

**NOTICE OF REVISED SERVICE CHARGES
SEPTEMBER 23, 2021**

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 January 1, 2022, 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 **October 26, 2021**.

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

This Notice consists of three Sections:

- (1) Proposed Revision to Service Charges;
- (2) Implementation of the Proposed Revised Service Charges;
- (3) Additional Information Regarding the Notice and on Making Representations to the Atlantic Pilotage Authority

1. PROPOSED REVISION TO SERVICE CHARGES

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. The Authority will also absorb increased pilot costs due to arbitration award that settled a collective bargaining agreement that will expire at the end of 2024. In order for the Authority to maintain its financial self-sufficiency in fiscal 2022, it will adjust its base rates to offset declining traffic and increased costs. The financial goals associated with the increases are as follows:

- Adjust regular charges in ports where:
 - Pre-pandemic traffic levels were falling or are expected to fall.
 - Pilot costs are increasing under the new collective agreement.
 - 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 assure there are licenced pilots available to provide the service.

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.

The Authority continues to endure reduced revenues during the pandemic, with the largest impact caused by the cancellation of the cruise season. The Authority had over 1,000 cruise assignments in 2019 that generated \$3.0 million in pilotage revenue. This was scheduled to increase in 2020 and beyond. The authority did not have any cruise assignments in 2020 and 2021.

Forecasted pilotage service revenue for the current fiscal year is \$26.9 million, which represents growth of \$1.6 million (6.4%) from 2020 but includes \$943,000 generated from the Deficit Additional Charge. The forecast for revenues for the fiscal year beginning on January 1, 2022, before giving effect to the proposed pilotage service charge revision, is \$28.613 million, which represents a 6.2% increase from current year forecast revenue and would remain 3.6% below pre-pandemic revenues experienced in 2019. This assumes cruise traffic returns in 2022 at levels comparable to previous years.

The costs to maintain the service are expected to grow with the increased traffic, increased wages, and inflationary pressures. The Authority also has deferred training and capital replacement costs that will be incurred as restrictions are lifted and programs restart. The total expenses for fiscal 2021 are projected to be \$26.6 million, which is similar to the 2020 total. Due to the factors mentioned above, these costs are expected to grow to \$29.8 million in 2022.

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 in the short-term and to be available as traffic grows. The extended training period and high related costs do not allow for pilot numbers to be reduced for a short-term reduction in activity. Capital investments were delayed in 2020 but the Authority must resume its activities to invest in its capital replacement programs. These considerations would not have a material impact on the impacts of this rate increase.

Most of the Authority's costs are fixed or cannot be reduced without severely impacting service levels and fulfilment of its mandate. Despite large variations in levels of marine traffic, the Authority is mandated to provide for the safe movement of marine vessels as an essential service, even in times of a global pandemic. As a result, the Authority experienced a significant decline in cash flows that is expected to continue through 2021. Net cash outflows for the current fiscal year are forecast at \$2.0 million, and for the 2022 fiscal year at \$976,000, before giving effect to the proposed service charge revisions and additional borrowings.

1.3 Proposed Customer Service Charge Rate Revisions Effective January 1, 2022

For regular rates effective January 1, 2022, the Authority proposes revisions to increase revenue by \$638,000, based on reasonable and prudent projections of forecasted piloted marine traffic for its 2022 fiscal year. This increase will leave the Authority in a loss position due to COVID-19 related traffic decline and increased costs. The proposed revisions to the rates charged on each piloted movement are as follows:

Port	Rate Increase	Annual Impact ('000's)	Port	Rate Increase	Annual Impact ('000's)
Bay of Exploits, NL	5.00%	\$6	Bras d'Or Lakes, NS	3.00%	\$1
St. John's, NL	5.00%	\$51	Charlottetown, PE	2.00%	\$7
Strait of Canso, NS	3.00%	\$78	Pugwash, NS	2.00%	\$1
Stephenville, NL	3.00%	\$3	Miramichi, NB	2.00%	\$1
Holyrood, NL	3.00%	\$1	Restigouche, NB	2.00%	\$1
Halifax, NS	3.00%	\$192	Voisey's Bay, NL	2.00%	\$2
Sydney, NS	3.00%	\$39	Coastal areas	2.00%	\$17
Saint John, NB	3.00%	\$173			

- Charlottetown, PE and Pugwash, NS – a Minimum Charge of \$875 will be established for both ports and be applied for all one-way trips and movages.
- 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. The current rate being charged to the Authority is \$800 per assignment. The net impact of these changes will be an increase of 2%.
- Holyrood, NL – a charge for the use of a pilot boat, equal to the actual cost of hiring a pilot boat will apply to each movement. A pilot boat in the area is being contracted and the Authority did not have this captured in its previous charges for the area. The current rate being charged to the Authority is \$1,250 per assignment.

Non-Compulsory Areas - there will be a 2% increase in port-by-port tariffs for one-way trips and movages for all non-compulsory ports. The Authority provides pilots for these areas upon request if there are licenced pilots available. There is no requirement to do so, therefore the charges must be set at a rate that attracts these entrepreneurial pilots to accept these requests when desired by industry. The changes for non-compulsory areas fall under section 33 (2) of the *Act* as they are not for compulsory pilotage.

- Other Charges – The Authority will be increasing the charges for detentions on Board Ship and on Shore, or Pilot Boat, to \$500 per hour to more directly recover the costs associated with these activities. The maximum charge for a cancellation is also increasing by \$25. The annual impact of these changes is estimated to be approximately \$10,000.

2. IMPLEMENTATION OF THE PROPOSED REVISED SERVICE CHARGES

The Authority acknowledges the challenges currently faced by some of 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 these stakeholders at

a time when they are also experiencing exceptionally difficult circumstances. The proposal does not represent an immediate achievement of the Authority's financial goals but does allow for stable cashflows while traffic fully recovers from the pandemic. These increases are 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 January 1, 2022.

3. ADDITIONAL INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO THE ATLANTIC 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.atlanticpilottage.com/pilotage-and-other-charges/service-charge-announcements/>.

Information on the existing charges is available at the Authority's at <https://www.atlanticpilottage.com/pilotage-and-other-charges/customer-guide-to-charges/>.

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@atlanticpilottage.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@atlanticpilottage.com
By facsimile: (902) 484-6347

Note: Representations must be received by the Authority not later than the close of business on October 26, 2021. 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 2020 Annual Report. The forward-looking statements contained in this document represent our expectations as of September 16, 2021 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.