

PACIFIC PILOTAGE AUTHORITY

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SUMMARY OF THE CORPORATE PLAN

2005 TO 2009

Includes:

OPERATING BUDGET

2005

CAPITAL BUDGET

2005

**PACIFIC PILOTAGE AUTHORITY
SUMMARY CORPORATE PLAN
YEARS OF 2005 TO 2009**

Mandate

The mandate of the Authority is to establish, operate, maintain, and administer in the interest of safety, an efficient pilotage service within the regions set out in respect of the Authority, on a basis of financial self-sufficiency.

Background

The Pacific Pilotage Authority was established February 1st, 1972, pursuant to the Pilotage Act, 1970-71-72, Chapter 52. The Pacific Pilotage Authority is a Schedule III, Part I (FAA) Crown Corporation, comprising of a Chairman and six Board Members appointed by Governor-in-Council.

The Authority is not an agent of the Crown.

Powers

To carry out its responsibilities the Authority has made regulations, approved by Governor-in-Council, pursuant to the Pilotage Act for:

1. Establishing compulsory pilotage areas.
2. Prescribing the ships or classes of ships that are subject to compulsory pilotage.
3. Prescribing classes of Pilot's licences and classes of pilotage certificates that may be issued.
4. Prescribing the tariffs of pilotage charges to be paid to the Authority for pilotage services.

In addition, the Authority is empowered by the Pilotage Act to:

1. Employ such officers and employees, including licenced Pilots, as are required.
2. Contract with a body corporate for the services of licenced Pilots.
3. Make by-laws respecting the management of its internal affairs.
4. Purchase, lease, or otherwise acquire land, buildings, pilot launches and such other equipment and assets as may be required and to dispose of any such assets acquired.

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Corporate Objectives

The Authority's Corporate Objectives are:

1. To provide **safe, reliable and efficient marine pilotage** and related services in the coastal waters of British Columbia, including the Fraser River.
2. To provide the services within a commercially-oriented framework, directed toward maintaining **financial self-sufficiency**, through tariffs which are fair and reasonable.
3. To promote the effective utilization of the Authority's facilities, equipment and expertise, through the productive application of these resources in the interest of safe navigation.
4. To be responsive to the Government's environmental, social and economic policies.

Corporate Values

Management and Board members review the Authority's Corporate Values annually to ensure their continued relevance and applicability. The 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.

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Description of Operations

The Authority is responsible for providing safe, reliable and efficient marine pilotage in the coastal waters of British Columbia, including the Fraser River. The Authority has established five areas subject to compulsory pilotage.

When a vessel intends to enter compulsory pilotage waters on the British Columbia Coast, it will initiate an order for a Pilot at a specified time, date and boarding station. A Pilot either contracted to or employed by the Authority will carry out this assignment. Pilots are boarded on vessels by pilot launch or helicopter and are disembarked in similar fashion when a vessel leaves pilotage waters.

The affairs of the Authority are managed through its head office at Vancouver. Pilots are dispatched to their assignments through a central dispatch office in Vancouver and a traffic coordination office in Victoria.

During 2004, a workforce of 99 contract Pilots (seasonally adjusted) provided coastal pilotage services. Additionally, there are 10 employee Pilots who pilot vessels on the Fraser River. In anticipation of senior Pilot retirements two Fraser River apprentices were started during August 2004.

To provide Pilots with water transportation to and from ships, the Authority operates Pilot launches at three permanent boarding stations. These stations are Victoria, Prince Rupert and Steveston which have employee-crewed launches.

For the eighth consecutive year and during the summer season only, the Authority has established a boarding station at Pine Island (Northern tip of Vancouver Island) operated by a contract launch. This station will complete approximately 300 Pilot transfers during the summer of 2004, of which the majority will be cruise ship traffic. The Cruise Industry is the major user of this station since it allows their vessels a high degree of flexibility with regard to the Alaska cruises.

Additionally, the Authority has a contract with the Nanaimo Port Authority for launch services in the Nanaimo area.

On the West Coast of Vancouver Island at Cape Beale, the Authority operates a boarding station which services the Port Alberni region.

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Launch Stations and Office Facilities

During 2004 a lease covering the Victoria floats and workshop area was renewed for one year with the Greater Victoria Harbour Authority. The Authority will continue to work towards a longer term option which will facilitate long term planning. The Authority has upgraded these floats in past years therefore no major work is needed in the foreseeable future.

The Authority owns the Prince Rupert floats and during 2003 renovated them to accommodate the Pacific Pathfinder's requirements.

The Authority owns the Victoria dispatch office, which has been completely renovated in past years. Beyond regular maintenance and repairs there is no substantial upgrading planned at time of writing.

The Authority relocated to the current Vancouver head office facilities on December 1, 1999. The lease on this facility expires on December 31, 2009.

Pilot Launches

The Authority's fleet consists of five specially designed pilot launches of which three were built in the early 1970's. The Authority is committed to a planned maintenance program, which ensures all service and safety demands are met in a timely, orderly and cost effective fashion. All launches are on a four-year Canada Steamship Inspection (CSI) cycle.

<u>Pilot Launches</u>	<u>Station</u>	<u>Date Built</u>	<u>Size</u>
Pacific Pilot # 1	Steveston	1970	65'
Pacific Pilot # 2	Victoria	1971	65'
Pacific Pilot # 4	Prince Rupert	1973	65'
Pacific Pilot # 6	Victoria	1983	49'
Pacific Pathfinder	Prince Rupert	2003	72'

During 2004 the Authority developed a "Long Term Pilot Launch Strategic Plan" which reviewed operational requirements at both the owned and contracted launch stations. It was acknowledged that each station has a unique set of environmental and operational conditions to contend with. These unique conditions have led the Authority to consider different vessel designs and propulsion systems as part of this plan.

This plan listed the specifics for every boarding station, either Authority operated or contracted. These stations include:

- Victoria
- Steveston
- Nanaimo
- Vancouver Inner Harbour and English Bay
- Pine Island
- Cape Beale
- Triple Island

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The financial and construction recommendations are being considered by the Authority's Board of Directors. General recommendations indicate the Authority should build three new vessels over the next ten years to replace the aging fleet. The first of these vessels will be based in Victoria and would ideally be operational by 2007.

Government Policies

The Authority continues to comply with requirements of the Human Rights Commission, Employment Equity, Official Languages, Multiculturalism, Federal Identity Program, Canadian Environmental Assessment Act and the Access to Information and Privacy Acts.

Sources of Funding - Tariff

In order to finance its activities, the Authority charges users for its services through a tariff. Consistent with pilotage objectives, the tariff is intended to be fair, reasonable and sufficient to allow for a safe and efficient service. The Authority continues to place great emphasis on the open consultation process with Industry, prior to a tariff application being initiated.

Personnel Resources

The Authority has 59 full time employees: 10 Fraser River Pilots, 11 dispatchers, 26 Pilot launch personnel and 12 management and administrative personnel.

The Authority contracts with the British Columbia Coast Pilots Ltd. for coastal pilotage services. Currently, there are 99 (seasonally adjusted) active Pilot members of the BCCP who provide the coastal pilotage services.

The required complement of coastal Pilots is established annually in relation to the projected assignments.

Replacement and Training of Pilots

In order to ensure a highly qualified and skilled Pilot workforce, the Authority places major emphasis upon selection and training of Pilots. The apprenticeship for a coastal Pilot takes place over a period of approximately six and one-half months. This includes attendance at training courses for ship handling, ship simulation and Bridge Resource Management. In some cases where a candidate requires additional training, the Authority will increase the training period up to twelve months.

The Authority reviews training facilities on a regular basis to ensure the funds expended are spent in the most cost effective manner. The latest review, conducted during 2004 has resulted in a change of the manned-model training facilities from Port Revel in France to Ilawa, Poland.

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At present, the cost for training each apprentice is approximately \$80,000, which includes remuneration, travel costs and course fees and is borne entirely by the Authority.

The Authority expects to train and licence four coastal Pilots during the 2005 plan year. With the average age of the coastal Pilots being 54 years at July 2004, the Authority feels that this level of replacement and training will ensure contract Pilot strength remains capable of responding to the projected levels of activity.

Additionally, the Authority is budgeting \$270,000 during each of the plan years to continue funding of the Skills Enhancement Program for senior Pilots. This program's intent is to train twenty percent of the senior Pilots, per annum. Ten Pilots will travel to Ilawa, Poland to enhance their skills in ship handling using manned models, while another 10 Pilots will travel to Dania, Florida to train in a full mission bridge simulator.

The Authority remains concerned with the low activity levels in the West Coast tug and barge sector, which has traditionally provided the bulk of experienced applicants with coast-wide knowledge. To this end, the Authority promotes a Familiarization Program, which is intended to further supplement a candidate's coast wide knowledge. The Authority feels confident that sufficient candidates will be available to meet the projected training levels during the plan period.

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Operating Budget 2005 Commentary

The 2005 Budget is based upon a tariff revision of 3.5 percent effective as of January 1, 2005.

The highlights of the 2005 budget are as follows:

1. The Authority is forecasting a surplus of \$380,000 based upon 10,550 coastal and 1,400 river trips. This surplus includes \$960,000 of launch replacement revenue.
2. The general tariff, launch and transportation rates will increase by 3.5 percent.
3. The BCCP payout ratio (BCCP cost divided by pilotage revenue) is forecast to be 91.2%. The annual increase for the BCCP service agreement is 2.2 percent as per contract.
4. The budget anticipates four coastal apprentice Pilots being licenced during the year and additionally there is \$270,000 budgeted for senior Pilot skills enhancement.
5. Wage increases for the Authority's unionized employees (all contracts expire first quarter 2005) are shown as 2.5 percent, which parallels the current CPI indices. All other costs, such as vessel operating, travel and general administration are forecast at a similar 2.5 percent annual increase.
6. The Authority is forecasting the addition of two Fraser River apprentice Pilots to replace anticipated employee retirements.

The Launch Replacement Program is forecast to continue during the 2005 budget year with a new construction program being started during the second quarter. The funding for this construction program is provided by the launch replacement fee. In anticipation of this construction program starting on May 1, 2005, the fee will be increased to \$130 from the current amount of \$80 per launch boarding.

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Capital Budget 2005 Commentary

The Authority's capitalization limit is \$10,000 per expenditure.

Buildings and Floats

In recent years, both the Victoria and Prince Rupert floats have been upgraded and renovated to ensure their on-going operational condition. There are no major renovations scheduled for the 2005 budget year.

Pilot Launches

The Launch Replacement Program continues in the 2005 budget year with another vessel commencing construction during the second quarter and continuing into the 2006 budget year. The capital costs for this new construction program are reflected in the schedules as 'New Pilot Launch'.

Communication Equipment and Other

This category, covering miscellaneous office equipment and furniture is budgeted at \$20,000. The Authority is also budgeting funds to replace 20 VHF radios for pilots in each of the plan years. Mainly due to age, the current radios cannot be serviced after 2007 so the intent is to phase in new, upgraded radios each year.

Computers and Software

The current dispatching and billing software was installed in the early 1990's with some data base modifications done in 1995. Although very functional and stable, the Authority has started a review of its computer systems with the intent of providing greater support to internet and web based applications.

In anticipation of moving to a PC based platform, the Authority is budgeting \$300,000 to cover software.

Leasehold Improvements

The Authority did minor renovations on its premises during 2004 therefore no other leasehold improvements are forecast for the budget year.

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Statement of Operations

**For the Years Ended December 31,
(000's)**

	ACTUAL 2003	FORECAST 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008	PLAN 2009
INCOME							
Coastal Pilotage	\$30,566	\$30,620	\$31,880	\$32,830	\$33,650	\$34,490	\$35,350
River Pilotage	2,594	2,410	2,520	2,580	2,640	2,710	2,780
Travel	4,781	5,310	5,580	5,750	5,890	6,040	6,190
Launch	5,073	5,240	5,520	5,680	5,820	5,970	6,120
Launch Replacement Fee	634	650	960	980	980	980	980
Interest and Other	112	90	50	50	50	50	50
TOTAL INCOME	43,760	44,320	46,510	47,870	49,030	50,240	51,470
OPERATING EXPENSES							
BCCP Contract	24,594	27,080	27,980	28,730	29,360	30,090	30,840
BCCP Port to Port	1,036	1,110	1,080	1,090	1,100	1,130	1,160
BCCP Callbacks	487	400	0	0	0	0	0
BCCP Apprentice Wages and Training	20	330	400	320	320	320	320
BCCP Senior Pilot Training	360	420	270	270	270	270	270
River Wages, Benefits and Other	2,504	2,350	2,400	2,460	2,520	2,580	2,640
Transportation and Travel	4,372	4,330	4,520	4,650	4,770	4,890	5,010
Launch Wages and Other Operating	4,993	5,070	5,210	5,340	5,470	5,610	5,750
Launch CSI and Major Repairs	169	0	320	530	470	200	450
Launch Amortization	108	150	160	160	300	290	390
TOTAL OPERATING EXPENSES	38,643	41,240	42,340	43,550	44,580	45,380	46,830
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	1,183	1,210	1,250	1,280	1,310	1,340	1,370
Dispatch Salaries and Benefits	1,039	1,070	1,120	1,150	1,180	1,210	1,240
Office Rental, Accom. and Supplies	364	410	400	410	420	430	440
Travel, Training and Miscellaneous	246	240	250	260	270	280	290
Telephone and Communications	78	80	80	80	90	90	90
Board Meetings and Travel	193	180	180	190	190	190	190
Legal, Consulting and Other	90	150	160	160	160	160	160
Interest	51	30	80	150	180	160	140
Computer	110	150	170	170	180	180	180
Computer and Equipment Amortization	50	50	100	150	150	100	100
TOTAL ADMINISTRATIVE	3,404	3,570	3,790	4,000	4,130	4,140	4,200
TOTAL EXPENSES	42,047	44,810	46,130	47,550	48,710	49,520	51,030
NET SURPLUS (DEFICIT) FOR YEAR (Including Launch Replacement Fee)	\$1,713	(\$490)	\$380	\$320	\$320	\$720	\$440

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Balance Sheet

For the Years Ended December 31,
(000's)

	ACTUAL 2003	FORECAST 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008	PLAN 2009
<u>ASSETS:</u>							
CURRENT ASSETS							
Cash	\$3,103	\$1,980	\$2,730	\$2,882	\$3,302	\$3,552	\$3,102
Short Term Investments							
Accounts Receivable	3,597	3,550	3,600	3,300	3,300	3,300	3,300
Prepaid Expenses	67	60	100	100	100	100	100
TOTAL CURRENT ASSETS	6,767	5,590	6,430	6,282	6,702	6,952	6,502
LONG TERM ASSETS							
Long Term Investments	1,271	1,700	1,000	1,000	1,000	1,500	1,000
FIXED ASSETS							
Buildings and Floats	275	275	275	275	275	275	275
Pilot Boats	4,723	4,728	6,628	8,228	8,228	8,228	10,228
Communication and Other	698	698	778	858	938	1,018	1,098
Computers and Software	271	284	584	1,084	1,084	1,084	1,084
Leasehold Improvements	54	97	97	97	107	107	107
TOTAL CAPITAL COST	6,021	6,082	8,362	10,542	10,632	10,712	12,792
Accumulated Amortization	2,407	2,607	2,867	3,177	3,627	4,017	4,507
TOTAL FIXED ASSETS	3,614	3,475	5,495	7,365	7,005	6,695	8,285
TOTAL ASSETS	\$11,652	\$10,765	\$12,925	\$14,647	\$14,707	\$15,147	\$15,787
<u>LIABILITIES:</u>							
CURRENT LIABILITIES							
Accounts Payable	\$2,926	\$2,700	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800
Wages and Withholdings Payable	1,442	1,400	1,400	1,400	1,400	1,400	1,400
TOTAL CURRENT LIABILITIES	4,368	4,100	4,200	4,200	4,200	4,200	4,200
LONG TERM LIABILITIES							
Bank Loan - Pilot Launch	591	338	1,998	3,380	3,100	2,800	2,980
Employee Severance Benefits	996	1,120	1,140	1,160	1,180	1,200	1,220
TOTAL LONG TERM LIABILITIES	1,587	1,458	3,138	4,540	4,280	4,000	4,200
<u>EQUITY OF CANADA</u>							
Contributed Capital	806	806	806	806	806	806	806
Retained Earnings	3,178	4,891	4,401	4,781	5,101	5,421	6,141
Net Surplus (Deficit) For Year	1,713	(490)	380	320	320	720	440
TOTAL EQUITY	5,697	5,207	5,587	5,907	6,227	6,947	7,387
TOTAL LIABILITIES AND EQUITY	\$11,652	\$10,765	\$12,925	\$14,647	\$14,707	\$15,147	\$15,787

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Statement of Cash Flows

**For the Years Ended December 31,
(000's)**

	ACTUAL 2003	FORECAST 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008	PLAN 2009
OPERATING ACTIVITIES:							
Net Surplus (Deficit) for Year	\$1,713	(\$490)	\$380	\$320	\$320	\$720	\$440
ITEMS NOT AFFECTING CASH:							
Amortization of Capital Assets	158	200	260	310	450	390	490
Employee Severance Benefits	55	124	20	20	20	20	20
Net Change in Working Capital Balances	505	(214)	10	300	0	0	0
Cash Generated (Used) by Operating Activities	2,431	(380)	670	950	790	1,130	950
INVESTING ACTIVITIES:							
Acquisition of Capital Assets	(224)	(61)	(2,280)	(2,180)	(90)	(80)	(2,080)
Purchase of Investments	(1,681)	(429)				(500)	
Proceeds on Disposal of Investments	1,136		700				500
	(769)	(490)	(1,580)	(2,180)	(90)	(580)	(1,580)
FINANCING ACTIVITIES:							
Bank Loan for Pilot Launch			1,900	1,600			500
Repayment of Bank Loan	(731)	(253)	(240)	(218)	(280)	(300)	(320)
	(731)	(253)	1,660	1,382	(280)	(300)	180
Increase (Decrease) in Cash	931	(1,123)	750	152	420	250	(450)
Cash, beginning of Year	2,172	3,103	1,980	2,730	2,882	3,302	3,552
Cash, end of Year	\$3,103	\$1,980	\$2,730	\$2,882	\$3,302	\$3,552	\$3,102

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Statement of Capital Expenditures

**For the Years Ended December 31,
(000's)**

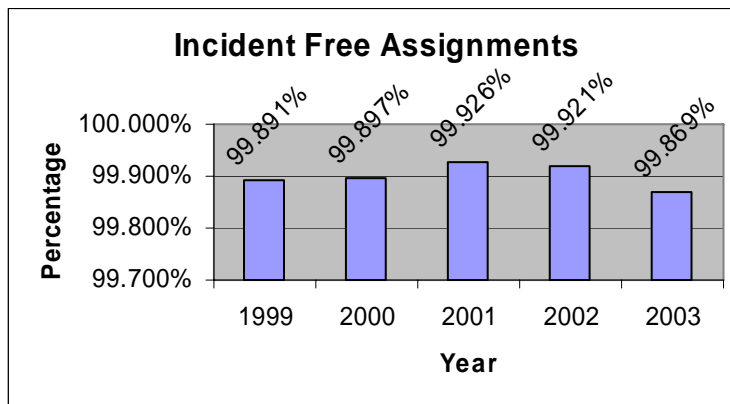
	FORECAST 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008	PLAN 2009
BUILDING AND FLOATS						
Victoria						
Prince Rupert						
PILOT BOATS						
Pacific Pilot #1						
Pacific Pilot #2						
Pacific Pilot #4						
Pacific Pilot #6						
Pacific Pathfinder	5					
New Pilot Launch		1,900	1,600			2,000
COMMUNICATION AND OTHER						
Furniture and Office Equipment						
Communication Equipment		80	80	80	80	80
COMPUTERS AND SOFTWARE						
PC based Dispatch and Billing System		300				
Computer Equipment	13					
Full Mission Bridge Training						
Simulator Partnership - BCIT			500			
LEASEHOLD IMPROVEMENTS						
Vancouver	43			10		
TOTAL CAPITAL EXPENDITURES	\$61	\$2,280	\$2,180	\$90	\$80	\$2,080

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Assignment Analysis and Pilot Productivity

For the Years Ended December 31,

	ACTUAL 2003	FORECAST 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008	PLAN 2009
COASTAL:							
Number of Contract Pilots - BCCP	100	99	100	100	100	100	100
Number of Coastal Assignments	11,393	11,500	11,550	11,600	11,600	11,600	11,600
Average Assignments per Pilot	114	116	116	116	116	116	116
FRASER RIVER:							
Number of Employee Pilots - FRP	9	10	10	10	10	9	9
Number of River Assignments	1,559	1,400	1,400	1,400	1,400	1,400	1,400
Average Assignments per Pilot	173	140	140	140	140	156	156
SAFETY:							
Incident Free Assignments	99.869%						



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Human Resources

For the Years Ended December 31,

	Actual 2003	Forecast 2004	Plan 2005	Plan 2006	Plan 2007	Plan 2008	Plan 2009
Executive	1	1	1	1	1	1	1
Administrative	11	11	11	11	11	11	11
Employee Pilots (FRP)	9	10	10	10	10	9	9
Dispatchers	11	11	11	11	11	11	11
Pilot Launch Crews	26	26	26	26	26	26	26
Total Full Time Equivalent	58	59	59	59	59	58	58
Contract Pilots (BCCP) (Seasonally Adjusted)	100	99	100	100	100	100	100
Total Resources	158	158	159	159	159	158	158