PACIFIC PILOTAGE AUTHORITY

2023 ANNUAL REPORT

Pacific Pilotage Authority
Administration de pilotage du Pacifique

Canada

13,424
assignments
+4.1 % over previous year

99.99%
incident free assignments

$123.3M
in revenue
+16.8 % over previous year

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PILOT BOARDING STATIONS
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Brotchie Ledge, off Victoria
Cape Beale, off Port Alberni
Triple Island, off Prince Rupert
Pine Island, off Port Hardy

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LETTER FROM BOARD CHAIR AND INTERIM CEO

March 26, 2024

The Honourable Pablo Rodriguez
Minister of Transport
Tower C – Place de Ville
330 Sparks Street
Ottawa, ON K1A 0N5

Dear Minister:

On behalf of the Board of Directors and management of the Pacific Pilotage Authority (the Authority), we are pleased to submit our Annual Report for the year ended December 31, 2023.

This was a busy year for the Authority and one of continued post-pandemic recovery. We provided safe and efficient marine pilotage services in the Pacific region and replenished financial reserves in accordance with our obligation to be financially self-sustaining. We also delivered on significant projects and tasks setting up the organization for success in 2024.

The Authority developed and published a new Strategic Plan for 2024-2029. The plan articulates four strategic priorities for the next six years with respect to on-going collaboration with Transport Canada and Canada's pilotage authorities towards a national pilotage system; leveraging technology for the next generation of piloting; focusing on our people and industry-led efforts to promote maritime careers and finding operational efficiencies at all levels.

The Authority maintained an exceptional safety and service record in 2023

The Authority successfully concluded negotiations for three new labour contracts for our employees ensuring stability during a significant inflationary period and amidst nationwide labour disruptions. The Authority also underwent a Special Examination by the Office of the Auditor General this year. We look forward to receiving the final results in the spring of 2024

Our Strategic Partnership Agreement with the BC Coast Pilots continues to provide a collaborative framework to work together in providing a safe and efficient pilotage service on the West Coast. We also jointly operate a three-bridge full mission Pilotage Simulator for Training and Research. Using the simulator this past year, BC Coast Pilots trained on docking manoeuvres in preparation for the arrival in 2024 of additional Trans Mountain tankers calling at Westridge Terminal, and simulations. Simulations and training for several major export and infrastructure development projects will keep the facility busy in the year ahead.

Significant management resources were dedicated during the year to planning and preparing for the two major energy projects on the West Coast expected to be operational in 2024/25 – Trans Mountain's expanded pipeline and LNG Canada's new terminal in Kitimat. In preparing to provide pilotage services to both these facilities, countless hours have been spent with the proponents and other stakeholders to uphold our commitment to safety and cost effectiveness. This includes the proposed introduction of a heli-hoisting service to transport pilots to/from laden tankers further from shore, thereby increasing the time the tankers are being piloted in our coastal waters. We look forward to playing a role in the successful commencement of both projects.

In April, following its investigation of the 2021 sinking of the tug *Ingenika*, the Transportation Safety Board issued the Authority with recommendations that seek to strengthen the Authority's oversight of pilotage waivers. The Authority responded by taking immediate action to revise the pilotage waiver review process and communicate changes to waiver applicants. Sea time requirements under the *General Pilotage Regulations* remains an outstanding issue in the waiver program and discussions with Transport Canada to find a solution are ongoing.

The Authority launched our new Pilot Dispatch and Accounting Management System, including training for employees, the piloting community, ports and agents. The introduction of a mobile app for pilots to record the details of their pilotage assignments has significantly improved the speed and accuracy in capturing important operational data used for resource planning and billing. The next development phase of the new system will incorporate lessons learned from the first phase and will integrate additional functionality to support processes for pilot training and examinations, and pilotage waivers.

Operationally, the Authority maintained an exceptional safety and service record in 2023. Delays were minimal and there were only two minor incidents among the 13,424 pilot assignments carried out and no safety incidents in our launch operations. Cruise ships returned in record numbers prompting the Authority to charter an aircraft to transfer pilots between the south and north coasts. This successful practice will continue in 2024 providing greater flexibility, improved cost effectiveness and strengthening our ability to respond to industry's needs.

The Authority continues to work closely with pilots, the shipping industry and the coastal communities in which we operate. To this end and recognizing the importance of the views and objectives of First Nations governments and communities with respect to the pilotage system, the Authority welcomed two Indigenous directors to the Board in 2023. These important relationships contribute to sound governance and decision making and strengthen social licence for marine shipping in our region.

The Authority continued to add value to navigation safety by working with Canada's other pilotage authorities towards a national pilotage system. The connection between the pilotage authorities' Board members and managers was strengthened with joint training and information sessions. Collaboration with Transport Canada also increased as the department assumes greater oversight of the *Pilotage Act*.

The year ended with the announcement that Julie Gascon, our former CEO, would be moving on from the Authority in early 2024 to take on an exciting leadership opportunity at the Montreal Port Authority. While we are sorry to see her go, we are proud to see a female mariner take on this important role leading the second largest port in Canada, and we wish Julie well in her new endeavours. In the interim, our CFO, Stuart Mackenzie, has assumed the role and we look forward to announcing a permanent successor soon.

We wish to express our appreciation and gratitude to our dedicated staff, pilots, and Board of Directors for the incredible work they have done and continue to do.

Respectfully submitted,

Lorraine Cunningham
Chair

Stuart Mackenzie
Interim Chief Executive Officer

WHAT IS THE PACIFIC PILOTAGE AUTHORITY?

Commercial vessels greater than 350 gross tons, and pleasure craft greater than 500 gross tons, while travelling in the pilotage waters of the west coast of Canada, are legally required to use the services of a Canadian marine pilot as per the *General Pilotage Regulations*, which are enabled by the *Pilotage Act*. The Pacific Pilotage Authority ("the Authority") is a federal Crown corporation whose mandate is to administer this marine pilotage service in the waters on 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 the States of Alaska in the north to Washington in the south and is one of the largest mandatory pilotage areas in the world. This unique coast wide pilotage model enables the Authority to service all ports on the West Coast, as well as the cruise ships that transit the inside passages of BC, with a small group of marine pilots.

Marine pilotage is all about safety as it serves to protect people, property and the environment, and thus the interests of the Canadian people. We hold ourselves accountable to the Canadian public in this regard.

Mandate

The mandate of the Authority is to establish, operate, maintain, and administer, in the interests of safety of navigation, an efficient pilotage service within the region set out in respect of the Authority, whilst aligning with the principles set out in the *Pilotage Act*.

Principles

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

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;

that pilotage services be provided in an efficient and cost-effective manner;

that risk management tools be used effectively and that evolving technologies be taken into consideration; and

that an Authority's pilotage charges be set at levels that allow the Authority to be financially self-sufficient.

Our Vision

The Authority's vision is to lead a world-class marine pilotage service on the west coast of Canada.

The Authority has been very thoughtful and deliberate in setting our sights on leading a world-class marine pilotage service on the west coast of Canada. Our vision is by its very definition bold and ambitious – just like the team members who make up the Authority and our strategic partners. To achieve our vision the Authority must demonstrate:

- An industry-leading safety record
- A culture of operational efficiency where customers receive value for fees paid and the Authority is financially self-sustaining
- A leadership role in the industry – regionally and nationally

Our Mission

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

Corporate Objectives

Our objectives in 2023 were as follows:

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.

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.

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.

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

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.

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.

Corporate Values

Honesty/Integrity
We will ensure honesty and integrity in everything that we do. We share responsibility for being effective, accountable and acting appropriately. We consider the outcome of decisions for all those affected before we implement change. We act with visible integrity and openness and support each other in these actions.

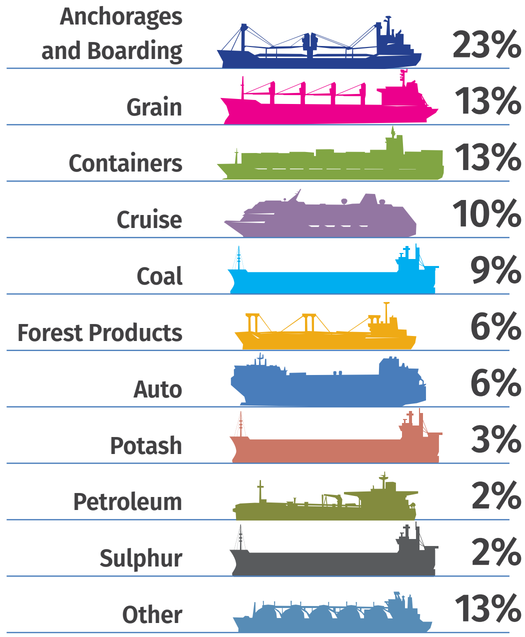
Positive Stakeholder Relations
We will work hard to maintain positive relations with all stakeholders including the shipping industry, the pilots and their respective organizations, our employees, the communities in which we operate and all other related individuals and organizations.

Service Quality
We strive for excellence in all our activities. We continuously learn, develop and improve. We take pride in our work and in the services we provide to our clients and partners.

Accountability/Responsibility
We are accountable, as individuals, team members and as an organization for our actions and our decisions. We make effective and efficient use of the resources provided to us. We adhere to our policies and procedures, our mission and objectives, and to the regulations governing us. When our commitment to innovation is at odds with existing procedures, we will work within the system to achieve positive change and improvement.

Adaptability and Innovation
We value innovation and creativity. We encourage and support originality and diversity of thought. As individuals and as teams, working with our internal and external partners, we welcome new ideas and methods to enhance our service and the use of our resources.

ACTIVITIES AND ACHIEVEMENTS FOR THE YEAR



Everybody's cruising

1,377 pilotage assignments, nearly 9% more than in 2022, were carried out aboard a record number of visiting cruise ships, some 332 in Vancouver alone, as the industry continued to rebound following the pandemic.

Moving right along

99.9% of assignments were carried out with no delays to ships underscoring the PPA's importance in keeping goods moving in Canada's supply chains.

Smooth sailing

With only two incidents of a minor nature among a total 13,424 pilotage assignments, the PPA maintained an exemplary safety record of 99.99%.

KEY ACTIVITIES IN 2023

Results of key activities in 2023 in support of achieving our strategic objectives were as follows:

OBJECTIVE	ACTIVITY	RESULTS
Provide safe, reliable and efficient marine pilotage	Upgrade PSTAR visual, tidal current and bathymetry databases in partnership with the BC Coast Pilots (BCCP) and the guidance of the Pilot Training and Examination Committee (PTEC)	Simulators used to provide training to pilots on new Westridge terminal to be used by Trans Mountain.
	Upgrade the existing dispatch and accounting system and introduce e-source cards	New system went live February 1, 2023. Use of e-source cards has significantly reduced lag between completion of pilot's assignment and issuing invoice to customer.
	Implementation of helicopter-hoisting operations in the south and the north to service ships departing Trans Mountain (TM) and LNG Canada terminals	RFP completed and lead proponent identified. Discussions on an implementation plan and contract terms have commenced. Terms of a services agreement have been negotiated with TM.
	A complete review of the coastwide pilot transportation network, including launches, taxis and aircraft	Following an independent report issued by a transportation consultant early in 2023, a more efficient air charter agreement was negotiated and implemented to transport pilots during the cruise ship season.
	Respond to Transportation Safety Board's recommendations on PPA oversight of pilotage waivers	Reviewed and accepted TSB recommendations; posted formal response to PPA website; commenced implementation of modifications to oversight procedures; initiated discussions with Transport Canada regarding on-going regulatory challenges to recognition of sea time.
Ensure financial self-sufficiency	Work closely with National Pilotage Advisory Committee (NPAC) to address concerns over financial reserves	The Authority led the development and presentation at NPAC of common principles amongst pilotage authorities for establishing an appropriate level of financial reserves.
Promote organizational and environmental sustainability	Establish a Pay Equity Committee	Consultant engaged to assist with development and implementation of pay equity plan.
	Support physical and psychological health and safety	Approved new harassment and violence prevention policy. Published harassment and violence prevention procedures to streamline complaint process for employees.
	Advance anti-racism, diversity and equity in pilot and launch operations	Six scholarships created and funded by the Authority at BC Institute of Technology.
	Develop and implement procedures to address cybersecurity and privacy issues	New privacy policy approved by the Board. Ongoing training of staff in identifying potential phishing attacks.

OBJECTIVE	ACTIVITY	RESULTS
Demonstrate leadership	To actively engage with First Nations communities on the west coast of Canada	Met with leaders of Kitasoo/ Xai'xais community in Klemtu to discuss mutual interests in marine safety and environmental protection.
	Work with Transport Canada marine pilotage program officials and other pilotage authority CEOs regarding the transition to the department of regulatory enforcement	Authority has provided comments to Transport Canada on next iteration of Marine Pilotage Regulations related to pilot licensing and certification.
Manage risk	Develop a Safety and Operational Procedures manual for all ports not located within a port authority and publish the information on the Authority's website	Visits to several outports conducted in 2023 for data gathering
Focus on the future	Work closely with: • BCCP through a strategic partnership • National Pilotage Advisory Committee (NPAC) to address any concerns over efficiency • the Indigenous communities and the public and to communicate the Authority's value in protecting the marine environment	Recruited two Indigenous members to the Authority's Board, who will assist in guiding the Authority's efforts to build relationships with Indigenous communities.

The Authority successfully concluded negotiations for three new labour contracts for our employees ensuring stability during a significant inflationary period and amidst nationwide labour disruptions.

Key Performance Indicators

The performance indicators of the Authority are regularly reviewed and assessed by the Board of Directors. Part of the assessment is based upon certain key performance indicators (KPIs) which are listed below. The Authority shares the KPIs with its stakeholders.

RESULTS FOR 2023

Safety	Goal	Actual	Prior Year
1. Incidents on vessels under pilotage (% incident free)	1 (99.9%)	**2 (99.9%)**	8 (99.9%)
2. Incidents on pilot launches (% incident free)	1 (99.9%)	**0 (100%)**	0 (100%)
3. Pollution incidents on pilot launches	0	**0**	0
Reliability			
4. Number of delays caused by pilots (% delay free)	1 (99.9%)	**4 (99.9%)**	4 (99.9%)
5. Number of delays caused by dispatch errors (% delay free)	1 (99.9%)	**3 (99.9%)**	0 (99.9%)
6. Number of delays caused by launches (% delay free)	1 (99.9%)	**1 (99.9%)**	2 (99.9%)
7. Total number of delays (% delay free)	3 (99.9%)	**8 (99.9%)**	6 (99.9%)
Efficiency: General			
8. Average number of working days to resolve all complaints	5 days	**5 days** (6 complaints)	2 days (6 complaints)
9. Average number of working days to resolve all invoice disputes	5 days	**5 days** (8 disputes)	2 days (16 disputes)
Efficiency: Pilots			
10. Complaints regarding pilot service level [number of complaints/number of assignments]	0%	**0.1%**	0.1%
11. Callbacks as percentage of assignments	2.5%	**2.4%**	2.5%
12. Annual assignments per pilot			
a) Coastal	95 [1]	**100**	115
b) Fraser River	99	**128**	125
13. Annual utilization of pilots – terminal delays [hours delayed at terminal/total hours on assignment]	5%	**2%**	2%
14. Annual utilization of pilots – cancellations [number of cancellations/number of assignments]	8%	**9%**	8%
Financial			
15. Average revenue/cost per assignment			
a) Revenue	$ 9,072	**$ 9,188**	$ 8,191
b) Cost	$ 8,927	**$ 8,759**	$ 8,119
c) Profit	$ 145	**$ 429**	$ 72
16. Maintain adequate reserves (cash and investments)	$ 13M	**$ 16M**	$ 9M
17. Accounts receivable - % of invoices under 30 days	95%	**94%**	85%
18. Working capital ratio – current assets/current liabilities	1.0 [2]	**1.28**	1.09

1: The goal for coastal assignments per pilot in 2023 was amended from the goal reported in Corporate Plan for 2023-2027 to account for assignments with a second pilot.
2: The goal for the working capital ratio as reported in the Corporate Plan was amended to reflect the desired ratio of 1.0 rather than the forecast ratio for 2023 of 0.89.

Five year financial summary

The table below provides a historical financial summary of the Authority for the past five years from 2019 through 2023.

Financial Results ($'000)	**2019**	**2020**	**2021**	**2022**	**2023**
Revenues	96,856	83,241	84,561	105,632	123,342
Expenses	93,972	83,432	86,499	104,702	117,587
Profit (Loss)	2,884	(191)	(1,938)	930	5,755
Financial Position ($'000)					
Current Assets	16,500	14,817	13,988	14,664	20,279
Current Liabilities	12,874	13,747	13,291	13,470	15,849
Net Working Capital	3,626	1,070	697	1,194	4,430
Property and equipment	12,329	13,547	16,600	17,257	18,319
Borrowings (non-current)	1,013	601	5,285	4,805	4,498
Number of Assignments					
Coastal	12,233	11,787	11,101	11,897	12,335
River	1,158	949	988	999	1,089
Average Number of Pilots					
Coastal	123	123	112	121	126
River	9	9	9	9	9
Revenue per Assignment					
Coastal	$ 5,665	$ 5,249	$ 5,451	$ 6,072	$ 6,832
River	$ 3,585	$ 3,808	$ 3,845	$ 3,536	$ 3,936

CORPORATE GOVERNANCE

Corporate governance is the process of establishing and monitoring policies and procedures to ensure the appropriate stewardship of the Authority's business and corporate affairs, including financial self-sufficiency.

As a Crown corporation, the Authority operates at arm's length from the Government of Canada. While the federal government provides policy direction for the Authority's ongoing operations, the Authority's Board of Directors ensures that the Authority fulfils its mandate by setting the 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 Directors are 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 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 led by the CEO who reports to the Board through the Chair. The Authority's governance chart on the next page shows the reporting structure.

BOARD COMMITTEES

1. **Finance and Audit Committee (FAC)** - the committee Chair and at least three additional Board members are designated as members of this committee. This committee meets six times per annum and additionally, as required. Members are expected to be financially literate. Its mandate includes oversight of financial matters, financial reporting, external audit, internal audit, compliance with the *Financial Administration Act* and the Authority's enterprise risk management framework.

2. **Governance and Nominating Committee (GNC)** – this committee meets on an as needed basis, at the call of the committee Chair. Its mandate is to ensure the Authority follows good corporate governance practices. The GNC also identifies and encourages suitable candidates to apply for the merit-based selection criteria for appointment to the Board. The GNC comprises Board members and is chaired by the Board Vice-Chair. The Corporate Secretary serves on the GNC as a non-voting member.

3. **Human Resources Committee (HRC)** – this committee meets on an as needed basis, at the call of the committee Chair. Its mandate includes ensuring the Chief Executive Officer (CEO) evaluation (Performance Management Program, PMP) and executive development planning is in place at the Authority. The HRC is also mandated to review the compensation of the CEO, including the annual PMP and to oversee the establishment of safety standards and safe operation of the Authority's Vancouver office. The HRC comprises three Board members. The CEO and the Chief Human Resources Officer serve on the HRC as non-voting members.

4. **Pilot Training and Examination Committee (PTEC)** – this committee meets four times per annum and additionally, as required, to conduct pilot examinations. Its mandate is to conduct pilot examinations and review ongoing training programs for pilots. It is chaired by a Board member and includes members of the Authority's management and representatives of both pilot groups. A Committee of Examiners is established for the purpose of conducting pilot examinations.

5. **Communications and Engagement Committee (CEC)** – this is a new committee and is expected to meet four times per year with a mandate to strengthen the Authority's communications with internal and external groups, and to build relationships with Indigenous and coastal communities. It is chaired by a Board member and comprises a second Board member and members of management team.

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

There was also a CEO Search Committee convened during the year, which was disbanded in February 2024.

ORGANIZATIONAL STRUCTURE OF THE AUTHORITY

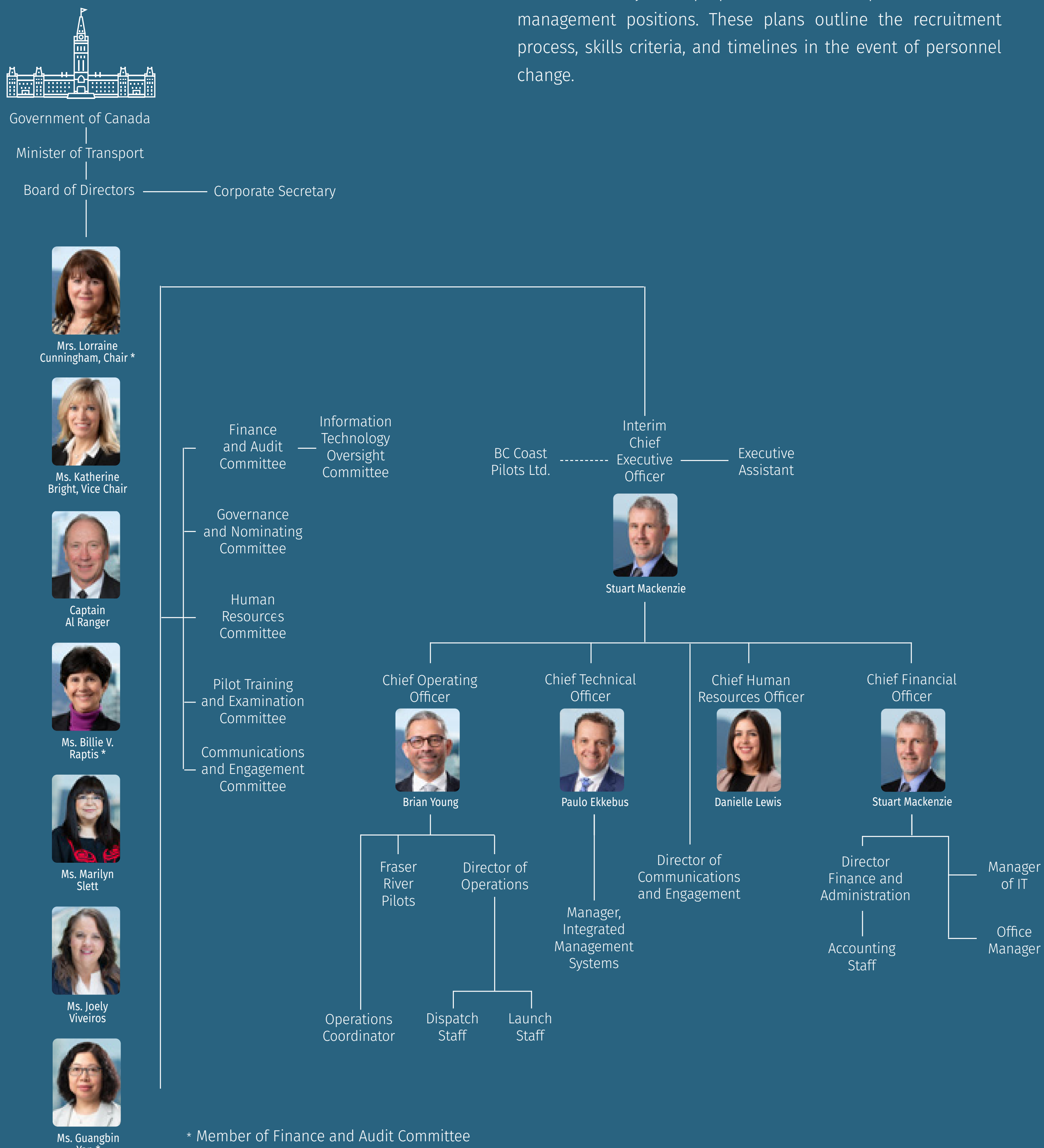
The Authority is managed by the CEO who reports to the Board.

There are 13 management employees, 11 employee pilots, 14 full-time and eight casual dispatchers, four full-time and five casual/part-time administrative staff, and 27 full-time and 32 casual launch employees.

In addition, 126 marine pilots provided coastal pilotage services to the Authority during 2023 through their company, the British Columbia Coast Pilots Ltd ("BCCP").

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

The Authority has prepared succession plans for senior management positions. These plans outline the recruitment process, skills criteria, and timelines in the event of personnel change.



* Member of Finance and Audit Committee

Human Resources

The Authority has a highly skilled and experienced leadership team supported by dedicated operations and administrative employees. The Authority fosters an inclusive and supportive working environment by maintaining open communication with union leadership, conducting regular site visits and townhalls, and soliciting regular employee feedback through surveys and roundtables.

The psychological safety of our employees is paramount. We regularly disseminate information on our Employee and Family Assistance Program and encourage staff to access it. A seminar on Enhancing Work-Life Harmony was held for the leadership team where participants learned strategies to enhance their psychological well-being and work-life balance. An organization-wide workplace stress and wellness survey was conducted, and results were shared at the employee townhall with an action plan outlining how we would take steps to better support employee health and wellness.

The Authority is committed to removing barriers to participation for historically under-represented groups and ensure that recruitment and promotion practices foster a diverse workforce at all levels of the organization. The Captain Kevin Obermeyer Scholarship was established in June 2023. The scholarship, totalling $15,000 annually, will provide awards to recognize deserving students in the British Columbia Institute of Technology (BCIT) Nautical Sciences Program and the Bridge Watch Rating programs. The scholarship also has a mentoring pillar for which the Authority will make itself available to support recipients throughout their maritime careers, with a focus of promoting a career in pilotage.

The Authority provided customized inclusive leadership training to the management team and BC Coast Pilots leadership team in recognition of our shared responsibility in building a culture of inclusivity and accountability. Using an intersectional and human rights lens, the training provided an overview of what inclusive leadership looks like, and the benefits of being an inclusive leader for individuals, teams, and organizations.

The Captain Kevin Obermeyer Scholarship was established in June 2023

The Authority successfully renewed all three collective agreements this year with the International Longshore and Warehouse Union and the Canadian Merchant Service Guild:

- the Canadian Merchant Service Guild, representing all employee pilots (11 employees), expires January 31, 2027;
- the Canadian Merchant Service Guild, representing all launch masters and engineers (59 employees), expires March 31, 2028;
- the International Longshore and Warehouse Union, Local 520, representing all deckhands, dispatchers and administrative staff (38 employees), expires March 31, 2027.

During the year the Authority also started developing a pay equity plan, as required by the new *Pay Equity Act*.

Recruitment and Training of Pilots

The Authority selects and trains marine pilots in accordance with its Quality Assurance Procedures and the *General Pilotage Regulations* to ensure a highly qualified and skilled workforce. The selection and training process for marine pilots involves:

- reviewing the potential candidates' medical fitness, maritime qualifications, and local area sea time for compliance with the *General Pilotage Regulations*;
- potential candidates' participation in the Pilot Familiarization Program as required by the *General Pilotage Regulations*;
- examination of candidates who meet both of the requirements above;
- apprenticeship and training before Transport Canada licenses the candidates; and
- progression and recurrent training during their piloting career.

Candidates who meet the pre-requisites are enrolled into the Pilot Familiarization Program which is administered by the Authority. This program is restricted to a maximum enrolment of 40 candidates at any given time. The program allows the potential pilot candidates to complete familiarization trips along with licensed pilots; it also helps enhance their coastwide knowledge and improves their performance in the examinations. At the end of 2023, enrolment in the program was at maximum capacity.

Marine pilot entry exams are conducted once or twice each year to assess potential candidates for the necessary knowledge, experience, and skills required to perform the job. The exam process consists of a series of two written and one oral exam that test candidates' general knowledge of ships and local knowledge of the coast.

The minimum duration of the apprenticeship period for BC coast pilots and Fraser River pilots are nine and one-half months and five months, respectively. Both apprenticeship durations can be extended up to a maximum of twenty-four months.

The Pilot Training and Examination Committee regularly reviews training facilities to ensure our training standards and the instruction level is relevant, effective, and valid.

The cost for training each apprentice is approximately $200,000, which includes remuneration, course fees and travel expenses. These costs are borne entirely by the Authority. If the apprenticeship period extends to 24 months, the costs increase to approximately $400,000 per pilot.

The Authority works with the BC Coast Pilots and Fraser River pilots to ensure sufficient apprentices start each year to allow for retirements as well as forecasted assignment growth. Eight coast and two river apprentice pilots were taken on during 2023.

The Authority budgets for licensed pilot training each year. The pilots are provided with familiarization and skills-enhancement training.

Apprentice pilot (coast and river) training during the year included:

- Eight coast and two river pilot apprentices received training for tethered tug manoeuvres, azimuth podded propulsion systems, Bridge Resource Management (Pilots), ship handling training using manned ship-models, ship handling training using a simulator, and for Portable Pilotage Units.

Licensed pilot training during the year included:

- Tethered tug refresher training for 25 coast pilots and seven river pilots
- Panamax-size ship handling training using manned ship models for eight coast pilots and two river pilots
- Advanced ship handling training using manned ship models for 11 coast pilots
- Azimuth propulsion system refresher training for 35 coast pilots

Pilot Examinations and Eligibility List

During 2023, eight coastal and two river pilots received their Class II licence and 11 coastal and two river pilots received their Class I licence. New pilots recieve a Class II licence on successful completion of their apprenticeship. The Class II licence is upgraded to a Class I licence on successful completion of the first year of piloting.

As of December 31, 2023, there were five candidates on the coast pilot eligibility list and two on the river pilot eligibility list.

The Authority conducted two pilot examination sessions in 2023. Twenty coast and three river candidates attempted the examinations of which seven coast and two river candidates were successful.

As of December 31, 2023, there were five candidates on the coast pilot eligibility list and two on the river pilot eligibility list.

ENTERPRISE RISK MANAGEMENT

An Enterprise Risk Management (ERM) program is incorporated into the Authority's strategy, which helps in cultivating a culture of risk awareness throughout the organization. A comprehensive risk framework has been developed and all risks are assessed, ranked and monitored regularly.

Risks are designated as either operational or strategic. Most operational risks are assigned to the appropriate management staff for mitigation and review. Strategic and significant operational risks (together defined as Key Risks) are overseen by the Board or an appropriate Board Committee.

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

At present, the six highest-rated key risks identified in the Authority's risk register are:

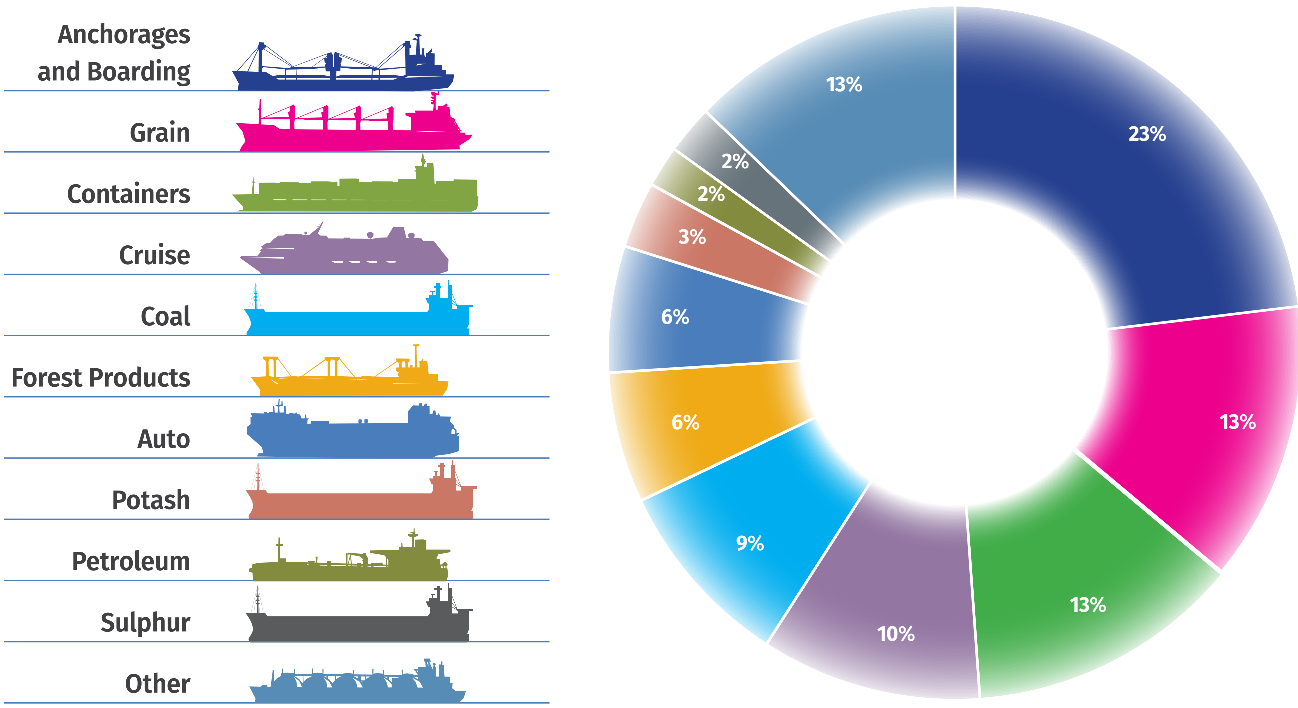
- Inability to source and train sufficient qualified pilot candidates
- Vessels that have been granted pilotage waivers incorrectly or vessels operating without a valid pilotage waiver are involved in an incident
- Unable to cover committed financial obligations and overhead because of a decrease in assignment volumes
- Compromise of the confidentiality, integrity or availability of information
- Key members of the management team depart the organization without a robust succession plan and knowledge retention plan in place
- Inadequate response to a disaster or emergency

OPERATIONAL REVIEW AND FINANCIAL ANALYSIS

Traffic Analysis

The chart and table below highlight pilotage assignments by product sector. The grain and container ship sectors are the largest and each accounted for 13% of our assignment volumes in 2023. The Anchorages and Boarding category represents the movement of vessels between anchorages.

PRODUCT SECTORS BY NUMBER OF ASSIGNMENTS IN 2023



ANNUAL ASSIGNMENTS[1] BY PRODUCT SECTOR

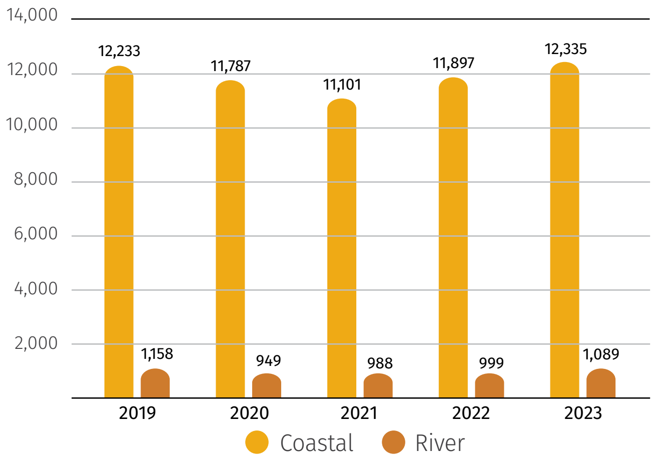
	2019		2020		2021		2022		2023	
Anchorages & Boarding	2,898	22%	3,133	25%	3,030	25%	3,037	24%	3,029	23%
Grain	1,891	14%	2,277	18%	1,787	15%	1,291	10%	1,750	13%
Containers	2,325	17%	2,219	17%	2,143	18%	1,984	15%	1,741	13%
Cruise[2]	1,114	8%	-	0%	-	0%	1,267	10%	1,377	10%
Coal	1,141	9%	1,055	8%	1,074	9%	1,160	9%	1,246	9%
Forest Products	1,013	8%	932	7%	903	7%	943	7%	865	6%
Auto	744	6%	563	4%	585	5%	622	5%	747	6%
Potash	326	2%	347	3%	312	3%	375	3%	405	3%
Petroleum	273	2%	241	2%	283	2%	301	2%	299	2%
Sulphur	218	2%	244	2%	205	2%	220	2%	235	2%
Other	1,448	10%	1,725	14%	1,767	14%	1,696	13%	1,730	13%
GRAND TOTAL	**13,391**	**100%**	**12,736**	**100%**	**12,089**	**100%**	**12,896**	**100%**	**13,424**	**100%**

[1:] Coastal and Fraser River assignments

[2:] Cruise ship season cancelled in 2020 and 2021 during global pandemic

Pilotage trips in excess of eight hours or 105 nautical miles require the services of a second pilot. Safety considerations remain paramount as the pilot is allowed to work a maximum of eight hours before an appropriate rest break is required. Most cruise ships heading north or south through the Inside Passage fall into this category, along with certain northern assignments, such as vessels bound to/from Kitimat and Stewart.

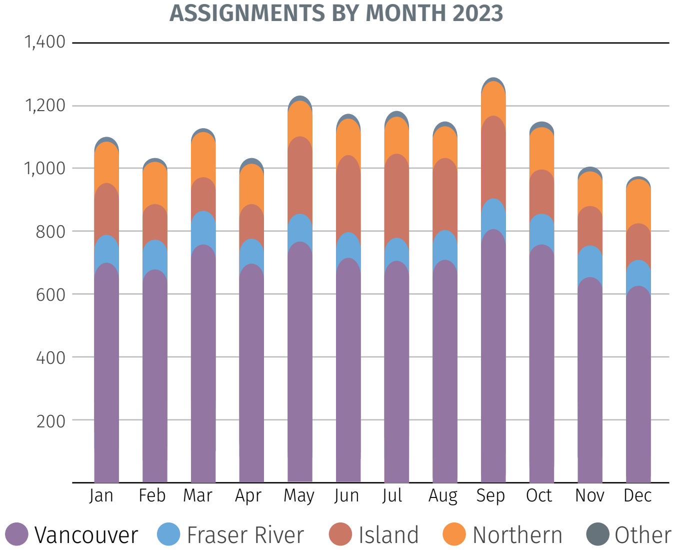
ANNUAL PILOTAGE ASSIGNMENTS



During 2023, BCCP, a private company of 126 entrepreneur pilots under contract to the Authority, completed 12,335 coastal assignments (excluding second pilot assignments). Fraser River assignments were performed by nine employee pilots (full time equivalent) who completed 1,089 river assignments.

The Authority's monthly pilotage assignment pattern is usually very consistent year over year. Normally there is a seasonal spike in the coastal assignments due to the cruise ship sector during the months of May through September (particularly on Vancouver Island and the Port of Vancouver).

ASSIGNMENTS BY MONTH 2023



The Authority categorizes its assignments into four key traffic areas: Vancouver (Port of Vancouver (VFPA)), Island (Vancouver Island), Northern (Prince Rupert, Kitimat and Stewart) and Fraser River.

The Port of Vancouver (VFPA -Vancouver Fraser Port Authority), which includes the Roberts Bank and Deltaport terminals, is the largest assignment area accounting for 8,577 assignments in 2023 (2022 – 8,096). This area represents 51 berths and 34 anchorages that we service on a regular basis. The VFPA area traffic in 2023 increased by 481 assignments compared to the prior year. This increase was primarily attributed to more grain shipments in 2023 due to a better harvest in 2022.

The Island area includes the harbours at Victoria and Nanaimo, as well as a number of ports around Vancouver Island, including Port Alberni and Port McNeil. It also includes a number of anchorages around the Southern Gulf Islands. The number of assignments in 2023 increased marginally to 2,160 from 2,105 in 2022. Many cruise ships stop in Victoria and those heading north to Alaska, or returning, usually require a pilot change at Pine Island, off the northern tip of Vancouver Island.

Fraser River traffic for 2023 increased to 1,089 assignments (2022 - 999). The river has an automobile terminal and a multi-use terminal, which handles containers, bulk, and break-bulk products. Ships bound to or from the river also require the services of a coastal pilot for their coastal transit to and from the Sand Heads boarding station which is located at the mouth of the Fraser River. Once inside the Fraser River, a river pilot is responsible for the pilotage transit to and from the berths. This area has a total of ten active berths.

The Northern area, which includes Prince Rupert, Kitimat and Stewart, accounted for 11% (2022 – 11%) of the Authority's coastal pilotage assignments. Currently this area has 11 berths and 36 anchorages. Most of these assignments are in the Prince Rupert region which primarily handles containers, grain, coal, logs and wood pellets. The traffic in 2023 increased by five assignments compared to the prior year.

Incident Reporting

As per the regulations, licensed pilots report all accidents to Transport Canada and the Transportation Safety Board.

The Terms of Reference for the Authority's Pilot Training and Examination Committee (PTEC) include reviewing incidents to determine training/familiarization opportunities for pilots.

The table below shows the actual number of incidents the Authority has recorded over the last five years.

Year	Class A	Class B	Class C	Total Incidents	Total Assignments	Incident Free Assignments
2019	-	2	4	**6**	13,391	**99.96**%
2020	-	-	13	**13**	12,736	**99.90**%
2021	-	-	7	**7**	12,089	**99.94**%
2022	-	-	8	**8**	12,896	**99.94**%
2023	-	-	2	**2**	13,424	**99.99**%

Class "A" Incidents

Defines an incident that causes damage or losses as below:

- Human: Multiple deaths or multiple people with serious long-term injury
- Property: Damage to property that ceases operations for a period exceeding one month or financial loss exceeding $50 million
- Vessel(s): Vessel sinks or sustains so much damage that it is a constructive total loss
- Environmental: Incident causes sustained long term harm to environment (i.e. damage lasts greater than a month)

Class "B" Incidents

Defines an incident that causes damages or losses as below:

- Human: Some people with serious long-term injury and multiple minor injuries
- Property: Damage to facilities is such that the operations cease for not more than one month or financial loss of up to $50 million
- Vessel(s): Vessel grounds or sustains significant damage with dry docking required and loss of operations for not more than one month
- Environmental: Incident causes medium term harm to environment, (i.e. damage lasts not more than one month)

Class "C" Incidents

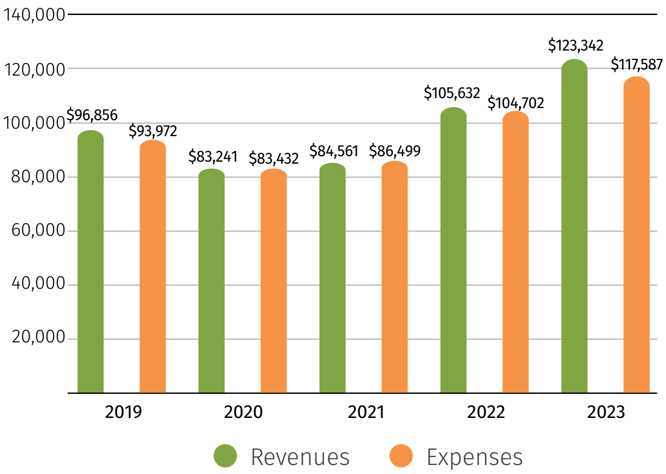
Defines an incident that causes damage or losses as below:

- Human: Single or multiple minor injuries requiring on site first aid and/or off-site treatment
- Property: Minor damage to facilities with no effect or damage of a minor nature causing operations to cease for no longer than 72 hours
- Vessel(s): Minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours
- Environmental: Incident causes minimal or intermittent harm to environment over a period of time, (i.e. damage lasts no greater than a day)

Financial Analysis for 2023

For 2023 the Authority recorded revenues of $123.3 million and a profit of $5.7 million.

REVENUES AND EXPENSES BY YEAR (IN $'000'S)

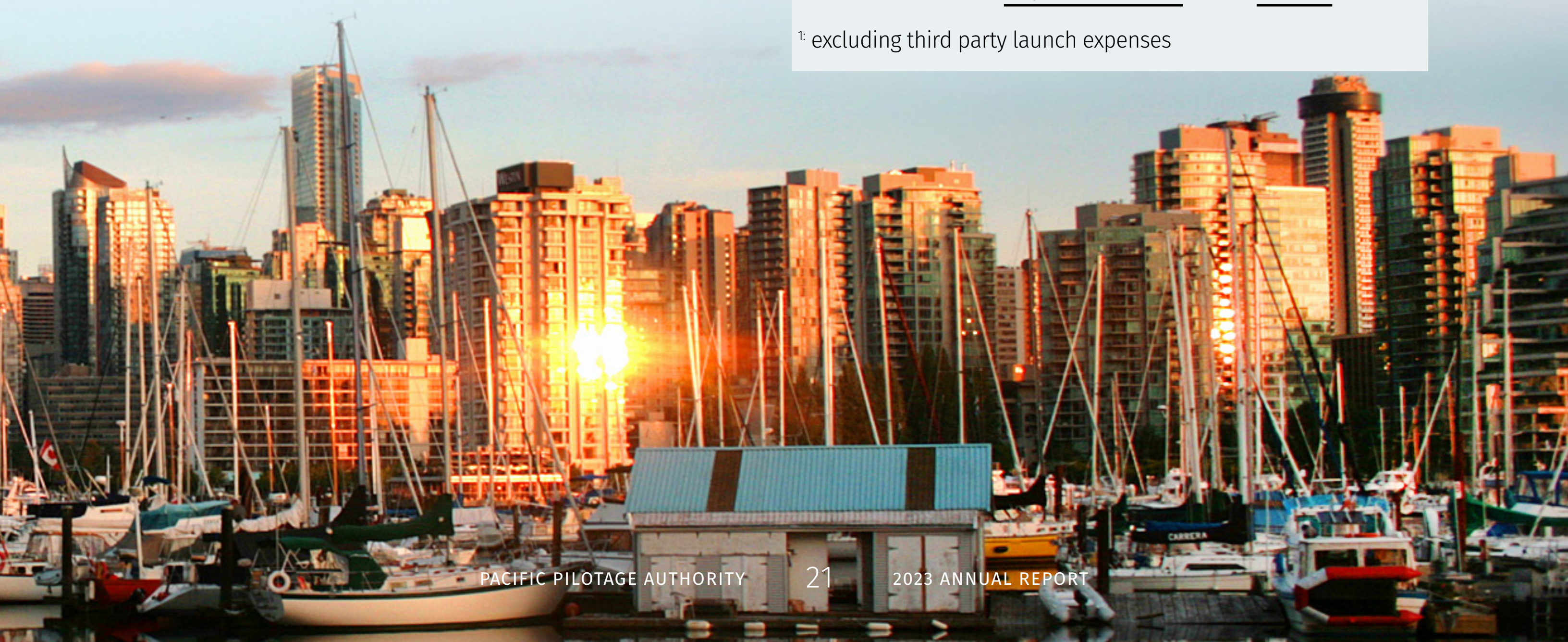


On January 1, 2023, the Authority implemented a 10% increase on average in our service charge rates (4.8% in 2022). This historically above-average increase reflected the unusually high rate of inflation in effect at the time, to which most of our costs were linked through contracts and collective agreements. However, in April 2023 we were able to decrease the temporary surcharge from $400 to $250 per assignment, as we began to recover from the financial impacts of the pandemic. The increases in charges were planned with consultation and support from the industry we serve.

The following table details the comparisons of the major revenue and expense categories from the Authority's unaudited operating statements for 2023 and 2022.

	2023 Actual $'000	2022 Actual $'000	Change %	2023 Plan $'000	Variance %
Coastal pilotage revenue	84,278	72,234	17%	70,879	19%
Coastal pilotage contract expenses	(74,536)	(66,282)	12%	(63,785)	-17%
Coastal pilotage margin	**9,742**	**5,952**		**7,094**	
Launch revenue	15,111	13,595	11%	12,921	17%
Launch expenses	(14,154)	(13,171)	7%	(12,901)	-10%
Launch margin	**957**	**424**		**20**	
Travel revenue	11,293	9,633	17%	9,507	19%
Pilot transportation expenses[1]	(10,362)	(8,699)	22%	(7,589)	-37%
Travel margin	**931**	**934**		**1,918**	
River pilotage revenue	4,286	3,532	21%	3,336	28%
River pilot wages and benefits	(4,283)	(3,439)	25%	(3,756)	-14%
River margin	**3**	**93**		**(420)**	
Total margin	**11,633**	**7,403**		**8,612**	
Other revenue and expenses					
Surcharge income	6,912	6,349	9%	7,112	-3%
Other income	1,463	290	504%	2,417	-39%
Pilot training expenses	(2,260)	(2,711)	-17%	(3,396)	33%
Administrative salaries and benefits	(6,199)	(5,568)	11%	(5,976)	-4%
Other expenses	(3,733)	(2,856)	31%	(3,391)	-10%
Depreciation	(2,060)	(1,976)	4%	(4,482)	54%
TOTAL PROFIT	**$ 5,755**	**$ 930**		**$ 896**	

[1]: excluding third party launch expenses



The principal changes of the current year actuals compared to prior year and the current year plan are explained below:

1. Coastal pilotage revenues increased 17% from prior year due to a stronger grain harvest in 2022 that resulted in an increase in grain shipments in the first half of 2023. Revenues were also 19% above plan as the forecast economic downturn due to rising interest rates was not as severe as expected. Increases (decreases) in assignment volumes compared to prior year for key product sectors were as follows:
    - Grain – 36%
    - Containers – (12)%
    - Cruise – 9%
    - Coal – 7%
    - Forest Products – (8)%
    - Auto – 20%

    The changes in coastal revenues compared to prior year are largely mirrored in the changes in coastal contract expenses, which vary directly with changes in assignment volumes.

    Overall, the margins for coastal pilotage for 2023 were 12% of revenue, up from 8% for the same period in the prior year. The increase in margins is due largely to an anomaly in 2022 when new contract rates payable to coastal pilots came into effect in January, but without an offsetting increase in our service charges until June. In 2023, increases in both service charges and coastal pilot contract rates were effective at the same time at the start of the year. Coastal margins are also slightly above plan due to a lower than expected annual increase in coastal pilot contract rates, which are linked to changes in the Consumer Price Index for Vancouver.

2. Launch revenues were 11% above prior year for 2023 because of service charge rate increases and overall assignment growth. Similarly launch expenses were up over the prior year by 7%, mainly in repairs and for third-party launches transporting pilots to more cruise ships off Pine Island. Margins in this sector were 6% for 2023, compared to 3% in the prior year.

3. Travel revenues were 17% above prior year, again because of increases in both assignments and service charge rates. Transportation expenses were 22% above prior year and 37% above plan because of increased assignments, a new air charter service to transport pilots to/from Port Hardy in support of cruise ships, and a renegotiated assignment fee payable to river pilots for travel expenses. As the increase in costs exceeded the increase in revenue, margins declined to 8% for 2023.

4. River pilotage revenues were 21% above prior year, through an equal combination of volume and rate growth. Margins in this sector were at breakeven for the period, which was an improvement over the deficit in the prior year. Increased staffing reduced the need for overtime from covering for pilots on sick leave in the prior year.

5. The increase of 9% in surcharge income over the prior year was primarily due to the increase in assignments. The adverse variance to plan was because we had not expected to reduce the temporary surcharge during 2023, but were able to do so in April.

6. Coastal pilot and apprentice training costs were below the prior year by $0.4 million, or 17%, as we had caught up with the backlog in training after the pandemic and returned to historically normal levels of training.

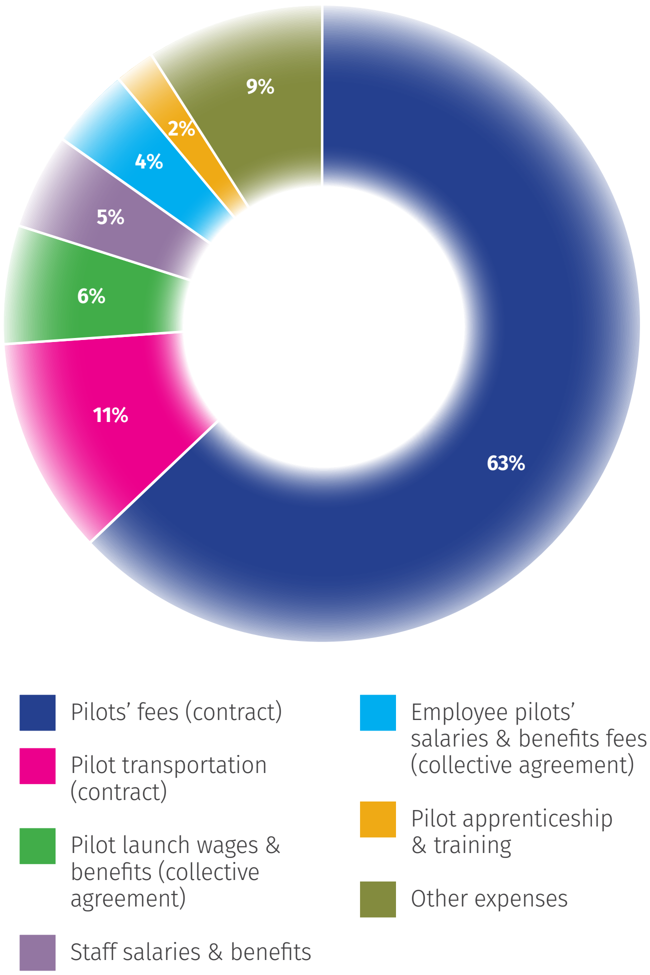
7. Other income in 2023 includes our first full year of operation of the simulator, which we operate as a 50% partner in a joint venture with BCCP. Our share of revenue generated by the simulator in 2023 was $0.6 million. Additional increases in other income primarily resulted from increased interest income from higher interest rates and increased cash balances. For an explanation of the variance to plan in other income, see note 9 below.

8. In 2023 we incurred overhead expenses of $12.0 million for administrative salaries and benefits, depreciation, and other expenses, representing an increase of $1.6 million over the prior year. Increases resulted from additional temporary staffing during peak periods with the increase in assignments, annual salary increases, one additional management position, and our share of operating expenses for the simulator.

9. In our planned results, we had assumed for 2023 that we would have a contract in place for helicopter services for pilot transportation for tankers outbound from the terminal related to the Trans Mountain pipeline. The contract would have been recorded as a right-of-use asset, with corresponding depreciation expense, offset by a reimbursement of expenses which would have been included in other income. As the project has been delayed until 2024, both other income and depreciation expense were lower than plan in 2023.

The following chart compares the major expense categories as a percentage of total expenses for the year 2023.

ACTUAL EXPENSE CATEGORIES 2023



Similar to prior years, approximately 80 percent of the Authority's total annual expenditures for the year were covered by either a service contract or collective agreements.

Since inception in 1972 the Authority has been financially self-sufficient and continues to manage its finances to maintain this position. A consideration for being self-sufficient is maintaining an appropriate level of cash and investment reserves. The Authority has determined that reserves are required to meet existing current liabilities; future capital commitments; and the possibility of a significant unknown event with adverse financial consequences for the Authority, for example, the recent pandemic. At December 2023, the Authority estimated the required level of cash and investment reserves to be $19 million to meet working capital requirements, provide funding for near term capital commitments and a reserve for business continuity during or after a significant event with adverse financial consequences. Although the total of $19 million exceeds the Authority's cash and investment balance of $16 million at the end of 2023, we plan to grow our cash balance and investment reserves over the next few years to the estimated level required.

LOOKING AHEAD TO 2024 AND BEYOND

As 2023 was the final year of the Authority's previous five-year plan, we recently embarked on a process to establish a new set of strategic objectives for the period from 2024-2029. After several months of discussion and consultation with internal and external stakeholders, the Authority's senior management developed a new set of strategic objectives, which were approved by the Board, as follows:

- Work with Transport Canada, other Pilotage Authorities and key partners towards developing a "National Pilotage System" that is aligned with Transport Canada's objectives, as set out in the *Pilotage Act*, for a coast-to-coast-to-coast Pilotage Program, while respecting regional models and expertise.
- Establish a future vision for "Pilotage NextGen" that leverages technologies both for the Authority and the piloting community taking into consideration input from key partners.
- Define, implement and embrace a new model for human capital as the "Workforce of the Future" for the Authority and pilotage on Canada's West Coast.
- Commit to continuous improvement and enhancement of the Authority's services to our customers, whilst remaining financially responsible and sustainable.

Operationally, the Authority has forecast a 2% decline in assignments in 2024 over 2023 due to a weakened global economy from recent successive increases in interest rates and due to a poorer grain harvest in 2023, which will impact grain shipments in the first half of 2024. In determining its proposed service charge increases for 2024, the Authority based its forecast of revenues and expenditures for 2024 on 12,969 coastal and 1,036 Fraser River assignments, resulting in a forecast deficit for 2024 of $(2.4) million.

The potential of the projects and terminals proposed for the West Coast continues to show promise every year. We continue to actively monitor and remain aware of all projects proposed in our jurisdiction by analyzing the impact they might have on assignments, pilot numbers and pilot deployment methodologies. The Authority, along with the BC Coast Pilots and Fraser River pilots, is an active partner when new terminals or docks are proposed and constructed as part of major natural resource and infrastructure projects on the coast. Our subject matter expertise on design, location and navigational access and safety is regularly sought out at various phases of project development and implementation. Some of the major projects we are currently monitoring and engaged with are:

- The Vancouver Airport Fuel Facility on the Fraser River which is expected to be fully operational in Q1 2024
- The Prince Rupert container facility expansion will increase capacity to 1.8 million TEU by 2024 compared to 1 million TEUs moved in 2022
- Expansion of the existing Trans Mountain pipeline to increase crude oil shipment capacity in Burrard Inlet, expected to be operational in 2024
- Various LNG terminals, including a new large terminal (LNG Canada) under construction in Kitimat (expected to be in operation in 2025); Ksi Lisims LNG project north of Prince Rupert, BC near the Nisga'a village of Gingolx (expected to be in operation in 2028); and a smaller terminal (Woodfibre LNG) proposed in Squamish
- Proposed development of the Ridley Island Energy Export Facility, a large-scale liquefied petroleum gas (LPG) and bulk liquids terminal with marine infrastructure on Ridley Island, BC
- A new terminal at Roberts Bank, Delta which would double container volumes. The latest environmental assessment process was successfully concluded in 2023
- Redevelopment of Fraser Surrey Terminal to function as a canola oil transload facility with throughput capacity of approximately one million tonnes per year

Our monitoring includes many other events, negotiations, legislation and similar activities that may affect our area of jurisdiction. Many of these events are outside of our control yet they may have implications for our jurisdiction. Some of these major events are:

- escalating conflict in the Middle East and the potential impact on global trade;
- discussions regarding replacement of a major tunnel in the Vancouver area that would affect vessel traffic in and out of the Fraser River;
- changing global trading patterns; and
- environmental impacts of climate change and the related effects on global trade (e.g. drought affecting shipping access through Panama Canal).

Our efforts in the coming years continue to be directed towards our vision of

'leading a world-class marine pilotage service on the west coast of Canada'.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The accompanying financial statements have been prepared by the Pacific Pilotage Authority's management in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate. The Authority's management is responsible for the integrity and objectivity of the information in the financial statements and annual report.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide relevant and reliable financial information on a timely basis. The system is also designed to provide reasonable assurance that transactions are in accordance with section 89 and Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, and the by-law of the Authority.

The Board of Directors of the Authority is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises this responsibility through a Finance and Audit Committee, which meets regularly with management and the external auditor. The financial statements and annual report are reviewed and approved by the Board of Directors on the recommendation of the Finance and Audit Committee.

The external auditor, the Auditor General of Canada, is appointed under the *Financial Administration Act* and the *Pilotage Act* to audit the financial statements in accordance with Canadian generally accepted auditing standards. Her report, which follows, outlines the nature of the audit and expresses her opinion on the financial statements of the Authority

S. Mackenzie
Interim Chief Executive Officer
and Chief Financial Officer

T. Lei
Director, Finance
and Administration

Vancouver, Canada
March 26, 2024

Office of the Auditor General of Canada

Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pacific Pilotage Authority (the Authority), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Pacific Pilotage Authority coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the by-law of the Pacific Pilotage Authority, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Pacific Pilotage Authority that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Pacific Pilotage Authority's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Pacific Pilotage Authority to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Heather McManaman, CPA, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
26 March 2024

STATEMENT OF FINANCIAL POSITION

Year ended December 31 *(thousands of Canadian dollars)*	**2023**	2022
Assets	**$**	$
Current		
Cash	**13,009**	6,944
Trade accounts receivable	**4,991**	5,476
Investments (Note 6)	**1,224**	1,248
Prepaid expenses and other receivables	**1,055**	996
	20,279	14,664
Non-current		
Investments (Note 6)	**1,918**	1,129
Other receivables	**152**	149
Property and equipment (Note 7)	**18,319**	17,257
Intangible assets (Note 8)	**998**	995
	21,387	19,530
	41,666	34,194
Liabilities		
Current		
Accounts payable and accrued liabilities	**15,192**	12,686
Borrowings (Note 10)	**307**	472
Other employee benefits	**130**	130
Lease liabilities (Note 12)	**220**	182
	15,849	13,470
Non-current		
Borrowings (Note 10)	**4,498**	4,805
Other employee benefits	**426**	549
Lease liabilities (Note 12)	**2,139**	2,359
	7,063	7,713
	22,912	21,183
Equity		
Retained earnings	**18,754**	13,011
	41,666	34,194

Commitments (Note 16)

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

Approved by the Board of Directors and authorized for issue on March 26, 2024.

Member

Member

STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31 *(thousands of Canadian dollars)*	**2023**	2022
Revenues	**$**	$
Pilotage charges	**121,880**	105,342
Simulator fees and investment and other revenues	**1,462**	290
	123,342	105,632
Expenses		
Contract pilots' fees	**74,536**	66,282
Salaries and benefits	**17,410**	15,601
Pilots' transportation	**13,022**	10,709
Fuel	**2,697**	2,919
Pilots' training	**2,271**	2,711
Professional and special services	**2,113**	1,462
Depreciation and amortization	**2,060**	1,976
Repairs and maintenance	**1,543**	1,357
Computer services	**576**	435
Utilities, materials, supplies and other	**450**	411
Finance costs	**312**	236
Travel	**217**	183
Insurance	**184**	167
Rentals	**196**	253
	117,587	104,702
Profit for the year	**5,755**	930
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss		
Actuarial (loss) gain on other employee benefits	**(12)**	100
	(12)	100
Comprehensive income for the year	**5,743**	1,030

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

STATEMENT OF CHANGES IN EQUITY

Year ended December 31 *(thousands of Canadian dollars)*	**2023**	2022
	$	$
Retained earnings, beginning of year	**13,011**	11,981
Profit for the year	**5,755**	930
Other comprehensive (loss) income	**(12)**	100
Total comprehensive income	**5,743**	1,030
Retained earnings, end of year	**18,754**	13,011

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

STATEMENT OF CASH FLOWS

Year ended December 31 *(thousands of Canadian dollars)*	**2023**	2022
	$	$
Cash flows from operating activities		
Cash receipts from customers	**122,365**	104,852
Cash paid to employees	**(16,922)**	(15,739)
Cash paid to suppliers and others	**(95,751)**	(85,932)
Finance costs paid	**(312)**	(236)
Other income received	**1,493**	316
Net cash provided by operations	**10,873**	3,261
Cash flows from investing activities		
Purchase of investments	**(2,051)**	(1,692)
Proceeds on disposal of investments	**1,256**	1,650
Acquisition of property and equipment	**(3,008)**	(1,379)
Acquisition of intangible assets	**(351)**	(467)
Net cash used in investing activities	**(4,154)**	(1,888)
Cash flows from financing activities		
Principal repayment of borrowings	**(472)**	(718)
Principal repayment of leases	**(182)**	(305)
Net cash used in financing activities	**(654)**	(1,023)
Net increase in cash	**6,065**	350
Cash, beginning of year	**6,944**	6,594
Cash, end of year	**13,009**	6,944

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. Authority and objectives

The Pacific Pilotage Authority (the Authority) was established in 1972 pursuant to the *Pilotage Act*. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to income taxes.

The pilotage charges set by the Authority for compulsory pilotage services are governed by the *Pilotage Act* and must be established in accordance with the charging principles within the *Pilotage Act*. The *Pilotage Act* provides that pilotage charges shall be set at levels that are fair and reasonable and that allow the Authority to be financially self-sufficient.

Coastal pilotage services are provided by British Columbia Coast Pilots Ltd. under an agreement for services. Pilotage services on the Fraser River are provided by employee pilots.

In July 2015, the Authority was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Authority's next corporate plan. The Authority finalized its implementation of this directive effective January 2019 and confirms the requirements of the directive have been met throughout 2023.

The principal registered address and records office of the Authority are located at 1000–1130 West Pender Street, Vancouver, British Columbia.

2. Material accounting policy information

2.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The material accounting policy information used in the preparation of the financial statements is summarized below and in the following pages.

2.2 Joint operation

The Authority has classified its interest in a joint arrangement as a joint operation where the Authority has both the rights to assets and obligations for the liabilities of the joint arrangement. In its assessment of the classification of its interest in the joint arrangement, the Authority considered the structure, the legal form and the contractual terms.

The Authority accounts for its interest in the joint operation by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

2.3 Cash and cash equivalents

Cash comprises cash on hand, and Canadian dollar deposits held at Canadian chartered banks. Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. The Authority had no cash equivalents as at December 31, 2023 (2022 - nil).

2.4 Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit and loss) are added to or deducted from the fair value of the assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Authority's financial assets include cash, trade accounts receivable, certain other receivables and investments.

On initial recognition, the Authority classifies its financial assets as measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets are reclassified subsequent to their initial recognition when the Authority changes its business model for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets that are not designated as being measured at FVTPL are recorded at amortized cost or FVOCI as appropriate.

Financial assets are measured at amortized cost when both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at FVOCI when both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Authority's cash is initially recognized at fair value and subsequently measured at amortized cost.

Trade accounts receivable are initially recognized at the transaction price; certain other receivables are initially recognized at fair value; and both are subsequently measured at amortized cost using the effective interest method, less a provision for impairment when applicable. Receivables are considered individually for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Since the objective of the Authority's investment policy is to hold investments and collect contractual cash flows on specified dates that are solely principal and interest on amounts outstanding, the Authority's investments are measured at amortized cost. Investments classified as measured at amortized cost are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. When required, the Authority recognizes a loss allowance for expected credit losses. Such losses are included in other comprehensive income and reduce the carrying value of the related investments. Interest income and any gain or loss on de-recognition is included in other comprehensive income.

Financial liabilities

Financial liabilities are recognized when the Authority becomes a party to the contractual provisions of the financial instrument and are classified as measured at amortized cost, except for financial liabilities measured at fair value through profit or loss.

The Authority's financial liabilities include accounts payable and accrued liabilities, lease liabilities and borrowings, and are all classified as measured at amortized cost using the effective interest method. Financial liabilities are removed from the statement of financial position when the obligation specified in the contract is either discharged, cancelled or expires.

2.5 Property and equipment

Property and equipment are initially recorded at cost, and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of assets constructed by the Authority includes design, project management, legal, materials, interest on directly attributable construction loans and construction costs. Spare engines are carried at cost and will be depreciated when put in service.

Depreciation is recognized so as to allocate the cost or valuation of the assets less their residual values over their useful lives on a straight-line basis. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives of the Authority's assets are as follows:

Buildings and floats	10–20 years
Pilot boats	25 years
Pilot boat engines	10,250 running hours
Pilot boat generators	10 years
Equipment	
communication and other	4–10 years
computers	3 years
simulators	5–7 years
Leasehold improvements	lesser of 10 years or term of lease
Right-of-use assets	term of lease

With regard to simulators, the Authority's proportion of the cost of software purchased for its own use and which is integral to the hardware (because without that software the equipment cannot operate) is treated as part of the cost of the computer hardware and capitalized to property and equipment.

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value by applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

2.6 Intangible assets

Acquired computer software is recorded at cost and amortized on a straight-line basis over its estimated useful life of up to 10 years.

2.7 Leases

A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

i. Determining whether an arrangement contains a lease

At the inception of an arrangement, the Authority assesses whether the arrangement is, or contains, a lease. An arrangement is, or contains, a lease if the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether an arrangement conveys the right to control the use of an identified asset, the Authority assesses whether:

- the arrangement involves the use of an identified asset;
- the Authority has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Authority has the right to direct the use of the asset.

For practical expediency, the Authority has elected to:

- account for leases with a remaining term of 12 months or less as short-term leases and expense on a straight-line basis over the lease term; and
- account for lease payments as an expense and not recognize a right-of-use (ROU) asset if the underlying asset is of low dollar value.

ii. Recognition and measurement of the right-of-use asset

For arrangements that contain a lease, the Authority recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset to its originally condition, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

iii. Lease term

The lease term includes periods covered by an option to extend if the Authority is reasonably certain to exercise that option, as well as periods covered by an option to terminate the lease if the Authority is reasonably certain not to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

iv. Recognition and measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Authority's incremental borrowing rate will be used. All extension options have been included in the measurement of lease obligations where applicable. Payments for optional renewals or purchase options are included if they are reasonably certain to be made. Variable lease payments that depend on sales or usage are excluded from the lease liability and recognize in income as incurred. Variable payments that depend on an index or rate are included in the lease liability based on the index or rate existing at each balance sheet date.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, when there is a change in future lease payments arising from a change in a rate used to determine those payments, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.8 Employee benefits

i. Pension benefits

All eligible employees of the Authority participate in the Public Service Pension Plan (the Plan), a multi-employer contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

ii. Other employee benefits

Management, unionized employees and the Fraser River pilots are entitled to sick leave benefits as provided for under collective agreements or employment contracts. Unionized employees are entitled to severance benefits accumulated up to March 31, 2018. The liability for these benefits is estimated and recorded in the financial statements as the benefits accrue to the employees.

The costs and the defined benefit obligation are actuarially determined using the projected unit credit method prorated on service that incorporates management's best estimate assumptions.

Actuarial gains and losses are recognized immediately in other comprehensive income.

2.9 Revenue recognition

The Authority recognizes revenue upon the transfer of control of promised services to customers at an amount that reflects the consideration to which the Authority expects to collect in exchange for the pilotage services it provides. The Authority has determined that control for pilotage services has passed when the pilot assigned to a vessel has completed the pilotage assignment, or the assignment is cancelled.

3. Significant accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in these financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

(a) Significant accounting judgments

Leases (Notes 2.7 and 12)

The application of IFRS 16, "Leases" requires the Authority to make judgments that affect the valuation of lease liabilities and right-of-use assets. These include determining contracts in scope of IFRS 16 and determining the contract term.

The lease term determined by the Authority comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Authority is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Authority is reasonably certain not to exercise that option. This same term is applied to determine the depreciation rate of right-of-use assets.

(b) Significant accounting estimates

Depreciation – Property and equipment (Notes 2.5 and 7)

Significant components of property and equipment are depreciated over their estimated useful lives. Useful lives are determined based on current facts and past experience. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates. As such, property and equipment may continue in use after being fully depreciated or may be retired or disposed of before being fully depreciated.

4. Financial risk management

The Authority, through its financial assets and financial liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk and market risks (i.e. interest rate risk, currency risk and other price risk). The Authority manages these risk exposures on an ongoing basis.

(a) Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation.

The carrying amount of cash, trade accounts receivable, certain other receivables and investments represents the maximum credit exposure.

The credit risk related to cash is minimized as these assets are held with a Canadian chartered bank.

The Authority's trade accounts receivable had a carrying value of $4,991 (2022 - $5,476) and certain other receivables had a carrying value of $276 (2022 - $255). There is no significant concentration of accounts receivable with any one customer. As at December 31, 2023, nil accounts receivable (2022 - nil) were over 90 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The risk of default is considered to be low as the Pilotage Act stipulates that the owner, master, and agent of a ship are jointly and severally liable for pilotage charges, and the Act provides a mechanism to withhold customs clearance if pilotage charges are unpaid. The Authority has performed an analysis of expected credit losses on accounts receivable and the result is an allowance of nil as at December 31, 2023 (2022 - nil).

Credit risk associated with investments at year end is considered to be low. The Authority has recognized an expected credit loss allowance of nil (2022 - nil) related to its investments, which are all investments in either GICs or bonds rated BBB- or higher.

(b) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority's objective is to have sufficient liquidity to meet these liabilities when due, under both normal and stressed conditions. The Authority monitors its cash balances and cash flows generated from operations on a frequent basis to meet its requirements.

The carrying amount of accounts payable, accrued liabilities, lease liabilities and borrowings represents the maximum exposure to liquidity risk.

Within the Authority's accounts payable and accrued liabilities, trade payables and accrued liabilities had a carrying value of $9,223 (2022 - $7,340) and are all due within 60 days. The Authority's wages, employee deductions and banked time payable had a carrying value of $5,969 (2022 - $5,346) and are due on demand.

The Authority has credit facilities with a Canadian chartered bank (Note 10).

(c) Market risks

(i) Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Authority is subject to interest rate risk on its cash and investments portfolio. Interest rate risk is minimized by managing the duration of the fixed-term investments portfolio. The interest rates on the investments are fixed. The investments will mature over the next two years.

Cash held during the year yielded a weighted-average interest rate of 3.95% (2022 - 1.69%).

As at December 31, 2023, a shift in interest rates of 100 basis points, assuming that all other variables had remained the same, would have resulted in an increase of $95 (2022 - $42) or a decrease of $95 (2022 - $42) in the Authority's profits on cash and investments for the year.

The Authority has limited exposure to interest rate risk on its borrowings. Borrowed funds are from a Canadian chartered bank, the entire balance of which is at a fixed rate of 2.86% which cannot be changed between maturity dates without financial penalty.

(ii) Currency risk and other price risk

The Authority is not presently exposed to any significant currency risk or other price risk. Accounts payable and accrued liabilities denominated in foreign currencies at year end were nil (2022 - nil).

5. Fair value of financial instruments

For financial reporting purposes, fair value measurements related to financial instruments which are measured subsequent to initial recognition at fair value are categorized into Level 1, 2 or 3. These levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These are described as follows:

- Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2—Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

- Level 3—Inputs are unobservable inputs for the asset or liability.

The Authority's cash is Level 1 at December 31, 2023 and 2022.

The carrying values of the Authority's trade accounts receivable, certain other receivables and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

The fair value of the Authority's borrowings is determined by discounting the future cash flows of these financial obligations using December 31, 2023 market rates for debts of similar terms (Level 2). At December 31, 2023, the fair value of borrowings, is estimated to be $4,102 (2022 - $4,420). The fair value of the borrowings varies from the carrying value when there are fluctuations in interest rates since their issue.

6. Investments and investment revenue

(a) Portfolio investments

As at December 31	2023		2022	
	Fair value	**Face value**	Fair value	Face value
	$	**$**	$	$
Current				
GICs	**99**	**95**	563	553
Government of Canada bonds	**1,157**	**1,129**	100	99
Corporate bonds	**—**	**—**	575	596
	1,256	**1,224**	1,238	1,248
Non-current				
GICs	**840**	**826**	—	—
Government of Canada bonds	**1,113**	**1,092**	1,125	1,129
	1,953	**1,918**	1,125	1,129
Total	**3,209**	**3,142**	2,363	2,377

As at December 31, 2023, the investments have interest rates of 0.25% to 4.95% and have the remaining terms to maturity as follows:

	Remaining term to maturity		
	Within 1 year	**1-3 years**	**Total**
	$	**$**	**$**
GICs	95	826	921
Government of Canada bonds	1,129	1,092	2,221
	1,224	1,918	3,142

(b) Investment revenue

Year ended December 31	2023	2022
	$	**$**
Interest	**43**	17

(c) Investment performance

The time-weighted rate of return during the year on these investments was 1.60% (2022 - 0.80%). The return is inclusive of realized gains and losses, deposit and coupon payments (interest), accrued interest received and paid for sales and purchases of bonds and accrued interest as at December 31, 2023.

7. Property and equipment

	Buildings and floats	Pilot boats	Pilot boat engines	Spare engines	Pilot boat generators	Equipment	Leasehold improvements	Right-of-use assets (Note 12 (b))	Total
	$	$	$	$	$	$	$	$	$
Cost									
At January 1, 2022	695	18,876	2,788	39	742	4,005	180	2,596	29,921
Assets acquired	—	404	—	—	—	430	598	1,241	2,673
Disposals	—	(375)	—	—	—	(362)	—	(401)	(1,138)
At December 31, 2022	695	18,905	2,788	39	742	4,073	778	3,436	31,456
Assets acquired	435	528	499	—	—	1,194	910	(507)	3,059
Disposals	—	—	(405)	(39)	—	(491)	—	—	(935)
At December 31, 2023	**1,130**	**19,433**	**2,882**	**—**	**742**	**4,776**	**1,688**	**2,929**	**33,580**
Accumulated depreciation									
At January 1, 2022	203	7,504	1,204	—	162	3,081	150	1,017	13,321
Depreciation	68	790	390	—	70	296	19	330	1,963
Disposals	—	(375)	—	—	—	(309)	—	(401)	(1,085)
At December 31, 2022	271	7,919	1,594	—	232	3,068	169	946	14,199
Depreciation	81	790	396	—	69	324	94	192	1,946
Disposals	—	—	(405)	—	—	(479)	—	—	(884)
At December 31, 2023	**352**	**8,709**	**1,585**	**—**	**301**	**2,913**	**263**	**1,138**	**15,261**
Carrying amounts									
At December 31, 2022	424	10,986	1,194	39	510	1,005	609	2,490	17,257
At December 31, 2023	**778**	**10,724**	**1,297**	**—**	**441**	**1,863**	**1,425**	**1,791**	**18,319**

8. Intangible assets

	Software
	$
Cost	
At January 1, 2022	1,265
Assets acquired	421
At December 31, 2022	1,686
Assets acquired	117
At December 31, 2023	**1,803**
Accumulated amortization	
At January 1, 2022	678
Amortization	13
At December 31, 2022	691
Amortization	114
At December 31, 2023	**805**
Carrying amounts	
At December 31, 2022	995
At December 31, 2023	**998**

9. Joint operation

In November 2022, the Authority entered into a jointly controlled arrangement with BCCP Ventures Ltd., an arm's-length organization. The purpose of the joint arrangement is to construct and operate a pilotage simulator facility in Vancouver, British Columbia. Each party to the joint arrangement has a 50% interest in the operation.

Summarized financial information for the joint operation is as follows:

	2023	2022
	$	$
Current assets	**220**	—
Non-current assets		
Property and equipment	**1,190**	1,450
Total assets	**1,410**	1,450
Current liabilities	**175**	192
Equity	**1,235**	1,258
Total liabilities and equity	**1,410**	1,450

Year ended December 31	2023	2022
	$	$
Revenue	**1,224**	—
Net income (loss)	**19**	(316)

The Authority has included its proportionate share (50%) of the above amounts in these financial statements.

10. Borrowings

The Authority has an operating credit facility of up to $3,500 available at an interest rate equivalent to the bank's prime lending rate. The Authority has not drawn on this facility as at December 31, 2023 (2022 - nil). The credit facility is available to the Authority as required and has no renewal date or fixed term.

On July 22, 2014, the Authority entered into an unsecured committed reducing term loan facility for the acquisition and retrofitting costs of property and equipment. The $1,700 loan had a term of 8 years and 2 months and bore an annual interest rate of 2.72%. As at December 31, 2023, the principal had been fully repaid (2022 - $3).

On October 13, 2015, the Authority drew on its unsecured committed reducing term loan facility in order to provide a second tranche of financing for the acquisition and retrofitting costs of property and equipment. The $1,300 loan had a term of 8 years and 2 months and bore an annual interest rate of 2.70%. As at December 31, 2023, the principal had been fully repaid (2022 - $167).

On December 22, 2021, the Authority entered into an unsecured committed operating loan facility to provide financing for the construction of a new pilot boat. The $5,400 loan has a term of 10 years and an annual interest rate of 2.86%. As at December 31, 2023, the principal outstanding is $4,805 (2022 - $5,107).

The estimated undiscounted principal repayments on outstanding borrowings as of December 31, 2023 are as follows:

	$
2024	307
2025	319
2026	328
2027	337
2028 and thereafter	3,514
	4,805

11. Pension benefits

All eligible employees of the Authority are covered by the Public Service Pension Plan (the Plan). Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contributions.

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

The Plan was amended during 2013 which raised the normal retirement age and other age-related thresholds from age 60 to age 65 for new members joining the plan on or after January 1, 2013. For members with start dates before January 1, 2013, the normal retirement age remains 60.

Effective January 1, 2023, the general contribution rate for the year was 1.02 to 1 of employee contributions for employees hired prior to January 1, 2013 and 1.00 to 1 of employee contributions for employees hired after December 31, 2012 (2022 - 1.02 to 1 and 1.00 to 1, respectively) for every dollar contributed by the employee. If an employee's salary was greater than $196 (2022 - $191), the portion of the employee's salary above this amount was subject to a contribution rate of 5.29 to 1 of employee contributions (2022 - 5.91 to 1).

Contributions to the Plan consisted of:

	2023	2022
	$	$
Contributions by the Authority	**1,220**	1,119
Contributions by employees	**914**	834

The Authority expects to make employer contributions of approximately $1,257 during 2024.

12. Leases

(a) Leases as a lessee

The Authority leases facilities, including office space and hotel rooms for pilots, and leases of berthage and moorage space for pilot boats.

(b) Right-of-use assets

	Facilities	Berthage and moorage space	Total
	$	$	$
Balance at January 1, 2022	1,492	87	**1,579**
Additions	1,236	5	**1,241**
Depreciation	(296)	(34)	**(330)**
Balance at December 31, 2022	2,432	58	**2,490**
Additions (Inducements)	(507)	—	**(507)**
Depreciation	(157)	(35)	**(192)**
Balance at December 31, 2023	1,768	23	**1,791**

(c) Amounts recognized in profit or loss and in the statement of cash flows

Interest expense on lease liabilities is $150 (2022 - $46).

Expenses and cash paid for leases of low-dollar value items and short-term leases are $111 (2022 - $115). Variable lease payments not included in the measurement of the lease liabilities were nil (2022 - nil).

Interest payments of $150 (2022 - $46) and principal payments of $182 (2022 - $305) are classified in the statement of cash flows as finance costs paid and principal payments on leases, respectively.

(d) Lease liabilities

The Authority's lease liabilities consist of:

	2023	2022
	$	**$**
Balance, beginning of year	**2,541**	1,605
Additions during the year	**—**	1,241
Principal repayments	**(182)**	(305)
Total lease liabilities	**2,359**	2,541
Current portion	**220**	182
Long-term portion	**2,139**	2,359
Total lease liabilities	**2,359**	2,541

The annual lease liabilities for the next five years and thereafter are as follows:

	$
2024	360
2025	325
2026	335
2027	337
2028 and thereafter	1,780
Total undiscounted lease liabilities	3,137

13. Reconciliation of liabilities arising from financing activities

The Authority's liabilities from financing activities comprise bank loans and lease liabilities.

	2023	2022
	$	**$**
Finance liabilities, beginning of year	7,818	7,600
Cash used for debt payments	(472)	(718)
Cash used for lease payments	(182)	(305)
Additional lease liabilities	—	1,241
Finance liabilities, end of year	7,164	7,818

14. Capital management

The Authority's capital is its equity, which is comprised of retained earnings. Equity is represented by net assets.

The Authority is subject to the financial management and accountability provisions of the *Financial Administration Act*, which imposes restrictions in relation to borrowings. On an annual basis the Authority must receive approval of all borrowings from the Minister of Finance. During the years ended December 31, 2023 and 2022, the Authority complied with these restrictions.

The *Pilotage Act* provides the Authority the power to invest any moneys not immediately required for the purposes of the Authority in any class of financial asset. Approval for the Authority to invest in either Government of Canada, provincial or municipal government bonds, fixed income instruments with at least a BBB- credit rating or GICs was granted by the Minister of Finance through approval of the Authority's 2023-2027 Corporate Plan.

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities and general financial dealings to ensure that its objectives are achieved efficiently.

15. Related party transactions

Details of the transactions between the Authority and other related parties are disclosed below.

(a) Trading transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties. The transactions are recorded at the exchange amount, which approximates fair value, and do not have a material effect on these financial statements.

The Authority entered into an arrangement with Transport Canada beginning April 1, 2020 for the provision of regulatory services and expertise. This is an on-going arrangement subject to review every 10 years. The costs incurred are included in the statement of comprehensive income for the year ended December 31, 2023 with $679 (2022 - $494) under professional and special services.

(b) Compensation of key management personnel

Key management personnel of the Authority include the members of the Board of Directors and senior executives of the Authority. The remuneration of key management personnel included the following:

Year ended December 31	**2023**	2022
	$	**$**
Executive management compensation		
Short-term employee benefits, including salaries	**1,247**	1,191
Post-employment benefits	**131**	186
	1,378	1,377
Board compensation		
Retainer and per diems	**223**	209

The Authority also engaged a Board member to provide assistance with pilot training at hourly rates equivalent to market-based rates from unrelated parties. The Authority paid the Board member $40 during 2023 (2022 - $58).

16. Commitments

The Authority has entered into contracts for navigation equipment and service support, and pilot accommodation requiring the following future minimum payments as at December 31, 2023:

	$
Less than one year	3,663
Between one and five years	956
More than five years	—
	5,020