2020

PACIFIC PILOTAGE AUTHORITY ANNUAL REPORT

Pacific Pilotage Authority

Administration de pilotage du Pacifique

Canada

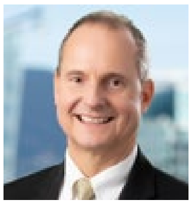
Board Members and Management

BOARD MEMBERS

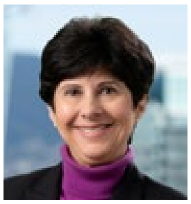
Mrs. Lorraine Cunningham
Chair*

Mr. Peter G. Bernard, Q.C.
Member

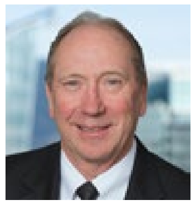
Ms. Victoria Withers
Member*



Mr. James Marshall
Member



Ms. Billie V. Raptis
Member*

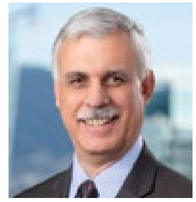


Captain Al Ranger
Member

Ms. Katherine Bright
Member*

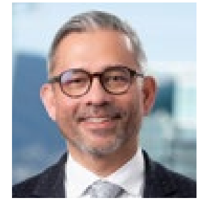
* Member of Finance and Audit Committee

MANAGEMENT



Kevin Obermeyer
CEO

Stuart Mackenzie
Chief Financial Officer



Brian Young
Director, Pilotage and Industry Liaison

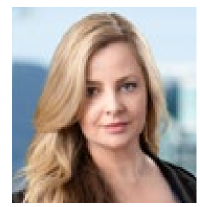
Paulo Ekkebus
Director, Pilot Stations and Simulations

Bruce Northway
Manager, Operations and Labour Relations

Teresa Lei
Manager of Finance and Administration

Alan Wheatley
Manager of Information Technology

Isabelle Forget
Executive Assistant



Alexandra Deffense
Senior Administrative Assistant

Table of Contents

Design: Dean McNeill Creative Solutions (Dean McNeill & Darrell Freeman); Translation: Tranductions F. Orvoine; Photography: Dave Roels

Corporate Information

WHAT IS THE PACIFIC PILOTAGE AUTHORITY?

Commercial vessels of 350 gross tons or larger, while travelling in the pilotage waters of the west coast of Canada, are legally obliged to use the services of a Canadian marine pilot as per the *Pacific Pilotage Regulations*, which are enabled by the *Pilotage Act*. The Pacific Pilotage Authority ("the Authority") is a federal Crown corporation whose mandate is to administer this service in the waters of Western Canada. Our area of jurisdiction encompasses the entire British Columbia coast, extending approximately two nautical miles from every major point of land. This jurisdiction includes the Fraser River and stretches from Alaska in the north to Washington State in the south and is one of the largest pilotage areas in the world. This is a unique feature which brings efficiencies to a coast wide pilotage model by enabling the Authority to quickly respond to the needs of the more remote ports.

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

Contact

HEAD OFFICE

1000 - 1130 West Pender Street
Vancouver, BC V6E 4A4
Tel: 604.666.6771
Dispatch Fax: 604.666.6093
Administration Fax: 604.666.1647
Email: info@ppa.gc.ca
www.ppa.gc.ca

DISPATCH OFFICES

1000 - 1130 West Pender Street
Vancouver, BC V6E 4A4

211 Dallas Road
Victoria, BC V8V 1A1

PILOT BOARDING STATIONS

Sand Heads, off Steveston
Brotchie Ledge, off Victoria
Cape Beale, off Port Alberni
Triple Island, off Prince Rupert
Pine Island, off Port Hardy

MANDATE

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

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

1. that pilotage services be provided in a manner that promotes and contributes to the safety of navigation, including the safety of the public and marine personnel, and that protects human health, property and the environment;

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

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

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

MISSION STATEMENT

The Authority is dedicated to providing safe, efficient and cost- effective marine pilotage.

We will do this by working in partnership with the pilots, the shipping industry and the communities in which we operate, to protect the environment and advance the interests of Canada and its people.

VISION STATEMENT

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

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

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

CORPORATE OBJECTIVES

1. **Provide safe, reliable and efficient marine pilotage**
   To provide safe, reliable and efficient marine pilotage and related services in the coastal waters of British Columbia, including the Fraser River, by embracing a culture of continuous improvement.

2. **Ensure financial self-sufficiency**
   To provide the services within a commercially oriented framework, by maintaining financial self-sufficiency, through a combination of cost management and fees that are fair and reasonable.

3. **Promote organizational and environmental sustainability**
   To implement sustainable practices within the Authority with a focus on quality assurance, and to contribute to the federal government's environmental, social and economic policies as they apply to the marine industry on the Pacific coast of Canada.

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

5. **Manage risk**
   To ensure that risk management tools are used in all safety related decisions for both the organization and its operations and that evolving technologies are taken into consideration.

6. **Focus on the future**
   By using early warning indicators, ensure that the Authority is prepared, both financially and operationally, to deal effectively with changes to the marine industry, the changing regulatory landscape and the complex environment within which we operate.

CORPORATE VALUES

Management and Board members review the Authority's corporate values periodically to ensure their continued relevance and applicability. The Authority's corporate values are:

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

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

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

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

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

We are very pleased that there was not a single case of COVID-19 among the pilots or the Authority staff in 2020, even though the pilots were exposed as a result of positive COVID-19 crew on board a number of vessels.

Chair & CEO Letter

March 24, 2021

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

Dear Minister:

On behalf of the Board of Directors and management of the Pacific Pilotage Authority, we are pleased to submit our Annual Report for the year ended December 31, 2020.

The Pacific Pilotage Authority, like every other company in Canada, and indeed the world, faced an unprecedented set of circumstances in 2020. In the first quarter we were faced with issues resulting from blockades, as well as the realization that the reports of a SARS-like virus in China could become a black swan event. As a result, the Authority implemented its pandemic protocol in early January.

By the second quarter the world knew that we were facing a pandemic unlike anything we had seen in our lifetime. The Authority took the lead in a number of areas to ensure the safety of the pilots, our staff, the crews of the visiting vessels and the general public by the early implementation of jointly agreed upon protocols between ourselves and the BC Coast Pilots Ltd. We are very pleased that there was not a single case of COVID-19 among the pilots or the Authority staff in 2020, even though the pilots were exposed as a result of positive COVID-19 crew on board a number of vessels. This was a testament to the effectiveness of our strict protocols and the provision of personal protective equipment (PPE). We would like to thank Transport Canada for assisting us in obtaining PPE when there was difficulty in obtaining these supplies in the second quarter. The formation of rapid response teams by the Authority also helped to ensure clear open and transparent communications between all interested parties when we had a number of COVID-19 suspected crew on board vessels requiring pilotage.

From a financial and operational perspective, this was a challenging year due to the decline in ship traffic, not least being the complete loss of cruise ship assignments for the traditional Alaskan cruise season from May to September. By the end of the second quarter we were expecting a $5 million loss driven by the absence of cruise assignments, a 45% reduction in auto carrier assignments and a 15% reduction in container ship assignments. As a result of this volatility the Authority conducted in-depth reviews of all costs, reducing as much as we could without impacting safety, and in addition postponed over $1.5 million in capital expenditures. On the positive side grain sector assignments were consistently above budget by over 20% and by the end of the third quarter we saw some return of the container and auto carrier traffic, which considerably improved our forecast for the year, ending with a loss of only $258,000.

As an indirect result of the pandemic, an unusually high number of pilots retired in 2020. Formal ship model training was largely put on hold due to the closure of training facilities in Canada and around the world, as was the apprentice pilot program for the same reasons. The training of licensed pilots was shifted to the in-house simulator which is jointly owned with the BC Coast Pilots Ltd, with extensive use being made of the facility to continue training in accordance with our Quality Assurance training program.

The inability to continue with the formal ship model training or the apprentice training program resulted in $3 million budgeted for training not being spent in 2020, however the requirement for this training carries over into 2021 and possibly even 2022 in order to replace the many pilots who retired in 2020.

While COVID-19 consumed a lot of our time we continued with our outreach program both directly with video calls to communities as well as indirectly through the Authority's support of initiatives under the Oceans Protection Plan and our active participation in "Voyage of a Vessel" presentations with Transport Canada, Canadian Coast Guard and the Vancouver-Fraser Port Authority. We continue to build trust in the operation of marine pilotage on the west coast of Canada.

In addition, all capital projects that were underway prior to the pandemic and could not be postponed continued unabated. With Transport Canada's support we continued the pilotage risk management methodology (PRMM) process to reassess the tonnage threshold for vessels requiring pilots and expect the final report in the first quarter of 2021.

The Authority will continue to meet its mandate of providing a safe, efficient and cost-effective marine pilotage service by meeting its strategic objectives and remaining committed to leading a world-class marine pilotage service on the west coast of Canada.

Our ongoing success is largely a result of the open and transparent communication and the excellent relationships we enjoy with our shareholder, the industry we serve, and the pilots committed to moving the vessels safely on the west coast of Canada. We wish to express our appreciation and gratitude to our dedicated staff, pilots and Board of Directors for the incredible work they did and continue to do through this pandemic.

Respectfully submitted,

Lorraine Cunningham
Chair

Kevin Obermeyer
Chief Executive Officer

Corporate Governance

Corporate governance is the process of establishing and monitoring the policies and procedures which will ensure the appropriate stewardship of the business and affairs of the Authority, including financial viability.

As a Crown corporation, the Authority operates at arm's length from the Government of Canada. While the federal government provides policy direction for the Authority's ongoing operations, the Authority's Board of Directors ensures that the Authority fulfils its mandate by setting the strategic direction, organizational goals, and monitoring their implementation. The Authority reports to Parliament through the Minister of Transport.

The Chair of the Board is appointed by the Governor in Council on the recommendation of the Minister of Transport, and the Board of Directors is appointed by the Minister of Transport with the approval of the Governor in Council. There are seven members on the Authority's Board of Directors.

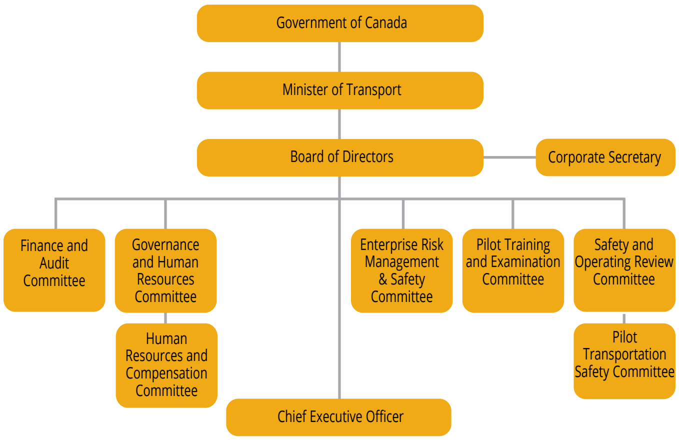
The Authority's Board of Directors has representation from Vancouver and Vancouver Island, with backgrounds in marine services, accounting, law, education, and technology.

The Authority complies with the Treasury Board guidelines on corporate governance practices (guidelines on Board responsibilities, public policy objectives, communications, Board and management relations, Board independence, the position of the Chief Executive Officer ("CEO"), renewal of the Board, education of directors, compensation, and the responsibility for corporate governance). The Board has developed a skills framework to assess the skills of Directors that are currently on the Board as well as those skills that are required for the future. The Board assesses its performance as well as the performance of committees and individual Board members annually.

The Board has constituted several committees to focus on the major areas of the Authority. These committees are chaired by a Board member, have terms of reference and mandates and report directly to the Board on a regular basis.

The Authority is led by the CEO who reports to the Board through the Chair. The Authority's governance chart below indicates the reporting structure.

Pacific Pilotage Authority Governance chart



Board Committees

Finance and Audit Committee (FAC) - the Chair and at least three Board members are designated as members of this Committee. This Committee meets six times per annum and members are expected to be financially literate. Its mandate includes responsibility for all financial matters, financial reporting, external audit, internal audit and insurance.

Governance and Human Resources Committee (GHRC) – this Committee meets four times per annum or at the call of the Committee Chair. Its mandate is to provide a focus on corporate governance and recommendation of candidates for Board membership. This Committee also oversees new member Board orientation and the Board's self-assessment process, training and skills requirements.

Human Resources and Compensation Committee (HRC) – this sub-committee of the GHRC meets on an as needed basis or at the call of the Committee Chair. Its mandate includes responsibility for the CEO's performance management program reporting required by the Minister, executive development planning and management compensation and succession planning of the Authority's management team.

Pilot Training and Examination Committee (PTEC) – this Committee meets four times per annum and as required to conduct pilot examinations. Its mandate is to conduct pilot examinations and review ongoing training programs for pilots. It is chaired by a Board member and includes members of the Authority's management and BC Coast Pilots. The Committee is joined by one external examiner during annual pilot examinations.

Safety and Operating Review Committee (SORC) – this Committee meets four times per year with a mandate to review and assess pilotage practices and areas of concern and to seek solutions which result in improved safety and efficiency. It is chaired by a Board member and comprised of Authority management, BC Coast Pilots and members of the marine industry.

Pilot Transportation Safety Committee (PTSC) – this sub-Committee of the SORC Committee meets at least twice per annum or more frequently as required. The Committee is responsible for establishing safety standards and monitoring the safe operation of pilot launches, water taxis, airplanes and helicopters utilized in the transfer of pilots to/from ships and ensuring that the Authority adheres to regulations and safe practices issued by Transport Canada. It is composed of BC Coast and Fraser River pilots, Authority management and pilot launch personnel.

Enterprise Risk Management & Safety Committee (ERMS) – this Committee meets at least semi-annually and is chaired by a Board member. The Committee is a function of the Board's oversight role in regards to the risks facing the Authority. The Committee maintains a rigorous and coordinated approach to identifying, assessing and responding to all risks that affect the achievement of the Authority's strategic, financial and operational objectives.

Organizational Structure of the Authority

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

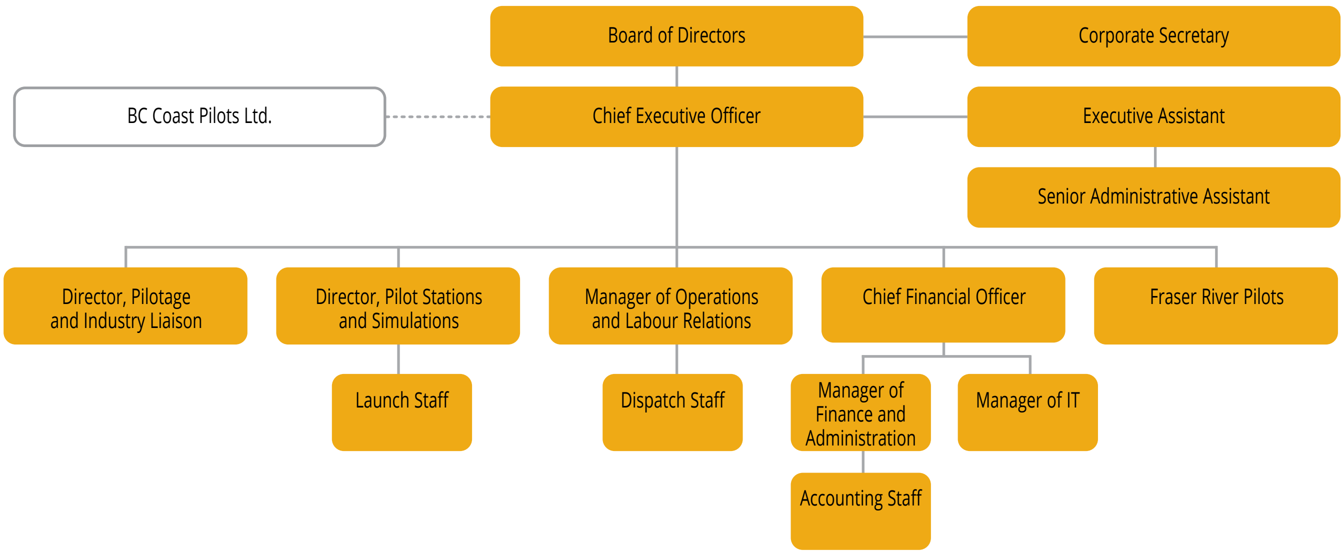
There are nine management employees, nine employee pilots, eighteen dispatchers, seven administrative and thirty-nine launch employees.

In addition, one hundred and twenty-three marine pilots provided coastal pilotage services to the Authority during 2020 through their company, the British Columbia Coast Pilots Ltd ("BCCP").

The Authority's organization chart below indicates the reporting structure.

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

ORGANIZATIONAL CHART



Regular Consultations with Stakeholders

The Authority's management team places a high degree of emphasis on customer contact and feedback each year. Customer surveys and service levels expected of the Authority are measured on a regular basis.

During 2020, the Authority's management team met monthly with the Chamber of Shipping, Shipping Federation, International Ship-Owners Alliance of Canada and Cruise Lines International Association representatives.

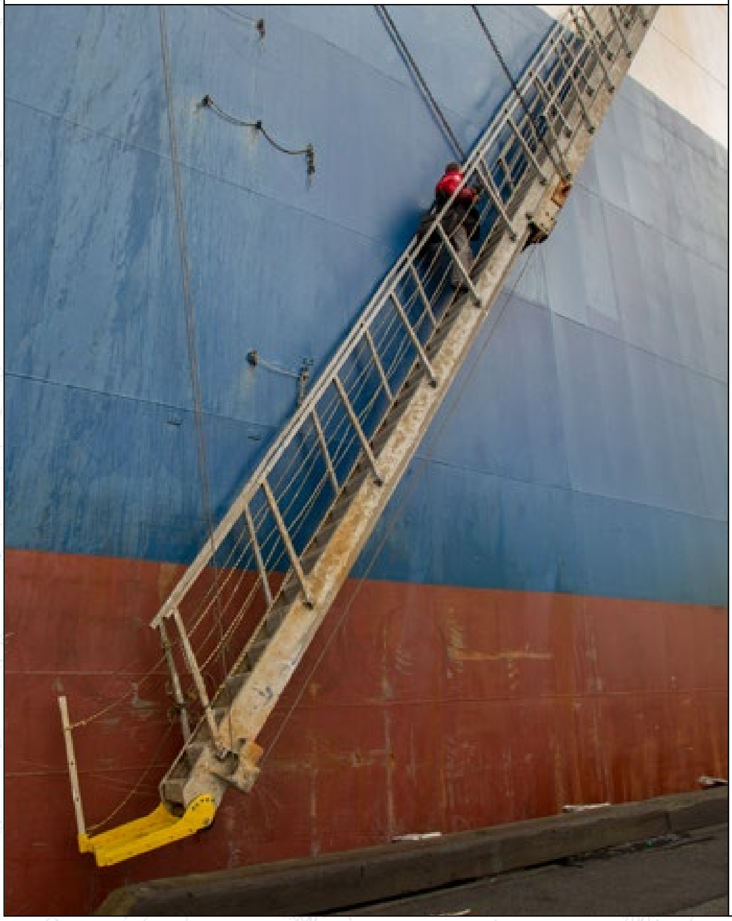
Quarterly meetings were held for all the Authority customers, ports and associations. The Authority's financial position is evaluated in detail at these meetings as well as a review and discussion of safety and operational issues.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Operations — 2020

The over-riding story of 2020 was the impact of the COVID-19 global pandemic. As for all organizations, it was a challenging year and the Authority was impacted in many ways. Operationally we experienced a significant drop in traffic with total assignments for 2020 declining by 4.9% over the prior year, largely due to the cancellation of the cruise ship season for 2020.

Processes and procedures also had to change quickly to accommodate safety protocols, which had been developed during the SARS and H1N1 virus outbreaks and subsequently further refined for the current pandemic. A reduction in the availability of scheduled flights, combined with a desire to keep pilots safe, resulted in the Authority using chartered rather than scheduled flights for the transportation of pilots to many assignments outside the lower mainland. The BC Coast Pilots also assisted by using their own transportation to get to and from assignments in Port McNeil (northern Vancouver Island) in the summer and fall months. Launch and dispatch staff followed newly developed pilot transportation safety protocols and utilized screens and personal protective equipment, acquired with the assistance of Transport Canada, to reduce the risk of catching the virus. Office staff also became accustomed to working from home and taking advantage of video-conferencing tools to stay connected. The Authority played a lead role in implementing a joint COVID Rapid Response Team to ensure all parties potentially affected by any suspected COVID-19 positive ships were notified and part of a group discussing actions required. With these collective measures we are pleased to report that, as of the date of this report, no staff member or pilot had contracted COVID-19 and we have been able to continue to provide a safe and effective pilotage service throughout the year.



Our ability to train pilots was significantly curtailed by COVID-19 with the closure of training schools overseas, specifically in France and the UK. We did however continue with our annual examinations with a view to recruiting new apprentice pilots. As a result, four new apprentice coastal pilots were hired and have started in January 2021. In addition, five existing coastal apprentices and one Fraser River apprentice earned their licences during the year. Offsetting these increases in pilot capacity were a number of pilot retirements announced during the year. The number of coastal pilots has declined from 123 during 2020 to 118 at the end of January 2021, with a further four retirements effective after January.

Our new pilot launch, the Pacific Guardian, is nearing completion. The contract to build the launch was awarded to a local company, Ocean Pacific Marine in Campbell River, BC and began with the hull and wheelhouse being constructed in Dalian, China. The hull arrived in BC in November and was delivered to Campbell River, where it is being outfitted, with expected completion in the second quarter of 2021. A feature of the new launch is that its engines will meet International Maritime Organization Tier III standards, resulting in reduced emissions.

Although pilot training was reduced during the year, we continued to invest in upgrading our pilot simulator with completion of the simulation database for Porpoise Channel and upgrades to the Johnstone Strait database. We were also able to utilize the simulator to provide 694 hours of training to pilots during the year.

Further investments in systems during the year included implementing a new time and attendance system for staff at the end of 2020, which will reduce some existing manual processes, and the completion of a request-for-proposal process for a new Pilot Dispatch and Accounting Management System ("PDAMS"). The new PDAMS will be a custom development taking place during 2021 and once implemented will see the Authority move from using paper-based source cards for recording pilot assignments to electronic source cards in 2022. A new air draft calculator for First Narrows was also completed during the year, which can be accessed publicly through the Authority's website.

In 2020 we also commenced a detailed review of the tonnage limit for compulsory pilotage (which would impact the waiver system), using the Pilotage Risk Management Methodology ("PRMM"). It involved, and continues to involve, input from stakeholders in industry and First Nations' groups. The consultation process will continue into 2021 and conclude with recommendations to be presented to Transport Canada.

Following Transport Canada's review of the Pilotage Act in 2017/18 and with the goal of improving the governance model for pilotage, there were further governance changes implemented in 2020 including reporting of marine incidents to Transport Canada and removal of tariff setting from the regulatory process.

As part of the Oceans Protection Plan and the Authority's own outreach through 29 meetings during the year, we continued to identify the needs, issues and concerns of First Nations' groups and where possible address them. In 2020 we published two Notices to waiver holders as a result of issues raised by First Nations' groups.

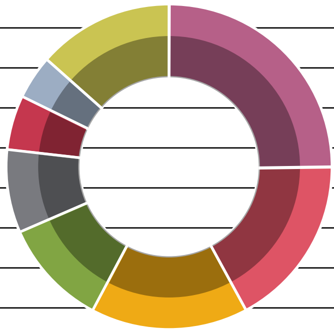
We were also successful in completing our fifth consecutive annual International Standards Organization (ISO) and International Safety Management (ISM) audits.

Traffic Analysis

The table below highlights the diversification within the Authority's customer base. Our largest product sector is the container sector which accounts for 17% of our business volumes. On the West Coast we find that containers generally come in fully loaded and usually leave empty.

Product Sectors by number of assignments 2020

Anchorage	25%
Containers	17%
Grain	16%
Forest Products	11%
Coal	8%
Petroleum & Tankers	5%
Auto	4%
Other	14%



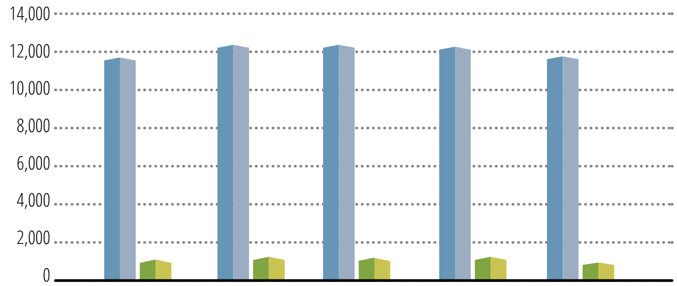
Annual Assignments[1] by Product Sector

	2016		2017		2018		2019		2020	
Anchorages	2,413	19%	2,714	20%	2,843	21%	2,898	22%	3,133	25%
Auto	731	6%	748	6%	755	6%	744	6%	563	4%
Coal	790	6%	985	7%	1,081	8%	1,141	9%	1,055	8%
Containers	2,223	18%	2,331	17%	2,355	17%	2,325	17%	2,219	17%
Cruise	995	8%	1,055	8%	1,025	8%	1,114	8%	-	-
Forest Products	1,507	12%	1,582	12%	1,371	10%	1,394	10%	1,372	11%%
Grain	1,742	14%	1,766	13%	1,581	12%	1,660	12%	2,010	16%
Petroleum & Tankers	834	6%	771	6%	853	6%	685	5%	684	5%
Other	1,411	11%	1,517	11%	1,601	12%	1,430	11%	1,700	14%
Grand Total	**12,646**	**100%**	**13,469**	**100%**	**13,465**	**100%**	**13,391**	**100%**	**12,736**	**100%**

[1] Coastal and Fraser River assignments

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

Annual Pilotage Assignments

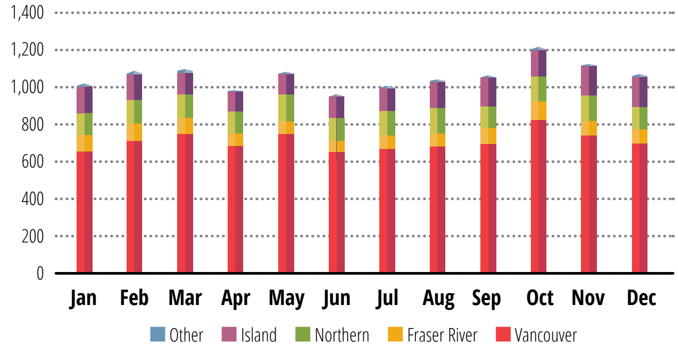


	2016	2017	2018	2019	2020
Coastal	11,625	12,310	12,335	12,233	11,787
Fraser River	1,021	1,159	1,130	1,158	949

During 2020, BCCP, a private company of 123 entrepreneur pilots under contract to the Authority, completed 11,787 coastal assignments (excluding second pilot assignments). Fraser River assignments were performed by nine employee pilots who completed 949 River assignments.

The Authority's monthly traffic pattern is usually very consistent year over year. Normally there is a seasonal spike in the coastal assignments due to the cruise ship sector during the months of May through September (particularly on Vancouver Island and the Port of Vancouver. However, due to the pandemic and the absence of cruise ships in 2020 there was less seasonality this year.

Assignments by month (2020)



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

The Port of Vancouver (VFPA -Vancouver Fraser Port Authority), which includes Roberts Bank and Deltaport, is the largest traffic centre accounting for 67% (2019 – 64%) of all assignments performed by the Authority. This area represents 51 berths and 34 anchorages that we service on a regular basis. Our VFPA traffic in 2020 decreased by 87 assignments compared to the prior year which is primarily attributed to the cancellation of the cruise ships in 2020.

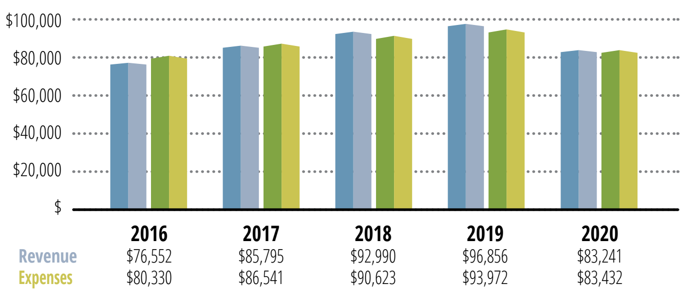
Fraser River ("River") traffic for 2020 decreased to 949 assignments (2019 - 1,158). The River has an automobile terminal and a multi-use terminal, which handles containers, bulk, and break-bulk products. The River also requires the services of a coastal pilot for the transit to and from the Sand Heads boarding station which is located at the mouth of the Fraser River. Once inside the Fraser River, an employee pilot is responsible for the pilotage transit to and from the berths. In total this area has 10 active berths.

The Northern area, which includes Prince Rupert, Kitimat and Stewart, accounted for 12% (2019 – 11%) of the Authority's coastal pilotage assignments. Currently this area has 11 berths and 36 anchorages. The bulk of assignments are in the Prince Rupert region which primarily handles containers, grain, coal, logs and wood pellets. The traffic in 2020 decreased by 10 assignments compared to the prior year.

Financial Commentary

For 2020 the Authority recorded revenues of $83.2 million and a loss of $0.3 million.

Revenue and Expenses by Year (in 000's)



On April 1, 2020, the Authority implemented a 2.25% tariff increase (3.05% in 2019). The implementation of the increase improved the Authority's financial position as we generated moderate cash flow for the year from operating activities. The increases were planned with consultation and support from the industry we serve.

The 2020 financial results were impacted by several factors related to the global pandemic and resulted in a small loss for the year. The most significant changes compared to prior year are explained below:

1. Coastal pilotage revenues in 2020 were below the prior year by $7.4 million, or 11%. This was mainly due to a decrease in assignments of 4%, notably as a result of the cancellation of the cruise ship season.

The decrease in coastal revenues noted above were offset by lower contract pilot fees as the coastal pilots are paid per assignment. Coastal pilotage expenses for 2020 were $8.3 million, or 13%, lower than 2019.

Coastal pilot and apprentice training costs were below prior year by $2.1 million, or 83%, as training schools in Europe were closed due to the pandemic. Also, no new apprentices were hired in 2020.

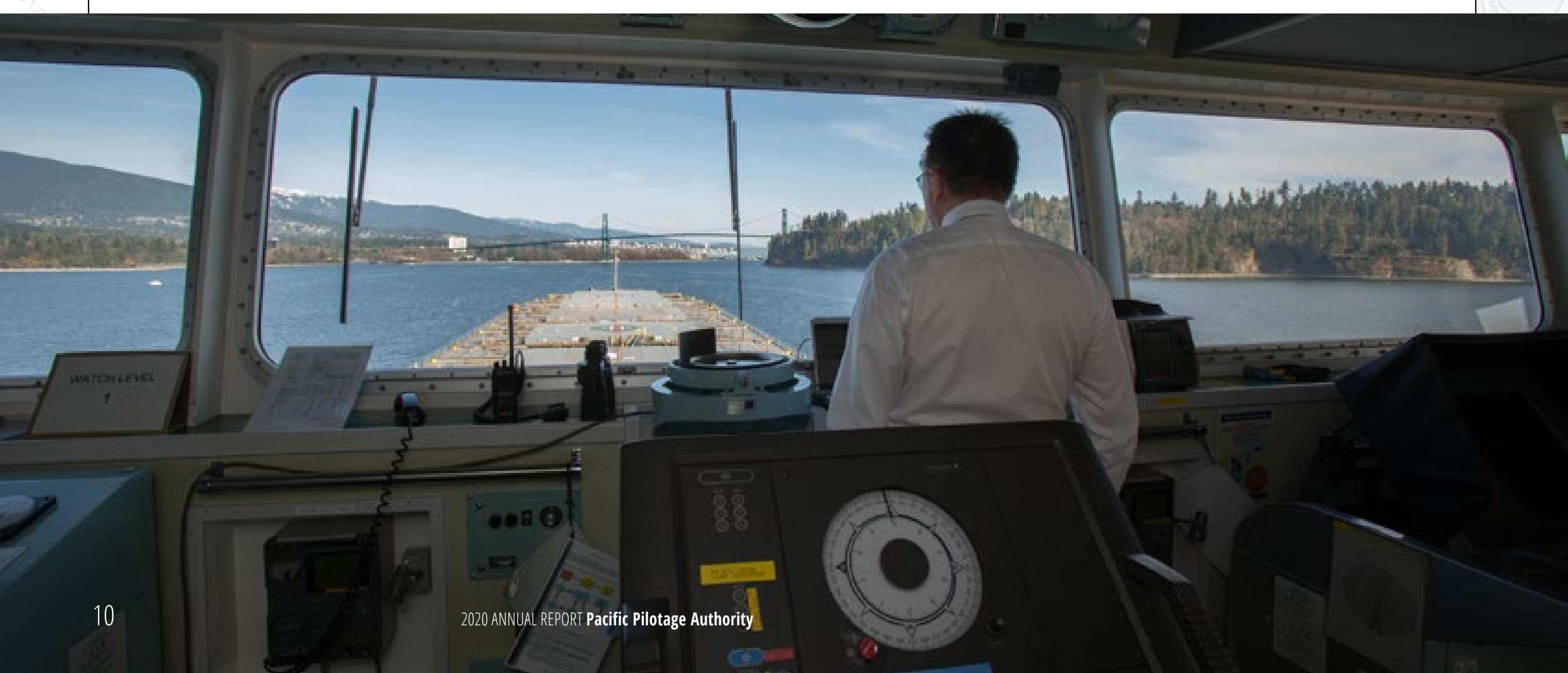
The contribution margin for coastal pilotage revenues ended the year at 11%, compared to 6% in 2019, largely as a result of the lower training costs incurred and fewer callbacks. We expect there to be a catch-up in training costs once the schools in Europe re-open. The contribution from coastal pilotage for 2020 was $7.0 million.

2. River pilotage revenues were also lower than 2019 by $0.5 million, or 13%. Again this was due to a decrease in the number of assignments of 18% as a result of the pandemic, offset by small increases in average pilotage units and tariff rates.

The costs of the River pilots, which are relatively fixed in nature, were $0.1 million, or 5%, higher than the prior year largely as a result of contractual increases.

The contribution margin for River pilotage was 18%, compared to 31% in 2019. The decrease is attributable to the largely fixed nature of operating costs which did not mirror the drop in revenue in 2020. The contribution from River pilotage for 2020 was $0.6 million.

3. Travel revenues declined by $2.1 million over the prior year as a result of the absence of cruise traffic. Travel expenses increased significantly by $1.5 million, or 22%, as we chose to charter aircraft to maintain the safety of our pilots rather than use the few scheduled flights available. As a result of the decline in revenues and increased costs, we incurred a loss on travel operations for the year of $1.8 million.



4. In 2020, the employee crewed stations at Brotchie, Sand Heads and Triple Island as well as the contractor crewed station in Port Hardy experienced a drop in revenues of $2.7 million, or 22%, as a result of the overall decline in traffic. The related costs declined by $1.7 million (16%) and were primarily driven by an offsetting decline in fuel and launch contractor costs.

In total this sector's contribution margin ended the year at 7%, compared to 12% prior year, representing a contribution of $0.7 million.

5. In 2020 we incurred overhead expenses of $8.4 million, a decrease of $0.1 million over the prior year, as a result of cost containment by the Authority, without sacrificing safety.

The table below details the comparisons of the major revenue and expense categories from the Authority's unaudited operating statements for 2020 and 2019.

Revenue Categories

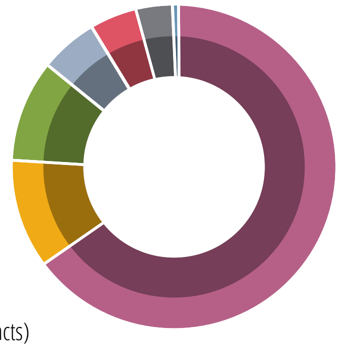
	2020	2019	Change	
	$'000	$'000	$'000	%
Coastal pilotage	61,875	69,302	(7,427)	(11)%
River pilotage	3,614	4,151	(537)	(13)%
Travel	6,440	8,509	(2,069)	(24)%
Launch	9,513	12,171	(2,658)	(22)%
Other income	1,799	2,723	(924)	(34)%
Total Revenues	83,241	96,856	(13,615)	(14)%

Expense Categories

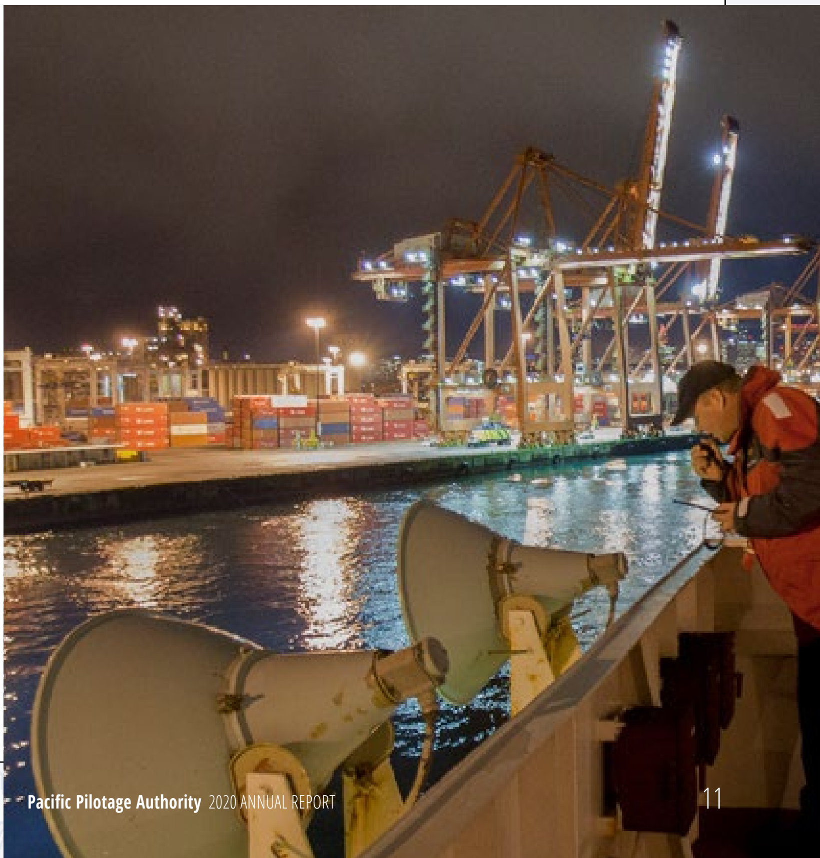
	2020	2019	Change $'000	Change %
Contract pilots' fees	54,494	62,805	(8,311)	(13)%
Pilot launch costs	8,843	10,565	(1,722)	(16)%
Transportation and travel	8,319	6,810	1,509	22%
Staff salaries and benefits	4,620	4,860	(240)	(5)%
Employee pilots' salaries and benefits	2,978	2,846	132	5%
Other expenses	3,701	3,544	157	4%
Pilot training	477	2,542	(2,065)	(81)%
Total Expenses	83,432	93,972	(10,540)	(11)%
Profit (Loss)	(191)	2,884	(3,075)	(108)%
Other Comprehensive Income (Loss)	(67)	(47)	(20)	43%
Total Comprehensive Income (Loss)	(258)	2,837	(3,095)	(110)%

The following chart compares the major expense categories as a percentage of total expenses for the year 2020.

Actual Expense Categories 2020



Pilots Fees (contracts)	**65%**
Pilot Launch Operations (collective agreements)	**11%**
Pilot Transportation and travel (contract)	**10%**
Pilot apprenticeship and training	**5%**
Employee pilots' salaries and benefits (collective agreement)	**4%**
Staff salaries and benefits	**4%**
Other expenses	**1%**



Similar to prior years, approximately 90 percent of the Authority's total annual expenditures for the year were covered by either a service contract or collective agreements.

Since inception in 1972 the Authority has been financially self-sufficient and continues to manage its finances to maintain this position.

The table below provides a historical financial summary of the Authority for the past five years from 2016 through 2020.

Historical Financial Summary

	2016	2017	2018	2019	2020
Financial Results ($'000)					
Revenues	76,552	85,795	92,990	96,856	83,241
Expenses	80,330	86,541	90,890	93,972	83,432
Profit (Loss)	(3,778)	(746)	2,100	2,884	(191)
Financial Position ($'000)					
Current Assets	9,245	11,671	14,049	16,500	14,817
Current Liabilities	10,506	11,266	12,398	12,874	13,747
Working Capital	(1,261)	405	1,651	3,626	1,070
Net Capital Assets	11,698	10,614	10,898	12,329	13,547

Operating Indicators (Actual)

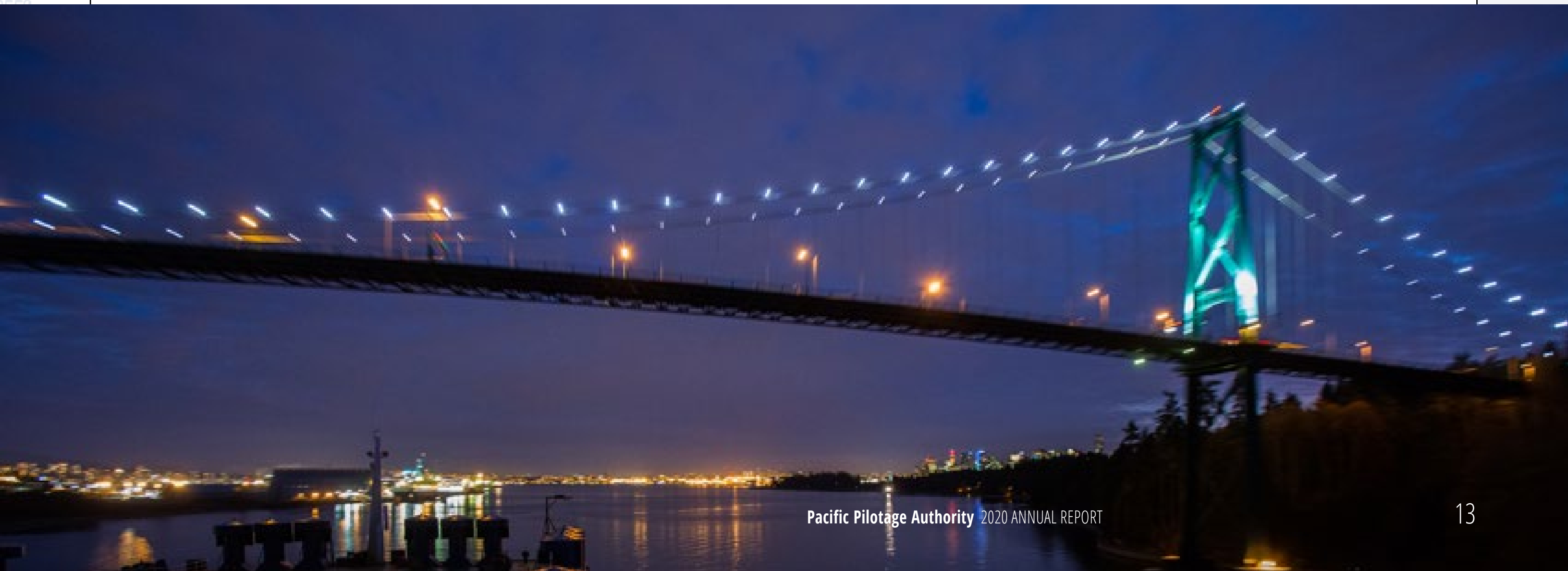
	2016	2017	2018	2019	2020
Average Number of Pilots					
Coastal	103	114	118	123	123
River	8	8	8	9	9
Number of Assignments					
Coastal	11,625	12,310	12,335	12,233	11,787
River	1,021	1,159	1,130	1,158	949
Revenue per Assignment					
Coastal	$ 4,805	$ 5,006	$ 5,441	$ 5,665	$ 5,249
River	$ 2,952	$ 3,115	$ 3,364	$ 3,585	$ 3,808

Key Performance Indicators

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

RESULTS FOR 2020

Safety	**Goal**	**ACTUAL**
1. Incidents on vessels under pilotage	0	13
2. Incidents on pilot launches	0	1
Reliability		
3. Number of delays (hours) caused by pilots	0	1 (2 hours)
4. Number of delays (hours) caused by dispatch errors	0	1 (1 hours)
5. Number of delays (hours) caused by launches	0	1 (0.25 hours)
6. Number of delays (hours) caused by computer downtime	0	0
7. Total number of delays (Total hours delayed)	0	3 (3.25 hours)
Efficiency: General		
8. Unscheduled launch downtime causing delays [Total downtime days causing delays/total days]	0%	2.4%
9. Pollution incidents on pilot launches	0	0
10. Maintain an average of 8 working days to resolve all complaints	8 days	2 days (13 complaints)
11. Maintain an average of 8 working days to resolve all invoice disputes	8 days	4 days (22 disputes)
Efficiency: Pilots		
12. Complaints regarding pilot service level [no. of complaints/number of assignments]	0%	0.1%
13. Callbacks as percentage of assignments	2.5%	0.5%
14. Cost of callbacks as percentage of total pilotage revenue	1%	0.2%
15. Annual assignments per pilot a) Coastal b) Fraser River	 100 135	 100 119
16. Annual average cost per assignment a) Revenue b) Cost c) Profit (loss)	 $7,306 $7,131 $175	 $6,531 $6,553 $(15)
17. Annual utilization of pilots – time working [(time on board + travel time + rest)/1950]	95%	83%
18. Annual utilization of pilots – terminal delays [hours delayed at terminal/total hours on assignment]	5%	2%
19. Annual utilization of pilots – cancellations [number of cancellations/number of assignments]	8%	11%
Financial		
20. Maintain an adequate contingency fund	$1.075M	$1.730M
21. Accounts receivable - % of invoices under 30 days	90%	98%



Incident Reporting

The Authority categorizes incident and accident reporting into three types of investigations. An incident or accident will not be classified until sufficient facts are available to assess the potential for safety improvements and may require on site evaluation or interviews.

Class "A" Investigations

Defines an investigation that has a high probability of improving navigation safety, in that, there is a significant potential for reducing the risk to persons, vessels or the environment, including impacts to indigenous communities.

Class "B" Investigations

Defines an investigation that has a medium probability of improving navigation safety, in that, there is a moderate potential for reducing the risk to persons, vessels or the environment, including impacts to indigenous communities.

Class "C" Investigations

Defines an investigation that has a low probability of improving navigation safety, in that, there is a limited potential for reducing the risk to persons, vessels or the environment, including impacts to indigenous communities.

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

Year	Incident Free Assignments	Total Incidents	Class A	Class B	Class C
2014	99.96%	5	-	2	3
2015	99.99%	1	-	-	1
2016	99.96%	5	-	-	5
2017	99.97%	4	-	-	4
2018	99.96%	5	-	-	5
2019	99.96%	6	-	2	4
2020	99.90%	13	-	-	13

The Authority has taken note of the increased number of incidents in 2020 and has tasked the pilots to review the data available to determine trends, if any. The terms of reference for the Authority's Pilot Training and Examination Committee (PTEC) have also been augmented to include the review of incidents to determine training/familiarization opportunities for pilots. Also, through the industry representatives on the Safety and Operating Review Committee (SORC), the Authority liaises with the relevant stakeholders to share information and modify/enhance operating practices.

Human Resources

The Authority has a highly effective and experienced management team supported by skilled and engaged operations and administrative staff. During the year we conducted employee town hall meetings and satisfaction surveys for feedback, especially with the uncertainty caused by the global pandemic. Historically, we have experienced low employee turnover and attribute that to a supportive and inclusive working environment.

Diversity is a component of our hiring process and we are proud to have a gender balanced office staff, management team and Board. To further strengthen this, a key activity for 2021 is to introduce a program and hiring protocol for enhancing consideration of diversity within the Authority.

Our CEO is due to retire in 2023 and succession plans are underway to identify and select a replacement, with a view to choosing a new CEO by early 2022 to provide an overlap.

The Authority's relationship with the majority of its employees is supported through collective agreements with the following:

- the Canadian Merchant Service Guild, representing all employee pilots (nine employees), expires January 31, 2023;
- the Canadian Merchant Service Guild, representing all launch masters and engineers (thirty-four employees), expires March 31, 2023;
- the International Longshore & Warehouse Union, Local 520, representing all deckhands, dispatchers and administrative staff (twenty-eight employees), expires March 31, 2022.

Recruitment and Training of Pilots

To ensure a highly qualified and skilled workforce, the Authority places major emphasis on the selection and training of marine pilots. The selection and training process for marine pilots involves:

1. reviewing the potential candidates' medical fitness, qualifications and sea time for compliance with the Pacific Pilotage Regulations;
2. potential candidates' participation in the Pilot Familiarization Program as required by the Pacific Pilotage Regulations;
3. examination of candidates who meet the requirements in 1. and 2. above;
4. apprenticeship and training before licensing the candidates; and
5. progression and recurrent training during piloting career.

No apprentice pilots were taken on during 2020 due to pandemic restrictions which prevented international travel for mandatory training.

Candidates who meet the pre-requisites are enrolled into the Pilot Familiarization Program which is administered by the Authority. This program is restricted to a maximum enrolment of forty candidates. The program allows the potential pilot candidates to complete familiarization trips along with licensed pilots; it also helps supplement and upgrade their coast-wide knowledge and improves their success in the examinations. At year-end 2020 the program was at capacity; however, it was in a suspended status due to the pandemic restrictions.

Marine pilot entry exams are conducted once or twice each year to assess potential candidates for the necessary knowledge, experience, and skills to perform the job. The exam process consists of three parts: viz. a three-hour written exam on general ship knowledge, a three-hour exam paper on local coastal knowledge, and a three- and one-half-hour oral exam session.

The duration of the apprenticeship for a BC coastal pilot is a minimum of nine and one-half months, up to a maximum of twenty-four months. The duration of the apprenticeship for a Fraser River pilot is a minimum of four months, up to a maximum of twenty-four months.

The Pilot Training and Examination Committee (PTEC) regularly examines and compares training facilities on a worldwide basis to ensure our training standards and the instruction level is relevant, effective, and valid.

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

The Authority has projected the coastal pilots' demographics through its 2021 – 2025 Corporate Plan years (the "Plan") and is working with BCCP to ensure sufficient apprentices start in each of the Plan years to compensate for retirement as well as required numbers to maintain an efficient operation. No apprentice pilots were taken on during 2020 due to pandemic restrictions which prevented international travel for mandatory training.

The Authority budgets each year for licensed pilot training. Safety is paramount for the Authority, so we ensure licensed pilots maintain familiarity with all areas of the coast and also ongoing training provides opportunities for skills enhancement.

Apprentice coast pilot training during the year included:

- Five apprentices received tethered tug training in Vancouver, Canada, and Azipod propulsion training in the in-house simulator.

Licensed coast pilot training during the year included:

- Due to COVID-19 restrictions, all international and Canada-wide training was suspended.
- One hundred and thirteen pilots received familiarization training for Porpoise Channel at the in-house simulator for the new LPG project in Porpoise Channel.
- Sixteen pilots received ship size progression training in the in-house simulator.
- Twenty-six pilots received area familiarization training, for Seymour Narrows, in the in-house simulator.

Licensed River pilot training:

- One Fraser River pilot received Azipod propulsion training, and ship size progression training, in the in-house simulator.

Pilot Examinations and Eligibility List

During fiscal 2020, five coastal pilots received their Class II licences, and one Fraser River pilot received his Class I licence.

As of December 31, 2020, there were seventeen candidates on the pilot eligibility list, fourteen for coastal pilots and three for river pilots.

The Authority conducted two coast pilot examination sessions in 2020. Twenty-two (22) candidates attempted the examinations of which seven (7) were successful.

Enterprise Risk Management

An Enterprise Risk Management and Safety (ERMS) program has been incorporated as part of the Authority's strategy and is well advanced in 'cultivating a culture of risk awareness' throughout the organization. A comprehensive Risk Framework has been developed and all areas of the Authority's operations are assessed, ranked and monitored in the Risk Register.

Risks are designated by an ERMS Committee as either operational or strategic. Operational risks are assigned to the appropriate management staff for mitigation and review. Strategic risks are overseen by the Board or an appropriate Board Committee.

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

Key strategic risks are listed below:

- Changing economic/fiscal conditions that affect vessel traffic
- Delay or objection to an increase in service charges
- Single contractor reliance
- Recruitment and training of pilots
- Relations with communities and the general public following an incident
- Activism and its effect on the Authority
- Social media
- Cybersecurity

The Authority considers risk management to be a shared responsibility. Accordingly, members of the Board of Directors, its committees, the CEO, and all employees are accountable for managing risk within their area of responsibility. Risk management policies ensure a consistent, comprehensive and enterprise-wide risk management approach that is integrated into planning, decision making, and operational processes.

Risk Impact Ranking Methodology

The Authority has adopted the following risk profile and tolerance matrix:

		OPERATIONAL				STRATEGIC	
	Financial	**Human**	**Property**	**Vessel(s)**	**Environmental**	**Disruption of Business**	**Reputation**
5 EXTREME	Above $10 million cash impact on the Authority	Multiple deaths And multiple people with serious long-term injury Intensive care	Damage to property is such that it ceases operations for a period of time exceeding one month or financial loss exceeds $10 million	Vessel sinks or sustains so much damage that it is a constructive total loss	Incident causes sustained long term harm to environment (i.e. damage lasts greater than a month)	Threatens long-term viability of Authority (Operational cessation or major operational issues lasting more than one month)	Sustained front page adverse national media coverage International media coverage
4 VERY HIGH	Impact on the Authority between $5 and $10 million	Single death And multiple people with serious long-term injury Intensive care	Damage to facilities is such that operations cease for up to one month or financial loss of $5 - $10 million	Vessel sustains damage significant enough to result in towing to dry dock and loss of operations of up to one month	Incident causes sustained medium term harm to environment (i.e. damage lasts up to one month)	Threatens viability of Authority in the medium term (Operational cessation or major operational issues lasting up to one month)	Front page adverse national media coverage and intermittent international coverage
3 HIGH	$1 - $5 million cash impact	Some people with serious long-term injury and multiple minor injuries	Damage to facilities is such that the operations cease for up to two weeks or financial loss of $1 - $5 million	Vessel sustains significant damage with dry docking and loss of operations for two weeks	Incident causes medium term harm to environment (i.e. damage lasts up to two weeks)	Threatens viability of Authority in the short term (Operational cessation or major operational issues lasting up to two weeks)	Intermittent adverse national media coverage
2 MEDIUM	Between $500,000 to $ 1 million cash impact	One person with serious long-term injury Some minor injuries	Damage to facilities cause operations to cease for up to one week or financial impact of $500,000 -$1 million	Vessel sustains damage resulting in loss of operations for one week	Incident causes short term harm to environment (i.e. damage lasts no greater than one week)	Operational issues lasting up to one week but no cessation of business	Sustained front page adverse local media coverage Board and Ottawa receive complaints from industry associations and major clients
1 LOW	Up to $500,000 cash impact	Single or multiple minor injuries requiring on site first aid and/or off-site treatment	Damage to facilities cause operations to cease for up to 72 hours or a financial impact up to $500,000	Minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours	Incident causes minimal or intermittent harm to environment over a period of time (i.e. damage lasts no greater than a day)	No operational issues or operational issues lasting up to 72 hours	Intermittent adverse local media coverage Complaints received from industry and/or clients

Risk Likelihood Ranking Criteria

Likelihood	Risks that are ongoing	Risks that are one off
5 EXTREME	We expect that the risk will occur many times a month. The risk is happening.	We fully expect the risk to occur. The risk is already occurring (i.e. It's an issue).
4 VERY HIGH	We expect that the risk will occur at least once a year.	We expect the risk will most probably occur.
3 HIGH	We expect that the risk will occur once in 3 years.	We expect that the risk may occur at some time and we think it more likely than not.
2 MEDIUM	We expect that the risk will occur once in 10 years.	We expect that the risk may occur at some time and we think it less likely than not.
1 LOW	We expect that the risk will occur once in 50 years.	We expect that the risk may occur only in exceptional circumstances but that it is highly doubtful that it will.

Risk Ranking Score Key

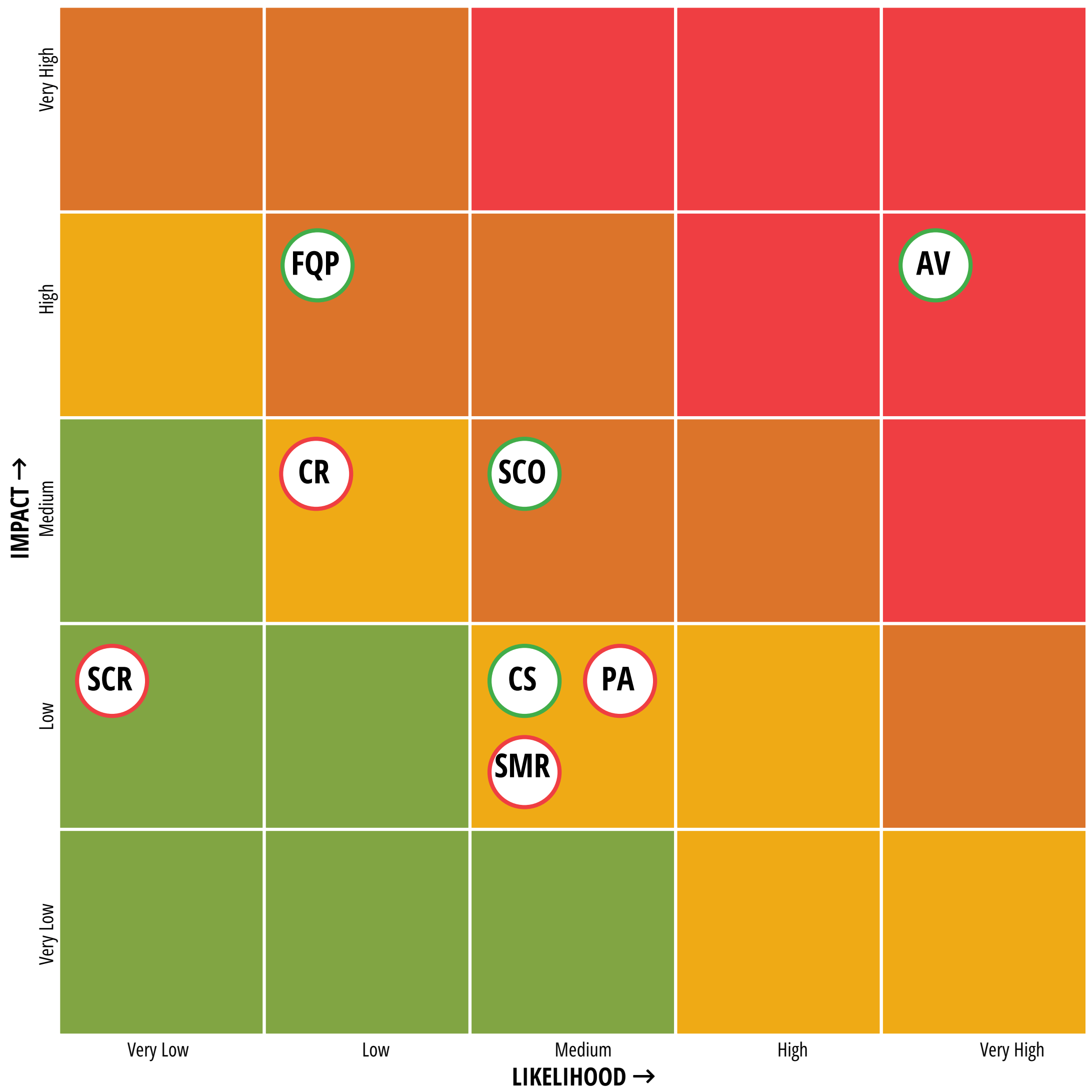
To achieve the risk's score, multiply the Impact score by the Likelihood score. The overall rankings are the following:

25	Extreme	20	Very High	15	High	10	Medium	5	Low
24	Extreme	19	Very High	14	High	9	Medium	4	Low
23	Extreme	18	Very High	13	High	8	Medium	3	Low
22	Extreme	17	Very High	12	High	7	Medium	2	Low
21	Extreme	16	Very High	11	High	6	Medium	1	Low

Key Strategic Risks

The figure below illustrates management's assessment of the potential impact and likelihood of key strategic risks:

CODE	TITLE	CODE	TITLE	CODE	TITLE
AV	Changes in vessel traffic volumes	**CS**	Cybersecurity	**SCO**	Service Charge Objection
CR	Relations with communities and general public following an incident	**FQP**	Recruitment and training of pilots	**SCR**	Single contractor reliance
		PA	Political Activism and its effect on the PPA	**SMR**	Social Media Risk



Looking Ahead to 2021

The Authority's annual financial results remain linked to the traffic in our ports. Annual traffic levels and thus finances are driven by the economics of the industry we serve. It remains very difficult to accurately forecast traffic levels for upcoming years as there are many factors involved, well outside the control of the Authority.

In preparing its 2021 Corporate Plan, the Authority analyzed prior year's traffic patterns, industry sectors, commodity associations, the cruise ship industry, port authorities, terminal expansion plans and general financial conditions. The Authority also reached out to terminal operators and agents across the province to solicit feedback on expected 2021 volumes.

For 2021 the Authority based its planned revenues and expenditures on 10,864 coastal and 1,205 Fraser River assignments, resulting in a planned loss for 2021 of $3.8 million. Subsequent to completing the 2021 Corporate Plan, more information became available with respect to the impact of the COVID-19 pandemic on financial results and the forecasted loss for 2021 was updated as part of the service charge consultation process and revised to $46,000.

The outlook for shipping traffic during the pandemic is still unclear. We had assumed in our Corporate Plan a limited return of cruise ships during 2021 at 30% of pre-pandemic levels. Since that time, the ban on cruise ships in Canadian waters has been extended to the end of February 2022. Although it may be lifted sooner if pandemic conditions improve significantly, it is likely that 2021 will repeat 2020 and be without a cruise ship season.

The extent to which we can resume full training of apprentice and licensed pilots will also be a key driver to our financial results for 2021. We expect higher than normal training costs once we can access the training schools as we catch up with training deferred from 2020.

Our contract with the BCCP expires on December 31, 2021 and we will begin negotiations towards the end of 2021 on a new contract.

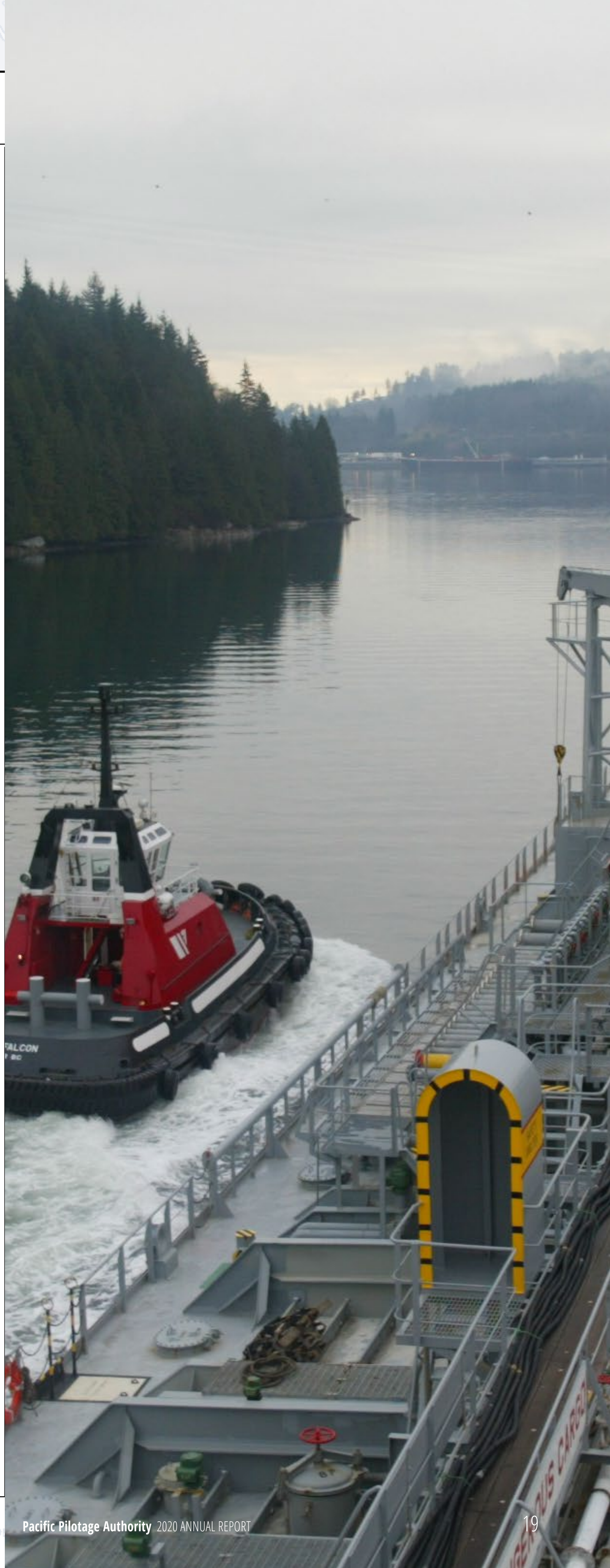
Service Charge Increases for 2021

To fund our activities and be financially self-sustaining, the Authority determines pilotage charges for the services it provides. Consistent with the principles set out in the Pilotage Act, the service charges are intended to be fair, reasonable and sufficient to allow for a safe and efficient service. The Authority continues to place great emphasis on a full and comprehensive engagement process by consulting at length with industry prior to any changes in service charges.

The Authority is implementing the following changes, effective March 5, 2021:

1. Increasing service charges by 2.5% (excluding fuel charges).

2. Introducing a temporary charge of $175 per assignment to mitigate the financial impacts of the COVID-19 pandemic.



Strategic Focus Areas - 2021

On an annual basis, the Authority engages in strategic planning sessions involving the Board of Directors and management. At the planning session for 2021-2025, the Authority endorsed the following objectives, priorities and activities for 2021.

OBJECTIVES AND ASSOCIATED STRATEGIC PRIORITIES AND ACTIVITIES

1. Provide safe, reliable and efficient marine pilotage

To provide safe, reliable and efficient marine pilotage and related services in the coastal waters of British Columbia, including the Fraser River, by embracing a culture of continuous improvement.

Strategic Priorities

- Safe - To meet or exceed the Authority's commitments to safety through a combination of training and the application of continuous improvement initiatives.
- Reliable - To minimize delays caused by the Authority and/or pilots by embracing the use of relevant technology.
- Efficient - To ensure that pilotage services are managed and delivered in the most practical, efficient and cost-effective manner.

Activities for 2021

- Upgrade the in-house simulator databases in partnership with the BC Coast Pilots and the guidance of PTEC
- Conduct a PRMM on increasing the present 350 GT requirement for pilots to 500 GT
- Implement a certificate program following the completion of the PRMM on increasing the present 350 GT requirement for pilots to 500 GT
- Conduct a review and feasibility of upgrading the in-house simulator in partnership with the BC Coast Pilots and a third party
- Building of a new pilot launch for the Victoria station
- Upgrade the existing dispatch and accounting system and introduce e-source cards
- The completion of a cost benefit analysis on the use of helicopters in both the north and the south

2. Ensure financial self-sufficiency

To provide the services within a commercially oriented framework, by maintaining financial self-sufficiency, through a combination of cost management and fees that are fair and reasonable.

Strategic Priorities

- Self-sufficiency - To ensure that the Authority remains financially self-sufficient on an ongoing basis.
- Cost management - To ensure that the Authority maintains a cost structure that does not increase as a proportion of revenue.
- Fair and reasonable fees – to develop, enhance and refine forecasting and modelling tools to ensure that fees are directly based on assumptions about the future of the Authority's business.

Activities for 2021

- Integrate forecasting model into scenario planning for future large projects to allow foresight into financial effects on the Authority
- Carry out a review of the cost of servicing the remote ports of BC and analyze potential new sources of revenue in order to minimize cross subsidization where possible or advantageous from a business perspective

3. Promote organizational and environmental sustainability

To implement sustainable practices within the Authority with a focus on quality assurance, and to contribute to the federal government's environmental, social and economic policies as they apply to the marine industry on the Pacific coast of Canada.

Strategic Priorities

- Organizational sustainability - To create, implement and maintain practises that are in alignment with and in support of the federal government's initiatives.
- Quality assurance - To operate the business with a commitment to the long term, by having the appropriate policies, plans and practices in place to deliver the right skills at the right time.
- Environmental sensitivity -To ensure that the Authority meets or exceeds all environmental regulatory requirements and follows best practices to reduce its carbon footprint

Activities for 2021

- Introduce a program and hiring protocol for enhancing consideration of diversity within the Authority
- Develop and implement a procedure to address any emerging cybersecurity issues and concerns
- Establish a Pay Equity Committee to take necessary steps to ensure that compensation practices provide men and women with equal pay for work of equal value

4. Demonstrate leadership

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

Strategic Priorities

- Develop national influence - To influence national and regional discussions on marine safety and operational issues facing the west coast of Canada in order to improve outcomes for pilotage, the community and industry.
- Facilitate decision-making - To actively participate in all relevant marine initiatives and lead the decision-making process regarding pilotage on the west coast of Canada.
- Engage stakeholders and the community - To expand the Authority's stakeholder engagement strategy and community outreach program to ensure national and regional understanding of the Authority's role in ensuring safe pilotage.

Activities for 2021

- Actively engage with First Nations communities on the west coast of Canada that are affected by the movement of piloted vessels and ensure a thorough understanding of the roles and responsibilities of the Authority and pilots
- Work with regional Transport Canada safety and security teams on the West Coast regarding the enforcement of Pilotage Act Regulations
- Utilize social media as the medium to expand the Authority's stakeholder engagement

5. Manage risk

To ensure that risk management tools are used in all safety related decisions for both the organization and its operations and that evolving technologies are taken into consideration.

Strategic Priorities

- Manage organizational risk - To ensure adequate processes are in place to minimize the strategic risks faced by the organization.
- Manage operational risk - To ensure that effective risk management tools are in place to adequately address or mitigate all identified operational risks.

Activities for 2021

- Develop a safety and operational procedures manual for all ports not located within a port authority and publish the information on the PPA website

6. Focus on the future

By using early warning indicators, ensure that the Authority is prepared, both financially and operationally, to deal effectively with changes to the industry, the changing regulatory landscape and the complex environment within which we operate.

Strategic Priorities

- Early warning - To engage with the appropriate parties to anticipate and monitor the relevant indicators for early warning of factors that have a positive or negative impact on PPA's financial and operational position.
- Positive positioning - To position the Authority with 'a foot in today' – focused on current matters, and 'a foot in tomorrow' – ensuring the Authority's ability to deliver safe, reliable and affordable solutions in the future.

Activities for 2021

- Engage with the appropriate parties to anticipate and monitor the relevant indicators for early warning of factors that have a positive or negative impact on PPA's financial and operational position
- Work with Transport Canada to establish the roles and responsibilities of the Authority subsequent to the transition of the administration of regulations

Looking Ahead – Beyond 2021

The potential of the projects and terminals proposed for the West Coast continues to show promise every year. We continue to actively monitor and remain aware of all projects proposed in our jurisdiction by analyzing the impact they might have on assignments, pilot numbers and pilot deployment methodologies. Some of the major projects currently being monitored are:

- Stage II of the Prince Rupert container facility which is projected to double capacity to 1.8 million TEUs by 2022;
- Expansion of the existing Trans Mountain pipeline to increase crude oil shipment capacity in Burrard Inlet, to be completed at the end of 2022;
- A new terminal at Roberts Bank, Delta which would double container volumes. Construction could commence in 2024;
- Various LNG terminals, including a new large terminal under construction in Kitimat (expected to be in operation in 2025) and a smaller terminal proposed in Squamish;
- Various LPG terminals, including two in construction in Prince Rupert.

The Authority is an active participant along with the BC Coast Pilots when new terminals or docks are proposed in our jurisdiction. Our views on design, location and access are regularly sought out prior to construction.

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

- discussions regarding replacement of a major tunnel in the Vancouver area that would affect vessel traffic in and out of the Fraser River;
- world health epidemics and the related effects on trade with Canada;
- changing global trading patterns.

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

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

YEAR ENDED DECEMBER 31, 2020

Statement of Management Responsibility

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

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide relevant and reliable financial information.

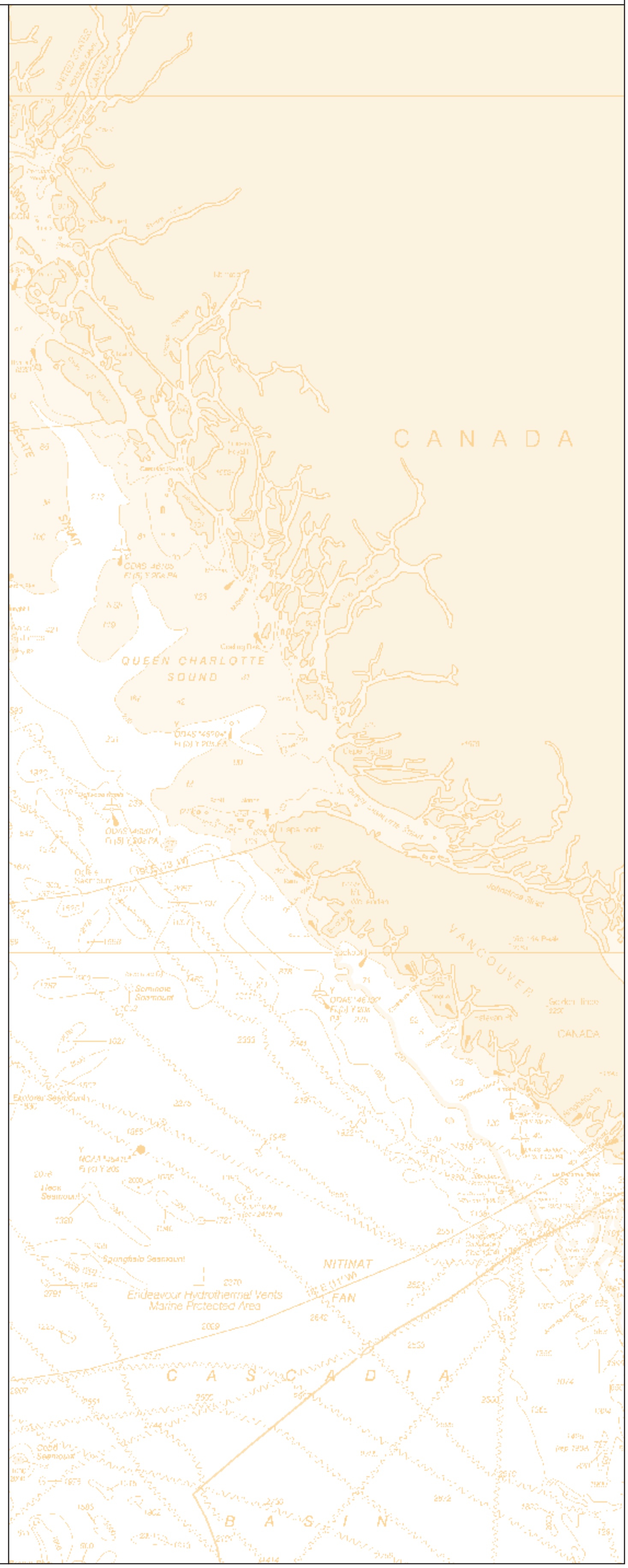
The Board of Directors of the Authority is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises this responsibility through an Audit Committee, which meets regularly with management and the auditor. The financial statements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

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Authority and for issuing her report thereon.

K. G. Obermeyer
Chief Executive Officer

S. M. Mackenzie
Chief Financial Officer

March 24, 2021



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pacific Pilotage Authority (the Authority), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Lana Dar

Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
24 March 2021

Statement of financial position

Pacific Pilotage Authority | Administration de pilotage du Pacifique

As at December 31 *(thousands of Canadian dollars)*	**2020**	2019
Assets		
Current		
Cash and cash equivalents	**$ 7,707**	$ 9,014
Trade accounts receivable	**4,902**	5,832
Investments (Note 5)	**1,258**	829
Prepaid expenses and other receivables	**950**	825
	14,817	16,500
Non-current		
Investments (Note 5)	**472**	285
Other receivables	**156**	171
Property and equipment (Note 6)	**13,547**	12,329
Intangible assets (Note 7)	**149**	—
	14,324	12,785
	$ 29,141	$ 29,285
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 10,126**	$ 11,774
Borrowings (Note 8)	**2,986**	406
Other employee benefits (Note10)	**283**	352
Lease liabilities (Note 11(d))	**352**	342
	13,747	12,874
Non-current		
Borrowings (Note 8)	**601**	1,013
Other employee benefits (Note 10)	**606**	632
Lease liabilities (Note 11(d))	**325**	646
	1,532	2,291
	15,279	15,165
Equity		
Retained earnings	**13,862**	14,120
	$ 29,141	$ 29,285

Commitments (Note 14)

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

Member

Member

Statement of comprehensive income

Pacific Pilotage Authority | Administration de pilotage du Pacifique

Year ended December 31 (thousands of Canadian dollars)	2020	2019
Revenues		
Revenue from contracts with customers		
Pilotage charges	**$ 83,087**	$ 96,688
Other revenue		
Investment and other revenues	**154**	168
	83,241	96,856
Expenses		
Contract pilots' fees	**54,494**	62,805
Operating costs of pilot boats	**8,843**	10,565
Transportation and travel	**8,319**	6,810
Salaries and benefits	**7,598**	7,706
Depreciation - property and equipment	**1,655**	1,652
Professional and special services	**856**	734
Computer services	**480**	576
Pilots' training	**477**	2,542
Utilities, materials, supplies and other	**315**	273
Rentals	**233**	197
Repairs and maintenance	**81**	88
Communications	**81**	84
Impairments, dispositions and other	**—**	(60)
	83,432	93,972
Profit (loss) for the year	**(191)**	2,884
Other comprehensive (loss) income, not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss on other employee benefits (Note 10)	**(67)**	(47)
	(67)	(47)
Total comprehensive income (loss)	**$ (258)**	$ 2,837

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

Statement of changes in equity

Pacific Pilotage Authority | Administration de pilotage du Pacifique

Year ended December 31 *(thousands of Canadian dollars)*	**2020**	2019
Retained earnings, beginning of year	**$ 14,120**	$ 11,283
Profit (loss) for the year	**(191)**	2,884
Other comprehensive loss	**(67)**	(47)
Total comprehensive income (loss)	**(258)**	2,837
Retained earnings, end of year	**$ 13,862**	$ 14,120

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

Statement of cash flows

Pacific Pilotage Authority | Administration de pilotage du Pacifique

Year ended December 31 *(thousands of Canadian dollars)*	**2020**	2019
Cash flows from operating activities		
Cash receipts from customers	**$ 84,017**	$ 96,927
Cash paid to employees	**(13,198)**	(13,141)
Cash paid to suppliers and others	**(70,670)**	(78,575)
Other income received	**138**	121
Net cash provided by operations	**287**	5,332
Cash flows from investing activities		
Purchase of investments	**(1,440)**	(561)
Proceeds on disposal of investments	**840**	550
Acquisition of property and equipment	**(2,665)**	(1,763)
Acquisition of intangible assets	**(149)**	—
Net cash used in investing activities	**(3,414)**	(1,774)
Cash flows from financing activities		
Proceeds from borrowings	**2,573**	—
Principal repayment of borrowings	**(406)**	(395)
Principal repayment of leases	**(347)**	(320)
Net cash provided by (used in) financing activities	**1,820**	(715)
Net increase(decrease) in cash and cash equivalents	**(1,307)**	2,843
Cash and cash equivalents, beginning of year	**9,014**	6,171
Cash and cash equivalents, end of year	**$ 7,707**	$ 9,014
Represented by:		
Cash	**7,707**	9,014
Cash equivalents	**—**	—

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

Year ended December 31, 2020
(thousands of Canadian dollars)

1. Authority and objectives

The Pacific Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act* (the "Act"). The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that pilotage charges shall be set at levels that are fair and reasonable and allow the Authority to be financially self-sufficient.

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

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

The principal registered address and records office of the Authority are located at 1000 - 1130 West Pender Street, Vancouver, BC, V6E 4A4.

Regulation of pilotage charges

The pilotage charges that are applied by the Authority to vessels subject to compulsory pilotage are governed by the Act. The Authority may, by resolution, establish or revise charges to be paid to the Authority for services that it provides or makes available in relation to compulsory pilotage or other services. The charges must be established in accordance with the charging principles within the Act.

Section 89 directive

In fiscal 2015, the Authority was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Authority's next corporate plan. The Authority's policies were in alignment throughout 2020.

2. Significant Accounting Policies

2.1 Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on March 24, 2021.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, Canadian dollar deposits held at Canadian chartered banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

2.4 Revenue recognition

The Authority recognizes revenue upon the transfer of control of promised services to customers in an amount that reflects the consideration to which the Authority expects to collect in exchange for the pilotage services it provides. The Authority applies a five-step model framework for all of its contracts with customers:

1. Identification of the contract with its customer
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the transaction price to the performance obligations in the contract
5. Recognition of revenue when the Authority satisfies its performance obligation

Requests by customers for pilotage services are recognized as contracts in accordance with IFRS 15; in which enforceable rights and obligations are created. The Authority is bound to provide pilotage services through the *Pilotage Act*, and does not have a unilateral enforceable right to terminate a wholly unperformed contract.

When a pilotage assignment is complete and there are no other billable services to the customer as part of the assignment, the performance obligation is considered satisfied and revenue is recognized as a bundle of services promised in the contract (transportation, pilot boat, fuel, pilotage and time charges). The transaction price of each assignment is based on a published service charge and payment terms are 15 days. Contracts with customers do not include non-cash consideration; there are no significant financing components, no refund liabilities and contracts do not include variable consideration.

The Authority satisfies its performance obligations at a point in time as control is only passed once an assignment is complete because regulations prevent a ship from navigating in pilotage waters without a pilot designated by the Authority on board. Receivables related to contracts with customers are presented in the Authority's statement of financial position as trade accounts receivable and are accounted for in accordance with IFRS 9. The Authority has elected to apply a practical expedient that removes the requirement to disclose information about unsatisfied (or partially unsatisfied) performance obligations at year-end where such obligations are part of a contract with an original expected duration of one year or less.

2.5 Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Authority and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

2.6 Foreign currencies

In preparing the financial statements of the Authority, transactions in currencies other than the Authority's functional currency (foreign currencies) are recognized at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non- monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate in effect at the date of initial recognition.

2.7 Employee benefits

i. Pension benefits

All eligible employees of the Authority participate in the Public Service Pension Plan (the "Plan"), a multi-employer contributory defined benefit plan established through legislation and sponsored by the Government of Canada.

Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

ii. Other employee benefits

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

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

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

2.8 Leases

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

i. Determining whether an arrangement contains a lease

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

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

For practical expediency, the Authority has elected to:

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

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

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

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

iii. The lease term

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

iv. Recognition and measurement of the lease liability

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

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

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

2.9 Property and equipment

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

Year ended December 31, 2020 (thousands of Canadian dollars)

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

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

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

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

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

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

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

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

2.10 Intangible assets

Acquired computer software is recorded at cost and amortized on a straight-line basis over its estimated useful life of 5-10 years.

2.11 Financial Instruments

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

Financial Assets

The Authority's financial assets include cash and cash equivalents, trade accounts receivable, certain other receivables and investments which include bonds issued by the Government of Canada, GICs and corporate bonds.

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

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

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

Financial assets are measured at amortized cost when both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at FVOCI when both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Since the objective of the Authority's investment policy is to hold investments and collect contractual cash flows on specified dates that are solely principal and interest on amounts outstanding, the Authority's investments, all of which are debt instruments, are measured at amortized cost.

Investments classified as measured at amortized cost are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. When required, the Authority recognizes a loss allowance for expected credit losses. Such losses are included in other comprehensive income and reduce the carrying value of the related investments. Interest income and any gain or loss on derecognition is included in other comprehensive income.

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

Financial liabilities

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

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

2.13 Future changes in accounting policies and disclosures

New IFRSs issued but not yet effective

The following is a listing of new IFRS standards that are issued but not effective until annual periods beginning on or after January 1, 2021.

IFRS 17 – Insurance Contracts

IFRS 17 is effective for annual periods beginning on or after January 1, 2021. The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The adoption of this standard is not expected to have an impact on the Authority's financial statements.

3. Critical accounting judgments

In the application of the Authority's accounting policies, which are described in Note 2, management of the Authority is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments in applying accounting policies

The preparation of financial statements requires management to make judgments that affect the application of accounting policies, and estimates and assumptions that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from the estimates and assumptions made by management.

Property and equipment

The significant judgments made by management in applying the Authority's accounting policies include determining the components and the method to be used to depreciate property and equipment.

4. Financial Instruments

(a) Risk management

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

(b) Credit risk

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

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

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

The Authority's trade accounts receivable had a carrying value of $4,902 (2019 - $5,832) and certain other receivables and prepaid travel had a carrying value of $160 (2019 - $145). There is no significant concentration of accounts receivable with any one customer. As at December 31, 2020, 0% (2019 - 0%) of accounts receivable were over 90 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The risks of default are considered to be low, as the Authority has the ability to deny pilotage services to a customer who has not paid the Authority for past service. The cost of pilotage services is considered to be insignificant as compared to the value of a vessel, or the costs of delays from denial of pilotage due to lack of payment. The Authority has performed an analysis of expected credit losses on accounts receivable, and the result is an allowance of nil as at December 31, 2020 (2019 – nil).

Credit risk associated with investments at year end is considered to be low. The Authority has recognized an expected credit loss allowance of nil (2019 - nil) related to its investments, which are all investments in either GICs, Government of Canada bonds, or corporate bonds (rated BBB- or higher).

(c) Liquidity risk

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

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

Within the Authority's accounts payable and accrued liabilities, trade payables and accrued liabilities had a carrying value of $4,759 (2019 - $6,494) and are all due within 60 days. The Authority's wages, employee deductions, and banked time payable had a carrying value of $5,367 (2019 - $5,281) and are due on demand.

The Authority has credit facilities with a Canadian chartered bank (Note 8).

(d) Market risks

(i) Interest rate risk

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

Cash and cash equivalents held during the year yielded a weighted average interest rate of 0.96% (2019 – 1.98%).

As at December 31, 2020, a shift in interest rates of 100 basis points, assuming that all other variables had remained the same, would have resulted in an increase of $74 (2019 - $87) or a decrease of $74 (2019 - $87) in the Authority's profits on cash and investments for the year.

The Authority has limited exposure to interest rate risk on its borrowings. Borrowed funds are from a Canadian chartered bank, of which $1,014 has fixed rates of 2.70% and 2.72% which cannot be changed between maturity dates without financial penalty, and the remaining $2,573 is at the bank's prime lending rate.

(ii) Currency risk and other price risk

The Authority is not presently exposed to any significant currency risk or other price risk. Accrued payables denominated in foreign currencies at year end were nil (2019 - nil).

Year ended December 31, 2020 (thousands of Canadian dollars)

(e) Fair values

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

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 Inputs are unobservable inputs for the asset or liability.

The Authority's cash and cash equivalents are Level 1 at all dates presented.

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

The fair value of the Authority's borrowings is determined by discounting the future cash flows of these financial obligations using December 31, 2020 market rates for debts of similar terms (Level 2).

At December 31, 2020, the fair value of borrowings before deferred financing costs, is estimated to be equivalent to its carrying value of $3,587 (2019 - $1,419). The fair value of the borrowings varies from the carrying value when there are fluctuations in interest rates since their issue.

At December 31, 2020, the fair value of lease liabilities is estimated to be equivalent to its carrying value of $677 (2019 – $988). The fair value of the lease liabilities varies from the carrying value when there are fluctuations in the Authority's borrowing rate since their initial recognition.

5. Investments and investment revenue

(a) Portfolio investments

As at December 31	**2020**		2019	
	Fair Value	Face Value	Fair Value	Face Value
	$	$	$	$
Current				
GICs	**858**	**856**	—	—
Government of Canada Bonds	**291**	**285**	839	829
Corporate bonds	**118**	**117**	—	—
	1,267	**1,258**	839	829
Non-current				
Government of Canada Bonds	**—**	**—**	285	285
Corporate bonds	**477**	**472**	—	—
	477	**472**	285	285
Total	**1,744**	**1,730**	1,124	1,114

As at December 31, 2020, the investments have interest rates of 0.65% to 2.22% and have the remaining terms to maturity as follows:

	Remaining term to maturity		
	Within 1 year	**1-2 years**	**Total**
	$	$	$
GICs	856	—	856
Government of Canada Bonds	285	—	285
Corporate bonds	117	472	589
	1,258	472	1,730

(b) Investment revenue

Year Ended December 31	**2020**	2019
	$	$
Interest	**15**	9
Gains and losses		
Realized gains in the year	**—**	2
	15	11

(c) Investment performance

The time weighted calendar rate of return during the year on these investments was 1.18% (2019 – 1.00%). The return is inclusive of realized gains and losses, deposit and coupon payments (interest), accrued interest received and paid for sales and purchases of bonds, and accrued interest as at December 31, 2020.

Year ended December 31, 2020 (thousands of Canadian dollars)

6. Property and equipment

	Buildings and floats	Pilot boats*	Pilot boat engines	Spare engines	Pilot boat generators	Equipment	Leasehold Improvements	Right-of-Use Assets (Note 11(b))	Total
	$	$	$	$	$	$	$	$	$
Cost									
At January 1, 2019	597	14,151	1,893	88	308	3,464	261	—	20,762
Asset acquired	279	685*	339	—	163	308	—	1,308	3,082
Transfers	—	—	88	(88)	—	—	—	—	—
Disposals	—	—	(286)	—	(56)	(11)	—	—	(353)
At December 31, 2019	876	14,836	2,034	—	415	3,761	261	1,308	23,491
Assets acquired	72	2,329*	—	125	—	338	—	36	2,900
Transfers	—	—	54	(54)	—	(15)	—	—	(15)
Disposals	(313)	(23)	—	(32)	(23)	(624)	(81)	(22)	(1,118)
At December 31, 2020	**635**	**17,142**	**2,088**	**39**	**392**	**3,460**	**180**	**1,322**	**25,258**
Accumulated Depreciation									
At January 1, 2019	336	5,767	668	—	118	2,798	177	—	9,864
Depreciation for the year	58	588	265	—	45	334	18	343	1,651
Disposals	—	—	(286)	—	(56)	(11)	—	—	(353)
At December 31, 2019	394	6,355	647	—	107	3,121	195	343	11,162
Depreciation for the year	57	573	299	—	37	322	18	349	1,655
Disposals & impairment loss	(313)	(12)	(31)	—	(23)	(624)	(81)	(22)	(1,106)
At December 31, 2020	**138**	**6,916**	**915**	**—**	**121**	**2,819**	**132**	**670**	**11,711**
Carrying amounts									
At December 31, 2019	482	8,481	1,387	—	308	640	66	965	12,329
At December 31, 2020	**497**	**10,226**	**1,173**	**39**	**271**	**641**	**48**	**652**	**13,547**

* In 2019, the Authority began construction of a new pilot boat. As of December 31, 2020, $2,786 (2019 – $485) of expenditures were recognized during the course of construction and within the carrying amount of Pilot boats in Property and equipment.

Year ended December 31, 2020 (thousands of Canadian dollars)

7. Intangible assets

	Software	Total
	$	$
COST		
At January 1, 2019	665	665
Assets acquired	—	—
Transfers	—	—
Disposals	—	—
At December 31, 2019	665	665
Assets acquired	134	134
Transfers	15	15
Disposals	—	—
At December 31, 2020	814	814
ACCUMULATED AMORTIZATION		
At January 1, 2019	665	665
Amortization	—	—
Disposals	—	—
At December 31, 2019	665	665
Amortization	—	—
Disposals	—	—
At December 31, 2020	665	665
Carrying amounts		
At December 31, 2019	—	—
At December 31, 2020	149	149

8. Borrowings

The Authority has an operating credit facility of up to $3,500 available at an interest rate equivalent to the bank's prime lending rate. The Authority has not drawn on this facility at all dates presented. The credit facility is available to the Authority as required and has no renewal date or fixed term.

On July 22, 2014, the Authority entered into an unsecured committed reducing term loan facility for the acquisition and retrofitting costs of property and equipment. The $1,700 loan has a term of 8 years and 2 months and bears an annual interest rate of 2.72%. As at December 31, 2020, the principal outstanding is $506 (2019 - $746).

On October 13, 2015, the Authority drew on its unsecured committed reducing term loan facility in order to provide a second tranche of financing for the acquisition and retrofitting costs of property and equipment. The $1,300 loan has a term of 8 years and 2 months and bears an annual interest rate of 2.70%. As at December 31, 2020, the principal outstanding is $508 (2019 - $673).

On October 18, 2019, the Authority entered into an uncommitted operating loan facility to provide interim financing for the construction of a new pilot boat. The $5,400 facility has no term, is payable on demand, and has a maximum of six permitted draws. The loan bears an annual interest rate of the lending-chartered bank's prime rate. Once the new pilot boat is delivered, the operating loan will be turned into a committed reducing term facility with a contractual term of up to 120 months. As at December 31, 2020, the principal outstanding is $2,573 (2019 - nil).

Estimated principal repayments on outstanding borrowings as of December 31, 2020 are as follows:

Year	$
2021	2,986
2022	428
2023	173
2024 and thereafter	—

9. Pension benefits

Substantially all of the employees of the Authority are covered by the Plan. Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contributions.

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

Effective January 1, 2020, the general contribution rate for the year was $1.01 (2019 - $1.01) for every dollar contributed by the employee, and $3.80 (2019 - $3.79) for every dollar contributed by the employee for the portion of the employee's salary above $173 (2019 - $169). For new employees participating in the plan on or after January 1, 2013, the general contribution rate effective for the year was $1.00 (2019 - $1.00) for every dollar contributed by the employee and $3.80 (2019 - $3.79) for every dollar contributed by the employee for the portion of the employee's salary above $173 (2019 - $169).

Total contributions of $898 (2019 - $915) were recognized as an expense in the current year. The Authority expects to make employer contributions of $915 during 2021.

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

10. Other employee benefits

Management, unionized employees and Fraser River pilots are entitled to sick leave benefits as provided for under collective agreements or employment contracts (the "Plans"). Unionized employees are entitled to severance benefits accumulated up to March 31, 2018. The benefits are fully paid for by the Authority and require no contributions from employees. The plans are funded on a pay-as-you-go basis and no assets have been segregated and restricted to provide for the benefits. The Authority measures the defined benefit obligation of its plans for accounting purposes as at December 31 of each year.

Information about the Plan is as follows:

Year ended December 31, 2020 (thousands of Canadian dollars)

Year ended December 31	**2020**	2019
	$	$
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	**984**	1,188
Current service cost	**49**	46
Interest cost	**26**	41
Benefits paid	**(237)**	(338)
Actuarial loss	**67**	47
Defined benefit obligation, end of year	**889**	984
Reconciliation of plan assets		
Fair value of plan assets, beginning of year	**—**	—
Employer contributions	**237**	338
Benefits paid	**(237)**	(338)
Fair value of plan assets, end of year	**—**	—
Amounts recognized in profit or loss		
Current service cost	**49**	46
Interest cost	**26**	41
Net defined benefit cost recognized in profit and loss	**75**	87
Amounts recognized in other comprehensive income		
Actuarial loss from financial assumption changes	**67**	47
Net defined benefit cost recognized in other comprehensive income	**67**	47
Reconciliation of funded status		
Defined benefit obligation, end of year	**889**	984
Fair value of plan assets, end of year	**—**	—
Deficit	**889**	984
Liability recognized on statement of financial position	**889**	984
Classification of defined benefit obligation		
Current portion	**283**	352
Non-current portion	**606**	632
Defined benefit obligation, end of year	**889**	984

The weighted average of the maturity of the plan as at December 31, 2020 is 9.0 years (2019 – 7.8 years).

Year ended December 31, 2020 (thousands of Canadian dollars)

The significant assumptions used in the actuarial valuation of the defined benefit obligation were as follows:

Weighted-average assumptions for expense

Year ended December 31	**2020**	2019
Discount rate	**2.90%**	3.60%
Salary escalation rate	**2.00%**	2.00%

Weighted-average assumptions for obligation

Year ended December 31	**2020**	2019
Discount rate	**2.00%**	2.90%
Salary escalation rate	**2.00%**	2.00%

A quantitative sensitivity analysis for significant assumptions as at December 31, 2020 is as shown below:

Assumptions	**Discount rate**		**Salary scale**	
Sensitivity level	1% increase $	1% decrease $	1% increase $	1% decrease $
Impact on defined benefit obligation	(75)	84	59	(54)

The Authority expects to make employer contributions of $148 (2020 - $237) to the Plan during the 2021 financial year.

Year ended December 31, 2020 (thousands of Canadian dollars)

11. Leases

(a) Leases as a lessee

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

(b) Right of use assets

	Facilities	Berthage and moorage space	Total
	$	$	$
Balance at January 1, 2019	1,145	163	1,308
Additions	—	—	—
Depreciation	(306)	(37)	(343)
Disposals	—	—	—
Balance at December 31, 2019	839	126	965
Additions	—	36	36
Depreciation	(306)	(43)	(349)
Disposals	—	—	—
Balance at December 31, 2020	533	119	652

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

Interest expense on lease obligations is $32 (2019 - $40).

Expenses and cash paid for leases of low-dollar value items and short-term leases are $88 (2019 - $93). Variable lease payments not included in the measurement of the lease obligation were nil (2019 – nil).

Interest payments of $32 (2019 - $40) and principal payments of $347 (2019 - $320) are classified in the statement of cash flows as cash paid to suppliers and principal payments on leases, respectively.

(d) Lease liabilities

The Authority's lease obligations consist of:

	2020	2019
	$	$
Balance at beginning of year	988	—
IFRS 16 adoption adjustment	—	1,308
Additions during the year	36	—
Principal payments	**(347)**	(320)
Total lease obligations	**677**	988
Less: Current portion of lease obligations	**(352)**	(342)
Long-term portion of lease obligations	**325**	646

Year ended December 31, 2020 (thousands of Canadian dollars)

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

Year	$
2021	373
2022	284
2023	37
2024	25
2025 and thereafter	—
Total undiscounted lease obligations	**719**

12. Capital management

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

The Authority is subject to the financial management and accountability provisions of the *Financial Administration Act* which imposes restrictions in relation to borrowings. On an annual basis the Authority must receive approval of all borrowings from the Minister of Finance. During the years ended December 31, 2020 and 2019, the Authority complied with these restrictions.

On August 7, 2019, section 37 of the *Pilotage Act* was amended to give the Authority the right to invest any moneys not immediately required for the purposes of the Authority in any class of financial asset. Approval for the Authority to invest in either Government of Canada, provincial or municipal government bonds, fixed income instruments with at least a BBB- credit rating, or GICs was granted by the Minister of Finance through approval of the Authority's 2020-2024 Corporate Plan.

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings to ensure that its objectives are achieved efficiently. Pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

13. Related party transactions

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

(a) Trading transactions

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

(b) Compensation of key management personnel

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

Year ended December 31	2020	2019
	$	$
Short-term employee benefits, including salaries	**1,140**	1,194
Post-employment benefits	**112**	101
	1,252	1,295

14. Commitments

The Authority has an agreement with a pilot boat manufacturer to build a vessel for the Authority by the end of the second quarter of 2021. Total payments are expected to be approximately $5,000 before taxes, of which $2,786 had been expended as at December 31, 2020 and the balance is to be expended in 2021.

In 2020, the Authority received a letter from the Minister of Transport requesting payments from the Pacific Pilotage Authority pursuant to section 37.1 of the *Pilotage Act*, beginning for the year ending March 31, 2021. The Authority is required to pay $441 for the year ending March 31, 2021, of which $275 had been included in Accrued liabilities at December 31, 2020. Payments for subsequent years will be determined by Transport Canada on an annual basis.

The Authority also has a commitment to Coast Hotels for pilot accommodation in Vancouver. Payments in 2021 are expected to be approximately $240 (2019 - $240).

The Authority has a month-to-month commitment to Alkan Air Ltd. for daily chartered flights. Payments in 2021 are expected to be approximately $83 per month (2019 - nil).

15. COVID-19

The COVID-19 global pandemic is expected to continue to have an impact on the Authority's business in 2021. The extent of the potential future impact of the pandemic on the Authority's business is unclear but may have a material impact on our results of operations. Direct disruptors to business operations can potentially be through quarantines of pilots (resulting in short supply and service disruptions), restrictions in ship services (such as restriction in cruise ships), and closures of terminals. Indirect disruptors to business operations are more difficult to predict and could potentially be through a reduction in consumer spending (impacting the container sector) and impacts in trade flow volumes across the commodity sectors (such as grain and coal). As a result, an estimate of the financial impact of the pandemic on the Authority's future results of operations cannot be made at this time.