tariff. Consistent with pilotage objectives, the tariff is intended to be fair, reasonable and sufficient to allow for a safe and efficient service. The Authority continues to place great emphasis on a full and comprehensive engagement process by consulting at length using a sophisticated modelling software tool with the marine industry prior to a tariff application being initiated. The costs to administer our services to protect our western coastlines in the interests of Canada amount to less than 7.8% of the total fees the PPA charged to shipping companies in 2019 and 2020.

For 2020, the Authority's margins will be pulled out of line as a result of the effects of COVID-19 on assignment volumes. The Authority plans on implementing a combination of new borrowing and tariffs to provide liquidity as margins come back into line as we recover from this event.

In 2020, the Authority implemented a 2.25% tariff increase based on extensive consultation with industry. The Authority's financial modelling software is used to allow industry to have direct input into tariff setting.

The Authority intends to fully engage with industry using its new tariff methodology and implement the following tariffs over the Corporate Plan years:

TARIFF							
RATE CHANGE	Actual 2020	Proposed 2021	Budget 2021	Budget 2022	2023	2024	2025
Pilotage unit, hourly, travel & launch	2.25%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%
ADDITIONAL FEES							
Launch Replacement	60	100	100	100	100	100	100
COVID-19 Surcharge / Bridging Fee	0	250	0	250	0	0	0
Technology Fee	50	50	50	50	50	50	50
Federal Program Allowance	0	37	77	61	60	55	55
TOTAL FEES PER ASSIGNMENT	110	437	227	461	210	205	205

The increases for fiscal 2021 and 2022 are intended to help the Authority recover from the significant effects of COVID-19 on assignment volumes.

With the proposed tariff increase (coupled with funding and expenditure assumptions), we believe that we will be able to maintain a medium-term operating cash position between \$2 million and \$4 million.

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 in part a measure of Canadian exports and imports and is influenced by many external factors outside the control of the Authority. Some of these factors are:

- the volumes of cruise, containers, auto, grain, forest products, coal and other bulk commodities;
- the effect of any receivership and 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
- risk of an objection to the pilotage charges.

The Authority's major expense in any given year is the payout to the BC Coast Pilots Ltd. As a result of this structure, the Authority is well positioned to respond to temporary downturns of traffic. The BCCP are entrepreneur pilots and as such contract their services to the Authority under the terms of the *Pilotage Act* and acknowledge the risk of decreased remuneration during diminished traffic periods. To the best of our knowledge the BC Coast Pilots Ltd is sustainable even through this downturn.

The Authority has assumed that TMX will move ahead in fiscal 2023 in accordance with the latest available information and has accordingly budgeted for the increase in traffic and associated manpower requirements.

Appendix 6 - Borrowing Plan

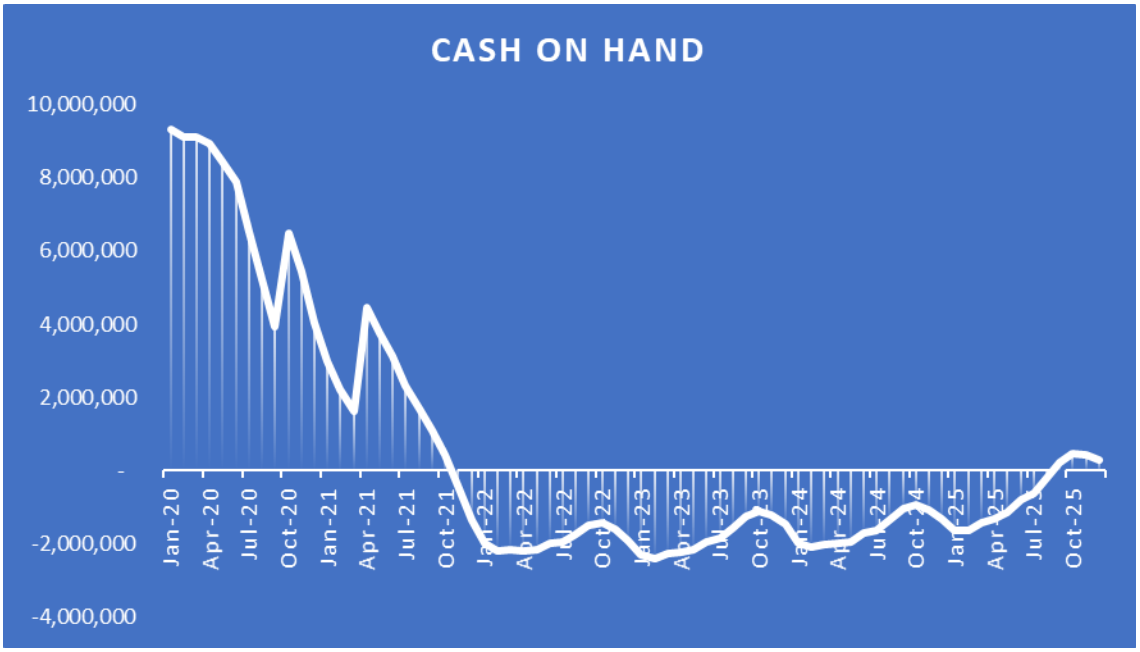
Borrowing Authority

The Authority is seeking to increase its statutory borrowing limit to $18.9 million in order to secure a $7 million loan in 2021 to fund significant cash flow losses as a result of assignment decreases tied to COVID-19 (primarily related to a closure of the cruise ship season).

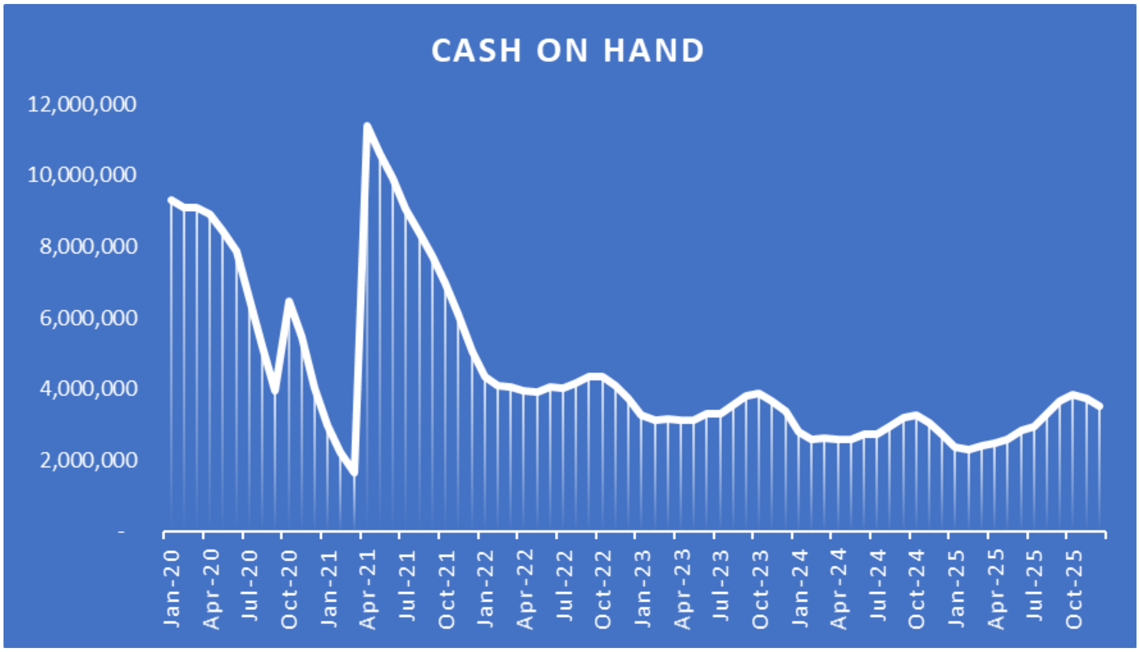
The current $11.9 million borrowing limit was set when the Authority's annual revenues were above $90 million. In fiscal 2020, the Authority's forecasted revenue will be $24.2 million below budget. In order to continue as a going concern, and without any appropriations awarded in favour of the Authority in the face of COVID-19, an approval for expanded borrowing to provide added liquidity will be necessary.

The Authority intends to implement a surcharge of $250 per assignment in both fiscal 2021 and fiscal 2022 to help recoup a portion of lost revenue; but in order to lessen the effects of tariff increases due to COVID-19 on industry, the Authority is seeking approval to increase its borrowing to effectively finance lost margins over a ten year period.

As can be seen below, the Authority expects that without any additional borrowing, and with the proposed increases in tariffs (see "Financial-Tariff Adjustment" section above), it will run out of cash at the end of fiscal 2021.



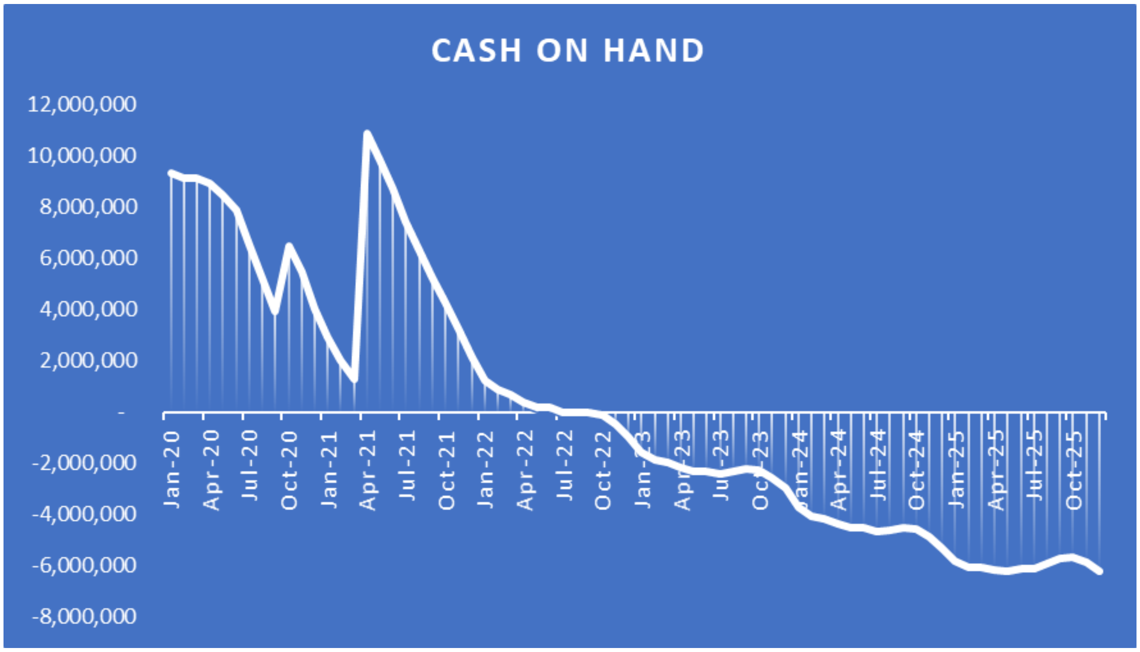
New borrowings of $7 million will allow the Authority's projected cash levels to be as set out below:



More specifically, the Authority expects that cash used in operating activities in fiscal 2020 will be $2.7 million, cash used in investing activities will be $5 million and cash from financing activities will be $3.4 million, resulting in a cash balance at the end of 2020 of $4 million. In 2021, cash provided by operations is budgeted to be $0.25 million, cash used in investing activities is budgeted to be $7.7 million and cash from financing activities, including approved new borrowings of $7 million, is expected to be $8.5 million. As a result, the Authority is expected to end fiscal 2021 with $5.1 million in cash. At the end of 2022, cash is expected to be $3.7 million. Based on experience, and consistent with prior year representations, the Authority estimates that a cash balance of between $3 million and $4 million is necessary in order to cater to fluctuations in its cash flow requirements.

The single biggest issue that the organization faces at present is the uncertainty surrounding traffic volumes and the assumptions we have made in respect of traffic for 2021 due to COVID-19. The pandemic has decimated the cruise industry and shut down the Alaskan cruise season, which in 2019 accounted for $4.8 million of our operating margin. For 2021, we have estimated that cruise assignments will be 30% of 2019 cruise assignments. However, in the absence of a widely available effective vaccine for COVID-19 by the second quarter of 2021, there is considerable uncertainty that cruise ships will be permitted to dock at Canadian ports in 2021. Likewise, although we have budgeted that the auto carrier sector will fully rebound in 2021, there is significant uncertainty that this will be the case.

Below is a cash flow projection that assumes that, as in 2020, we will have no cruise assignments and no rebound of the auto carrier sector in 2021.



Based on the reductions in our cash position as a result of COVID-19, the need to complete essential capital projects and the uncertainty of traffic volumes, the Authority is requesting that its borrowing limit be increased by $7 million. If COVID-19 resolves itself and economic conditions improve to the extent that all or a portion of the requested additional funding is not required, such funding will not be incurred. However, it is critical that the Authority have the flexibility to access additional funding to the extent required to ensure our ability to operate effectively without any disruption to our service or level of safety.

As shown in section 4, the Authority submits the following borrowing plan for Minister of Finance approval at $3.5 million in short term borrowing and $15.400 million in long term borrowing for 2021.

1. Operating line of credit – $3.5 million
2. Capital borrowing - $15.400 million comprised of:
   - Already approved long term borrowing of $8.4 million for:
     i. loans related to the Pacific Chinook pilot boat
     ii. loans related to the new pilot boat (Pacific Guardian) and the new dispatch and accounting system

- $7 million in a new long-term loan to finance the effects of COVID-19 on the business, in 2021

The following table shows the Authority's borrowings, excluding lease liabilities, for the plan years.

BORROWING PLAN								
For the year ended December 31	**Actual**	**Forecast**	**Budget**	**Budget**				
(in thousands of dollars)	**2019**	**2020**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Operating Line of Credit	5,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Long-term loan at Year End	1,419	4,631	7,731	13,681	11,958	10,465	9,106	7,711
Total	6,419	8,131	11,231	17,181	15,458	13,965	12,606	11,211

The table below displays the Authority's outstanding borrowings in accordance with International Financial Reporting Standards for the planning years, broken down by current and long term.

OUTSTANDING BORROWINGS
For the year ended December 31
(in thousands of dollars)

	Actual 2019	Current Forecast 2020	Budget 2020	Budget 2021	2022	2023	2024	2025
Current Portion								
Operating Credit Facility								
Lease Liabilities	343	582	345	525	117	112	96	99
Loans Payable	406	750	1,060	770	516	359	368	378
Total Current Portion of Borrowings	749	1,332	1,405	1,295	634	471	464	476
Non-Current Portion								
Operating Credit Facility								
Lease Liabilities	646	560	302	35	836	725	629	531
Loans Payable	1,013	3,881	6,671	12,911	11,442	10,106	8,738	7,334
Total Non-Current Portion of Borrowings	1,659	4,441	6,973	12,946	12,278	10,831	9,367	7,864
Total Borrowings	2,407	5,773	8,377	14,242	12,912	11,302	9,831	8,341

BORROWING CONTINUITY

For the year ended December 31

(in thousands of dollars)

Lease Liabilities	Actual 2019	Current Forecast 2020	Budget 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025
Opening balance	-	989	989	1,142	560	954	837	725
IFRS assumption of existing leases	1,308	-	-	-	-	-	-	-
Maturities	(319)	(562)	(342)	(582)	(606)	(117)	(112)	(96)
New Issuances	-	715	-	-	1,000	-	-	-
Total Lease Liabilities	989	1,142	646	560	954	837	725	629
Loans Payable								
Opening Balance	1,815	1,419	2,822	4,631	13,681	11,958	10,465	9,106
Maturities	(396)	(489)	(892)	(1,449)	(1,721)	(1,493)	(1,359)	(1,395)
New Issuances	-	3,700	5,800	10,500	-	-	-	-
Total Loans Payable	1,419	4,631	7,731	13,681	11,958	10,465	9,106	7,711
Total Borrowings	2,408	5,773	8,377	14,242	12,912	11,302	9,831	8,341

Operating Line of Credit

The Authority requests to borrow, on a day-to-day basis from its bank, sums of money to manage its cash flow. The Authority views these borrowings as a ‘best business practice’ and wishes to renew this facility. These borrowings are to be charged at market rates levied by a Canadian bank and repaid prior to December 31.

Currently, the Authority has approval from the Minister of Finance to borrow up to $3.5 million. This sum is deemed to be enough for this planning period and the Authority does not seek any change to this limit.

The Authority intends to maintain its medium to long term cash balance between $2 million and $4 million over the Corporate Plan years.

Considering the Authority forecasts that it will achieve negative comprehensive income in fiscal 2020/2021, and low net income in fiscal 2022/2023/2024, any unknown factors outside of the Authority’s control (i.e. tariff delays, volume changes, unforeseen engine breakdowns) may push the Authority’s expected cash position below its forecasted balance.

In addition, given the cyclicality of the Authority’s business, the ramp up in assignment volumes in the end of spring tends to put excess pressure on the Authority’s cash position. There are periods during this ramp up in which the Authority must issue payments in excess of $8 million per month which are only recovered afterward.

Because the Authority's mandate is to be financially self-sufficient, having an available line of credit on which to draw from with the Authority's currently low cash balance is necessary.

This Corporate Plan serves as the Authority's formal application to the Minister of Finance for renewal of this facility at $3.5 million.

IFRS 16 Adoption

In the FY2019 fiscal year, the Authority adopted the International Financial Reporting Standard 16 (IFRS 16), entitled Leases. This requires the Authority to account for all material leases as a liability equal to the discounted present value of future lease payments, regardless of whether the leases were previously determined to be capital or operating leases.

On January 1, 2020, the Authority recorded $715k of new leases as a liability and as a capital asset, as a result of this IFRS standard. This liability (and corresponding asset), will be amortized over the planning years in accordance with the Borrowing Continuity schedule above.

Investment Policy

The Authority requests the Minister of Finance's 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 Queen 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

The Authority considers risk management to be a shared responsibility. Accordingly, members of the Board of Directors, its committees, the CEO, and all employees are accountable for managing risk within their area of responsibility. Risk management policies ensure a consistent, comprehensive and enterprise-wide risk management approach that is integrated into planning, decision making, and operational processes.

The Board of Directors has adopted the following risk profile and tolerance matrix:

Risk Ranking Methodology

	Financial	Operational				Strategic	
		Human	Property	Vessel(s)	Environmental	Disruption of Business	Reputation
Extreme **5**	Above $10 million cash impact on the Authority	Multiple deaths And multiple people with serious long-term injury Intensive care	Damage to property is such that it ceases operations for a period of time exceeding one month or financial loss exceeds $10 million	Vessel sinks or sustains so much damage that it is a constructive total loss	Incident causes sustained long-term harm to environment (i.e. damage lasts greater than a month)	Threatens long-term viability of Authority (Operational cessation or major operational issues lasting more than one month)	Sustained front page adverse national media coverage International media coverage
Very High **4**	Impact on the Authority between $5 and $10 million	Single death And multiple people with serious long-term injury Intensive care	Damage to facilities is such that operations cease for up to one month or financial loss of $5 - $10 million	Vessel sustains damage significant enough to result in towing to dry dock and loss of operations of up to one month	Incident causes sustained medium-term harm to environment (i.e. damage lasts up to one month)	Threatens viability of Authority in the medium term (Operational cessation or major operational issues lasting up to one month)	Front page adverse national media coverage And intermittent international coverage
High **3**	$1 million - $5 million cash impact	Some people with serious long-term injury and multiple minor injuries	Damage to facilities is such that the operations cease for up to two weeks or financial loss of $1 - $5 million	Vessel sustains significant damage with dry docking and loss of operations for two weeks	Incident causes medium term harm to environment (i.e. damage lasts up to two weeks)	Threatens viability of Authority in the short term (Operational cessation or major operational issues lasting up to two weeks)	Intermittent adverse national media coverage
Medium **2**	Between $500,000 to $1 million cash impact	One person with serious long-term injury Some minor injuries	Damage to facilities cause operations to cease for up to one week Or financial impact of $500,000 - $1 million	Vessel sustains damage resulting in loss of operations for one week	Incident causes short term harm to environment (i.e. damage lasts no greater than one week)	Operational issues 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
Low **1**	Up to $500,000 cash impact	Single or multiple minor injuries requiring on site First Aid and/or off-site treatment	Damage to facilities cause operations to cease for up to 72 hours Or a financial impact up to $500,000	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)	No operational issues or operational issues lasting up to 72 hours	Intermittent adverse local media coverage Complaints received from industry and/or clients

Risk Likelihood Ranking Criteria

Likelihood	Risks that are ongoing	Risks that are one off
Extreme 5	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).
Very High 4	We expect that the risk will occur at least once a year.	We expect the risk will most probably occur.
High 3	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.
Medium 2	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.
Low 1	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 Score Key

To achieve the risk's score, multiply the Impact score by the likelihood score. The overall rankings are as follows:

25	Extreme	20	Very High	15	High	10	Medium	5	Low
24	Extreme	19	Very High	14	High	9	Medium	4	Low
23	Extreme	18	Very High	13	High	8	Medium	3	Low
22	Extreme	17	Very High	12	High	7	Medium	2	Low
21	Extreme	16	Very High	11	High	6	Medium	1	Low

At present, the three highest rated key strategic risks identified for the corporation are:

Risk #1: Decrease in assignment volumes

Description:

- The PPA is unable to cover committed obligations and overhead because of a decrease in assignment volumes.

Causes:

- C1: Sudden decrease in assignments because of the implementation of trade barriers between Canada and China. Changing trade patterns (i.e. effects on globalization).
- C2: Sudden decrease in coal and tanker assignment volumes because of an upswell in anti-fossil fuel activism.
- C3: Economic impacts of global events (geopolitical, pandemic, climate change etc.) affect assignment volumes. Detailed scenario analysis is performed and presented to the Board for evaluation of financial risks to the business.

Consequences:

- Loss in revenue
- Possible inability to cover fixed costs

Controls:

- Controls for C1:

  There are formal discussions with Ottawa (Finance, Treasury and Transport) annually on the risks of political events affecting trade. This insight gives the Authority line of sight to potential upcoming events. In addition, the Authority maintains a cash reserve and has access to short-term borrowings in order to allow for quick access to needed funds if there is an unexpected and sudden change in assignment volumes.
- Controls for C2:

  The Authority has a well diversified mix of product sectors which it caters to (11 significant product sectors). This high product mix acts as a natural mitigating control against the effects of a decrease in coal and tanker volumes. As a proactive control, the Authority interfaces with stakeholders on their expectation of future product volumes and incorporates their expectations into volume planning.
- Controls for C3:

  PPA crisis management process. The management team and the Board perform scenario analysis in order to understand the impact of changes in volumes and act accordingly.

Ranking rationale:

- Likelihood – 5: Risk is rated as ‘Extreme’ due to the fact that the risk is already occurring and not all controls are rated as fully effective.

- Impact – 4: The net impact of this risk on the Authority is expected to be in the range of $5 - $10 million and is therefore assessed as being very high. However, the impact could be higher. A material change in assignment volumes could force the Authority to increase tariffs to a level considered to be significant enough to impact trade on the west coast of Canada.

  Score - 20

Risk #2: Tariff Objection

Description:
- New tariff methodology opens additional avenues for industry to object to tariff levels.

Causes:
- C1: Lack of clarity by Transport Canada on administration charges increases likelihood of objections which will be difficult to defend.

Controls:
- Controls for C1:
  - The current business model is designed with adequate margins achievable in each cost center to absorb slight delays.
  - Detailed forecasting of traffic in advance with industry engagement is helping to predict income streams and expenditures and lower the risk of objection.
  - Constant monitoring of financial indicators and traffic patterns to ensure accurate forecasts are created which strengthens trust from industry.
  - Good communication with industry bodies and clients before implementing tariffs, seeking feedback and adjusting where necessary aids forecasting.
  - Scenario planning now included in risk discussion groups incorporating consideration of financial aspects of possible major developments that could affect PPA's business.

Consequences:
- Significant liquidity problems (expenses increase with no revenue increase).
- Insufficient financial reserve to absorb the delay effect.
- Difficulties in achieving tariff increase approval due to need to increase reserves for potential future delays.

Ranking rationale:
- Likelihood – 3: Good relations with industry and a highly inclusive tariff consultations process assist in tariff increase procedures.
- Impact – 3: Conflict in proposals for tariff increases could cause delays in the tariff approval process, which could necessitate the need to build reserves into the Authority in order to continue as a going concern through objections; which in turn could cause an increased likelihood of objection with the impact of delays in needed increases.

Score - 9

Risk #3: Relations with communities and the public following an incident

Description:

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

Causes:

- C1: Poor relationship with communities.
- C2: Misinformation regarding the incident.
- C3: Lack of appropriate follow up following an incident.

Controls:

- Controls for C1 - C3:
  - The PPA works hard on relationship building with all sectors on an ongoing basis. Strong relationships will ensure that the trust needed post incident will already be in place.
  - Open, honest and transparent communication and the sharing of data in a post incident scenario will greatly lessen any negative publicity and court action.
  - The PPA can demonstrate that there are very effective controls in place both for avoiding accidents and for responding to any negative impacts, particularly pollution, should an accident occur. Notably:
    - The primary control to avoiding an accident is to ensure that the Authority has:
      - a robust pilot examination process;
      - world class training regime; and
      - an active quality performance and risk assessment process in place.
    - Controls for pollution as a result of an incident:
      - Rules in place that govern the petroleum industry ensuring that only double hulled vessels and barges are able to carry petroleum products.
      - Regulations governing required experience for waiver holders.
      - Notices to Industry and Pilots, Standards of Care documents and Guidelines put in place to govern the movement of bulk liquids, vessels under waiver and identified risks on the coast.

Consequences:

- Pollution as a result of one of the above incidents could cause damage to the communities' structures, food sources, cultural and spiritual heritage and as a result impact our relationship with the community leading to negative publicity and or court action by the injured parties.

Ranking rationale:

- Likelihood – 2: The probability of a sustained negative response given the level of communication and our present relationships is low at present. The Nathan E Stewart is an example where we received a lot of positive press for our actions post incident.
- Impact – 3: The impact of pollution on many of the local communities dependent on the sea for their food supply will be extreme and will therefore severely impact our relationship, reputation, brand and trust.

Score - 6

Appendix 8 - Compliance with Legislative and Policy Requirements

Below is a list of the legislative and policy directives with which the Authority must comply and is in full compliance:

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 FY2018, 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.

Additional Acts with which the Authority must comply and is complying with include:

- *Conflict of Interest Act*
- *Canadian Human Rights Act*
- *Corruption of Foreign Public Officials Act*
- *Privacy Act*
- *Employment Equity Act*
- Part X of the *Financial Administration Act*

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 voluntarily 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 CEO and Chair.

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 Corporation supports and complies with the following legislation that affects various facets of its operations:

CORPORATE

- *Canada Business Corporations Act*, R.S.C. 1985, c C-44
- *Financial Administration Act*, R.S.C. 1985, c F-11

GOVERNMENT INSTITUTIONS

- *Auditor General Act* R.S.C., 1985, c. A-17
- *Conflict of Interest Act*, S.C. 2006, c 9, s 2
- *Commercial Arbitration Act*, R.S.C. 1985, c 17 (2nd Supp.)
- *Library and Archives of Canada Act*, S.C. 2004, c 11
- *Lobbying Act*, R.S.C. 1985, c 44 (4th Supp.)
- *Privacy Act*, R.S.C. 1985, c P-21
- *Public Servants Disclosure Protection Act*, S.C. 2005, c 46

REGULATORY STATUTES

- *Pilotage Act*, R.S.C. 1985, C. P-14
- *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
- *Canadian Human Rights Act*, R.S.C. 1985, c H-6
- *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 17*

Amongst others including:

- *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 for growth for the middle class; open and transparent governance; a clean environment and a strong 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.

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 quantities 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%), management has 33% female representation and corporate staff has a 44% female representation. The Authority continues to struggle to find and recruit female representation in the launch and pilot portions of our business due to a lack of interested female candidates. This continues to be a focus for change through our outreach programs. The Authority strives to make the workplace reflective of our society. At present the Vancouver office has employees from Canada as well as a number of who have immigrated from East India, Europe and South Africa.

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. is an associate member of the Green Marine organization
2. is ISO and ISM certified
3. has a sustainability policy in place
4. has requirements that all new engines must meet or exceed the emissions standards
5. 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. While we do not engage directly with activists as that is outside of our mandate, we can support government and project proponents to tell the story of how we can work together to be good stewards of our waterways and coastlines.

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 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.

Appendix 10 - Acronyms

Acronym	Definition
BCCP	British Columbia Coast Pilots Ltd.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMSG	Canadian Merchant Service Guild
ERMS	Enterprise Risk Management & Safety
FAA	*Financial Administration Act*
IFRS	International Financial Reporting Standards
ILWU	International Longshore & Warehouse Union
LPG	Liquefied Petroleum Gas
PCO	Privy Council Office
PPA	Pacific Pilotage Authority
PPU	Portable Pilotage Unit
PTEC	Pilot Training and Examination Committee
PTSC	Pilot Transportation Safety Committee
PU	Pilotage Unit - calculated as the vessels (length * breadth * draft)/100
SORC	Safety and Operating Review Committee
TMX	Trans Mountain Expansion