



## NOTICE OF REVISED SERVICE CHARGES

September 29, 2023

### GENERAL

Pursuant to section 33.3 of the *Pilotage Act*, S.C. 1985, c. P-14, the following document provides notice (the “**Notice**”) of the Pacific Pilotage Authority’s (the “**Authority**”) proposed revised charges which would come into effect on January 1, 2024, except as otherwise noted.

This Notice includes a description of the proposal, including justification in relation to establishing or revising the pilotage charge, and the circumstances in which the charge will apply. In developing the charge, the Authority has observed all charging principles established under section 33.2 of the *Pilotage Act*.

A document setting out additional details in relation to this proposal, including a justification in relation to the charging principles established under section 33.2 of the *Pilotage Act*, is available upon request from the Authority.

Persons interested in making representations to the Authority regarding the proposal set out in this Notice may do so in writing to the address set out in section 5 of this Notice and must be received by the Authority no later than close of business on **October 29, 2023**.

Any person making written representations must include a summary of those representations. Note that this summary may be made public by the Authority. In addition, any person making written representations by the date set out in this Notice will have an opportunity to file a notice of objection related to the proposal with the Canadian Transportation Agency.

This Notice affects charges for services that the Authority provides or makes available in relation to compulsory pilotage under s. 33(1) of the *Pilotage Act*.

Except for the revisions proposed in this Notice, all the existing charges and related terms and conditions, set out in the “*Customer Guide to Charges*” remain in effect.

### **This Notice consists of the following sections:**

- 1) Proposed Revision to Service Charge Rates
  - 1.1 Summary
  - 1.2 Background
  - 1.3 Proposed rates
- 2) Proposed Implementation of the Proposed Revised Service Charges;
- 3) Re-establishment of Current Service Charges;
- 4) Definitions and Calculations; and
- 5) Information regarding the Notice and on making representations to the Pacific Pilotage Authority.

## 1. PROPOSED REVISION TO SERVICE CHARGE RATES

### 1.1 Summary

The Authority has recovered financially from the effects of the global pandemic, but is now facing the potential impacts of an economic recession, or at least a contraction in global trading activity, caused by historically rapid increases in interest rates. An adjustment to base rates to account for expected increases in posted rates of inflation, which automatically trigger increases in most the Authority's operating costs, is required to fund the cost of operations and maintain financial self-sufficiency in 2024. The increases will cover:

- Contractual increases in operating costs;
- Increases in the fixed cost portion of the operation; and
- The financial impact of a forecasted drop in assignments in 2024.

Changes in most of our operating costs, including pilotage fees payable to the British Columbia Coast Pilots ("BCCP") and wages of the Authority's employees under collective agreements, are directly linked to changes in the rate of inflation (measured by changes in the Consumer Price Index for Vancouver ("CPI")). Accordingly, changes in our service charge rates need to reflect changes in the CPI.

Furthermore, any decline in assignment volumes impacts our ability to cover fixed operating costs. Business uncertainty has led to forecast assignments for 2024 to be below 2023, caused by:

- inflation rates above recent historical norms;
- potential for a global recession or weakened consumer demand;
- weak economic growth in China; and
- the on-going conflict in Europe, and global tensions generally

To maintain financial self-sufficiency in this environment and meet its commitments, the Authority proposes an increase in the hourly and unit fee rates for 2024 of 5%.

Fortunately, the temporary surcharge introduced in 2022, and lowered in April 2023, has enabled the Authority to rebuild its financial reserves sufficiently that the Authority proposes eliminating the surcharge completely at the end of 2023.

### 1.2 Background

When establishing a new charge for pilotage services or when revising an existing pilotage charge, the Authority must follow the charging principles set out in section 33.2 of the *Pilotage Act*. These principles prescribe that, among other requirements, charges must not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial obligations related to the provision of compulsory pilotage services. Pursuant to the charging principles, the Authority's Board of Directors approves the amount and timing of changes to customer service charges. The Board of Directors also approves the Authority's annual budget which includes the amounts to be recovered through customer service charges for the year.

As noted, the Authority plans its operations to result in a financial position in which revenues do not exceed current and future financial obligations related to the provision of compulsory pilotage services.

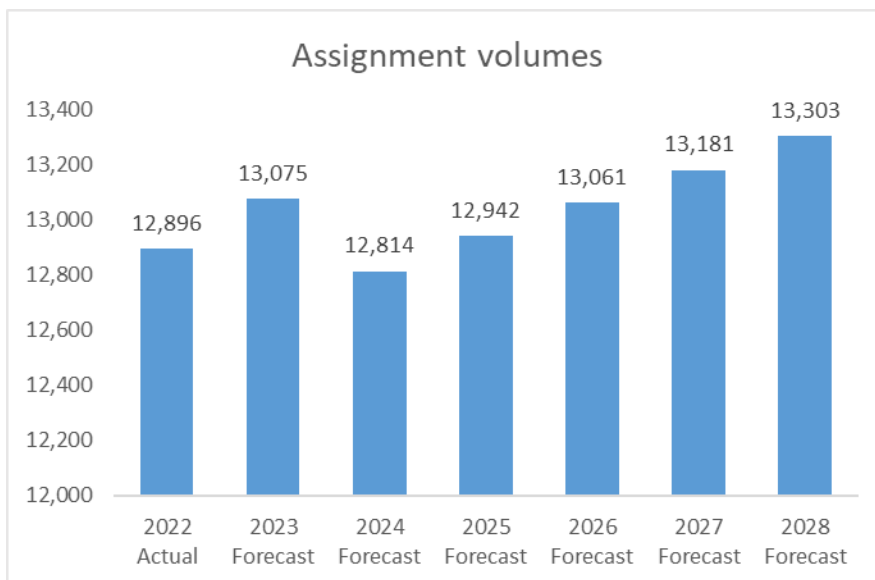
The overall current state and outlook for local, national, and international economic health has a direct impact on cargo trade and tourism. This will directly impact the Authority’s assignment volumes and ultimately influence how the Authority supplies its services in a safe and efficient manner.

In 2023 we experienced a return to pre-pandemic levels of assignments on the back of a bumper grain harvest and a record cruise ship season. However, there has also been a decline in container traffic and that has spread recently to other sectors, which reflects an uncertain economic outlook. Increases in interest rates over the past year have not yet had the desired effect on inflation. It is expected that interest rates will remain elevated for at least another year to ensure inflation rates return to central banks’ desired long-term targets. Furthermore, economic growth in China, our largest maritime trading partner, has slowed due in part to a downturn in the local real estate sector. Finally, dry weather leading up to this year’s grain harvest, which drives grain shipments in the first half of 2024, means forecasts for grain yields are lower than the previous year. The combination of these factors has led to less than optimistic forecasts from industry for the number of vessels and therefore pilotage assignments expected in 2024.

A new larger terminal in Burnaby is expected to open in early 2024 to support the expanded Trans Mountain pipeline. Initially there will be a small increase in the number of tankers in 2024 using the larger terminal compared to the existing terminal, and this is expected to grow over succeeding years as operations ramp up.

*Assignment volumes*

The Authority’s assignment count in 2024 is forecast to decrease by 2% from 2023 to 12,814 assignments, and partially recover to 12,942 assignments in 2025.



The recent levelling off of inflation at rates above recent historical levels is not helpful for the Authority as increases in CPI for Vancouver result in increases in contract rates payable to BCCP and in wages payable to employees under collective agreements. The annual rate of inflation at the end of August for Vancouver was 4.1% and the Authority has assumed an inflation rate of 4.0% when forecasting any increase in rates for contract pilot fees and wages for 2024. The contract with BCCP provides for an increase equal to CPI +1% in 2024, which has therefore been forecast to be an increase of 5.0% for 2024. Current collective agreements for River pilots, and launch, dispatch and administrative staff also tie wage increases to any corresponding increases in CPI.

*Forecasted financial summary*

<b>STATEMENT OF COMPREHENSIVE INCOME</b>							
<b>(in thousands of dollars)</b>	<b>Actual</b>	<b>Forecast</b>	<b>Plan</b>				
<b>For the year ended December 31</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Total revenue	105,732	118,257	120,261	132,488	136,711	140,652	144,206
Total expenses	104,702	111,944	121,744	132,281	136,295	140,232	143,418
<b>Comprehensive income (loss)</b>	<b>1,030</b>	<b>6,312</b>	<b>(1,483)</b>	<b>207</b>	<b>416</b>	<b>420</b>	<b>788</b>

Based on projected volumes, the Authority anticipates that expenses for 2024 will be \$121.7 million. This represents an 8.8% increase over 2023 and is primarily driven by the expected start of the helicopter program to transport pilots to tankers departing from the new Trans Mountain terminal in Burnaby and by contractual cost increases for contract pilots and employee wages, offset by volume decreases in the number of assignments.

In 2024, the Authority is also planning to invest \$2.9 million in capital projects.

The Authority’s cash position has recovered from the adverse financial impacts of the pandemic and is projected to be \$10.9 million at the end of 2023. Our working capital ratio of current assets to current liabilities has also recovered and is forecast to be 1.4 at the end of 2023. A ratio of at least 1.0 is required to ensure sufficient liquid or near liquid assets to meet current liabilities as they become due.

The Authority’s objective is to maintain a cash and investment balance sufficient to provide liquidity for:

- working capital requirements;
- near term capital commitments; and
- a business continuity reserve for significant unforeseen events with adverse financial consequences.

Currently, the Authority estimates the required balance to be in the range of \$14-15 million

**1.3 Proposed rates**

To determine the rate changes required in 2024, the forecasted revenues and cash flow generated have been compared to the amounts the Authority needs to recover based on the financial

summary and volumes discussed above. All expected expenses, capital expenditures and reserves are included in the recovery calculation.

Increases in service fees based on hourly or unit fees reflect corresponding increases in the Authority’s contract with BCCP. Increases in pilot boat fees for 2024 are based on forecast CPI for the preceding 12 months, as this determines wages payable for launch crews under collective agreements. Increases in fees for other services, such as travel fees, reflect expected increases in CPI for 2024.

The proposed service charge for the administration of the *Pilotage Act* is based on the allocation of administration costs from Transport Canada to the Authority. In prior years the final allocation of costs from Transport Canada was lower than forecast resulting in an over-recovery by the Authority. Accordingly, the Authority is proposing to reduce the related service charge to reflect this.

Changes to pilotage charges, proposed to be effective January 1, 2024, are calculated for each service, as outlined in the following table:

Category	Rate increase	New / Adjustment	Application methodology	Effect on customers for 2024
Pilotage rates based on hourly or unit fees	5.0%	Adjustment	All rates affected	\$4.0 million
Pilot boat fees	4.0%	Adjustment	All rates affected	\$0.6 million
Temporary surcharge	(100.0)%	Adjustment	Per assignment	\$(3.2) million
Pilotage Act administration charge	(39.5)%	Adjustment	Per assignment	\$(0.4) million
Other fees	3.0%	Adjustment	All rates affected	\$0.7 million
<b>Total Effect</b>				<b>\$1.7 million</b>

The total increase above of \$1.7 million equates to approximately a 1.4% increase, based on forecast annual revenue of \$120 million in 2024.

Service charges for the new helicopter service to support pilot transportation to/from tankers departing from the Trans Mountain terminal will be set closer to the expected start date of the new terminal. A notice regarding proposed helicopter service charges will be issued at least 90 days before any charges would be effective.

Additional information including supporting calculations is provided in the document *Details and Principles Regarding Proposed Revised Service Charges (“Details and Principles”)*. Refer to section 5 for information on how to request and obtain a copy of this document.

## **2. PROPOSED IMPLEMENTATION OF THE PROPOSED REVISED SERVICE CHARGES**

The Authority acknowledges the ongoing challenges faced by its customers and stakeholders within the marine industry and pressure on freight rates. These increases are, however, necessary for the Authority to continue to fulfill its mandate to provide safe and efficient pilotage services while maintaining financial self-sufficiency. These charges are being proposed after initial consultation with the industry held in the period prior to the publishing of this Notice.

All charges would be effective on January 1, 2024.

## **3. RE-ESTABLISHMENT OF CURRENT SERVICE CHARGES**

Except for the revisions proposed in this Notice, all the existing charges and related terms and calculations continue in effect, as set out in the Authority's current *Customer Guide to Charges* (available on the Authority's website at <https://www.ppa.gc.ca/>)

## **4. DEFINITIONS AND CALCULATIONS**

The definitions and calculations will be found in the Authority's Customer Guide to Charges, which will be available on the Authority's website at <https://www.ppa.gc.ca/>.

## **5. INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO THE PACIFIC PILOTAGE AUTHORITY**

The Notice is available online and a copy may be downloaded from the Authority's website at <https://www.ppa.gc.ca/>. Information on the existing charges is also provided on the Authority's website.

Further details of this proposal, including a justification for the proposal in relation to the charging principles, are provided in the Details and Principles document, which is also available on the Authority's website at <https://www.ppa.gc.ca/>.

Additional copies of the Notice or a copy of the Details and Principles document can be obtained through request at the following address:

*In writing:*            *Chief Executive Officer*  
                              *Pacific Pilotage Authority*  
                              *1000-1130 West Pender Street*  
                              *Vancouver, BC*  
                              *V6E 4A4*

*By email:*            [jgascon@ppa.gc.ca](mailto:jgascon@ppa.gc.ca)

*By telephone*      (604) 666-3398

Pursuant to section 33.3 of the *Pilotage Act*, any person may make representations about the proposal to the Authority, in writing, on or before the date set out in this Notice. Any person making written representations is to include a summary of those representations. The summary may be made public by the Authority. In addition, any person making written representations by the date set out in this Notice will have an opportunity to file a notice of objection related to the proposal with the Canadian Transportation Agency.

Pursuant to section 33.3 of the *Pilotage Act*, persons interested in making representations in writing to the Authority regarding the Notice may do so in writing to the following address:

*PACIFIC PILOTAGE AUTHORITY  
1000-1130 West Pender Street  
Vancouver, BC  
V6E 4A4  
Attention: Chief Financial Officer*

**Note: Representations must be received by the Authority not later than the close of business on October 29, 2023.**