



Pacific Pilotage Authority Annual Report 2003



Members of the Authority

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*Member**

MR. R.G. BARLOW

President & C.E.O.

Colley West Shipping Ltd.

Member

MR. KIM T. CHRISTENSEN

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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*

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Pilot Boarding Stations

Sandheads, off STEVESTON

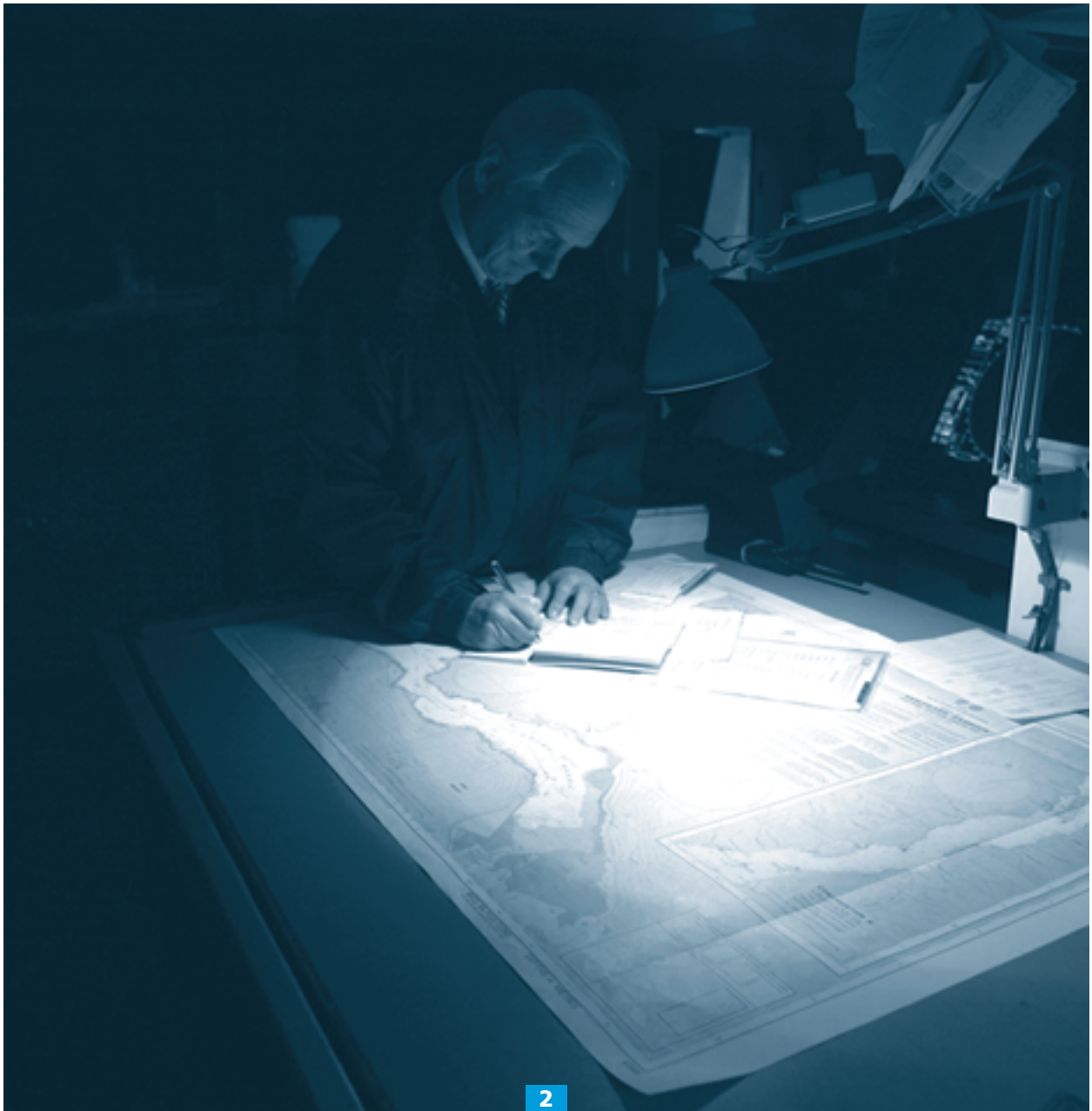
Brotchie Ledge, off VICTORIA

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.



Photo: Dave Roels

February 23, 2004

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

Dear Sir:

The fiscal year ending December 31, 2003 was marked by positive change in a number of financial, operational, management and governance areas. Consequently, I am pleased to provide you with our Annual Report and to highlight some of the successes of the past year.

The demand for “safe, reliable and efficient marine pilotage” continued to recover along with the global economy. After a two-year decline, the total number of pilotage assignments in Coastal and Fraser River waters increased by 2.3% in 2003 to 12,952. The excellent safety record was also maintained during this period with 99.87% incident free assignments. This safety record reflects the results of rigorous recruitment and licensing processes, a continuous training program for all pilots and the adoption of new techniques such as Bridge Resource Management.

The Authority continues to be financially self-sufficient. Revenue during the period rose by 7.8% to \$43.7 million. The increased revenues, along with an aggressive efficiency program, resulted in a \$1.7 million surplus for the year. A portion of the funds (\$634,000) is designated for pilot launch replacement. The balance will serve to further strengthen the corporation's balance sheet after experiencing operating losses in 2000 and 2001.

A major event in the past year was the launch of the *Pacific Pathfinder* – a new 22 meter long pilot boat with a water jet propulsion system and state of the art safety features specifically designed for west coast pilotage. The *Pacific Pathfinder* was commissioned in May 2003 and put into service at Prince Rupert in time for the cruise ship season.

Another significant accomplishment was the settlement of key service agreements. Of particular importance was a four-year contract with the British Columbia Coast Pilots Ltd. This agreement, covering almost 90% of our pilotage assignments, provides a stable operating environment and a base for future planning and development.

Throughout 2003, the Board of Directors and management of the Authority were proactive in strengthening the policies and practices that guide our operations. We completed the development of an Emergency Plan, initiated a risk self-assessment process, enhanced our client and marine industry relations' activities and updated our Ethics and Conflict of Interest policies.

Corporate governance has also been strengthened. All Directors have participated in formal governance training. Also, they have developed a Director Skills Inventory and conducted the first annual Board Self-Assessment. These, and other related activities, ensure that the Board will continue to play a central role in guiding the Authority.

The Authority received the results of a Special Examination during the year. This examination, required by the Financial Administration Act, is conducted at least once every five years by the Office of the Auditor General of Canada. The report noted that the auditors "did not find any significant deficiencies in the systems and practices."

In closing, I would like to once again thank the Chairman, the Board of Directors, the management and employees of the Authority for their continued dedication and contribution to our success over the past year.

Sincerely,



Dennis B. McLennan

President and Chief Executive Officer



Photo: Dave Roels

Traffic

The year of 2003 ended two consecutive years of declining traffic with coastal assignments increasing by two percent over the prior year, going from 11,194 in 2002 to 11,393 in 2003. When comparing actual results to budgeted coastal traffic the year of 2003 surpassed the budget by 393 assignments, primarily due to increased grain and commodity shipments through the Port of Vancouver. Fraser River assignments also surpassed the 2003 budget due to increased container and car ship calls into the river. The 2004 budget shown in Exhibit 1 is based upon the current traffic trends along with commodity tonnage estimates for the upcoming year.

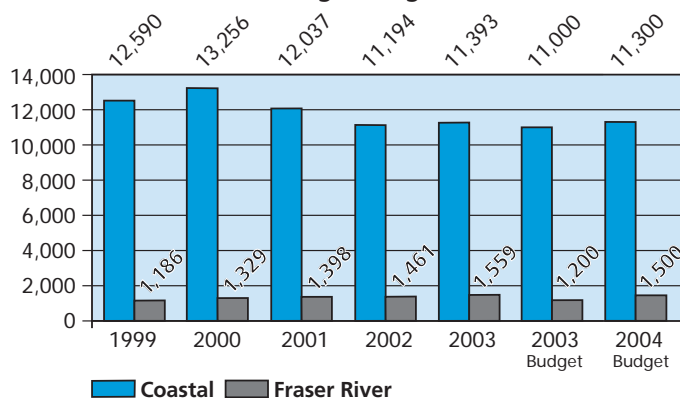
The Authority categorizes its assignments into four key areas:

- 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-six percent (2002 percentage is sixty-five) of all coastal assignments performed by the Authority. Total tonnage shipped through this port during 2003 increased by six percent over the prior year. Included in the tonnage gains were grain shipments which increased by twenty-two percent resulting in 120 more pilotage assignments. Other commodity sectors, including coal, potash, sulphur, forest products and containers, all recorded increases resulting in additional pilotage assignments during the year of 2003 when compared to the prior year. The exception during 2003 was the cruise sector, with both revenue passengers and total sailings posting its first decline in twenty-one years. This decline is related to a number of factors, including the loss of 3 and 4 night Pacific Northwest cruises, the impact of world events on travel and tourism and the Port of Seattle’s opening of new cruise facilities.

Vancouver Island assignments accounted for ten percent (2002 percentage is nine) of the Authority’s coastal pilotage assignments during 2003. Island assignments are traditionally linked to the Forest Industry so there has been little in the way of growth over the last few years. In fact, certain Island ports have experienced

Exhibit 1 – Annual Pilotage Assignments



permanent mill closures, such as Gold River and Tahsis while other mills, such as Port Alberni and Harmac (Nanaimo) have continued to operate, albeit at reduced volumes. On the positive side, cruise ship calls into Ogden Point (Victoria) continued to increase during 2003 mainly due to the Port of Seattle's ability to expand market share.

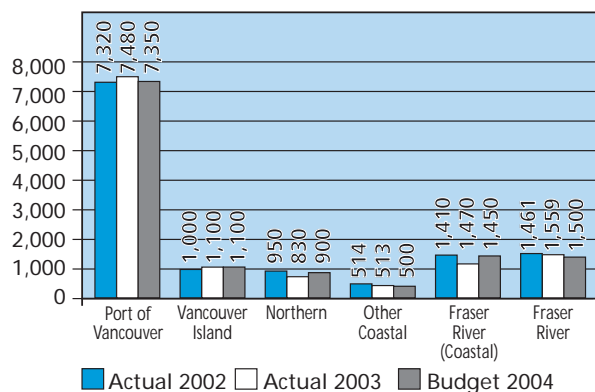
The Northern area which includes Prince Rupert, Kitimat and Stewart, accounted for seven percent (2002 percentage is eight) of all coastal assignments during 2003. During 2003, Rupert assignments decreased by 120, the result of declining grain shipments. The changing cruise ships traffic patterns have benefited Prince Rupert in the past with some cruise ship calls during 2002 and 2003. This trend is expected to continue as a new cruise terminal is expected to be ready for the 2004 cruise season. Kitimat traffic decreased slightly during 2003 to 440 annual assignments while Stewart increased slightly to 90 assignments.

During 2003 the Fraser River surpassed the previous year's traffic record. Since the river requires the services of both a coastal and a river pilot this traffic accounted for 1,470 assignments representing thirteen percent of the Authority's total coastal traffic. In addition, nine employee pilots performed 1,559 assignments within this area setting another traffic record. These traffic levels are reflective of the 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 and Pilots, at their request.

Exhibit 2 includes the 2004 assignments budgeted by area. Coastal traffic assignments for 2004 are budgeted at 11,300 which are comparable to the 11,393 actual assignments of 2003. Fraser River assignments are budgeted at 1,500 for 2004 which is comparable to the 1,559 actual assignments of 2003.

Exhibit 2 – Annual Assignments by Area

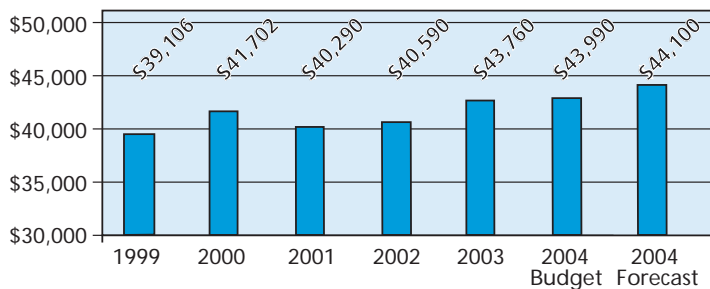


Financial Results

Annual revenues for 2003 totaled \$43.76 million resulting in a surplus of \$1.71 million. Included in the revenue for the year was \$634,000 of launch replacement fees. This fee is generated by an \$80.00 charge per boarding that is intended to finance the launch construction program. The launch replacement fee was mutually agreed upon with Industry and will remain in place until the launch construction program has been completed. Cumulatively, the Authority has collected \$1.49 million through this fee from its inception on May 1, 2001.

During the year of 2003, the Authority implemented the second stage of its two year tariff application and adjusted tariff rates by 4.5% on January 1, 2003.

Exhibit 3 – Annual Revenues (000's)



2003 OVERVIEW

Exhibit 4 compares Actual 2003 to Budgeted 2003 financial results by revenue and expense categories. As a reader can note, all revenue categories exceeded budget primarily due to higher than expected annual pilotage assignments detailed in the traffic analysis. In the case of coastal pilotage, the Authority pays the British Columbia Coast Pilots Ltd. (BCCP) for each assignment performed so a corresponding increase in Contract Pilots' Fees is to be expected. River pilotage revenue exceeded budget by \$674,000 as the budget was based upon 1,200 assignments compared to actual assignments of 1,559. Along with this revenue increase came higher than budgeted Employee Pilots' salaries. Included in these costs is the additional cost of a ninth pilot, pension plan contributions for a prior service period and a high volume allowance based upon the average pilot count. Pilot training expenses ended the year below budget due to the fact BCCP apprentice pilots were not started during 2003. It should be noted that four apprentice pilots started during February 2004.

Exhibit 4

Revenue Categories (000's)	Actual 2003	Budget 2003	Variance to Budget	Budget 2004	Forecast 2004
Coastal Pilotage	\$ 30,566	\$ 28,960	\$ 1,606	\$ 29,940	\$ 30,160
River Pilotage	2,594	1,920	674	2,520	2,510
Travel	4,781	4,700	81	5,150	5,180
Launch	5,073	4,610	463	5,560	5,420
Launch replacement fee	634	600	34	770	760
Other income	112	50	62	50	70
Total Revenues	\$ 43,760	\$ 40,840	\$ 2,920	\$ 43,990	\$ 44,100
Expense Categories (000's)					
Contract Pilots' Fees	\$ 26,130	\$ 25,035	(\$ 1,095)	\$ 26,530	\$ 28,200
Pilot launch costs	5,162	5,015	(147)	4,940	4,950
Pilot transportation and travel	4,605	4,580	(25)	4,610	4,590
Employee Pilots' salaries and benefits	2,406	1,700	(706)	2,355	2,340
Staff salaries and benefits	2,222	2,275	53	2,340	2,310
Other expenses	1,123	1,365	242	1,390	1,370
Pilot training	399	760	361	750	640
Total Expenses	\$ 42,047	\$ 40,730	(\$ 1,317)	\$ 42,915	\$ 44,400
Net Surplus (Deficit)	\$ 1,713	\$ 110	\$ 1,603	\$ 1,075	(\$ 300)

The Authority has filed a tariff revision for 2004 which will adjust rates by 2.0% overall. This revision will also adjust two other specific charges to end potential cross subsidization of operations. The Authority remains committed to reviewing its revenue and cost structures on an ongoing basis to ensure all possible efficiencies are in place.

The 2004 budget shows a surplus of \$1,075,000 for the year based upon 11,300 coastal and 1,500 river assignments. A higher than expected BCCP service agreement settlement and late implementation of the 2004 tariff adjustment has resulted in the Authority forecasting a small deficit of \$300,000 for the year of 2004. Both of these events occurred after the 2004 budget was finalized and are presented to enhance financial reporting.

Exhibit 5 shows the Authority's major expense categories for 2003.

Exhibit 5 – Expense Categories 2003 (000's)

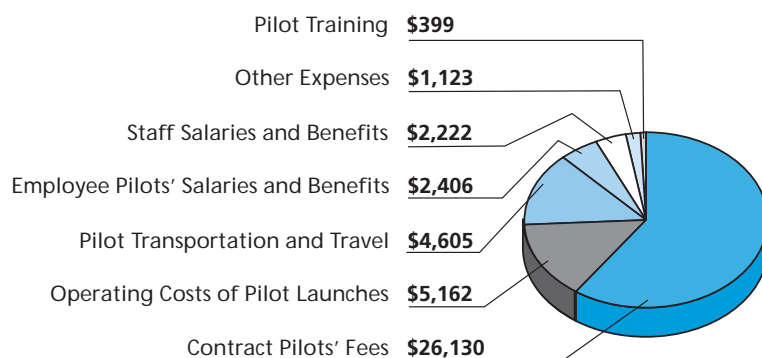
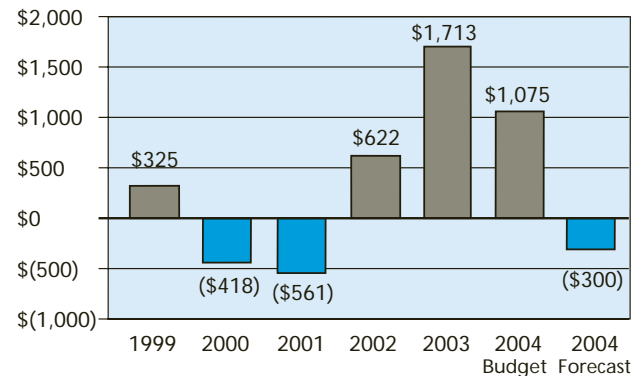


Exhibit 6 shows the annual surplus and deficits by year along with the 2004 Budget and Forecast. As the reader can note, these outcomes usually represent one to two percent of annual revenues each year. The Authority's strategy has been to budget and propose tariff adjustments that will maintain small 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. As a reminder, since inception in 1972 the Authority has been financially self-sufficient and has structured its finances in order to maintain this position.

Exhibit 6 – Annual Surplus (Deficit) in 000's



Operational Accomplishments during the Year

- One Fraser River apprentice was licenced during 2003 increasing this workforce to nine Pilots.
- The Pacific Pathfinder entered service on May 9, 2003 at Triple Island. Once all escrow funds are received the final launch construction cost is forecast to be \$20,000 below budget.
- The Authority's management team continued the agency visitation program during 2003, meeting with fifteen agencies.
- The seasonal boarding station at Pine Island was continued for the seventh season with 307 (286 during 2002) vessels serviced at this station during the year.
- Senior pilot training continued at Port Revel, France, with sixteen pilots receiving manned model instruction. In addition, four pilots received simulator training at Star Centre, Florida. The intent of this program is to ensure all pilots receive either manned model or simulator training at least once, every five years. The Authority is currently reviewing the need for Integrated Bridge Systems (IBS) training for pilots and will be reporting on this in future years.
- A four year service agreement, expiring December 31, 2007, with the British Columbia Coast Pilots Ltd. was negotiated during the year.

Incident Reporting

The Authority categorizes incident and accident reporting into three types of investigations. An incident or accident will not be classified until sufficient facts are available to assess the potential for safety improvements and may require on site evaluation or interviews.

Class "A" Investigations

Defines an investigation that has a high probability of improving navigation safety, in that, there is a significant potential for reducing the risk to persons, vessels or the environment.

Class "B" Investigations

Defines an investigation that has a medium probability of improving navigation safety, in that, there is a moderate potential for reducing the risk to persons, vessels or the environment.

Class "C" Investigations

Defines an investigation that has a low probability of improving navigation safety, in that, there is a limited potential for reducing the risk to persons, vessels or the environment.

Exhibit 7 shows the actual number of incidents the Authority has recorded over the last five years.

Exhibit 7

Year	Incident Free Assignments	Incidents	Class A	Class B	Class C
1999	99.891%	15	0	2	13
2000	99.897%	15	0	1	14
2001	99.926%	10	0	0	10
2002	99.921%	10	0	0	10
2003	99.869%	17	0	4	13



Photo: Dave Roels

Ministerial Review of Outstanding Pilotage Issues

Panel Recommendation #8

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

- At December 31, 2003 there were nine 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 that took place in February 2003.
- There are ten candidates on the two-year familiarization program with an additional twenty who have completed the required trips.
- 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 pilots' competence and quality of service.

- In order to evaluate the present pilot currency in each area a complete audit of all licenced pilots was conducted during May 2002 with the next audit scheduled to take place in May 2004.
- A comprehensive training program has been approved with all pilots being trained on a full mission bridge simulator over the next five years, and in addition sixteen pilots per year will attend an intensive ship handling course.
- Status - ongoing.

Panel Recommendation #16

The Authority in partnership with pilots and interested parties, 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.

- As in 2002, the seasonal launch crew in Prince Rupert was not taken on to full time status during 2003 due to the reduced traffic volume through the Triple Island pilot station.
- A fuel usage study was undertaken with a limitation placed on engine revolutions in order to reduce fuel consumption.
- The Prince Rupert Station complement has been reduced by one staff member.
- Status – reported annually.

Panel Recommendation #18

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

- The Authority continued its policy of a pro-active stance with regard to meeting with interested parties during 2003.
- The Authority's management team continued the agency visitation program during 2003, meeting with fifteen agencies.
- As an associate member of the Chamber of Shipping of British Columbia (CSBC) the Authority continues to attend the monthly Navigation and Pilotage committee meetings and resolve issues as they arise.
- The Authority presented a tariff adjustment to the CSBC during 2003 and received their letter of support which was filed in support of the application.
- In addition, the Authority meets with representatives of the CSBC to discuss financial and other related issues on a quarterly basis.
- 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.
- Status – reported annually.



STATEMENT OF MANAGEMENT RESPONSIBILITY

These financial statements have been prepared by the Authority's management in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. The Authority's management is responsible for the integrity and objectivity of the information in the financial statements and annual report.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide relevant and reliable financial information.

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 auditor. The financial statements and annual report are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

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



D.B. McLennan
President and Chief Executive Officer
January 30, 2004



B.D. Chadwick
Controller





Auditor General of Canada
Vérificatrice générale du Canada

To the Minister of Transport

I have audited the balance sheet of the Pacific Pilotage Authority as at December 31, 2003 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, 2003 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

Edmonton, Canada
January 30, 2004

Balance Sheet

as at December 31
(in thousands of dollars)

ASSETS	2003	2002
Current		
Cash	\$ 3,103	\$ 2,172
Accounts receivable	3,597	3,465
Prepaid expenses	67	38
	6,767	5,675
Long-term		
Long-term investments (Note 4)	1,271	726
Capital assets (Note 5)	3,614	3,548
	4,885	4,274
	\$ 11,652	\$ 9,949
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,368	\$ 3,702
Current portion of bank loans (Note 6)	253	339
	4,621	4,041
Long-term		
Bank loans (Note 6)	338	983
Employee severance benefits (Note 8)	996	941
	5,955	5,965
Commitments (Note 10)		
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	4,891	3,178
	5,697	3,984
	\$ 11,652	\$ 9,949

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)

	2003	2002
Revenues		
Pilotage charges	\$ 43,648	\$ 40,512
Interest and other income	112	78
	43,760	40,590
Expenses		
Contract pilots' fees	26,130	24,940
Operating costs of pilot boats	5,162	4,714
Transportation and travel	4,605	4,495
Pilots' salaries and benefits	2,406	2,051
Staff salaries and benefits	2,222	2,264
Pilots' training	399	552
Professional and special services	362	259
Rentals	166	168
Amortization	158	102
Utilities, materials and supplies	148	170
Computer services	110	94
Communications	78	66
Interest expense	51	47
Repairs and maintenance	50	46
	42,047	39,968
Net surplus for the year	1,713	622
Retained earnings, beginning of year	3,178	2,556
Retained earnings, end of year	\$ 4,891	\$ 3,178

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)

	2003	2002
Operating activities		
Net surplus for the year	\$ 1,713	\$ 622
Items not affecting cash:		
Amortization of capital assets	158	102
Employee severance benefits	55	(10)
Net change in working capital balances excluding cash	505	(71)
Cash provided by operating activities	2,431	643
Investing activities		
Acquisition of capital assets	(224)	(2,013)
Purchase of investments	(1,681)	(1,449)
Proceeds on disposal of investments	1,136	1,900
Cash (used in) investing activities	(769)	(1,562)
Financing activities		
Bank loans	-	1,500
Repayment of bank loans	(731)	(178)
Cash (used in) provided by financing activities	(731)	1,322
Increase in cash	931	403
Cash, beginning of year	2,172	1,769
Cash, end of year	\$ 3,103	\$ 2,172
Supplementary disclosure		
Interest paid	\$ 51	\$ 47

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

Notes to Financial Statements

December 31, 2003

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
	- 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 participate in the Public Service Superannuation Plan administered by the Government of Canada. The Authority's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Authority and are charged to operations on a current basis. The Authority is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

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 carrying value approximates fair value.

There is no concentration of accounts receivable with any one customer.

4. Long-term investments

	2003		2002	
	Carrying Value	Market Value	Carrying Value	Market Value
	(in thousands of dollars)		(in thousands of dollars)	
Government of Canada Bonds	\$ 613	\$ 634	\$ 428	\$ 466
Canada Housing Trust Bonds	385	399	132	138
Canada Mortgage and Housing Corporation Bonds	273	286	166	178
	\$ 1,271	\$ 1,319	\$ 726	\$ 782

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 during the year on these investments is 4.51% (2002 – 5.25%).

5. Capital assets

	2003			2002		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	(in thousands of dollars)			(in thousands of dollars)		
Buildings	\$ 275	\$ 142	\$ 133	\$ 228	\$ 122	\$ 106
Pilot boats	4,723	1,311	3,412	1,306	1,203	103
Equipment						
- communication and other	698	666	32	698	647	51
- computers	271	265	6	271	260	11
Leasehold improvements	54	23	31	48	17	31
Work in progress - pilot launch	-	-	-	3,246	-	3,246
	\$ 6,021	\$ 2,407	\$ 3,614	\$ 5,797	\$ 2,249	\$ 3,548

6. Bank loans

	2003	2002
A fixed-rate term loan of \$ 1.0 million to finance the construction of a pilot launch was obtained in March 2002. This loan matures in 2006 and bears interest at the rate of 5.87%. The principal repayments are calculated based on an amortization period of four years. During 2003, the Authority made principal repayments totalling \$ 238,773.	\$ 591,102	\$ 829,875
A floating-rate term loan of \$ 500,000 to finance the construction of a pilot launch was drawn upon in November of 2002. This loan was to mature in 2007 and charged interest at bank prime less 0.5%. During 2003, the Authority repaid this loan without financial penalty.	-	491,667
	591,102	1,321,542
Less: current portion	253,170	339,000
	\$ 337,932	\$ 982,542

The loan is unsecured, but the Authority has agreed to refrain from pledging assets as security to any other party.

As at December 31, 2003, the principal repayments of this loan for the following years are as follows:

2004	253,000
2005	268,000
2006	70,000
	\$ 591,000

7. Pension plan

The Public Service Superannuation Plan requires the Authority to contribute to the Plan. The Authority, contributes \$2.14 for every dollar contributed by the employee. If an employee's annual salary is greater than \$100,100, the portion of the employee's salary above this amount is subject to an employer contribution of \$15.00 for every dollar contributed by the employee. Contributions during the year were as follows:

	2003 (in thousands of dollars)	2002 (in thousands of dollars)
Authority	911	721
Employees	250	221

8. Employee severance benefits

The Authority provides severance benefits to its employees. This benefit plan is not pre-funded thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Information about the plan is as follows:

	2003	2002
Accrued benefit obligation, beginning of year	\$ 1,071	\$ 991
Expense for the year	107	114
Benefits paid during the year	(46)	(34)
Accrued benefit obligation, end of year	\$ 1,132	\$ 1,071
Short-term portion	\$ 136	\$ 130
Long-term portion	996	941
	\$ 1,132	\$ 1,071

9. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

10. Commitments

The Authority has a long-term operating lease obligation for office accommodation of \$71,000 per annum to December 31, 2004 and \$82,000 per annum to December 31, 2009. The obligation also calls for payment of a pro-rata share of annual operating costs, estimated at \$45,000 for 2004.

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



Exhibit 8

Historical Financial Summary

(in thousands of dollars)

	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Budget 2004	Forecast 2004
FINANCIAL RESULTS							
Revenues	\$ 39,106	\$ 41,702	\$ 40,290	\$ 40,590	\$ 43,760	\$ 43,990	\$ 44,100
Expenses	\$ 38,781	\$ 42,120	\$ 40,851	\$ 39,968	\$ 42,047	\$ 42,915	\$ 44,400
Net Income (Deficit)	\$ 325	(\$ 418)	(\$ 561)	\$ 622	\$ 1,713	\$ 1,075	(\$ 300)
FINANCIAL POSITION							
Current assets	\$ 6,618	\$ 6,185	\$ 4,927	\$ 5,675	\$ 6,767	\$ 6,543	\$ 5,700
Current liabilities	\$ 3,503	\$ 3,590	\$ 3,428	\$ 4,041	\$ 4,621	\$ 3,600	\$ 4,100
Working capital	\$ 3,115	\$ 2,595	\$ 1,499	\$ 1,634	\$ 2,146	\$ 2,943	\$ 1,600
NET CAPITAL ASSETS	\$ 556	\$ 621	\$ 1,637	\$ 3,548	\$ 3,614	\$ 4,240	\$ 4,240

Operating Indicators (Actual)

	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Budget 2004	Forecast 2004
AVERAGE NO. OF PILOTS							
Coastal	107	104	106	101	100	100	100
Fraser River	7	8	8	8	9	10	10
NUMBER OF ASSIGNMENTS							
Coastal	12,590	13,256	12,037	11,194	11,393	11,300	11,300
Fraser River	1,186	1,329	1,398	1,461	1,559	1,500	1,500
AVERAGE PILOTAGE REVENUE PER ASSIGNMENT (ACTUAL \$)							
Coastal	\$ 2,217	\$ 2,238	\$ 2,381	\$ 2,518	\$ 2,683	\$ 2,650	\$ 2,669
Fraser River	\$ 1,416	\$ 1,443	\$ 1,428	\$ 1,533	\$ 1,664	\$ 1,680	\$ 1,674