



CORPORATE PLAN SUMMARY 2024/2028

Operations 2024 / Investment 2024



Table of Contents

| | |
|--|-----------|
| 1.0 / Executive Summary | 4 |
| 2.0 / Overview of Laurentian Pilotage Authority | 7 |
| 2.1 / Mandate | 7 |
| 2.2 / Public Interest Role..... | 7 |
| 2.3 / Vision Statement | 8 |
| 2.4 / Mission Statement | 8 |
| 2.5 / Principal Activities | 8 |
| 2.6 / Financial Situation | 11 |
| 3.0 / Operational Environment | 12 |
| 3.1 / Internal Environment..... | 12 |
| 3.2 / External Environment | 16 |
| 3.3 / External Economic and Business Environment | 19 |
| 3.4 / Strategic Issues | 20 |
| 3.5 / Additional Information | 21 |
| 4.0 / Objectives, Activities, Risks, Desired Results and Performance Indicators | 24 |
| 4.1 / Objectives and Activities | 24 |
| 4.2 / Risks | 36 |
| 4.3 / Expected Outcomes and Performance Indicators | 38 |
| 5.0 / Financial Overview | 43 |
| 5.1 / Financial Management of the LPA..... | 43 |

| | |
|---|-----------|
| 5.2 / Forecasts | 44 |
| 5.3 / Largest Budget Items Description | 48 |
| 5.4 / Variance Analysis..... | 51 |
| Appendix 1 / Guidance or Mandate Letter from the Minister | 54 |
| Appendix 2 / Corporate Governance Structure..... | 57 |
| Appendix 3 / Expected Results | 63 |
| Appendix 4 / Declaration by the Executive Director of Finance | 65 |
| Appendix 5 / 2024-2028 Financial Statements Forecast and Budget | 66 |
| Appendix 6 / Borrowing Plan..... | 71 |
| Appendix 7 / Risks and Related Mitigation Measures | 77 |
| Appendix 8 / Compliance with Legislation and Policy Requirements | 78 |
| Appendix 9 / Government Priorities and Directions..... | 81 |
| Appendix 10 / Organizational Chart | 86 |



1.0 / EXECUTIVE SUMMARY

After a long period of steady growth, traffic at the Laurentian Pilotage Authority (LPA) slowed in recent years. The COVID-19 pandemic was a direct cause of this drop. Thanks to the sound management practices in place, the organization was able to achieve good financial health with relative ease. After regaining profitability in 2022, the LPA is likely to incur another financial loss in 2023, largely due to the economic downturn and geopolitical tensions. The LPA's working capital will be sufficient to absorb future results, but the organization will have to start replenishing its reserve.

Despite the effects of the crisis, the LPA remains on course in fulfilling its mandate. To this end, the LPA is focusing on continuous improvement, the collaborative strength of its multidisciplinary team, and leveraging new technologies to optimize services. The LPA will implement strategic initiatives aimed at ensuring the safety, efficiency and effectiveness of marine transportation on water under its jurisdiction, in addition to diversifying its service offering and helping to protect the public and the environment. To do so, it will maintain and strengthen its partnerships as it creates new ones, so as to continue to play a key role in the Canadian supply chain.

To achieve this, the LPA's main strategic directions are to:

1. Provide an efficient, safe and reliable pilotage service
2. Maintain financial self-sufficiency and fair tariffs
3. Integrate sustainable development into the organization's planning, investments and operations
4. Pursue innovation by drawing on in-house human talent
5. Promote a resilient, interconnected maritime trade corridor through strategic partnerships

More specifically, the LPA will stay the course in its efficient management of pilotage services in existing districts, taking advantage of its modern dispatching systems, deploying a fleet of transshipment vessels and keeping up to date its agreements with service providers. By doing so, it will continue to meet its legal obligation of financial self-sufficiency and pursue its efforts to



reshape its tariff structure to ensure that it remains fair and predictable for its clients. The LPA recognizes that how it carries out its mandate is equally important, so it will continue to work on its first sustainable development strategy. The outcome of this work will lay the foundations to systematically integrate sustainability considerations into the LPA's planning, investments, and operations. Initial actions are already moving in the right direction, with technological solutions that demonstrate how efficiency and sustainability can be mutually reinforcing objectives. In this light, the LPA will continue to develop new technologies such as optimized pilotage services, in turn enabling more efficient transport planning, reduced greenhouse gas emissions and better business results for clients. Such innovations, which help make the St. Lawrence corridor even more competitive, could not be implemented without an efficient team within the Laurentian Pilotage Authority. This is why the LPA continues to strengthen its position as a leading Canadian employer, ensuring the well-being and performance of its employees, while looking to the future and preparing the next generation.

These efforts will enable the LPA to play a key role alongside its partners as part of a collective drive to create a smart, resilient marine corridor that supports Canada's global standing. A number of factors will shape the LPA's activities and investments over the coming year.

The pending Transport Canada (TC) decision on compulsory pilotage regulations in four North Shore ports is an important one for the LPA. This decision must take into account the region's particular features and related operational challenges. The LPA is supporting TC in this process, offering advice and expertise. The LPA will press ahead with its efforts to be ready to provide services should the government take steps to institute a compulsory pilotage regime.

Substantial investments will also be required to ensure service quality. For the period covered by this Corporate Plan, key investments include updating the LPA's network equipment and renewing portable pilot units (PPUs). In terms of financing, apart from maintaining a short-term credit facility to secure its operations, the LPA does not expect to require additional financing for the duration of the Plan.

Lastly, the LPA expects the unstable geo-economic climate to persist over the coming year. Against this backdrop, the financial forecasts presented in this Corporate Plan are the result of projections made based on key priorities and issues, as well as the underlying constraints and



opportunities. These forecasts remain subject to context-specific fluctuations. The LPA is, however, confident that it can maintain its momentum and, with the help of its partners, find new avenues to ensure its development and remain an important vector in the Canadian supply chain.



2.0 / OVERVIEW OF LAURENTIAN PILOTAGE AUTHORITY

2.1 / MANDATE

Created in 1972, the Laurentian Pilotage Authority is the gateway to marine pilotage services in the waters of the St. Lawrence River, the Gulf of St. Lawrence and the Saguenay River. It is responsible for all aspects of compulsory pilotage services, making it a turnkey organization. The legislative mandate guiding the LPA's activities is based on the following four principles:

- > The provision of pilotage services contributes to navigation safety, including the safety of the public and marine personnel; it is also aimed at protecting human health, property and the environment.
- > Pilotage services are provided in an efficient and cost-effective manner.
- > Efficient use of risk management tools that takes technological evolution into account.
- > The LPA's pilotage charges are set at levels that enable it to be financially self-sufficient.

The LPA reports to the government through the Minister of Transport and is accountable to the Parliament of Canada for its actions.

2.2 / PUBLIC INTEREST ROLE

The LPA plays an important role in the public interest of Canadian citizens by ensuring that cargo and passenger ships transit efficiently and effectively in the economic corridor under its jurisdiction. These transits must also be carried out safely to protect the Canadian population, the environment, and the national economy, all at a reasonable cost.



2.3 / VISION STATEMENT

To be a leader in managing a resilient, smart, and sustainable pilotage service as an important link in Canada's supply chain, founded on human expertise and technological innovation, and empowered by inclusive partnerships.

2.4 / MISSION STATEMENT

The LPA's mission is to provide effective and efficient pilotage services that promote the safety of navigation, including the safety of the public and marine personnel, on the St. Lawrence River, the Gulf of St. Lawrence, and the Saguenay River. Financially self-sufficient, the LPA conducts its activities with a view to protecting human health, property and the environment. It also employs sound risk management and state-of-the-art technology.

2.5 / PRINCIPAL ACTIVITIES

To fulfill its mandate, the LPA has established three compulsory pilotage districts: Port of Montreal (District No. 1.1) waters, the navigable waters between Montreal and Quebec City (District No. 1), and navigable waters between Quebec City and Les Escoumins, including the Saguenay River (District No. 2). These districts cover 265 nautical miles between Montreal and Les Escoumins and another 70 nautical miles on the Saguenay River.

Several ports east of Les Escoumins are within waters under LPA jurisdiction but are not subject to compulsory pilotage. The LPA is awaiting instructions from Transport Canada with respect to the potential regulation and implementation of compulsory pilotage in four ports on the North Shore.

Ships Subject to Compulsory Pilotage

Ships are subject to compulsory pilotage based on a number of criteria established through regulations. For Canadian-registered ships navigating districts No. 1 or No. 1.1, compulsory pilotage applies to those over 70 metres in length and over 2,400 gross tons. For Canadian-registered ships navigating District No. 2, compulsory pilotage applies to ships over 80 metres in length and over 3,300 gross tons. Lastly, for ships not registered in Canada, all ships over 35 metres in length are subject to compulsory pilotage, regardless of the district.

Map of Compulsory Pilotage Districts and Waters under LPA Jurisdiction





Service Offering

The provision of pilotage services entails a series of precise activities that must be meticulously orchestrated by LPA employees. When a request for service is received, LPA dispatchers must assign the right pilot to the vessel at the right time, while planning the activities involved for their notification, deployment and transshipment by pilot boat to a vessel. A vessel can only transit once the LPA has aligned the services of several marine actors to ensure adequate transit within our service area.

The LPA Dispatch Centre, located in the Montreal headquarters, is the nerve centre for pilotage services on the St. Lawrence and Saguenay rivers. Its dispatchers are responsible for organizing and assigning pilots to ships. The Dispatch Centre serves all three districts and is operational 24 hours a day, 365 days a year. In addition to senior management activities, the Montreal headquarters is also home to the Marine Safety and Efficiency, Finance and Administration, Talent and Communications, and Legal departments.

The Marine Safety and Efficiency department oversees pilotage services and supervises operational activities. It is also responsible for issuing policies and procedures related to the safety of pilotage services and navigation safety. In addition, it is entrusted with developing best practices in pilotage, approving the training program and recruiting apprentice pilots. This department is also responsible for the development and operation of the LPA's Marine Simulation Centre, located in Montreal, which features a main navigation bridge and two secondary bridges.

To transfer each licensed pilot from shore to ship or ship to shore, the LPA uses five pilot stations, located in Les Escoumins, Quebec City, Trois-Rivières, Sorel and Montreal they are forward bases for deploying pilots to and from ships operating in the LPA's corridor. They are served by a fleet of pilot boats and operated by dedicated crews who meet the constant demands of the maritime trade, 24/7 year-round.



Canadian pilots, in the service of the LPA through service agreements, work to maintain a safe route through the capricious and challenging waters of the St. Lawrence. Managed and dispatched by our Montreal Dispatch center, and rapidly transhipped by pilot boats, over 200 pilots and apprentice pilots work in the compulsory pilotage waters served by the LPA.

Three other pilotage authorities provide similar services in Canada. Although the clientele may be the same at times, each Authority has sole jurisdiction in the waters for which it is responsible.

2.6 / FINANCIAL SITUATION

The LPA's sound financial health enabled it to weather the challenges of the global pandemic without financial difficulty. The LPA absorbed losses caused by the drop in traffic while continuing to meet its obligations. The LPA successfully carried out its planned investments, including the addition of a pilot boat to its fleet, and maintained its assets, including the replacement of the old timber wharf at Les Escoumins. However, the pandemic and the investments made have had a significant impact on the organization's cash position. Reserves will need to be replenished to ensure continued operations, as well as to carry out the activities included in this Corporate Plan. Maintaining a long-term vision, despite an economic slowdown on the horizon, the LPA will continue its efforts to optimize its resources and invest in service improvements for the long-term benefit of its clients and the marine industry.

For further information on LPA activities and the most recent audited financial results, please refer to the latest annual report, available on the website at

<https://www.pilotagestlaurent.gc.ca/en/financial-reports.html>, under the "Reports" tab.



3.0 / OPERATIONAL ENVIRONMENT

3.1 / INTERNAL ENVIRONMENT

Workforce

There are 70 full-time employees on the LPA team. These employees work in different units at the LPA's Montreal headquarters, its pilot boarding station in Les Escoumins and on the Ville-Marie shuttle serving the Port of Montreal. For the period covered by this Plan, the LPA will continue to closely monitor developments in its internal and external environments and will assess the need for possible growth that may be required to fulfill its mandate, while continuing to focus on innovation and return on investment for its assets. The LPA has augmented its capacity by one position to meet Transport Canada's new management system requirements. The government's expected decision on the expansion of pilotage services on the North Shore could lead to a slight increase in the number of employees in the future.

The LPA's organizational chart can be found in Appendix 10.



Employee Breakdown

| | ACTUAL | FORECAST | PLAN | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Executive Committee | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Administration | 16 | 17 | 19 | 19 | 19 | 19 | 19 |
| Operation and dispatch | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Ship's crew | 19 | 19 | 20 | 20 | 20 | 20 | 20 |
| Total | 69 | 70 | 73 | 73 | 73 | 73 | 73 |

The LPA also counts on more than 200 contract pilots and apprentice pilots organized into two pilot corporations to fulfill its mandate of providing pilotage services to the marine industry. The relationship with pilot corporations is principally governed by service contracts.

Breakdown of Pilots and Apprentices

| | ACTUAL | FORECAST | PLAN | | | | |
|------------------------|------------|------------|------------|------------|------------|------------|------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Licensed pilots | 204 | 204 | 206 | 206 | 206 | 206 | 206 |
| Apprentices | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Total | 216 | 216 | 218 | 218 | 218 | 218 | 218 |



Labour Relations and Compensation

The LPA works in conjunction with two unions, the Public Service Alliance of Canada (PSAC) and the Canadian Merchant Service Guild (Guild) representing many of its employees. The collective agreement covering Guild-affiliated employees, which expired on June 30, 2022, was renewed in 2023. It expires on June 30, 2026. The collective bargaining agreement for PSAC-affiliated employees will expire on June 30, 2024.

The LPA stays attentive to trends and best practices in total compensation so as to provide competitive compensation packages for its employees and attract the best talent. In the interests of equitable compensation and employment equity, the LPA assesses all positions when they are created, and reassesses them as necessary when a position's responsibilities change. A thorough job classification and salary review began in 2022 in collaboration with a specialized compensation firm. This multistage exercise was completed in 2023.

Talent Development, Retention and Attraction

The LPA continues to evolve by adapting its forward-looking workforce management plan and working on its brand image. This enables it not only to attract individuals in the field who show high potential, but also to retain those who make up its current talent pool. In its engagement and mobilization initiatives, the LPA focuses on personnel development, continuous improvement, and establishing an organizational framework conducive to maintaining occupational health and well-being in the workplace. These initiatives are also aimed at retaining talent, acquiring new talent and training the next generation. In 2021, the LPA was first named one of Montreal's Best Employers, an honour that was renewed in 2022 and 2023.

Level of Engagement

When it comes to engagement and mobilization, the LPA emphasizes the importance of close relationships and ongoing dialogue between managers and employees at all levels of the



organization in order to better monitor how the situation is evolving in terms of motivation at work, sense of belonging, recognition, and so on. Semi-annual meetings hosted by senior management and employee coffee breaks with the CEO are good examples of the mechanisms employed. The organization has also stepped-up regular communications with employees on a number of subjects throughout the year. Always attentive to the needs of its employees and striving to maintain a high level of mobilization and quality of life at work, the LPA undertook initiatives to consolidate and improve the level of organizational engagement, with the support of a specialized external firm. The action plan resulting from this diagnosis will continue to be rolled out in 2024. At the core of this approach is the vision of continuous improvement in our practices and the evolution of our corporate culture, a vision that fosters collaboration, innovation and pride in the passion that drives each and every one of our employees. This work is also intended to further consolidate the basis for maintaining and improving the LPA's engagement with its most important asset, its employees. On the operational front, the LPA continues to follow the Public Service of Canada's policy on working in a hybrid mode. Mental health, diversity and inclusion, together with personnel development and succession planning, are at the heart of our human resources strategy.

New Products and Services

As part of its goal to become a leader in the management of a resilient, intelligent, and sustainable pilotage service, and to improve the efficiency and effectiveness of its services, the LPA has expanded its offering with the introduction of two new services. The first consists of using a marine navigation simulator to analyze incidents/accidents and assess the skills of pilots and apprentice pilots, as well as to train pilot boat captains. The LPA will also be able to use the simulator to provide consulting services in its field of expertise, to both public and private sector clients, thereby broadening its sources of revenue. The second service stems from the development and use of the optimized pilotage system created for the LPA. This calculator improves the fluidity of marine traffic and optimizes several important factors for clients, such as travel time, pilotage costs, fuel consumption and the number of transit stops. Optimizing transits, by adjusting speed, reducing fuel or costs, will also contribute to the LPA's sustainable development objectives. The LPA is continuing its research and deliberations to further optimize



its offering in the interests of effectiveness, efficiency, operational safety and environmental protection.

3.2 / EXTERNAL ENVIRONMENT

Changes in Marine Traffic

Marine traffic in the LPA's service area declined in 2020 and 2021, mainly due to the global pandemic. During 2022, the LPA witnessed a return to regular traffic levels. However, with the current economic slowdown, the LPA is once again experiencing fewer transits through its waters. This situation could continue into 2024 according to current economic forecasts. With this fluctuating traffic, the LPA needs to adapt its service provision so that it remains effective, efficient and safe no matter what the level of activity on the river. This means developing systems to better manage pilotage services, managing assignments to optimize transits under the conduct of a pilot, and implementing protocols or applications to help coordinate certain tasks.

Business Partners

The LPA aims to maintain solid relationships with various marine industry stakeholders, including groups and associations representing shipowners, pilot corporations, other industry partners, government bodies and First Nations. These good relationships allow open information flows and make it easier to resolve challenging issues that may arise. The LPA is committed to building strong partnerships with these stakeholders, in particular the Innu community of Essipit near Les Escoumins.

The LPA mainly uses Ocean Group as its supplier of pilot boarding services. Ocean Group has been selected to provide pilot boarding services for pilots in Montreal, Sorel, Trois-Rivières and Quebec City.



Following the latest calls for tenders for the renewal of pilot boarding service contracts, the LPA has once again selected Ocean Group to provide these services to the aforementioned ports. These contracts, which start in January 2024, are more stringent and include specific expectations in terms of service quality. The LPA also decided to purchase a new pilot boat to be able to charter one of the vessels in its fleet to Ocean Group to provide pilot boarding services at the Port of Trois-Rivières.

The LPA is also working with two pilot corporations to provide world-class service. These corporations are retained by service contract. The current contract with the Corporation of Mid St. Lawrence Pilots (CMSLP), with an initial term of three years, ended on June 30, 2023. Both parties have agreed to extend this contract by one year, to June 30, 2024, as permitted by the contract. The contract with the Corporation of Lower St. Lawrence Pilots (CLSPL) ended on December 31, 2021, as negotiations begun in the fall of 2021 failed to reach an agreement between the two parties. Following mediation meetings, the parties managed to reconcile their positions, but final discussions proved unsuccessful. As provided for in the contract, the parties opted for arbitration, a process which ended in May 2023. The LPA's final offer was selected by the arbitrator and thereby became the new contract in force with the District 2 pilots for the period covering January 1, 2022, to December 31, 2024.

Technological Changes

The LPA closely monitors technological progress in commercial navigation and positions itself to address advances affecting pilotage. Among other things, it is examining how technologies and software currently being developed or already available would allow pilotage services and ship transits to be safer, more effective, and more efficient. As part of this work, the LPA leads a technology working group, under the auspices of the National Pilotage Committee, to keep a strategic watch on current and future technologies in the maritime community. More concretely, the LPA is working on Phase III of the development of a supply path optimization (SPO) software tool for optimizing transits under pilot conduct. This tool enables the user to improve transit efficiency by reducing fuel consumption, travel time and pilotage costs. Future developments will include factoring in actual traffic to the calculations, as well as the availability of resources



such as docks. In the coming year, the LPA will continue to work in partnership with federal, provincial and private-sector organizations to ensure consistency of effort in the emergence of a smart, competitive, resilient and sustainable trade corridor on the St. Lawrence.

Environmental Changes / Sustainable Development

Environmental changes can have significant repercussions on LPA operations. For example, these changes may increase or decrease the amount of water available for navigation, or speed restrictions may be issued in certain sections to prevent bank erosion, or to protect the marine ecosystem. The LPA is sensitive to the environmental considerations involved and will collaborate with partners with a view to improving practices and protecting the environment. The LPA is currently working to confirm its sustainable development strategy, set new objectives and define concrete actions to be integrated into the core of our operations and management. To achieve this, the LPA is working with a consultant. As part of this effort, the LPA has also set up a working committee to keep abreast of developments in this area.

Recent and Pending Legal and Regulatory Issues

The LPA complies with the laws and regulations enacted by the Government of Canada, and respects government directives submitted to it. Notably, the LPA continues to roll out its accessibility plan, as required by the *Accessible Canada Act*. The LPA is also taking part in consultations on regulatory modernization. From an operational standpoint, in 2022 the LPA received the first drafting instructions relating to the development and implementation of management systems but is still awaiting the final regulatory instrument.

In 2022, the LPA did not receive any requests related to the *Access to Information Act* nor any related complaints.



3.3 / EXTERNAL ECONOMIC AND BUSINESS ENVIRONMENT

Markets and Competition

The LPA operates under the *Pilotage Act*, which requires clients to use its services. As a unique service provider, it remains well regulated by a legal-institutional framework that ensures the reasonableness and fairness of its charges. The organization's clients - shipowners - are in competition with all other types of transport, as well as with competitors serving ports on the east coast of the United States. This competition can have a positive or negative influence on the LPA's traffic levels and services, and consequently on its revenues. The LPA endeavours to provide an efficient and effective service, as this influences the corridor's competitiveness and hence the LPA's self-sufficiency.

Macroeconomic Outlook

The Canadian economy continued to grow at the start of 2022, but only modestly. However, the decline in the last two quarters is likely to cancel out the weak growth recorded in the first two quarters. For 2024, economists expect slight growth in the first six months of the year, with a steadier pace in the second half, a trend that will continue into 2025, when interest rates could start to fall. The weaker economic strength will be felt more in retail-related consumer goods, professional services and financial services. Although inflation in Canada is slowing down, it remains high and is a priority for the Bank of Canada.

Marine Industry Outlook

Most marine traffic returned to pre-pandemic levels in 2022. However, given the current economic situation, the LPA recorded a loss of traffic growth in early 2023. Bulk carriers and container ships are experiencing a slowdown, and tankers are struggling to maintain the previous year's number of trips. While a slowdown is forecast for most vessels by the end of 2023, passenger ships should see growth for the current year. This increase should continue into 2024.



For other ship types, traffic is expected to pick up again in 2024, but with only modest growth. A more sustained recovery will not be seen until 2025. All this will depend on the geopolitical context and pressure on consumer prices.

3.4 / STRATEGIC ISSUES

The LPA's margin to manoeuvre is influenced by many factors that can have a significant impact on its operations. For example, it has no control over marine traffic, while service contracts with pilot corporations can be the subject of arbitration during contract negotiations. In addition, revisions to the LPA's planned service charge rates can also be contested by shipowners. Despite this context, the LPA must generate sufficient cash flow to continue offering quality services to its clients by charging fair rates while ensuring the security of its operations and maintaining its financial self-sufficiency.

Overall, the changes made in the recent update to the *Act* are opportunities for the LPA, but certain factors remain to be clarified at this time. Regulatory making powers previously held by the LPA are now held by TC. Each having to play its respective role, the LPA will continue to work closely with TC to discharge its mandate. The regulations under development will require pilotage authorities, the only public entities with a mandate to provide pilotage services, to set up a management system. This system will provide the LPA with additional management tools to manage its operations and ensure excellence in the provision of pilotage services. To promote national consistency, the LPA is working with the other pilotage authorities.



3.5 / ADDITIONAL INFORMATION

Organization's Performance

In recent years, sound financial management has generally resulted in the LPA achieving better financial performance than budgeted. However, unplanned losses, directly linked to the pandemic that weakened shipping traffic, affected the LPA in 2020 and 2021. For the year 2022, the LPA's overall result amounted to \$626,000, compared with a budgeted result of \$690,000. For the current year, the LPA's Corporate Plan forecast a surplus of \$1.45 million; this amount should be revised downwards in future forecasts, resulting in a loss. This loss is being generated by lower traffic than anticipated, as well as inflation higher than budgeted, resulting in higher pilotage charges. To date, the organization's sound financial health has allowed it to absorb the losses associated with the economic downturn, and to retain sufficient financial reserves to carry out its projects and maintain its assets. This approach has made it possible to maintain an efficient service for LPA clients and ensure a high degree of predictability in the level of charges levied on them. Nevertheless, this reserve has significantly declined and will need to be replenished to maintain the LPA's capacity to deal with unforeseen events over the next few years, which will be influenced by rising investment costs and inflation in recent months.

In terms of operational performance, the LPA has been able to maintain a satisfactory level of its main indicators. In 2022, 19 incidents/accidents were recorded, while the percentage of pilotage missions carried out without delay due to the pilotage system was 99.9%, a score meeting the highest quality standards.

Internal/External Audits

The LPA conducts annual internal audits to validate and improve processes in place. In addition, its financial statements are audited annually by the Office of the Auditor General of Canada (OAG). The LPA's audits in recent years have not surfaced any reservations, for which the Finance team has been commended. As required by law, in 2022 the LPA underwent a special examination by the OAG, which is required every 10 years. This exercise covered the LPA's



resources and methods as determined by the OAG, with particular emphasis on organizational management methods and the management of pilot services. The results of this review were forwarded to the Minister and Treasury Board in May 2023. The OAG noted that the LPA's internal rules for monitoring preventive safety measures related to transshipment activities are not being followed, resulting in a serious deficiency. Apart from this serious shortcoming and a few improvements to be made in various respects, the Auditor General is of the opinion that the corporation has implemented reasonable means and methods to fulfill its mandate. Management promptly took the necessary steps to rectify the problematic situation and implement the recommendations.

More broadly, the LPA fully complies with regulatory requirements in terms of operational safety, including its transshipment activities. Consequently, the LPA maintains an excellent safety record, as well as the confidence of its clients and users.

Compliance with Government of Canada Requirements

As a federal Crown corporation, the LPA complies with the requirements of applicable legislation and policies. Detailed information can be found in Appendix 8, "Compliance with Legislation and Policy Requirements." The LPA supports the government's priorities and initiatives, particularly those related to economic development and protecting the environment and marine ecosystems. The related activities can be found in Appendix 9, "Government Priorities and Directions."

The LPA recognizes the Government's austerity agenda and is committed to supporting its drive for greater efficiency. The LPA has long track record of concrete action to make its internal operations more efficient and cost-effective, from optimizing processes to increasing automation. Thanks to its technological innovation, this experience extends to efforts aimed at reducing costs for our clients, notably the introduction of optimized pilotage and limiting transit time and fuel costs, while also contributing to the reduction of greenhouse gas emissions.



In all cases, the LPA will maintain efficient services to support Canada's prosperity, while recognizing that the industry can appeal to the Canadian Transportation Agency if it feels our rates are unfair or inequitable.



4.0 / OBJECTIVES, ACTIVITIES, RISKS, DESIRED RESULTS AND PERFORMANCE INDICATORS

4.1 / OBJECTIVES AND ACTIVITIES

The LPA's mandate is achieved by establishing strategic objectives and activities grouped together into five priorities based on its mandate. The current five-year Plan is a continuation of the previous Plan, with a revised classification of the main activities and a more detailed breakdown of the strategic orientations.

Priority 1

Provide an efficient, safe and reliable pilotage service

The LPA aims to provide an effective and efficient pilotage service in the navigable waters under its jurisdiction, while exercising sound risk management and staying up to date with technological developments. To measure its performance, the LPA monitors several performance indicators (Appendix 3), specifically those related to the number of incidents, the efficiency of its service and pilot-related delays. In addition to these operational priorities, the LPA intends to carry out the following activities as part of this Plan.

Implementation of a Pilotage Management System

The LPA has begun to develop and implement a management system that considers best practices in the field. It will include policies, practices, procedures, and instructions covering all sectors of the LPA, and will be applicable to LPA employees and subcontractors, including Ocean Group and the pilot corporations. The main objectives of the system are to ensure that the services provided are of high quality, and that ongoing improvement of practices and processes, in compliance with the *Act* and its regulations, is carried out.



| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|--|----------------------------|---------------------------------|
| Implementation of management system | Implementation in 2024 | Drafting of the system underway |

Fair Negotiation of Service Contracts with Pilot Corporations

Following the amended Act, a number of contractual amendments were made to pilot corporation contracts. These service contracts will be reviewed and adapted, as necessary, to respect changing regulatory powers resulting from the Act. Service contracts with pilots represent the LPA's largest expenditure, making it all the more important to negotiate fair contracts. The service contract with the CLSLP, which expired on December 31, 2021, was renewed following an arbitrator's decision in the spring of 2023 and will expire on December 31, 2024. The service contract with CMSLC expired on June 30, 2023, and the parties have agreed to extend it for one year, until June 30, 2024.

| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|--|----------------------------|--|
| New service contract with CLSLP | Implementation in 2024 | Management now analyzing the current contract to identify any changes required |
| New service contract with CMSLP | Implementation in 2025 | Implementation of current contract |



Overhaul of Transshipment Services

The LPA has launched a review of its transshipment services, particularly in view of the impact of speed reductions on the St. Lawrence and the potential addition of regulated pilotage on the North Shore. Scenarios have been drawn up to standardize the quality of the service offering for the benefit of its customers.

| Measures | Target expectations | Recent results |
|---|---|---|
| Development of a plan to overhaul transshipment services | <i>For 2024, submission of the first version of the plan, covering the aspects to be considered</i> | <i>Discussions are underway on what structure to give to this project</i> |

Development of North Shore Ports Compulsory Pilotage Implementation Plan

Following risk studies conducted in the four main North Shore ports, the LPA submitted a recommendation to TC to establish compulsory pilotage in these four ports to be regulated in accordance with the Act. TC is currently working with the LPA and stakeholders to regulate these services. It remains to be confirmed if and when new compulsory pilotage areas will be required by the Government. Apart from the costs of expertise, operational support and project management, the LPA has not budgeted for the fees and charges associated with these potential new services.



| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|--|--|--|
| Compliance with the work plan developed to support the Government's upcoming decision on compulsory pilotage for four North Shore ports | Representation of the LPA's position at every stage of TC's work | Active participation of LPA representatives in TC work, and advancement of work towards a possible government decision |

Risk Analysis on the South Shore of the St. Lawrence River

In 2020, the LPA began a risk analysis of the main South Shore ports on the St. Lawrence. The process concluded that a more in-depth risk analysis should be conducted for the ports of Rimouski, Matane and Gaspé. Begun in the autumn of 2022, the study will be completed in 2023 and the LPA will assess the various recommendations made. The LPA will then work with TC to implement the selected recommendations.

| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|--|---|--------------------------------|
| Determination of navigation-related risks at South Shore ports of the St. Lawrence under LPA jurisdiction | <ul style="list-style-type: none"> • Receipt of report in autumn of 2023 • Analysis of recommendations in 2024 • Delivery of final recommendations to TC in 2024 | Follow-up of consultant's work |



Priority 2

Maintain financial self-sufficiency and fair charges

Tariff regulations require that the charges levied by the authorities are fair and reasonable for all clients. To achieve these objectives and mitigate the associated risks, financial management must be consistently sound. This is why the LPA seeks to present a fair charging program, with stable increases that will enable it to meet its obligations, make the necessary investments provided for in this Plan, and comply with the principles set out in the Act. Apart from the activities described below, the LPA uses the financial indicators presented in Appendix 3 to determine whether it has achieved its objectives.

Review Funding Strategy and Determine Financial Requirement

With around 90% of costs arising from contractual obligations, and revenues affected by economic conditions and shipping traffic levels beyond its control, the LPA operates in a context where its ability to self-finance is limited. This is why the LPA will seek to diversify its revenues, as permitted by the Act, in addition to validating the eligibility of some of its projects for specific subsidy programs. Lastly, the organization will seek to optimize the use of its human, financial and material resources. At the same time, the LPA will seek to ensure that its clients benefit from the optimizations generated, mainly through the use of available technology.

| Measures | Target expectations | Recent results |
|--|---|--|
| Inclusion of an analysis of potential monetization and optimization of existing resources in all new projects | Implementation in 2023 for all new projects | Ongoing process, constantly on the lookout for new opportunities |



Implementation of the Overhaul of our Billing and Income Calculation System

The process by which the LPA calculates the various charges to clients was established when the pilotage authorities were created, and has not been reviewed since, even though the type of vessels, their size and technology have evolved enormously. In 2022, the LPA began an in-depth analysis of the current approach to determine whether it is still relevant and will make the necessary changes if it is not. The LPA's concern is to ensure that business practices remain reasonable and fair to all.

| Measures | Target expectations | Recent results |
|---|--|---|
| Implementation of a revised and fair billing process | <ul style="list-style-type: none"> • Tabling of analysis of current situation in autumn of 2023 • Tabling of recommendations in spring of 2024 • Implementation in 2025 | Progress on analysis of current situation |

Priority 3

Integrate sustainable development into the organization's planning, investments and operations

The LPA recognizes that sustainable development must be at the core of its actions. This is why the organization reacts positively to the environmental protection objective contained in the amended Act, as well as to the carbon neutrality target set by the Government of Canada for 2050, following the Paris Agreement. To advance the government's goal to transition Canada to carbon neutrality, the LPA will factor this objective into its operations and report its climate-related financial risks in its financial statements, starting at the end of its 2024 fiscal year. In addition, the LPA has set up a working team, accompanied by a firm specializing in the field, to



develop a sustainable development plan for the organization. To successfully complete the exercise and operationalize the plan, the LPA will establish the appropriate governance structure to ensure the success of the next steps.

| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|---|---|---|
| Establishment of governance structure and rollout of action plan | <ul style="list-style-type: none"> • Submission of SD policy in the first quarter of 2024 • Finalization of action plan in spring 2024 • Deployment of action plan to begin in the second half of 2024 • Statement on climate-related financial risks | Consultant at work on the policy and development of the action plan |

Priority 4

Pursue innovation by drawing on in-house human talent

With its focus on technology and innovation, the LPA will pursue its mission to provide an effective and efficient pilotage service that promotes navigation safety and environmental protection. To achieve this, the LPA will seek to adapt, develop and optimize its organizational capacity to advance its key projects accordingly.



Progress in the Development and Deployment of Optimized Pilotage Services

The LPA is working on the development of an IT tool that will enable clients to optimize ship transits under the conduct of a pilot on the St. Lawrence River and improve the fluidity and safety of voyages along the Les Escoumins - Montreal section. Using real-time data, this tool will make it possible for clients to plan a passage with minimum interruption, reduce the duration of a trip or stopover, and even reduce the time spent docked, waiting for a lock or at anchor. At the same time, fuel savings are also expected, not only generating financial benefits for the industry, but also helping to reduce the environmental footprint of commercial shipping. Ultimately, this software could tie in with other projects currently being planned by the LPA's partners. Optimizing transits will contribute to the federal government's efforts to promote greater resilience and competitiveness of the supply chain established on the St. Lawrence marine corridor.

| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|--|--|--|
| Progress in system development and deployment | <ul style="list-style-type: none"> • Dock availability added • Integration of VN301 navigation chart • Addition of complementary functionalities • System rolled out for client use (2025) | Finalization of tool transfer to web interface |



Marketing and Development of Simulator Program

To maximize the use of its navigation simulator, in 2022 the LPA commissioned a revised marketing plan. The implementation of this Plan, including its rollout, will begin in 2023 and continue over the next few years.

The objective behind the simulation centre is to enhance the safety, effectiveness, and efficiency of marine passages through the use of technology. The centre's operations will also contribute to the LPA's financial self-sufficiency by offering simulation services and expertise to the marine industry and public partners, while having a positive impact on LPA income.

| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|--|--|---|
| Rollout of simulator use and marketing strategy | <ul style="list-style-type: none"> • Analysis of marketing plan for winter of 2023-24 • Marketing strategy proposal in June 2024 • Implementation of a new management structure | Work underway to develop a marketing strategy |

Rollout of HR Strategic Plan

To achieve the objectives set out in the Corporate Plan and implement best practices in people management, a planned and strategic approach to health and wellness management is essential, particularly with regard to employee mental health. The LPA is aligned with government-wide efforts in its fight against racism and in its initiatives to strengthen equity, inclusion and diversity in the Canadian public service. The LPA also intends to maintain its status



as an employer of choice by maintaining high standards in HR practices that deliver a distinctive employee experience and culture. In the interest of building a strong and resilient public service, the LPA will work to develop the next generation of leaders. It will also continue its efforts to enhance the employee experience and employee engagement, important vectors of its success.

| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|-------------------------------------|--|--|
| Rollout of HR Strategic Plan | <p>Renew HR Strategic Plan in 2024</p> <p>Improve employee experience to maintain position as employer of choice</p> <p>Deploy initiatives aimed at the overall health of employees, particularly in the area of mental health</p> <p>Continue to promote a healthy and stimulating workplace based on practices that foster diversity, equity and inclusion</p> | <p>Conducted organizational diagnostics and rolled out action plans to improve the work climate and mobilize employees</p> <p>Updated human resources policies and practices.</p> <p>Updated talent and succession management plan.</p> <p>Revised salary structure and compensation policy.</p> <p>Integrated and developed new players within the senior management team</p> |

Priority 5

Promote a resilient, interconnected maritime trade corridor through strategic partnerships

The LPA actively works to maintain an effective and efficient pilotage service for the benefit of national and international trade. It is a vital link in the Canadian supply chain and strives to



reduce and prevent bottlenecks in the marine transportation network. In this context, the LPA has the opportunity to work with a number of partners, with whom it interacts proactively.

Development and Maintenance of Strategic Partnerships

Many of the challenges facing the LPA today and, in the future, exceed its ability to solve them on its own. From climate change to labour shortages to technological transformations, shared challenges will require coordinated solutions. As a result, the LPA will seek partnerships to fulfill its mandate today, while preparing for the future. To do so, it will seek collaborative opportunities to identify emerging issues, promote a collective understanding of related challenges, and foster coordinated progress among supply chain partners that maintain the resilience and competitiveness of Canada's supply chain.

Over the next five years, priority will be given to partnerships in the following areas: federal regulation, the coherent management of growing traffic, demographic challenges and workforce needs, the role of technology, the environment and sustainability.

In this context, particular attention will be paid to the government's broader agenda of reconciliation with Indigenous communities. A key objective of this work will be to address systemic disparities through partnership and collaboration. Steps will be taken to consult with these communities and, wherever appropriate, include their perspectives in LPA planning and operations.



| <i>Measures</i> | <i>Target expectations</i> | <i>Recent results</i> |
|--|--|--|
| Establishment of forums and clusters for collaboration on common issues | Active participation in regional, national and international forums addressing priority issues | Partnerships with marine industry organizations on workforce, technology and sustainability issues Engagement with Indigenous communities to identify opportunities for collaboration |



4.2 / RISKS

The LPA uses a corporate risk management framework to ensure that risks are properly identified, measured, controlled and properly monitored on a regular basis. The operational, strategic, reputational and financial components are reviewed annually. The risk matrix, approved by the Board of Directors and monitored on a regular basis, enables the organization to effectively manage risks and achieve its strategic objectives, while limiting incidents and work accidents, environmental damage, service outages, financial losses, and reputational harm.

In general, the LPA is mainly exposed to six categories of risk. Each category comprises separate risks evaluated according to their probability of occurrence and potential impact. Various mitigation measures are subsequently established to reduce the occurrence probability and/or potential impact to ensure that pilotage services are maintained on the St. Lawrence and Saguenay rivers.

Identifying and managing **occupational health and safety risks** makes it possible to anticipate the consequences of an accident, analyze at-risk situations, and determine the likelihood of occurrence. Preventive or mitigation measures enable risks to be reduced or eliminated. For higher risks, a job safety analysis (JSA) may be carried out by segmenting every level of a task and identifying appropriate protection or mitigation measures at critical points.

Environmental risk is mainly related to discharge of pollutants in the marine environment following a marine accident/incident from a vessel under the conduct of a pilot or from the LPA's vessels. Mitigation measures include establishing strict procedures, along with adequate employee and pilot training and monitoring of their skills.

Operational risk refers to a possible service outage resulting directly or indirectly from processes, resources, internal systems inadequacy or failure, or external events. Operational risk can also stem from non-compliance with regulatory or legal requirements, or a commercial dispute. Operational risk is analyzed and monitored, and managers ensure compliance with policies and procedures.



Information technology-related risks designates the risks of access loss to mission-critical IT systems or data loss or theft. Identifying likely sources of information system vulnerability and implementing appropriate control, alert and mitigation measures is essential.

Financial risks relate to the risks of financial or profitability loss following an event. Examples are: service outage, non-payment by a client, an incident resulting in physical or material damage or a significant market disruption. Determining the risk leads to implementing mitigation measures to prevent such a situation from occurring and the reduction of financial impact should the risk materialize, for example, by subscribing to insurance to share risks and reduce financial losses.

Lastly, with regards **reputational risks**, the LPA prefers to use a mitigation strategy, effective communication with clients and partners, the creation of stable business relationships, and proactive management. These activities convey an image of a reliable and responsible organization and ensure that proper lines of communication are available in the event of a reputational risk.

Based on the most recent risk update and corresponding mitigation actions, LPA management finds that the risks are generally well controlled.



4.3 / EXPECTED OUTCOMES AND PERFORMANCE INDICATORS

As previously stated, the LPA adopted strategic priorities from which stemmed a number of activities to be carried out to bring its vision to life. Management's core success factor is completing these activities, previously presented in Section 4.1 "Objectives and Activities."

The LPA also uses other indicators to monitor corporate performance. Targets are monitored using a short-term horizon for corporate activities and a longer horizon for strategic projects. Details are provided in Appendix 3, "Expected Results."

The LPA's mission, vision statement and resulting activities are consistent with its mandate and priorities set out by the Government of Canada. The measures below detail how the LPA reports to the Government of Canada on its mandate.



Expected Outcomes

| Measures | Target expectations | Recent results |
|---|---|--|
| Priority 1: Provide an efficient, safe and reliable pilotage service | | |
| Implementation of management system | Implementation in 2024 | Drafting of the system underway |
| New service contract with CLSLP | Implementation in 2024 | Management now analyzing the current contract to identify any changes required |
| New service contract with CMSLP | Implementation in 2025 | Implementation of current contract |
| Development of a plan to overhaul transshipment services | For 2024, submission of the first version of the plan, covering the aspects to be considered | Discussions are underway on what structure to give to this project |
| Compliance with the work plan developed to support the Government's forthcoming decision on compulsory pilotage for four North Shore ports | Representation of the LPA's position at every stage of TC's work | Active participation of LPA representatives in TC work, and advancement of work towards a possible government decision |
| Determination of navigation-related risks at South Shore ports of the St. Lawrence under LPA jurisdiction | <ul style="list-style-type: none"> • Receipt of report in autumn of 2023 • Analysis of recommendations in 2024 • Delivery of final recommendations to TC in 2024 | Follow-up of consultant's work |



Priority 2: Provide an efficient, safe and reliable pilotage service

| | | |
|--|--|--|
| <p>Inclusion of an analysis of potential monetization and optimization of existing resources in all new projects.</p> | <p>Implementation in 2023 for all new projects</p> | <p>Ongoing process, the LPA on the lookout for new opportunities</p> |
| <p>Implementation of a revised and fair billing process</p> | <ul style="list-style-type: none"> • Tabling of analysis of current situation in autumn of 2023 • Tabling of recommendations in spring of 2024 • Implementation in 2025 | <p>Progress on analysis of current situation</p> |

Priority 3: Integrate sustainable development into the organization's planning, investments and operations

| | | |
|--|--|--|
| <p>Establishment of governance structure and rollout of action plan</p> | <ul style="list-style-type: none"> • Submission of SD policy in the first quarter of 2024 • Finalization of action plan in spring of 2024 • Deployment of action plan to begin in the second half of 2024 • Statement on climate-related financial risks | <p>Consultant at work on the policy and development of the action plan</p> |
|--|--|--|



Priority 4: Pursue innovation by drawing on in-house human talent

| | | |
|---|--|---|
| <p>Progress in system development and deployment</p> | <ul style="list-style-type: none"> • Dock availability added • Integration of VN301 navigation chart • Addition of complementary functionalities • System rolled out for client use (2025) | <p>Finalization of tool transfer to web interface</p> |
| <p>Rollout of simulator use and marketing strategy</p> | <ul style="list-style-type: none"> • Analysis of marketing plan for winter of 2023-24 • Marketing strategy proposal in June 2024 <p>Implementation of a new management structure</p> | <p>Work underway to develop a marketing strategy</p> |
| <p>Implement HR Strategic Plan</p> | <ul style="list-style-type: none"> • Renew HR Strategic Plan in 2024 • Improve employee experience to maintain position as employer of choice • Deploy initiatives aimed at the overall health of employees, particularly in the area of mental health • Continue to promote a healthy and stimulating workplace based on practices that foster diversity, equity and inclusion. | <ul style="list-style-type: none"> • Conducted organizational diagnostics and rolled out action plans to improve the work climate and mobilize employees • Updated human resources policies and practices. • Updated talent and succession management plan. • Revised salary structure and compensation policy. • Integrated and developed new players within the senior management team |



Priority 5: Promote a resilient, interconnected maritime trade corridor through strategic partnerships

Establishment of forums and clusters for collaboration on common issues

Active participation in regional, national and international forums addressing priority issues

Partnerships with marine industry organizations on workforce, technology and sustainability issues

Engagement with Indigenous communities to identify opportunities for collaboration



5.0 / FINANCIAL OVERVIEW

5.1 / FINANCIAL MANAGEMENT OF THE LPA

The LPA is a financially self-sufficient Crown corporation striving to remain profitable by the application of sound management practices and focus on traffic forecasts. The Corporate Plan must be taken into consideration in its entirety for the analysis and interpretation of the financial plan presented in this document.

The financial plan takes into consideration the LPA's future developments, including asset maintenance, the realization of its strategic plan and implementation of services over which the LPA has control. Implementation of services resulting from future decisions by TC or the Governor-in-council are not included.

Key traffic assumptions are based on internal statistical reports, financial and economic trends published by research organizations (such as the Conference Board of Canada), the Bank of Canada and other Canadian institutions, such as chartered banks. In addition, this information is supplemented by discussions with representatives and consultants involved in the marine industry and their analyses.

The LPA is committed in maintaining a sound financial situation through good management practices and stringent control measures, by setting fair and reasonable pilotage charges, and by practising sound risk management.



5.2 / FORECASTS

Pilotage Charges

According to forecasts made in September 2023, pilotage charges and other revenues should reach \$111.9 million in 2023. The LPA expects traffic to remain stable for the first part of its corporate plan, mainly due to current economic conditions. However, a slight decline in tanker, container and bulk carrier traffic is forecast for early 2024, compared with the current year. A modest recovery has been budgeted from 2025 for these same ship types, accompanied by a more marked increase in cruise ship traffic. Peak traffic in 2019 is not expected to be exceeded in the first half of the plan.

To maintain profitability, meet its obligations and promote equity among the districts served, the LPA plans to set different charge increases for each district for a second consecutive year. At present, the LPA expects a 4.0% increase in early 2024 for districts No. 1 and No. 1.1. and 6.0% for District No. 2. For the subsequent years included in this Plan, the LPA hopes to maintain the increases at a rate comparable to the forecasted increase for fees paid to pilot corporations.

Accordingly, the LPA expects to generate between \$117.1 million and \$133.8 million for the years 2024 to 2028, including the fees levied by Transport Canada to administer the Act.

Pilotage Corporations Fees and Pilot Boat Operating Costs

Fees paid to pilot corporations are closely linked to pilotage charges and represent approximately 90% of the LPA's expenditures. Fees and other direct costs are expected to reach \$88.4 million in 2024, and to rise to \$101.6 million in 2028, in line with the forecasted increases in traffic and the application of fee increases provided for in pilot corporation service contracts. For their part, pilot boat operating costs are expected to range between \$13.1 million and \$16.2 million for the period covered by this Plan.



Administrative and Operational Expenses

Over the years, the LPA has endeavoured to keep its administrative and operating expenses as stable as possible. The main variations stem from wage increases, certain professional services required for risk analyses or service contract renewals and implementing the strategy to fulfill the corporate plan. At present, the LPA anticipates these expenses to total \$13.5 million for 2024 and increase to \$14.4 million in 2028. These charges could change depending on TC's upcoming decision concerning compulsory pilotage on the North Shore and the role the LPA is expected to play in this matter.

Comprehensive Income

Based on the above projections, the LPA predicts a positive comprehensive income of \$2.2 million in 2024. For each of the remaining years covered by the Plan, the LPA expects a positive comprehensive income between \$1.6 million and \$2.2 million.

Capital Budget

The LPA is planning a number of investments in the years 2024 to 2028 to ensure the sustainability of its assets base, optimize its services and meet its contractual commitments. These are directly related to the rollout of safe services delivered effectively and efficiently.



Portable Pilot Units (PPUs)

Pilots use portable pilot units (PPUs) to access a range of information about the vessel under their conduct and the current transit. The LPA provides these PPU to the CMSLP pilots, while a financial contribution is made to the CLSLP to obtain PPU for their pilots. These units are renewable every four years. The contribution to the CLSLP will occur in 2024 and 2028, and the CMSLP equipment, renewed in early 2023, will be renewed again in 2026.

Optimized Pilotage Service and Simulator

As previously mentioned, the LPA is developing a computer system that will make it possible for clients to optimize ship transits under the conduct of a pilot on the St. Lawrence River and improve the fluidity and safety of voyages along the Les Escoumins - Montreal section. Development of this system is expected to continue until 2025, and further investment may be required to improve the product.

In addition, certain investments will be required to keep the navigation simulator on the cutting edge, and to integrate the North Shore ports.

Pilot Boats and Shuttle

To ensure the efficient movement and transshipment of pilots, the LPA owns vessels that it must maintain. The LPA continues to invest in these assets to maintain and improve its service offering.

IT Infrastructure

The LPA operates in a context in which the resilience of IT systems is important. This is why investments will be made over the next few years to maintain, improve, renew and optimize its IT network and underlying systems. Investments are also planned to maintain the security of all IT



systems. New technologies enabling the LPA to optimize its global service offering will also be analyzed, and investments made accordingly.

Loans

The LPA currently has a debt-free balance sheet. The financial measures set out in this Plan aim to maintain this position, and to ensure that the LPA does not need to take on any debt to carry out its plan. At the same time, the LPA is aware of the scale of investments that may be required over the next few years to achieve its strategic objectives, as well as the uncontrollable risks inherent in the economy, particularly in a post-pandemic inflationary context. If such economic risks materialize, there may be repercussions on the financing strategy for medium- and long-term projects.

Access to a Line of Credit

The LPA has a line of credit in the form of an authorized bank overdraft not exceeding \$1.5 million. The LPA does not plan to use this credit facility for the 2023 financial year or the 2024 financial year. The LPA requests that the Minister allow it to renew this line for the duration of the corporate plan.

Earnings Management and Investment Framework

The *Pilotage Act* requires the LPA to manage its operations so as to preserve its financial autonomy. Its activities must enable it to provide for a reasonable cash reserve necessary to, among other things, replace its assets.

According to section 37 of the *Act*, "An Authority may, with the approval of the Minister of Finance, invest any monies not immediately required for the purposes of the LPA in any class of financial asset."



The LPA therefore requests permission from the Minister of Finance to invest monies not immediately required in one of the following instruments:

1. Bonds issued or guaranteed by Her Majesty the Queen in Right of Canada, by a province or Canadian municipality;
2. Fixed income securities with a minimum BBB rating from Standard & Poor's or Fitch Ratings, or a Baa3 rating from Moody's;
3. Diversified funds compliant with points 1 or 2 above, including exchange traded funds but excluding leveraged funds;
4. Guaranteed investment certificates eligible for Canada Deposit Insurance Corporation insurance.

5.3 / LARGEST BUDGET ITEMS DESCRIPTION

Products

Pilotage Charges

Pilotage charges setting is based on important parameters related to the LPA's activities. Increases in pilotage charges and marine traffic variation based on the current context have been taken into consideration.

Fees for Administration of the Act

Since July 2020, TC has levied fees from Authorities for the administration of the Act. These fees are to recover costs for the implementation and application of regulations to the amended Act. Fees charged to LPA clients to cover those TC fees are established by allocating the total fees charged by TC to the annual total forecasted assignments. It is to be noted that no additional costs are added to the fees.



Pilot Boarding Services

Revenues from pilot boarding services provided at the Montreal, Sorel, Trois-Rivières and Quebec City boarding stations are based on forecasted expenditures under the service contracts and projected traffic, plus an additional 4.8% for administrative overhead.

Revenue from pilot boarding services provided at Les Escoumins boarding station is established on the basis of forecasted expenditures, plus an average rate of 5.0% for administrative overhead.

Expenses

Pilot Corporations Fees

Fees paid to pilot corporations are calculated according to service contracts signed between the LPA and each pilot corporations. These fees are derived from marine traffic forecasts and are closely related to pilotage charges. Training costs for pilots and apprentice pilots, communications, portable unites (PPU) and Board of Examiners expenses are included in this expenditures category. Pilot training usually includes ship-handling training with simulators and scaled models. Training in handling post-Panamax ships is also provided at the Maritime Simulation and Resource Centre in Quebec City. This centre also provides additional training for higher Pilot licences.

For apprentice pilots, the LPA covers all related expenses for both corporations.

Pilot Boarding Services

Projected expenditures for pilot boarding stations not operated by the LPA are based on contracts in effect with the various Ocean Group entities located in Montreal, Sorel, Trois-Rivières and Quebec City. These contracts, which were tendered in 2021 and 2022, have been renegotiated for a five-year period, effective January 1, 2024.



As regards pilot boarding services provided by the LPA at its Les Escoumins boarding station, these costs include several types of expenditures, and the following assumptions were used:

- > Projected salaries are forecasted based on provisions contained in existing collective agreements. For the years not covered by collective agreements, salaries take into account an estimated increase in the Consumer Price Index (CPI).
- > Costs associated with the operation of pilot boats and their replacements are taken into consideration based on assumptions relative to their service life, mandatory inspections under current regulations and historical data from recent years.
- > The other expenditures were estimated on the basis of an expected increase in the CPI.

In addition to the costs directly related to the use of the pilot boats, the LPA also operates a shuttle at the Port of Montreal to facilitate and optimize pilot transfer. The Ville-Marie's operating costs are included in the pilot boat service. The service also includes waiting rooms for pilots at various locations in certain ports.

Administrative/Operational and Salary Expenses

Administrative and operating expenses from 2024 to 2028 are established based on actual 2022 expenditures, estimated 2023 expenditures and assumptions made by management.

Projected salaries are forecasted based on provisions contained in existing collective agreements. For years not covered by the collective agreements, as well as employees who are not covered by these agreements, projected salaries take into account an estimate of the increase in the Consumer Price Index (CPI) and the salary revision exercise in progress. Employee benefits vary between 22.0% and 26.4% of salaries.



5.4 / VARIANCE ANALYSIS

Variance Between 2024 Budget and 2023 Forecast

Revenues

The budget for 2024 was based on various assumptions pertaining to marine traffic analyses as well as local and global economic outlooks. As a result, pilotage charges have been adjusted to reflect the LPA's estimate of growth in traffic following discussions with its partners. In the current inflationary context of an economic slowdown, combined with the risk of recession, the LPA believes that traffic will be similar to, or even lower than, the current year. Compared to the current year, the LPA believes that only passenger vessel traffic could increase.

The LPA therefore expects a \$3.5 million increase in pilotage charges in 2024, compared to 2023, including the increases in pilotage charges and pilot boarding costs.

Expenses

Direct expenses vary as a function of marine traffic volume and the variation in pilotage fees as determined by service contracts. For the years not covered by a contract, the LPA assumes an increase in charges of 3.0%. With changes in traffic and service contract increases, those fees, excluding the costs of operating pilot boats, should increase by \$1.3 million in 2024.

Administrative expenses have been adjusted according to collective agreements in place for unionized employees. Cost-of-living increases have been taken into account for employees not covered by these collective agreements. Cost-of-service contracts in place with partners have also been taken into consideration. Needs related to carrying out the present Plan were based on estimated project costs. The increase in these expenses (administration, operations and operation of pilot boats) for 2024 is \$0.9 million.



Comparison of Actual, Budget and Forecast Results–2023

After six months of activity, fees paid to pilot corporations, excluding Transport Canada and pilot boarding charges, are \$571,000 (-1.3%) below budget. A negative variance is linked to traffic that was lower than expected in District 2, mainly tankers (-22%), bulk carriers (-17%) and general cargo ships (-13%). In District 1, bulk carrier traffic (-6%) and general cargo ships (-15%) had a negative impact on revenues, while traffic from other vessel types was equal to or better than forecast. A positive budget variance was recorded for this sector. For District 1.1, traffic was slightly down (-3%), while revenues were in line with expectations.

Pilotage fees are following the same trend as the charges. On the CMSLC side, the rate of increase in fees was implemented at the agreed time, but with higher CPI than budgeted. The CLSLP contract was finally settled by an arbitrator. The resulting rate change was slightly higher than budgeted, as inflation was higher than expected. Although the contract was not in force at the beginning of the year, accurate estimates were considered for invoices not yet adjusted. Fees and expenses relating to pilot boat operations are currently \$46.9 million after six months, below budget. In terms of administrative expenses, the LPA recorded a positive variance of \$0.6 million (9.4%) after six months, compared with actual expenses of \$6.0 million and budget of \$6.6 million.

With the data presented, the LPA's current situation shows a positive overall result of \$27,000 after six months, compared with a negative budgeted overall result of \$0.75 million.

According to the latest budget review, the LPA now anticipates total revenues of \$111.9 million for the full year, compared to an initial budget of \$108.2 million. Respectively, the latest forecasts show pilotage fees and other expenses of \$99.9 million for the 12 months of 2023, compared with a budget of \$96.7 million, and administrative and operating expenses of \$12.9 million, compared with a budget of \$10.9 million. For the full year, the initial budgeted amount predicted a positive result of \$0.6 million, whereas the latest forecasts are for a negative result of \$0.8 million.



APPENDICES

CORPORATE PLAN SUMMARY
2024/2028





APPENDIX 1 / GUIDANCE OR MANDATE LETTER FROM THE MINISTER

Minister of Transport



Ministre des Transports

Ottawa, Canada K1A 0N5

September 6, 2022

Julius Spivack
Interim Chair of the Board of Directors
Laurentian Pilotage Authority
syljulinc@gmail.com

Dear Julius Spivack:

As you know, following the 2021 general election, I had the honour of being reappointed as the Minister of Transport. My priorities have been outlined in the mandate letter the Prime Minister shared with me in December 2021, and today I write to you to set out my expectations as to how the Laurentian Pilotage Authority (LPA) will help advance these priorities.

As the Minister accountable to Parliament for the LPA, I am committed to continuing our productive relationship to ensure that Canada's transportation system is safe, secure, efficient, and environmentally responsible. I recognise that the LPA experienced a significant drop in traffic in the wake of the COVID-19 pandemic. I appreciate LPA's efforts to pivot operations and continue to operate safely during this unprecedented time.

My priority upon my reappointment as the Minister of Transport was to enforce vaccination requirements across the federally regulated transportation sector. Thank you for the commitment you have demonstrated in developing and implementing your corporation's vaccination policy. Together, we mitigated the full impact of infection and severity of illness for travellers and workers in the transportation sector, and increased vaccine uptake, providing broader societal protection. As the COVID situation unfolds, we continue to adjust our measures accordingly, as we've done in June of this year. I appreciate the corporation's ongoing collaboration as our response to COVID-19 continues to evolve as we learn more about this virus.

Ensuring goods and people can move efficiently throughout our country with robust and reliable supply chains and transportation systems is another key priority further reiterated in Budget 2022. The LPA is an important link in Canada's supply chain, and I trust that the corporation will strive to reduce and prevent bottlenecks in Canada's transportation network. I encourage you to work with my officials to ensure the LPA continues to be prepared to proactively mitigate and respond to emerging incidents and hazards, including cyber security threats.

Canada



- 2 -

Fighting climate change is a cornerstone of the government's plan to rebuild the economy, create middle-class jobs, and ensure Canadian industry remains competitive. The *Canadian Net-Zero Emissions Accountability Act* has legislated Canada's efforts to achieve net-zero greenhouse gas emissions by the year 2050. I expect the LPA to seek opportunities to advance measures that support Canada's transition to net-zero, including accelerating the transition to zero-emission vehicles and considering targets related to this cause throughout your operations.

As part of the government's strategy to combat climate change, Budget 2021 announced that Canada's Crown corporations would demonstrate climate leadership by adopting the *Task Force on Climate-related Financial Disclosures* standards, or more rigorous and acceptable standards. I encourage the LPA to start reporting its climate-related financial risks by 2024.

Another pillar of the government's plan is to continue to address the profound systemic inequities and disparities that remain present in the core fabric of our society. I expect that the LPA will join us as we walk faster and farther along the road to reconciliation, particularly through meaningful partnership and collaboration with local Indigenous communities. This should include, but not be limited to, consulting Indigenous communities where appropriate and incorporating Indigenous perspectives into organizational operations and planning processes.

Diversity and equity within the LPA's workforce will improve its ability to deliver on all its objectives, and I expect that as the LPA embarks on any hiring, it implements outreach and recruitment strategies that uphold the principles of equity, diversity, and inclusion. I trust that the LPA will also continue to ensure that it is doing its part, per the *Accessible Canada Act*, to help make the transportation system more accessible for persons with disabilities.

I also remain committed to open, transparent, and merit-based selection processes to attract qualified candidates for governance and leadership positions in the Transport portfolio. Candidates should also reflect Canada's diversity in terms of linguistic, regional and employment equity groups (women, Indigenous peoples, persons with disabilities and members of visible minorities), as well as members of ethnic and cultural groups. As Chairperson, you will be invited to participate in these processes for your organization, which will inform my ultimate appointment recommendations to the Governor in Council.

I expect that your short-, medium-, and long-term objectives as they relate to the government's priorities in this letter are clearly presented in your upcoming corporate plans and progress to achieving those objectives is reported in your subsequent annual reports. I also ask for your support in ensuring that, to the extent that it is within the LPA's control, future corporate plans are prepared sufficiently in advance, with the best information available at the time, to enable timely review and approval.



- 3 -

It is critical that the performance objectives of the corporation, Board and CEO flow within a consistent storyline. I ask that the measures you develop to assess your CEO's performance conform to best practices concerning the development of specific, measurable objectives, based on the observable behaviours in areas where your CEO can exercise sufficient influence to achieve the desired outcomes. The rationale included for the overall rating of your CEO should clearly identify why your Board is providing the rating and which performance objectives were weighed most heavily when arriving at the determination.

As always, the legal, fiduciary, and ethical obligations of public office holders remain. All appointees should abide by the principles found in the Prime Minister's statement on Open and Accountable Government. All boards should ensure ongoing compliance, both for their organization and for themselves, with relevant legislation, Treasury Board policies, Governor in Council and ministerial directives.

It is an honour to serve Canadians as Minister of Transport and a privilege to be able to work with key partners such as the LPA.

Sincerely,

A handwritten signature in black ink, appearing to read "Omar Alhabra".

The Honourable Omar Alhabra, P.C., M.P.
Minister of Transport



APPENDIX 2 / CORPORATE GOVERNANCE STRUCTURE

Board of Directors

The Authority has a governance structure which allows for the discharge of its mandate while the Board of Directors also exercises proper authority.

Board members are appointed by the Governor in Council for an initial term of up to four years. The *Act* states that this term may subsequently be renewed for a term not exceeding four years, but there is no limit to the number of reappointments of a Board member.

In addition to its governance role, the Board is responsible for the Authority's strategic planning, including its corporate plan, and overall stewardship. This includes monitoring the main risks incurred by the LPA, succession planning and the implementation of an information system that meets its needs.

The Board is normally made up of seven members including a chairperson, a vice chairperson and five members, all of whom are appointed by the Minister, with the approval of the Governor-in-council. Since the departure of Ricky Fontaine in June 2020, the chairperson position has been filled on an interim basis by Julius Spivack, formerly the Vice-Chairperson, and a member of the LPA Board for several years. As of September 2023, all positions, except for one director, are currently vacant, including that of Chairperson.



Board Members and Meeting Attendance Table

| Board Member | Active Since | Date of Last Appointment | Duration (ending) | Committees | Attendance | |
|--|--------------|--------------------------|---|-------------------------|--------------------------------|---------------------------------|
| | | | | | Jan. 1st, 2022 - Dec. 31, 2022 | Jan. 1st, 2023 - July 1st, 2023 |
| Julius Spivack Acting President | 2007-06-30 | 2018-09-07 | 4 years (september 2022) <i>expired</i> | Board of directors | 11 / 11 | 7 / 7 |
| | | | | Audit | 6 / 6 | 2 / 3 |
| | | | | Governance & HR | n/a | n/a |
| | | | | Sustainable Development | n/a | n/a |
| Michel Tosini Member | 2007-10-12 | 2022-10-28 | 4 years (June 13, 2023) <i>Resignation</i> | Board of directors | 11 / 11 | 6 / 7 |
| | | | | Audit | n/a | 3 / 3 |
| | | | | Governance & HR | 5 / 5 | 2 / 2 |
| | | | | Sustainable Development | n/a | n/a |
| Frank Di Tomaso Member and Chair of Audit Committe | 2011-06-23 | 2020-09-07 | 3 years (September 6, 2023) | Board of directors | 11 / 11 | 6 / 7 |
| | | | | Audit | n/a | 3 / 3 |
| | | | | Governance & HR | 5 / 5 | 1 / 2 |
| | | | | Sustainable Development | n/a | n/a |
| Sophie-Emmanuelle Chebin Member | 2018-09-07 | 2018-09-07 | 4 years (June 13, 2023) <i>Resignation</i> | Board of directors | 10 / 11 | 3 / 7 |
| | | | | Audit | n/a | 1 / 3 |
| | | | | Governance & HR | 5 / 5 | 2 / 2 |
| | | | | Sustainable Development | 1 / 1 | 0 / 1 |
| Christiane Chabot Member and Chair of Sustainable Development Committee | 2018-09-07 | 2022-10-28 | 4 years (October 27, 2026) <i>Resignation</i> | Board of directors | 11 / 11 | 7 / 7 |
| | | | | Audit | 6 / 6 | 2 / 3 |
| | | | | Governance & HR | n/a | 2 / 2 |
| | | | | Sustainable Development | 1 / 1 | 1 / 1 |
| George J. Pollack Member and Chair of Governance and Human Resources Committee | 2018-09-07 | 2022-10-28 | 4 years (October 27, 2026) | Board of directors | 8 / 11 | 5 / 7 |
| | | | | Audit | 5 / 6 | 3 / 3 |
| | | | | Governance & HR | n/a | n/a |
| | | | | Sustainable Development | 1 / 1 | 1 / 1 |

The position of Chairperson has been vacant since June 19, 2020

Total compensations for the members of the Board of Directors is subject to the actual number of committee meetings held during the year.



In fulfilling its responsibilities, the Board has established two oversight committees composed of three of its members. Each committee meets several times per year.

Audit Committee

The Audit Committee is responsible for monitoring, analyzing, and supervising the Authority's financial situation and management practices including but not limited to, financial controls and the efficient operation of its information systems. It is also mandated under the law to ensure that internal audits are conducted and follow up on recommendations, if any. The Audit Committee maintains ties with the Office of the Auditor General of Canada (OAG) and takes cognizance of reports issued with respect to audits conducted. The Audit Committee also ensures that the auditor's recommendations, if applicable, are implemented by management. In 2022, the Committee met six times.

The committee is composed of:

- > Mr. Frank Di Tomaso, Committee Chairperson
- > Mr. George J. Pollack, Member
- > Ms. Christiane Chabot, Member
- > Mr. Julius Spivack, Ex-officio Member

Governance and Human Resources Committee

The Governance and Human Resources Committee is responsible for reviewing the Authority's governance and human resources practices, policies, and procedures, and analyzing and adapting the personnel management strategy. The Committee members met five times in 2022.

The committee is composed of:

- > Mr. George Pollack, Committee Chairperson



- > Mr. Frank Di Tomaso, Member
- > Ms. Christiane Chabot, Member
- > Mr. Julius Spivack, Ex-officio Member

Sustainable Development Committee

The Sustainable Development Committee is responsible for setting the LPA's strategic directions in sustainable development. The Committee encourages the inclusion of these directions into the Authority's policies and procedures, influences behaviour and monitors the organization in terms of environmental, social and governance (ESG) responsibility. The Committee members met once in 2022.

The committee is composed of:

- > Ms. Christiane Chabot, Committee Chairperson
- > Mr. George J. Pollack, Member
- > Mr. Frank Di Tomaso, Member
- > Mr. Julius Spivack, Ex-officio Member



Board of Directors Structure and Committees



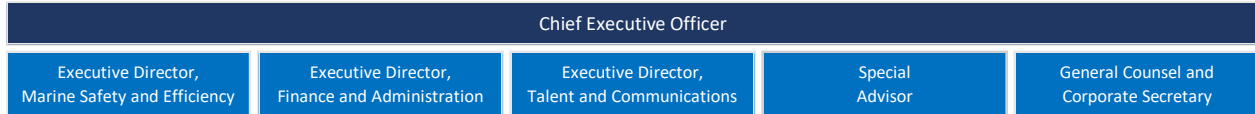
Senior Management

The Authority is headed by Mr. Marc-Yves Bertin, who has held the full-time position of Chief Executive Officer since May 2023. Reporting directly to the Board of Directors, his responsibilities include providing leadership to the LPA by setting the strategic direction of the organization and ensuring the stewardship of its resources and assets to fulfill the Authority's legislated mission. Prior to joining the LPA, Mr. Bertin held a number of strategic positions. He was Director General of Marine Policy at Transport Canada, and Chairman of the Asia-Pacific Economic Cooperation (APEC) Port Services Network. He has also worked at Global Affairs Canada, the Privy Council Office and as Chief of Staff to the Deputy Minister of International Development. Mr. Bertin chairs the Executive Committee and the Corporate Governance Committee, which regularly brings together all the Authority's managers. He is also responsible for chairing the Pilotage Advisory Committee, made up of representatives of the marine industry, pilot corporations, the Seaway Management Corporation, the Port Authorities of Montreal and Quebec City, as well as representatives of TC and the Canadian Coast Guard.

Mr. Bertin is supported by five executive managers, four of whom are currently in place. Ms. Anaïs de Lausnay is General Counsel and Corporate Secretary. Josée Leroux is Executive Director, Finance and Administration, while Claudine Bishop is Executive Director, Talent and Communications. Lastly, Mr. Sylvain Lachance is employed as Special Advisor and is also Acting Executive Director, Marine Safety and Efficiency, following the departure of Mr. Alain Richard.



Senior Management Structure



Annual Public Meeting

The LPA held its last in-person Annual Public Meeting on June 16, 2023. At this meeting, management joined the Board of Directors to present the financial results for the year ended December 31, 2022, in addition to the main activities conducted during the year. The LPA took the opportunity to unveil the most important strategic orientations for the current year.



APPENDIX 3 / EXPECTED RESULTS

Along with the indicators related to the strategic activities mentioned in Section 4, the Authority has adopted operational performance indicators, which are presented in the following table.

| Objective | Target | 2023 (6 months) | 2022 (12 months) |
|--|----------|-----------------|------------------|
| Marine Safety and Efficiency | | | |
| Number of incidents/accidents - ships | 0 | 4 | 18 |
| % efficiency - ship incidents/accidents | > 99.90% | 99.96% | 99.89% |
| Number of incidents/accidents - pilot boats | 0 | 2 | 1 |
| Number of delays due to pilots | 0 | 2 | 9 |
| % efficiency - number of delays due to pilots | > 99.90% | 99.97% | 99.95% |
| Number of hours of delay due to pilots (in hours) | 0h | 2h | 9h |



| | | | |
|------------------------------------|-----------------|----------------|----------------|
| Number of complaints | 0 | 17 | 32 |
| Finance | | | |
| Financial reserve (\$) | \$13.00 million | \$5.04 million | \$7.63 million |
| Average payment time (days) | < 45 days | 45.06 days | 44.63 days |

Chief Executive Officer commitment

I, Marc-Yves Bertin, as Chief Executive Officer of the Laurentian Pilotage Authority, am accountable to the Board of Directors of the Laurentian Pilotage Authority for the implementation of the results described in this Corporate Plan and outlined in this Appendix. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

Marc-Yves Bertin
Chief Executive Officer
November 1, 2023



APPENDIX 4 / DECLARATION BY THE EXECUTIVE DIRECTOR OF FINANCE

In my capacity as Chief Financial Officer of the Laurentian Pilotage Authority and as the person responsible to the Board of Directors of the Laurentian Pilotage Authority through the Chief Executive Officer, I have reviewed the Corporate Plan and Budgets and the supporting information that, in my opinion, required review, and as of the date indicated below, I make the following representations as a result of my due diligence review:

- > The nature and scope of the financial and related information are reasonably described, and assumptions that have a material impact on the related financial requirements have been identified and are supported
- > The significant risks affecting financial requirements, the vulnerability of financial requirements to changes in key assumptions, and related risk mitigation strategies have been disclosed
- > The resource requirements have been communicated and are consistent with the assumptions presented, and cost-containment options have been examined
- > The financing has been identified and is sufficient to meet financial requirements for the expected duration of the Corporate Plan
- > The Corporate Plan and budgets, where applicable, comply with relevant financial management legislation and policies, and the necessary financial management authorizations are in place
- > The key financial controls necessary for the implementation of the proposed activities and the ongoing operation of the Crown corporation are in place

In my opinion, the financial information contained in this Corporate Plan and the corresponding budgets is generally sufficient to support decision-making.

Josée Leroux, CPA

Executive Director, Finance and Administration

November 1, 2023



APPENDIX 5 / 2024-2028 FINANCIAL STATEMENTS FORECAST AND BUDGET

Statement of Comprehensive Income

Actual 2022, forecast 2023 and 2024-2028 budget
(in thousands of \$CDN)

| | Actual | Forecast | Budget | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Charges increase incl. --> | | | 5,00% | 2,00% | 2,75% | 3,25% | 3,50% |
| | | | 4% - 6% | 1,5% - 2,5% | 2% - 3,5% | 2,5% - 4% | 3% - 4% |
| Income | | | | | | | |
| Pilotage charges | 107,938 | 111,574 | 116,305 | 120,371 | 124,747 | 128,570 | 132,883 |
| Other income | 237 | 368 | 804 | 834 | 859 | 885 | 911 |
| | 108,174 | 111,942 | 117,109 | 121,205 | 125,606 | 129,455 | 133,794 |
| Direct Expenses | | | | | | | |
| Pilot fees | 84,645 | 87,054 | 88,376 | 92,185 | 95,899 | 98,695 | 101,572 |
| Operating costs of pilot-boats | 12,053 | 12,821 | 13,064 | 13,800 | 14,422 | 15,317 | 16,246 |
| | 96,698 | 99,875 | 101,440 | 105,985 | 110,321 | 114,012 | 117,818 |
| Gross Profit | 11,476 | 12,067 | 15,669 | 15,220 | 15,285 | 15,442 | 15,976 |
| | 10,61% | 10,78% | 13,38% | 12,56% | 12,17% | 11,93% | 11,94% |
| Administrative and Operating Expenses | | | | | | | |
| Personnel Costs | 6,592 | 6,723 | 7,267 | 7,485 | 7,709 | 7,941 | 8,179 |
| Professional and Special Services | 1,278 | 2,300 | 1,761 | 1,248 | 1,258 | 1,242 | 1,578 |
| Rental | 404 | 440 | 454 | 459 | 464 | 468 | 472 |
| Utilities, Supplies and Procurement | 307 | 319 | 362 | 299 | 323 | 322 | 324 |
| Transport and Communications | 181 | 284 | 267 | 270 | 276 | 284 | 290 |
| Information | 104 | 145 | 166 | 171 | 176 | 181 | 187 |
| Amortization | 1,660 | 2,367 | 2,910 | 2,946 | 2,969 | 2,918 | 3,016 |
| Repairs and Maintenance | 114 | 143 | 142 | 146 | 150 | 154 | 158 |
| Other | 211 | 150 | 150 | 154 | 159 | 164 | 169 |
| | 10,851 | 12,871 | 13,479 | 13,178 | 13,484 | 13,674 | 14,373 |
| Comprehensive Income | 625 | (804) | 2,190 | 2,042 | 1,801 | 1,768 | 1,603 |



Statement of Financial Position

Actual 2022, forecast 2023 and 2024-2028 budget
(in thousands of \$CDN)

| | Actual 2022 | Forecast 2023 | Budget | | | | |
|---|----------------|------------------|---------------|---------------|---------------|---------------|---------------|
| | | | 2023 | 2024 | 2025 | 2026 | 2027 |
| Assets | | | | | | | |
| Current | | | | | | | |
| Cash and cash equivalents | 7,633 | 5,235 | 8,437 | 12,765 | 13,835 | 17,653 | 20,744 |
| Accounts Receivable | 15,313 | 15,193 | 15,894 | 16,450 | 17,047 | 17,569 | 18,158 |
| | 22,946 | 20,428 | 24,331 | 29,215 | 30,882 | 35,222 | 38,902 |
| Non-Current | | | | | | | |
| Property, Equipment and intangible assets | 22,141 | 23,670 | 22,539 | 20,113 | 20,686 | 18,458 | 16,790 |
| | 22,141 | 23,670 | 22,539 | 20,113 | 20,686 | 18,458 | 16,790 |
| Total Assets | 45,087 | 44,098 | 46,870 | 49,328 | 51,568 | 53,680 | 55,692 |
| Liabilities | | | | | | | |
| Current | | | | | | | |
| Accounts Payable and accrued Liabilities | 16,728 | 16,673 | 17,442 | 18,052 | 18,707 | 19,280 | 19,927 |
| Lease Obligations | 180 | 187 | 194 | 216 | 229 | 237 | 246 |
| | 16,908 | 16,860 | 17,636 | 18,268 | 18,936 | 19,517 | 20,173 |
| Non-Current | | | | | | | |
| Employee Benefits | 401 | 450 | 450 | 450 | 450 | 450 | 450 |
| Lease Obligations | 1,630 | 1,444 | 1,250 | 1,034 | 805 | 568 | 321 |
| | 2,031 | 1,894 | 1,700 | 1,484 | 1,255 | 1,018 | 771 |
| Total Liabilities | 18,939 | 18,754 | 19,336 | 19,752 | 20,191 | 20,535 | 20,944 |
| Equity | | | | | | | |
| Retained Earnings | 26,148 | 25,344 | 27,534 | 29,576 | 31,377 | 33,145 | 34,748 |
| Total Liabilities and Equity | 45,087 | 44,098 | 46,870 | 49,328 | 51,568 | 53,680 | 55,692 |



Statement of Changes in Equity

Actual 2022, forecast 2023 and 2024-2028 budget
(in thousands of \$CDN)

| | Actual 2022 | Forecast 2023 | 2024 | 2025 | Budget | | |
|---|----------------|------------------|---------------|---------------|---------------|---------------|---------------|
| | | | | | 2026 | 2027 | 2028 |
| Retained Earnings, Beginning of the Year | 25,522 | 26,148 | 25,344 | 27,534 | 29,576 | 31,377 | 33,145 |
| Comprehensive Income for the Year | 626 | (804) | 2,190 | 2,042 | 1,801 | 1,768 | 1,603 |
| Retained Earnings, End of the Year | 26,148 | 25,344 | 27,534 | 29,576 | 31,377 | 33,145 | 34,748 |



Statement of Cash Flows

Actual 2022, forecast 2023 and 2024-2028 budget

(in thousands of \$CDN)

| | Actual | Forecast | Budget | | | | |
|---|----------------|----------------|----------------|---------------|----------------|---------------|----------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Operating Activities | | | | | | | |
| Comprehensive income for the period | 626 | (804) | 2,190 | 2,042 | 1,801 | 1,768 | 1,603 |
| Adjustment to determine net cash flows generated by (used for) operating activities : | | | | | | | |
| Depreciation and amortization | 1,660 | 2,367 | 2,910 | 2,946 | 2,969 | 2,918 | 3,016 |
| Changes in long-term portion of employee benefits | 18 | 49 | - | - | - | - | - |
| Interest on lease obligations | 71 | 63 | 57 | 50 | 42 | 34 | 25 |
| Changes in long-term portion of the lease obligations | - | - | - | - | - | - | - |
| Loss (gain) on asset disposals | 76 | - | - | - | - | - | - |
| Interest Income | (160) | (100) | (240) | (247) | (255) | (262) | (270) |
| Changes in non-cash working capital items : | | | | | | | |
| Changes in receivables | (2,281) | 120 | (701) | (556) | (597) | (522) | (589) |
| Changes in accounts payable and accrued liabilities | 1,680 | (55) | 769 | 610 | 655 | 573 | 647 |
| Cash flows from operating activities | 1,690 | 1,640 | 4,985 | 4,845 | 4,615 | 4,509 | 4,432 |
| Investing Activities | | | | | | | |
| Acquisition of property, equipment and intangible assets | (7,482) | (3,896) | (1,779) | (520) | (3,542) | (690) | (1,348) |
| Interest received | 160 | 100 | 240 | 247 | 255 | 262 | 270 |
| Cash flows from investing activities | (7,322) | (3,796) | (1,539) | (273) | (3,287) | (428) | (1,078) |
| Financing Activities | | | | | | | |
| Repayment of lease obligations | (241) | (179) | (187) | (194) | (216) | (229) | (238) |
| Interest paid on lease obligations | (71) | (63) | (57) | (50) | (42) | (34) | (25) |
| Cash flow from financing activities | (312) | (242) | (244) | (244) | (258) | (263) | (263) |
| Cash | | | | | | | |
| Change for the period | (5,944) | (2,398) | 3,202 | 4,328 | 1,070 | 3,818 | 3,091 |
| Balance, beginning of the year | 13,577 | 7,633 | 5,235 | 8,437 | 12,765 | 13,835 | 17,653 |
| Balance, end of year | 7,633 | 5,235 | 8,437 | 12,765 | 13,835 | 17,653 | 20,744 |



Capital Asset Acquisition and Capital Budget

Actual 2022, forecast 2023 and 2024-2028 budget
(in thousands of \$CDN)

| | Actual 2022 | Forecast 2023 | 2024 | 2025 | Budget 2026 | 2027 | 2028 |
|---|----------------|------------------|--------------|------------|----------------|------------|--------------|
| IT infrastructure and equipment | 97 | 2,872 | 1,350 | 320 | 3,542 | 265 | 888 |
| Waiting room, boarding station and others | 7,385 | 1,024 | 429 | - | - | 225 | 460 |
| Leasehold improvements and furniture | | | | | | | |
| Other intangible assets | - | - | - | 200 | - | 200 | - |
| Total | 7,482 | 3,896 | 1,779 | 520 | 3,542 | 690 | 1,348 |



APPENDIX 6 / BORROWING PLAN

Background

In accordance with Section 36 of the *Act* as well as Section 127 (3) of the *Financial Administration Act*, the Authority is required to obtain approval from the Minister of Finance to borrow funds, including the terms and conditions thereof.

Accordingly, the LPA was authorized by the Minister of Finance on December 31, 2020, to undertake short-term borrowing, up to \$1.5 million. This short-term borrowing is authorized by a chartered bank in the form of an overdraft credit facility. No changes have been requested in this Corporate Plan.

Notwithstanding the current cash reserves, LPA management wishes to maintain its borrowing authority to protect against the eventuality of a significant sum disbursement. The maturity of short-term investments that could be made could prevent such a disbursement, or an unexpected situation could require a larger unplanned disbursement. Note that financial losses generated by the global pandemic, investment and maintenance projects, notably the dock repair at Les Escoumins and the new pilot boat, along with current inflation, have reduced the LPA's cash reserve by approximately \$6.7 million since 2020. The Authority must also make significant cash outlays for the purchase of PPUs, tools that have become necessary to improve navigational efficiency and safety. The LPA will fund these acquisitions through its reserves but may also need the \$1.5 million bank overdraft.



Loans to be maintained

The Authority requires that the following credit facilities be continued:

| | |
|----------------------|---|
| | Short term |
| Type | Overdraft |
| Lender | Any financial institution in Canada that is a member of the Canadian Payments Association |
| Amount | \$1,500,000 |
| Currency | Canadian dollars |
| Interest Rate | Prime |
| Term | One year maximum |

Situation as at December 31st

Table 1: Borrowings outstanding as at December 31st

(in millions of dollars)

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Actual | Forecast | Plan | Plan | Plan | Plan | Plan |
| Short-term borrowings | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Long-term borrowings | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total borrowings | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

For 2022, the Authority had no outstanding loans as of December 31. For 2023 and for the years included in this Plan, it also does not expect to require any long or short-term loans, precluding an outstanding balance as of December 31.



Short-Term Loans

The LPA modified its current cash management practices in 2018 such that short-term credit is not to be used. For reasons previously indicated, management wishes to maintain its current authorizations. The following table shows pasts and forecasts use of short-term credit facilities for the period covered by this Plan. As the Authority does not expect to incur any debts in order to implement this Plan, the balances are therefore zero.

Table 2: Short-term loans

(in millions of dollars)

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------------------|--------|----------|------|------|------|------|------|
| | Actual | Forecast | Plan | Plan | Plan | Plan | Plan |
| Short-term borrowings–December 31st | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Maximum reached during the year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Maximum Borrowings during the Year

The following table shows the maximum amount to be used during the year, according to the current Corporate Plan. As the Authority does not expect to incur any debts in order to implement this Plan, the balances are therefore zero.



Table 3: Maximum borrowings during the year

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|--------------------------------------|--------|----------|------|------|------|------|------|
| | Actual | Forecast | Plan | Plan | Plan | Plan | Plan |
| Short-term borrowings/line of credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Long-term borrowings | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total borrowings | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

* Maximum (or peak) amount at any point during the year

Long-Term Loans

No long-term loans were contracted in 2022, and no loans are contemplated for 2023. The Authority used its cash reserve to fund the acquisition of a pilot boat, and consequently did not need to contract a long-term loan for this acquisition. Current balances are therefore zero.



Table 4: Long-term loans

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|--------------------------|--------|----------|------|------|------|------|------|
| | Actual | Forecast | Plan | Plan | Plan | Plan | Plan |
| Opening balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Maturing securities | | | | | | | |
| New issues | | | | | | | |
| TOTAL | | | | | | | |
| Breakdown by type | | | | | | | |
| Fixed rate | | | | | | | |
| Variable rate | | | | | | | |
| TOTAL | | | | | | | |



Leases

The Authority does not expect to sign any new leases during the period covered by this Plan.

Table 5: Approval of future leases

| | Current authorities (from last approved plan) | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------------|---|------|------|------|------|------|
| | Actual | Plan | Plan | Plan | Plan | Plan |
| <i>No upcoming new leases</i> | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Contingent Liabilities

In the normal course of business, the Authority is subject to various claims and lawsuits. At the time of writing this Plan, the Authority is awaiting arbitration of a contractual dispute with the Corporation of Mid St. Lawrence Pilots. No amount has been claimed in the notice of dispute. It is also the subject of a claim in Superior Court by a former apprentice pilot. The claim for damages is incidental to the action and does not represent a significant financial risk for the Authority. The Authority is contesting this motion and has filed a motion to dismiss, which is due in October 2023.



APPENDIX 7 / RISKS AND RELATED MITIGATION MEASURES

Corporate Risk Management

To ensure the continued delivery of safe, effective and efficient pilotage services and achieve its strategic objectives, LPA's management conducts an annual review of risks to operations. This exercise identifies the Authority's main risks and confirms that adequate mitigation measures are in place. Sound risk management allows the LPA to maintain its operations, ensure financial self-sufficiency and meet the other aspects of its mandate by the achievement of strategic objectives. LPA management conducted a comprehensive risk management exercise in 2021. This review made it possible to identify the organization's main risks, the top 10 that are detailed in the following risk maps. For the years 2022 and 2023, the review was carried out at senior management level, with regular follow-ups at Board level through its Audit Committee.



APPENDIX 8 / COMPLIANCE WITH LEGISLATION AND POLICY REQUIREMENTS

Access to Information and Protection of Privacy Act

To ensure clear and transparent governance, the LPA provides statutory annual reports and statistical reports to the Treasury Board Secretariat concerning access to information requests and any other questions about protection of personal information. We note that in general very few requests are received by the Authority.

Official Languages Act

The LPA ensures that public communications are available in both official languages. Data from the Official Languages Information System concerning the LPA is communicated annually to the Treasury Board Secretariat. Two complaints were filed with the Official Languages Commission in the past year. These complaints were withdrawn and closed in the following weeks without any further action being required. The Commission declared itself satisfied with the explanations provided and the measures put in place.

Travel, Hospitality, Conference and Event Expenditures Directive

The LPA's internal policies on travel, hospitality, conferences, and event expenditures have been harmonized under the Treasury Board's Guideline on Travel, Hospitality, Conference and Event Expenditures. Approved information is then disclosed on the LPA's website within 30 days following the end of each quarter.



Canada Pension Plan Act

The LPA pension plan, which is a contributory defined benefit plan sponsored by the Government of Canada, complies with the *Canada Pension Plan Act*.

Trade Agreements

The Authority applies the principle of best overall value for money in awarding contracts for goods and services, after due analysis of bids received. The LPA maintains business relationships with suppliers providing quality goods and services at competitive prices that meet its needs in a timely manner. As a Crown corporation, the LPA must negotiate supplier contracts, where applicable, through a competitive bidding process in accordance with applicable legislation, regulations, agreements, international conventions, and internal policies.

Other

The LPA has implemented several internal policies to ensure compliance with values (see the Annual Report, available online, for more information) and reflecting its commitment to and compliance with the following laws and directives. These include:

- > *Pilotage Act*
- > *Financial Administration Act*
- > *Canada Labour Code*
- > *Public Servants Disclosure Protection Act*
- > *Access to Information Act*
- > *Protection of Privacy Act*
- > *Canadian Shipping Act, 2001*



- > *Canadian Human Rights Act*
- > *Employment Equity Act*
- > *Conflict of Interest Act*



APPENDIX 9 / GOVERNMENT PRIORITIES AND DIRECTIONS

As a Crown corporation, the Authority endorses and supports Government priorities and initiatives. The following actions and measures have thus been put forward to harmonize management practices with the stated priorities:

Transparency and Open Government

- > Increase the level of consultation and information sharing with business partners;
- > Increase the amount of information provided on significant changes impacting pilotage and concerned stakeholders.

Budget 2023 – Government of Canada

The Government of Canada announced spending cuts across government, including some Crown corporations, when it tabled its 2023 budget. The government has committed to:

- > Reduce spending on consulting, other professional services and travel by approximately 15 per cent of planned discretionary spending in these areas in 2023-2024; and
- > Progressively reduce discretionary spending by approximately 3 per cent by 2026-27.

While the LPA is not directly included in these spending reductions, the LPA is consistent with the spirit of these reductions, which is to return the pace and magnitude of public spending growth to a pre-pandemic trajectory to ensure that Canadian taxpayer dollars are used effectively and invested in the priorities that matter most to them.



With this in mind, the LPA continues its efforts to limit travel to the minimum necessary. Thanks to the increased use of virtual meetings, many meetings with industry representatives and partners that were previously held in person are now held online.

It should be noted that the APL is planning significant growth at operational level, with the addition of four new compulsory pilotage areas. The introduction of these zones would result in additional costs, including increased travel and administrative expenses, which were not incurred in previous years. In the context of sustainable development and awareness, and in line with the government's desire to reconcile with First Nations, the LPA will also have to take measures to mitigate its environmental impact and establish direct relations with the communities on its territory, some of which are located in very remote regions.

Finally, it's important to remember that the LPA has been engaged for several years in a research and development process aimed at generating overall savings for its users. By automating certain processes and using technology on a larger scale, the organization is looking to gain operational efficiencies that could lead to financial savings for its customers.

Gender-Based Analysis

- > Women account for 28.4% of LPA employees. This figure, though slightly down this year, has been fairly stable over the past few years, highlighting the challenge our unconventional industry presents for female personnel;
- > Review pay scales with one of the objectives being pay equity and the introduction of mechanisms required to comply with the new provisions of the *Pay Equity Act* which came into effect on August 31, 2021;
- > Awareness raising among managers, hiring process free of conscious and unconscious bias;
- > Hiring of female personnel in functions largely represented by males: three female executives as well as a female captain on the management team.



Employment Diversity and Equity

The Authority recognizes the importance of maintaining and enhancing the multicultural heritage of Canadians. As such, it recognizes the importance of the diversity of the Canadian population, particularly in terms of race, original nationality, ethnic origin, colour and religion, which is a basic characteristic of Canadian society.

To this end, the LPA has pledged to take action to enhance diversity within its organization, for example, by encouraging women, First Nations people, people living with a disability and members of a visible minority to apply for available positions. Among other things, the Authority uses inclusive language inviting candidates from designated groups (women, visible minorities, Indigenous people and people living with a disability) to apply for job opportunities posted on its website. It should be recognized, however, that there are still challenges to the participation of women in the marine industry. The LPA is identifying the appropriate strategies to meet its diversity objectives and taking steps to enhance the organization's social and cultural diversity.

To achieve this goal, the LPA is implementing:

- > Recruiting practices as free as possible of conscious and unconscious bias;
- > Job postings that state the LPA's commitment to diversity and inclusion; and
- > An internal committee on active inclusion.

In terms of strategic management of health, diversity and inclusion, programs are also planned to take action and track performance indicators that measure progress towards achieving our targets and commitments. From 2022 onwards, all managers will be required to make a concrete contribution to developing and demonstrating inclusion skills. This approach is designed to establish the importance of inclusion in the organization's governance culture, and to make managers aware of the role they can play in bringing this culture to life.



Indigenous Peoples

- > Details regarding the LPA's adherence to employment diversity are specified in job postings;
- > The LPA has developed a First Nations consultation and engagement strategy for future projects. Implementation has slowed due to restrictions put in place in response to the pandemic. However, a number of concrete actions have been or will soon be taken pursuant to the strategy:
 - o Pilotage consultation process widened to include First Nations (e.g., consultation on the impact of North Shore pilotage will include the Innu community);
 - o Inclusion of First Nations from the start of new LPA projects: First Nations will be consulted on the next phases of the St. Lawrence River South Shore and Gulf risk analysis.

Sustainable Development and Greening of Government Operations

- > Acquisition of environmentally responsible equipment when selecting replacements
- > Green Marine certification granted for LPA pilot boarding vessels in July 2019 and upcoming work to acquire same certification for the "Ville-Marie" shuttle
- > Implementation of measures and practices to reduce the environmental footprint (particularly at Les Escoumins Pilot Station, in harmony with the Green Marine certification process)
- > Implementation of optimized pilotage service project, reduction of vessels' fuel consumption being one result
- > Access to LPA facilities and equipment to be provided for environmental studies on flora and fauna—specifically, facilities and property at the Les Escoumins pilot station
- > Participation as an expert on the Federal Environmental Assessment Panel and assisting business partners on projects affecting the environment
- > Creation of a standing committee to develop the LPA Green Plan



Promoting a Healthy Workplace

The Authority is aware of the importance of providing employees with a workplace conducive to good mental health. Engagement activities, including training sessions on tools and methods to prevent workplace civility problems have been provided. Training sessions on managing known mental health issues and workplace stress have also been carried out in recent years. These ongoing activities involving all staff are intended to educate all in the promotion of healthy work practices.

The findings of an organizational diagnosis made it possible to develop and roll out an action plan for the various LPA teams so as to enhance the employee experience and reinforce the importance of the values and behaviours desired in an organizational culture that encourages respect, collaboration, diversity, inclusion and the provision of a healthy and stimulating workplace.



APPENDIX 10 / ORGANIZATIONAL CHART

