

**NOTICE OF REVISED SERVICE CHARGES
NOVEMBER 14, 2020**

GENERAL

Pursuant to section 33.3 of the *Pilotage Act*, S.C. 1985, c. P-14, the following document provides notice (the Notice) of the Atlantic Pilotage Authority's proposed revised charges to become effective February 15, 2021, except as otherwise noted.

This Notice includes a description of the proposal, including justification in relation to establishing or revising the pilotage charge, and the circumstances in which the charge will apply. In developing the charge, the Authority has observed all charging principles established under section 33.2 of the *Pilotage Act*.

Persons interested in making representations to the Authority with regard to the proposals set out in this Notice may do so in writing to the address set out under Section 3 of this Notice, which must be received by the Authority not later than **December 14, 2020**.

Except for the revisions proposed in this Notice, all the existing charges, related terms, methodology, and conditions, set out in the existing tariff notices and announcements pertaining to charges, remain in effect.

This Notice includes the following:

- (1) Proposed Revision to Service Charge Rates;
 - a. Regular Rates

- (2) Proposed Implementation of the Proposed Revised Service Charges;

1. PROPOSED REVISION TO SERVICE CHARGE RATES

1.1 Summary

The Authority was experiencing declining traffic in a number of ports that began before the novel coronavirus pandemic (or “COVID-19”) impacted the world economy. In order for the Authority to maintain its financial self-sufficiency in fiscal 2021, an announcement was made on November 1, 2020 of pilotage service rate increases to be effective January 1, 2021. Based on projections at that time, standard rates applicable to users in Placentia Bay, NL were not changing.

Since that initial rate proposal, it was announced that a pending sale of the Come-by-Chance oil refinery in Placentia Bay was not going to be completed and that the refinery was going to be closed with limited shipping. The Authority had projected substantial revenues from the shipping generated by the refinery’s operation, and without this traffic, resources or pilotage charges have to be adjusted.

Consultation meetings were held with industry representatives for the area and alternatives were presented. The decision was made that a resource reduction would negatively impact service levels for the remaining activity and that this was unacceptable. The alternative was increasing charge rates to recover the lost revenues. It was agreed that the Authority would address this revenue shortfall over a two-year period, beginning with an increase to be made effective on February 15, 2021.

1.2 Background

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

As noted, the Authority plans its operations to result in an annual financial position in which revenues do not exceed current and future financial requirements related to the provision of compulsory pilotage services.

On October 5, 2020, it was reported that the pending sale of the Come-by-Chance Oil Refinery in Placentia Bay, NL had failed and that the previously idled facility could be closed permanently. The Authority had budgeted 374 pilotage assignments and approximately \$2 million in pilotage revenues to be generated from this facility in 2021. Also included in the plan for the area was the construction and launch of two new pilot boats. With the loss of this activity, the pilot boat construction plan is being postponed. The impact of the lost revenue, partially offset by related savings and the delayed construction project, is expected to increase the Authority’s projected losses by approximately \$1.4 million, from \$1.4 million to \$2.8 million.

In evaluating other actions that could be taken, the provision of safe and efficient service is always a primary concern. The Authority must establish, operate, maintain and administer, in the interests of safety of navigation, an efficient pilotage service within the region. The localized nature of the pilotage operation means that resources have to be maintained in each port or area to provide the service. The extended training period and high related costs do not allow for pilot numbers to be reduced for a short-term reduction in activity or without significant risk to service levels for the projected Placentia Bay traffic. As previously mentioned, capital investments planned for the area were re-evaluated and have been deferred.

The Authority is proposing this rate action only after having actively communicated all available alternatives with local industry. Based on that consultation, it has been decided to retain resources at the current levels as to not jeopardize service levels, and begin recovering the lost revenues through this rate action.

1.3 Proposed Customer Service Charge Rate Revisions Effective February 15, 2021

For regular rates effective February 15, 2021, the Authority proposes revisions for the compulsory area of Placentia Bay, NL to increase revenue by \$734,000, based on reasonable and prudent projections of forecasted piloted marine traffic for its 2021 fiscal year. The proposed revisions are as follows:

Port	Tariff Increase	Annual Impact ('000's)
Placentia Bay, NL	13.50%	\$734

This increased revenue will be achieved by implementing the following rate changes in the tables used to calculate pilotage service fees:

A. COMPULSORY PILOTAGE AREAS — ONE-WAY TRIPS (TABLE 1)

	Column 1	Column 2	Column 3	Column 4	Column 5
Item	Compulsory Pilotage Area	Minimum Charge (\$)	Unit Charge (\$/pilotage unit)	Basic Charge (\$)	Budgeted Fuel Consumption (litres)
12	Placentia Bay, N.L.	3,397.00	6.97	2,563.00	600.00

B. COMPULSORY PILOTAGE AREAS — TRIPS THROUGH (TABLE 2)

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Item	Compulsory Pilotage Area	Flat Charge, No Pilot Boat Used (\$)	Flat Charge, Pilot Boat Used (\$)	Unit Charge (\$/pilotage unit)	Basic Charge (\$)	Budgeted Fuel Consumption (litres)
12	Placentia Bay, N.L.	n/a	n/a	6.97	2,563.00	600.00

C. COMPULSORY PILOTAGE AREAS — MOVAGES (TABLE 3)

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
Item	Compulsory Pilotage Area	Flat Charge (\$)	Minimum Charge (\$)	Unit Charge, No Pilot Boat Used (\$/pilotage unit)	Basic Charge, No Pilot Boat Used (\$)	Unit Charge, Pilot Boat Used (\$/pilotage unit)	Basic Charge, Pilot Boat Used (\$)	Budgeted Fuel Consumption (litres)
12	Placentia Bay, N.L.							
	(a) between Whiffen Head and Come By Chance terminals	n/a	1,697.00	3.49	1,281.00	n/a	n/a	n/a
	(b) any other area	n/a	3,056.00	5.58	2,051.00	6.26	2,306.00	600.00

2. IMPLEMENTATION OF THE PROPOSED REVISED SERVICE CHARGES

The Authority acknowledges the tremendous challenges currently faced by its stakeholders within the marine industry. It also acknowledges that the impacts of the proposed service charge increases are significant and represent an additional financial challenge to its stakeholders at a time when they are also experiencing exceptionally difficult circumstances. The proposal does not represent an immediate recovery of the revenue shortfall in Placentia Bay and recognizes that further adjustments in the area will be required in the future if traffic does not increase. These increases are, however, necessary for the Authority to continue to fulfill its mandate and are being proposed after preliminary discussion with the stakeholders regarding impacts and alternatives. All charges will be effective on February 15, 2021.

3. ADDITIONAL INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO THE ATALNTIC PILOTAGE AUTHORITY

Further details of this proposal, including a justification for the proposal in relation to the charging principles, are provided in a document entitled *Details and Principles Regarding Proposed Revised Service Charges* (Details and Principles) which is available on the Authority's website at <https://www.atlanticpilotage.com/>.

Information on the existing charges is available at the Authority's website and the Justice Laws Website at <https://laws-lois.justice.gc.ca/eng/regulations/SOR-95-586/FullText.html>.

Additional copies of this Notice may be obtained by contacting the Authority:

In writing: Chief Financial Officer
Atlantic Pilotage Authority
1791 Barrington Street, Suite 1801
Halifax, NS B3J 3K9

By email: bbradley@atlanticpilotage.com
By facsimile: (902) 484-6347
By telephone (902) 426-1964

Pursuant to Section 33.3 of the *Pilotage Act*, persons interested in making representations in writing to the Authority with regard to this Notice may do so in writing to the following address:

In writing: Atlantic Pilotage Authority
1791 Barrington Street, Suite 1801
Halifax, NS B3J 3K9
Attention: Chief Financial Officer

By email: bbradley@atlanticpilotage.com
By facsimile: (902) 484-6347

Note: Representations must be received by the Authority not later than the close of business on December 14, 2020. Any person making written representations must include a summary of those representations. This summary may be made public by the Authority.

Any person who makes such a written representation will have an opportunity to file a Notice of Objection related to the proposal with the Canadian Transportation Agency.

Caution Concerning Forward-looking Information

This document contains certain statements about the Atlantic Pilotage Authority's future expectations. These statements are generally identified by words like "anticipate", "plan", "budget", "believe", "intend", "expect", "estimate", "approximate" and the like, as well as future or conditional verbs such as "will", "should", "would" and "could", or negative versions thereof. Because forward-looking statements involve future risks and uncertainties, actual results may be quite different from those expressed or implied in these statements. Examples include the pandemic, commodity price changes, natural disasters, weather patterns, environmental concerns, cyber security attacks, labour negotiations, arbitrations, workforce recruitment, training and retention, general marine industry conditions and trends, capital market and economic conditions, the ability to collect customer service charges, and changes in interest rates. Some of these risks and uncertainties are explained under "Risk Management" in our fiscal 2019 Annual Report. The forward-looking statements contained in this document represent our expectations as of November 4, 2020 and are subject to change after this date. Readers of this document are cautioned not to place undue reliance on any forward-looking statement. We disclaim any intention or obligation to update or revise any forward-looking statements included in this document whether as a result of new information, future events or for any other reason.