Pacific Pilotage Authority Canada
Administration de pilotage du Pacifique Canada

Pacific Pilotage Authority

UNAUDITED FINANCIAL STATEMENTS

Quarterly Results

Six months to June 30, 2021

- 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, 2021

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:

Stuart Mackenzie
Chief Financial Officer

Vancouver, BC
August 16, 2021

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of Financial Position
(in thousands of Canadian dollars)

ASSETS

	As at June 30, 2021	As at December 31, 2020
Current		
Cash and cash equivalents	$ 9,186	$ 7,707
Trade accounts receivable	4,207	4,902
Investments	1,809	1,258
Prepaid expenses and other receivables	519	950
	15,721	14,817
Non-current		
Investments	233	472
Other receivables	156	156
Property and equipment	13,460	13,547
Intangible assets	254	149
	14,103	14,324
	$ 29,824	**$ 29,141**

LIABILITIES

	June 30, 2021	December 31, 2020
Current		
Accounts payable and accrued liabilities	$ 11,374	$ 10,126
Borrowings	2,996	2,986
Other employee benefits	283	283
Lease liabilities	327	352
	14,980	13,747
Non-current		
Borrowings	382	601
Other employee benefits	640	606
Lease liabilities	175	325
	1,197	1,532
	16,177	15,279

EQUITY

	June 30, 2021	December 31, 2020
Retained earnings	13,647	13,862
	$ 29,824	**$ 29,141**

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of comprehensive income
(in thousands of Canadian dollars)

	Three months to June 30		Six months to June 30	
	2021	**2020**	**2021**	**2020**
	$	$	$	$
Revenue from contracts with customers				
Pilotage charges	21,130	19,951	43,007	40,161
Other revenue				
Interest and other revenues	144	134	183	183
	21,274	20,085	43,190	40,344
Expenses				
Contract pilots' fees	12,995	12,906	27,242	26,717
Operating costs of pilot boats	2,481	2,266	4,617	4,340
Pilots’ transportation	2,512	2,017	5,022	3,440
Salaries and benefits	2,115	1,871	3,971	3,857
Depreciation and amortization	399	460	802	941
Professional and special services	314	174	619	449
Pilots' training	251	105	431	306
Computer services	152	128	282	224
Utilities, materials, supplies and other	46	73	163	153
Rentals	32	47	79	94
Repairs and maintenance	43	19	91	36
Communications	20	16	43	43
Travel	25	17	43	52
	21,385	20,099	43,405	40,652
Loss for the period	(111)	(14)	(215)	(308)
Other comprehensive income, not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive loss	$ (111)	$ (14)	$ (215)	$ (308)

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of Changes in Equity
(in thousands of Canadian dollars)

	Six months to June 30	
	2021	**2020**
Retained earnings, beginning of period	$ 13,862	$ 14,120
Loss for the period	(215)	(308)
Other comprehensive income and adjustments	-	-
Total comprehensive loss	(215)	(308)
Retained earnings, end of period	$ 13,647	$ 13,812

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of Cash Flows
(in thousands of Canadian dollars)

	Three months to June 30, 2021	Three months to June 30, 2020	Six months to June 30, 2021	Six months to June 30, 2020
Cash flows from operating activities				
Cash receipts from customers	$ 21,981	$ 20,967	$ 43,702	$ 41,477
Cash paid to suppliers and others	(17,565)	(16,593)	(34,124)	(33,822)
Cash paid to employees	(3,123)	(3,307)	(6,596)	(6,502)
Other income received	144	-	183	-
Net cash provided by operating activities	1,437	1,067	3,165	1,153
Cash flows from investing activities				
Purchase of investments	(152)	-	(313)	(6)
Acquisition of property and equipment	(301)	(658)	(882)	(1,033)
Acquisition of intangible assets	-	-	(108)	-
Net cash used in investing activities	(453)	(658)	(1,303)	(1,039)
Cash flows from financing activities				
Principal repayment of borrowings	(104)	(101)	(208)	(203)
Principal repayment of leases	(88)	(153)	(175)	(271)
Net cash used in financing activities	(192)	(254)	(383)	(474)
Net increase (decrease) in cash and cash equivalents	**792**	**155**	**1,479**	**(360)**
Cash and cash equivalents, beginning of period	8,394	8,499	7,707	9,014
Cash and cash equivalents, end of period	$ **9,186**	$ **8,654**	$ **9,186**	$ **8,654**

Notes to the Unaudited Financial Statements

Basis of Presentation

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 audited financial statements for the year ended December 31, 2020. 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 "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 pilotage charges shall be set at levels that are fair and reasonable and allow the Authority to be financially self-sufficient.

Coastal pilotage services are provided by 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 pilotage charges

The pilotage charges that are applied by the Authority to vessels subject to compulsory pilotage are governed by the Act. The Authority may, by resolution, establish or revise charges to be paid to the Authority for services that it provides or makes available in relation to compulsory pilotage or other services. The charges must be established in accordance with the charging principles within the Act.

Section 89 directive

In fiscal 2015, the Authority was issued a directive (P.C. 2015-1114) pursuant to section 89 of the Financial Administration Act to align its travel, hospitality, conference and event expenditure 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 its legal obligations, and to report on the implementation of this directive in the Authority's next corporate plan. The Authority's policies were in alignment throughout the six months ended June 30, 2021.

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 Finance and Audit Committee on August 23, 2021.

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 fair value 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.

2.3 Cash and cash equivalents

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

2.4 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 service charge and payment terms are 15 days. Contracts with customers do not include non-cash 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.

2.5 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.

2.6 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 measured at historical cost denominated in a foreign currency are translated at the exchange rate in effect at the date of initial recognition.

2.7 Employee benefits

i. Pension benefits

All eligible employees of the Authority participate in the Public Service Pension Plan (the "Plan"), a multi-employer 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 March 31, 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).

2.8 Leases

A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

i. Determining whether an arrangement contains a lease:

   At the inception of an arrangement, the Authority assesses whether the arrangement is, or contains, a lease. An arrangement is, or contains, a lease if the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether an arrangement conveys the right to control the use of an identified asset, the Authority assesses whether:

   - the arrangement involves the use of an identified asset;
   - the Authority has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Authority has the right to direct the use of the asset.

For practical expediency, the Authority has elected to:

- Account for leases with a remaining term of less than 12 months as short-term leases and expense on a straight-line basis over the lease term; and
- 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.

ii. Recognition and measurement of the right-of-use asset:

For arrangements that contain a lease, the Authority recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset to its originally condition, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

iii. The lease term:

The lease term includes periods covered by an option to extend if the Authority is reasonably certain to exercise that option as well as periods covered by an option to terminate the lease if the Authority is reasonably certain not to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

iv. Recognition and measurement of the lease liability:

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Authority’s incremental borrowing rate will be used. All extension options have been included in the measurement of lease obligations where applicable. Payments for optional renewals or purchase options are included if they are reasonably certain to be made. Variable lease payments that depend on sales or usage are excluded from the lease liability and recognize in income as incurred. Variable payments that depend on an index or rate are included in the lease liability based on the index or rate existing at each balance sheet date.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in the Authority’s estimate of the amount expected to be payable under a residual value guarantee, when there is a change in future lease payments arising from a change in a rate used to determine those payments, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.9 <u>Property and equipment</u>

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
- Right of use assets — remaining term of lease

In addition, the Authority reviews the carrying amount of its non-financial assets, which include property and equipment, 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 Intangible assets

Acquired computer software is recorded at cost and amortized on a straight-line basis over its estimated useful life of 5-10 years.

2.11 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 measured 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 measured 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 which include bonds issued by the Government of Canada, GIC's and corporate bonds.

On initial recognition, the Authority classifies its financial assets as measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets are reclassified subsequent to their initial recognition when the Authority changes its business model for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets that are not designated as being measured at FVTPL are recorded at amortized cost or FVOCI as appropriate.

Financial assets are measured 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 measured at FVOCI 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.

The Authority's cash and cash equivalents are initially recognized at fair value and subsequently measured at amortized cost.

Since the objective of the Authority's investment policy is to hold investments and collect contractual cash flows on specified dates that are solely principal and interest on amounts outstanding, the Authority's investments are measured at amortized cost.

Investments classified as measured at amortized cost are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. When required, the Authority recognizes a loss allowance for expected credit losses. Such losses are included in other comprehensive income and reduce the carrying value of the related investments. Interest income and any gain or loss on derecognition is included in other comprehensive income.

Trade accounts receivable are initially recognized at the transaction price; certain other receivables are initially recognized at fair value; and both are 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 are classified as measured at amortized cost, except for financial liabilities measured at fair value through profit or loss.

The Authority's financial liabilities include accounts payable and accrued liabilities, lease liabilities and borrowings and are all classified as measured 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 expires.

3. Critical accounting judgments

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.

4. COVID-19

The COVID-19 global pandemic is expected to continue to have an impact on the Authority's business in 2021. The extent of the potential future impact of the pandemic on the Authority's business is unclear but may have a material impact on our results of operations. Direct disruptors to business operations can potentially be through quarantines of pilots (resulting in short supply and service disruptions), restrictions in ship services (such as restriction in cruise ships), and closures of terminals. Indirect disruptors to business operations are more difficult to predict and could potentially be through a reduction in consumer spending (impacting the container sector) and impacts in trade flow volumes across the commodity sectors (such as grain and coal). As a result, an estimate of the financial impact of the pandemic on the Authority's future results of operations cannot be made at this time.

Unaudited financial results to June 30, 2021

Assignments	**2021**	**2020**	**Change**
Coastal assignments	5,738	5,777	(39)
Fraser River assignments	507	461	46
Total	6,245	6,238	7

For the six months ended June 30, 2021, the Authority completed 6,245 pilotage assignments, an increase of 7 assignments, or 0.1%, when compared to prior year. With these traffic levels we generated revenues of $43.2 million and a small net loss of $215,000.

Cash flows from operating activities generated inflows of $3.2 million for the six months, offset by $1.3 million of capital expenditure and $0.4 million of borrowings repaid. As a result, cash and cash equivalents increased by $1.5 million from $7.7 million at December 31, 2020 to $9.2 million at June 30, 2021. Borrowings at June 30, 2021 were $3.4 million.

	Six months to June 30		**% Change**
	2021	**2020**	
REVENUES			
Coastal Pilotage Revenue	31,103	30,154	3%
Launch Revenue	4,846	4,517	7%
Travel Revenue	3,325	3,130	6%
River Pilotage Revenue	1,960	1,739	13%
Surcharges	1,773	621	186%
Other Income	183	183	-
TOTAL REVENUE	**43,190**	**40,344**	**7%**
EXPENSES			
Coastal Contract Expenses	27,242	26,717	2%
Launch Expenses	4,617	4,340	6%
Transportation Expenses	5,022	3,492	44%
Salaries & Benefits	2,323	2,321	-
River Wages & Benefits	1,648	1,537	7%
Other Expenses	1,320	998	32%
Depreciation	802	941	-15%
Training Expenses	431	306	41%
TOTAL EXPENSES	**43,405**	**40,652**	7%
TOTAL LOSS	**(215)**	**(308)**	**-30%**

The financial results for the six months ended June 30, 2021, were above prior year by $0.1 million. The variances from prior year are explained below:

- Coastal pilotage revenues were 3% above prior year for the first six months of fiscal 2021. In addition to increases in service charge rates, traffic volume has driven the increase over prior year, including a 2% increase in pilotage units and an 2% increase in bridge watch times per assignment. The following sectors were the most materially affected in terms of assignment volumes compared to prior year:

    - Containers – 3%
    - Grain – 5%
    - Forest Products – 7%
    - Auto – 31%
    - Coal – (6)%

  The changes in coastal revenues compared to prior year are largely mirrored in the changes in coastal contract expenses, which vary directly with changes in revenue volumes.

  Overall, the margins for coastal pilotage for the first six months of fiscal 2021 were 12% of revenue, up from 11% for the same period in the prior year. The increase in margins is due largely to a higher proportion of revenue earned from pilotage units.

- Launch revenues were 7% above prior year for the first six months of fiscal 2021. The increase is due to a combination of service charge rate increases and an increase in the number of launch trips. Launch expenses were also up over the prior year by 6%, following the increase in revenue. Margins in this sector were 5% for the period, above the prior year margin of 4%.

- Travel revenues were 6% above prior year for the first six months of fiscal 2021. The increase as compared to prior year reflects service charge rate increases and a partial recovery of higher transportation costs, notably additional recoveries for chartered flights for assignments from Pine Island. Transportation expenses were 44% above prior year due to the added cost during the pandemic of using chartered aircraft to safely move pilots to assignment locations. Our current service charge rates for travel do not generally cover these higher costs and have resulted in negative margins of (51)% for the current period. If pilot safety concerns continue to exist, the margins for travel will remain negative.

- Fraser River revenues were 13% above prior year for the first six months of fiscal 2021, largely due to traffic volumes being up 10%. Margins in this sector were 16% for the period, up from 12% in the prior year. The improvement is largely due to lower overtime costs.

- Revenue from surcharges increased with the introduction of two new surcharges. In August 2020, the Authority commenced charging $57 per assignment to cover the new administrative charge from Transport Canada for administering pilotage regulations. The corresponding additional costs are reflected in the increase in Other expenses. In March 2021, a temporary surcharge of $175 per assignment was introduced to mitigate the financial impacts of the COVID-19 pandemic.

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.

Pacific Pilotage Authority
KEY PERFORMANCE INDICATORS
Six months to June 30

Safety		**2021**	**2020**
1.	Incidents on vessels under pilotage [0]	4	9
2.	Incidents on pilot launches [0]	0	1
Reliability			
3.	Number of delays (hours) caused by pilots [0]	2(6.5)	0
4.	Number of delays (hours) caused by dispatch errors [0]	0	1(1)
5.	Number of delays (hours) caused by launches [0]	0	0
6.	Total number of delays (Total hours delayed) [0]	2(6.5)	1(1)
Efficiency: General			
7.	Pollution incidents on pilot launches [0]	0	0
8.	Maintain an average of 5 working days to resolve all complaints [≤ 5 days]	6.5 days	1 day
9.	Maintain an average of 5 working days to resolve all invoice disputes [≤ 5 days]	2.1 days	5.5 days
Efficiency: Pilots			
10.	Complaints regarding pilot service level [0%] (no. of complaints/number of assignments)	0.08%	0.06%
11.	Callbacks as percentage of assignments [≤ 2.5%]	0.7%	1.3%
12.	Annual assignments per pilot a) Coastal [≥ 92] b) Fraser River [≥ 138]	 107 127	 92 115
13.	Annual average revenue/cost per assignment a) Revenue b) Cost c) Loss	 $6,913 $6,948 $(35)	 $6,468 $6,517 $(49)
14.	Annual utilization of pilots – terminal delays [≤ 5%] (hours delayed at terminal/total hours on assignment)	2%	7%
15.	Annual utilization of pilots – cancellations [≤ 8%] (number of cancellations/number of assignments)	11%	13%
Financial			
16.	Maintain an adequate contingency fund [≥ $2.3M]	$2.0M	$1.12 M
17.	Accounts receivable - % of invoices under 30 days [≥ 95%]	99%	100%

[ ]: goal