Pacific Pilotage Authority Canada

Administration de pilotage du Pacifique Canada

Pacific Pilotage Authority

UNAUDITED FINANCIAL STATEMENTS

Quarterly Results

Six months to June 30, 2019

- Statement of Management Responsibility
- Unaudited Financial Statements and Notes
- Management's Discussion and Analysis

PACIFIC PILOTAGE AUTHORITY

1000 – 1130 West Pender Street

Vancouver, BC V6E 4A4

UNAUDITED FINANCIAL STATEMENTS

Quarterly Results

Six months to June 30, 2019

Statement of Management Responsibility:

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of the operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Originally signed by:

Kevin Obermeyer
Chief Executive Officer

Originally signed by:

Stefan Woloszyn
Chief Financial Officer

Vancouver, BC
August 6, 2019

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of Financial Position
(in thousands)

ASSETS

		As at		
		June 30, 2019		**December 31, 2018**
Current				
Cash and cash equivalents	$	7,058	$	6,171
Trade accounts receivable		9,149		6,071
Investments		554		553
Prepaid expenses and other receivables		1,154		1,254
		17,915		14,049
Non-current				
Investments		553		553
Other receivables		185		185
Property and equipment		11,864		10,898
		12,602		11,636
	$	**30,517**	**$**	**25,685**

LIABILITIES

Current				
Accounts payable and accrued liabilities	$	14,095	$	11,399
Borrowings		400		395
Lease Liabilities		333		-
Other employee benefits		604		604
		15,432		12,398
Non-current				
Borrowings		1,216		1,420
Lease Liabilities		819		-
Other employee benefits		628		584
		2,663		2,004
		18,095		14,402

EQUITY

Retained earnings		12,422		11,283
	$	**30,517**	**$**	**25,685**

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of profit and other comprehensive income
(in thousands)

	Three months to June 30, 2019	2018	Six months to June 30, 2019	2018
Revenue from contracts with customers				
Pilotage charges	26,983	25,491	47,124	43,607
Other revenue				
Interest and other revenues	38	46	72	101
	27,021	25,537	47,196	43,708
Expenses				
Contract pilots' fees	17,828	16,866	30,722	29,650
Operating costs of pilot boats	3,174	2,923	5,273	4,843
Salaries and benefits	2,013	1,653	3,822	3,352
Transportation and travel	1,794	1,713	3,203	3,034
Pilots' training	586	342	1,252	590
Depreciation – property and equipment	391	273	769	613
Professional and special services	237	156	411	220
Computer services	174	109	299	218
Utilities, materials and supplies	67	71	141	149
Rentals	43	90	87	184
Repairs and maintenance	29	13	48	30
Communications	18	17	45	41
Impairments, dispositions, and other	5	-	(15)	-
	26,359	24,226	46,057	
Other comprehensive income, not to be reclassified to profit or loss in subsequent periods	-	-	-	
Total comprehensive income	$ 662	$ 1,311	$ 1,139	$ 784

Unaudited

PACIFIC PILOTAGE AUTHORITY

Statement of Changes in Equity
(in thousands)

	As at June 30	
	2019	**2018**
Retained earnings, beginning of period	$ 11,283	$ 9,007
Profit for the year to date	1,139	784
Other comprehensive income and adjustments	-	-
Total comprehensive income	1,139	784
Retained earnings, end of period	$ 12,422	$ 9,791

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of Cash Flows
(in thousands)

	Three months to June 30		Six months to June 30,	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities				
Cash receipts from customers	23,180	23,318	44,047	41,437
Cash paid to employees	(19,789)	(21,873)	(35,808)	(39,444)
Cash paid to suppliers and others	(3,573)	-	(6,567)	-
Other income received	-	-	-	-
Net cash (used in) provided by operations	(182)	1,445	1,672	1,993

	Three months to June 30		Six months to June 30,	
	2019	**2018**	**2019**	**2018**
Cash flows from investing activities				
Purchase of investments	-	(1)	(4)	(1)
Acquisition of property and equipment	(338)	(166)	(426)	(206)
Acquisition of intangible assets	-	-	-	-
Net cash used in investing activities	(338)	(167)	(430)	(207)

	Three months to June 30		Six months to June 30,	
Cash flows from financing activities	**2019**	**2018**	**2019**	**2018**
Principal repayment of borrowing	(176)	(96)	(355)	(194)
Net cash used in financing activities	(176)	(96)	(355)	(194)
Net (decrease) increase in cash and cash equivalents	**(696)**	**1,182**	**887**	**1,592**
Cash and cash equivalents, beginning of period	7,754	5,478	6,171	5,068
Cash and cash equivalents, end of period	**7,058**	**6,660**	**7,058**	**6,660**

Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

In accordance with the Treasury Board of Canada Standard, these financial statements do not include all of the financial statement disclosure required for annual financial statements and should be read in conjunction with the Authority's IFRS annual financial statements for the year ended December 31, 2018. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

1. Authority and objectives

The Pacific Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act*. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fixed at a level that permits the Authority to operate on a self-sustaining financial basis and shall be fair and reasonable.

Coastal pilotage services are provided by the British Columbia Coast Pilots Ltd. under an agreement for services. Pilotage services on the Fraser River are provided by employee pilots.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to any income taxes.

The principal registered address and records office of the Authority are located at 1000 - 1130 West Pender Street, Vancouver, BC, V6E 4A4.

Regulation of tariffs of pilotage charges

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

As set out in the *Pilotage Act*, the Authority must first publish the proposed tariffs of pilotage charges in the Canada Gazette. A notice of objection can be filed with the Canadian Transportation Agency (the "Agency") if a person believes the pilotage charges are not in the public interest. In such a case, the Agency must investigate whether the proposed charges are in the public interest, including the holding of public hearings. After conducting the investigation, the Agency must make a recommendation within 120 days from the receipt of the notice of objection, and the Authority is required to govern itself accordingly.

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

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

2. Significant Accounting Policies

2.1 Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The quarterly financial statements were authorized for issue by the Board of Directors on August 28, 2019.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revaluated amounts or fair values at the end of the reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17.

2.3 Changes in significant accounting policies

The Authority has applied IFRS 16 beginning on January 1, 2019. In January 2016, the International Accounting Standards Board issued IFRS 16 *Leases* ("IFRS 16"). IFRS 16 replaces IAS 17 *Leases* and related interpretations.

IFRS 16 requires lessees to recognize most leases on their balance sheets as right-of-use assets (representing the right to use the underlying assets), with corresponding lease liabilities (representing the obligation to make lease payments). Generally, the recognition pattern for capitalized leases is similar to today's finance lease accounting, with interest and depreciation expense recognized in finance costs and other expenses respectively in the statement of profit or loss and other comprehensive income. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Authority has applied the modified retrospective approach, under which the cumulative effect of adoption will be recognized in opening retained earnings as at 1 January 2019, with no restatement to the comparative figures.

The adoption of IFRS 16 changes the accounting treatment for operating leases which include the Authority's head office lease, leases of hotel rooms held for pilots, and leases of berthage and moorage space for pilot boats.

The Authority has elected to use the following permitted practical expedients:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use ("ROU") asset if the underlying asset is of low dollar value; and
- Exclude initial direct costs from the measurement of the ROU asset at the date of initial application.

The Authority has recognized ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. As a result, the Authority has accounted for ROU assets and corresponding lease liabilities of $1,308 on January 1, 2019, with no anticipated material effect on opening retained earnings. The Authority has begun to recognize depreciation expenses related to the ROU assets as well as interest expenses related to lease liabilities in 2019.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and Canadian dollar deposits held at Canadian chartered banks, short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

2.5 Revenue recognition

The Authority recognizes revenue upon the transfer of control of promised services to customers in an amount that reflects the consideration to which the Authority expects to collect in exchange for the pilotage services it provides.

The Authority applies a five-step model framework for all of its contracts with customers:

1. Identification of the contract with its customer
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the transaction price to the performance obligations in the contract
5. Recognition of revenue when the Authority satisfies its performance obligation

Requests by customers for pilotage services are recognized as contracts in accordance with IFRS 15; in which enforceable rights and obligations are created. The Authority is bound to provide pilotage services through the Pilotage Act, and does not have a unilateral enforceable right to terminate a wholly unperformed contract.

When a pilotage assignment is complete and there are no other billable services to the customer as part of the assignment, the performance obligation is considered satisfied and revenue is recognized as a bundle of services promised in the contract (transportation, pilot boat, fuel, pilotage and time charges). The transaction price of each assignment is based on a published tariff and payment terms are 15 days. Contracts with customers do not include noncash consideration; there are no significant financing components, no refund liabilities and contracts do not include variable consideration.

The Authority satisfies its performance obligations at a point in time as control is only passed once an assignment is complete because regulations prevent a ship from navigating in pilotage waters without a pilot designated by the Authority on board. Receivables related to contracts with customers are presented in the Authority's statement of financial position as trade accounts receivable and are accounted for in accordance with IFRS 9. The Authority has elected to apply a practical expedient that removes the requirement to disclose information about unsatisfied (or partially unsatisfied) performance obligations at year-end where such obligations are part of a contract with an original expected duration of one year or less.

2.6 Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Authority and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

2.7 Foreign currencies

In preparing the financial statements of the Authority, transactions in currencies other than the Authority's functional currency (foreign currencies) are recognized at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not translated.

2.8 Employee benefits

(i) Pension benefits

All eligible employees of the Authority are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada.

Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

(ii) Other employee benefits

Management, unionized employees, and Fraser River pilots are entitled to sick leave benefits as provided for under collective agreements or employment contracts. Unionized employees are entitled to severance benefits accumulated up to 31 March 2018. The liability for these benefits is estimated and recorded in the financial statements as the benefits accrue to the employees.

The costs and the defined benefit obligation are actuarially determined using the projected unit credit method prorated on service that incorporates management's best estimate assumptions.

Actuarial gains and losses are recognized immediately in other comprehensive income (OCI).

2.9 Property and equipment

Property and equipment are initially recorded at cost, and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of assets constructed by the Authority includes design, project management, legal, materials, interest on directly attributable construction loans, and construction costs. Spare engines are carried at cost and will be depreciated when put in service.

Depreciation is recognized so as to allocate the cost or valuation of the assets less their residual values over their useful lives, on a straight-line basis. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives of the Authority's assets are as follows:

- Buildings and floats 10 - 20 years
- Pilot boats 25 years
- Pilot boat engines 10,250 running hours
- Pilot boat generators 10 years
- Equipment
  - communication and other 4 - 10 years

- computers 3 years
- simulators 5 years

- Leasehold improvements shorter of 10 years or remaining term of lease

The Authority depreciates all Right of Use Assets (ROU's) over the remaining term of all leases in which practical expedients have not been applied. In addition, the Authority reviews the carrying amount of its non-financial assets, which include property and equipment and the intangible asset, at each financial year-end to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (the "cash generating unit", or "CGU").

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value by applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income.

Impairment losses recognized in prior periods are assessed at each financial year-end for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

With regard to simulators, the Authority's proportion of costs of software purchased for its own use and which is integral to the hardware (because without that software the equipment cannot operate), is treated as part of the cost of the computer hardware and capitalized to property and equipment.

2.10 Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

The Authority's financial assets include cash and cash equivalents, trade accounts receivable, certain other receivables and investments.

After initial recognition, the Authority classifies and measures its financial assets at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets are classified at amortized cost when both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified at fair value through other comprehensive income when both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Authority's investments are debt instruments and classified at fair value through other comprehensive income. The investments are initially recognized at fair value and subsequently measured at fair value at each reporting date. Fair value is based on the quoted price of the securities at the reporting date. Purchases and sales of investments are recognized on a settlement date basis. Gains and losses arising from changes in fair values or sales of investments are included in other comprehensive income. Interest and other revenues are presented net of investment expenses.

Trade accounts receivable and certain other receivables that are financial instruments are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment when applicable. Receivables are considered individually for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

Financial liabilities are recognized when the Authority becomes a party to the contractual provisions of the financial instrument, and subsequent to initial recognition, they are classified and measured at amortized cost, except for financial liabilities at fair value through profit or loss. The Authority's financial liabilities include accounts payable and accrued liabilities and borrowings and are all classified at amortized cost using the effective interest method. Financial liabilities are removed from the balance sheet when the obligation specified in the contract is either discharged, cancelled or expire.

2.11 Future changes in accounting policies and disclosures

New IFRSs issued but not yet effective

IFRS 17 – Insurance Contracts

IFRS 17 is effective for annual periods beginning on or after 1 January 2021. The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The adoption of this standard is not expected to have an impact the Authority's financial statements.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Authority's accounting policies, which are described in Note 2, management of the Authority is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments in applying accounting policies

The preparation of financial statements requires management to make judgments that affect the application of accounting policies, and estimates and assumptions that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from the estimates and assumptions made by management.

Property and equipment

The significant judgments made by management in applying the Authority's accounting policies include determining the components and the method to be used to depreciate property and equipment.

3.2 Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Defined benefit obligations

The estimates and underlying assumptions made by management that may have a significant effect on the financial statements include determining the present value of the defined benefit obligation of the other employee benefits on an actuarial basis using management's best estimates and assumptions. Any changes in these estimates and assumptions, which include the discount rate, will impact the carrying amount of the defined benefit obligation. The discount rate used to determine the present value of the defined benefit obligation is based on the interest rates of high-quality corporate bonds of the same currency and with similar terms to maturity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Traffic analysis for the six months to June 30, 2019

	Actual - 2019	Budget - 2019	Actual vs. Budget - 2019	Actual - 2018	Actual 2019 vs. Actual 2018
Coastal Assignments	6,006	6,057	(51)	5,980	26
Fraser river Assignments	600	590	10	562	38
Total	6,606	6,647	(41)	6,542	64

Comparison to 2019 Corporate Plan (Budget)

For the six months ended June 30, 2019, the Authority completed 6,606 pilotage assignments, a decrease of 41 assignments (1%) when compared to budget. With these traffic levels we generated revenues of $47.2 million and a net profit of $1.1 million.

Cash flows from operating activities generated inflows of $1.7 million. Financial reserves were maintained at $1.1 million between December 31, 2018 and June 30, 2019. Cash and cash equivalents increased from $6.2 million as at December 31, 2018 to $7.1 million at June 30, 2019. As of June 30, 2019, our borrowings sit at $1.6 million.

VARIANCE ANALYSIS

Pacific Pilotage Authority
For the year to date ended **June 30, 2019**
(thousands of Canadian dollars)

REVENUES	Actual	Budget	Variance Fav (Unfav)	Variance %	Prior Year
Coastal Pilotage	33,796	33,257	538	2%	31,749
River Pilotage	2,172	1,941	231	12%	1,854
Travel - Coastal	3,878	3,764	113	3%	3,651
Travel - River	104	98	6	6%	92
Launch Revenue	4,837	4,637	199	4%	4,394
Launch Replacement	268	262	6	2%	259
Launch Fuel	1,066	1,029	37	4%	1,018
Bridging Fee	672	606			353
Short Term Interest and Other Income	404	342	78	23%	407
Gain (Loss) on Investments	0	0	0		(69)
Other Comprehensive Income	0	0	0		0
TOTAL INCOME	47,196	45,936	1,277	3%	43,708

EXPENSES	Actual	Budget	Variance Fav (Unfav)	Variance %	Prior Year
Coastal Contract	30,223	30,231	(8)	0%	29,311
Coastal Callback	494	335	159	47%	334
Coastal Apprentice & Training	1,035	1,180	(145)	-12%	237
Coastal Senior Pilot Training - Contract	208	429	(221)	-52%	337
PPU Hardware & Software Costs	56	74	(18)	-24%	33
Helicopter Program	0	0	0		0
Operating projects	0	38	(38)	-100%	0
River Wages & Benefits	1,510	1,473	37	3%	1,404
Coastal Transportation & Travel	2,973	2,868	105	4%	2,787
River Transportation & Travel	107	101	7	7%	96
Launch Wages & Benefits	3,065	2,639	426	16%	2,601
Launch Operating Costs	1,027	1,064	(37)	-3%	1,213
Launch Fuel Costs	898	900	(2)	0%	836
Launch Repairs & Maintenance	353	367	(14)	-4%	193
Amortization	769	758	11	1%	613
Salaries & Benefits	2,257	2,120	138	6%	1,947
Transport Canada Service Fee	0	0	0		0
All Other Costs	1,082	996	100	10%	982
TOTAL EXPENSES	46,057	45,572	500	1%	42,924
NET INCOME (LOSS)	1,139	364	777	214%	784

On January 1st, 2019, the Authority implemented a 3.05% tariff increase with the written support of industry. The Authority's 2019 tariff increase is designed to stabilize the Authority's margins.

The 2019 financial results for the six months ended June 30, 2019, were above budget by $0.8 million. The variances from budget are explained below:

1. Coastal pilotage revenues in the first six months of 2019 were above budget by $538k (2%). This was mainly driven by a 3% increase in pilotage hours per assignment, coupled with a 3% increase in pilotage units per assignment, offset by a slight 1% decrease in overall assignments.

2. Fraser River revenues in the first six months of 2019 were above budget by $231k (12%). This was mainly due to a 2% increase in assignments coupled with an increase in the average revenue per assignment. This increase in average revenue per assignment was as a result of an increasing size of vessels catered to in fiscal 2019 (an increase of 6% over the comparable period in 2018) as well as longer hours per assignment (an increase of 12% over the comparable period in 2018).

3. Coastal callback expenses were above budget by $159k (47%) and were driven by lower than expected average numbers of pilots made available to the Authority on the daily roster (particularly in the months of May and June, 2019).

4. Launch wages and benefits were higher than budget by $426k (16%). Drivers of this increase were unbudgeted illness, retrofitting work for the Prince Rupert dock, EHT payments for the year and increases in Cape Beale assignments.

Net profits for the six months ended June 30, 2019 was $1.1 million against a budgeted profit of $0.4 million. Profits are projected to be $1.6 million for the year ended December 31, 2019.

Appropriations

The Authority is prohibited from receiving Parliamentary appropriations as per section 36.01 of the Pilotage Act. The Authority has been financially self-sufficient since inception in 1972 and regularly endorses strategy that will ensure this strategic goal remains among the highest priority.

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. Risks are assigned by the Enterprise Risk Management and Safety Committee as either operational or strategic. Operational risks are assigned to the appropriate management staff for mitigation and review. Strategic risks are overseen by the Board, and are actively managed and mitigated by the appropriate Board Committee.

The Enterprise Risk Management and Safety Committee is chaired by a Board member and includes representation from each of the areas mentioned above. The Committee reports to the Board, oversees scenario planning/emergency preparedness exercises, and reviews the risk registry to make sure it is accurate and up to date. The Committee assigns relevant risks to specific committees and managers to review on an ongoing basis. In addition, the whole Board actively scans for new and emerging risks at the Authority's annual strategic planning exercise as well as throughout the year at regularly scheduled meetings.

The Authority remains committed to ensuring all risks have appropriate mitigation measures in place that are reviewed on a regular basis. Risks descriptions and mitigation measures are kept current by the risk owners and are part of a comprehensive risk document.

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 their assigned committees and the Board reviews the full risk registry on an annual basis.

Key Performance Indicators

Performance of the Authority is regularly reviewed by the Board of Directors. Certain key performance indicators are incorporated as part of this review and they are included below. These Indicators are currently being refined and reviewed with Industry.

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Pacific Pilotage Authority
KEY PERFORMANCE INDICATORS
Q2 – 2019

Safety		**Goal**	**YTD**
1.	Incidents on vessels under pilotage	0	4
2.	Incidents on pilot launches	0	0
Reliability			
3.	Number of delays (hours) caused by pilots	0	2(2.75)
4.	Number of delays (hours) caused by dispatch errors	0	1(13)
5.	Number of delays (hours) caused by launches	0	0
6.	Number of delays (hours) caused by computer downtime	0	0
7.	Total hours delayed due to 3 – 6	0	3(15.75)
Efficiency: General			
8.	Unscheduled launch downtime causing delays [Total downtime days causing delays/total days]	0%	0.16%
9.	Pollution incidents on pilot launches	0	0
10.	Maintain an average of 8 working days to resolve all complaints	8 days	0.5 day
11.	Maintain an average of 8 working days to resolve all invoice disputes	8 days	4.3 days
Efficiency: Pilots			
12.	Complaints regarding pilot service level [no. of complaints/number of assignments]	0%	0.1%
13.	Callbacks as percentage of assignments	2.5%	2.7%
14.	Cost of callbacks as percentage of total pilot revenue	1%	1%
15.	Annual cost increase compared to CPI Vancouver	Goals to be introduced in Q4 2019	7% vs. 3%
16.	Annual assignments per pilot		102 Coastal vs. 150 Fraser River
17.	Annual average bridge hours per pilot		5.95 hrs
18.	Annual average cost per assignment		$6,974
19.	Annual utilization of pilots – time working [(time on board + travel time + rest)/1950]		99%
20.	Annual utilization of pilots – terminal delays [hours delayed at terminal/total hours on assignment]		2.2%
21.	Annual utilization of pilots – travel time to onboard time [hours spent in travel/hours on assignment]		50% assumed
22.	Annual utilization of pilots – cancellations [number of cancellations/number of assignments]		10%
Financial			
23.	Maintain an adequate contingency fund	$1.075M	$1.1M
24.	Maintain an overhead cost of less than 8.5%	8.5%	7.3%
25.	Accounts receivable - % of invoices under 30 days	90%	93%