



NOTICE OF REVISED SERVICE CHARGES

September 27, 2024

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, 2025, 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 27, 2024**.

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 and has seen some slight growth in assignments in 2024 due to a rebound in container traffic and an increase in tanker traffic after the opening of the expanded Westridge terminal in May 2024, which services Trans Mountain's pipeline operations.

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 2025. The increases will cover:

- Contractual increases in operating costs; and
- Increases in the fixed cost portion of the operation.

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.

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 2.5%.

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.

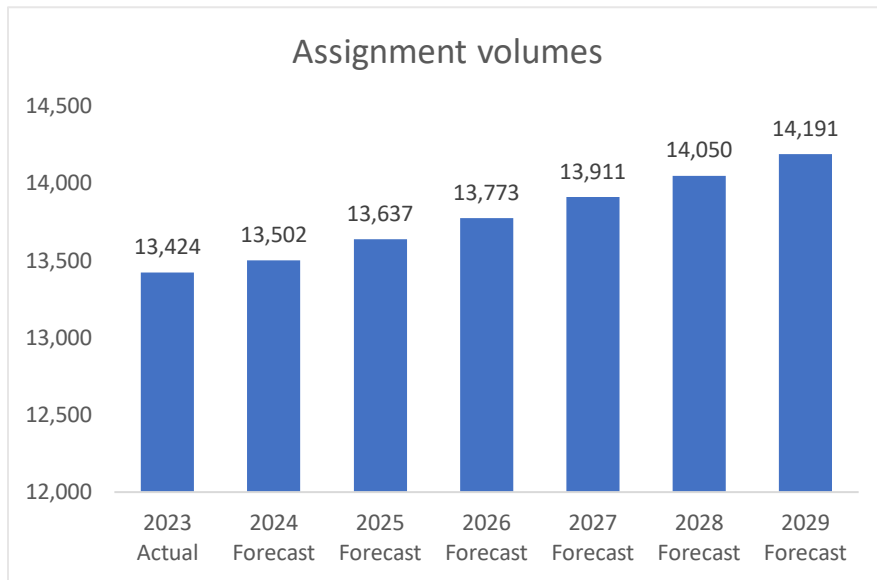
The overall current state and outlook for local, national, and international economic health has a direct impact on cargo trade and tourism. This will directly impact the Authority's assignment volumes and ultimately influence how the Authority supplies its services in a safe and efficient manner.

In 2024 to date we have experienced a modest increase in assignments on the back of a rebound in container traffic and increased tanker traffic associated with the opening of the new Westridge terminal, which connects to Trans Mountain's expanded pipeline. These increases were offset by a drop in grain shipments following a poor harvest in 2023. The outlook for 2025 is marginally

optimistic as recent interest rate cuts are hoped to avert or mitigate the potential threat of an economic recession. There will also be continued growth in tanker traffic from the Westridge terminal as it should contribute a full year of operations in 2025 after opening part way through 2024 in May of this year. The forecast for the grain harvest for 2024 is for it to be slightly ahead of the prior year, but below the volumes achieved in 2022.

Assignment volumes

The Authority’s assignment count in 2025 is forecast to increase by 1% from 2024 to 13,637 assignments and continue to grow to 13,773 assignments in 2026.



Interest rate increases in 2023 have had the desired effect of cooling inflation and recently published annual inflation rates have returned to historical norms of 2-3%. This will provide some relief to the Authority from recent rapid cost increases because 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 2.2% and the Authority has assumed an inflation rate of 2.5% when forecasting any increase in rates for contract pilot fees and wages for 2025. The contract with BCCP provides for an increase for 2025 equal to the annual rate of CPI for Vancouver for November 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

STATEMENT OF COMPREHENSIVE INCOME							
(in thousands of dollars)	Actual	Forecast	Plan				
For the year ended December 31	2023	2024	2025	2026	2027	2028	2029
Total revenue	123,331	129,676	138,313	145,179	150,421	155,319	159,983
Total expenses	117,588	127,262	137,998	144,146	149,241	153,716	157,361
Comprehensive income (loss)	5,743	2,414	315	1,033	1,180	1,603	2,622

Based on projected volumes, the Authority anticipates that expenses for 2025 will be \$138.3 million. This represents an 8.4% increase over 2024 and is primarily driven by a full year of the helicopter program to transport pilots to/from tankers departing from Trans Mountain’s terminal in Burnaby, additional pilotage costs to support the new LNG Canada terminal in Kitimat and by contractual cost increases for contract pilots and employee wages, offset by volume decreases in the number of assignments.

In 2025, the Authority is also planning to invest \$4.5 million in capital projects.

The Authority’s cash position has recovered from the adverse financial impacts of the pandemic and is projected to be \$11.9 million at the end of 2024. Our working capital ratio of current assets to current liabilities has also recovered and is forecast to be 1.2 at the end of 2024. 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 its required cash and investment balance to be in the range of \$15-19 million

1.3 Proposed rates

To determine the rate changes required for 2025, 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 2025 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 2025, except for Southern and Fraser River pilot transportation costs. Costs for these two exceptions have increased in the past year above broader inflation measures and need to be adjusted upwards to reflect this. In the case of the Fraser River pilot transportation costs, the

unusually large increase reflects a change in a portion of the travel allowance for River pilots to a taxable benefit.

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 and on forecast assignments. In prior years the final allocation of costs from Transport Canada was lower than forecast and actual assignments were higher, resulting in an over-recovery by the Authority. Accordingly, the Authority is proposing not to increase the related service charge to reduce the accumulated over-recovery.

Changes to pilotage charges, proposed to be effective January 1, 2025, are calculated for each service, as outlined in the following table:

Category	Rate increase	New / Adjustment	Application methodology	Effect on customers for 2025
Pilotage rates based on hourly or unit fees	2.5%	Adjustment	All rates affected	\$2.4 million
Southern transportation charge	7.5%	Adjustment	All rates affected	\$0.4 million
Fraser River transportation charge	80%	Adjustment	All rates affected	\$0.2 million
Pilotage Act administration charge	No change	Adjustment	Per assignment	Nil
Other fees	2.5%	Adjustment	All rates affected	\$0.5 million
Total Effect				\$3.5 million

The total increase above of \$3.5 million equates to an average of approximately \$257 per assignment in 2025.

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, 2025.

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 Financial Officer
Pacific Pilotage Authority
1000-1130 West Pender Street
Vancouver, BC
V6E 4A4*

By email: smackenzie@ppa.gc.ca
By telephone (604) 666-6988

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 27, 2024.