



Pacific Pilotage Authority Annual Report 2002



PACIFIC PILOTAGE AUTHORITY

*Front Cover Photo: Pacific Pilot VI welcomes the Pacific Pathfinder to the fleet on January 18, 2003.
Photo courtesy of Pat Van Den Bosch.*



Members of the Authority from left to right, Mrs. Lorraine Cunningham, Mr. R. G. Barlow, Mr. Kim T. Christensen, Mrs. H. Anne Lippert, Mr. Maurice Fellis (Chairman), Captain A. A. Flotre, Captain J.J. Davies, Mr. D. B. McLennan (President and C.E.O.)



Management of the Authority from left to right, Michael McGuire, Diane Street, Kevin Obermeyer, Dennis McLennan, Bruce Chadwick, Pat Van Den Bosch, David Avey

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

MR. KIM T. CHRISTENSEN

*Member**

MRS. LORRAINE CUNNINGHAM

President

Cunningham Group

Member

CAPTAIN J.J. DAVIES

Marine Pilot

Member

CAPTAIN A. A. FLOTRE

Marine Pilot

*Member**

MRS. H. ANNE LIPPERT

Vice President

Lippert Investments Ltd.

Officers

President & C.E.O.

MR. D.B. McLENNAN

Controller

MR. B.D. CHADWICK

Vice President, Marine Operations

CAPTAIN K.G. OBERMEYER

** Denotes member of Audit Committee*

OFFICES

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Web Site

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Pilot Boarding Stations

Sandheads, off STEVESTON

Brotchie Ledge, off VICTORIA

Cape Beale, off PORT ALBERNI

Triple Island, off PRINCE RUPERT

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.



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.

February 10, 2003

Honourable David M. 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, 2002.

The principal mandate of the Authority to provide safe, reliable and efficient pilotage was fulfilled. The Authority completed 12,655 assignments, with only ten minor incidents, resulting in a success ratio of 99.921% completed without incident. The Senior Pilot Training Program continued with ship models and simulator training.

The financial position of the Authority continued to be affected by the downturn in the economy. However, by working in close cooperation with the Chamber of Shipping of British Columbia, the pilots and industry, efficiencies were implemented that provided a \$622,000 surplus.

The Pilot Launch Replacement Program is progressing well with the new launch scheduled to be in service in Prince Rupert in 2003. The Public Awareness Program continues to be successful with the stakeholders' issues addressed through the Authority's enhanced communication process. A united position was presented to the Canada Marine Act Review Panel reflecting support of the pilotage system on the West Coast.

I would like to thank the Chairman, the Board of Directors and the employees for their contribution and dedication to the Authority.

Sincerely,



Dennis B. McLennan

President and Chief Executive Officer

Traffic

During the year of 2002 coastal assignments declined by seven percent which represents 843 assignments when compared to the prior year. As a reminder, 2001 assignments declined by nine percent resulting in a two year cumulative decline, 2000 to 2002, of 2,062 assignments. West Coast shipments are generally resource based so this level of decline is in line with commodity tonnage levels.

The Authority categorizes its assignments into four key areas:

- Port of Vancouver
- Vancouver Island
- Northern
- Fraser River

The Port of Vancouver, which includes Roberts Bank and Deltaport, is the largest traffic centre representing sixty-five percent of all coastal assignments performed by the Authority. Even though this port's total tonnage levels in 2002 were comparable to the prior year, fluctuations in commodity sectors resulted in 1,020 fewer pilotage assignments during 2002. The severest decline was experienced in the grain sector which saw pilotage assignments drop from 1,980 in 2001 to 1,050 in 2002. This decrease was attributable to two key factors, severe drought conditions in the Prairies resulting in lower tonnages available for shipment and a labor disruption. Coal tonnages through this port dropped by fifteen percent which resulted in 300 fewer pilotage assignments. These decreases were partly offset by increased container traffic which provided 140 more pilotage assignments during 2002. The cruise sector, although increasing in passenger count remained fairly comparable in pilotage assignments mainly due to the larger size of vessels calling.

Annual Pilotage Assignments

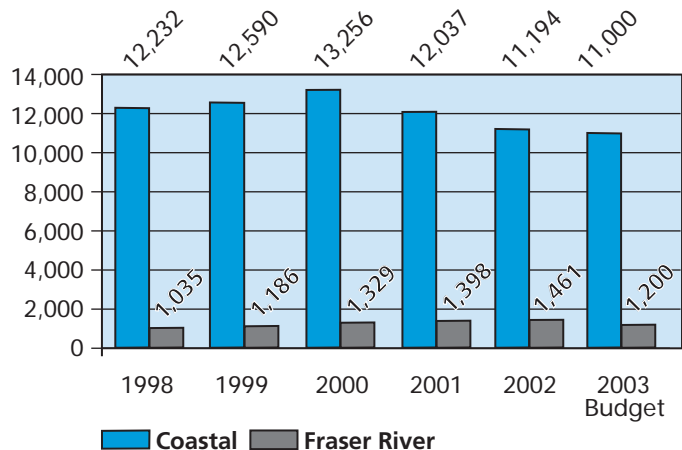
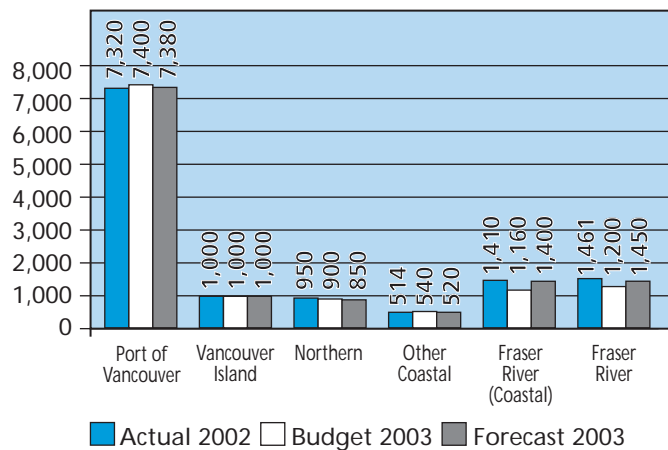


Photo courtesy of Dave Roels

Vancouver Island has traditionally been linked to the Forest Industry so when this sector started to decline the pilotage assignments followed. Some of the Island ports have experienced permanent mill closures, such as Gold River and Tahsis. Other ports like Alberni and Nanaimo have experienced tonnage decreases. Over the last few years this area has stabilized at approximately nine to ten percent of all coastal assignments. During 2002 the pilotage assignments increased by 30 mainly due to increased cruise ship calls to Victoria.

Annual Assignments by Area



The Northern area which includes Prince Rupert, Kitimat and Stewart, accounts for eight percent of all coastal assignments. This area is traditionally resource dependant so it has experienced declining traffic levels over the last few years. Rupert saw a slight increase during the year of 2002 to 410 assignments mainly due to increased grain shipments resulting from a labor dispute in Vancouver. Kitimat traffic dropped slightly during 2002 to 460 assignments while Stewart increased slightly to 80 assignments.

During 2002 the Fraser River surpassed the record set in the prior year. Since the river requires the services of both a coastal and a river pilot this traffic accounted for 1,410 assignments representing thirteen percent of the Authority's coastal traffic. In addition, eight employee pilots performed 1,461 assignments within this area setting another record. These strong traffic levels are mainly due to increased calls by container and car ships utilizing the river facilities.

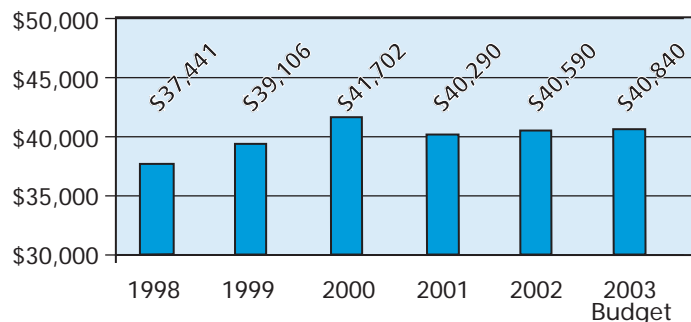
The Authority conducts an annual forecasting exercise where traffic is broken down not only by area, but by port and terminal as well. This allows the Authority to project traffic trends by commodity and sector after talking to customers, ports and terminal operators. On a quarterly basis the forecast is revised noting any developing trends that will have a significant impact on the annual pilotage assignments. This information is shared with Industry, at their request.

The graph shows the 2003 traffic forecast by area. Coastal traffic levels for 2003 are forecast to be 11,150 which are very comparable to the 11,194 actual assignments of 2002. Fraser River assignments are forecast at 1,450 for 2003 which is comparable to the 1,461 actual assignments of 2002.

Financial Results

Annual revenues for 2002 totaled \$40.6 million leading to a surplus of \$622,000. Included in the revenue for the year was \$619,000 of launch replacement fees which is an \$80.00 charge per boarding that is intended to finance the new launch construction program.

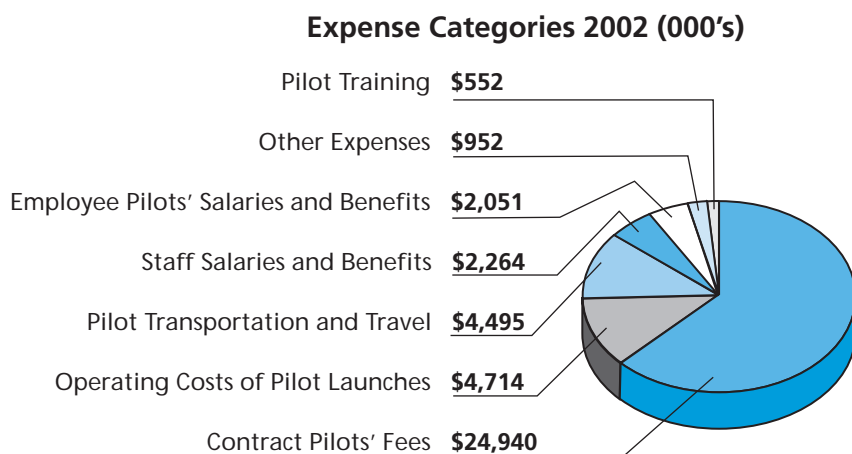
Annual Revenues (000's)



Annual expenses for 2002 totaled \$40.0 million and included \$552,000 in pilot training.

Senior pilot training carried forward with eighteen pilots receiving manned model instruction at Port Revel, France. In addition, training on Azipod propulsion systems continued from the prior year as twenty-seven pilots received simulator training at Star Centre, Florida. Radio training as per Transport Canada regulations, was mandatory for all pilots during the year. The Authority feels that the outcome of this training is reflected in 99.921% of assignments undertaken during the year without incident.

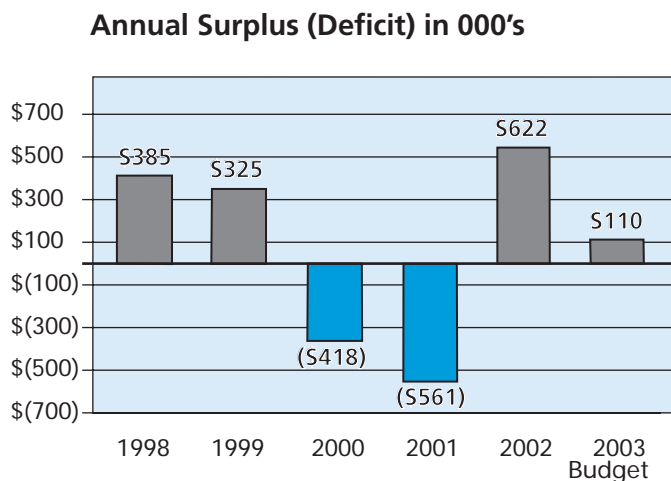
The chart below shows the Authority's major categories of expenses for 2002.



During the year of 2001 the Authority applied for a twenty-seven month tariff continuing through to December 31, 2003. This adjustment had the full support of Industry and was in two stages. The first stage adjusted tariff rates by 4.5% for the period of October 1, 2001 to December 31, 2002. The second stage covers the period of January 1, 2003 to December 31, 2003 and provides for an adjustment of 4.5%.

The 2003 budget shows a surplus of \$110,000 for the year based upon 11,000 coastal and 1,200 river assignments. Since inception in 1972, the Authority has been financially self-sufficient and has structured its finances in order to maintain this position.

This graph shows the annual surplus and deficits by year. As the reader can note, these outcomes represent one to two percent of annual revenues each year. The Authority's strategy has been to budget and propose tariff adjustments that will maintain small surpluses per year. The downside to annual surpluses in this range is that the Authority is susceptible to major traffic swings and other unforeseen costs beyond their control.



Pilot Launch Construction

The *Pacific Pathfinder* was launched on January 18, 2003 at a local shipyard in Victoria. This vessel's aluminum hull construction along with strict weight monitoring during the construction period should result in service speeds approaching 26 knots. The vessel is twenty-two metres in length and fitted with state of the art engines and a water jet propulsion system.



Photo courtesy of Pat Van Den Bosch

The launch is scheduled to go into service at Prince Rupert during May 2003 to service the Triple Island boarding station. Since this is the first launch of this size to be built by the Authority in over thirty years there will be a careful evaluation of all operational and performance aspects once she enters service. Only after this evaluation is complete will plans for another launch be formulated and discussed with Industry.

Operational Accomplishments during the Year

- One Fraser River apprentice was licenced during the year.
- The Authority's management team continued the agency visitation program during 2002 meeting with ten agencies. These bi-annual visits are intended to further enhance ongoing communication with Industry.
- The seasonal boarding station at Pine Island was continued for the sixth season with 286 (240 during 2001) vessels serviced at this station during the year.
- Senior pilot training continued at Port Revel with eighteen pilots receiving manned model instruction. In addition, twenty-seven pilots received simulator training at Star Centre. The intent of this program is to ensure all pilots received either manned model or simulator training at least once, every five years.
- All Coastal and River pilots along with the Authority's launchmasters completed a two day GMDSS (radio) course.
- The first Pilotage Risk Management Methodology (PRMM) was successfully completed during 2002. This PRMM examined the eight hour, 105-mile regulation.

Canada Marine Act Review

The Authority submitted a position paper to the panelists at the hearing held in Vancouver during November 2002. The Authority's paper spoke to the need to keep the current board structure of two pilots, two Industry representatives and two public members along with a part time Chairman. This is a model that has proven itself and continues to work very well on the West Coast and there is no compelling reason to change it.

Ministerial Review of Outstanding Pilotage Issues

Panel Recommendation #1

Adoption of a risk based methodology to be used for the designation or re-assessment of compulsory pilotage areas.

- The Q850 Risk Management Methodology was adapted by Transport Canada and accepted by the Pilotage Authorities as the risk based methodology for the Pilotage Risk Management process.
- The Pilotage Risk Management Methodology (PRMM) process and training of project leaders and facilitators was completed in July 2001.
- The first PRMM study in the Pacific Pilotage Region was to review the 105-mile rule. To this end a consultant was hired in September 2001, and he presented his report to the stakeholders during February 2002.
- Status - completed.

Panel Recommendation #6

Pacific Pilotage Authority to report upon changes to the 8 hour, 105-mile regulation.

- A Pilotage Risk Management Methodology (PRMM) study was conducted on the 8 hour, 105 mile regulation starting September 2001. The final report was presented during February 2002.
- The Board of Directors of the Authority published their decision in May 2002. In this case there was no change to the 8 hour, 105-mile regulation. All evidence presented and reviewed by the risk committee supported the decision of the Board.
- Status - completed.



Photos courtesy of Pat Van Den Bosch

Panel Recommendation #8

Pacific Pilotage Authority to report on the pool of qualified pilot candidates in their annual reports.

- At December 31, 2002 there are eight candidates on the eligibility list who have passed the pilots exam and are waiting to commence the apprenticeship program.
- In addition, there were twenty-eight applications for the coast pilot's exam scheduled for February 2003.
- There are fifteen candidates on the two-year familiarization program.
- Based upon an average attrition rate of five pilots per annum the Authority presently has a ten year supply of candidates.
- Status – reported annually.

Panel Recommendation #9

Development and implementation of a system for the regular assessment of a pilot's competence and quality of service.

- The Pilotage Authorities, the Canadian Merchant Service Guild and the Canadian Marine Pilots Association agreed to a national format in September 2001.
- The new format will serve to identify gaps in a pilot's training and currency and is reviewed by the Pilot Training and Examination Committee (PTEC) on an annual basis.
- A complete audit of all licenced pilots was conducted during May 2002 in order to evaluate the present pilot currency in each area.
- Status – ongoing.

Panel Recommendation #16

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.

- During the year, the Authority met and consulted with ten shipping agencies, the British Columbia Coastal Pilots Ltd., the Chamber of Shipping of British Columbia and the North West Cruiseship Association. As a result of these meetings the following initiatives were implemented:
 - A new launch contractor was approved for the Pine Island boarding station. This allowed the station to maintain the operational efficiencies enjoyed by our customers.
 - The Authority finalized bank loans relating to the construction costs of the new launch. The structure of these loans will allow the Authority to apply any surplus funds generated to the variable portion without penalty, thus reducing the annual interest expense.
 - A review of remote locations within the areas that the Authority services were undertaken during the year. The results from this review, with a view to avoiding cross-subsidization, were presented to Industry for further discussion.
 - Concerns regarding the Haro Strait traffic lanes were resolved with all parties concerned through ongoing consultation during the year.
 - Mainly due to the decreased traffic levels through the Triple Island boarding station, the seasonal launch crew was not taken on to full time status during 2002.

Panel Recommendation #18

Calls for regular consultations with interested parties on financial, operational and planning issues that affect such parties.

- The Authority continued its attempts to adopt a pro-active stance with regard to meeting with interested parties during 2002.
- Prior to the 2002 cruise season the Authority conducted extensive discussions with Industry in order to establish a fair and reasonable tariff at the Pine Island station.
- The Authority is an associate member of the Chamber of Shipping of British Columbia (CSBC) and attends the monthly Navigation and Pilotage committee meetings.
- In addition the Authority meets with representatives of the Chamber of Shipping of British Columbia to discuss financial and other related issues.
- The Authority continues as an active member of Western Transportation Advisory Council (WESTAC) and the Northwest Corridor Development Corporation (NCDC).
- The Board of the Authority continues to visit and meet regularly with the major ports that the Authority services.



Photo: courtesy of Dave Roels

STATEMENT OF MANAGEMENT RESPONSIBILITY

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 and the independent auditor.

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



K.G. Obermeyer
Vice President, Marine Operations
January 31, 2003



B.D. Chadwick
Controller

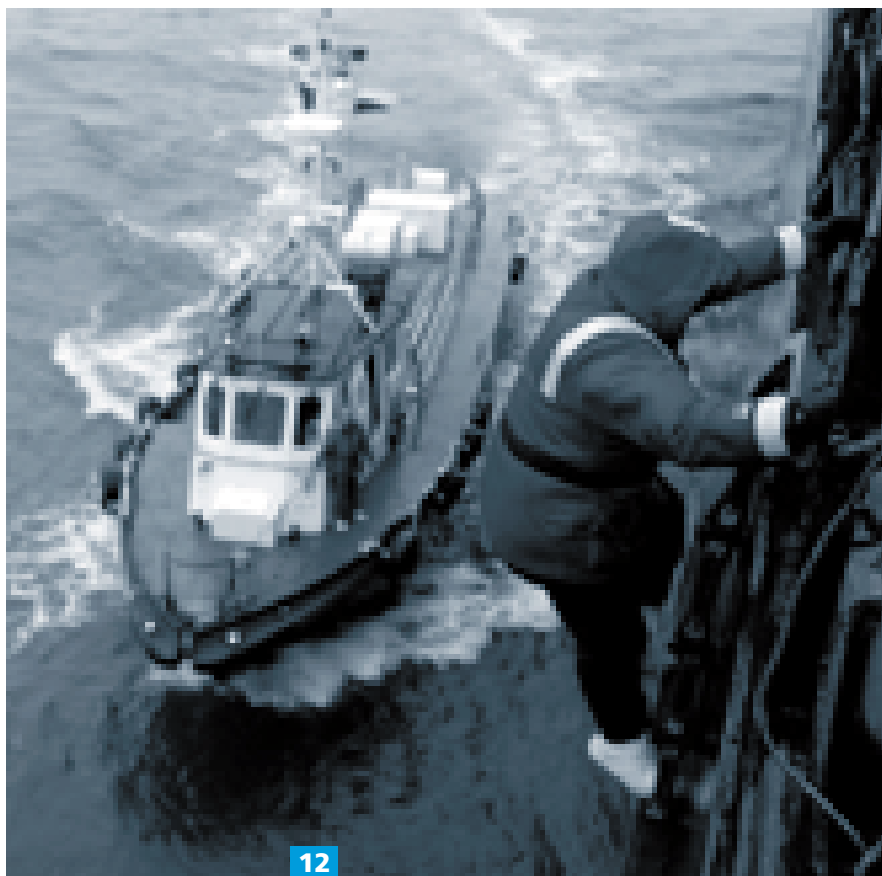


Photo: courtesy of Dave Roels



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, 2002 and the statements of operations and 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, 2002 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 blue ink, appearing to read 'Roger Simpson'.

Roger Simpson, FCA

*Principal**for the Auditor General of Canada*

Vancouver, Canada

January 31, 2003

Balance Sheet

as at December 31
(in thousands of dollars)

ASSETS	2002	2001
Current		
Cash	\$ 2,172	\$ 1,769
Accounts receivable	3,465	3,109
Prepaid expenses	38	49
	5,675	4,927
Long-term		
Long-term investments (Note 4)	726	1,177
Capital assets (Note 5)	3,548	1,637
	\$ 9,949	\$ 7,741
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,702	\$ 3,428
Current portion of bank loans (Note 6)	339	–
	4,041	3,428
Long-term		
Bank loans (Note 6)	983	–
Employee severance benefits	941	951
	5,965	4,379
Commitments (Note 7)		
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	3,178	2,556
	3,984	3,362
	\$ 9,949	\$ 7,741

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

Approved by the Authority:



Chairman:



Member:

Statement of Operations and Retained Earnings

for the year ended December 31
(in thousands of dollars)

	2002	2001
Revenues		
Pilotage charges	\$ 40,512	\$ 40,114
Interest and other income	78	176
	40,590	40,290
Expenses		
Contract pilots' fees	24,940	25,635
Operating costs of pilot boats	4,714	4,687
Transportation and travel	4,495	4,530
Staff salaries and benefits	2,264	2,135
Pilots' salaries and benefits	2,051	1,891
Pilots' training	552	861
Professional and special services	259	419
Utilities, materials and supplies	170	171
Rentals	168	164
Amortization	102	149
Computer services	94	100
Communications	66	65
Interest expense	47	-
Repairs and maintenance	46	44
	39,968	40,851
Net surplus (deficit) for the year	622	(561)
Retained earnings, beginning of year	2,556	3,117
Retained earnings, end of year	\$ 3,178	\$ 2,556

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

Statement of Cash Flows

for the year ended December 31
(in thousands of dollars)

	2002	2001
Operating activities		
Net surplus (deficit) for the year	\$ 622	\$ (561)
Items not affecting cash:		
Amortization of capital assets	102	149
Employee severance benefits	(10)	56
Net change in working capital balances excluding cash	(71)	(64)
Cash provided by (used in) operating activities	643	(420)
Investing activities		
Acquisition of capital assets	(2,013)	(1,165)
Purchase of investments	(1,449)	(417)
Proceeds on disposal of investments	1,900	1,779
Cash (used in) provided by investing activities	(1,562)	197
Financing activities		
Bank loans	1,500	-
Repayment of bank loans	(178)	-
Cash provided by financing activities	1,322	-
Increase (decrease) in cash	403	(223)
Cash, beginning of year	1,769	1,992
Cash, end of year	\$ 2,172	\$ 1,769
Supplementary disclosure		
Interest paid	\$ 47	\$ -

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

Notes to Financial Statements

December 31, 2002

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		20 years
Equipment	- communication and other	10 years
	- computers	3 years
Leasehold improvements		10 years

Employee severance benefits

Employees are entitled to specified severance benefits 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.

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 \$99,800, the portion of the employee's annual salary above \$99,800 is subject to an employer contribution of \$15.00 for every dollar contributed by the employee. The Authority's contributions during the year amounted to \$720,502 (2001 - \$579,065). 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 \$221,038 (2001 - \$234,638).

Investments

The objective of the Authority's long-term investment policy is to maximize the investment rate of return in a Government of Canada bond portfolio.

The carrying value of the investments, consisting of bonds, is cost, net of amortization of premiums/ discounts on purchase. Market value is based on the quoted price of the securities at year-end. Gains and losses from the sale of the investments are realized in the year in which they occur.

3. Financial instruments

The Authority invests its funds with a Canadian chartered bank and Government of Canada guaranteed instruments.

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. Long-term investments

	2002		2001	
	Carrying Value	Market Value	Carrying Value	Market Value
	(in thousands of dollars)		(in thousands of dollars)	
Federal Bonds	\$ 428	\$ 466	\$ 859	\$ 908
Canada Housing Trust Bonds	132	138	–	–
Canada Mortgage and Housing Corporation Bonds	166	178	318	325
	\$ 726	\$ 782	\$ 1,177	\$ 1,233

The long-term investments will mature over the next five years. Fluctuations in interest rates can impact the market value of these investments. The effective yield on investments is 5.25% at December 31, 2002 (5.85% at December 31, 2001).

5. Capital assets

	2002			2001		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	(in thousands of dollars)			(in thousands of dollars)		
Buildings	\$ 228	\$ 122	\$ 106	\$ 218	\$ 99	\$ 119
Pilot boats	1,306	1,203	103	1,306	1,186	120
Equipment						
- communication and other	698	647	51	698	611	87
- computers	271	260	11	255	239	16
Leasehold improvements	48	17	31	39	12	27
Work in progress - pilot launch	3,246	–	3,246	1,268	–	1,268
	\$ 5,797	\$ 2,249	\$ 3,548	\$ 3,784	\$ 2,147	\$ 1,637

6. Bank loans

	2002	2001
A fixed-rate term loan of \$ 1.0 million to finance the construction of a pilot launch was obtained in March of 2002. This loan matures in 2006 and bears interest at the rate of 5.87%. The capital repayments are calculated based on an amortization period of four years. During 2002, the Authority made capital repayments totalling \$ 170,125.	\$ 829,875	\$ -
A floating-rate term loan of \$ 500,000 to finance the construction of a pilot launch was drawn down upon in November of 2002. This loan matures in 2007 and bears interest at bank prime less 0.5% (December 31, 2002 – 4.0%). The capital repayments are calculated based on an amortization period of five years. During 2002, the Authority made capital repayments totalling \$ 8,333.	491,667	-
	1,321,542	-
Less: current portion	339,000	-
	\$ 982,542	-

Both loans are unsecured, but the Authority has agreed to refrain from pledging assets as security to any other party.

As at December 31, 2002, the capital repayments of these loans for the following years are as follows:

2003	\$ 339,000
2004	353,000
2005	368,000
2006	170,000
2007	92,000
	\$ 1,322,000

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 \$42,000 for 2003.

The Authority has a vehicle lease obligation of \$6,000 per annum to December 26, 2005.

PACIFIC PILOTAGE AUTHORITY

Historical Financial Summary

(in thousands of dollars)

	1998	1999	2000	2001	2002	BUDGET 2003
REVENUES						
Pilotage	\$ 37,277	\$ 38,911	\$ 41,487	\$ 40,114	\$ 40,512	\$ 40,790
Interest & other	164	195	215	176	78	50
	37,441	39,106	41,702	40,290	40,590	40,840
EXPENSES						
	37,056	38,781	42,120	40,851	39,968	40,730
NET INCOME (DEFICIT)	\$ 385	\$ 325	\$ (418)	\$ (561)	\$ 622	\$ 110
FINANCIAL POSITION						
Current assets	\$ 6,231	\$ 6,618	\$ 6,185	\$ 4,927	\$ 5,675	\$ 4,880
Current liabilities	2,977	3,503	3,590	3,428	4,041	3,000
Working capital	\$ 3,254	\$ 3,115	\$ 2,595	\$ 1,499	\$ 1,634	\$ 1,880
Capital assets less accumulated amortization	\$ 515	\$ 556	\$ 621	\$ 1,637	\$ 3,548	\$ 3,730

Historical Operating Summary

	1998	1999	2000	2001	2002	BUDGET 2003
AVERAGE NO. OF PILOTS						
Coastal	110	107	104	106	101	106
Fraser River	7	7	8	8	8	8
NO. OF ASSIGNMENTS						
Coastal	12,232	12,590	13,256	12,037	11,194	11,000
Fraser River	1,035	1,186	1,329	1,398	1,461	1,200
SAFETY						
Assignments free of incidents	99.857%	99.891%	99.897%	99.926%	99.921%	