



**Atlantic
Pilotage
Authority**

**Administration
de Pilotage
de l'Atlantique**

**910- 2000 BARRINGTON STREET
HALIFAX, NS B3J 3K1**

**SUMMARY OF
2005 – 2009
CORPORATE PLAN**

Atlantic Pilotage Authority

Summary of 2005-2009 Corporate Plan

INCORPORATION

The Atlantic Pilotage Authority ("Authority") was established February 1, 1972, pursuant to the **Pilotage Act**, as a body corporate consisting of a Chairman and not more than six members, all appointed by the Governor-in-Council.

The Authority is a schedule 111, Part 1 Crown Corporation pursuant to the **Financial Administration Act**. The Authority is not an agent of Her Majesty.

This summary is submitted pursuant to Section 125 of the **Financial Administration Act**.

MANDATE

The mandate of the Atlantic Pilotage Authority is to establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service within the Atlantic region.

MISSION

The Authority will accomplish this by providing the necessary expertise and experience, associated with the appropriate technology, to meet the needs of the industry. The Authority is committed to maximizing the use of its resources/assets to meet the goals in a safe and environmentally responsible manner.

VISION STATEMENT

To continue to provide an effective pilotage service throughout the Atlantic Region. In doing so, the Authority would maximize opportunities and benefit the various ports/districts and surrounding communities

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CORPORATE GOVERNANCE

The Canada Marine Act allowed for the implementation of a part-time chairman and full time chief executive officer (Annex 2). The CEO is accountable to the Board of Directors and through his role ensures that the necessary consistency, expertise and daily administration tasks are fulfilled. Such direction is consistent with corporate governance.

The present Board structure of having a chair, two pilots, two shipping industry representatives and two public sector representatives ensures an excellent cross section of knowledge, shipping perspective and business acumen. The Board of an Authority is accountable to the Minister of Transport for its decisions. The members are appointed by the Governor in Council and are accountable to the Government of Canada and public at large. Prior to the appointment of the two shipping representatives, names are solicited from the Canadian Ship Owners Association and Shipping Federation of Canada and are subsequently given to the Minister of Transport for his consideration.

The Authority fully endorses the make-up of the Board, management and staff. By having such an effective system in place, it believes that it is fulfilling its mandate, as well as meeting the requirements of good corporate governance.

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EXECUTIVE SUMMARY

The Atlantic Pilotage Authority continues to achieve its mandate of providing, in the interest of safety, an efficient pilotage service in the Atlantic Provinces.

The Authority provides a crucial pilotage service within Atlantic Canada. This service contributes significantly to the safety of vessels, their crews, and the Canadian environment. As a regulated authority given the responsibility of providing this service, it continues to act in the interest of the people of Canada in fulfilling its mandate.

The first one of several APA's Pilotage Risk Management Methodology (PRMM) has not yet been concluded. Although the review of size and types of vessels subject to compulsory reached the Canada Gazette Part 1, it received a number of objections. At this time, the Authority is awaiting the appointment of an investigator by the Minister of Transport. Should the recommendation become legislated, there will be some operational and financial impacts upon certain ports and districts. Another review has also commenced and pertains to Voisey's Bay, located in Labrador. The review will focus on whether the water approaches in the vicinity of that project site should become compulsory or remain non-compulsory.

The Authority continues with its agenda of regular meetings with stakeholders. These meetings cover both operational and financial issues related to the individual ports or districts. They are well attended and considerable exchange and understanding is achieved by all parties. Among items discussed recently are the distribution of administrative overhead expenditures, pilot boat and other expenditures, and alternative methods of formulating tariff adjustments. It is hoped that by having such ongoing consultations will achieve better comprehension and reduce the possibility of objections from the stakeholders.

For 2004 the Authority will again achieve a positive rate of return, anticipated to be 6% on revenues of \$16 million. However, in keeping with our mandate of port by port financial self sufficiency, the Authority has proposed that for the fiscal year of 2005, five of the sixteen compulsory areas receive a tariff adjustment. These proposals have been discussed with the appropriate stakeholders. Those ports are Halifax (5%), Restigouche, NB (7%), Humber Arm NL (8%), Pugwash (8%) and the Bay of Exploits NL (4%). These tariffs are necessary, as insufficient revenues are being generated to meet the specific port expenses. Two significant factors related to the overall expenses continue to be raised at these meetings. One is the overhead distribution and is determined by the Lowery formulae. The second is the possibility of adjusting both the basic charge and unit charge in such a way so as to achieve a fair and effective increase within the tariff structure.

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It is anticipated that the overall assignments will decline by approximately 3% overall. This decline is primarily in Halifax, NS, Saint John, NB and the Strait of Canso, NS. The remaining areas remain strong or are maintaining status quo. After an extensive investigation this past year the Authority has determined that it will continue to maintain the pilot boat service in Placentia Bay and that it will build a second fast pilot boat for that district. The decision has been made to defer the construction of a new pilot boat for Halifax until 2007, with a Saint John boat to follow in 2009.

The Authority continues with its objective of effective negotiation and renewal of collective agreements with the Authority's unionised employees. The Authority has concluded one collective agreement, and negotiations continue with respect to the other two agreements. It is anticipated that upon settlement, such agreements will impact on future expenditures. An allowance for increased salary costs is included in this corporate plan.

The Authority has continued to have internal audits carried out by an independent firm of Chartered Accountants, separate from its annual external audit carried out by the Office of the Auditor General. This has proven beneficial and provides additional financial assurance.

Over the past year the Board continues its mandate of ensuring good corporate governance. Sub committees such as the Audit, Regulation, Pilot Boat, Governance and recently the formation of the Nominating committee have proven to be extremely beneficial.

Recommendations from those committees have assisted the Board in determining a sound strategic direction in the following areas:

- Governance;
- Quality of Service;
- Safety of the Environment;
- Financial self-sufficiency;
- Technology;
- Human resources; and
- Completion of the CTA recommendations.

Continuing focus upon these strategies will enable the Atlantic Pilotage Authority to support and sustain a crucial pilotage service within the Atlantic Region.

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DESCRIPTION OF OPERATIONS

Since 1972, the Authority has operated, in the interest of safety, a marine pilotage service for all Canadian waters surrounding the four Atlantic Provinces and within certain waters in the Bay of Chaleur. This is the only program of business for the Authority.

The Authority provides ships that enter Atlantic Canadian Ports with licensed pilots in order to ensure that these ships enter, leave, or move about within the pilotage area as safely as possible. The Authority organizes its operations according to the geographic location of the pilotage area, which may be either compulsory or non-compulsory. A pilot may be an employee, an entrepreneur, or a member of a body corporate contracting with the Authority for pilotage services. Pilot boat services may be owned and operated by the Authority or by a private operator who has a contract with the Authority. A complete breakdown of all revenue and costs related to the pilotage service is calculated and totaled for each port and area, and summarized for the entire operation.

Demand for the services of the Authority is, for the most part, determined by the shipping industry, over which the Authority has little or no control. The Authority evaluates its performance according to the achievement of a safe, efficient, and effective marine pilotage service and financial self-sufficiency.

In addition, success is determined by how well the Authority adapts to changes in world trade, and patterns that develop within the shipping industry. Shipping operates on derived demand. The Authority does not attract ships to the Atlantic region; it merely responds to a demand that is influenced by a number of factors.

The Authority operates within the marine transportation sector. No competition exists to provide this service in compulsory pilotage areas. Regarding the subject of proposed tariff adjustments, the Authority may be challenged by third-party organizations that appeal, under the Pilotage Act, to the Canadian Transportation Agency (CTA). In the event of an appeal, the CTA is required to make an investigation of the proposed tariff charges and render a recommendation to the Authority. The *Pilotage Act* requires that the CTA files a copy of its recommendation with the Minister of Transport. The Authority is obliged to abide by the recommendation.

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REVENUE AND TRAFFIC PATTERNS

The Authority categorizes its assignments into 16 compulsory areas: Halifax, Sydney, Bras d'Or, Canso, Pugwash, Saint John, Miramichi, Restigouche, St. John's, Holyrood, Placentia Bay, Humber Arm, Stephenville, Bay of Exploits, Charlottetown, and Confederation Bridge. Pilotage Service is provided to many non-compulsory ports upon demand. Total number of estimated assignments for 2005 is budgeted at 10,947.

DISPATCH

The Authority provides dispatching services throughout its region from a dispatch centre located at its head office. The dispatching service provides significant information and added value to pilots, customers, port authorities, and management through controlled access web pages established for each group. The web pages are continuously updated from the Authority's Dispatch and Billing System as the dispatcher enters data. Customers and pilots are able to contact dispatch by telephone, e-mail, facsimile, VHF radio, and telex. As the service evolves, it is expected to increase the efficiency of the Authority's operations while continuing to add value for customers and employees.

PILOTAGE BOAT SERVICE CONTRACTS

The Authority prefers that all pilot boat contracts be paid on a per trip basis. This avoids a situation where a guaranteed annual amount of money is paid that has no relation to the number of assignments and revenue in that port. This principle is followed with a few minor exceptions to address local issues in a port.

Pilot boat costs are made up of those incurred by the Authority in operating its own vessels, those paid to a contractor to provide a pilot boat service, and fees paid on an ad hoc basis to local entrepreneurs in minor non-compulsory ports where it is not feasible to have a formal pilot boat contract. The Authority attempts to use its own boats in the most efficient manner possible and to control costs where possible. The costs in ports in which a private contractor provides service will fluctuate based on the volume of traffic in the port.

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**Statement of Human Resources
2002-2009**

	ACTUAL <u>2002</u>	ACTUAL <u>2003</u>	OUTLOOK <u>2004</u>	BUDGET <u>2005</u>	----- PLAN -----			
					<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>ADMINISTRATION</u>								
EXECUTIVE OFFICERS	3	3	3	3	3	3	3	3
SUPPORT	5	5	7	7	7	7	7	7
	<u>8</u>	<u>8</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
<u>OPERATIONS</u>								
PILOTS	43	43	42	43	43	43	43	43
PILOT BOAT CREWS	13	13	13	13	13	13	13	13
DISPATCHERS	6	6	6	6	6	6	6	6
ENTREPRENEURIAL PILOTS	14	13	14	14	14	14	14	14
	<u>76</u>	<u>75</u>	<u>75</u>	<u>76</u>	<u>76</u>	<u>76</u>	<u>76</u>	<u>76</u>
<u>TOTAL MANPOWER RESOURCES</u>	<u>84</u>	<u>83</u>	<u>85</u>	<u>86</u>	<u>86</u>	<u>86</u>	<u>86</u>	<u>86</u>

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Statement of Operations
Years Ended December 31
(000's)

	ACTUAL 2003	OUTLOOK 2004	BUDGET 2005	2006	PLAN		
					2007	2008	2009
<u>INCOME</u>							
PILOTAGE CHARGES	\$ 15,948	\$ 16,241	\$ 16,073	\$ 16,484	\$ 16,896	\$ 17,234	17,579
INTEREST & OTHERS	490	171	171	200	200	225	235
TOTAL INCOME	16,438	16,412	16,244	16,684	17,096	17,459	17,814
<u>EXPENSES</u>							
PILOTS FEES, SALARIES, AND BENEFITS	7,757	7,815	7,574	7,820	8,030	8,191	8,354
PILOT BOATS	4,218	4,114	4,003	4,040	4,138	4,221	4,305
STAFF SALARIES AND BENEFITS	1,143	1,191	1,248	1,274	1,299	1,325	1,351
TRANSPORTATION	739	733	720	730	747	762	777
PROFESSIONAL AND SPECIAL SERVICES	531	442	431	439	448	457	466
TRAINING	239	250	250	250	250	260	265
RENTALS	173	180	215	220	225	230	234
COMMUNICATION	119	105	109	116	119	121	124
UTILITIES, MATERIALS, AND SUPPLIES	235	335	361	374	386	394	402
AMORTIZATION	309	265	355	440	530	530	590
TOTAL EXPENSES	15,463	15,430	15,266	15,703	16,172	16,490	16,869
NET PROFIT	\$ 975	\$ 982	\$ 978	\$ 981	\$ 924	\$ 969	\$ 945

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Balance Sheet
Years Ended December 31
(000's)

	ACTUAL 2003	OUTLOOK 2004	BUDGET 2005	2006	PLAN		
					2007	2008	2009
<u>ASSETS</u>							
CURRENT							
CASH/SHORT TERM INVESTMENT	\$ 1,465	\$ 1,457	\$ 1,756	\$ 1,905	\$ 2,544	\$ 2,799	\$ 2,618
ACCOUNTS RECEIVABLE	2,096	2,133	2,112	2,169	2,189	2,233	2,279
PREPAID EXPENSES	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
	3,595	3,624	3,902	4,108	4,767	5,066	4,931
<u>SEGREGATED INVESTMENTS</u>	887	1,387	887	1,387	887	1,387	387
FIXED							
CAPITAL AT COST	6,414	7,147	10,067	10,567	13,067	13,567	16,067
LESS ACCUMULATED AMORTIZATION	<u>3,568</u>	<u>3,833</u>	<u>4,188</u>	<u>4,628</u>	<u>5,158</u>	<u>5,688</u>	<u>6,278</u>
	2,846	3,314	5,879	5,939	7,909	7,879	9,789
	<u>\$ 7,328</u>	<u>\$ 8,325</u>	<u>\$ 10,668</u>	<u>\$ 11,434</u>	<u>\$ 13,563</u>	<u>\$ 14,332</u>	<u>\$ 15,107</u>
<u>LIABILITIES</u>							
CURRENT							
ACCOUNTS PAYABLE	\$ 863	\$ 950	\$ 975	\$ 965	\$ 900	\$ 900	\$ 900
LONG TERM							
TERMINATION BENEFITS	867	795	735	730	700	700	730
CAPITAL LOAN	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,200</u>	<u>2,500</u>	<u>2,300</u>	<u>2,100</u>
	867	795	2,135	1,930	3,200	3,000	2,830
TOTAL LIABILITIES	1,730	1,745	3,110	2,895	4,100	3,900	3,730
CONTRIBUTED CAPITAL AND EQUITY							
CONTRIBUTED CAPITAL	2,305	2,305	2,305	2,305	2,305	2,305	2,305
EQUITY (DEFICIT)	<u>3,293</u>	<u>4,275</u>	<u>5,253</u>	<u>6,234</u>	<u>7,158</u>	<u>8,127</u>	<u>9,072</u>
	5,598	6,580	7,558	8,539	9,463	10,432	11,377
	<u>\$ 7,328</u>	<u>\$ 8,325</u>	<u>\$ 10,668</u>	<u>\$ 11,434</u>	<u>\$ 13,563</u>	<u>\$ 14,332</u>	<u>\$ 15,107</u>

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Statement of Changes
Years Ended December 31
(000's)

	ACTUAL 2003	OUTLOOK 2004	BUDGET 2005	2006	PLAN		
					2007	2008	2009
<u>OPERATING ACTIVITIES</u>							
CASH PROVIDED BY (USED FOR) OPERATIONS							
NET PROFIT (LOSS) FOR YEAR	\$ 975	\$ 982	\$ 978	\$ 981	\$ 924	\$ 969	\$ 945
ITEMS NOT REQUIRING CASH							
AMORTIZATION	309	265	355	440	530	530	590
INCREASE (DECREASE) IN EMPLOYEE TERMINATION BENEFITS- SEVERANCE	181	132	115	120	120	125	150
	<u>1,465</u>	<u>1,379</u>	<u>1,448</u>	<u>1,541</u>	<u>1,574</u>	<u>1,624</u>	<u>1,685</u>
CAPITAL LOAN REPAYMENT	-	-	(100)	(200)	(200)	(200)	(200)
CASH PROVIDED BY (USED FOR) NON-CASH WORKING CAPITAL	(545)	50	46	(67)	(85)	(44)	(46)
EMPLOYEE TERMINATION BENEFIT PAYMENTS	<u>(18)</u>	<u>(204)</u>	<u>(175)</u>	<u>(125)</u>	<u>(150)</u>	<u>(125)</u>	<u>(120)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 902	\$ 1,225	\$ 1,219	\$ 1,149	\$ 1,139	\$ 1,255	\$ 1,319
<u>FINANCING ACTIVITIES</u>							
CASH PROVIDED BY FINANCING ACTIVITIES	-	-	1,500		1,500	-	
<u>INVESTING ACTIVITIES</u>							
(INCREASE) DECREASE IN INVESTMENTS	-	(500)	500	(500)	500	(500)	1,000
NET ADDITIONS TO CAPITAL ASSETS	(366)	(733)	(2,920)	(500)	(2,500)	(500)	(2,500)
CASH USED FOR INVESTING ACTIVITIES	(366)	(1,233)	(2,420)	(1,000)	(2,000)	(1,000)	(1,500)
INCREASE IN CASH AND SHORT TERM INVESTMENT DURING THE YEAR	\$ 536	\$ (8)	\$ 299	\$ 149	\$ 639	\$ 255	\$ (181)
CASH, BEGINNING OF YEAR	<u>929</u>	<u>1,465</u>	<u>1,457</u>	<u>1,756</u>	<u>1,905</u>	<u>2,544</u>	<u>2,799</u>
CASH AND INVESTMENTS, END OF YEAR	\$ 1,465	\$ 1,457	\$ 1,756	\$ 1,905	\$ 2,544	\$ 2,799	\$ 2,618

Atlantic Pilotage Authority Summary of 2005-2009 Corporate Plan

Capital Expenditure Comparison (000's)

	2003 PLAN	2003 ACTUAL	2004 PLAN	2004 FORECAST	2005 PLAN
PILOT BOATS					
CONSTRUCTION OF NEW BOAT	2,000		2,000	500	2,500
PILOT BOAT REFIT	75	97	75	50	50
PILOT BOAT EQUIPMENT	125	105	125	120	100
ACQUISITION OF WHARF	50	93	-	-	50
COMMUNICATIONS EQUIPMENT	25	6	25	5	25
LEASEHOLD IMPROVEMENTS	25	20	25	8	20
COMPUTER AND OFFICE EQUIPMENT	75	29	100	25	75
SOFTWARE FOR COMPUTER PROGRAMS	100	20	125	25	100
TOTAL	\$ 2,475	\$ 370	\$ 2,475	\$ 733	\$ 2,920