

PACIFIC PILOTAGE AUTHORITY

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SUMMARY OF THE CORPORATE PLAN

2016 TO 2020

Includes:

OPERATING BUDGET

2016

CAPITAL BUDGET

2016

Vision Statement:

‘To be a world leader in marine pilotage’

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Executive Summary

In 2014, we continued to pursue our mandate of providing a safe, efficient and cost effective pilotage operation on the west coast of Canada by meeting our strategic objectives and maintaining excellent relationships with our stakeholders.

The two most important factors in meeting our mandate of providing a safe and efficient pilotage operation is our safety record and the number of delays to vessels caused by the Authority. On the safety side, our incident-free record on the West Coast remains extremely high with just five minor incidents reported in 2014 for a success ratio of 99.96 percent and no major incidents. On the delay side we had a success ratio of 99.99 percent. We will continue to work with industry and the pilots in order to reach the elusive 100 percent success ratio for both safety and reliability.

The marine industry which we serve continues to struggle with the ongoing issue of overcapacity and limited cargo opportunities. The charter rates for the vessels that we pilot remain well below the level of economic sustainability and continue to be a concern going forward. As a result of these issues facing our customers, the Authority took the step in 2014 of keeping the tariff below cost for a third consecutive year. From this move, we experienced a substantial net loss of \$3.6 million for the year.

These losses are unsustainable for the long term and are expected to grow in fiscal 2015. They are, however, in accordance with our goal of reducing all cash, cash equivalents and investments which are not considered absolutely critical to the operation of our business. By lowering our tariff below cost, we have effectively returned funds to industry through using experienced losses to deplete our reserves. We intend to correct our tariff in 2017 in order to bring our margins back into line and stop the flow of losses.

In 2014 we have seen some changes in the various product markets which we cater to. Overall, our customer base remains well diversified so decreases in one product sector is generally offset by increases in another. For example, in 2014, we have seen decreases in the coal sector (driven by decreases in the global pricing of metallurgical coal through an oversupply as production remains high whilst there is a general slowdown in steelmaking and economic activity in Asia) which have been offset by increases in the grain sector (through bumper crop seasons in the Prairies and further supported by a weakening Canadian dollar).

Overall, there were 13,264 assignments in 2014, which is a 2 percent decrease in ships moved compared to 2013. We expect to see another decrease in overall assignments in 2015 of approximately three percent.

In 2014, we completed a full manpower forecast for the coast with high and low expectations based on the proposed energy sector projects as well as other non-energy projects and shared this with our stakeholders. Manpower planning is seen as a high priority item for the Authority as we

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look forward for the next five years and look to balance our expected future demand for unrestricted pilots against the costs of training new pilots and the expectations on retirements.

We continued our outreach program in 2014 visiting ports and communities and sharing information on the safety of shipping on the west coast of Canada. This program continues in 2015. In 2014, we gained accreditation for compliance with ISO 9001:2008 for our dispatch department and ISM (International Safety Management) for our pilot launches. We now set our sights in 2015 on attaining this accreditation for our Fraser River pilot operation.

We have participated in many of the energy sector proponents by attending open houses explaining the role of the Pacific Pilotage Authority in maintaining navigational safety and protecting the pristine waters of the British Columbia coast. Ensuring public understanding and obtaining social licence in the face of the anti-tanker movement will continue to be a challenge as the many energy projects move ahead.

There are 20 proposed liquid natural gas (LNG) projects for the B.C. coast, with 12 National Energy Board approved licences and 34 Project Partners as of the date of this report. All of these projects are at different stages of readiness and the Authority continues to monitor their timelines and service needs. It is the responsibility of the Authority to ensure we are ready to service these developments if and when they become operational.

The marine industry and stakeholders we serve place great emphasis on stability and avoiding service level disruptions. To this end we have signed long-term contracts with our service providers, wherever possible. We have a five-year contract in place with the BCCP (BC Coast Pilots), and we also have contracts in place with hotels, airlines and other transportation companies wherever it makes sense. We also have seven-year collective agreements in place with three unions covering our launch masters, engineers, dispatchers, and office staff and employee pilots.

In 2015, we will be introducing helicopter services as an alternate method of pilot transfer in Prince Rupert. It is expected that helicopter transfers will become a significant portion of Prince Rupert assignments over the next five years. In the fall of 2015, we will be sending out requests for proposals for helicopter services for the south coast and expect to be in a position to introduce a south coast helicopter pilot transfer service in 2016. We will also be financing a 13 year old pilot launch in 2015, in order to serve the Pine Island and Cape Beale regions off Vancouver Island. This vessel is being brought into service primarily to replace a 40 year old vessel currently serving the Pine Island region.

The Pacific Pilotage Authority Regulations were reviewed in 2014 and after extensive consultation with the pilots and industry stakeholders are proposing to amend three existing sections and add one new section. The amended sections are Section 4 Sea Time Requirements; Section 10 Waivers and Section 29, Marine Occurrence Report. The new section is Section 30 and addresses the risk measures taken when assessing vessel safety for new energy projects.

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We maintain our commitment to following the spirit and intent of the Government of Canada's ongoing cost containment and deficit reduction measures. We continue to review discretionary spending and continue to incorporate opportunities for operational efficiencies into our Corporate Plan. At the same time we must balance our responsibilities to the Canadian economy and stakeholders by ensuring our operation is capable of responding to any service level required.

Looking forward, we remain committed to our vision of becoming a world leader in marine pilotage as we continue to work in partnership with pilots and the shipping industry to protect and advance the interests of Canada.

Mandate

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

Profile of the Authority

Background

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

The Authority is not an agent of the Crown.

Powers

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

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

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

1. Employ such officers and employees, including licenced pilots, as are required;
2. Contract with a body corporate for the services of licenced pilots;
3. Make by-laws respecting the management of its internal affairs;

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4. Purchase, lease, or otherwise acquire land, buildings, pilot launches and such other equipment and assets as may be required and to dispose of any such assets acquired.

Corporate Objectives

The Authority's Corporate Objectives are:

1. To provide safe, reliable and efficient marine pilotage and related services in the coastal waters of British Columbia, including the Fraser River;
2. To implement 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;
3. To provide the services within a commercially-oriented framework, by maintaining financial self-sufficiency, through a combination of cost management and tariffs that are fair and reasonable;
4. To achieve the highest productivity of the Authority's resources in the interest of safe navigation;
5. To assume a leadership role in the marine industry we serve, by facilitating decisions resulting in improvements to navigational safety and the efficiency of marine operations.

Vision Statement

The Authority's vision statement is '**To be a world leader in marine pilotage**'.

Mission Statement

The Pacific Pilotage Authority is dedicated to providing safe, efficient pilotage by working in partnership with pilots and the shipping industry to protect and advance the interests of Canada.

Corporate Values

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

1. *Honesty/Integrity* - We will ensure honesty and integrity in everything that we do. We share responsibility for being effective, accountable and acting appropriately. We consider the outcome of decisions for all those affected before we implement change. We act with visible integrity and openness, and support each other in these actions.
2. *Positive Stakeholder Relations* - We will work hard to maintain positive relations with all stakeholders including the shipping industry, the pilots and their respective organizations, our employees, the communities in which we operate and all other related individuals and organizations.

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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.

What is the Pacific Pilotage Authority

Commercial vessels of 350 gross tons or larger (pleasure vessels of 500 gross tons or larger), while travelling in Canadian waters, are legally obliged to use the services of a Canadian marine pilot as per the Pilotage Act. The Pacific Pilotage Authority is a federal Crown corporation whose mandate is to administer this service in the waters of western Canada. Our area of jurisdiction encompasses the entire British Columbia coast, extending approximately two nautical miles from every major point of land. This jurisdiction includes the Fraser River and stretches from Alaska in the north to Washington State in the south and is one of the largest in the world.

Marine pilotage is all about safety as it serves to protect the environment and thus the interests of the Canadian people. We hold ourselves accountable to the Canadian public in this regard.

Description of Operations

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

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

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The head office of the Authority is in Vancouver, British Columbia. Pilots are dispatched to their assignments through a central dispatch office in Vancouver and a traffic coordination office in Victoria.

During 2015, a workforce of approximately 100 contract pilots will provide coastal pilotage services. We expect this number to increase to 103 contract pilots over the 2016 to 2020 period. Additionally, there are eight employee pilots who pilot vessels on the Fraser River.

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

Additionally, a contract launch is operated by a contractor at Pine Island (northern tip of Vancouver Island). The Authority financed a newer launch to serve this area in 2014-2015. The launch is owned and operated by the contractor and is expected to enter service in November 2015. This station is expected to perform approximately 380 pilot transfers during 2015 and the same number of transfers per year in the plan years from 2016 to 2020 (the majority of these will be cruise ship traffic). The cruise industry is the major user of this station as it allows its vessels a high degree of route flexibility for Alaska cruises.

The Nanaimo Port Authority is also a contract launch operation carrying out pilot changes off Snake Island in the Nanaimo area.

On the west coast of Vancouver Island at Cape Beale, the Authority has a designated boarding station which services the Port Alberni region. The Authority has the flexibility to service this station by helicopter or by pilot launch.

In 2015, the Authority will be introducing helicopter pilot transfer services to the Prince Rupert region. It is expected that helicopter operations will make up 40% of all Prince Rupert assignments in 2016, and will progressively increase to 75% by 2020. Helicopter transfers are considered to be safer than launch transfers and are expected to improve operational efficiencies in this area.

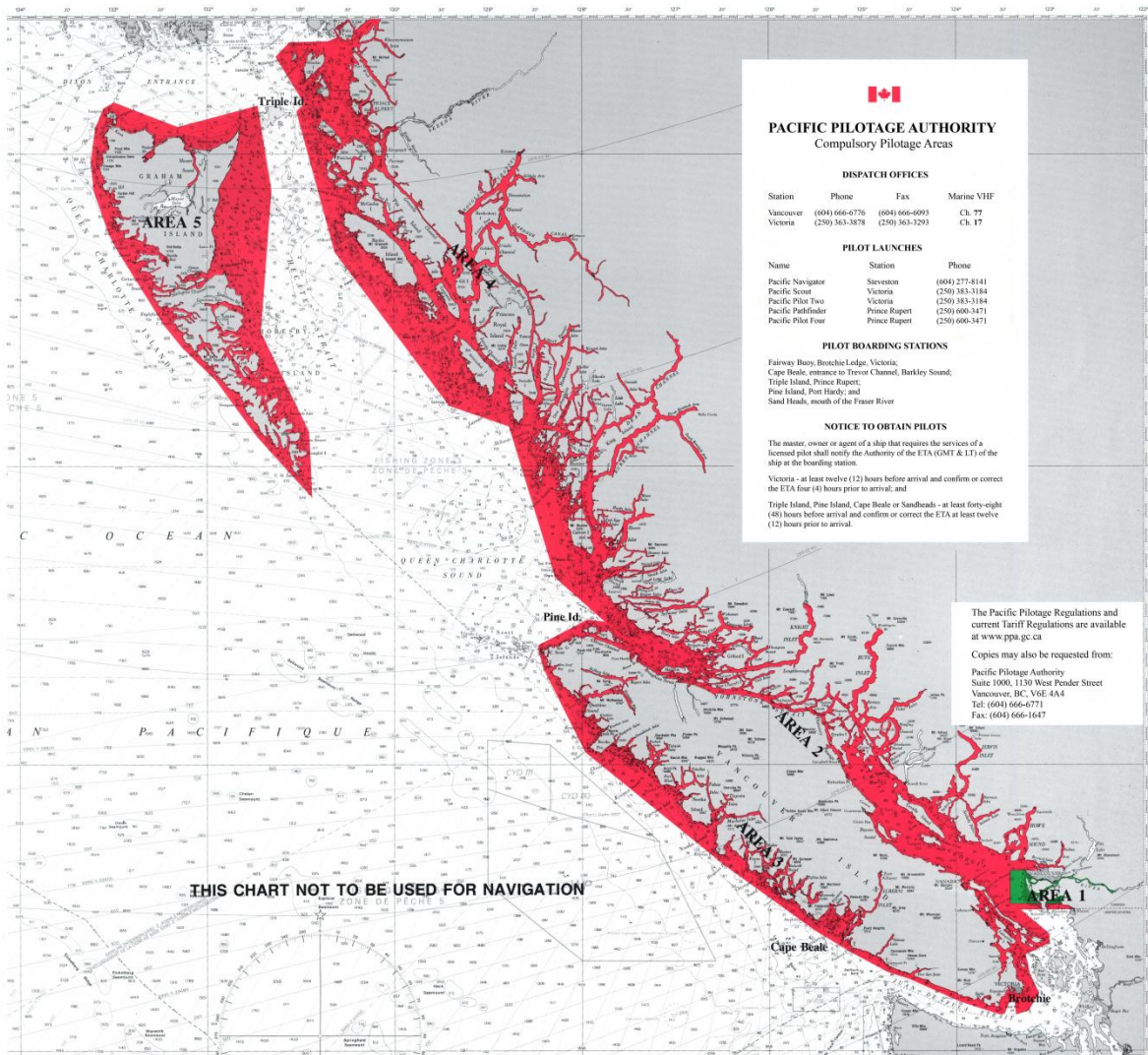
In 2015, the Authority expects to publish an RFP for helicopter services for the south coast of British Columbia. It is expected that this service will begin operations in the second quarter of 2016.

The rationale for introducing helicopter services is safety and efficiency driven. Helicopter services can be substantially safer than launch services – the most dangerous part of a marine pilot's job is transferring from launch vessel to the pilot ladder attached to a ship. From an efficiency perspective, approximately 50% of a marine pilot's time is spent travelling. The introduction of helicopter services has the ability to directly address and reduce this 50% of travel time, without effecting rest time and safety. The cost of marine pilots is the most substantial cost to the Authority, so there is high interest in having the ability to cater to more

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assignments with the same number of pilots, or the same number of assignments with fewer pilots, whilst not effecting safety.

The Authority's jurisdiction covers the entire coastline of British Columbia. Due to the vast size and the fact our coastal pilots are licensed for the entire coast we feel our operation is relatively unique in the world. We service all major ports on the coast as compared to other jurisdictions that may service only one port. As indicated in the following diagram, the most northern port we service is Stewart, to the north is Alaska, USA, and to the south is Washington State, USA.



Please refer to the Authority's fiscal 2014 annual report for further corporate information.

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Corporate Governance

Corporate governance is the process of establishing and monitoring the policies and procedures which will ensure the appropriate stewardship of the business and affairs of the Authority, including financial viability.

There are seven members on the Authority's Board of Directors comprising a Chair, two pilot representatives, two shipping industry representatives and two representatives of the public interest. This structure provides effective channels of communication and represents a good balance between the major stakeholders. All members are Governor-in-Council (GIC) appointees.

The Authority complies with the Treasury Board guidelines on corporate governance practices. This includes Board self-assessments, a nomination committee for prospective Directors and the development of Directors' skills criteria.

In addition, the Board has constituted several committees to focus on the major areas of the Authority. These committees are chaired by a Board member, have terms of reference and mandates and report directly to the Board on a regular basis.

- Audit Committee - the Chair and three Board members are designated as members of the Audit Committee. The Audit Committee meets ten times per annum and members are expected to be financially literate. Its mandate includes responsibility for all financial matters, external audit, internal audit and insurance.
- Governance and Nominating Committee – this Committee meets four times per annum or at the call of the Committee Chair. Its mandate is to provide a focus on corporate governance, recommend candidates for Board membership as well as the Chair and CEO positions. This Committee also oversees new member Board orientation, the Board's self-assessment process, training and skills requirements, annual assessment of the Chair and succession planning of the Authority's management team.
- Human Resources and Compensation Committee – this Committee meets on an as needed basis or at the call of the Committee Chair.
- Pilot Training and Examination Committee (PTEC) – this Committee meets four times per annum. Its mandate is to conduct pilot examinations and review ongoing training programs for pilots. It is chaired by a Board member and includes members of the Authority's management and BC Coast Pilots. The Committee is joined by one external examiner during annual pilot examinations.

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- Pilot and Transportation Safety Committee (PTSC) – this Committee meets at least twice per annum or more frequently as required. Members of this committee regularly attend launch stations to observe drills and inspect safety equipment. The Committee is responsible for establishing safety standards and monitoring the safe operation of pilot launches, water taxis, airplanes and helicopters utilized in the transfer of pilots to and from ships. It also ensures that the Authority adheres to regulations and safe practices issued by Transport Canada. It is composed of BC Coast and Fraser River pilots, Authority management and pilot launch personnel.

- Safety and Operating Review Committee (SORC) – this Committee works in conjunction with the Navigation and Pilotage Committee of the Chamber of Shipping and meets four times per year. Its mandate is to review and assess pilotage practices and areas of concern and to seek solutions which result in improved safety and efficiency. It is Chaired by a member of the board and comprised of Authority management, BC Coast Pilots and members of the marine industry.

- Enterprise Risk Management (ERM) and Emergency Preparedness – this Committee meets up to four times per annum. Its mandate is to achieve a consistent approach to risk management throughout all operational areas of the Authority, enhance the culture of risk awareness throughout the Authority and its partners, and manage the level of residual risk that is within the Authority’s tolerance levels. The role of the Committee consists of documenting the Authority’s risks, categorizing and ranking them, and making non-binding recommendations to the Authority’s Board of Directors. The Committee is composed of representatives from the BC Coast Pilots, the Fraser River Pilots, the dispatch department, the launch operations, the accounting department and the management team.

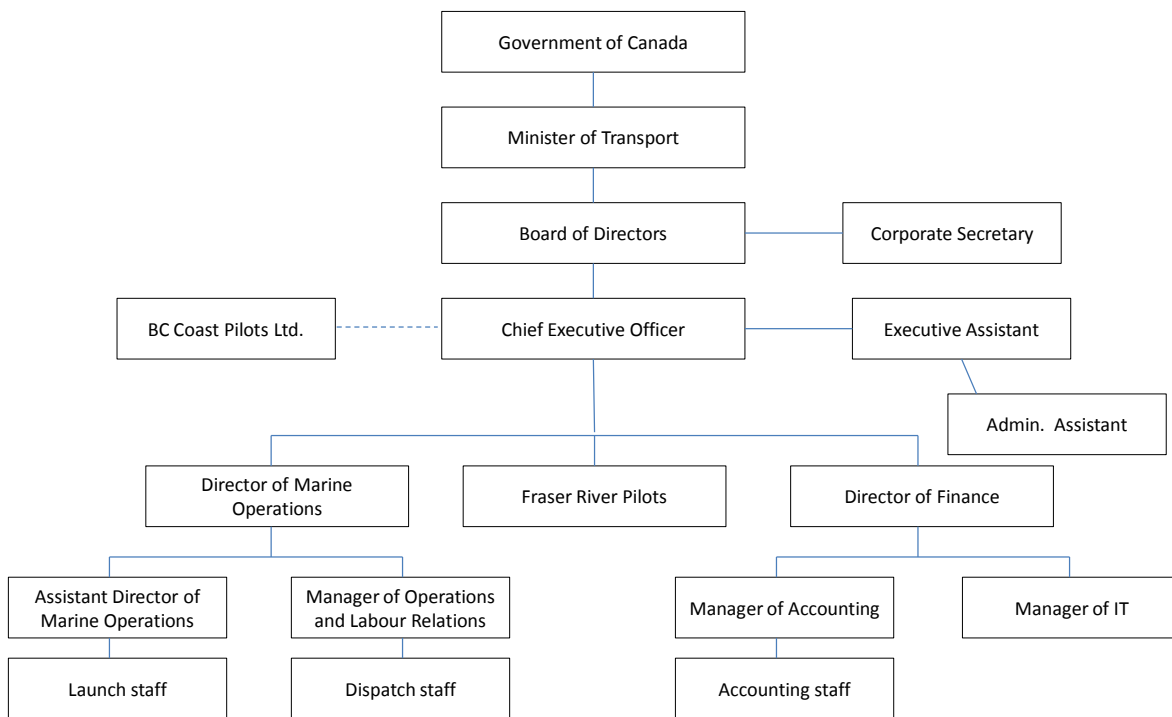
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Organizational Structure of the Authority

The Authority is managed by a CEO who reports to the Board through the Chair. There are nine management employees, eight employee pilots, eleven dispatchers, six administrative and twenty-six launch employees. One hundred entrepreneur marine pilots provide coastal pilotage services through their company, the British Columbia Coast Pilots Ltd (BCCP).

The Authority’s organization chart indicates the reporting structure.

Pacific Pilotage Authority Organizational chart



The Authority has prepared succession plans for the senior management positions. These plans outline the recruitment process, skills criteria and timelines in the event of personnel change.

Launch Stations and Office Facilities

In Victoria the Authority leases water lot property from the Greater Victoria Harbour Authority, at Ogden Point, in order to accommodate two pilot launches, floats and a workshop. In addition to the launch operation there is also a dispatch office which is in a building owned by the Authority.

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In Steveston, the Authority leases dock space from the Steveston Harbour Authority for one pilot launch.

In Prince Rupert, the Authority leases water lot space from the Prince Rupert Port Authority for a floating dock. The floating dock is equipped with a small work shed and accommodates one pilot launch. The Authority also leases dock space from the Port Edward Harbour Authority for one pilot launch.

Pilot Launches

The Authority's pilot launch fleet consists of five specially designed pilot launches. The Authority has implemented an enhanced planned maintenance program, which will ensure all service and safety demands are met in a timely, orderly and cost effective fashion. All launches are on a four-year Transport Canada inspection cycle. The newer launches perform the majority of the boardings with the older vessels being used mainly in a back-up role.

<u>Pilot Launches</u>	<u>Station</u>	<u>Date Built</u>	<u>Size</u>
Pacific Pilot Two	Victoria	1971	19.8 m
Pacific Pilot Four	Prince Rupert	1973	19.8 m
Pacific Pathfinder	Prince Rupert	2003	22.4 m
Pacific Navigator	Steveston	2008	19.5 m
Pacific Scout	Victoria	2008	19.5 m

The Authority financed the purchase of a pilot launch in 2014 to replace the aging launch that services the Pine Island area. It is expected that this launch will enter service in the fall of 2015.

Government Policies and Applicable Legislation

The Authority continues to comply with the requirements of the Pilotage Act, the Human Rights Commission, the Canadian Multiculturalism Act, the Employment Equity Act, the Official Languages Act, the Equal Opportunity Program, the Federal Identity Program, the Canadian Environmental Assessment Act, the Financial Administration Act – Section X and the Access to Information and Privacy Act.

Enterprise Risk Management

An Enterprise Risk Management (ERM) program has been incorporated as part of the Authority's strategy and is well advanced in 'cultivating a culture of risk awareness' throughout the organization. All areas of the Authority's operations have been incorporated into this program, including contract and employee pilots, launches, dispatch and administration, along with the Board and management.

The ERM Committee is chaired by a Board member and includes representation from each of the areas mentioned above. The Committee reports to the Board, meets quarterly, conducts scenario

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planning exercises and re-evaluates the risk register with a view to identifying new risks and mitigation measures.

The Authority remains committed to ensuring all risks have appropriate mitigation measures in place that are reviewed on a regular basis. Detailed risk descriptions and mitigation measures are kept current by the risk owners and are part of a comprehensive risk document. They are not all included in this report due to their length (except for the first four to show examples of the mitigation strategies and controls). As a general rule, the risks rated high are reviewed at least once every three months, risks rated medium are reviewed at least once every six months and risks rated low are reviewed at least once every year. Additionally, risk owners, who are members of the management group, are required to make annual presentations of their risk(s) to the ERM Committee once a year and all risks are reviewed by the board on an annual basis.

Risk Categories

The Authority has categorized its risks in order to assist in identification and management of the risk.

- **Strategic risk**: risks emanating from the Authority's strategy and decision making.
- **Financial risk**: risks pertaining to liquidity, capital availability, capital structure.
- **Organizational risk**: risks emanating from the Authority's management of its human resources including leadership depth and quality, management and labour availability and cost, cultural, etc.
- **Operational risk**: risks emanating from the Authority's day-to-day operating processes and activities.
- **External risk**: risks emanating from external sources over which the Authority (although impacted) has little control (e.g. macro-economic volatility; industry structural change; political, etc.)
- **Legal and regulatory risk**: risks associated with the Authority's compliance with applicable laws and regulations.
- **Incident risk**: risks emanating from incidents (accidents, near misses, etc.) within the Authority's jurisdiction where a pilot is present on board ship.
- **Emerging risks**: un-rated risks that the Authority will keep reviewing from time to time in order to be proactive.

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Risk Ranking Methodology

The Authority categorizes risks on the basis of the following chart. Similar to the risks themselves, these limits are reviewed on a regular basis.

Impacts	Financial	Operational				Strategic	
		Human	Property	Vessel(s)	Environmental	Reputation	Disruption of Business
Extreme 5	Above \$10 million cash impact on the Authority	Multiple deaths And multiple people with serious long-term injury Intensive care	Damage to property is such that it ceases operations for a period of time exceeding one month or financial loss exceeds \$10 million	Vessel sinks or sustains so much damage that it is a constructive total loss	Incident causes sustained long term harm to environment (i.e. damage lasts greater than a month)	Sustained front page adverse national media coverage International media coverage	Threatens long-term viability of Authority (Operational cessation or major operational issues lasting more than one month)
Very High 4	Impact on the Authority between \$5 and \$10 million	Single death And multiple people with serious long-term injury Intensive care	Damage to facilities is such that operations cease for up to one month or financial loss of \$5 - \$10 million	Vessel sustains damage significant enough to result in towing to dry dock and loss of operations of up to one month	Incident causes sustained medium term harm to environment (i.e. damage lasts up to one month)	Front page adverse national media coverage and intermittent international coverage	Threatens viability of Authority in the medium term (Operational cessation or major operational issues lasting up to one month)
High 3	\$1 - \$5 million cash impact	Some people with serious long-term injury and multiple minor injuries	Damage to facilities is such that the operations cease for up to two weeks or financial loss of \$1 - \$5 million	Vessel sustains significant damage with dry docking and loss of operations for two weeks	Incident causes medium term harm to environment (i.e. damage lasts up to two weeks)	Intermittent adverse national media coverage	Threatens viability of Authority in the short term (Operational cessation or major operational issues lasting up to two weeks)
Medium 2	Between \$500,000 to \$1 million cash impact	One person with serious long-term injury Some minor injuries	Damage to facilities cause operations to cease for up to one week or financial impact of \$500,000 - \$1 million	Vessel sustains damage resulting in loss of operations for one week	Incident causes short term harm to environment (i.e. damage lasts no greater than one week)	Sustained front page adverse local media coverage Board and Ottawa receive complaints from Chamber of Shipping and major clients	Operational issues lasting up to one week but no cessation of business
Low 1	Up to \$500,000 cash impact	Single or multiple minor injuries requiring on site first aid and/or off-site treatment	Damage to facilities cause operations to cease for up to 72 hours or a financial impact up to \$500,000	Minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours	Incident causes minimal or intermittent harm to environment over a period of time (i.e. damage lasts no greater than a day)	Intermittent adverse local media coverage Complaints received from Chamber of Shipping and/or clients	No operational issues or operational issues lasting up to 72 hours

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The risk table shows the current risks and ranking status as of this report.

Priority	Risk Title & Background	Category	Sub-Category	Likelihood (residual)	Impact (residual)	Risk Rating
1	Pilot Protocols and Participation in an Incident	Strategic	None	LOW	EXTREME	HIGH
2	Future Recruitment of Suitable Qualified Pilots	Strategic	None	LOW	EXTREME	HIGH
3	Failure of Key IT Applications	Operational	Technology	LOW	VERY HIGH	HIGH
4	Telecommunications failure (Voice and Data systems)	Operational	Technology	LOW	VERY HIGH	HIGH
5	Maintaining Good Stakeholder Relationships with the Shareholder	Strategic	None	MEDIUM	MEDIUM	MEDIUM
6	Maintaining Good Stakeholder Relationships with Pilots	Strategic	None	MEDIUM	MEDIUM	MEDIUM
7	Communication During an Incident (Media)	Operational	Communication	VERY LOW	VERY HIGH	MEDIUM
8	Economic Health of BC Coast Pilots Ltd.	External	Vendors	VERY LOW	VERY HIGH	MEDIUM
9	Training of Coastal Pilots	Organizational	Training	LOW	HIGH	MEDIUM
10	Management Succession	Organizational	Human Resources	LOW	HIGH	MEDIUM
11	Drugs and Alcohol	Operational	OH&S	LOW	HIGH	MEDIUM
12	Recruiting and Training of Launch Crew	Organizational	Training	LOW	HIGH	MEDIUM
13	Internal and External Fraud	Financial	Fraud	LOW	HIGH	MEDIUM
14	Financial Control Systems	Financial	None	LOW	HIGH	MEDIUM
15	Delay of Vessel due to the Authority	Operational	None	LOW	HIGH	MEDIUM
16	IT Vendor Issues	Operational	Technology	LOW	HIGH	MEDIUM
17	General Safety of Authority Launch Crews	Operational	OH&S	MEDIUM	MEDIUM	MEDIUM
18	Dispatch department knowledge loss and succession planning	Operational	None	MEDIUM	MEDIUM	MEDIUM
19	Delay of Vessel due to External Issues	Operational	None	HIGH	LOW	MEDIUM

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Priority	Risk Title & Background	Category	Sub-Category	Likelihood (residual)	Impact (residual)	Risk Rating
20	Changes and/or Shortcomings / Errors within Industry	External	None	MEDIUM	LOW	LOW
21	Changing Economic and Financial Conditions & Political Issues Affecting Traffic Volume	External	Financial	LOW	MEDIUM	LOW
22	Maintaining Good Stakeholder Relationships with the Marine Industry	Strategic	None	LOW	MEDIUM	LOW
23	Labour Management – Fraser River Pilots	Organizational	Human Resources	VERY LOW	HIGH	LOW
24	Labour Management – International Longshore & Warehouse Union	Organizational	Human Resources	VERY LOW	HIGH	LOW
25	Labour Management - Launch Crews	Organizational	Human Resources	VERY LOW	HIGH	LOW
26	General Safety of Pilots	Operational	OH&S	LOW	MEDIUM	LOW
27	Recruiting and Training of River Pilots	Organizational	Training	VERY LOW	HIGH	LOW
28	HR Management for the Authority	Organizational	Human Resources	VERY LOW	HIGH	LOW
29	Disaster and Emergency Planning	Operational	Hazard	VERY LOW	HIGH	LOW
30	Incident Management Coordination Across Borders	Incidents	Incident Management	VERY LOW	HIGH	LOW
31	Communication During an Incident (Government)	Incidents	Communication	VERY LOW	HIGH	LOW
32	General Safety of Authority Office Staff and Guests	Operational	OH&S	LOW	MEDIUM	LOW
33	Pandemic	Operational	OH&S	LOW	MEDIUM	LOW
34	New Technology and Subsequent Training - Pilots	Organizational	Technology	LOW	MEDIUM	LOW
35	Main Office Security	Operational	Security	LOW	MEDIUM	LOW
36	Compliance with Regulations and Legislation	Legal & Regulatory	Compliance	LOW	MEDIUM	LOW
37	New Technology and Subsequent Training - Authority	Organizational	Technology	LOW	MEDIUM	LOW
38	Security of Physical Assets	Operational	Security	LOW	MEDIUM	LOW
39	Hazardous/Dangerous or Toxic Cargo	External	Hazard	LOW	MEDIUM	LOW

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Priority	Risk Title & Background	Category	Sub-Category	Likelihood (residual)	Impact (residual)	Risk Rating
40	Accounts Receivable	Financial	None	LOW	MEDIUM	LOW
41	Recruitment and Training of Administration Staff	Organizational	Training	LOW	LOW	LOW
42	Incident Management Coordination within Canada	Incidents	Incident Management	VERY LOW	MEDIUM	LOW
43	Coordinating Multiple Investigations as a Result of a Cross-Border Incident	Incidents	Incident Investigation	VERY LOW	MEDIUM	LOW
44	Special Events Planning	Operational	Hazard	VERY LOW	MEDIUM	LOW
45	Ports and/or Terminals Significantly Changing the Way they do Business	External	None	MEDIUM	LOW	LOW
46	Financial Reserve/Tariff	Financial	None	LOW	LOW	LOW
47	Accounts Payable	Financial	None	VERY LOW	LOW	LOW
48	Issues Relating to Access to Shared Waterways	Emerging	None	Un-rated	LOW	Un-rated
49	Pilots Boarding Vessels Via Helicopter Hoisting	Emerging	None	Un-rated	LOW	Un-rated
50	Pilot Fatigue	Emerging	None	Un-rated	MEDIUM	Un-rated
51	Consistency of Bridge Layouts and New Equipment on Bridges	Emerging	None	Un-rated	MEDIUM	Un-rated
52	The PPA fails to Adequately Manage its Key Risks in an Efficient Manner	Emerging	None	Un-rated	LOW	Un-rated

Emerging risks are those which the Authority has recently begun to evaluate and have not concluded an evaluation of the risks on their own. Instead, these risks are currently considered within the existing rated risk register.

Examples of risks mitigation strategies and controls:

Risk #1: Pilot Protocols and Participation in an Incident

Mitigation strategy and controls: A protocol has been published as a Notice to Pilots and will be revised following the table top exercise conducted on October 10th 2012

- Pilotage Act and limitation of liability
- Notices to Pilots
- Notices to Industry

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- VTS/MCTS Regulatory requirement
- High level of training provided to pilots on an ongoing basis

Risk #2: Future Recruitment of Suitable Qualified Pilots

Mitigation strategy and controls: Well established recruitment and training/accreditation process, including:

- Familiarization program is a minimum of 40 trips
- Apprenticeships can now be extended up to 2 years
- Increased participants
- Mentoring program
- BC Coast Pilots can be "called back" and paid premium per job.
- BCCP offer a seasonal and half-time pilot initiative.
- Flexibility of coastal pilots as they are certified for all of BC coast (not just one localized area).
- Recruitment promotional activities include videos which are distributed to schools and other potential areas. The PPA is now very pro-active within the community in promoting piloting as a career.
- BC Coast Pilots now have much stronger relationships with industry and continue to be proactive in this regard.
- Long term awareness building.
- The age demographic charts on the last page of this risk are to provide an awareness of possible changes to the BCCP due to potential future retirements.
- PPA will continue to ensure the tariff generates sufficient funds to cover on-going training costs.
- As of 2010, 365 days of deep sea or fishing master's time contributes towards pilot accreditation.
- A proposal from PTEC was recently taken to the Board for approval with 5 recommendations. Of the five the BCCP has accepted four and will work with the PPA on the remaining item moving forward.

Risk #3: Failure of Key IT Applications

Mitigation strategy and controls:

- A Manager of Information Technology for the PPA commenced on 12th July 2010. This resolved the issue concerning the reliance on outside contractors for maintenance of the PPA's IT systems.
- A mirrored copy of the database for the Dispatch system is hosted by a third party, Klein Systems, to be used in the event of a major system failure or power outage.
- Klein database is mirrored to an offsite server and copied every 15 minutes to Dispatch laptop. (An 8 hour scheduled building power outage in Sept 2010 enabled us to successfully test and utilize connection to mirrored database at vendor site).

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- Documented detailed task list during scheduled building power outage. This can be utilized for future major system outages and planning.
- Tests are performed of the back-up strategy for key systems, particularly Dispatch.
- Dispatchers can be relocated during internet failure (during a previous internet outage for an extended period of time, some employees were flown to Victoria, which had an active internet connection).
- The Business Continuity Plan is based on the Dispatch plan used during the Winter Olympics which enabled Dispatch personnel to work from home, connecting to the Dispatch Application in the office and making use of company cell phones.
- Key service providers have been identified and service contracts are in place for each of the following:
 - Klein Group
 - Navsim (for PPU software)
 - Vacation cover and IT consultancy for special projects on ad-hoc basis with local IT Consultants (Sea To Sky Network Solutions)
 - Kevin Miller (Victoria, IT support)
- Invoices can be issued via mail and electronically.
- PC based computer system initially installed June 2008. This has improved control over IT provision considerably.
- A database application (Laserfiche) for electronic filing has been installed and documents have been scanned into it.
- Upgraded backup software and a larger capacity tape drive have been purchased to enable all key data to be backed up nightly and on to one tape for easier management and storage off-site with the vendor, Iron Mountain. This has now been superseded with a product called StorageCraft ShadowProtect which greatly increases our Backup and Disaster Recovery capabilities.
- Enhanced existing Dispatch system backup process to Emergency laptop and added a second laptop which is located in the Victoria Office.
- Email notifications setup for Backup jobs to allow both IT and Accounting Dept to know status without any user interaction needed.
- Updated PPA Password Policy to force more complex passwords and changing on a regular basis.
- Worked with Klein to apply similar Password Policy to the Dispatch/Billing system as we have on the network.
- Worked with Klein to develop Menu based system to increase consistency and familiarity for Users

Risk #4: Telecommunications failure (Voice and Data systems)

Mitigation strategy and controls: A backup internet connection is available in the event of an outage.

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- VHF Radios are available at both Vancouver and Victoria in the event of an outage to phone lines.
- Cell phones are available at both Vancouver and Victoria in the event of an outage to phone lines.
- Email can be used instead of telephone (and vice versa) in the event that one of these technologies fails to keep business continuity going for areas such as Dispatch.
- Uninterruptible Power Supply (UPS) is installed in the Computer Room which in the event of a power failure will keep the majority of the critical hardware running for a short period of time and allow a controlled shutdown.
- The Business Continuity Plan is based on the Dispatch plan used during the Winter Olympics which enabled Dispatch personnel to work from home, connecting to the Dispatch Application in the office and making use of company cell phones
- Dispatchers can be relocated during internet failure (during a previous internet outage for an extended period of time, some employees were flown to Victoria, which had an active internet connection).
- A mirrored copy of the database for the Dispatch system is hosted by a third party, Klein Systems, to be used if the hardware is unavailable at PPA due to any of the above potential causes.
- Invoices can be issued via mail if the computer hardware is unavailable at PPA due to any of the above potential causes.
- Data Backups are stored off-site and could be restored onto hardware at a different location if necessary.
- SSL VPN - a more secure VPN connection has been setup for PPA staff to use from home.
- The Firewall and network switches have seen major changes including Rule changes to allow SSL VPN, new vLans setup for: System Mgmt, Office Wireless, Guest Wireless, Servers, Office Workstations. This segregates the network traffic according the Firewall Rules.
- A new Primary static IP address was acquired - this was necessary to enable SSL VPN. Along with this, a new website certificate was purchased.
- Klein database backups were modified to allow compression which in turn allows a checksum to be done on the data backed up, confirming its integrity.

Please refer to the Authority's fiscal 2014 annual report for further information on the risk management programs as well as risk mitigation strategies and governance structures and processes that support it.

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Financial Position, Strategic Issues & Environment

Assessment of Financial Performance for 2014

The Authority completed 13,264 assignments in 2014. This represents a 2% decrease in assignments when compared to fiscal 2013. With these traffic levels the Authority finished fiscal 2014 with \$74.7 million in revenues and a net loss of \$3.6 million. Cash flows from operating activities decreased by \$0.3 million as a result of our move to maintain a low tariff; designed to create a loss position. Financial reserves decreased by \$1.9 million as the Authority drew down part of its investment balance to offset the planned and incurred losses. For fiscal 2014, cash and cash equivalents decreased by \$1.3 million. In 2014 the Authority took on \$1.7 million in debt and ended the year with \$4.5 million of financial reserves held in low risk, Government of Canada short-term bonds.

The exhibit below displays the details of the major revenue and expense categories along with the variances to budget.

	Actual	Budget	Variance	Budget
REVENUE (\$000's)	2014	2014	to Budget	2015
Coastal Pilotage	54,223	51,310	2,913	54,825
River Pilotage	2,899	2,480	419	2,927
Travel - Coastal	7,166	6,800	366	6,873
Travel - River	169	150	19	167
Launch Revenue	8,078	7,410	668	7,648
Launch Fuel	1,952	1,840	112	1,582
Launch Replacement	0	0	0	90
Short Term Interest and Other Income	173	120	53	127
Gain (Loss) on Investments	28	0	28	37
TOTAL INCOME	74,689	70,110	4,579	74,275

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	Actual	Budget	Variance	Budget
	2014	2014	to Budget	2015
EXPENSES (\$000's)				
Coastal Contract	49,853	46,750	3,103	50,911
Coastal Callback	1,375	450	925	1,054
Coastal Apprentice & Training	1,243	1,280	(37)	1,480
Coastal Senior Pilot Training - Contract	602	350	252	150
Coastal Senior Pilot Training - Azipod & Other	0	100	(100)	0
Coastal Pilot Software - Annual subscription fee	143	120	23	64
Helicopter project	64	400	(336)	759
Operating projects	47	150	(103)	30
River Wages & Benefits	2,515	2,220	295	2,502
Coastal Transportation & Travel	5,668	5,420	248	5,395
River Transportation & Travel	199	150	49	189
Launch Wages & Benefits	4,894	4,670	224	5,849
Launch Operating Costs	2,525	2,122	403	2,106
Launch Fuel	1,812	1,653	159	1,356
Launch Repairs	554	300	254	464
Launch Amortization	711	640	71	1,273
Salaries & Benefits	3,529	3,410	119	3,735
Transport Canada Service Fee	27	55	(28)	10
All Other Costs	2,431	2,410	21	2,205
TOTAL EXPENSES	78,193	72,650	5,543	79,531
Loss for the year	(3,504)	(2,540)	(964)	(5,255)
Other Comprehensive Income	(57)	0	(57)	0
Total Comprehensive Loss	(3,561)	(2,540)	(1,021)	(5,255)

On May 16, 2014, the Authority implemented a 2.25% tariff increase with the written support of industry. The tariff increase was designed to be below contractual increases to service providers (primarily the British Columbia Coast Pilots of 4%) to gradually reduce our contingency fund and cash reserves.

The 2014 actual financial results were below the 2014 corporate plan budget by \$1 million. This variance was the result of a number of factors, as explained below:

1. Coastal pilotage revenues in 2014 exceeded budget by \$2.9 million. This was mainly due to the increased coastal traffic when compared to budget, 12,144 actual assignments

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versus 12,000 budgeted assignments. This increase along with an increase in the average coastal revenues per assignment reflects the increasing size and changing mix of vessels.

2. The favourable coastal revenue variance noted above has to be adjusted by increased contract pilot fees as the coastal pilots are paid per assignment. Coastal contract and callback expenses for the year exceeded budget by \$4 million. Callbacks are assignments catered to by pilots who were “called back” from time off/vacation to help cater to higher volumes – similar to overtime.
3. The River pilotage revenues exceeded the 2014 budget by \$419,000 (17%). This was mainly due to the increased River traffic when compared to budget, 1,120 actual assignments versus 1,000 budgeted. Since the Authority employs salaried pilots in this area any revenue increases tend to benefit the net income, after accounting for increased overtime.
4. Travel revenues exceeded budget by \$386,000 in line with increased traffic levels. The increased traffic levels resulted in additional costs of \$297,000 to transport pilots to and from assignments. Overall this sector’s profit margin exceeded budget by \$88,000.
5. Pilot launch revenues are also traffic driven and thus produced positive financial results when compared to budget. The employee crewed stations at Victoria, Steveston and Prince Rupert generated revenues of \$780,000 in excess of budget. These revenues were offset by increased wage costs, vessel operating, repairs and fuel costs of \$1 million to service the traffic. Overall this sector’s profit margin fell below budget by \$334,000.
6. Included in pilot launch revenues is a contract launch operation that generated revenues of \$168,000 in excess of budget. The operator is paid per trip so the increased traffic also resulted in additional payments of \$88,000 resulting in a profit margin gain of \$80,000 when compared to budget.
7. Apprentice pilot costs are included in pilot training and they ended the year \$37,000 favourable to budget.
8. Senior pilot training ended the year unfavourable to budget by \$152,000 as more training was performed in 2014 than budgeted (more pilots went for training than budgeted). The unfavourable variance to budget for 2014 is expected to be offset in fiscal 2015 without sacrificing safety and training as the total cost and number of pilots requiring senior training over the two year period was agreed to between the Authority and the BC Coast Pilots.
9. Some of the major items worth noting were:
 - The Authority budgeted \$400,000 for initial helicopter boarding and training operations for Prince Rupert in 2014. \$64,000 was used in 2014 and the

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remainder will be spent in 2015 as the Authority introduces helicopter boarding as an additional form of pilot transfer in 2015.

- The Authority budgeted \$160,000 for consulting services in 2014. The total expenses for these services in fiscal 2014 were \$308,000 and the increase over budget represents fees related to the accreditation for compliance with ISO 9001:2008 and ISM which was successfully attained for the Authority's dispatch and launch operations respectively.

Assessment of Financial Performance for the first half of 2015

For the half year ended June 30, 2015, the Authority completed 6,585 pilotage assignments, a negligible decrease of 10 assignments when compared to budget and a decrease of 52 assignments when compared to fiscal 2014. With these traffic levels we generated revenues of \$36 million and a net loss of \$1.9 million. Cash flows from operating activities generated a loss of \$1.6 million as a result of our move to keep the tariff charged to industry below cost. Financial reserves maintained their balance of \$4.5 million from December 31, 2014; however cash and cash equivalents decreased by \$2 million. As of June 30, 2015, our debt position remains at \$1.7 million.

Pacific Pilotage Authority					
For the year to date ended					
June 30, 2015					
<i>(thousands of Canadian dollars)</i>					
	Actual	Budget	Variance	Variance	Actual
REVENUE (\$000's)	2015	2015	\$	%	2014
Coastal Pilotage	27,069	27,256	(187)	-1%	26,625
River Pilotage	1,515	1,570	(55)	-3%	1,458
Travel - Coastal	3,248	3,545	(297)	-8%	3,430
Travel - River	86	91	(5)	-5%	87
Launch Revenue	3,699	4,127	(429)	-10%	3,986
Launch Replacement		248	(248)		
Launch Fuel	725	1,027	(302)	-29%	987
Short Term Interest and Other Income	84	56	28	51%	70
Gain (Loss) on Investments	37	0	37		35
Other Comprehensive Income	0	0	0		0
TOTAL INCOME	36,463	37,921	(1,457)	-4%	36,678

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	Actual	Budget	Variance Fav (Unfav)	Variance %	Prior Year
EXPENSES					
Coastal Contract	25,046	25,527	(481)	-2%	24,739
Coastal Callback	474	304	170	56%	664
Coastal Apprentice & Training	671	734	(64)	-9%	555
Coastal Senior Pilot Training - Contract	47	175	(128)	-73%	352
Coastal Senior Pilot Training - Azipod & Other	0	50	(50)	-100%	0
Coastal Pilot Software - Annual subscription fee	53	117	(64)	-55%	127
Coastal Pilot PPU Support	0	0	0		0
Helicopter project	341	250	91	36%	0
Operating projects	21	75	(54)	-72%	16
River Wages & Benefits	1,208	1,212	(4)	0%	1,124
Coastal Transportation & Travel	2,600	2,837	(238)	-8%	2,783
River Transportation & Travel	94	106	(11)	-11%	97
Launch Wages & Benefits	2,638	2,386	252	11%	2,417
Launch Operating Costs	883	1,126	(243)	-22%	1,186
Launch Fuel Costs	650	928	(278)	-30%	917
Launch Repairs	218	213	5	2%	271
Amortization	605	865	(260)	-30%	563
Salaries & Benefits	1,831	1,663	167	10%	1,664
Transport Canada Service Fee	0	50	(50)	-100%	27
All Other Costs	1,012	981	31	3%	984
TOTAL EXPENSES	38,392	39,599	(1,208)	-3%	38,483
NET INCOME (LOSS)	(1,929)	(1,679)	(250)	15%	(1,805)

On January 1, 2015, the Authority implemented a 2.5% tariff increase with the written support of industry. The tariff increase was designed to be below contractual increases to service providers in order to reduce our contingency fund and cash reserves.

The 2014 financial results for the half year ended June 30, 2015, were lower than the 2015 budget by \$250,000. This small variance was the result of a number of factors, as explained below:

1. Coastal pilotage revenues in the first half of 2015 fell below budget by \$187,000. This was mainly due to the changing product mix of vessels in 2015. Coal volumes in fiscal 2015 have decreased primarily due to a downturn in global metallurgical prices and the hardest hit area has been northern B.C. Coal ships generally command the highest unit fee for the Authority and as such, a decreasing number of larger vessels leads to declining relative revenue.
2. The unfavourable coastal revenue variance noted above has to be further adjusted by increased contract pilot fees as the coastal pilots are paid per assignment. Once the increased fees and contractual increases are factored in, this sector's profit margins ended with a contribution of \$415,000.

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3. The River pilotage revenues fell below budget by \$55,000 (3%) which is in line with the actual River traffic decreases of 5% and an increase in the tariff.
4. Travel revenues fell below budget by \$302,000, in line with traffic decreases. Offsetting these revenue decreases were decreased costs of \$249,000 to transport pilots to and from assignments. Overall this sector's profit fell below budget by \$53,000.
5. Pilot launch revenues fell well below budget by \$979,000 primarily due to:
 - Decreases in northern assignments due to the downturn in coal – Ridley Terminal volumes were 47% below the prior year to date
 - Decreases in fuel revenues owing to a global downturn in crude oil prices – prices were in the mid \$50 range for June 2015 versus mid \$90 range in June 2014
 - Delays in implementing the \$60 launch replacement tariff – The Authority submitted a \$60 per launch tariff application in November 2014 with the written support of Industry. As of June, 2015, the tariff had not yet been brought to the Treasury Board for approval. This delay has resulted in a substantial contribution to below-budget revenues.
6. These decreased launch revenues were offset by decreased vessel operating, wages, repairs and fuel costs of \$263,000 to service the traffic. Overall this sector's profit margin was below budget by \$695,000.
7. Apprentice pilot costs are included in pilot training and ended the half year \$64,000 favourable to budget. Twelve apprentice pilots are expected to be hired in 2015. Senior pilot training ended the half year favourable to budget by \$178,000; primarily offsetting the over budget expenditures from 2014.
8. The Authority had budgeted \$250,000 for the start of helicopter winching and trial boarding operations in the first half of 2015. Total expenses incurred to June 30, 2015 were \$341,000 and include costs associated with setting up the northern helicopter program in Prince Rupert.

Analysis of External Commercial Environment

The Authority's basic measure of output is the number of pilotage trips, which are directly related to the level of shipping activity in British Columbia ports. Shipping activity for future years is forecast following discussions with the marine industry, commodity associations, the cruise ship industry, port authorities, shipping terminals and by analysis of prior years' volumes and traffic patterns. The cruise ship activity is the biggest contributor to a seasonal upswing during the May to September months.

Certain trips require the services of a second pilot mainly due to the fact that these trips are in excess of eight hours. Safety considerations remain paramount as a pilot is allowed to work a maximum of eight hours on continuous bridge watch before a rest break. Most cruise ship assignments where the vessel's home port is Vancouver fall into this category, along with certain northern trips into ports such as Kitimat and Stewart.

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Marine Traffic Patterns and Forecast

The Authority categorizes its trips into four key areas: Port Metro Vancouver, Vancouver Island, Fraser River and Northern. In general, the Authority's traffic patterns are remaining comparable to prior years and heavily dependent on commodity volumes and cruise ship trends. The following table shows the annual trips by year and serves to highlight the traffic patterns experienced by the Authority over the last few years.

	Actual	Actual	Actual	Forecast	Plan
	2012	2013	2014	2015	2016
PMV	8,725	9,005	9,343	9,083	9,094
Vancouver Island	1,626	1,711	1,806	1,756	1,758
Northern	1,221	1,445	1,437	1,397	1,399
Fraser River	1,081	1,122	1,120	1,079	1,111
Other	293	319	275	277	246
	12,946	13,602	13,981	13,592	13,608

Note: The assignments above include second pilot assignments

The 2016 budget anticipates a marginal increase in overall traffic levels. However, based on information provided by various terminal operators across the B.C. coast, the Authority predicts a shift in trading patterns.

The following analysis of trips by commodity sector highlights the diversity of the Authority's customer base and current economic trends with regard to Canadian export and import cargoes. For 2016 we anticipate some changes in these commodity sectors with regards to the actual distribution experienced in 2015.

	Actual	Actual	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan
Sector Volume Assumptions	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Auto	704	878	874	788	788	867	867	867	867	867
Containers	2,436	2,340	2,414	2,287	2,196	2,239	2,284	2,330	2,377	2,424
Grain	1,654	1,526	1,574	1,825	1,935	1,973	1,973	1,973	1,973	1,973
Forest Products	1,524	1,395	1,379	1,600	1,568	1,490	1,490	1,519	1,550	1,550
Anchorage	1,546	1,438	1,532	1,701	1,497	1,482	1,467	1,452	1,438	1,424
Cruise	689	715	722	688	722	722	722	722	722	722
Coal	928	961	1,066	970	873	821	821	845	871	897
Tankers & Petroleum	751	785	857	887	949	949	949	968	987	1,007
Other	2,297	2,264	2,418	2,485	2,335	2,335	2,335	2,335	2,335	2,335
Second Pilot Assignments	715	644	766	750	729	730	732	738	744	748
Total	13,244	12,946	13,602	13,981	13,592	13,608	13,640	13,750	13,864	13,947
Fraser River Growth	1,100	1,081	1,122	1,120	1,079	1,111	1,111	1,111	1,111	1,111

Other includes the following – aggregate, aluminium, boarding, break-bulk, dry dock, metals, out-of-district, pilot change, potash, salt, steel, sugar, sulphur

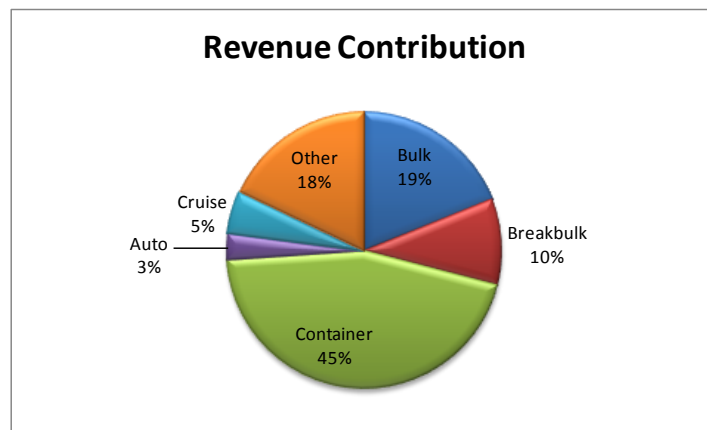
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Port Metro Vancouver

Port Metro Vancouver (PMV) officially includes Vancouver harbour, Fraser River, Roberts Bank and Deltaport. During 2015, vessels calling terminals in PMV will account for 75% (73% for 2014) of the annual trips performed by the Authority.

According to Port Metro Vancouver, PMV handled 140 million tonnes of cargo in fiscal 2014, a record for the Port, and an overall increase of 4% over 2013.

In terms of its revenue contribution, PMV generates its revenue proportionately from the following sectors:



Summary:

- Auto volumes of 351,463 units ended 2014 with a decrease of 7%.
- Breakbulk cargo of 17 million tonnes represents a slight decrease of 1%.
- Bulk volumes of 98 million tonnes represent an increase of 5% from 2014, with grain, specialty crops and feed growing at 22%. Chemicals, basic metals and minerals grew at 21%. Offsetting part of this growth was a decrease in the forestry sector of 8% and a decrease in petroleum products of 6%.
- Container traffic volumes continued to grow, showing a 3% increase in 2014, for a record total of 2.9 million TEUs (Twenty-foot Equivalent Unit). Total inbound and outbound TEUs rose by 3%. Increases can be attributed to such items as an increase in export of specialty grains by container, and increased consumer spending in Canada.
- Cruise passenger numbers remained steady at 812,000 in 2014
- Foreign vessel calls remained steady at 3,000.

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An overview of 2015 PMV traffic by sector and the forecast for 2016 follows:

(i) PMV - Forestry Sector

During the first six months of 2015, forestry exports (tonnes) have increased by 2.5% as compared to 2014. The primary contributor of this increase is containerized lumber.

This increase may be driven by a relatively weakening Canadian dollar but will likely be offset by a slowing economy in China and foreign banks becoming more restrictive on providing lumber producers with letters of credit. The slowing Chinese marketplace is a concern for the forestry sector as a whole. Lumber is hardest hit as the Chinese have slowed building activity. However, housing starts in the US are rising, so that may help replace some lost volume, although this volume will primarily move to the U.S. by truck and rail and will not contribute to the Authority operations.

The Authority is predicting a 5% decrease in the forestry side of our business in fiscal 2016.

(ii) PMV - Container Traffic

The inbound and outbound container volumes for the previous five years are below:

Containers in 000's TEUs	2009	2010	2011	2012	2013	2014
Inbound - laden	1,007	1,233	1,234	1,350	1,419	1,500
Inbound - empty	115	64	86	102	89	57
Outbound - laden	924	941	1,000	1,048	1,126	1,046
Outbound - empty	104	276	187	213	192	311
Total	2,152	2,514	2,507	2,713	2,825	2,913

The Authority forecasts a slight decrease in the growth rate of container traffic from 3% to 2% in fiscal 2016 in response to the slowdown in China. This will be offset by a weakened Canadian dollar.

(iii) PMV - Coal

PMV reports for the first six months of 2015 indicate that coal tonnage volumes decreased by 2.2%, as compared to the prior year's period. However, the Authority has seen a marked decline in the number of coal ship assignments, consistent with decreases in market pricing for metallurgical coal, and the Authority forecasts that 2015 and 2016 traffic levels will be approximately 6% lower than numbers seen in 2014.

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(iii) PMV - Grain

PMV reports for the first six months of 2015 indicate that grain tonnage volumes increased by 9%, as compared to the prior year's period. The Authority has seen a 7% increase in grain ship assignments, partially offset by decreased movages to anchorages, and the Authority forecasts that 2015 and 2016 traffic levels will see a slight increase of 2% in grain assignments.

(v) PMV - Breakbulk Cargo

Breakbulk cargo is non-containerized and piece handled cargoes. This category includes logs, paper and paperboard, woodpulp and other general cargo. During the first six months of 2015 breakbulk cargo tonnage increased by 2% as compared to the prior year, and the Authority forecasts that 2015 and 2016 traffic levels will be very similar to 2014 for this sector.

(vii) PMV - Cruise Ships

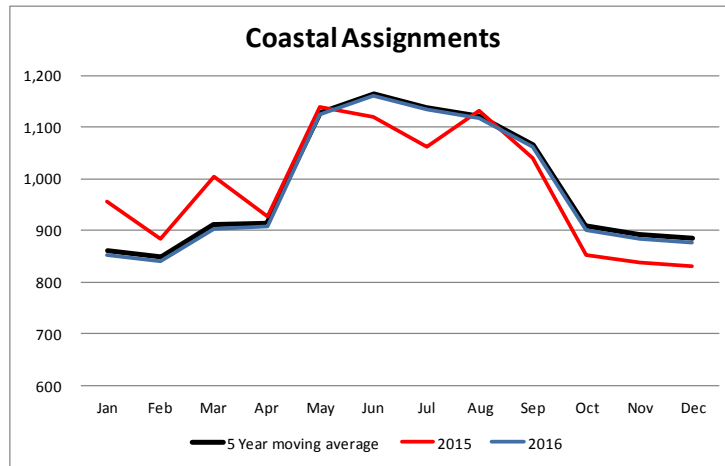
The 2015 traffic levels have increased by 8% from the prior year. This increase is mainly due to a new ship being included in the Alaska itineraries this cruise season and more ships home porting in Vancouver.

The cruise ships are predominately performing two-week cruises out of Vancouver. The ships depart Vancouver, sail for one week and disembark their passengers in Alaska. They then embark new passengers in Alaska and return to Vancouver on a two-week rotational basis.

Most cruise ship assignments require two pilots; this traffic continues to place a significant demand spanning May to September upon the Authority's resources. In order to serve the cruise industry, the Authority continues to operate a boarding station at Pine Island, which facilitates cruise ship schedules. Additionally, the BCCP have a seasonal pilot program for senior pilots that allocate pilot resources on full time basis during these months.

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The graph below shows the effects of the cruise season to overall coastal assignments:



The Authority forecasts that 2015 levels will maintain their trend of being 8% over 2014 assignment volumes and will remain stable for 2016.

(viii) PMV - Automobiles

For the first six months of 2015 automobile volumes (units) increased by 7% but assignment volumes remained flat. This increase is mainly attributable to increasing sales of imported automobiles in Canada.

The Authority forecasts that 2015 traffic levels will remain stable with an increase of 10% in fiscal 2016.

Vancouver Island

This area is demonstrating stable traffic patterns year-over-year, mainly due to the cruise, forestry and grain sectors. We continue to see the use of Island anchorages by grain vessels awaiting a berth in PMV, but this trend is decreasing in fiscal 2015 with anchorage assignments now 12% of total assignments.

For 2015 and 2016, Vancouver Island will represent 13% of the annual trips performed by the Authority. The comparable number for 2014 was 14% and the falloff is driven primarily by forecasted decreases in the forestry sector.

With some cruise ships using Seattle as a home port, Victoria continues to benefit due to the *Passenger Services Act*, an American law passed in 1886, which states that all foreign registered passenger vessels moving between two U.S. ports must stop at a foreign port. Victoria is geographically positioned to be one of the foreign ports visited between Seattle and Alaska.

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Fraser River

Cargo volumes for the Fraser River are reported as part of the PMV section. There are two automobile terminals and one bulk loading dock facility located in the Fraser River area. And recently, the bulk loading terminal has received approval for a coal transfer facility.

River traffic peaked during 2003 with 1,559 pilotage trips. The forecast for 2015 is 1,079 trips, representing a 3.7% decrease from the 1,120 assignments done in 2014.

For 2016, the Authority has budgeted for 1,111 trips, representing an increase of 3%. This increase is driven by expected increases in auto volumes.

Northern – Prince Rupert

The Port of Prince Rupert is strategically located on the direct great circle route to/from Asia being more than a day's sailing time closer to Asia than Vancouver and Seattle and almost three days closer than Los Angeles/Long Beach.

Cargo shipments from Prince Rupert decreased by 8% for the first six months of 2015. The primary driver for the decrease is coal. The Ridley Island Coal Terminal is a sophisticated bulk-handling facility used primarily for storing and moving coal from unit trains onto vessels. The terminal shipped 47% less coal (tonnes) for the first six months of 2015 as a result of decreased demand driven by a general economic slowdown in China. The Authority expects a less significant effect to assignments in 2016 (a decrease of approximately 10%) as Ridley Island Coal Terminal is forecasting they will utilize smaller vessels, thus increasing the proportional number of assignments per tonne of coal shipped. (Note: with smaller ships the revenue will decrease due to reduced unit costs).

Prince Rupert grain tonnage volumes decreased by 7% in the first six months of 2015. The Authority is forecasting a slight increase of 2% in traffic levels for the 2015 and 2016 plan years.

DP World Prince Rupert (formerly Maher Terminals) has experienced a 40% increase in total TEUs in the first five months of fiscal 2015. The Authority is forecasting an increase of 5% in traffic levels for the 2015 and 2016 plan years due to the introduction of an additional sailing per week.

Developments relating to the Pacific Northwest LNG, Watson Island LNG and Exxon Mobil's liquefied natural gas projects are being monitored by the Authority on a regular basis. A project of this magnitude would have significant impact on our operation and resources. The timeline of these projects are beyond the time frame of this corporate plan so no specific traffic numbers are included.

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Northern - Kitimat

Due to its remote location and nautical distance from the established boarding stations, virtually all of the trips through this port are jobs involving two pilots. During the winter months, the inclement weather experienced in Kitimat can make servicing this port very difficult with frequent airport and road closures.

The major employer in Kitimat is the aluminum smelter owned by Rio Tinto. Although current trip volumes through this port are not a significant portion of the Authority's traffic base, the potential of this port and enormous scope of projects being planned continues to draw attention. There are numerous proposals to build liquid natural gas terminals near this port.

The Authority continues to monitor all these projects and will ensure sufficient pilotage resources are in place if and when they become operational. Our monitoring includes ongoing discussions with industry, government and other stakeholders. We are also involved with much of the analysis and evaluation to determine if these projects are, in fact, viable for transportation from the BC Coast.

Traffic levels for 2015 and 2016 are forecast to be similar to the year of 2014.

Proposed projects affecting the Authority

The potential of the projects and terminals proposed for the West Coast continues to grow every year. We continue to actively monitor and remain aware of all projects proposed in our jurisdiction by analyzing the impact they might have on assignments and pilot numbers. Some of the major projects currently being monitored are:

- Stage II of the DP World Prince Rupert container facility which is projected to triple capacity to 2.0 million TEUs;
- Proposed crude oil pipeline terminal in Kitimat;
- A new terminal at Deltaport which would double Port Metro Vancouver's container volumes;
- Major expansions of coal terminals in the Port of Vancouver and the Fraser River
- Expansion of an existing pipeline to increase crude oil shipment capacity in Burrard Inlet;
- Proposed liquefied natural gas projects:
 - ***Campbell River***
 - Discovery LNG
 - ***Delta***
 - WesPac
 - ***Kitimat***
 - Cedar LNG
 - Douglas Channel LNG

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- Kitimat LNG
- LNG Canada
- ***Kitsault***
 - Kitsault Energy Project
- ***Nasoga Gulf***
 - Nisga'a LNG
- ***Port Alberni Inlet***
 - Steelhead LNG
- ***Port of Prince Rupert***
 - Pacific Northwest LNG
 - Prince Rupert LNG
- ***Prince Rupert***
 - Aurora LNG
 - Grassy Point LNG
 - NewTimes Energy Ltd.
 - Orca LNG
 - Watson Island LNG
 - WCC LNG Ltd.
- ***Squamish***
 - Woodfibre LNG
- ***Stewart***
 - Canada Stewart Energy Project
- ***Location to be determined***
 - Triton LNG

The enormous scope of these projects may have profound impacts on our business model. To this end we remain committed to ensure that our strategies recognize the challenges and find the Authority ready for change. Due to the propensity for substantial change, the Authority has not budgeted volumes for any of these projects in the 2016 – 2020 Corporate Plan but is monitoring plans closely.

When new terminals or docks are proposed in our jurisdiction, the Authority is an active participant along with the pilots as our views on design; location and access are regularly sought out prior to construction.

1.1 Financial – Tariff Adjustment for 2016 and 2017

In order to finance its activities, the Authority charges users for its services through a tariff. Consistent with pilotage objectives, the tariff is intended to be fair, reasonable and sufficient to allow for a safe and efficient service. The Authority continues to place great emphasis on the full and comprehensive engagement process by consulting at length with the marine industry prior to a tariff application being initiated.

As demonstrated, the Authority implemented a tariff structure in fiscal 2014 designed to reduce the corporations contingency and available cash balances which were above levels strategically set by the corporation's Board of Directors (contingency was set at 5% of revenue). The goal of the Authority was to reduce these balances whilst ensuring all other operational strategic

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objectives were met and that the Authority's mandate was consistently adhered to. For fiscal 2016, the Authority's goal is to manage the loss of cash reserves. Capital expenditures in fiscal 2016 will be decreased and funded by the existing revenue stream and remaining financial reserves.

In fiscal 2016, the Authority will implement a 2.75% tariff with the written support of Industry. In addition, the Authority expects to introduce a \$120/assignment bridging fee in July 2016 for 18 months to assist in slowing the Authority's currently declining cash reserves and give the Authority the time it expects it will take to implement its 2017 tariff. The Authority's coastal pilotage revenue per assignment for 2014 was \$4,465.

1.2 Inflation

The Authority has budgeted for a 2% annual inflation rate in the years 2016 through 2020.

1.3 Interest Rates

Based on discussions with our bankers, the Authority expects interest rates to remain substantially unchanged through the remainder of fiscal 2015 and through fiscal 2016.

1.4 Regular Consultations with Stakeholders

The Authority's management team places a high degree of emphasis on customer contact and feedback each year. Customer surveys and service levels expected of the Authority are measured on a regular basis.

The Authority's management team meets with the Chamber of Shipping and Shipping Federation representatives on a regular basis.

The Authority also attends the Chamber of Shipping's Navigation and Pilotage Committee meetings on a monthly basis as an invited guest, enabling the Authority and industry to collectively resolve issues as they arise.

The Authority continues to be an active member of the Western Transportation Advisory Council (WESTAC) and the Asia Pacific Gateway Table.

Regular consultations with stakeholders have continued into 2015 and are expected to remain an important part of the Authority's business through the 2016-2020 corporate plan years.

Sources of Funding – Tariff

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

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full engagement process by consulting at length with industry prior to a tariff application being initiated.

Personnel Resources

In fiscal 2015, the Authority had 59 full time employees: 8 Fraser River pilots (7 full time equivalents), 11 dispatchers, 26 pilot launch personnel and 15 management and administrative personnel.

The required complement of coastal pilots is established annually in relation to the projected assignments and announced retirements.

The Authority contracts with the British Columbia Coast Pilots Ltd. for coastal pilotage services. Currently, there are 100 active pilot members of the BCCP who provide coastal pilotage services.

Collective Agreements

The Authority has collective agreements with three groups of employees. These collective agreements, all long-term and seven-year's duration were based on the eight-year longshore workers settlement:

- the Canadian Merchant Service Guild, representing all employee pilots, expires January 31, 2020 and has had voluntary severance removed;
- the Canadian Merchant Service Guild, representing all launch masters and engineers, expires March 31, 2018;
- the International Longshore & Warehouse Union, Local 520, representing all deckhands, dispatchers and administrative staff, expires March 31, 2018.

Replacement and Training of Pilots

The Authority holds pilot entry exams on an annual basis and in 2015 semi-annually (to increase the number of potential candidates) to assess candidates who have the necessary experience and skills to perform the job. In addition, pre-exam sessions have been held to inform prospective candidates of the necessary requirements.

The Authority also promotes and oversees a familiarization program, which is intended to supplement a candidate's coast wide knowledge, prior to writing the pilot exam. This program allows a candidate to ride along with a senior pilot in an area of the coast the candidate may not be familiar with for up to two years.

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The Authority and BCCP have also participated in marine hiring fairs with the intention of increasing the hiring pool of suitable candidates with regard to the marine pilotage profession.

In order to ensure a highly qualified and skilled pilot workforce, the Authority places major emphasis upon selection and training of pilots. The pilot exam process consists of three parts.

- a three hour written exam on general ship knowledge based on the '500 tonne Master Near Coastal exam'
- a three and a half hour exam paper on local knowledge.
- a three and a half hour oral exam session.

Depending on a candidate's background, the apprenticeship for a coastal pilot takes place over a minimum period of 9 1/2 months through to a maximum of 24 months. During the official apprenticeship period the candidate will attend training courses for ship handling in the U.K., ship simulation in Baltimore, USA, Bridge Resource Management training in Quebec and at BCIT, Vancouver, and tethered tug training in Seattle, USA. It is the Authority's desire to do as much training and education in Canada if the facilities were available and of the highest calibre. The training facilities used are state of the art and offer manned model handling and full mission bridge simulators. Additionally the candidates are trained in the use of the PPU's and related software.

The manned model training facilities are currently located in France, Poland and the United Kingdom and they use manned 1:25 scale models of ships. These facilities are located on manmade lakes that can simulate currents, tides, tug boat assists, etc. The Authority will continue to evaluate new training facilities as they become available.

Using these facilities to train on these scale models allows pilots to acquire deep sea ship-handling experience. Periodic training on scale models also helps to maintain pilot shiphandling skills at the highest level.

The ship models behave exactly like real ships, only much faster. Manned models sharpen the shiphandlers' natural senses of perception and anticipation and enable the ship's behaviour as a whole to be appreciated. These skills are paramount when manoeuvring a full size vessel.

The time scale also means that it is possible to perform five times as many manoeuvres. In other words, it is possible to perform as many manoeuvres in a 35-hour course as in 175 hours on the real ship.

The Pilot Training and Examination Committee (PTEC) regularly examines and compares training facilities on a worldwide basis to ensure our training standards and the instruction level is relevant, effective and valid.

At present, the cost for training each apprentice is approximately \$135,000, which includes remuneration, travel and course fees and is borne entirely by the Authority. The increase to a twenty-four month apprenticeship period will increase the cost to \$350,000 per pilot.

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During the year 2015, 8 coastal pilots received their licences and 8 apprentices were started into the program (4 started in January and 4 started in June).

The Authority also conducts a Pilot Familiarization Program for interested candidates. This Program is limited to forty candidates (current enrolment is thirty-four) who participate in order to supplement and upgrade their coast-wide knowledge.

The Authority expects to train and license pilots over the corporate plan years as follows:

Year	Pilots Trained
Fiscal 2015	8
Fiscal 2016	7
Fiscal 2017	4
Fiscal 2018	4
Fiscal 2019	4
Fiscal 2020	4

The Authority has projected the coastal pilots' demographics through the plan years and is anticipating starting apprentices in each of the plan years to compensate for retirement as well as requirement numbers to maintain an efficient operation.

The Authority is budgeting funds during each of the plan years to continue funding the Skills Enhancement Program for senior pilots. The intent of this program is to provide opportunities for senior pilots at approved training facilities to enhance their skills in ship handling using manned models.

The Authority is also forecasting additional funds through the plan years to cover ongoing training for pilots on Integrated Bridge Systems (IBS), Azipod propulsion systems and tethered tug.

The Authority also supplements training where possible through its Vancouver training centre. The Authority has budgeted a yearly training expense for senior pilots and apprentice pilots as follows:

Year	Apprentice Training Costs
Fiscal 2015	\$1,480,000
Fiscal 2016	\$1,090,000
Fiscal 2017	\$976,000
Fiscal 2018	\$788,000
Fiscal 2019	\$796,000
Fiscal 2020	\$804,000

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Year	Licensed Pilot Training Costs
Fiscal 2015	\$150,000
Fiscal 2016	\$783,000
Fiscal 2017	\$883,000
Fiscal 2018	\$400,000
Fiscal 2019	\$400,000
Fiscal 2020	\$400,000

Agreement for Pilot Services – BCCP

A contract for services with the BCCP was negotiated through mediation in 2011. This contract, which provides for all coastal pilotage services, has a five-year term with expiry on December 31, 2016.

The service agreement is governed by the Pilotage Act and is subject to final offer selection. The final offer selection process is intended to ensure no service level disruptions of any kind during the contract negotiation process. If agreement is not reached during a 60 day negotiation period both parties will then submit their ‘final offer’ to a selector. The selector will evaluate both offers and then select one or the other. The selector’s ruling cannot be appealed as it is final and binding on both parties.

The stability provided to industry by a long-term contract such as this has been favourably commented upon by all parties involved.

Government Direction

The FAA (s. 89) empowers the Governor-in-Council (GIC), on the recommendation of the appropriate Minister, to issue a directive to a parent Crown corporation if the GIC is of the opinion that it is in the public interest to do so.

On July 16, 2015, Crown corporations were directed by the Governor in Council (GIC) to align their policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations.

The Authority has implemented the Order in Council effective August 1, 2015.

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Strategic Objectives

On an annual basis, the Authority engages in strategic planning sessions involving the Board of Directors and the management team. The most recent session endorsed the key objectives and strategies which are summarized below.

Mandate, Vision & Mission	Primary Areas of Focus	Strategic Priorities 2015 – 2019
<p>Mandate: The mandate of the Authority is to establish, operate, maintain, and administer in the interest of safety, an efficient pilotage service within the regions set out in respect of the Authority, on a basis of financial self-sufficiency.</p> <p>Vision Statement: The Authority’s vision statement is ‘To be a world leader in marine pilotage’.</p> <p>Mission Statement: The Pacific Pilotage Authority is dedicated to providing safe, efficient pilotage by working in partnership with pilots and the shipping industry to protect and advance the interests of Canada.</p>	<p style="text-align: center;">Working “On the Business”</p> <p style="text-align: center;"><i>Building for the future – taking steps today to position PPA for the challenges and opportunities of tomorrow</i></p>	<p>1. Develop a national framework that provides a platform to address issues that are common to pilotage in Canada</p>
		<p>2. Establish and maintain clear and effective relationships with PPA’s key stakeholders</p>
		<p>3. Continue to develop the capacity within PPA to identify and take action on emerging issues and opportunities</p>
	<p style="text-align: center;">Working “In the Business”</p> <p style="text-align: center;"><i>To enhance safety, efficiency and effectiveness</i></p>	<p>4. Embrace a culture of continuous improvement</p>
		<p>5. Demonstrate through our actions and investment our commitment to ongoing training as a vehicle to enhance and promote safety</p>
		<p>6. Ensure the continuity of PPA’s people and knowledge capital</p>

Measurement of 2014 Strategic Goals

The Authority measures its strategic goals on an annual basis.

Strategic Goal #1.1 – Continue implementing the culture of quality service

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Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
1.1 (a)	Pilot Training and Examination Committee (PTEC) to continue to work on a plan to increase the pass rate without reducing the present high standard	<ul style="list-style-type: none"> • Increase the present pass rate of 17% to 20% without reducing the present high standard 	<ul style="list-style-type: none"> • Pass rate for fiscal 2014 (February & September examinations) was 31% . • The PPA has worked with the BC Coast Pilots through PTEC to work as active mentors to candidates in the familiarization program. • Overhauled pilot preparatory course teaching material and developed new course literature for students. Curriculum and examinations aligned with teaching materials.
1.1 (b)	Work with BCCP to enhance the quality service policy and procedures to encompass those sections of a Safety Management System (SMS) that we can adopt in BC	<ul style="list-style-type: none"> • Formation of a joint committee on a national pilotage safety management system • Production of a draft document on a Canadian Pilotage Safety Management System by December 2014 	<ul style="list-style-type: none"> • All four pilotage authorities met with the TSB in Ottawa on May 30, 2014 • The Authority agreed to take the lead on a joint committee to look at a national pilotage safety management system • A joint document on SMS was produced and discussed at the meeting with the other pilotage authorities on December 11, 2014. • The four Authorities are still in dialogue on the SMS system.

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Strategic Goal #1.2 – Continue to cultivate enterprise risk awareness

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
1.2 (a)	Test the action plans of risks designated as high	<ul style="list-style-type: none"> • Review register/record of exercises along with relevant notes • Review amendments to action plans if deemed necessary after exercises • Report on exercise produced and published • Create a database to reflect learning from exercises 	<ul style="list-style-type: none"> • Report from 2013 exercise was used to update Emergency Plan and Dispatch Emergency Procedures • Risk register database now reflects learning and actions from the 2013 exercise • Emergency Plan and Emergency Procedures continue to be edited to be ISO/ISM compliant • Emergency Plan and Procedures as well as the ERM system helped achieve ISO/ISM designation
1.2 (b)	The risk register is to be kept current and evaluated in its entirety on an annual basis with higher risks evaluated more frequently	<ul style="list-style-type: none"> • ERM Committee minutes to reflect discussions on all high and medium risks by year end • Risk database to be maintained by risk owners • ERM Committee minutes to reflect relevance reports from risk owners 	<ul style="list-style-type: none"> • All risks are up to date and the database is being maintained by risk owners

Strategic Goal #2.1 – Ensure the Authority is prepared to deal with an aging workforce

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
2.1	Develop succession plans for short and long term outlook for each department for both management and staff	<ul style="list-style-type: none"> • Analysis of each department completed • Action plan by each department completed 	<ul style="list-style-type: none"> • High level analysis of each department was completed and resulted in the following changes: • Hiring of an additional Fraser River Pilot • Decision made to hire fourth relief in Vancouver Dispatch • New management employee (Assistant Director of Marine Operations) hired. • New relief engineer hired in Prince Rupert

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			<ul style="list-style-type: none"> • The succession plan for the replacement of the CEO was completed and provided to the HR committee and the Board in July • Dispatch Procedures documents complete
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Strategic Goal #2.2 – Ensure the Authority is prepared to deal with sudden changes in the BCCP manpower levels

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
2.2	Work with the BCCP to ensure that an adequate plan is in place	<ul style="list-style-type: none"> • Complete a chart on the most likely pilotage requirements to the year 2030 • Make recommendations to the BCCP based on these findings 	<ul style="list-style-type: none"> • A full analysis was completed in January and presented to the Board • The analysis was shared with the BCCP in February • A full manpower forecast for the coast with high and low expectations based on the proposed energy sector projects as well as other non-energy projects has been completed and shared with the BCCP. BCCP and the PPA are in agreement on the forecast. • Met with the BCCP on this issue and agree that in the short term a net gain of 5 pilots over the next 3 years would be appropriate. • The Authority agreed to a cost sharing with the Port of Prince Rupert on a manpower study for that specific area. The report was completed by year end.

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Strategic Goal #3.1 – Maintain the culture of cost management throughout the Authority

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
3.1	Evaluate all costs by department and make recommendations to reduce the overall operational costs	<ul style="list-style-type: none"> • Comparison to annual budget and overhead percentage 	<ul style="list-style-type: none"> • Reviews of annual budget to overhead percentage are performed on a monthly basis and presented to the Audit Committee and the Board. • Operational costs have been reduced where possible (i.e. new contract negotiation) and operational managers have become accountable for departmental performance.

Strategic Goal #3.2 – Compare the Authority’s service levels

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
3.2	Compare the service levels and related costs for vessels calling in the Vancouver area compared to those across Canada and the US west coast and monitor to ensure that the Authority retains its service level edge	<ul style="list-style-type: none"> • Completion of cost comparisons • Completion of service comparisons • Completion of cost per km and or hourly rate comparisons 	<ul style="list-style-type: none"> • Cost comparisons of pilotage were completed in 2014. The comparison included the cost per mile and cost per ton, for the Authority as compared to Seattle/Tacoma.

Strategic Goal #4.1 – Ensure that the Authority’s dispatch procedures are effective and efficient

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
4.1	Implement and integrate the ISO system for dispatch by 2014	<ul style="list-style-type: none"> • Complete implementation of SharePoint • Complete training of staff • ISO consultant's audits • Accrediting authority's audits • All documents completed • Become ISO 9001 certified by end of 2014 	<ul style="list-style-type: none"> • Accreditation for compliance with ISO 9001:2008 successfully attained; no non-conformances raised during process • SharePoint now utilized by Dispatch on a daily basis for records keeping, internal communications and non-conformance recording • All required documents completed • All Dispatch staff trained in

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			ISO procedures and SharePoint usage
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Strategic Goal #4.2 – Ensure that the Authority’s boarding operations are effective and efficient

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
4.2 (a)	Implement and integrate the ISO/ISM system for launches by 2014	<ul style="list-style-type: none"> • ISO consultant's audits • Accrediting authority's audits • ISO/ISM implementation 	<ul style="list-style-type: none"> • Accreditation for compliance with ISO 9001:2008 & the ISM Code successfully attained
4.2 (b)	Finalize a plan for utilizing helicopters for boarding using winching operations provided that it is in the best interest of the Authority to do so	<ul style="list-style-type: none"> • Decision completed to hoist or no hoist • If proceeding, decision made on structure of contractual relationship • If proceeding, complete RFP for operator identification 	<ul style="list-style-type: none"> • Report received and provided to Board & PLTSC in favour of heli-hoist operations • RFP tendered to nine proponents in November 2014 for North Coast helicopter winching operations • Helicopter hoisting training conducted for PLTSC members

Strategic Goal #5.1 – To become a primary source for marine-related information within our area of jurisdiction

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
5.1	Utilize the Authority’s information technology systems to provide industry with the marine-related information they require to make informed decisions on pilotage orders	<ul style="list-style-type: none"> • Electronic source cards in place by December 2014 • Monthly IT statistics to confirm user levels 	<ul style="list-style-type: none"> • Electronic source card initiative delayed until new PPA Regulations in effect <ul style="list-style-type: none"> ○ E-source cards no longer require pilot signatures allowing the Authority to look at an e-source card platform in the future. • Large customization necessary to develop the e-source card software for current version of dispatch and accounting software. A new system which the Authority is looking to integrate in fiscal 2017 has

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			e-source cards already built in. The Authority is getting quotes for the e-source card rollout for the Fraser River pilots. Will likely be difficult to economically justify given that the new system has e-source cards already integrated and is only two years away from being purchased.
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Strategic Goal #5.2 – Raise the profile of the Authority in the marine industry and coastal communities

Strategy	Description	Measurement 2014 - Goal	2014 – Actual results
5.2 (a)	Encourage the management team to take on leadership roles on issues of importance within the marine community	<ul style="list-style-type: none"> • Management to participate in 80% of the PACMAR, CMAC and Nav & Pilotage meetings 	<ul style="list-style-type: none"> • Management participated in 6 PACMAR, 2 CMAC and 10 Nav & Pilotage meetings representing over 80% of meetings.
5.2 (b)	Continue with the Community Outreach Program in our coastal communities established over the past four years focusing on education and recruitment	<ul style="list-style-type: none"> • Visit 25 percent of the ports in which the Authority operates on an annual basis • Visit 15 percent of the communities (municipal and First Nations) in which the Authority operates on an annual basis 	<ul style="list-style-type: none"> • Six ports representing 38% of base were visited in fiscal 2014. • Visited over 25% of the communities in which the Authority operates.

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Key Performance Indicators

The performance of the management of the Authority is regularly reviewed and assessed by the Board of Directors. Part of the assessment is based upon certain key performance indicators (KPIs) which are included below.

Results for the year of 2014

<u>KPI</u>	<u>DESCRIPTION</u>	<u>GOAL</u>	<u>ACTUAL</u>
1	Number of delays caused by pilots	0	2
2	Number of dispatch errors causing delays	0	0
3	Incidents on vessels under pilotage		
	a) Class A Incidents	0	0
	b) Class B and C Incidents	< 5/yr	5
4	Incidents on pilot launches		
	a) Class A Incidents	0	0
	b) Class B and C Incidents	0	0
	c) Lost time incidents	0	0
5	Unscheduled launch downtime		
	a) Causing operational delays (Total downtime days causing delays/total days)	0%	0%
	b) Not causing operational delays (Total downtime days not causing delays/total days)	0%	1.39%
6	Sustainability - environment Pollution reports from pilot launches	0	0
7	Combined computer runtime (Vancouver and Victoria)	100%	100%
8	Maintain an overhead cost of less than 8.5%	8.5%	8.1%
9	Maintain an adequate contingency fund (2014 – 5% total annual revenue)	5%	6%
10	Accounts receivable (Percentage of invoices under 30 calendar days)	90%	93%
11	Maintain average of 8 working days to resolve all complaints	8 days	10 days
12	Maintain average of 8 working days to resolve all invoice disputes	8 days	2 days

KPI – 1 and 2 - These KPIs are an indicator of the service level provided to the marine industry. Pilotage services are provided on demand, whenever a customer requests them.

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KPI – 3 and 4 - These KPIs relate to the safety record of the Authority. All vessel and launch incidents are tracked and investigated, if warranted. The intent is to improve our safety record wherever possible.

KPI – 5 - This KPI measures the Authority’s launch operations by tracking unscheduled launch downtime that causes a delay to a vessel. In order to avoid delays the Authority maintains backup launches which can be transferred between stations if the need arises. The Authority also has the opportunity to charter a launch if its backup launches are already allocated.

KPI – 6 - This KPI measures the Authority’s sustainability program.

KPI – 7 - This KPI measures the computer runtime for our dispatch database which is the primary computer system for the Authority. Our dispatch centres are located in Vancouver and Victoria and are designed to back each other up in the event of downtime. These centres operate around the clock every day of the year so it is essential the computer database is operational.

KPI – 8, 9 and 10 - These three KPIs are financial in nature and reflect general good business practices. The contingency fund level is set by the Authority’s Board and is intended to finance operations for a period of up to six months in the event of a sustained severe issue(s) or force majeure situation.

KPI – 11 and 12 - These KPIs reflect the Authority’s commitment to provide a high degree of service to all pilotage stakeholders. In an average year, approximately 12,000 invoices are issued to industry and it is the Authority’s goal to ensure a high level of accuracy and completeness in this process. It is the same with complaints, no matter what they relate to, the Authority takes comments very seriously and responds in a professional timeline and manner.

Operating Budget 2016 Commentary

The 2016 Budget is based upon the following key expectations:

Sector Volume Assumptions	2014	2015	2016	2017	2018	2019	2020
Auto	788	788	867 10%	867 0%	867 0%	867 0%	867 0%
Containers	2,287	2,196	2,239 2%	2,284 2%	2,330 2%	2,377 2%	2,424 2%
Grain	1,825	1,935	1,973 2%	1,973 0%	1,973 0%	1,973 0%	1,973 0%
Forest Products	1,600	1,568	1,490 -5%	1,490 0%	1,519 2%	1,550 2%	1,550 0%
Anchorage	1,701	1,497	1,482 -1%	1,467 -1%	1,452 -1%	1,438 -1%	1,424 -1%
Cruise	688	722	722 0%	722 0%	722 0%	722 0%	722 0%
Coal	970	873	821 -6%	821 0%	845 3%	871 3%	897 3%
Tankers & Petroleum	887	949	949 0%	949 0%	968 2%	987 2%	1,007 2%
Other	2,485	2,335	2,335 0%	2,335 0%	2,335 0%	2,335 0%	2,335 0%
Total	13,231	12,863	12,878 0%	12,908 0%	13,013 1%	13,120 1%	13,199 1%
Fraser River Growth	1,120	1,079	1,111 3%	1,111 0%	1,111 0%	1,111 0%	1,111 0%

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Tariff	2014	2015	2016	2017	2018	2019	2020
Tariff % increase - PU	2.25%	2.50%	2.75%	5.00%	1.50%	1.00%	1.00%
Tariff % increase - Hourly	2.25%	2.50%	2.75%	5.00%	1.50%	1.00%	1.00%
Tariff % increase - other	2.25%	2.50%	2.75%	5.00%	1.50%	1.00%	1.00%
Tariff % increase - travel	2.25%	2.50%	2.75%	5.00%	1.50%	1.00%	1.00%
Tariff % increase - launch	2.25%	2.50%	2.75%	5.00%	1.50%	1.00%	1.00%
Launch replacement fee	\$ -	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60
Bridging Fee	\$ -	\$ -	\$ 120	\$ 120	\$ -	\$ -	\$ -

Jul Start Dec End

Pilotage Unit Assumptions	2014	2015	2016	2017	2018	2019	2020
Assumed Growth in Pilotage Units	4%	2%	2%	2%	2%	2%	2%
Revenue							
PU \$ - Below 226 m	\$ 3,9487	\$ 4,0474	\$ 4,1587 3%	\$ 4,3666 5%	\$ 4,4321 2%	\$ 4,4765 1%	\$ 4,5212 1%
PU \$ - At or above 226 m		\$ 3,5319	\$ 3,6290 3%	\$ 3,8105 5%	\$ 3,8676 2%	\$ 3,9063 1%	\$ 3,9454 1%
GRT \$ - At or above 226 m		\$ 0,01032	\$ 0,01060 3%	\$ 0,01113 5%	\$ 0,01130 2%	\$ 0,01141 1%	\$ 0,01153 1%
Expected Fuel Price	\$ 90.23	70.01 to 80.00	80.01 to 90.00	90.01 to 100.00	90.01 to 100.00	90.01 to 100.00	100.01 to 110.00

Pilots							
River Pilot Numbers	7	7	7	7	7	7	7
BCCP							
Pilot Rate Increase	4.00%	4.00%	4.00%	1.00%	1.00%	1.00%	1.00%
Pilotage Units	4.00%	4.00%	4.00%	1.00%	1.00%	1.00%	1.00%
Other	4.00%	4.00%	4.00%	1.00%	1.00%	1.00%	1.00%
Starting Pilots							
Attrition	5	5	7	7	4	4	4
New Apprentices Hired	8	8	7	4	4	4	4
Ending Pilots							
Weighted Average Pilots	84	85	85	86	92	93	94
Daily Pilot Availability							
Callbacks	570	462	471	398	91	122	61
Callback \$	1,375,488	1,054,462	1,182,332	1,008,777	232,956	315,438	159,296
Callback cost per assignment		\$ 2,413	\$ 2,510	\$ 2,535	\$ 2,560	\$ 2,586	\$ 2,611
Apprentice Pilot Training Cost	1,230,074	1,480,074	1,089,363	975,621	788,302	796,185	804,146
Senior Pilot Training	\$ 601,713	\$ 150,038	\$ 782,500	\$ 883,000	\$ 400,000	\$ 400,000	\$ 400,000
Other Senior Pilot Training	\$ 12,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

North Coast Heli Program	Percentage of Assignments					
Helicopter Program	2015	2016	2017	2018	2019	2020
<u>North Coast Program</u>	0%	40%	50%	60%	70%	75%
Jan	0%	40%				
Feb	0%	40%				
Mar	0%	40%				
Apr	0%	40%				
May	0%	40%				
Jun	0%	40%				
Jul	0%	40%				
Aug	0%	40%				
Sep	0%	40%				
Oct	30%	40%				
Nov	30%	40%				
Dec	30%	40%				

Assumptions:

Variable Costs per hour - Day	\$ 780
Variable Costs per hour - Day & Night	\$ 790
Fixed Costs - Day Only	\$ 736,000
Fixed Costs - Day & Night	\$ 897,700
Average Round Trip Time (mins)	25.70
Average Round Trip Time (hours)	0.43
Average Fuel Cost Consumption (litres / hour)	\$ 1.20
Variable costs PR Launch	1,570
Fixed Costs PR Launch	1,865,655

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Project Costs	2014	2015	2016	2017	2018	2019	2020
Coastal Pilot Software	\$ 142,043	\$ 64,355	\$ 167,478	\$ 36,000	\$ 167,478	\$ 36,000	\$ 167,478
Helicopter Project	\$ 63,516	\$ 758,675	\$ 150,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Operating Projects	\$ 47,098	\$ 30,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

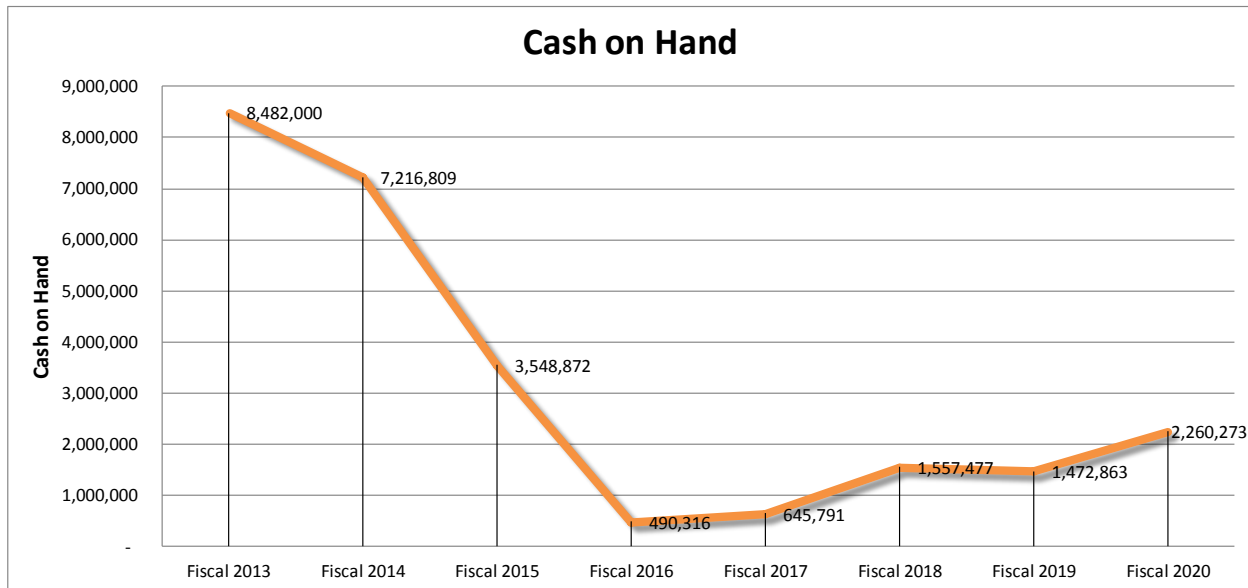
Economic Measures	2014	2015	2016	2017	2018	2019	2020
Wage Rate Increases	2.5%	2.75%	3.00%	1.50%	1.50%	1.50%	1.50%
General Cost Increases (CPI)	2.0%	2.0%	1.5%	1.50%	1.50%	1.50%	1.50%
Bank Rate			2.0%	2.00%	2.00%	2.00%	2.00%

Other Costs	2014	2015	2016	2017	2018	2019	2020
River Training	-	-	-	-	-	-	-
River Other	123,713	153,050	153,050	153,050	153,050	153,050	153,050
Medical	6,533	6,442	6,442	6,442	6,442	6,442	6,442
Staff Training & Travel	247,510	274,250	278,364	282,539	286,777	291,079	291,079
Telephone, Courier	89,111	93,798	95,205	96,633	98,083	99,554	99,554
BOD Meetings, Training and Travel	273,192	295,088	299,514	304,007	308,567	313,196	313,196
Legal	28,173	44,020	20,000	20,000	20,000	20,000	20,000
Computer	295,668	253,206	257,004	260,859	264,772	268,744	268,744
Consulting - ISO, ERM and Other	307,891	253,940	150,000	150,000	150,000	150,000	150,000
Office Rental & Accommodation	290,644	339,220	344,308	349,473	354,715	360,036	360,036
R&M	95,119	66,738	67,739	68,755	69,786	70,833	70,833
Utilities & Other Supplies	156,927	244,520	200,724	203,734	206,790	209,892	209,892

Financing

Capital Purchases	3,579,604	344,979	1,000,000	1,135,000	187,500	502,500	442,500
Chinook							
Capital Purchases	3,579,604	3,000,000					
Capital subject to financing	1,699,582	1,300,418	-	-	-	-	-
Interest Rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Term (years)	8						
Starting Investment Balance	6,367,958	4,468,688	3,968,688	2,218,688	1,218,688	1,218,688	1,218,688
Addition (reduction)	- 1,899,270 -	500,000 -	1,750,000 -	1,000,000 -	-	-	-
Ending Investment Balance	4,468,688	3,968,688	2,218,688	1,218,688	1,218,688	1,218,688	1,218,688

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The highlights of the 2016 budget are as follows:

1. The Authority forecasts a loss of \$4.9 million based upon 11,767 coastal and 1,111 River assignments. This represents a 0.1% decrease in coastal assignments and a 3% increase in Fraser River assignments when compared to the 2015 forecast. This loss is manageable from a cash flow perspective with the introduction of a temporary \$120/assignment fee, expected to be introduced for an 18 month period, from July 2016 through December 2017.
2. Total revenues are expected to reach \$77.6 million in fiscal 2016 (a 3% increase over fiscal 2015), driven primarily by a 2.75% tariff increase coupled with an expected \$0.7 million from the bridging fee with no material change to volumes.
3. Coastal pilotage revenues in 2016 are expected to exceed 2015 by \$1.6 million (3%), driven by the tariff increase. The increased revenue is expected to be offset by an additional \$2.4 million in costs driven primarily by contractual pilot increases and callback expenses. The costs of training apprentice pilots and the costs of training senior pilots are expected to end the year at approximately \$242,000 more than 2015 and are being driven by an increase in senior pilot training costs. In total this sector's profit margin is expected to decrease to a loss of \$1.1 million, and as such will not contribute toward the operation and administration of the Authority.
4. River pilotage revenues in 2016 are expected to exceed 2015 by \$169,000 (6%), driven by traffic and tariff increases. The increased revenue is expected to be offset by \$75,000 in additional costs. No new River pilots are forecast to be trained in 2016 because the Authority hired and trained a new pilot in 2014 and this group of pilots can handle the anticipated volume in 2016. In total this sector's profit margin is expected to grow to \$366,000 (12% of Fraser River pilotage revenue).

**PACIFIC PILOTAGE AUTHORITY
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5. Travel revenues in 2016 are expected to exceed 2015 by \$212,000, driven by traffic and tariff increases. The increased revenue is expected to be offset by an additional \$94,000 in costs to transport pilots to and from assignments. In total this sector's profit margin is expected to remain steady at \$1.6 million (21% of travel revenue) to cover costs for managing and coordinating the service.
6. In the fall of 2015, the Authority will be introducing a launch replacement fee of \$60 per launch/helicopter transfer to pay for the financing of the Pacific Chinook. This fee has been developed with the written support of Industry.
7. In September 2015, the Authority is expecting to introduce helicopter services to serve the Prince Rupert region. No new charges have been implemented for the helicopter program – the costs to Industry for the helicopter are the same as the costs for the launch. In fiscal 2017, it is expected that helicopters will account for 50% of Prince Rupert transfers.
8. The budget allows for 7 coastal apprentice pilots starting in the 2016 plan year and 4 coastal apprentice pilots starting in the 2017 plan year. Over the same period, it is expected that a total of 14 coastal pilots will retire. Training and wage costs for apprentice pilots are expected to be \$1.2 million in fiscal 2016 and the training costs for senior pilots are expected to be \$783,000.

All other costs, such as travel and general administration are forecast to decrease at 0.1% in fiscal 2016 to account for the Authority's alignment with cost cutting objectives.

Purchase of Pilot Vessel

The Authority provided financing for the purchase of the "Pacific Chinook" in fiscal 2014 and 2015 in order to primarily serve pilotage assignments at Pine Island, an area north of Port Hardy on Vancouver Island.

It is expected that the vessel will enter service in the fall of fiscal 2015.

As noted above, the Authority will implement a \$60/launch/helicopter charge in the fall of 2015 with the written support of Industry in order to pay down this financing over an 8 year basis.

Sensitivity of Corporate Plan Projections

The fundamental assumption in the Authority's corporate plan is the number of pilotage assignments each year. This number is in part a measure of Canadian exports and imports and is influenced by many external factors outside the control of the Authority. Some of these factors are:

- the export volumes of grain, forest products, coal and other bulk commodities,
- foreign exchange rates,

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- West Coast port competition for shipping traffic,
- general economic conditions in Asia and North America.

Since the Authority's major expense in any given year is the payout to the British Columbia Coast Pilots Ltd. This payout is forecast at 94% of coastal pilotage revenue for the year of 2016 which is unusually high because of our lower tariff increase (charge to industry) versus contractual agreements with the BCCP. As a result of this structure, the Authority is well positioned to respond to temporary downturns of traffic. The BCCP are entrepreneur pilots and as such contract their services to the Authority under the terms of the *Pilotage Act*, and acknowledge the risk of decreased remuneration during diminished traffic periods.

Capital Budget 2016 Commentary

The Authority's threshold for capitalization is \$10,000 per expenditure. The capital expenditures for the budget year of 2016 total \$1 million.

The Authority's has budgeted \$1 million for capital expenditures in fiscal 2016. Included in the budget for fiscal 2016 are:

- Replacement of Prince Rupert's old floats which are used to gain access to the Pacific Pathfinder
- Overhaul costs for an engine of the Pacific Pathfinder and the costs associated with the purchase of a new 60 series engine which will be placed in inventory for the Pacific Scout, Navigator, PP2 or PP4
- Purchases costs for new PPU units and modelling additional ports with the Computer Based Currency software program

1.5 Capital Budget 2016-2020 Commentary

2017 – 2020 Summary

The Authority's has budgeted \$1.135 million, \$188k, \$503k and 488k in the 2017 through 2020 planning years. Included in the budget for these years are:

- Navigational electronic upgrades and replacements for the launches
- Overhaul costs for engines in the Pacific Navigator and the Pacific Scout
- Costs associated with moving the Authority's dispatching system to a new N-Tier platform (the current system is outdated and needs annual customization to work on current operating systems)
- Costs associated with replacing old and expired GPS units and additional costs for modelling additional ports for the Computer Based Currency software program

**PACIFIC PILOTAGE AUTHORITY
SUMMARY CORPORATE PLAN
2016 TO 2020**

Statement of Operations

Pacific Pilotage Authority Statement of Operations ('000\$)										
	Pacific Pilotage Authority									
	2012	2013	2014	2015 Budget	2015 Forecast	2016	2017	2018	2019	2020
Revenue										
Pilotage Tariffs	48,696	54,997	57,122	59,596	57,752	59,523	63,484	65,854	67,994	70,096
Pilotage Surcharges	15,794	16,834	17,365	18,599	16,359	17,979	19,616	18,564	18,857	19,277
Others (interest, supplementary fees & charges)	-14	190	145	112	164	62	34	24	24	24
Total Revenue	64,476	72,020	74,632	78,307	74,275	77,564	83,134	84,442	86,875	89,397
Direct Pilotage Costs										
Pilot Costs										
Pilotage Fees (if under contract)	40,599	47,656	51,229	53,349	51,965	54,370	55,651	56,840	58,977	60,849
Pilot Salaries and Benefits	2,089	2,205	2,515	2,474	2,502	2,577	2,616	2,642	2,668	2,695
Total Pilot Costs	42,688	49,861	53,744	55,824	54,467	56,947	58,267	59,482	61,645	63,544
Pilotage Boat and Pilot Travel										
Pilot Boat Crew (salaries and benefits)	4,397	4,731	4,896	5,021	5,849	5,653	5,289	5,260	5,228	5,241
Pilot Boat Operating Cost (fuel, maintenance)	3,716	4,426	4,891	4,894	3,926	3,879	3,959	3,886	4,340	3,932
Pilot Boat Ownership Costs (Depreciation & Finance)	649	650	486	828	712	534	535	537	538	540
Pilotage Boat Fees (if under contract)	0	0	0	0	0	0	0	0	0	0
Pilot Travel Expenses	5,316	5,671	5,867	5,970	5,584	5,678	5,778	5,915	6,056	6,276
Other Related Costs	0	0	0	0	0	0	0	0	0	0
Total Pilot Boat and Pilot Travel	14,078	15,478	16,140	16,713	16,070	15,745	15,562	15,598	16,163	15,989
Other Pilotage Expenses										
Pilotage Portable Units	372	486	585	845	415	682	642	864	638	352
Pilotage Training	943	1,053	1,844	1,919	1,630	1,872	1,859	1,188	1,196	1,204
Dispatch Center	1,439	1,501	1,625	1,614	1,719	1,771	1,797	1,815	1,834	1,852
Other Pilotage Costs	87	300	111	504	789	1,071	1,149	1,191	1,234	1,257
Total Other Pilotage Expenses	2,841	3,341	4,165	4,881	4,553	5,396	5,446	5,059	4,902	4,665
Total Direct Pilotage Costs	59,607	68,680	74,049	77,418	75,090	78,088	79,275	80,139	82,710	84,198

**PACIFIC PILOTAGE AUTHORITY
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2016 TO 2020**

Pacific Pilotage Authority										
Statement of Operations ('000\$)										
	Pacific Pilotage Authority									
	2012	2013	2014	2015 Budget	2015 Forecast	2016	2017	2018	2019	2020
Indirect Pilotage Costs										
Administrative Expenses										
Administration (salaries and benefits)	1,722	1,796	1,905	1,881	2,016	2,076	2,107	2,128	2,149	2,171
Professional Services	146	184	336	200	208	200	200	200	200	200
Regulatory Fees (TC service fee)	79	110	27	99	10	100	102	103	105	105
Rent/Utilities/Supplies/Computers	838	883	927	947	968	965	979	994	1,009	1,009
Other Amortization	205	185	240	250	561	789	895	1,258	885	480
Other Administration Expenses	527	475	711	634	615	190	112	33	175	604
Total Administration Expenses	3,517	3,633	4,146	4,010	4,378	4,320	4,395	4,717	4,524	4,568
Financing Cost	0	0	0	0	63	72	62	52	42	32
Total Indirect Pilotage Costs	3,517	3,633	4,146	4,010	4,441	4,392	4,457	4,769	4,566	4,600
Total Expenses	63,124	72,312	78,195	81,428	79,531	82,480	83,732	84,907	87,275	88,798
Net Profit (Loss)	1,353	-292	-3,563	-3,122	-5,255	-4,916	-598	-465	-400	600
Capital Reimbursement										
Number of Contract Pilots	100	100	99	102	102	103	103	103	103	103
Number of Employee Pilots	7	7	8	8	8	8	8	8	8	8
Number of Assignments	12,946	13,514	13,264	13,357	12,863	12,878	12,908	13,013	13,120	13,199
Average Assignment per Pilot	121	126	124	121	117	116	116	117	118	119
Revenue over Assignments ratio	4,980	5,329	5,627	5,862	5,774	6,023	6,440	6,489	6,622	6,773

**PACIFIC PILOTAGE AUTHORITY
SUMMARY CORPORATE PLAN
2016 TO 2020**

Balance Sheet

Pacific Pilotage Authority									
Statement of financial position (thousands of Canadian dollars)									
Pacific Pilotage Authority									
Statement balance as at	Actual 2012	Actual 2013	Actual 2014	Forecast 2015	Plan 2016	Plan 2017	Plan 2018	Plan 2019	Plan 2020
Assets									
Current									
Cash and cash equivalents	7,120	8,444	7,218	3,549	490	646	1,557	1,473	2,260
Accounts receivable - trade	5,048	5,239	4,649	5,603	5,851	6,272	6,370	6,554	6,370
Accounts receivable - other	17	146	106	106	106	106	106	106	106
Accounts receivable - GST	905	434	429	429	429	429	429	429	429
Travel advances	4	8	16	16	16	16	16	16	16
Prepaid expenses	97	102	69	69	69	69	69	69	69
Prepaid travel	99	114	98	98	98	98	98	98	98
	13,291	14,488	12,586	9,871	7,060	7,636	8,646	8,745	9,349
Non-current									
Long-term investments	6,314	6,368	4,469	3,969	2,219	1,219	1,219	1,219	1,219
Other receivables			217						
Fixed Assets									
Buildings & floats	334	334	334	334	571	609	614	619	624
Pilot boats	12,636	12,638	15,126	15,297	15,877	16,192	16,192	16,507	16,567
Communication and other	73	348	348	348	375	403	430	458	485
Computer software and equipment	348	1,245	2,336	2,452	2,602	3,352	3,502	3,652	4,002
Intangibles	1,894	665	665	665	665	665	665	665	665
Leasehold improvements	192	192	192	251	256	261	266	271	271
	15,477	15,422	19,001	19,346	20,346	21,481	21,669	22,171	22,614
Accumulated depreciation	5,031	6,104	6,347	7,652	8,975	10,405	12,199	13,622	14,642
Total fixed assets	10,446	9,318	12,654	11,694	11,371	11,076	9,469	8,549	7,971
	30,051	30,174	29,926	25,534	20,650	19,931	19,334	18,513	18,539
Liabilities									
Current									
Accounts payable and accrued liabilities	4,466	4,736	5,775	5,481	5,684	5,771	5,852	6,015	6,015
Wages and employee deductions payable	2,454	2,911	3,265	3,428	3,599	3,743	3,893	4,010	4,130
Employee termination benefits	250	113	386	213	256	295	329	312	0
	7,170	7,760	9,426	9,122	9,540	9,808	10,074	10,336	10,145
Non-current									
Other employee benefits	701	528	475	428	385	346	312	0	0
Debt	0	0	1,700	2,916	2,574	2,222	1,860	1,488	1,106
	7,871	8,288	11,601	12,466	12,498	12,377	12,246	11,825	11,251
Equity									
Retained earnings	22,180	21,886	18,325	13,068	8,152	7,554	7,089	6,688	7,288
	30,051	30,174	29,926	25,534	20,650	19,931	19,334	18,513	18,539

**PACIFIC PILOTAGE AUTHORITY
SUMMARY CORPORATE PLAN
2016 TO 2020**

Statement of Changes in Equity

Pacific Pilotage Authority										
Statement of changes in equity (thousands of Canadian dollars)										
Pacific Pilotage Authority										
	Actual	Actual	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	2013	2014	2015	2015	2016	2017	2018	2019	2020	
Retained earnings, beginning of year	22,178	21,886	19,730	18,325	13,068	8,152	7,554	7,089	6,688	
(Loss) profit for the year	- 354	- 3,504	- 3,122	- 5,255	- 4,916	- 598	- 465	- 400	600	
Other comprehensive income (loss)	62	- 57	-	-	-	-	-	-	-	
Total comprehensive income (loss)	- 292	- 3,561	- 3,122	- 5,255	- 4,916	- 598	- 465	- 400	600	
Retained earnings, end of year	21,886	18,325	16,608	13,070	8,152	7,554	7,089	6,688	7,288	

Statement of Cash Flows

Pacific Pilotage Authority									
Statement of cash flows (thousands of Canadian dollars)									
Pacific Pilotage Authority									
	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan	Plan
For the year ended	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	
Cash flows from operating activities									
Cash receipts from customers	71,640	75,077	73,158	77,254	82,679	84,319	86,667	89,557	
Cash paid to employees and suppliers	- 70,003	- 75,183	- 78,446	- 80,721	- 82,037	- 82,858	- 85,878	- 87,945	
Other income received	300	-	-	-	-	-	-	-	
Employee severance benefit payments	- 356	-	-	-	-	-	-	-	
Adjustments	-	- 196	-	-	-	-	-	-	
Net cash provided by operations	1,581	- 301	- 5,288	- 3,466	642	1,461	790	1,612	
Cash flows from investing activities									
Net purchases of investments	- 136	1,899	717	1,750	1,000	-	-	-	
Acquisition of property and equipment	- 120	- 4,563	- 313	- 1,000	- 1,135	- 187	- 503	- 443	
Acquisition of intangible assets	- 16	-	-	-	-	-	-	-	
Net cash used in investing activities	- 272	- 2,663	404	750	- 135	- 187	- 503	- 443	
Cash flows from financing activities									
New Financing	-	1,700	1,300	-	-	-	-	-	
Repayment of Debt	-	-	84	- 342	- 352	- 362	- 372	- 382	
Cash used in financing activities	-	1,700	1,216	- 342	- 352	- 362	- 372	- 382	
Net increase in cash and cash equivalents	1,309	- 1,265	- 3,668	- 3,059	155	912	- 85	787	
Cash and cash equivalents, beginning of period	7,173	8,482	7,217	3,549	490	646	1,557	1,473	
Cash and cash equivalents, end of period	8,482	7,217	3,549	490	646	1,557	1,473	2,260	

**PACIFIC PILOTAGE AUTHORITY
SUMMARY CORPORATE PLAN
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Statement of Capital Expenditures

Pacific Pilotage Authority							
Statement of Capital Expenditures							
For the Years Ended December 31							
(000s)	ACTUAL	FORECAST	PLAN	PLAN	PLAN	PLAN	PLAN
	2014	2015	2016	2017	2018	2019	2020
BUILDINGS AND FLOATS							
Victoria floats and office building	-	-	38	38	5	5	5
Prince Rupert floats	-	-	200	-	-	-	-
	-	-	238	38	5	5	5
PILOTBOATS							
Pacific Pathfinder - autopilot unit	-	-	-	-	-	-	-
Pacific Scout - autopilot unit	-	-	-	-	-	-	-
Pacific Navigator - autopilot unit	-	-	-	-	-	-	-
Chinook	2,037	171	-	-	-	-	-
PP Two - recovery grid	-	-	-	-	-	-	-
PP Four - recovery grid	-	-	-	-	-	-	-
Pilot Launch / Helicopter	-	-	-	-	-	-	-
Water Taxi	-	-	-	-	-	-	-
Scout/Navigator/Pathfinder - Electronics	-	-	-	30	-	30	30
PP2/PP4 Electronics	-	-	-	30	-	30	30
	2,037	171	-	60	-	60	60
ENGINES							
Chinook	451	-	-	-	-	-	-
Spare Engine	-	-	100	-	-	-	-
Pathfinder	-	-	480	-	-	-	-
Scout	-	-	-	-	-	255	-
Navigator	-	-	-	255	-	-	-
	451	-	580	255	-	255	-
COMMUNICATION AND OTHER							
Furniture and office equipment	-	-	20	20	20	20	20
Telephone voice recorder	-	-	-	-	-	-	-
Pilot VHF radios	-	-	8	8	8	8	8
	-	-	28	28	28	28	28
COMPUTERS AND SOFTWARE							
BCCP training video software	-	-	100	100	100	100	100
Dispatch and billing software	-	-	-	600	-	-	-
Portable Pilotage Units	2,074	115	50	50	50	50	250
Board software	-	-	-	-	-	-	-
GPS systems	-	-	-	-	-	-	-
Simulators	-	-	-	-	-	-	-
Launch fleet management software	-	-	-	-	-	-	-
	2,074	115	150	750	150	150	350
LEASEHOLD IMPROVEMENTS							
Vancouver & Victoria	-	59	5	5	5	5	5
	-	59	5	5	5	5	5
TOTAL CAPITAL EXPENDITURES	\$4,562	\$345	\$1,000	\$1,135	\$188	\$503	\$448

**PACIFIC PILOTAGE AUTHORITY
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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.

The following table shows the actual number of incidents the Authority has recorded over the last five years.

Year	Incident Free Assignments	Total Incidents	Class A	Class B	Class C
2009	99.950%	6	0	2	4
2010	99.984%	2	0	0	2
2011	99.962%	5	0	0	5
2012	99.946%	7	0	3	4
2013	99.963%	5	0	0	5
2014	99.962%	5	0	2	3

Approvals and Restricted Transactions

Auditor General of Canada

The Auditor General of Canada (OAG) is the Authority’s external auditor. As such, the OAG performs an annual audit and a special examination at least once every ten years. The OAG’s annual audit report forms an integral part of the Authority’s annual report, which is presented to the Minister of Transport and tabled in Parliament.

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During the fall of 2008 the Authority received the results of the latest special examination by the OAG. Their report noted “In our opinion, there is reasonable assurance that there were no significant deficiencies in the systems and practices we examined with respect to the criteria established for the examination”. The next special examination is scheduled for fiscal 2015.

The Authority’s management has developed financial systems and operational controls that facilitate monitoring of the Authority’s affairs. These systems and controls are under ongoing scrutiny with a view to improvement or change as circumstances dictate.

Internal Audit

Deloitte & Touche LLP were appointed internal auditors during the year 2005. To date they have completed numerous engagements covering accounting controls, risk management and identification, computer systems vendor search, travel and transportation expenses for pilots, Stage I of the new computer system, the electronic filing system, the yacht waiver process, a billing system review and information technology security.

On an annual basis the Authority will adopt an internal audit plan that will include both financial and risk-based assignments. A grid of potential assignments has been prepared and will be prioritized on an annual basis by the Board of Directors, in part based upon risk ranking as well as other criteria that may be appropriate.

Minister of Finance Approvals

Pursuant to section 127 of the *Financial Administration Act* the Authority is submitting borrowing requests as follows:

Operating Line of Credit – renewal

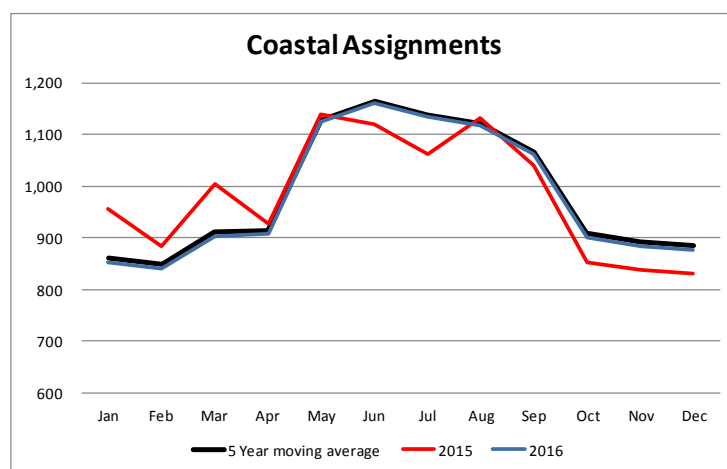
The Authority requests to borrow, on a day-to-day basis from its bank, sums of money to manage its cash flow. The Authority views these borrowings as a ‘best business practice’ and wishes to renew this facility. These borrowings are to be charged at the Canadian prime rate and repaid prior to December 31. Currently, approved and signed by the Minister of Finance, the Authority has approval to borrow \$2,000,000 and wishes this facility to increase to \$5,000,000.

The Authority has had the same operating line of credit since 2006 when its annual expenses were \$48 million. The Authority’s expenses will be approximately \$82 million in 2016 (71% higher than 10 years earlier).

In addition, considering that the Authority forecasts that it will incur another substantial loss in fiscal 2016 before it picks up its tariff in 2017 to realign its margins, any unknown factors outside of the Authority’s control (i.e. tariff delays or volume changes) may have the ability to push the Authority’s expected cash position well below the small forecasted balance of \$490k at the end of 2016.

PACIFIC PILOTAGE AUTHORITY SUMMARY CORPORATE PLAN 2016 TO 2020

In addition, given the cyclical nature of the Authority's business as can be seen below, the ramp up in assignment volumes in the end of spring tends to put excess pressure on the Authority's cash position. There are periods during this ramp up in which the Authority must issue payments in excess of \$5 million per month which are only recovered afterward.



This Corporate Plan serves as the Authority's formal application to the Minister of Finance for renewal and increase of this facility.

Capital Loan

The Authority requested from the Minister of Finance, the authority to borrow up to \$3,000,000 for the financing of the Pacific Chinook in fiscal 2014. The Authority does not foresee a requirement for any additional borrowing.

Borrowing Plan Summary

The Authority's overall borrowing plan follows and is submitted at \$8,000,000 for 2016.

1. Operating line of credit – \$5.0 million.
2. Capital loan - \$3.0 million.

The following table shows the Authority's borrowing for the plan years.

	ACTUAL 2014	FORECAST 2015	PLAN 2016	PLAN 2017	PLAN 2018	PLAN 2019	PLAN 2020
Operating Line of credit	\$ 2.0	\$ 2.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0
Capital loans	\$ -	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0
Capitalized leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 2.0	\$ 5.0	\$ 8.0	\$ 8.0	\$ 8.0	\$ 8.0	\$ 8.0

PACIFIC PILOTAGE AUTHORITY

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Investment Policy

The Investment Policy of the Authority is pursuant to section 37 of the *Pilotage Act* and reviewed annually. This policy incorporates fiduciary and financial responsibility within the confines of the *Pilotage Act* and the *Financial Administration Act*. The Authority's current investment portfolio includes Government of Canada Bonds, Canada Housing Trust Bonds and Canada Mortgage and Housing Corporation Bonds. All investments are relatively short-term obligations of or guaranteed by Her Majesty in Right of Canada. Investments must be rated equivalent to, or higher than, the Dominion Bond Rating Service (DBRS) rating for Government of Canada bonds. Investments with such a rating that are put on credit watch (negative implications) are not allowed.

Implementation of Travel and Hospitality Order in Council

On July 16, 2015, Crown corporations were directed by the Governor in Council (GIC) to align their policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations.

The Authority has implemented the Order in Council effective August 1, 2015, and made the following key changes:

- Management travel and accommodation has been changed from a per diem basis to actual expenses for commercial accommodation while travelling on PPA business.
- Meal allowances are based on Treasury Board guidelines as of April 1, 2015 and will be adjusted on April 1 and October 1 annually in line with the published Treasury Board guidelines.

Below is a listing of the total average annual board expenditures for each of travel, hospitality, and conference fees over the last three fiscal years (\$000's):

- Travel - \$44
- Hospitality - \$1
- Conference - \$3

Forecasted expenditures for each of these categories each fiscal period over the planning period are as follows:

- Travel - \$30
- Hospitality - \$1
- Conference - \$3

**PACIFIC PILOTAGE AUTHORITY
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Human Resources

For the years ended December 31	Actual	Forecast	Plan	Plan	Plan	Plan	Plan
	2014	2015	2016	2017	2018	2019	2020
Management & Administrative	14	14	14	14	14	14	14
Employee Pilots (Fraser River)	7	7	7	7	7	7	7
Dispatchers	11	11	11	11	11	11	11
Pilot Launch Crews	26	26	26	26	26	26	26
Total Full Time Equivalents	58	58	58	58	58	58	58
Contract Pilots (BCCP) (seasonally adjusted)	99	102	103	103	103	103	103