



Pacific Pilotage Authority Annual Report 2008

Canada

BOARD MEMBERS



Mr. David Gardiner
Chair*



Ms. Karen Horcher
Member*



Mr. L. Michael Berry
Member*



Captain J. I. MacPherson
B.C. Coast Pilots Ltd.
Member



Mrs. Lorraine Cunningham
President
Cunningham Group
Member*



Mr. Paul Prefontaine
Vice President,
General Manager
Saga Forest Carriers
Member



Captain Jack Davies
B.C. Coast Pilots Ltd.
Member

MANAGEMENT



Kevin Obermeyer
President and CEO



Michael McGuire
Dispatch Manager



Bruce Chadwick
Director of Finance



Diane Street
Corporate Secretary



Brian Young
Director of Marine
Operations



Pat Van Den Bosch
Manager of Accounting

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DISPATCH OFFICES:
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211 Dallas Road
Victoria, British Columbia
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PILOT BOARDING STATIONS:
Sandheads, off Steveston
Brotchie Ledge, off Victoria
Cape Beale, off Port Alberni
Triple Island, off Prince Rupert

*Denotes member of Audit Committee



VISION STATEMENT

To be a world leader in Marine Pilotage

MISSION STATEMENT

The Pacific Pilotage Authority provides safe, efficient pilotage by working in partnership with Pilots and the shipping industry to protect the interests of the people of Canada

We take pride in our work, we take pride in our waters.

Objectives:

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 promote sustainable practices within the Authority and contribute to Government's environmental, social and economic policies as they apply to the marine Industry on the Pacific Coast of Canada.

Values

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.

CHAIR AND CEO'S REPORT

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

Honorable John Baird
Minister of Transport, Infrastructure and Communities
Tower C, 29th Floor
Place de Ville
Ottawa, Ontario
K1A 0N5

January 30, 2009

Dear Minister:

We are pleased to report that in 2008 the Pacific Pilotage Authority met all of its key objectives while maintaining an exemplary incident-free record and recording a modest surplus.

The Authority successfully completed its significant capital plan with the on-time and on-budget delivery of two new pilot boats and completion of the first stage of upgrades to information systems. The pilot boat fleet is now comprised of vessels utilizing modern technology and capable of meeting all requirements for years to come.

The enterprise-wide risk management (EWRM) regime was successfully introduced and its implementation will be a major focus for management and staff in 2009.

Strong positive relations were maintained with all constituent groups with resulting stability in revenue generation and service delivery without contention.

Continuing emphasis was placed on our ability to better predict future demand for pilotage services and to ensure a sustainable supply of fully qualified pilots.

Going forward the Authority is bracing for a period of economic uncertainty and will focus on efficiency gains and improved cost containment to ensure that financial self-sufficiency is maintained.

We would like to take this opportunity to acknowledge the professional and dedicated manner with which the Directors, Executive, Management and Staff of the Authority and the British Columbia Coast Pilots fulfill their various responsibilities. It is the collaborative atmosphere and teamwork environment that produces such positive results.

Respectfully submitted,



David K. Gardiner
Chair



Kevin Obermeyer
President and Chief Executive Officer



Strategy

On an annual basis, the Authority engages in strategic planning sessions involving the Board of Directors and Management. The most recent session, held during September 2008, endorsed the objectives and strategies listed below.

Corporate Objective #1

To provide safe, reliable and efficient marine pilotage and related services in the coastal waters of British Columbia, including the Fraser River.

Strategic Goal #1.1

Ensure a sustainable supply of Pilots.

Strategy 1.1(a)

Working in partnership with the BCCP, prepare and implement a comprehensive long-term plan to ensure an adequate supply of qualified candidates, including the examination of the sustainability of the present system.

Strategy 1.1(b)

Working with the Pilotage Training and Examination Committee (PTEC), review the present apprenticeship program, make recommendations and implement agreed upon changes to ensure a consistent and effective training methodology.

Strategy 1.1(c)

Working in partnership with the BCCP and the Marine Industry, develop a financial forecasting model that will allow a more analytical approach to the future manning requirements of the Authority.

Strategic Goal #1.2

Create a culture of quality service.

Strategy 1.2(a)

Working in partnership with the Pilots and the Industry we serve, develop a program of quality service, based on best practices that ensures we are measured as leaders in a number of areas.

- Safety level - incident rate.
- Service level - delays to service, responsiveness to client needs.
- Predictability - consistently knowing what to expect.
- Transparency - open and honest communication in everything we do.
- Training - ongoing relevant and effective training.

Strategy 1.2(b)

Working with the Launch Crew and Dispatch personnel to develop a quality assurance program based on industry best practices such as ISO, ISM or any other management tool.

Strategic Goal #1.3

Create a culture of enterprise wide risk awareness.

Strategy 1.3(a)

Implement an Enterprise Wide Risk Management (EWRM) program throughout the Authority.

Strategy 1.3(b)

Communicate the results of the risk assessments departmentally and company-wide on a semi-annual basis until risk management becomes part of the Authority's culture.

Corporate Objective #2

To provide the services within a commercially-oriented framework, directed toward maintaining financial self-sufficiency, through tariffs which are fair and reasonable.

Strategic Goal #2.1

Create a culture of cost awareness throughout the Authority.

Strategy 2.1(a)

Develop cost management programs with accountability and specific targets for every department in the Authority.

Strategy 2.1(b)

Ensure that the Authority remains competitive.

Strategic Goal #2.2

The Pacific Pilotage Authority will be financially self sufficient.

Strategy 2.2

Maintain an adequate financial reserve.

Corporate Objective #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.

Strategic Goal #3.1

To become a primary source for pilotage related information within our area of jurisdiction.

Strategy 3.1

Build a comprehensive "one-stop shopping" information system on the Authority's web site that will enable our clients to easily access a full suite of services.

- Tide and current window calculations
- Pro-forma invoices
- Dock and passage information including depth limitations and tug requirements
- On-line pilotage services ordering

Corporate Objective #4

To promote sustainable practices within the Authority and contribute to Government's environmental, social and economic policies as they apply to the marine industry on the Pacific Coast of Canada.

Strategic Goal #4.1

Create a culture of sustainability and environmental awareness throughout the Authority.

Strategy 4.1

Expand the Authority's reporting to include environmental and social performance by utilizing the triple bottom line model.

Equity/People - culture of empowerment, caring and acceptance of diversity

Environment/Planet - culture of environmental awareness

Economy/Profit - profitable through training and productivity

Measurement of 2008 Strategic Goals

Strategies 2008:

- Review the current launch maintenance program.
- Review the Dispatch Rules for efficiencies.
- Conduct a cost benefit analysis on Vancouver and Victoria dispatch offices.
- Introduce an Enterprise Wide Risk Management (EWRM) process.

Measurement 2008:

- Track and report on scheduled versus unscheduled launch downtime – achieved 99.49%.
- Track and report on-time pilotage service delivery to Industry – achieved 99.94%.
- Track and report on incident free operations - achieved 99.97%.
- Annual review and update of EWRM process – in progress.

Strategies 2008:

- Establish a three year plan (2008-2010) to increase the long-term investments to a minimum of \$2.5 million or five percent of annual revenues.
- Ensure the Authority's tariff and cost structure is sufficient to absorb the termination of the launch replacement revenue stream when the new construction program is fully funded.

Measurement 2008:

- Long-term investments as a percentage of revenues.
- Budget 2008 – 2.5%, achieved – 2.6%.
- Plan 2009 – 3.6%
- Plan 2010 – 5.0%
- Annual Net Income (loss) after deducting launch replacement revenue.
- Budget 2008 – net loss of \$224,000, achieved - net income of \$521,000

Strategies 2008:

- Shift from a reactive to pro-active stance.
- Contribute and use the Authority's knowledge and expertise in our jurisdiction.
- Actively seek partnerships to advance common navigational safety objectives.

Measurement 2008:

- Annual Customer/Stakeholder surveys – deferred to a biennial basis, next measurement in 2009.
- Specific questions posed on values of the Authority during annual stakeholder meetings – deferred to a biennial basis, next measurement in 2009.
- Participation in all new and proposed terminal facilities in our jurisdiction - achieved.

Strategies 2008:

- Complete Human Resources strategy.
- Conduct biennial Staff/CEO interviews.
- Improve communication with remote stations.

Measurement 2008:

- Staff satisfaction survey – deferred to a biennial basis, next measurement in 2009.
- Staff turnover ratio - achieved.
- Staff sick leave usage by year – achieved reduction of 22%.

Strategies 2008:

- Establish an environmental awareness program.
- Ensure all pilot launches have the necessary training and equipment for internal oil spill response.

Measurement 2008:

- Environmental non-compliance reports – goal is nil - achieved.
- Oil spills from the Authority's pilot launches – goal is nil - achieved.



OVERVIEW

Canada continues to be an important source of raw materials for Asian manufacturers and the West Coast a key gateway for the importation of manufactured goods for all of North America.

It is the Authority's intent to be an integral part of the Pacific Gateway. We will add value and work with all stakeholders in order to facilitate the transport of goods and commodities through our jurisdiction.

The year of 2008 has served to once again remind the Authority of the myriad of external factors that can affect the industries that we service. Just to name the more obvious we experienced:

- The year started with booming economies in Asia hungry for most of the commodities that Western Canada can provide.
- The year ended with severe financial and economic uncertainty in most economies around the world.
- Wildly fluctuating exchange rates that saw the Canadian dollar trade briefly above the US dollar during the year.
- Record ocean freight rates in the shipping industry led shippers to order and utilize ever increasing vessel sizes.
- Rapidly declining ocean freight rates in the latter part of the year have resulted in changing trading patterns.
- The rapidly escalating cost of fuel during the year and then a moderation effect by year end.
- Amalgamation of three lower mainland Port Authorities.

TRAFFIC

The Authority's 2008 traffic levels remained comparable to the prior year's volume and patterns with the exception of the forest industry sector. Traditionally this sector has accounted for sixteen to seventeen percent of the Authority's annual trips. During 2008 the actual percentage declined to twelve leading to a year over year decline in trips of 459. Most of this decline resulted from mill closures on Vancouver Island.

The analysis that follows shows the segmentation of annual trips by commodity sector.

	Annual Trips by Commodity Sector - Coastal and River					
Commodity	Actual 2007	%	Actual 2008	%	Budget 2009	%
Automobiles	1,122	9%	1,122	10%	1,170	10%
Containers	1,634	14%	1,787	15%	1,820	16%
Cruise	963	8%	1,011	9%	960	9%
Coal	1,072	9%	907	8%	1,050	9%
Grain	1,153	10%	1,081	9%	1,200	11%
Petroleum	702	6%	876	7%	870	8%
Forest Products	1,887	16%	1,428	12%	1,330	12%
Other	3,397	28%	3,479	30%	2,830	25%
Total Trips	11,930	100%	11,691	100%	11,230	100%

Pilotage trips in excess of eight hours require the services of a second Pilot. Safety considerations remain paramount as the Pilot is allowed to work a maximum of eight hours before an appropriate rest break is required. In an average year, the Authority will perform in the range of 900 second Pilot assignments. Most cruise ships heading north or south fall into this category, along with certain northern assignments, such as Kitimat and Stewart.

Exhibit 1 has expanded on the annual trips shown above and includes second Pilot assignments.

During 2008, the Authority contracted with 98 contract Pilots who performed 11,406 coastal assignments which represents a four percent decrease from the 11,821 of the prior year.

Fraser River assignments were performed by eight employee Pilots. During 2008, the Authority performed 1,192 River assignments which are very comparable to the prior year's total of 1,191.

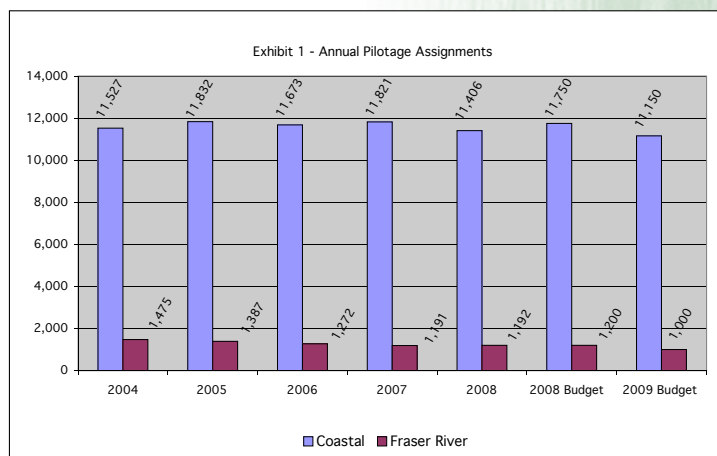
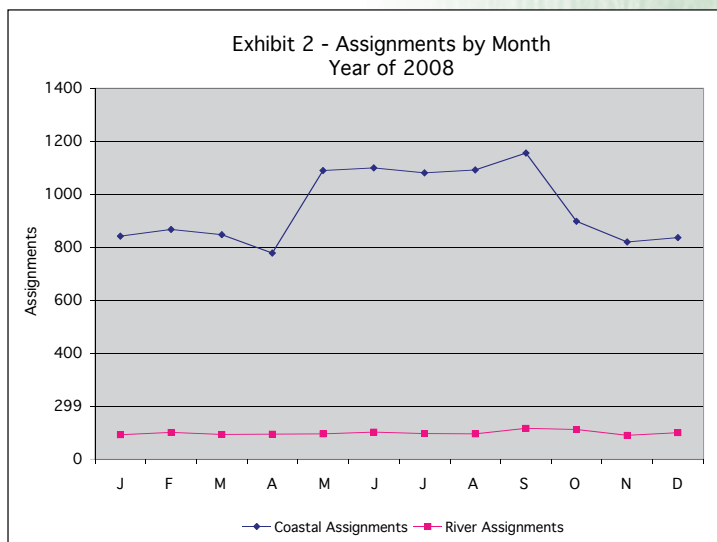


Exhibit 2 shows the pilotage assignments by month and highlights the impact of the cruise ship sector on coastal assignment levels during May through September.

The Authority categorizes its assignments into four key traffic areas: Vancouver, Vancouver Island, Northern and Fraser River.

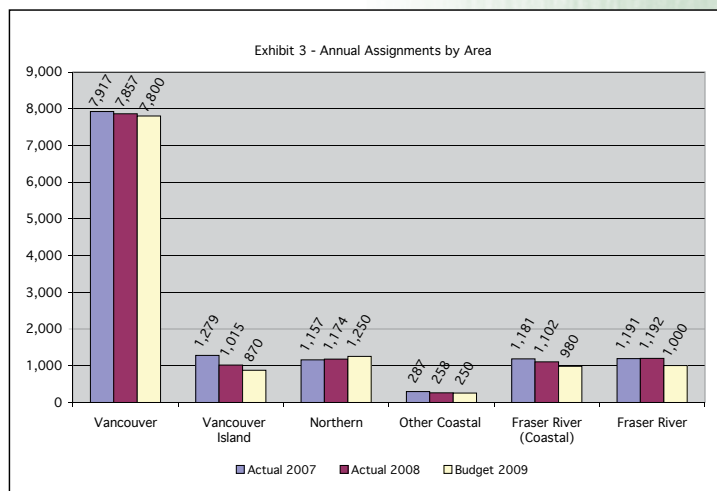
Vancouver, which includes Roberts Bank and Deltaport, is the largest traffic centre representing sixty-nine percent (prior year was sixty-seven) of all coastal assignments performed by the Authority.

Vancouver Island assignments accounted for nine percent (prior year was eleven percent) of the Authority's coastal pilotage assignments. As previously mentioned, the majority of the forest industry decrease was borne by this area due to mill closures.



The Northern area which includes Prince Rupert, Kitimat and Stewart, accounted for ten percent (prior year was ten percent) of coastal assignments.

Fraser River assignments were very comparable to the prior year, finishing at 1,192 (prior year was 1,191). As a reminder, the River requires the services of a coastal Pilot for the transit to and from the Sandheads boarding station which is located at the mouth of the Fraser River. Accordingly, this area also represents ten percent (prior year was also ten percent) of the Authority's total coastal traffic.



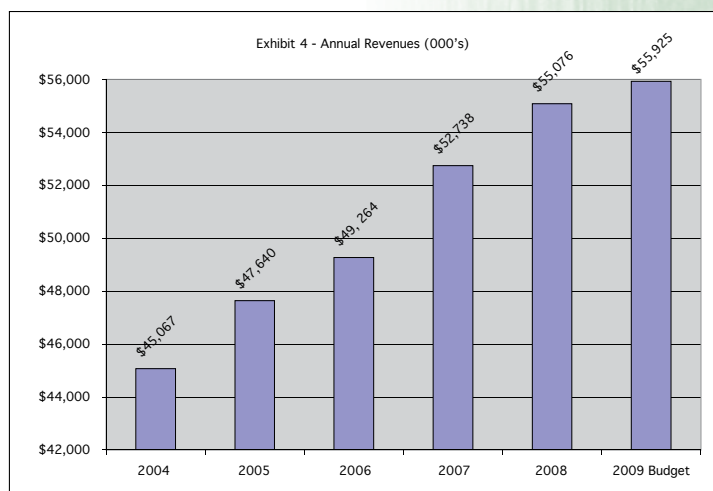
FINANCIAL RESULTS 2008

For the year of 2008, the Authority posted a net income of \$1.93 million which represents four percent of annual revenues. This result is comparable to the net income of \$1.51 million from 2007.

Included in the 2008 annual revenues is \$1.41 million generated by the launch replacement fee. These revenues are generated by a \$180 charge per boarding that is intended to finance the pilot 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 fully funded.

Readers are reminded that if the launch replacement revenues are taken out of the four percent net income mentioned above it decreases to one percent (\$521,000).

On January 1, 2008 the Authority implemented a three percent tariff increase, in line with service and collective agreement cost pressures. The average unit charge for 2008 increased by half of one percent as compared to a six percent increase during 2007. Even after accounting for the lower trips in 2008, coastal pilotage revenue exceeded the budget mainly due to a tariff unit change implementing a charge for a Seymour Narrows transit. The increased assignment levels at Pine Island accounted for the majority of the favourable launch revenues. Other revenues include an unrealized gain of \$47,000 relating to the Authority's investments.



On the expense side, the favourable coastal pilotage revenue variance previously mentioned was offset by increased payouts to contract Pilots with regard to Seymour Narrows. These payouts were somewhat moderated by a lower payout percentage mainly due to the lower number of trips relating to the forest products sector.

Pilot launch costs were negatively affected by the cost of fuel during the year as it exceeded budget by \$309,000. The balance of the negative variance results from increased assignments at Pine Island, thus increasing the payments to a contract launch operator.

Transportation and travel expenses continued to benefit from the prepaid flight passes purchased from Air Canada as well as charter aircraft flights transporting Pilots to and from Pine Island.

Other expenses include bank interest on the loan for the new pilot launch construction program. Interest expense was favourable to the budget by \$170,000 mainly due to lower than expected interest rates and the timing of launch deliveries to the Authority. Offsetting some of this gain, was slightly higher than expected consulting services relating to IFRS and human resources.

2008 REVIEW

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

Exhibit 5 displays the details of the major revenue and expense categories along with the 2009 Budget.

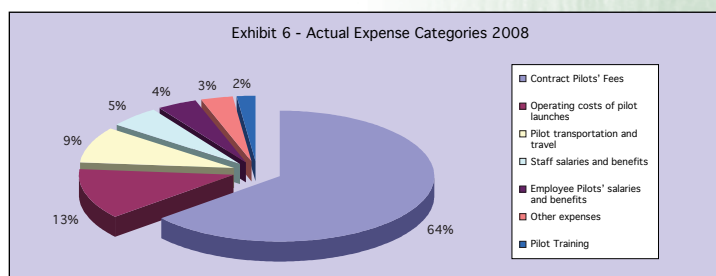
As a reminder, since inception in 1972 the Authority has been financially self-sufficient and has structured its finances in order to maintain this position.

The Authority's Board of Directors has mandated that by the end of 2010 five percent of annual revenues be held in an investment account. The Authority has increased the investment account by \$534,000 during 2008 and has set a goal of an additional \$800,000 into this account during 2009.

Exhibit 5				
Revenue Categories (000's):	Actual 2008	Budget 2008	Variance to Budget	Budget 2009
Coastal pilotage	\$38,296	\$37,703	\$593	\$38,644
River pilotage	\$2,433	\$2,376	\$57	\$2,056
Travel	\$6,108	\$6,008	\$100	\$6,750
Launch	\$6,650	\$6,348	\$302	\$7,068
Launch replacement fee	\$1,409	\$1,402	\$7	\$1,311
Other income	\$180	\$60	\$120	\$96
Total Revenues	\$55,076	\$53,897	\$1,179	\$55,925
Expense Categories (000's)				
Contract Pilots' Fees	\$33,921	\$33,740	(\$181)	\$34,000
Pilot launch costs	\$6,693	\$6,281	(\$412)	\$6,947
Transportation and travel	\$4,774	\$4,968	\$194	\$5,480
Staff salaries and benefits	\$2,731	\$2,700	(\$31)	\$2,800
Employee Pilots' salaries and benefits	\$2,191	\$2,180	(\$11)	\$2,180
Other expenses	\$1,849	\$1,960	\$111	\$2,101
Pilot Training	\$987	\$890	(\$97)	\$725
Total Expenses	\$53,146	\$52,719	(\$427)	\$54,233
Net Income (Loss)	\$1,930	\$1,178	\$752	\$1,692
Net Income (Loss) excluding launch fee	\$521	(\$224)	\$745	\$381

Exhibit 6 compares the major expense categories as a percentage of total expenses for the year of 2008.

Similar to prior years, eighty percent of the Authority's total annual expenditures for 2008 were covered by either a service contract or collective agreements.



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					
Year	Incident Free Assignments	Incidents	Class A	Class B	Class C
2004	99.905%	12	0	2	10
2005	99.931%	9	0	0	9
2006	99.938%	8	0	3	5
2007	99.947%	7	0	0	7
2008	99.969%	4	0	0	4

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

2008 KEY PERFORMANCE MEASUREMENTS

Management of the Authority is regularly reviewed by the Board of Directors. Certain key performance measurements are incorporated as part of this review and they are included below.

<u>Final Results for Year End 2008</u>	<u>Goal</u>	<u>Year to Date</u>	<u>Final Results for Year End 2008</u>	<u>Goal</u>	<u>Year to Date</u>
On time service delivery (Total assignments minus delays caused by Pilots or Authority/total assignments) 7 in 12,598 assignments	99.7%	99.94% (exceeded)	Combined computer runtime Victoria and Vancouver (Total runtime less unscheduled downtime - starting June 1)	100%	99.8% (failed)
Break down free launch operations (Total runtime in days less unplanned downtime in days / total days)	99.0%	99.49% (exceeded)	Invoices out within 24-hours of receipt of source card	95.0%	96.0% (exceeded)
Error Free Dispatches (Total dispatches less number of errors/ total number of dispatches) 4 in 12,598 assignments	99.0%	99.97% (exceeded)	Maintain an overhead cost of less than 8% of revenue	8.0%	8.8% (failed)
Client visits per annum 16 visits during year, Agent base is 63	20.0%	25.3% (exceeded)	Reduce the total employee sick days compared to 2007 (Total sick days in 2008 compared to 2007)	10.0%	21.8% (exceeded)
Trouble free AS 400 computer runtime (Jan- May)	99.8%	100%	Maintain an average of 10 working days to resolve all Complaints 25 complaints	10 days	5.5 days (exceeded)
(Total runtime less unscheduled downtime / total runtime)		(exceeded)	Maintain an adequate contingency fund (Investments = 2.5% of total revenue - at December 31, 2008)	\$1.4 Mil	\$1.5 Mil (exceeded)

2008 ACCOMPLISHMENTS

- The seasonal boarding station at Pine Island serviced 383 (2007 was 366) vessels which is an increase of 17 over the prior year. This station is used primarily by the Cruise Industry and allows them a higher degree of flexibility with their itineraries while transiting our waters.

- Fifteen senior Pilots received training at Ilawa, Poland, at the ship model facility.

- Twelve senior Pilots received training at Baltimore, Maryland on the full-mission bridge simulator.

- Four senior Pilots received training at Seattle, Washington on azipod propulsion systems.

- Thirty two senior Pilots received training at Seattle, Washington on a simulation of the Prince Rupert container dock.

- A five-year collective agreement was negotiated with the Canadian Merchant Service Guild covering eight Fraser River Pilots which will take the parties to January 31, 2013.

- An Enterprise Wide Risk Management program was introduced to Pilots, launch crew and administrative staff.

- The new launch construction program was successfully completed

on-time and on-budget with two state of the art vessels being delivered. These vessels were showcased to Industry during a special ceremony honouring Pilots in September 2008.

- The first stage of the Authority's upgrading of its Information Systems was completed during the year. A web-based dispatching, billing and accounts receivable computer system was tested and delivered at an on-budget cost of \$420,000.

- The Auditor General of Canada conducts a Special Examination of the Authority once every five years as required by the *Financial Administration Act*. During 2008 this examination was completed with the Authority agreeing to implement several recommendations. The final report is posted on the Authority's website and its conclusion contains 'Based on the criteria established for this special examination, in our opinion there is reasonable assurance that the systems and practices we examined have no significant deficiencies'.

- On May 15, 2008 a supplementary tariff was put in place to fund certain negotiated items from the recently concluded B.C. Coast Pilot Ltd. service agreement negotiations. These items resulted from a mediator's recommendation and had the full support of Industry.

LOOKING AHEAD – 2009 AND BEYOND

Economic Challenges

It is the Authority's mandate to remain financially self-sufficient. The uncertainties and turmoil in the global trading patterns currently being experienced will undoubtedly affect the Authority. Traffic levels for the coming year have been forecast at reduced levels and cost saving measures have either been implemented or proposed, depending on the severity of the traffic declines.

Financial – Tariff Adjustment as of January 1, 2009

With Industry support during 2008, the Authority Gazetted and received approval to adjust tariff rates by 3.9 % as of January 1, 2009. This tariff also adjusted the launch rates to account for the potential of fuel price increases during the year.

Unit Fee Proposal

The Authority is currently working with Industry to study and propose a 'fair unit fee' structure that will incorporate an element of gross tonnage. The current unit fee is 'vessel length, multiplied by breadth, multiplied by draft'. This calculation results in higher charges for laden deep draft vessels and lower charges for large shallow draft vessels and is seen by certain parties as being too draft dependant.

Risk Management

As part of the Authority's safety and security focus, the Enterprise Wide Risk Management (EWRM) initiative will continue into 2009. The process covers every aspect of the Authority's operations and will result in the implementation of a formal risk management plan.

International Financial Reporting Standards (IFRS)

Readers are reminded that the Authority's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Authority will be converting to IFRS for the December 31, 2011 year-end.

Source and Supply of Pilots

Similar to many other Industries, the Authority is actively engaged in reviewing the future source and supply of Pilots. Plans include working in partnership with the BCCP to prepare and implement a comprehensive long-term plan to ensure an adequate supply of qualified candidates. This will include the examination of the sustainability of the present system.

QUALIFIED PILOT CANDIDATES AS AT DECEMBER 31, 2008

During the year 2008, four coastal Pilots received their Class II licences and three Apprentices were started in July.

With the intake of the three Apprentices during the month of July the coastal eligibility list was reduced to nil as of December 31, 2008. The Authority has scheduled the next examination session for February 2009 with twenty candidates scheduled to participate.

At December 31, 2008 there are six candidates on the eligibility list for the Fraser River.

The Authority also conducts a familiarization program for interested candidates. This program is limited to 20 candidates (currently enrolment is 20) who participate in order to supplement and upgrade their coast-wide knowledge.

The Authority will continue to report on the status of Pilot candidates annually.

REGULAR CONSULTATIONS WITH INTERESTED PARTIES

The Authority's management team continued the annual agency visitation program, meeting with twenty-five percent of active shipping agencies during the year.

Customer surveys and service levels expected of the Authority have been incorporated into the strategic plan. These will be measured on a bi-annual basis starting 2009.

The Authority's management team continues to meet with the Chamber of Shipping (CS) representatives on a regular basis. During the year two tariff applications were Gazetted after receiving written support

from the CS. Both of these tariffs proceeded through the process without objection.

The President and CEO of the Authority attends the Chamber of Shipping's Navigation Services Committee meetings on a regular basis, as an invited guest. This enables both parties to resolve issues as they arise.

The Authority continues to be an active member of the Western Transportation Advisory Council (WESTAC) and the Northwest Corridor Development Corporation (NCDC).

Exhibit 8 Historical Financial Summary (in thousands of dollars)						
	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009
<u>Financial Results</u>						
Revenues	\$45,067	\$47,640	\$49,264	\$52,738	\$55,076	\$55,925
Expenses	\$45,666	\$47,736	\$48,232	\$51,227	\$53,146	\$54,233
Net Income (Loss)	(\$599)	(\$96)	\$1,032	\$1,511	\$1,930	\$1,692
<u>Financial Position</u>						
Current Assets	\$5,860	\$6,202	\$6,539	\$7,006	\$7,572	\$6,212
Current Liabilities	\$4,813	\$4,779	\$5,216	\$8,282	\$10,065	\$4,500
Working Capital	\$1,047	\$1,423	\$1,323	(\$1,276)	(\$2,493)	\$1,712
Net Capital Assets	\$3,462	\$3,525	\$4,576	\$8,844	\$11,552	\$12,452
<u>Operating Indicators (Actual)</u>						
<u>Average Number of Pilots</u>						
Coastal	99	100	96	96	98	100
Fraser River	11	10	9	8	8	8
<u>Number of Assignments</u>						
Coastal	11,527	11,832	11,673	11,821	11,406	11,150
Fraser River	1,475	1,387	1,272	1,191	1,192	1,000
<u>Average Pilotage Revenue per Assignment (Actual \$)</u>						
Coastal	\$2,727	\$2,850	\$2,970	\$3,171	\$3,358	\$3,466
Fraser River	\$1,683	\$1,759	\$1,726	\$1,934	\$2,041	\$2,056



STATEMENT OF MANAGEMENT RESPONSIBILITY

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

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 fulfils 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.



K. G. Obermeyer
President and Chief Executive Officer



B. D. Chadwick
Director of Finance

January 30, 2009

AUDITOR'S REPORT

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT



Auditor General of Canada
Vérificatrice générale du Canada

To the Minister of Transport, Infrastructure and Communities

I have audited the balance sheet of the Pacific Pilotage Authority as at December 31, 2008 and the statements of income, comprehensive income 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, 2008 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, after giving retroactive effect to the change in accounting policy for property and equipment as explained in Note 2 to the financial statements, 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 that reads "ANDREW Lennox".

Andrew Lennox, CGA, CMA
Assistant Auditor General
for the Auditor General of Canada

Vancouver, Canada
January 30, 2009

FINANCIAL STATEMENTS

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

Balance Sheet as at December 31 (in thousands)

ASSETS	2008	2007
		(Restated - Note 2)
Current		
Cash and cash equivalents	\$ 3,275	\$ 2,403
Accounts receivable	4,114	4,487
Prepaid expenses	183	116
	7,572	7,006
Long-term		
Long-term investments (Note 5)	1,455	921
Property and equipment (Note 6)	11,552	8,844
	13,007	9,765
	\$ 20,579	\$ 16,771
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 5,301	\$ 4,852
Bank indebtedness (Note 7)	4,764	3,430
	10,065	8,282
Long-term		
Employee severance benefits (Note 9)	1,193	1,098
	11,258	9,380
EQUITY		
Contributed capital	806	806
Retained earnings	8,515	6,585
	9,321	7,391
	\$ 20,579	\$ 16,771

Commitments and Contingencies (Notes 13 and 14)

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

Approved by the Board of Directors:

Member:



Member:



FINANCIAL STATEMENTS

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

Statement of Income, Comprehensive Income and Retained Earnings for the year ended December 31 (in thousands)

Revenues	2008	2007 (Restated - Note 2)
Pilotage charges (Note 10)	\$ 54,896	\$ 52,618
Interest and other income	180	120
	55,076	52,738
Expenses		
Contract pilots' fees	33,921	33,647
Operating costs of pilot boats	6,693	6,010
Transportation and travel	4,774	4,823
Staff salaries and benefits	2,731	2,588
Pilots' salaries and benefits	2,191	2,053
Pilots' training	987	858
Amortization	585	283
Professional and special services	424	327
Utilities, materials and supplies	233	202
Rentals	197	199
Computer services	185	105
Communications	89	69
Interest expense	87	-
Repairs and maintenance	49	63
	53,146	51,227
Net income and comprehensive income	1,930	1,511
Retained earnings, beginning of the year, as previously stated	6,585	5,239
Change in accounting policy (Note 2)	-	(165)
Retained earnings, beginning of the year, restated	6,585	5,074
Retained earnings, end of the year	\$ 8,515	\$ 6,585

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

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

Operating activities	2008	2007
Cash receipts from customers	\$ 54,926	\$ 52,658
Cash paid to employees and suppliers	(51,633)	(50,632)
Other income received	187	182
Interest paid	(87)	-
Employee severance payments	(25)	(137)
Cash flows provided by operating activities	3,368	2,071
Investing activities		
Purchase of investments	(1,776)	(1,008)
Proceeds on disposal of investments	1,242	1,314
Acquisition of property and equipment	(3,296)	(4,716)
Cash flows (used in) investing activities	(3,830)	(4,410)
Financing activities		
Bank indebtedness	1,334	3,120
Cash flows provided by financing activities	1,334	3,120
Increase in cash and cash equivalents	872	781
Cash and cash equivalents, beginning of year	2,403	1,622
Cash and cash equivalents, end of year	\$ 3,275	\$ 2,403
Represented by:		
Cash	\$ 1,079	\$ 178
Short-term investments	2,196	2,225

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

NOTES TO FINANCIAL STATEMENTS

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

DECEMBER 31, 2008

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 fixed at a level that permits the Authority to operate on a self-sustaining financial basis and shall be fair and reasonable.

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.

REGULATION OF TARIFFS OF PILOTAGE CHARGES

The tariffs of pilotage charges that the Authority charges to vessels subject to compulsory pilotage are governed by the *Pilotage Act*. With the approval of the Governor in Council, the Authority makes regulations to prescribe tariffs of pilotage charges to be paid to the Authority.

As set out in the *Pilotage Act*, the Authority must first publish the proposed tariffs of pilotage charges in the Canada Gazette. Any person who has reason to believe that the proposed pilotage charges are not in the public interest may file a notice of objection, setting out the grounds therefore, with the Canadian Transportation Agency, an entity related to the Authority as a federal organization. In such a case, the Agency must investigate whether the proposed charges are in the public interest, including the holding of public hearings. After conducting the investigation, the Agency must make a recommendation within 120 days from the receipt of the notice of objection, and the Authority is required to govern itself accordingly.

The tariffs may come into force 30 days after their publication in the Canada Gazette. However, where the Agency recommends pilotage charges that are lower than that prescribed by the Authority, the Authority is required to reimburse the difference between the prescribed charges and the charges recommended by the Agency, plus interest, to any person who has paid the prescribed charges. The *Pilotage Act* stipulates that the Governor in Council may vary or rescind a recommendation of the Canadian Transportation Agency.

The tariffs of pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs are intended to allow the Authority to recover its costs and fund the acquisition of capital assets.

2. Changes in accounting policy

(a) Financial Instruments – Disclosure and presentation

Effective January 1, 2008, the Authority adopted the new CICA Handbook sections 3862, “*Financial Instruments – Disclosures*” and 3863, “*Financial Instruments – Presentation*”. The standards require the disclosure of information with regards to the significance of financial instruments for the Authority’s financial position and operations, the nature and extent of risks arising from financial instruments to which the Authority is exposed to during the period and at the balance sheet date, and how the Authority manages those risks. These standards replace CICA Handbook section 3861 “*Financial Instruments – Disclosure and Presentation*”. The additional disclosures required as a result of adopting these standards are included in Notes 3, 4 and 5.

(b) Capital Disclosures

Effective January 1, 2008, the Authority adopted the new CICA Handbook section 1535, “*Capital Disclosures*”. The standard requires the Authority to disclose information about the Authority’s objectives, policies and processes for managing its capital, quantitative data about what the Authority regards as capital and whether the Authority has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. The additional disclosures are presented in Note 11.

(c) Property and equipment – Amortization of pilot boats

In 2008, the Authority changed its accounting treatment for the recording of its pilot boats. Under the previous accounting policy, pilot boats were amortized over a straight-line basis of 25 years. Under the new accounting policy, significant component parts of the pilot boats are classified and amortized separately. The new accounting policy is considered preferable because it resulted in amortization expenses that more appropriately reflected the consumption of the economic benefits inherent in those assets. This change was effective January 1, 2008 and was applied retrospectively, with restatement of prior periods.

The impact on the 2007 financial statements was a reduction of opening retained earnings by \$165,000, a decrease in net income for the year ended December 31, 2007 by \$55,000, and a reduction of property and equipment as at December 31, 2007 by \$220,000. The effect of this adjustment for the Authority’s net income for the fiscal year ended December 31, 2008 was a reduction of \$95,000.

(d) Future accounting changes

The Canadian Accounting Standards Board has announced that all publicly-accountable Canadian reporting entities will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for the years beginning on or after January 1, 2011. The Authority is currently evaluating the impact of the adoption of these new standards.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

CASH EQUIVALENTS

Cash equivalents represent short-term, highly liquid investments and consist of Canadian dollar deposits held at Canadian chartered banks with a weighted average interest rate of 1.75% (2007 – 3.5%).

INVESTMENTS

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

Pursuant to CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, the Authority has elected to designate all investments as held for trading. Consequently, investments are recorded at fair value. Fair value is based on the quoted price of the securities at year-end. Purchases and sales of investments are recognized on settlement date.

Realized gains and losses from the sale of investments are recognized in interest and other income in the period earned. Unrealized gains and losses from fluctuations in fair value are recognized in interest and other income in the period in which they occur. Income from interest is recognized in the period earned. Interest and other income is presented net of investment expenses.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. The cost of assets constructed by the Authority includes design, project management, legal, materials, interest on construction loans, and construction costs. Amounts included in work in progress are transferred to the appropriate property and equipment classification upon completion, and are then amortized. Amortization is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings and floats	10 - 20 years
Pilot boats	25 years
Pilot boat engines and generators	7,500 - 20,000 running hours
Equipment	- communication and other
	- computers
Leasehold improvements	10 years or remaining term of lease

NOTES TO FINANCIAL STATEMENTS

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

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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. Management determines the accrued benefit obligation based on the assumption that all employees will not leave the Authority voluntarily before having completed ten years of service. These benefits represent the only obligation of the Authority that entails settlement by future payment.

PENSION PLAN

All eligible employees participate in the Public Service Pension 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 expensed during the year in which the services are rendered. The Authority is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

CONTRIBUTED CAPITAL

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

REVENUE RECOGNITION

Revenues from pilotage charges are recognized when pilotage services are provided.

FINANCIAL INSTRUMENTS

The Authority has made the following classifications of its financial instruments:

Cash and cash equivalents are designated as held for trading since they could be reliably measured at fair value and are measured at fair value.

Long-term investments are classified as held for trading and are recorded at fair value with unrealized gains and losses from fluctuations in fair value recognized in net income in the period in which they occur. Measuring these investments at fair value provides better alignment between the accounting results and how the portfolio is managed.

Accounts receivable, classified as loans and receivables, and accounts payable and accrued liabilities and bank indebtedness, classified as other financial liabilities, are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of accounts receivable, accounts payable and accrued liabilities, and bank indebtedness, their carrying value approximates fair value.

USE OF ESTIMATES

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. This mainly affects employee severance benefits. Actual results could differ materially from these estimates.

4. Financial instruments

The Authority invests its excess funds in short-term investments with a Canadian chartered bank and in long-term fixed-income investments that are guaranteed.

RISK MANAGEMENT

The Authority, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and interest rate risk. The Authority manages these risk exposures on an ongoing basis. The Authority is not party to any derivative financial instruments.

CREDIT RISK

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. To manage this risk, the Minister of Finance authorizes the Authority to only invest in bonds or other obligations of or guaranteed by Her Majesty in right of Canada or any province, or any municipality in Canada.

The carrying amount of cash and cash equivalents, accounts receivable and long-term investments represents the maximum credit exposure.

The Authority's accounts receivable had a carrying value of \$4,114,000 as at December 31, 2008 (2007 - \$4,487,000). There is no concentration of accounts receivable with any one customer. As at December 31, 2008, approximately 0.6% (2007 - 0.3%) of accounts receivable were over 90 days past due, whereas 99.4% (2007 - 99.7%) were current, or less than 30 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The Authority's allowance for doubtful accounts was nil at December 31, 2008 (2007 - \$1,751).

The risk on cash and cash equivalents is minimized as these assets are held with a Canadian chartered bank.

The risk on long-term investments is minimized as the Authority is only invested in Government of Canada guaranteed bonds.

LIQUIDITY RISK

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority's objective is to have sufficient liquidity to meet these liabilities when due. The Authority monitors its cash balances and cash flows generated from operations to meet its requirements.

The carrying amount of accounts payable and accrued liabilities and bank indebtedness represents the maximum exposure to liquidity risk.

The Authority does not have long-term financial liabilities. The Authority's accounts payable had a carrying value of \$3,243,000 as at December 31, 2008 (2007 - \$3,240,000) and are all due within 60 days. The Authority's accrued liabilities had a carrying value of \$1,938,000 as at December 31, 2008 (2007 - \$1,514,000).

The Authority has credit facilities with a Canadian chartered bank. At December 31, 2008, these financial liabilities totalled \$4,764,000 (2007 - \$3,430,000) and are due January 6, 2009. The Authority has the option to roll over the obligation or draw on the facility prior to January 31, 2009 or such later date as may be mutually agreed upon with the bank.

INTEREST RATE RISK

Interest rate risk arises because of the fluctuation in interest rates. The Authority is subject to interest rate risk on its cash and cash equivalents and the investments portfolio. Interest rate risk is minimized by managing the duration of the fixed-term portfolio and rebalancing on a monthly basis to the Standard & Poor's Canadian Short-Term composite Index. The interest rates on the long-term investments are fixed. The long-term investments will mature over the next five years.

On December 31, 2008, a shift in interest rates of 100 basis points, assuming that all other variables had remained the same, would have resulted in a \$130 increase or decrease in the Authority's net income for the year ended December 31, 2008.

FOREIGN EXCHANGE RISK

The Authority has no investments denominated in foreign currencies.

NOTES TO FINANCIAL STATEMENTS

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

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5. Long-term investments and investment revenue

The Board of Directors of the Authority has established a policy for the management of the investments.

	2008		2007	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(in thousands)		(in thousands)	
(a) Portfolio Investments				
Government of Canada Bonds	\$ 466	\$ 443	\$ 501	\$ 495
Canada Housing Trust Bonds	989	939	420	414
	\$ 1,455	\$ 1,382	\$ 921	\$ 909
(b) Investment Revenue				
	2008		2007	
	(in thousands)		(in thousands)	
Interest	\$ 106		\$ 111	
Gains and losses				
Realized gains in the year	14		-	
Change in fair value in the year	47		(7)	
Investment management fees	(6)		(6)	
	\$ 161		\$ 98	

(c) Investment performance

The annualized rate of return during the year on these investments was 9.42% (2007 – 4.01%).

6. Property and equipment

	2008			2007		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	(in thousands)			(in thousands) (Restated – Note 2)		
Buildings and floats	\$ 275	\$ 228	\$ 47	\$ 275	\$ 215	\$ 60
Pilot boats	11,946	2,134	9,812	4,208	1,831	2,377
Engines and generators	1,425	450	975	520	317	203
Spare engines (1)	176	-	176	389	-	389
Equipment - communication and other	308	237	71	308	214	94
- computers	730	259	471	250	239	11
Leasehold improvements	97	97	-	97	82	15
Work in progress – pilot boats	-	-	-	5,374	-	5,374
Work in progress – computer system	-	-	-	321	-	321
	\$ 14,957	\$ 3,405	\$ 11,552	\$ 11,742	\$ 2,898	\$ 8,844

(1) Spare engines for pilot launch refurbishment.

NOTES TO FINANCIAL STATEMENTS

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

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7. Bank indebtedness

The Authority has a revolving demand credit facility of up to \$1.0 million to finance the construction of two new pilot launches. The interest rate is equivalent to the bank's prime lending rate minus 0.45%.

The Authority has a non-revolving term credit facility of up to \$5.0 million to finance the construction of two new pilot launches. The interest rate is equivalent to the bank's prime lending rate minus 0.45% or equivalent to Bankers' Acceptances plus 0.50%, at the Authority's option. At December 31, 2008, the Authority was borrowing at the Bankers' Acceptances plus 0.50%. The Authority may draw on this facility prior to January 31, 2009, or such later date as may be mutually agreed upon. Subsequent to year-end, the Authority is in negotiations with the bank to enter into a long-term agreement.

Less: current portion

The Authority has another operating credit facility of up to \$2.0 million available at an interest rate equivalent to the bank's prime lending rate. The Authority has not drawn on this facility at year-end (2007 – nil). The credit facility is available to the Authority as required and has no renewal date or fixed term.

	2008	2007
	(in thousands)	(in thousands)
\$	10	\$ 80
	4,754	3,350
	(4,764)	(3,430)
\$	-	\$ -

8. Pension plan

The Public Service Pension Plan requires the Authority to contribute to the Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Authority contributes \$2.02 (2007 - \$2.14) for every dollar contributed by the employee. If an employee's annual salary is greater than \$130,700 (2007 – \$126,500), the portion of the employee's salary above this amount is subject to an employer contribution of \$7.30 (2007 – \$7.00) for every dollar contributed by the employee. Contributions during the year were as follows:

Authority
Employees

	2008	2007
	(in thousands)	(in thousands)
\$	753	\$ 727
	296	288

9. Employee severance benefits

The Authority provides severance benefits to its employees based on their years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Information about the plan, measured as at the balance sheet date, is as follows:

	2008	2007
	(in thousands)	(in thousands)
Accrued benefit obligation, beginning of year	\$ 1,196	\$ 1,216
Cost for the year	142	117
Benefits paid during the year	(25)	(137)
Accrued benefit obligation, end of year	\$ 1,313	\$ 1,196
Short-term portion (included in Accounts payable and accrued liabilities)	\$ 120	\$ 98
Long-term portion	1,193	\$ 1,098
	\$ 1,313	\$ 1,196

NOTES TO FINANCIAL STATEMENTS

PACIFIC PILOTAGE AUTHORITY 2008 ANNUAL REPORT

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10. Pilotage charges

In addition to standard pilotage charges, the Authority charges users a fee of \$180 (2007 - \$180) every time an Authority owned pilot launch is used to transport a pilot. This fee is intended to fund the launch replacement capital costs.

	2008	2007
	(in thousands)	(in thousands)
Pilotage charges	\$ 53,487	\$ 51,249
Launch replacement fee	1,409	1,369
Total pilotage charges	\$ 54,896	\$ 52,618

11. Capital management

The Authority's capital is its equity, which comprises of contributed surplus and retained earnings. Equity is represented by net assets.

The Authority is subject to financial management and accountability provisions of the *Financial Administration Act* which imposes restrictions in relation to borrowings and acquisition of investments. On an annual basis the Authority must receive approval of all borrowings from the Minister of Finance. The Act limits investments to bonds or other obligations of or guaranteed by Her Majesty in right of Canada or any province, or any municipality in Canada. During the period ended December 31, 2008, the Authority has complied with these restrictions.

The Authority manages its equity as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that its objectives are achieved efficiently. The tariffs of pilotage charges must be fair and reasonable and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

12. 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, under the same terms and conditions that apply to unrelated parties. The transactions are recorded at the exchange amount, which approximates fair value. These transactions are not of significance and do not have a material effect on these financial statements.

13. Commitments

The Authority has a contract with a British Columbia shipyard for the construction of two pilot boats completed during the year. The obligation calls for payments of \$121,000 during 2009.

The Authority has a contract with a computer software vendor to provide software maintenance payments of \$39,000 per annum for the years 2009 through 2012.

The Authority has a long-term operating lease obligation for office accommodation of \$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 \$73,000 for 2009 (2008 – \$61,000).

14. Contingencies

The Authority is subject to claims or possible claims by third parties. The outcome of these claims or possible claims is not determinable at this time. Management is of the opinion that the resolution of these matters will not have a material adverse impact on the Authority. No provision has been taken in this regard.