
ATLANTIC PILOTAGE AUTHORITY
DETAILS AND PRINCIPLES REGARDING PROPOSED
REVISED SERVICE CHARGES
2022

GENERAL

Pursuant to Section 33.2 of the *Pilotage Act*, S.C. 1985, c. P-14, this document (“Details and Principles” or “Document”) provides additional details to elaborate upon the Notice of Revised Service Charges dated September 23, 2021 (the “Notice”) where the Atlantic Pilotage Authority’s proposed revised charges are to become effective on January 1, 2022. Further details on the charging methodology of the Authority can be found in the Details and Principles document published in September 2020.

This Document includes a description of the proposal and the circumstances in which the charges will apply. In developing the charges, the Authority has observed all charging principles established under section 33.2 of the *Pilotage Act*. The financial information below is based on the current budgetary forecasts, and may be revised, following representations obtained under section 33.3.

Except for the revisions proposed in the Notice, all the existing charges and related terms and calculations, remain unchanged.

This Document consists of the following sections:

- 1) *A general overview of the Authority*
- 2) *Traffic outlook*
- 3) *Amounts to recover from customers*
- 4) *Proposed revision to service charge rates*
- 5) *Benefits and cost*
- 6) *Proposed revision to cash and investments*
- 7) *Justification of the proposal in relation to the charging principles*
- 8) *Determination of Charges*
- 9) *Consultation*
- 10) *Information regarding the Notice and on making representations to the Authority*

1. GENERAL OVERVIEW OF THE AUTHORITY

The Atlantic Pilotage Authority (the Authority) is a Government of Canada non-agent Crown Corporation established in 1972 pursuant to the *Pilotage Act*. The objective of the Authority is to establish, operate, maintain and administer in the interests of safety of navigation, an efficient pilotage service within the region set out in respect of the Authority. The Authority is tasked with achieving this objective whilst keeping with the following principles:

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

The system of governance at the Authority is intended to make the corporation self-sustaining. The Authority is governed by a 7-member Board of Directors (the "Board"). The Governor in Council appoints the Chairperson of the Authority and the Minister of Transport appoints the other members of the Board for terms not exceeding four years.

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

When establishing a new charge for pilotage services or revising an existing charge, the Authority must follow the charging principles set out in section 33.2(1) 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. Financial requirements include:

- a. operations and maintenance costs;
- b. management and administration costs;
- c. debt servicing requirements and financial requirements arising out of contractual agreements relating to the borrowing of money;
- d. capital costs and depreciation costs on capital assets;
- e. financial requirements necessary for the Authority to maintain an appropriate credit rating;
- f. tax liability;
- g. payments to the Minister for the purpose of defraying the costs of the administration of this Act, including the development of regulations, and the enforcement of the *Pilotage Act*;
- h. reasonable reserves for future expenditures and contingencies; and

- i. other costs determined in accordance with accounting principles recommended by the Chartered Professional Accountants of Canada or its successor or assign.

The financial statements and Management's Discussion and Analysis (MD&A), issued quarterly and annually, provide extensive information on the revenues and expenses of the Authority.

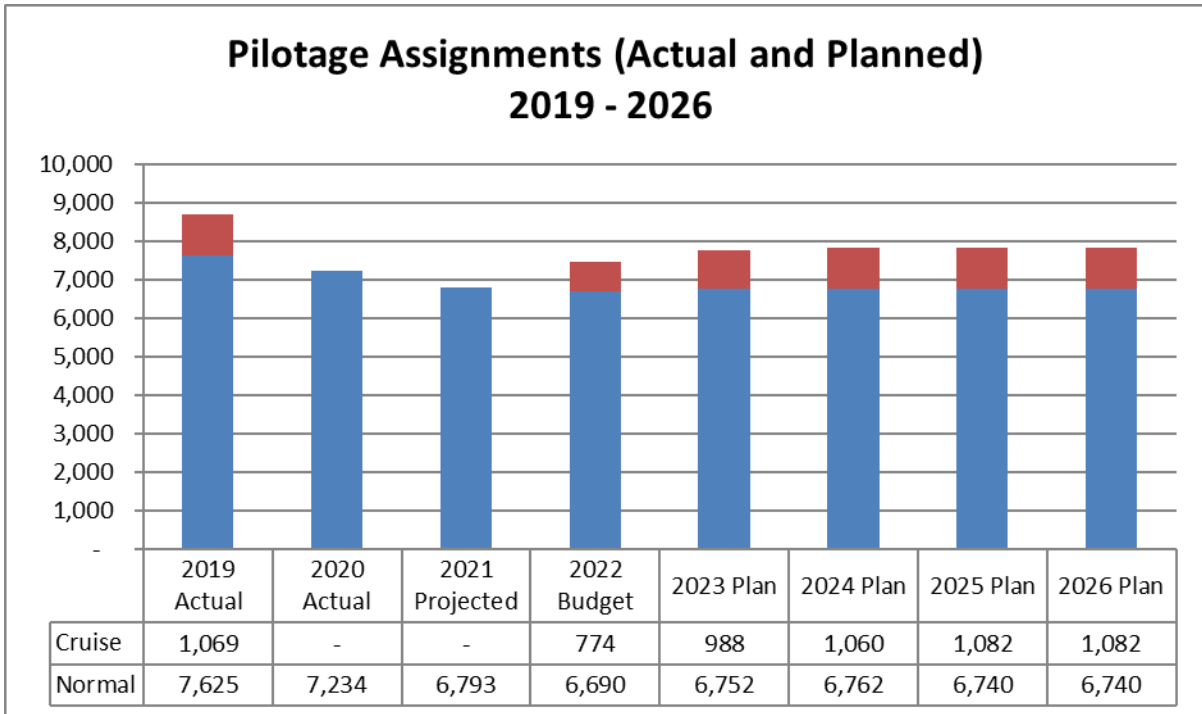
These documents are available at www.atlanticpilote.com.

2. VOLUME OUTLOOK

The chart below illustrates the annual assignments for 2019 and 2020, the outlook for 2021, and the forecast included in the Corporate Plan for 2022-2026. The planning assumptions of the Authority are based on historical traffic levels, shipping announcements, and information provided directly to the Authority by stakeholders through consultation.

The Authority had experienced strong levels of traffic since 2016. The global coronavirus pandemic (or “COVID-19”) impacted shipping traffic in a number of sectors with the most significant effect being caused by the cruise ship moratorium. The budget is based on what is known at this time with input from consultation meetings, and projects a strong recovery in cruise traffic in 2022. There are projects being considered by industry that may grow traffic within this planning period, but the Authority has adopted a conservative stance on other possible growth.

The total number of assignments for 2021 is projected to be 6,793, a decrease from 2020 where the impacts of the pandemic began in March. The amount of activity in ports serviced by the APA can vary significantly due to factors that are beyond its control.



The Authority has seventeen compulsory ports and currently provides non-compulsory services in other areas. Each port or area is treated as a separate cost centre with its own charge structure. Therefore, trends in activity are analyzed on a port-by-port bases and are displayed below.

TRAFFIC SUMMARY									
	ASSIGNMENTS								
	ACTUAL	ACTUAL	PROJECTED	BUDGET	BUDGET		PLAN		
	2019	2020	2021	2021	2022	2023	2024	2025	2026
<u>COMPULSORY TRAFFIC</u>									
<u>SALARIED PORTS</u>									
HALIFAX	2,682	2,401	2,272	2,223	2,562	2,698	2,737	2,737	2,737
SAINT JOHN	1,844	1,698	1,726	1,547	1,854	1,885	1,905	1,905	1,905
STRAIT OF CANSO	621	706	685	532	626	626	626	626	626
SYDNEY	441	199	223	172	368	392	420	420	420
BRAS D'OR	4	-	-	4	-	-	-	-	-
PLACENTIA BAY	1,373	1,007	834	1,181	776	791	791	791	791
ST. JOHN'S	559	434	377	376	397	415	437	437	437
HOLYROOD	33	26	22	32	22	22	22	22	22
HUMBER ARM	205	171	192	211	220	220	224	224	224
BAY OF EXPLOITS	67	50	40	64	40	40	40	40	40
STEPHENVILLE	34	30	40	40	34	34	34	34	34
TOTAL SALARIED PORTS	7,863	6,722	6,411	6,382	6,899	7,123	7,236	7,236	7,236
<u>ENTREPRENEURIAL PORTS</u>									
PUGWASH	90	65	65	87	75	85	90	90	90
MIRAMICHI	25	3	2	18	2	2	2	2	2
RESTIGOUCHE	24	1	2	2	2	2	2	2	2
BELLEDUNE	-	-	-	-	-	100	125	125	125
VOISEY'S BAY	41	26	14	16	14	14	14	14	14
CHARLOTTETOWN	277	112	71	78	214	236	258	258	258
CONFEDERATION BRIDGE	106	78	73	75	90	95	95	95	95
TOTAL ENTREPRENEURIAL PORTS	563	285	227	276	397	534	586	586	586
<u>NON-COMPULSORY TRAFFIC</u>									
BELLEDUNE	125	86	72	98	85	-	-	-	-
OTHER NON-COMP	143	141	83	105	83	83	-	-	-
TOTAL NON-COMP TRAFFIC	268	227	155	203	168	83	-	-	-
TOTAL TRAFFIC	8,694	7,234	6,793	6,861	7,464	7,740	7,822	7,822	7,822

3. FISCAL 2022 AMOUNTS TO RECOVER FROM CUSTOMERS

Based on the volume outlook from section 2, the preliminary budget costs for fiscal 2022 are expected to be \$29.8 million. The following table sets out the specific amounts to recover in fiscal 2022, as compared to the actual costs for fiscal 2019, fiscal 2020, and the projected costs for fiscal 2021.

Operating Expenses	Fiscal 2019 Actual	Fiscal 2020 Actual	Fiscal 2021 Projected	Fiscal 2022 Forecast
PILOT SALARIES, ETC	13,300	12,536	12,588	13,730
PILOT BOATS	6,509	5,676	5,391	5,587
PILOT BOAT CREWS' REMUNERATION	2,087	2,175	2,127	2,232
STAFF SALARIES	1,952	2,111	2,043	2,172
AMORTIZATION AND DEPRECIATION	1,848	1,847	1,982	3,453
TRANSPORTATION	970	691	706	711
OTHER EXPENSES	761	762	750	786
PROFESSIONAL SERVICES	343	449	400	365
TRAINING	442	79	275	450
FINANCING COSTS	182	163	151	128
TRANSPORT CANADA PAYMENTS	-	104	210	235
TOTAL OPERATING EXPENSES	28,394	26,593	26,623	29,849

The Authority's budget for 2022 does not include the full recovery of the \$29.8 million in costs as per the table above forecasted for fiscal 2022. With the deficit charge included, only \$29.2 million in revenues are budgeted. The forecasted expenses above do include accelerated depreciation in anticipation of the possible disposal of capital assets. Any decrease in cash associated with the budgeted accounting loss would be financed by the amount that remains in reserve at the end of 2021, and short-term borrowing.

The Authority's capital program includes expenditures of \$13.0 million spread over the period from 2021 to 2023 and includes \$8.7 million for two new pilot boats. The Authority plans to use \$1.7 million that was saved for capital asset replacement and finance \$8.4 million through long-term loans and capital leases. The balance will be drawn from regular operating cash flows and represents the regular capital repairs required for the Authority's assets. Due to the availability of boat yards for construction and uncertainty regarding traffic, the new pilot boat project may be delayed further.

Cost Analysis

Overall operating expenses in fiscal 2022 are expected to increase by \$3.3 million over the 2021 projected results. Drivers of the material increases in costs are as follows:

1. Pilot costs are expected to increase by \$1.1 million in fiscal 2022 driven by:
 - a. Salary increases based on an arbitration award;
 - b. Additional pilots being added to replace retired pilots;
 - c. Training pilots progressing through licences; and
 - d. Increased overtime and variable costs due to the return of cruise traffic.
2. Pilot boat costs are expected to increase by \$196,000 in fiscal 2022. This item does include fuel costs and will increase with additional cruise assignments in ports with variable contracts based on activity.

3. Pilot Boat Crew's Remuneration is budgeted to increase with an additional maintenance person added.
4. Staff salaries are similar to 2020 when the Administration was fully staffed.
5. Amortization and Depreciation costs increase with the execution of the capital replacement program which includes possible disposal of older vessels.
6. Training costs decreased due to travel limitations associated with COVID-19. These limitations are budgeted to be lifted late in 2021 with the full training program resuming in 2022. Training is based on a schedule that is tied to licence progression and refresher courses.
7. *Pilotage Act* administration costs of \$235,000 will be incurred for fiscal 2022. This is the fee administered by Transport Canada to the Authority for administration of the Act.

4. PROPOSED REVISION TO SERVICE CHARGE RATES

The Authority experienced declining traffic in a number of ports that began before the pandemic which was magnified by the economic impacts of COVID-19. As identified in section 3, in order for the Authority to maintain its financial self-sufficiency in fiscal 2022, it will continue to adjust its base rates to offset pre-COVID-19 declines in traffic and increased costs of operation. A deficit reduction additional charge to offset lost revenue caused by COVID-19 will remain in place as the related financial losses are mitigated and recovered over the medium-term outlook.

The financial goals associated with the increases are as follows:

- Adjust regular charges in ports where:
 - Pre-COVID-19 traffic levels were falling or are expected to fall.
 - Operating costs are increasing.
 - Investments are being made in the port that are increasing costs to improve the effectiveness and reliability of the service.

- Adjust charges in ports serviced by entrepreneurial pilots to ensure there are licenced pilots available to provide the service.

The financial position for the Authority in some ports will not fully recover until the cruise traffic returns to pre-pandemic levels. The proposed rate adjustments will decrease the expected losses in these ports but is meant to put the area on a path to being profitable when traffic recovers and the deficit reduction additional charge is removed.

a) Fiscal 2022 Base Rate Calculations

To determine the rate changes required in fiscal 2022, the forecast revenues and amounts to recover (expenses, capital expenditures and reserves) are compared. The Authority's activity and related budgeting procedures have been upgraded each year and rely heavily on information provided by stakeholders through consultation.

Due to the unique nature of pilotage in the Atlantic region, the Authority strives for area-by-area and port-by-port financial self-sufficiency over the longer-term. This is in an effort to minimize cross-subsidization between stakeholders.

- 1) Effective January 1, 2022, there will be increases in port-by-port rates for one-way trips, thru trips, and movages in thirteen compulsory ports to offset decreasing activity, increasing operating costs, or increasing capital investments as described earlier. The impact of these increases represents a 2.40% increase in total revenues, or \$624,000. The rate increases and annual expected impact by port are summarized below and do not include revenues derived from the deficit charge.

Port	Rate Increase	Annual Revenue Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Bay of Exploits, NL	5.00%	\$6	(\$62)	(\$56)	Recent declines in traffic Pre-COVID-19.
St. John's, NL	5.00%	\$51	(\$149)	(\$98)	Offset increase in allocated costs
Strait of Canso, NS	3.00%	\$78	(\$150)	(\$72)	Offset increased costs.
Stephenville, NL	3.00%	\$3	\$5	\$8	Offset increased costs.
Holyrood, NL	3.00%	\$1	(\$18)	(\$17)	Offset increased costs.
Halifax, NS	3.00%	\$192	(\$458)	(\$266)	Offset increased costs.
Sydney, NS	3.00%	\$39	(\$167)	(\$128)	Recent declines in traffic Pre-COVID-19.
Saint John, NB	3.00%	\$173	(\$316)	(\$143)	Offset increased costs.
Bras d'Or Lakes	3.00%	\$1	\$0	\$0	Offset increase in allocated costs
Charlottetown, PE	2.00%	\$7	\$5	\$6	Increase to assure service availability (Entrepreneurial Pilots)
Pugwash, NS	2.00%	\$1	(\$5)	(\$4)	Increase to assure service availability (Entrepreneurial Pilots)
Miramichi, NB	2.00%	\$1	\$0	\$1	Increase to assure service availability (Entrepreneurial Pilots)
Restigouche, NB	2.00%	\$1	\$0	\$1	Increase to assure service availability (Entrepreneurial Pilots)

- 2) Effective January 1, 2022, there will be an increase in the pilotage charge for the compulsory pilotage area of Voisey's Bay, NL. The daily rate will increase from \$1,200 to \$1,225.

Port	Rate Increase	Annual Revenue Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Voisey's Bay, NL	2%	\$2	\$3	\$4	Increase to assure service availability (Entrepreneurial Pilots)

- 3) Effective January 1, 2022, for the compulsory areas of Charlottetown, PE, and Pugwash, NS, a minimum charge of \$875 will be established for both ports and applied for one-way trips and movages.

Port	Rate Increase	Annual Revenue Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Charlottetown, PE	2%	\$6	\$6	\$7	Increase to assure service availability and change the fee structure to be consistent with other areas (Entrepreneurial Pilots)
Pugwash, NS	1%	\$1	(\$4)	(\$3)	Increase to assure service availability and change the fee structure to be consistent with other areas (Entrepreneurial Pilots)

- 4) Effective January 1, 2022, for the compulsory area of Confederation Bridge, PE, the Flat Pilotage Charge with a pilot boat, and the charge without a pilot boat, will be set at \$875. The actual cost of the pilot boat will be recovered separately as described in paragraph 6 below. The net impact of these changes will be an increase of 2%.

Port	Rate Increase	Annual Revenue Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Confederation Bridge, PE	2%	\$3	(\$2)	\$1	Increase to assure service availability and change the fee structure to be consistent with other areas (Entrepreneurial Pilots)

- 5) Effective January 1, 2022, the rates for the following areas will be moved from the "Customer Guide to Charges 2 d. Table 4" and be placed in a new guide for other charges. These charges are not related to compulsory pilotage, therefore fall under 33 (2) of the *Pilotage Act*.

Even though these charges are not subject to the objection process, please be aware that the following charges will be amended, effective January 1, 2022. The Authority provides services for these areas upon request, if there are trained resources available. There is no requirement to do so, therefore the charges must be set at a rate that attracts these entrepreneurs to accept these requests when desired by industry.

All charges associated with these areas will be increased by 2.0%.

Port	Charge Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Belledune, N.B.	2.00%	\$10	\$0	\$2	Increase to assure service availability (Entrepreneurial Pilots)
Sheet Harbour, N.S.	2.00%	\$2	(\$2)	\$0	Increase to assure service availability (Entrepreneurs)
Summerside, P.E.I.	2.00%	\$4	(\$3)	\$0	Increase to assure service availability (Entrepreneurs)
Any port or harbour area that is a non-compulsory pilotage area	2.00%	\$1	\$0	\$0	There have been no assignments recently in any other area.

6) Pilot Boats

Effective January 1, 2022, a charge for the use of a pilot boat, equal to the actual cost of hiring a pilot boat, will apply to Holyrood, NL and Confederation Bridge, PE. These areas will be added to Section G. - III Pilot Boats within the Guide.

Port	Current Pilot Boat Charge	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Holyrood, NL	\$1,250	\$18	(\$18)	\$0	Recover the cost of the contracted pilot boat service.
Confederation Bridge, PE	\$800	\$0	\$1	\$1	The pilot boat recovery is currently embedded in the regular pilotage rate in the area. This will reduce the regular charge and bill the pilot boat separately.

7) Other Changes

Effective January 1, 2022, the Authority will be increasing other charges as follows in order to better align them with the costs associated with those activities. The annual impact of these changes is estimated to be approximately \$10,000.

These items in the Guide will change to the following:

- VIII. Detention on Board Ship – The charge for the second hour of detention will increase to \$500 from \$231. The charge for each hour or part of an hour beyond will increase to \$500 from \$132. The maximum charge for any 24-hour period will increase to \$2,000 from \$1,023.
- IX. Detention on Shore or Pilot Boat – The charge for each hour or less of detention will increase to \$500 from \$132. The maximum charge for any 24-hour period will increase to \$2,000 from \$1,023.
- XV. Cancellations – The maximum charge for a cancellation will be increased to \$1,025 from \$1,000.

5. BENEFITS AND COSTS

A cost-benefit analysis was conducted to determine the impact of the rate increase. It covers a 10-year period starting in the first year of the increase (2022 to 2031). According to the analysis, the increase in the regular rates for pilotage services will generate additional average annual revenues of \$654,000 (in constant 2021 dollars) over the next 10 years and a total equivalent cost for the industry. This includes an assumption that traffic volumes will increase during a recovery from the COVID-19 caused decline.

The deficit reduction additional charge is assumed to be in place for the full five - year period in this analysis and the rate increases will impact the revenues raised by this deficit charge.

Higher pilotage rates will ensure the financial self-sustainability of the Authority as well as the uninterrupted provision of efficient and timely pilotage services.

Quantified impacts *(in Canadian dollars, 2021 price level / constant dollars)*

Cost-benefit statement

Discount rate: 7%		Base Year 2022	2023	2024	Final Year 2031	Total (PV)	Average
Costs	Regular Charges - Shipping industry	\$638,000	\$652,000	\$675,000	\$650,000	\$4,595,000	\$654,000
Net benefits						—	—

B. Qualitative impacts

Shipping industry	Safe, efficient and timely pilotage services in navigable waters within the Authority's jurisdiction.
Atlantic Pilotage Authority	The Authority's financial self-sufficiency, activities are maintained as well as sustainability of assets.
Canadians	Safe shipping in the Atlantic Pilotage Area. Sustainability of the Atlantic Pilotage Authority will prevent layoffs and the associated consequences of unemployment.
Canadian importers and exporters	Potential for the shipping industry to pass on the cost of the increased rate to importers and exporters in the Atlantic Pilotage Area.

6. PROPOSED REVISION TO CASH AND INVESTMENTS

Charges are set based on the Authority's financial requirements, which consider projected volumes and planned expenditures. Since actual revenue and expenses will differ from these estimates, methods to accumulate the variance in reserve are required so that they may be considered when setting future charges and so that no going concern risks are unintentionally introduced into the Authority. There is also a need to absorb unpredictable factors – mainly fluctuations in traffic volumes resulting from unforeseen events (i.e. refinery closures or slowdowns, certificate issuance, lines leaving the Atlantic region).

When determining the level of charges, the Authority considers its current and future financial requirements. Among other things, the following are considered when establishing service charges:

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

The primary measure of the Authority's financial self-sufficiency is its net cash flow position. The actual and projected cash flow results are summarized below, as are the budgeted cash and savings balances:

	Fiscal 2019 Actual	Fiscal 2020 Actual	Fiscal 2021 Projected	Fiscal 2022 Forecast
Cash Provided by (used for) Operating Activities	4,409	1,617	1,054	2,897
Cash Flows Financing Activities				
Cash Provided from Borrowing	0	0	0	8,000
Loan and Lease Payments	-809	-871	-953	-1,895
Cash Provided by (used for) Financing Activities	-809	-871	-953	6,105
Cash (used for) Investing Activities – Capital Additions	-1,730	-1,885	-2,093	-8,278
Total Change in Cash	1,870	-1,139	-1,992	724
Total Cash End of Year				
Cash Balance and Reserve	4,359	3,446	3,704	3,852
Savings – Capital Asset Replacement	2,700	2,700	750	1,700
Savings – Future Severance Liabilities	900	674	374	0
Total Cash End of Year	7,959	6,820	4,828	5,552

The Authority has set the following goals to measure its long-term financial self-sufficiency:

Operating Cash Balance and Reserve – The Authority has a targeted bank balance of \$5 million for its operating balance and reserve total. Excess cash beyond this requirement is moved to savings for the purposes listed below.

Due to COVID-19 related declines, the reserve has been needed to fund the operation and the Authority expects it will not reach this targeted balance in 2022. The current plan is to reach this target in 2023 but is based on a strong recovery in cruise traffic without declines elsewhere.

Savings for Capital Asset Replacement - The Authority has established a long-term fleet renewal strategy that includes an investment in new vessels that began with the design in 2020. Also included in this strategy are mid-life refits and scheduled future construction.

The dedicated savings for this purpose will be exhausted when the construction of the two new vessels are complete. The plan assumes an increase in the previously anticipated long-term borrowing towards this project as the cash balances of the Authority have been negatively impacted by COVID-19. The borrowed funds will be accumulated in this account and the entirety of the savings used by the end of the build process. The Authority will not contribute future funds towards this dedicated savings purpose until the financial reserve targets are met.

Savings for Future Severance Liabilities - A part of the Authority's financial goals is to fund the future severance liabilities for employees who have this legacy benefit. There are years where larger payments are required that have short-term impact on cash flows. Having this fund allows for these payments to be made out of savings and not impact cash requirements funded by users in those years.

Due to cash shortfalls caused by COVID-19, savings in this fund will be used over the next few years to make these severance payments and will be exhausted by the end of 2022. The Authority will not contribute future funds towards this dedicated savings purpose until the financial reserve targets are met.

The review and determination of an appropriate corporate contingency, in which cash and savings are included, is undertaken annually and will be an input in the setting of future charges.

7. JUSTIFICATION OF THE PROPOSAL IN RELATION TO THE CHARGING PRINCIPLES

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

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

The methodology, which is reflected in this Details and Principles Document that was published on September 29, 2020, was placed on the Authority's website as required under s. 33.2 of the *Pilotage Act*. Based on the published information, any person subject to the Authority's charges can calculate the amount that would be payable for a given pilotage job

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

The Authority's charges are not structured in such a manner that safety may be impacted. Given the fact that pilotage services are mandatory in the compulsory waters where a risk assessment has determined that pilotage is required for safe transit; users are not given the ability to choose whether to use the services of a pilot in these areas. In addition, the structure of the Authority's charges is such that they cannot be avoided or diminished through adjusting operations in a manner that reduces safety.

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

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

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

The proposed charges are based on an allocation of operating and capital costs, that allow the Authority to fulfill its mandate and achieve its mission. The increases are fair and reasonable considering the increasing costs of business, the shorter-term impacts of COVID-19, and longer-term changes in anticipated traffic levels.

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

The Authority's charges are set knowing that it will not be able to recover all of the Authority's 2022 annual expenses net of other revenues determined in accordance with International Financial Reporting Standards (IFRS) and the costs of complying with certain financial requirements, as described in detail in subsection 33.2 (2) of the *Pilotage Act*.

The current cash flow projections that are based on these charges do not show cash balances reaching levels achieved prior to the pandemic until 2026. The Authority is expecting to borrow more than it has historically to have sufficient resources to initiate its capital replacement strategy.

The charges are set to return the Authority's finances to a more stable position over several years.

8. DETERMINATION OF CHARGES

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

Charges are applied to a pilotage assignment based on the type of movement, status of pilotage requirements for the area, and the definitions below:

Definitions:

- **One-Way Trips**
 - means the passage of a ship from
 - (a) outside a compulsory pilotage area or non-compulsory pilotage area to any place inside that area (inward), or
 - (b) inside a compulsory pilotage area or non-compulsory pilotage area to any place outside that area (outward);
- **Trips Through**
 - means the continuous passage of a ship from outside a compulsory pilotage area into that area and out of that area again.
- **Movages**
 - means the manoeuvring of a ship from one berth to another or back to the same berth within a compulsory pilotage area or a non-compulsory pilotage area, but does not include the warping of a ship from one berth to another solely by means of mooring lines attached to a wharf, to the shore or to a mooring buoy unless a pilot is employed;

The proposed rates to be applied to compulsory charge calculations as described in the Guide are as follows:

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)
1	Saint John, N.B.	1,948.00	5.06	1,091.00	110.00
2	Miramichi, N.B.	1,910.00	6.43	576.00	n/a
3	Restigouche (Zone A, Dalhousie and Zone B, Campbellton), N.B.	2,081.00	9.34	1,040.00	n/a
4	Halifax, N.S.	1,784.00	3.13	802.00	140.00
5	Cape Breton (Zone A, Sydney), N.S.	2,716.00	7.89	1,323.00	108.00
6	Cape Breton (Zone B, Bras d'Or Lake), N.S.	3,151.00	13.91	2,245.00	108.00
7	Cape Breton (Zones C and D, Strait of Canso), N.S.	1,867.00	5.03	1,363.00	290.00
8	Pugwash, N.S.	875.00	5.81	493.00	n/a
9	Bay of Exploits (Botwood and Lewisporte), N.L.	2,806.00	14.39	1,367.00	n/a
10	Holyrood, N.L.	2,521.00	7.98	814.00	n/a
13	St. John's, N.L.	2,570.00	8.14	830.00	80.00
14	Stephenville, N.L.	2,445.00	12.55	1,192.00	n/a
15	Charlottetown, P.E.I.	875.00	3.70	376.00	n/a

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)
1	Saint John, N.B.	1,469.00	1,469.00	n/a	n/a	110.00
2	Miramichi, N.B.	n/a	n/a	6.43	576.00	n/a
3	Restigouche (Zone A, Dalhousie and Zone B, Campbellton), N.B.	n/a	n/a	9.34	1,040.00	n/a
4	Halifax, N.S.	n/a	n/a	3.13	802.00	140.00
5	Cape Breton (Zone A, Sydney), N.S.	n/a	n/a	7.89	1,323.00	108.00
6	Cape Breton (Zone B, Bras d'Or Lake), N.S.	n/a	n/a	11.51	1,850.00	108.00
7	Cape Breton (Zones C and D, Strait of Canso), N.S.	n/a	2,165.00	n/a	n/a	290.00
8	Pugwash, N.S.	n/a	n/a	5.81	493.00	n/a
9	Bay of Exploits (Botwood and Lewisporte), N.L.	n/a	n/a	14.39	1,367.00	n/a
10	Holyrood, N.L.	n/a	n/a	7.98	814.00	n/a
13	St. John's, N.L.	n/a	n/a	8.14	830.00	80.00
14	Stephenville, N.L.	n/a	n/a	12.55	1,192.00	n/a
15	Charlottetown, P.E.I.	n/a	n/a	3.70	376.00	n/a
16	Confederation Bridge, P.E.I.	875.00	875.00	n/a	n/a	n/a

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)
1	Saint John, N.B.	n/a	1,752.00	4.04	872.00	4.56	982.00	110.00
2	Miramichi, N.B.	634.00	n/a	n/a	n/a	n/a	n/a	n/a
3	Restigouche (Zone A, Dalhousie and Zone B, Campbellton), N.B.	n/a	1,873.00	7.47	832.00	8.40	936.00	n/a
4	Halifax, N.S.	n/a	1,606.00	2.50	642.00	2.82	722.00	140.00
5	Cape Breton (Zone A, Sydney), N.S.	n/a	2,444.00	6.29	1,059.00	7.10	1,193.00	108.00
6	Cape Breton (Zone B, Bras d'Or Lake), N.S.	n/a	2,836.00	11.15	1,796.00	12.57	2,021.00	108.00
7	Cape Breton (Zones C and D, Strait of Canso), N.S.	n/a	1,681.00	4.03	1,091.00	4.52	1,228.00	290.00
8	Pugwash, N.S.	875.00	875.00	n/a	n/a	n/a	n/a	n/a
9	Bay of Exploits	n/a	2,524.00	11.52	1,096.00	12.96	1,233.00	n/a

	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)
	(Botwood and Lewisporte), N.L.							
10	Holyrood, N.L.	n/a	2,269.00	6.39	650.00	7.19	732.00	n/a
13	St. John's, N.L.	n/a	2,313.00	6.51	663.00	7.33	747.00	80.00
14	Stephenville, N.L.	n/a	2,201.00	10.03	953.00	11.31	1,071.00	n/a
15	Charlottetown, P.E.I.	875.00	875.00	n/a	n/a	n/a	n/a	n/a

Other applicable rates that have changed are as described above in section 4.

9. CONSULTATION

Consultations in various forms took place with the affected parties throughout 2021. Formal consultation sessions were held either in-person or via video conference for the following stakeholders:

- Halifax, N.S. (May 3 and August 16, 2021)
- Cape Breton, N.S. (May 12 and August 11, 2021)
- Saint John, N.B. (May 6 and August 12, 2021),
- St. John's, NL and Holyrood, NL (April 27 and August 17, 2021)
- Placentia Bay, NL (April 27 and August 17, 2021),
- Corner Brook, NL, Bay of Exploits, NL, and Stephenville, NL (August 19, 2021).

Participation varied in each port depending upon the makeup of local industry, but generally included ship-owners and operators, agents, facility management, port authorities, and other stakeholders.

Separate consultation sessions were with the Shipping Federation of Canada, which represents foreign vessels and accounts for 77-79% of the Authority's activity and revenue (June 1 and September 13, 2021). In addition to these formal consultation sessions, the Authority engaged stakeholders through other formats, including written, in-person, and telephone communications with individuals and groups.

Alternatives to increases were presented, where applicable, and feedback from participants was encouraged. For various ports and districts, the alternative to increased charges would be a reduction in pilot numbers or availability. The most serious reductions in traffic have been due to COVID-19 and are not expected to be long-term. This makes it difficult to reduce pilot numbers without impacting service levels for industry immediately and having a more severe effect when the recovery begins. Based on updated traffic estimates provided by several users, port-by-port rate increases were removed from one compulsory pilotage area for this notice.

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

This Details and Principles Document is available on-line and a copy may be downloaded from the Authority's website at <https://www.atlanticpilotage.com/>.

Information on the existing charges is also provided in the Authority's website. 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