



DETAILS AND PRINCIPLES REGARDING PROPOSED REVISION TO SERVICE CHARGES

GENERAL

Pursuant to section 33.2 of the *Pilotage Act*, S.C. 1985, c. P-14, the following document (“**Details and Principles**” or “**Document**”) provides additional details to expand upon the Notice of Revised Service Charges dated September 29, 2023 (the “**Notice**”). The Notice published by the Pacific Pilotage Authority (the “**Authority**”) proposes the establishment of revised charges to come into effect on January 1, 2025.

This Document includes a description of the proposal, including the Authority’s methodology in relation to establishing or revising the pilotage charges, and the circumstances in which the charges will apply (found at sections 7 and 8). In developing the charges, the Authority has observed all charging principles established under section 33.2 of the *Pilotage Act*. The pilotage charges below are based upon the current budgetary forecasts and other information and may be revised following representations obtained under section 33.3 of the *Pilotage Act*. The methodology and its application are set out in this Document for the proposed establishment of pilotage charges for 2025.

Except for the revisions proposed in the Notice, all the existing charges and related terms and calculations, as set out in the Authority’s current *Customer Guide to Charges*, continue in effect.

Persons interested in making representations to the Authority regarding the proposals set out in the Notice may do so in writing to the address set out in Section 10 and must be received by the Authority not later than close of business on **October 27, 2024**.

This Document consists of the following sections:

- 1) General overview of the Authority
- 2) Assignment volumes
- 3) Expected financial position of the Authority
- 4) Liquidity and cash reserves
- 5) Proposed revision to service charge rates
- 6) Justification of the proposal in relation to the charging principles and cost effectiveness assessment
- 7) Determination of charges
- 8) Cost of services
- 9) Consultation
- 10) Information regarding the Notice and on making representations to the Authority

1. GENERAL OVERVIEW OF THE AUTHORITY

The Authority is a non-agent Crown corporation established in 1972 pursuant to the *Pilotage Act*. As a Crown corporation listed in Schedule III Part 1 of the *Financial Administration Act*, the Authority operates in accordance with a budget and corporate plan approved each year by the Treasury Board and Governor in Council, respectively.

The objective of the Authority is to establish, operate, maintain, and administer in the interests of safety of navigation, an efficient pilotage service within the Authority's regional jurisdiction. The Authority is tasked with achieving this objective while respecting the following principles:

- a. 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
- b. that pilotage services be provided in an efficient and cost-effective manner
- c. that risk management tools be used effectively and that evolving technologies be taken into consideration; and
- d. that an Authority's pilotage charges be set at levels that allow the Authority to be financially self-sufficient.

The system of governance at the Authority is intended to ensure the Authority continues to be financially self-sufficient. The Corporation is governed by a seven-member Board of Directors (the "Board"). The Governor in Council appoints the Chairperson of the Authority, for a term determined by the Governor in Council, and the Minister of Transport appoints the other members of the Board for terms not exceeding four years.

The fundamental elements governing the mandate conferred on the Authority by the *Pilotage Act* include the exclusive right to provide pilotage services to ships in an area of water where ships are subject to compulsory pilotage. This includes the exclusive ability to set and collect charges for pilotage services provided or made available by the Authority or a contractor acting for the Authority, and the obligation by the Authority to provide these services.

When establishing a new charge for pilotage services or revising an existing 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 requirements related to the provision of compulsory pilotage services. Pursuant to the charging principles, the Board approves the amount and timing of the establishment or changes to customer service charges. The Board also approves the Authority's annual budget where the amounts to be recovered through service charges for the ensuing year are determined.

In addition, the Authority proceeds to a pre-consultation exercise with the industry stakeholders prior to the approval and publication of the Notice. A summary of the pre-consultation process is included in this Document.

Pursuant to section 33.2 of the *Pilotage Act*, the Authority plans its operations to be financially self-sufficient and based on reasonable and prudent projections would not result in revenues exceeding current and future financial requirements related to the provision of compulsory pilotage services. Financial requirements include:

- a. operations and maintenance costs
- b. management and administration costs
- c. debt servicing requirements and financial requirements arising out of contractual agreements relating to the borrowing of money
- d. capital costs and depreciation expense on capital assets
- e. financial requirements necessary for the Authority to maintain an appropriate credit rating
- f. tax liabilities
- g. payments to the Minister for the purpose of defraying the costs of the administration of the *Pilotage Act*, including the development of regulations, and the enforcement of the *Pilotage Act*
- h. reasonable reserves for future expenditures and contingencies; and
- i. other costs determined in accordance with accounting principles recommended by the Chartered Professional Accountants of Canada or its successor or assignee.

The Authority's quarterly and annual financial statements and related Management's Discussion and Analysis provide additional information on the revenues and expenses of the Authority. These documents are available at: <https://www.ppa.gc.ca/>.

2. ASSIGNMENT VOLUMES

In developing the outlook for shipping volumes, the initial sources of information considered are estimates provided by terminal operators. In addition, an analysis of historical traffic patterns is compared to the estimates to obtain an additional level of precision. Forecasts of macro-economic indicators are also used where a correlation has been shown between the indicator and movements in traffic volume.

Although a weaker grain harvest in 2023 adversely impacted grain shipments during the first seven months of 2024, assignments for the eight months to August 2024 were 2% ahead of the same period last year. This was because of 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. With inflation returning closer to recent historical norms, central banks have commenced a phasing of interest rate cuts to mitigate or stave off potential recessions and hopefully stabilize global trade. Forecasts for the grain harvest in 2024 point to a better harvest than the prior year, but not at the level of the bumper crop in 2022. 2025 should also benefit from a full year of tanker from the Westridge terminal, compared to only eight months in 2024. We are also expecting some additional pilotage assignments in 2025 from the opening of LNG Canada's facility in Kitimat. As a result of these factors, we are mildly optimistic for assignment volumes in 2025, compared to 2024.

The following table presents the Authority's historical traffic by geographic area of operation and reflects forecast assumptions for 2024 and 2025. Overall assignment volume for 2025 is forecast to increase by 1% from levels in 2024.

District	Actual assignment volume by year with forecasts for 2024 and 2025					
	2020	2021	2022	2023	2024F	2025F
Southern	9,905	9,561	10,082	10,147	10,238	10,340
Fraser River	949	988	999	1,089	1,180	1,192
Rupert	1,515	1,259	1,335	1,329	1,289	1,302
Northern	367	281	480	859	795	803
Total assignments	12,736	12,089	12,896	13,424	13,502	13,637

3. EXPECTED FINANCIAL POSITION OF THE AUTHORITY

This section includes commentary about the expected financial position of the Authority with the following proposed structure:

- Discussion on forecast expenses:
 - Summary of forecast expenses;
 - Table of prior year's actual and current year's forecast; and
 - Details of material changes between the prior year actual and current year forecast.

- Discussion on capital program:
 - Summary of forecast capital expenditures;
 - Details on the material elements of the capital program; and
 - Summary of the proportion of the capital program which will be financed versus internally funded.

Based on projected volumes in section 2 above, the Authority anticipates that expenses for 2025 will be \$138.0 million, as can be seen below. This represents an 8.4% increase over the forecast for 2024. This is driven by a full year of the helicopter program to transport pilots to/from tankers departing from Trans Mountain's expanded Westridge terminal in Burnaby, additional pilotage costs to support the new LNG Canada terminal in Kitimat, and the effects of inflation, as measured by the Consumer Price Index, which triggers increases in contract pilots' fees and in employee wages.

Operating Expenses (in \$000's)	2023	2024	2025
	Actual	Forecast	Plan
Contract pilots' fees	\$ 74,536	\$ 78,618	\$ 81,424
Salaries and benefits	17,410	18,145	18,929
Pilots' transportation	13,022	13,544	14,636
Pilots' training	2,271	3,250	2,700
Depreciation	2,060	4,062	8,742
Fuel	2,697	2,777	2,868
Repairs and maintenance	1,543	1,781	1,857
Pilotage Act administration fee	679	836	936
Other expenses	3,369	4,249	5,906
Total operating expenses	\$ 117,587	\$ 127,262	\$ 137,998

Expense Analysis

Expenses in 2025 are expected to increase overall as follows, based on the cost drivers set out below:

1. Coastal contract and callback costs are expected to increase by \$2.8 million in 2025. This decrease is primarily driven by:
 - a. a 1% increase in volumes over 2024;
 - b. a 2.5% increase in the pilotage unit fee payout rate; and
 - c. a 2.5% increase in the hourly fee payout rate.
2. Salaries and benefits are expected to increase by \$0.8 million largely due to wage increases in collective agreements being tied to increases in the Consumer Price Index for Vancouver at the beginning of the year, which the Authority has forecast to be 2.5% at the beginning of 2025.
3. Pilot transportation costs are expected to increase by \$1.1 million, primarily due to including a full year of the operating cost of the helicopter used to transport pilots to and from tankers departing from the expanded Trans Mountain pipeline and terminal in Burnaby. The helicopter commenced operations only from mid-May in 2024.
4. Training costs are expected to decrease by \$0.6 million in 2025, as one-time training costs associated with the start of the helicopter program for Trans Mountain in 2024 will not recur.
5. Depreciation costs are expected to increase by \$4.7 million in 2025, primarily from recording and amortizing a right-of-use asset related to the helicopter services contract for pilot transportation to support the expanded Trans Mountain pipeline and terminal. A full year will be expensed in 2025.
6. Other expenses include financing costs associated with the helicopter services contract and therefore will increase in 2025 with a full year of helicopter operations compared to the partial year in 2024.

Capital Projects

The Authority expects that its capital program will require \$4.5 million in expenditures in 2025, primarily related to the continued phased replacement of our portable pilotage units (PPUs) and the refurbishment of two of our older launches.

The replacement of approximately 145 PPUs is being phased in over two to three years and includes replacing the rate-of-turn generators and laptops, and upgrading to new navigation software. The total planned cost is approximately \$4 million, of which the final phase for \$1 million is expected to be spent in 2025.

The refurbishment of the launches includes work on the hull and engines of the Chinook, overhauling the waterjets and replacing the engines of the Scout, which are near the end of their useful life. The total planned cost is \$2 million.

We expect to commence a project to identify a replacement for the Chinook and initial project costs in 2025 of \$0.5 million are planned.

The remaining capital costs include upgrades to information systems, buildings and office space, portable pilotage units and other items totaling \$1 million.

The Authority intends to use existing cash reserves to fund these capital expenditures.

4. LIQUIDITY AND CASH RESERVES

This section includes commentary about the forecast liquidity and cash reserves of the Authority with the following proposed structure:

- Rationale for maintaining the forecast cash balance
- Summary of level of cash needed to operate as a going concern
- Table of prior years’ actual and current year forecast cash and working capital
- Discussion of the cash balance.

Service charges are set based on the Authority’s financial requirements, which consider projected volumes and planned expenditures.

There is also a need to absorb unpredictable factors – mainly fluctuations in traffic volumes resulting from unforeseen events (i.e. snow on the railways causing significant delays in getting grain to terminals or political decisions resulting in temporary shifts in trade and shipping volumes).

As discussed in more detail in section 5, when determining the level of service charges required, the Authority considers its current and future financial requirements. Among other issues, the following are considered when establishing service charges:

- the Authority’s financial requirements and the extent to which operating costs are variable;
- the expected upcoming capital costs and the extent to which borrowing is introduced; and
- the current and anticipated balance in the cash and investment account.

The Authority’s current asset balances, including cash and current investments, in comparison to current liabilities are reflected below. Amounts are as of the year-end:

(in \$'000)	2023 Actual	2024 Forecast	2025 Plan
Cash	13,009	11,927	11,721
Investments	1,224	1,946	2,246
Other current assets	6,046	7,365	7,891
Current assets	20,279	21,238	21,858
Current liabilities	(15,849)	17,912	21,512
Net working capital	4,430	3,326	346
Ratio of current assets to current liabilities	1.28	1.19	1.02

The decline of \$0.2 million over the year in the forecast 2025 cash balance is a result of capital expenditure during 2025, which will be financed from existing cash balances, rather than from new debt.

The Authority intends to add \$0.6 million to its investment account in 2025, of which \$0.3 million will be current (maturity within one year).

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 \$15-19 million.

5. PROPOSED REVISION TO SERVICE CHARGE RATES

This section includes commentary about the proposed pilotage charge rates by the Authority with the following proposed structure:

- Basis for determination of rate changes;
- Table of proposed rate changes; and
- Commentary on rate changes.

The Authority determines the rate changes that are required as follows:

- Determine volumes as outlined in section 2;
- Determine expenses as per volumes and contractual requirements and as outlined in section 3;
- Determine capital expenditures and financing as outlined in section 3;
- Determine reserve account and cash required as outlined in section 4; and
- Determine the rate necessary to achieve all the above.

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 (decrease)	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 increase of 2.5% in the base hourly and unit fee rates, 7.5% for Southern transportation, 80% for Fraser River transportation (due to a change in the tax treatment of a portion of pilot travel allowances to a taxable benefit), and 2.5% for other fees in 2025 are driven by projected increases in the Authority’s base cost structure.

Transportation costs in both the Southern area and for the Fraser River have increased in the past year above the prevailing rate of inflation. Accordingly, we are proposing cost increases to reflect actual costs (including overhead) incurred for these services.

The service charge for the administration of the *Pilotage Act* is based on the forecast 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.

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

PROPOSED RATE REVISIONS

Description		Current Rates \$	Proposed Rate \$	% Change
Vessel up to 226m				
Pilotage unit fee		5.8042	5.9493	2.5%
Vessel greater than 226m				
Pilotage unit fee		5.0648	5.1914	2.5%
Gross tonnage fee		0.014788	0.015158	2.5%
Tethered tanker with DWT greater than 39 999				
Pilotage unit fee		8.7067	8.9244	2.5%
Tethered tanker greater than 226m with DWT greater than 39 999				
Pilotage unit fee		7.5975	7.7874	2.5%
Gross tonnage fee		0.02221	0.02277	2.5%
Pilotage unit fee – dead ship		11.6085	11.8987	2.5%
Other charges				
Time charges		291.33	298.61	2.5%
Minimum charge		1,349.05	1,382.78	2.5%
Cancellation charge		1,165.36	1,194.49	2.5%
Out-of-region charges				
Per hour		291.33	298.61	2.5%
Embark/Disembark Anacortes, Bellingham, Cherry Point or Ferndale		2,602.93	2,668.00	2.5%
Embark/Disembark other out-of-region location		3,471.02	3,557.80	2.5%
Transportation charges				
Harbour or Port		213.01	218.34	2.5%
Fraser River		205.04	369.07	80.0%
Northern		2,112.86	2,165.68	2.5%
Prince Rupert		668.37	685.08	2.5%
Southern		668.37	718.50	7.5%

Description		Current Rates \$	Proposed Rate \$	% Change
Area where pilot has begun travel and is cancelled		213.01	218.34	2.5%
Pine Island		6,679.46	6,846.45	2.5%
Pilot boat charges				
Brotchie Ledge		550.06	563.81	2.5%
Sand Heads		2,201.65	2,256.69	2.5%
Triple Island		2,856.34	2,927.75	2.5%
Cape Beale		8,608.61	8,823.83	2.5%
Pine Island		5,298.00	5,430.45	2.5%
Entrance to Nanaimo Harbour		1,108.60	1,136.32	2.5%
Prince Rupert Anchorages 8 – 9		769.25	788.48	2.5%
Prince Rupert Anchorages 10 - 31		1,303.73	1,336.32	2.5%
Pilot boat capital charge		120.89	123.91	2.5%
Other charges				
Delay charge		291.33	298.61	2.5%
Short order charges				
• Order initiated less than 10 hours and between 06:00 and 17:59		1,165.36	1,194.49	2.5%
• Order initiated less than 10 hours and between 18:00 and 05:59		2,330.72	2,388.99	2.5%
Restricted ship charge		2,190.58	2,245.34	2.5%
Remote port charge		7,025.79	7,201.43	2.5%
Technology charge		59.18	60.66	2.5%
Pilotage Act administration charge		52.00	52.00	-

Proposed changes in these rates would be effective January 1, 2025.

6. JUSTIFICATION OF THE PROPOSAL IN RELATION TO THE CHARGING PRINCIPLES AND COST-EFFECTIVENESS ASSESSMENT

The Authority is required to observe the following charging principles when establishing or revising pilotage charges:

- a) that pilotage charges be established and revised in accordance with an explicit methodology — that includes any conditions affecting the pilotage charges — that the Authority has established and published;
- b) that pilotage charges be structured in a way that does not encourage a user to engage in practices that diminish safety for the purpose of avoiding a charge;
- c) that pilotage charges be the same for Canadian users or ships and foreign users or ships;
- d) that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable; and

- e) that pilotage charges not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services.

The principles governing the establishment of new charges or the revision of existing charges by the Authority are set out in section 33.2 of the *Pilotage Act*. Each of the principles is presented below in italics, followed by an explanation of how the Notice complies with that principle.

33.2 (1) a. Pilotage charges shall be established and revised in accordance with an explicit methodology – that includes any conditions affecting the pilotage charges – that the Authority has established and published;

The Notice, required under section 33.3 of the *Pilotage Act*, has been published on the Authority's website. In addition, the Authority has sent a copy of the Notice to all known and affected industry associations. Based on this information, any person subject to the Authority's charges can calculate the amount that would be payable for a given pilotage assignment.

33.2 (1) b. that pilotage charges be structured in a way that does not encourage the user to engage in practices that diminish safety for the purpose of avoiding a charge;

For any given assignment, the Authority's charges are not structured in such a manner that safety may be affected. Given the fact that pilotage services are mandatory for any commercial vessel of 350 gross tons or larger, while travelling in Canadian compulsory pilotage waters, users have no option but to use the services of a pilot. In addition, the structure of the Authority's charges is such that the greatest proportion of a charge is not related to time or routing, but instead on the unalterable dimensions of the vessel which do not change between one journey or the next.

33.2 (1) c. that pilotage charges be the same for Canadian users or ships and foreign users or ships;

There is no differentiation in the proposed charges for an assignment whether the vessel is domestic or foreign.

33.2 (1) d. that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable;

The proposed charges are based on an allocation of operating and capital costs, that allow the Authority to fulfill its mandate and achieve financial self-sufficiency. The increases are fair and reasonable considering the increasing costs of business.

33.2 (1) e. that pilotage charges not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services;

The Authority's charges are set to recover the Corporation's expenses net of other revenues determined in accordance with International Financial Reporting Standards ("**IFRS**") and the costs of complying with certain financial requirements, as described in detail in subsection 33.2 of the *Pilotage Act*.

7. DETERMINATION OF CHARGES

The Authority's aim when determining charges is to strive for area-by-area and port-by-port financial self-sufficiency over the longer-term. Rates are set on a port-by-port basis to achieve this aim. This is an effort to minimize cross-subsidization between stakeholders.

Charges are applied to a pilotage assignment-based size and time and type of move. The definitions are below:

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*)

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 x UC) + DS +TC + PB + FL + PBRC + EX + T + PAAF + TS

8. COST OF SERVICES

The Authority records costs for pilotage services provided and does so in accordance with IFRS. There are currently two service delivery centres that are within the Authority's regional jurisdiction. The Fraser River Pilots (employee pilots) cover Area 1 and the BC Coast Pilots cover Areas 2-5 and are licensed for the entire area. Pilot boat services and facilities are localized, and other costs are generated by specific pilotage assignments. Shared costs include administrative overhead, dispatch centre costs, and training costs.

a) Cost Allocation Methodology

Coastal pilotage

The coastal pilotage costs are variable in that the expenses are dependent on the number of assignments carried out in areas 2 through 5. The Authority does not pay the BC Coast pilots unless they are performing assignments. These costs, including the cost of callbacks, are all variable.

Fraser River pilotage

The Fraser River pilotage costs are a mix of fixed and variable with fixed salaries and variable costs for overtime and callbacks related to assignment volume and timing.

Launches

When determining the charges and measuring subsequent results, the direct costs for resources available to the area are applied to that individual service delivery centre based on the locations of the pilot launches and dispatch operations. These costs include:

- Pilot boat costs and crewing services;
- Local wharves and structures costs;
- Depreciation and financing costs related to the above; and
- Communications and other equipment related to the above.

Variable costs for launches are driven by activity in the specific area are also charged against the centre for which they are incurred. These costs include pilot boat fuel.

Other costs

Costs that are not attributable to any single service delivery centre or grouping are allocated proportionally to their directly attributed costs, such as the Fraser River.

b) Cost Allocation Process

Individual budgets are developed for each of the cost centres using the actual costs for the previous year as the basis and working with industry to determine the expected volumes and assignments in the following year. These costs are then adjusted for contractual changes and commitments, planned alterations to area resources, and expected changes in activity.

- Pilot fees for the coast and Fraser River are allocated in accordance with the agreements in place and the expected assignment numbers for each centre.
- Pilot boat costs and crewing expenses are local resources and are costs assigned to that cost centre.
- Local wharves, storage facilities, and pilot/crewing offices have costs that are also charged directly to the specific cost centre.
- The assets above have depreciation and financing costs related to them that are also charged directly.

The variable costs for each station, including pilot boat fuel costs and transportation costs, are budgeted based on a forecast of number of assignments. The Authority uses several sources of information to predict traffic levels. The traffic patterns of previous years are combined with input from the industry, terminals, ports and associations.

The allocated costs are determined through the development of administration, dispatch, and training budgets. These budgets are based on historical costs, contractual agreements, and training requirement triggers. These costs are then charged to service delivery centres based on resources and activity levels for each.

9. CONSULTATION

Consultations in various forms have taken place with the affected parties throughout 2023. Formal consultation sessions were held either in-person or via video conference for the following stakeholders during a consultation period prior to publishing the Notice.

Chamber of Shipping BC:	Monthly Association meetings, as well as Service Charge meetings on Aug 21 and Sep 23, 2024.
Shipping Federation of Canada:	Monthly Association meetings, as well as Service Charge meeting on Aug 22, 2024.
CLIA:	Monthly Association meetings, as well as Service Charge meetings on Aug 13 and Sep 25, 2024.
Trans Mountain:	Monthly Association meetings, as well as Service Charge meeting on Sep 25, 2024.

The Authority's financial results are also openly shared at every monthly meeting with industry associations.

Alternatives to service charge increases were discussed, where applicable, and feedback from participants was encouraged. For various ports and districts, an alternative to increased service charge rates would be a reduction in pilot numbers or availability. Decreases in traffic may occur from year to year and are not expected to be long-term. This makes it impractical to reduce pilot numbers without having severe impacts on service levels to industry when a recovery begins. Stakeholders have consistently indicated that their primary concerns are with service levels and have requested that the number of pilots be increased in some areas, and maintained in others, so that pilot availability is not compromised.

10. 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 in the Authority's website.

Additional copies of the Notice 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 the 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 the 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.