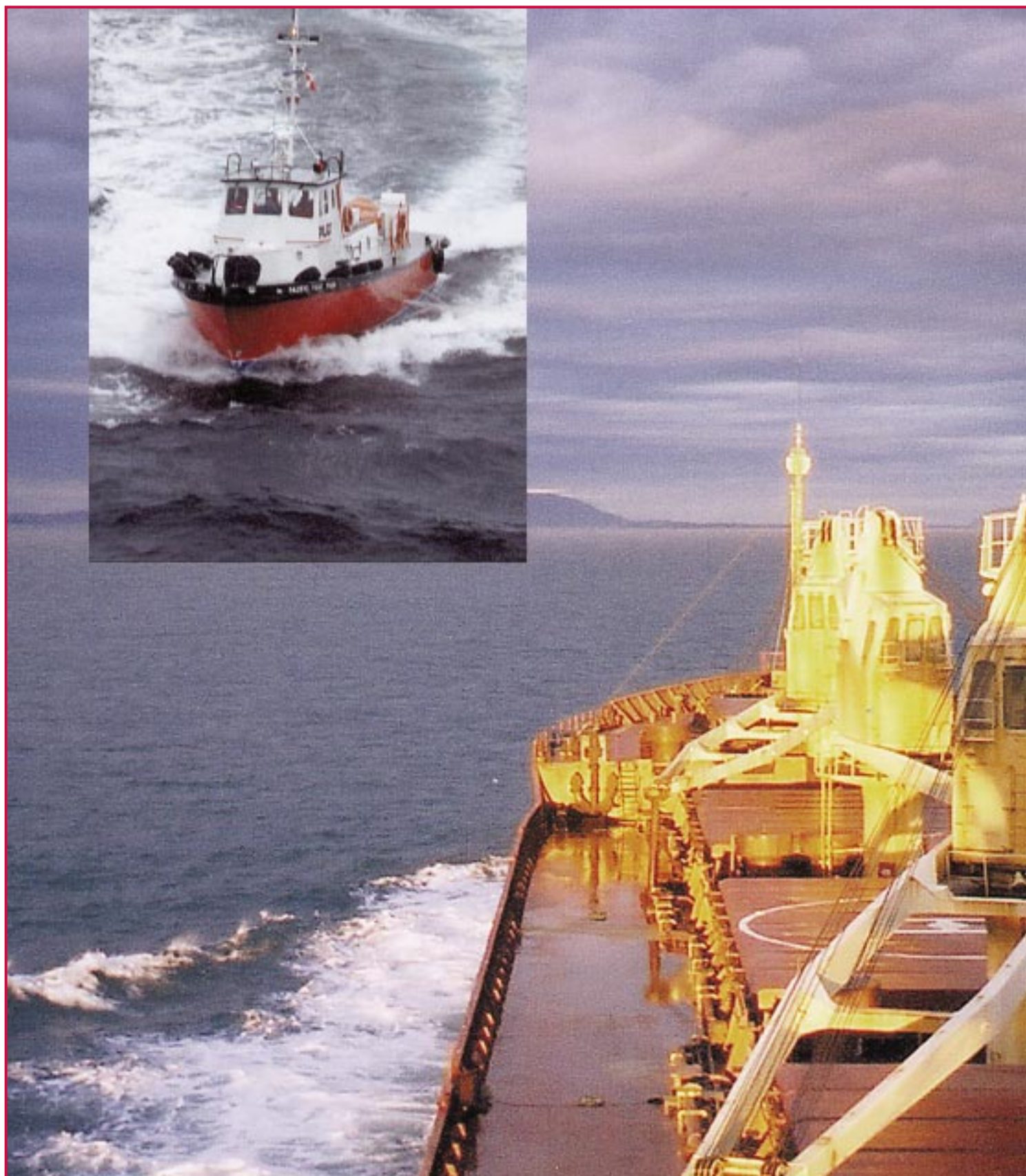




Pacific Pilotage Authority Canada
ANNUAL REPORT 2000



PACIFIC PILOTAGE AUTHORITY

Members of the Authority

*Chairman**

MR. MAURICE FELLIS

*Member**

MR. R.G. BARLOW

President & C.E.O.

Colley West Shipping Ltd.

Member

LORRAINE CUNNINGHAM

President

Cunningham Group

*Member**

MR. A.D. GRIMSTON

*Member**

MRS. H. ANNE LIPPERT

Vice President

Lippert Investments Ltd.

Member

CAPTAIN J.S. McCLUGHAN

Marine Pilot

Member

CAPTAIN J.M. UNWIN

Marine Pilot

Officers

President & C.E.O.

MR. D.B. McLENNAN

Controller

MR. B.D. CHADWICK

Director of Marine Operations

CAPTAIN K.G. OBERMEYER

** Denotes member of Audit Committee*

OFFICES

Head Office

1000 - 1130 West Pender Street

Vancouver, British Columbia

V6E 4A4

TELEPHONE: (604) 666-6771

FAX: (604) 666-6093 Dispatch

FAX: (604) 666-1647 Administration

Email: admins@ppa.gc.ca

Dispatch Offices

1000 - 1130 West Pender Street

Vancouver, British Columbia

V6E 4A4

211 Dallas Road

Victoria, British Columbia

V8V 1A1

Pilot Boarding Stations

Sandheads, off STEVESTON

Brotchie Ledge, off VICTORIA

Cape Beale, off PORT ALBERNI

Triple Island, off PRINCE RUPERT

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

The Authority's 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.

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S REPORT

February 16, 2001

The Honourable David Collenette, P.C., M.P.
Minister of Transport
Tower C, 29th Floor
Place de Ville
Ottawa, Ontario
K1A 0N5

Dear Sir:

I am pleased to submit the annual report of the Pacific Pilotage Authority for the year ended December 31, 2000.

The principal mandate of the Authority is to provide safe, reliable and efficient pilotage service on the West Coast. By completing 99.897 percent of the 14,585 dispatched assignments without incident, we believe we have fulfilled this mandate.

Our Senior Pilot Skills Enhancement Program continued in 2000 with twenty senior coastal pilots undertaking simulator training. Fraser River Pilots also undertook model training in Port Revel. Additionally, seven apprentice coastal pilots and one apprentice Fraser River Pilot were successful in receiving their licences in 2000.

In the past two years the Authority achieved a greater than anticipated surplus. As a result, the deficit incurred for the year 2000 of \$418,000 was funded from this previous surplus.

In 2000, the Authority undertook a Pilot Launch Replacement Program to replace our aging pilot launches. It is anticipated that the Authority will replace two pilot launches in the next two years.

In accordance with the recommendations of the Canadian Transportation Agency a summary of the outstanding pilotage issues forms a part of this annual report.

The Board of Directors of the Authority continue to implement and monitor our strategic planning process to ensure that the established mandate, corporate objectives and values are achieved.

I would like to thank the Chair, the Board of Directors, and the management and employees of the Authority for their contribution and dedication throughout the year.

Sincerely,



Dennis B. McLennan
President and Chief Executive Officer

MANAGEMENT REPORT

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The Authority's management is responsible for the integrity and objectivity of the data in these financial statements along with the supporting information contained in the annual report. Management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors of the Authority is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through an Audit Committee which meets regularly with management.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Authority and for issuing his report thereon.



K.G. Obermeyer
Director of Marine Operations



B.D. Chadwick
Controller

January 31, 2001

AUDITOR'S REPORT



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister of Transport

I have audited the balance sheet of the Pacific Pilotage Authority as at December 31, 2000 and the statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

A handwritten signature in red ink, appearing to read 'Ron Thompson'.

Ronald C. Thompson, CA
*Assistant Auditor General
for the Auditor General of Canada*

Ottawa, Canada
January 31, 2001

PACIFIC PILOTAGE AUTHORITY

Balance Sheet

as at December 31, 2000
(in thousands of dollars)

ASSETS	2000	1999
Current		
Cash	\$ 1,992	\$ 1,878
Short-term investment (Note 4)	937	968
Accounts receivable	3,164	3,700
Prepaid expenses	92	72
	6,185	6,618
Long-term		
Long-term investments (Note 5)	1,602	1,500
Capital assets (Note 6)	621	556
	2,223	2,056
	\$ 8,408	\$ 8,674
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,590	\$ 3,503
Long-term		
Employee termination benefits	895	830
	\$ 4,485	\$ 4,333
Commitments (Note 7)		
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	3,117	3,535
	3,923	4,341
	\$ 8,408	\$ 8,674

The accompanying notes are an integral part of these financial statements.

Approved by the Authority:


Member


Member

PACIFIC PILOTAGE AUTHORITY

Statement of Operations
for the year ended December 31, 2000
(in thousands of dollars)

	2000	1999
Revenues		
Pilotage charges	\$ 41,487	\$ 38,911
Interest and other income	215	195
	41,702	39,106
Expenses		
Contract pilots' fees	28,096	25,935
Transportation and travel	4,627	4,400
Operating costs of pilot boats	4,579	4,265
Staff salaries and benefits	1,969	1,817
Pilots' salaries and benefits	1,657	1,228
Professional and special services	406	263
Computer services	182	236
Utilities, materials and supplies	163	139
Rentals	162	215
Amortization	140	170
Repairs and maintenance	74	44
Communications	65	69
	42,120	38,781
Net income (deficit) for the year	\$ (418)	\$ 325

The accompanying notes are an integral part of these financial statements.

PACIFIC PILOTAGE AUTHORITY

Statement of Retained Earnings

for the year ended December 31, 2000

(in thousands of dollars)

	2000	1999
Balance at beginning of the year	3,535	3,210
Net income (deficit) for the year	(418)	325
Balance at end of the year	\$ 3,117	\$ 3,535

The accompanying notes are an integral part of these financial statements.

PACIFIC PILOTAGE AUTHORITY

Statement of Cash Flows
for the year ended December 31, 2000
(in thousands of dollars)

	2000	1999
Operating activities		
Net income (deficit) for the year	\$ (418)	\$ 325
Items not affecting cash:		
Amortization of capital assets	140	170
Employee termination benefits	65	77
Loss on disposal of fixed assets	3	6
Net change in working capital balances excluding cash	603	(236)
	393	342
Investing activities		
Acquisition of capital assets	(208)	(217)
Purchase of investments	(220)	(2,470)
Proceeds on disposal of investments	149	2,001
	(279)	(686)
Increase in cash	114	(344)
Cash , beginning of year	1,878	2,222
Cash, end of year	\$ 1,992	\$ 1,878

The accompanying notes are an integral part of these financial statements.

PACIFIC PILOTAGE AUTHORITY

Notes to Financial Statements

December 31, 2000

1. Authority and objectives

The Pacific Pilotage Authority was established in 1972 pursuant to the *Pilotage Act*. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Coastal pilotage services are provided by the British Columbia Coast Pilots Ltd. under an agreement for services. Pilotage services on the Fraser River are provided by employee pilots.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to any income taxes.

2. Significant accounting policies

Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings		20 years
Pilot boats		25 years
Equipment	- communication and other	10 years
	- computer	3 years
Leasehold improvements		10 years

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is estimated and recorded in the accounts as the benefits accrue to the employees.

Contributed capital

Amounts representing the values assigned to capital assets transferred from Canada in 1972 and the cost of property and equipment financed from previous parliamentary appropriations are shown as contributed capital.

PACIFIC PILOTAGE AUTHORITY

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. The Authority contributes \$2.14 for every dollar contributed by the employee. If an employee's annual salary is greater than \$99,300, the portion of the employee's annual salary above \$99,300 is subject to an employer contribution of \$11.93 for every dollar contributed by the employee. The Authority's contributions amounted to \$467,889 (1999 - \$244,213). These contributions represent the total pension obligation of the Authority and are recognized in the accounts on a current basis. Employee contributions to the plan were \$212,106 (1999 - \$221,580).

Investments

The carrying value of the investments, consisting of bonds, is cost, net of amortization of premiums/discounts on purchase. Fair market value is the stated market value at year-end.

3. Financial instruments

The Authority invests its funds with a Canadian chartered bank, Government of Canada guaranteed instruments and a mortgage-backed security.

Due to the short term nature of accounts receivable, accounts payable and accrued liabilities, their fair value approximates book value.

There is no concentration of accounts receivable with any one customer, and accordingly there is no significant credit risk.

4. Short-term investments

The Authority's short-term investments as at December 31, 2000 of \$937,000 (1999 - 968,000) is comprised of a Peoples Trust mortgage-backed security (yield 5.58%) which matures September 1,2001. The fair market value of the investment as at December 31, 2000 approximates the carrying value.

5. Long-term investments

	2000		1999	
	Carrying Value	Market Value	Carrying Value	Market Value
	(in thousands of dollars)		(in thousands of dollars)	
Federal Bonds	\$ 1,484	\$ 1,508	\$ 1,500	\$ 1,511
Canada Mortgage and Housing Corporation Bond	118	119	—	—
	\$ 1,602	\$ 1,627	\$ 1,500	\$ 1,511

The long-term investments will mature over the next five years. Fluctuations in interest rates can impact the market value of these investments.

PACIFIC PILOTAGE AUTHORITY

6. Capital assets

	2000			1999		
	Cost	Accumulated amortization <small>(in thousands of dollars)</small>	Net	Cost	Accumulated amortization <small>(in thousands of dollars)</small>	Net
Buildings	\$ 149	\$ 85	\$ 64	\$ 149	\$ 79	\$ 70
Pilot boats	1,490	1,169	321	1,306	1,151	155
Equipment						
- communication and other	698	553	145	704	498	206
- computers	261	201	60	373	283	90
Leasehold improvements	39	8	31	39	4	35
	\$ 2,637	\$ 2,016	\$621	\$ 2,571	\$ 2,015	\$556

7. Commitments

The Authority has a long-term operating lease obligation for office accommodation of \$66,000 per annum to December 31, 2004 and \$76,000 per annum to December 31, 2009. The obligation also calls for payment of a pro-rata share of annual operating costs, estimated at \$38,000 for 2001.

The Authority has a vehicle lease obligation of \$8,000 per annum to December 14, 2002.

8. Comparative figures

Certain comparative figures for 1999 have been reclassified to conform with 2000 presentation.

PACIFIC PILOTAGE AUTHORITY

Historical Financial Summary

(in thousands of dollars)

	1996	1997	1998	1999	2000
REVENUES					
Pilotage	\$ 35,967	\$ 39,702	\$ 37,277	\$ 38,911	\$ 41,487
Interest & other	72	100	164	195	215
	36,039	39,802	37,441	39,106	41,702
EXPENSES					
	35,859	38,519	37,056	38,781	42,120
NET INCOME (DEFICIT)	\$ 180	\$ 1,283	\$ 385	\$ 325	\$ (418)
FINANCIAL POSITION					
Current assets	\$ 5,183	6,560	6,231	6,618	6,185
Current liabilities	2,821	2,877	2,977	3,503	3,590
Working capital	\$ 2,362	\$ 3,683	\$ 3,254	\$ 3,115	\$ 2,595
Capital assets less accumulated amortization	\$ 642	\$ 614	\$ 515	\$ 556	\$ 621

Historical Operating Summary

	1996	1997	1998	1999	2000
AVERAGE NO. OF PILOTS					
Coastal	112	110	110	107	104
Fraser River	7	7	7	7	8
NO. OF ASSIGNMENTS					
Coastal	12,713	13,278	12,232	12,590	13,256
Fraser River	690	934	1,035	1,186	1,329
SAFETY					
Assignments free of incidents	99.858%	99.775%	99.857%	99.891%	99.897

MINISTERIAL REVIEW OF OUTSTANDING PILOTAGE ISSUES

RECOMMENDATION	YEAR 2000 RESULTS														
<p>Panel Recommendation #1 <i>Adoption of a risk based methodology to be used for the designation or reassessment of compulsory pilotage areas.</i></p>	<ul style="list-style-type: none"> ■ The Department of Transport was tasked with forming a steering committee comprised of representatives from the four authorities to develop a risk-based assessment methodology. ■ Pilotage Authority CEO's attended a number of meetings in Ottawa prior to the first draft of the Pilotage Risk Management Methodology (PRMM) being produced. ■ A methodology based on the Q850 process was finalized in the third quarter of 2000. ■ Training in the PRMM process took place November 14th and 15th, 2000 and included representatives from the Pacific Pilotage Authority, the British Columbia Coast Pilots Ltd., the Fraser River Pilots Association and the Chamber of Shipping of British Columbia. 														
<p>Panel Recommendation #6 <i>PPA to report upon changes to the 8-hour 105-mile regulation.</i></p>	<ul style="list-style-type: none"> ■ A number of suggestions and alternatives were presented and discussed at the Safety and Operational Review Committee (SORC) quarterly meetings. ■ As the 105-mile, 8-hour rule is embedded in the contract with the British Columbia Coast Pilots nothing was finalized until contract negotiations commenced in November 2000. ■ This issue was discussed on a number of occasions through negotiation and mediation. The Authority ultimately withdrew the proposals pending an amendment to the Pacific Pilotage Regulations. Once the regulations have been amended the Authority will renegotiate the agreed to changes with industry and the British Columbia Coast Pilots. 														
<p>Panel Recommendation #8 <i>PPA to report on the pool of qualified pilot candidates in their annual reports.</i></p>	<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="padding-left: 20px;">■ Number of Licenced Pilots:</td> <td style="text-align: right;">108</td> </tr> <tr> <td style="padding-left: 20px;">■ Attrition (average)</td> <td style="text-align: right;">5</td> </tr> <tr> <td style="padding-left: 20px;">■ Number of prospective pilots on the eligibility list</td> <td style="text-align: right;">6</td> </tr> <tr> <td style="padding-left: 20px;">■ Number of applications for the year 2000 exam</td> <td style="text-align: right;">32</td> </tr> <tr> <td style="padding-left: 20px;">■ Number of candidates presently on the Familiarization Program</td> <td style="text-align: right;">20</td> </tr> <tr> <td style="padding-left: 20px;">■ Total present pool (sum three area above)</td> <td style="text-align: right;">58</td> </tr> <tr> <td style="padding-left: 20px;">■ Years of available candidates (58/5)</td> <td style="text-align: right;">11</td> </tr> </tbody> </table>	■ Number of Licenced Pilots:	108	■ Attrition (average)	5	■ Number of prospective pilots on the eligibility list	6	■ Number of applications for the year 2000 exam	32	■ Number of candidates presently on the Familiarization Program	20	■ Total present pool (sum three area above)	58	■ Years of available candidates (58/5)	11
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■ Years of available candidates (58/5)	11														
<p>Panel Recommendation #9 <i>Development and implementation of a system for the regular assessment of a pilot's competence and quality of service.</i></p>	<ul style="list-style-type: none"> ■ This issue was discussed locally at the quarterly Pilot Training and Examination Committee (PTEC) meetings. Significant progress in ensuring pilot currency was made by introducing a system of Familiarization Trips (ride-alongs) for any pilot wishing to review an area that they have not entered for some time. ■ On a national level, the Authority CEO's are actively engaged in working with the Canadian Marine Pilots Association in order to address the issue of pilot's continued competence and quality of service. 														

MINISTERIAL REVIEW OF OUTSTANDING PILOTAGE ISSUES

RECOMMENDATION	YEAR 2000 RESULTS
<p>Panel Recommendation #16 <i>The Authority in partnership with pilots and interested parties, to examine all aspects of its operations on an ongoing basis, and report the specific steps that have been taken to achieve the goal of improved efficiencies and further cost reductions.</i></p> <p><i>Panel further recommends that the PPA report on the outcome of its review of Pilotage operations for the Fraser River with a schedule for implementing the selected option.</i></p>	<ul style="list-style-type: none"> ■ Sandheads pilot boat fee reduced from \$1,100 to \$900 in 2000. ■ Cape Beale boarding station fee lowered from \$4,800 to \$4,000. ■ Prince Rupert Dispatch office was closed on December 31st 1999 resulting in annual savings of \$75,000. ■ Fraser River unit charge reduced by 9.9%. ■ The Vancouver head office was relocated on December 31, 1999 resulting in annual savings of approximately \$30,000. <ul style="list-style-type: none"> ■ After consultation it was decided the present system would remain in place. ■ The unit charge and pilot boat fee for the Fraser River was reduced by 10%.
<p>Panel Recommendation #18 <i>Calls for regular consultations with interested parties on financial, operational and planning issues that affect such parties.</i></p>	<ul style="list-style-type: none"> ■ Quarterly meetings of the Safety and Operational Review Committee held with representation from the industry, pilots and public in order to discuss safety and operational concerns in an open forum. ■ Regular consultation with industry through the Chamber of Shipping BC on issues affecting the industry. ■ The Pacific Pilotage Authority Board of Directors continues it's program of direct consultation with the British Columbia Ports Board of Directors.
<p>Panel Recommendation #19 <i>The Authority, pilots and shipping industry are to establish a system for the early release of practical information with respect to safety incidents.</i></p>	<ul style="list-style-type: none"> ■ A draft policy dealing with the communication of practical safety information following an incident was agreed to by the Safety and Operational Review Committee (SORC) in the first quarter and passed to the interested parties for comment. ■ The policy was accepted with minor changes and is now formalized.
<p>Panel Recommendation #20 <i>Establish a structural methodology for handling complaints that ensures timely feedback is provided to the complainant regarding the outcome or action taken.</i></p>	<ul style="list-style-type: none"> ■ A draft policy was agreed to by the Safety and Operational Review Committee (SORC) and was sent to industry for comment. ■ Upon agreement from Industry the policy was accepted as the official process for handling complaints and was implemented in the second quarter of 2000. ■ Since the introduction of the process we have received 23 complaints regarding operations, 15 invoice disputes and 4 letters of appreciation.