



ANNOUNCEMENT OF REVISED SERVICE CHARGES

November 1, 2022

GENERAL

The Pacific Pilotage Authority (the “**Authority**”) hereby announces revised service charges, pursuant to section 33.4 of the *Pilotage Act*, S.C. 1985, c. P-14. This Announcement sets out the revisions in charges that apply to pilotage within the compulsory pilotage area on the west coast of Canada and will be applied to all aspects of the pilotage and pilot boat charges set out in the Customer Guide to Charges for Pilotage and Other Services (the “**Customer Guide to Charges**”) published on the Authority’s website.

The Authority is implementing these charges for the reasons described in the *Notice and Details and Principles* documents, published on September 29, 2022. These revised charges will become **effective on January 1, 2023**, except where otherwise indicated. All other service charges provisions not amended by this Announcement remain in effect.

Pursuant to section 34(1) of the *Pilotage Act*, S.C. 1985, c. P-14, persons wishing to object to these revisions may do so by filing a notice of objection with the Canadian Transportation Agency. The notice of objection must be filed within 90 days after the date of this Announcement.

Pursuant to section 34(3) of the *Pilotage Act*, a notice of objection may be filed only if:

- (a) the pilotage charge was not established or revised in accordance with the charging principles referred to in subsection 33.2(1) of the *Pilotage Act*; or
- (b) the Authority did not comply with the requirements set out in section 33.3 or 33.4 of the *Pilotage Act*.

Pursuant to s. 33.4(2) of the *Pilotage Act*, this Announcement provides the following summary of the written representations received under paragraph 33.3(2)(b) and the Authority’s analysis of the issues and concerns brought to its attention, including how it considered those issues and concerns in its decision.

Representation	Consideration	Decision
<p>Overall, our members consider the proposed increases to service charges as excessive, especially at a time of recessionary pressures and a possible decrease in trade demand in 2023. While these increases may ensure that the Authority is financially self-sufficient, there is no planned increase in level of service and efficiency of delivery that corresponds to the significant increases in service charges, which is contrary to the principles of the recently amended Pilotage Act.</p>	<p>We recognize these are challenging times for many businesses with both inflationary pressures and a looming recession. The Authority faces similar challenges. Our two largest expenses, contract pilot fees and employee wages, are governed by contracts which include commitments to annual increases in line with increases in the Consumer Price Index for Vancouver. To maintain financial self-sufficiency we need to cover these cost increases. We also continue to look for opportunities to improve service and efficiency. For example, we will soon be rolling out our new Pilot Dispatch & Accounting system and transitioning to e-source cards, which record data on pilot time more efficiently. We are also currently conducting an independent review of our pilot transportation process with a view to identifying potential efficiencies.</p>	<p>To maintain financial self-sufficiency, the increase in our service charges reflects current rates of inflation, which we acknowledge to be historically high. We will continue to look for efficiencies and service level improvements to mitigate the increases.</p>
<p>The substantial increase in the Pilotage Act administration fee – a fee collected by Transport Canada – is unwarranted and reflects a runaway cost that should be controllable by the Government of Canada.</p>	<p>A significant part of the increase in the Pilotage Act administration fee, on a per assignment basis, is due to the expected decline in the number of assignments in 2023.</p>	<p>We will review assignment volumes during 2023 and the amount being recovered by way of the administration fee to ensure we are not over-recovering costs.</p>
<p>We remain concerned with the lack of control on increases to the Unit Fee and how the Unit Fee is pricing the service. This aspect of service charges was supposed to provide a valuation of pilotage expertise for different vessel types, but it no longer serves that purpose and inevitably skews the service charge. At a minimum, there should be a cap on the level of the Unit Fee and, ideally, a review of its purpose and valuation. The disproportionate influence of the Unit Fee on the costs of a pilotage assignment results in an inequity for smaller ports in British Columbia, such as Prince Rupert.</p>	<p>We appreciate the concern over unit fees and accordingly made it a focal point of negotiation during recent contract negotiations with the BC Coast Pilots. Unfortunately, the decision from the Final Offer Selection process was not in our favour and the current basis for our contract pilotage costs remains in place.</p>	<p>The increases in unit fees must reflect our current contract pilotage cost structure to be financially sustainable.</p>

Representation	Consideration	Decision
<p>Given the extent to which the Authority’s financial success is directly linked to the trajectory of world trade, we appreciate how challenging it is to develop a budget in a context where we are transitioning out of the pandemic while also being on the verge of a potential recession.</p> <p>Nevertheless, we must take issue with the PPA’s estimate of a 10 percent reduction in assignments, stemming in part from an estimated 30 percent reduction in coal assignments and a 15 percent increase in grain assignments. Discussions with several of our members who are closely connected with these sectors indicate that coal traffic will most likely remain flat or even increase by 5 percent, but will certainly not decline by 30 percent. As for the grain trade, Statistics Canada has indicated that the upcoming wheat harvest will be Canada’s third-largest on record and that canola is also expected to increase over 40 percent from last year.</p> <p>All of the above strongly indicates that traffic levels are unlikely to decline by 10 percent as estimated by the PPA. Indeed, if traffic were to remain flat, the Authority’s projected profit of \$896,000 would actually increase to about \$3.6 million. In light of the above, we request that the Authority re-evaluate its traffic estimates (specifically in the bulk commodity sector), with a view to obtaining a more accurate revenue projection and preventing service charges from inadvertently been established at too high a level.</p>	<p>Our largest contributor to pilotage assignments by industry sector is from containers. Recent industry news indicates a significant contraction in the container market and we have already started to see year-over-year decreases in container traffic for pilotage. A global recession is now considered by most to be unavoidable, and the question is on the duration and severity. While some product sectors may be positive, like grain, we do not expect them to be sufficient to change the expected overall downward trend in assignment volumes. Grain shipments in the latter half of 2023 will also be driven by next year’s harvest, which is unknown.</p>	<p>We will be closely monitoring assignment volumes during 2023 and their impact on our financial results. An adjustment to the temporary surcharge would be the most appropriate service charge to adjust and, if volume forecasts are better than expected in Q1, we will engage industry in discussing the need for a change in the temporary surcharge.</p>
<p>The Authority is proposing to increase its service charge by 10.5 percent based on an estimated CPI in Vancouver of 8.5 percent. However, it should be noted that although the agreement for CPI is based on the November 2021 to November 2022 CPI for Vancouver, the August to August and September to September (2021-2022 respectively) CPI for Vancouver has remained stable at 7.7 percent, and the Bank of Canada has implemented monetary policies intended to reduce inflation. While these policies take time to be effective, the fact that CPI has remained stable over the last two months is a positive indicator that it may not increase to 8.5 percent by November. If CPI does indeed remain flat, the Authority’s formula of CPI+2% (or 7.7% + 2%) would result in a service charge increase of 9.7 percent as opposed to 10.5 percent. Given the foregoing, we strongly urge the Authority to re-evaluate its current estimate for CPI.</p>	<p>We acknowledge that the annual rate or CPI for Vancouver has remained stable for the past two months. Given there is a relatively short period remaining until November, we concur with reducing our CPI estimate.</p>	<p>We have reduced our CPI estimate to 8.0% and accordingly reduced any proposed rates that were based on that rate of CPI.</p>

Representation	Consideration	Decision
<p>With respect to the Transport Canada Administration Fee that remains part of the 2023 tariff, we take this opportunity to once again express our concern over industry being subject to this charge. Although the Authority is proposing to increase this fee by 45.2 percent for 2023 (to \$85.90 per assignment), neither Transport Canada nor the PPA have provided a list of the actual costs it represents. Despite this total lack of transparency, the fee continues to be passed on to the industry, which has yet to see any benefits from the resulting payments.</p> <p>In this respect, we would direct your attention to a 2020 decision from the Canadian Transportation Agency which states that Pilotage Authorities must demonstrate that their activities do not duplicate those of Transport Canada. We are concerned with the level of resources being incurred by the Authority during the Pilotage Act transition, especially in terms of issuing pilot licenses or certificates and the regulatory development process.</p>	<p>A significant part of the increase in the Pilotage Act administration fee, on a per assignment basis, is due to the expected decline in the number of assignments in 2023. The Authority is working with Transport Canada on clearly articulating roles and responsibilities pursuant to the modernized Pilotage Act. This road map will assist in identifying any duplication of work. In addition, pursuant to Article 33(2) of the modernised Pilotage Act, the Authority will continue to explore potential new revenue sources to offset costs associated with the administration of the Act.</p>	<p>We will review assignment volumes during 2023 and the amount being recovered by way of the administration fee to ensure we are not over-recovering costs. We also will continue to work closely with the regulator to identify any duplication of work, and explore potential new revenue streams to offset costs.</p>

This Announcement consists of three sections:

- 1) Revision to Service Charge Rates;
- 2) Re-establishment of Definitions and Calculations.

1. REVISION TO SERVICE CHARGE RATES

The following table sets out the revised rates to be **effective January 1, 2023**. These rate increases, which are expected to generate incremental revenues of \$8.9 million for the Authority in 2023, are required to offset an increase in contractually committed costs whilst continuing with the committed capital asset replacement program and assuring an effective and safe pilotage service.

RATE REVISIONS

Description	Current Rate	New Rate	% Change vs. Current Rate
Vessel up to 226m			
Pilotage unit fee	5.0253	5.5278	10.0%
Vessel greater than 226m			
Pilotage unit fee	4.3851	4.8236	10.0%
Gross tonnage fee	0.012804	0.014084	10.0%
Tethered tanker with DWT greater than 39 999			
Pilotage unit fee	7.5383	8.2921	10.0%
Tethered tanker greater than 226m with DWT greater than 39 999			
Pilotage unit fee	6.5779	7.2357	10.0%
Gross tonnage fee	0.01923	0.02115	10.0%
Pilotage unit fee – dead ship	10.0506	11.0557	10.0%
Other charges			
Temporary surcharge	400.00	400.00	No change
Time charges	252.24	277.46	10.0%
Minimum charge	1,168.01	1,284.81	10.0%
Cancellation charge	1,008.97	1,109.87	10.0%
Out-of-region charges			
Per hour	252.24	277.46	10.0%
Embark/Disembark Anacortes, Bellingham, Cherry Point or Ferndale	2,253.62	2,478.98	10.0%
Embark/Disembark other out-of-region location	3,005.21	3,305.73	10.0%
Transportation charges			
Harbour or Port	191.49	206.81	8.0%
Fraser River	184.32	199.07	8.0%
Northern	1,899.37	2,051.32	8.0%
Prince Rupert	600.83	648.90	8.0%
Southern	600.83	648.90	8.0%

Description		Current Rate	New Rate	% Change vs. Current Rate
Area where pilot has begun travel and is cancelled		191.49	206.81	8.0%
Pine Island		6,004.55	6,484.91	8.0%
Pilot boat charges				
Brotchie Ledge		484.12	528.90	9.25%
Sand Heads		1,937.73	2,116.97	9.25%
Triple Island		2,513.94	2,746.48	9.25%
Cape Beale		7,576.67	8,277.51	9.25%
Pine Island		4,662.91	5,094.23	9.25%
Entrance to Nanaimo Harbour		975.71	1,065.96	9.25%
Prince Rupert Anchorages 8 – 9		677.03	739.66	9.25%
Prince Rupert Anchorages 10 - 31		1,147.45	1,253.59	9.25%
Pilot Boat capital charge		106.40	116.24	9.25%
Other charges				
Delay charge		252.24	277.46	10.0%
Short order charges				
• Order initiated less than 10 hours and between 06:00 and 17:59		1,008.97	1,109.87	10.0%
• Order initiated less than 10 hours and between 18:00 and 05:59		2,017.94	2,219.73	10.0%
Restricted ship charge		1,896.61	2,086.27	10.0%
Remote port charge		6,082.94	6,691.23	10.0%
Technology charge		53.20	57.46	8.0%
Pilotage Act administration charge		59.17	85.90	45.2%

Changes in these rates will be **effective January 1, 2023**.

2. RE-ESTABLISHMENT OF DEFINITIONS AND CALCULATIONS

2.1 Definitions

Areas means the compulsory pilotage areas described in Schedule 5 of the [General Pilotage Regulations](#); (*zone*)

assignment means the assignment of a pilot to take the conduct of a ship in the Areas; (*affectation*)

Authority means the Pacific Pilotage Authority; (*Administration*)

breadth of the ship means the maximum distance, in metres and centimetres, to the outside of the shell plating of the ship; (*largeur du navire*)

dead ship means a ship normally self-propelled that is without the use of its propelling power; (*navire mort*)

draught means the greatest depth of the submerged part of a ship, in metres and centimetres, at the time pilotage services are performed; (*tirant d'eau*)

harbour means a place set out in Part 1 of Schedule 1 of the Customer Guide to Charges, published on the Authority's website; (*havre*)

harbour or port assignment means an assignment which occurs wholly within a harbour or port at which pilots are based; (*affectation dans un havre ou port*)

northern assignment means an assignment in the area north of Seymour Narrows or on the West Coast of Vancouver Island, excluding Barkley Sound and Alberni Inlet, during the course of which a ship enters or departs a harbour or port in that area or transits that area; (*affectation nord*)

overall length means the total distance, in metres and centimetres, from the foremost to the aftermost point of the hull of the ship; (*longueur hors tout*)

pilotage unit means, the result obtained by multiplying the overall length of the ship, by the breadth and the draught of the ship at the time of the assignment and by dividing the product by 100; (*unité de pilotage*)

pilot boat means a boat employed in the service of the Authority; (*bateau-pilote*)

port means a place set out in Part 2 of Schedule 1 of the Customer Guide to Charges, published on the Authority's website; (*port*)

Prince Rupert assignment means an assignment other than a harbour or port assignment that occurs within the area between the Triple Island boarding station and the port of Prince Rupert or the harbours of Porpoise Harbour or Port Simpson; (*affectation Prince Rupert*)

Region means the Region of the Authority as defined in the schedule to the [Pilotage Act](#); (*région*)

restricted ship means a ship that is unable to operate at full manoeuvring revolutions per minute or a ship that, because of maintenance on its engines while it was in port, requires more than one hour to work up to full manoeuvring revolutions per minute; (*navire à capacité limitée*)

southern assignment means an assignment other than a harbour or port assignment within Barkley Sound and Alberni Inlet and the area south of Seymour Narrows during the course of which a ship enters or departs a harbour or port in that area or transits that area. (*affectation sud*)

2.2 Calculations

Note that any references to "schedules" below refer to the schedules found in the Authority's Customer Guide to Charges, published on its website.

Compulsory Pilotage Areas — One-way trip for a vessel less than 226m

The charge for a ship, other than a dead ship for a one-way trip in a compulsory pilotage area is calculated as follows:

where

PU: The pilotage unit (LOA x breadth x deepest draft)/100

UC: The unit charge set out in schedule 2 column 3

- TC:** The time charge set out in schedule 3 item 1 column 2
ETC: The excess time charge set out in schedule 3 item 2 column 2
PB: A fee for the pilot boat set out in schedule 7 column 2
FL: Fuel charge set out in schedule 8
PBRC: Pilot Boat Replacement Charge set out in schedule 7 column 3
EX: Pilot expense set out in schedule 6
T: Technology Charge B. Schedule of Charges item o number 20
PAAF: Pilotage Act Administration Fee
TS: Temporary Additional Charge B. Schedule of Charges item d number 7

$$(PU \times UC) + TC + PB + FL + PBRC + EX + T + PAAF + TS$$

If a vessel trip is, or is deemed* to be, 8 hours or less with a second pilot, then:

$$(PU \times UC) \times 1.8 + TC + TC + PB + FL + PBRC + EX + EX + T + PAAF + TS$$

** includes trips that are over 8 hours that could be achieved under normal sea speed in 8 hours or less*

If vessel goes over 8 hours with second pilot:

$$(PU \times UC) + TC + TC + PB + FL + PBRC + EX + EX + T + PAAF + TS$$

If vessel goes over 8 hours without a second pilot:

$$(PU \times UC) + TC + ETC + PB + FL + PBRC + EX + T + PAAF + TS$$

Compulsory Pilotage Areas — One-way trip for a vessel 226m or more

where

- PU:** The pilotage unit (LOA x breadth x deepest draft)/100
UC: The unit charge from B. Schedule of Charges section 2.C.6.2(a)
GT: The gross tonnage of the ship
GTF: Gross tonnage fee from B. Schedule of Charges section 2.C.6.2(b)
TC: Time charge set out in schedule 3 item 1 column 2
ETC: Excess time charge set out in schedule 3 item 2 column 2
PB: A fee for the pilot boat set out in schedule 7 column 2
FL: Fuel charge set out in schedule 8
PBRC: Pilot Boat Replacement Charge set out in schedule 7 column 3
EX: Pilot expense set out in schedule 6
T: Technology Charge B. Schedule of Charges item o number 20
PAAF: Pilotage Act Administration Fee
TS: Temporary Additional Charge B. Schedule of Charges item d number 7

$$(PU \times UC) + (GT \times GTF) + TC + PB + FL + PBRC + EX + T + PAAF + TS$$

If a vessel trip is, or is deemed* to be, 8 hours or less with a second pilot, then:

$$[(PU \times UC) + (GT \times GTF)] \times 1.8 + TC + TC + PB + FL + PBRC + EX + EX + T + PAAF + TS$$

** includes trips that are over 8 hours that could be achieved under normal sea speed in 8 hours or less*

If vessel goes over 8 hours with second pilot:

$$(PU \times UC) + (GT \times GTF) + TC + TC + PB + FL + PBRC + EX + EX + T + PAAF + TS$$

If vessel goes over 8 hours without a second pilot:

$$(PU \times UC) + (GT \times GTF) + TC + ETC + PB + FL + PBRC + EX + T + PAAF + TS$$

Compulsory Pilotage Areas — One-way trip for a dead ship

The charge for a dead ship for a one-way trip in a compulsory pilotage area is calculated as follows:

where

- PU:** The pilotage unit (LOA x breadth x deepest draft)/100
- DS:** Another pilotage unit (PU + UC) set out in schedule 2 item 2 column 3
- UC:** The unit charge set out in schedule 2 item 1 column 3
- TC:** Time charge set out in schedule 3 item 1 column 2
- ETC:** Excess time charge set out in schedule 3 item 2 column 2
- PB:** A fee for the pilot boat set out in schedule 7 column 2
- FL:** Fuel charge set out in schedule 8
- PBRC:** Pilot Boat Replacement Charge set out in schedule 7 column 3
- EX:** Pilot expense set out in schedule 6
- T:** Technology Charge B. Schedule of Charges item o number 20
- PAAF:** Pilotage Act Administration Fee
- TS:** Temporary Additional Charge B. Schedule of Charges item d number 7

$$(PU \times UC) + DS + TC + PB + FL + PBRC + EX + T + PAAF + TS$$