



**Pacific Pilotage  
Authority Canada**

**Administration de pilotage  
du Pacifique Canada**

# **Pacific Pilotage Authority**

## **UNAUDITED FINANCIAL STATEMENTS**

### **Quarterly Results**

**Nine months to September 30, 2023**

- 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**

**Nine months to September 30, 2023**

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:**

Julie Gascon  
Chief Executive Officer

Vancouver, BC  
November 10, 2023

**Originally signed by:**

Stuart Mackenzie  
Chief Financial Officer

**PACIFIC PILOTAGE AUTHORITY**

**Unaudited**

Statement of Financial Position  
(in thousands of Canadian dollars)

**ASSETS**

	<b>September 30, 2023</b>	<b>As at December 31, 2022</b>
<b>Current</b>		
Cash	\$ 14,181	\$ 6,944
Trade accounts receivable	6,935	5,476
Investments	1,210	1,248
Prepaid expenses and other receivables	1,347	996
	<hr/>	<hr/>
	23,673	14,664
<b>Non-current</b>		
Investments	1,664	1,129
Other receivables	152	149
Property and equipment	17,400	17,257
Intangible assets	955	995
	<hr/>	<hr/>
	20,171	19,530
	<hr/>	<hr/>
	<b>\$ 43,844</b>	<b>\$ 34,194</b>

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 16,592	\$ 12,686
Borrowings	332	472
Other employee benefits	-	130
Lease liabilities	224	182
	<hr/>	<hr/>
	17,148	13,470
<b>Non-current</b>		
Borrowings	4,582	4,805
Other employee benefits	579	549
Lease liabilities	2,185	2,359
	<hr/>	<hr/>
	7,346	7,713
	<hr/>	<hr/>
	24,494	21,183

**EQUITY**

Retained earnings	19,350	13,011
	<hr/>	<hr/>
	<b>\$ 43,844</b>	<b>\$ 34,194</b>

**Unaudited****PACIFIC PILOTAGE AUTHORITY**Statement of comprehensive income  
(in thousands of Canadian dollars)

	<b>Three months to September 30</b>		<b>Nine months to September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>				
Pilotage charges	\$ 36,371	\$ 33,713	\$ 95,733	\$ 81,132
Investment and other revenues	319	88	600	237
	<u>36,690</u>	<u>33,801</u>	<u>96,333</u>	<u>81,369</u>
<b>Expenses</b>				
Contract pilots' fees	22,670	21,153	58,534	51,916
Salaries and benefits	4,338	3,839	12,793	11,659
Pilots' transportation	4,238	3,708	9,865	8,800
Fuel	867	896	2,088	2,252
Depreciation and amortization	516	487	1,520	1,456
Pilots' training	617	654	1,569	2,296
Professional and special services	396	493	1,239	1,315
Repairs and maintenance	337	330	894	869
Computer services	47	139	400	362
Utilities, materials, supplies and other	111	93	355	272
Rentals	74	63	231	185
Finance costs	84	57	230	174
Travel	52	25	144	112
Insurance	44	41	132	124
	<u>34,391</u>	<u>31,978</u>	<u>89,994</u>	<u>81,792</u>
<b>Profit (loss) for the period</b>	<b>2,299</b>	<b>1,823</b>	<b>6,339</b>	<b>(423)</b>
Other comprehensive income, not to be reclassified to profit or loss in subsequent periods	-	-	-	-
<b>Total comprehensive profit (loss)</b>	<b>\$ 2,299</b>	<b>\$ 1,823</b>	<b>\$ 6,339</b>	<b>\$ (423)</b>

**Unaudited**

**PACIFIC PILOTAGE AUTHORITY**

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

	<b>Nine months to September 30</b>	
	<b>2023</b>	<b>2022</b>
Retained earnings, beginning of period	\$ 13,011	\$ 11,981
Profit (loss) for the period	6,339	(2,246)
Other comprehensive income and adjustments	-	-
Total comprehensive loss	<u>6,339</u>	<u>(2,246)</u>
<b>Retained earnings, end of period</b>	<b>\$ <u>19,350</u></b>	<b>\$ <u>9,735</u></b>

**Unaudited****PACIFIC PILOTAGE AUTHORITY**Statement of Cash Flows  
(in thousands of Canadian dollars)

	<b>Three months to September 30</b>		<b>Nine months to September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>				
Cash receipts from customers	\$ 35,740	\$ 32,819	\$ 94,274	\$ 76,843
Cash paid to suppliers and others	(28,403)	(26,950)	(71,753)	(64,548)
Cash paid to employees	(4,400)	(4,169)	(12,806)	(12,026)
Finance costs paid	(84)	(57)	(230)	(174)
Other income received	319	88	600	237
Net cash provided by (used in) operating activities	<u>3,172</u>	<u>1,731</u>	<u>10,085</u>	<u>332</u>
<b>Cash flows from investing activities</b>				
Sale (purchase) of investments	(243)	(11)	(497)	488
Acquisition of property and equipment	(655)	(297)	(1,582)	(1,278)
Acquisition of intangible assets	(40)	-	(274)	(280)
Net cash used in investing activities	<u>(938)</u>	<u>(308)</u>	<u>(2,353)</u>	<u>(1,070)</u>
<b>Cash flows from financing activities</b>				
Principal repayment of borrowings	(121)	(180)	(363)	(531)
Principal repayment of leases	(50)	(103)	(132)	(247)
Net cash used in financing activities	<u>(171)</u>	<u>(283)</u>	<u>(495)</u>	<u>(778)</u>
<b>Net increase (decrease) in cash</b>	<b>2,063</b>	<b>1,140</b>	<b>7,237</b>	<b>(1,516)</b>
Cash, beginning of period	<u>12,118</u>	<u>3,938</u>	<u>6,944</u>	<u>6,594</u>
<b>Cash, end of period</b>	<b>\$ 14,181</b>	<b>\$ 5,078</b>	<b>\$ 14,181</b>	<b>\$ 5,078</b>

## 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, 2022. 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 Authority is a Crown corporation named in Part I of Schedule III to the Financial Administration Act and is not subject to income taxes.

The pilotage charges set by the Authority for compulsory pilotage services are governed by the Pilotage Act and must be established in accordance with the charging principles within the Pilotage Act. The Pilotage Act provides that pilotage charges shall be set at levels that are fair and reasonable and that 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.

In July 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 finalized its implementation of this directive effective January 2019 and confirms the requirements of the directive have been met throughout the nine months ended September 30, 2023.

The principal registered address and records office of the Authority are located at 1000 - 1130 West Pender Street, Vancouver, British Columbia.

#### **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 16, 2023.

##### **2.2 Cash and cash equivalents**

Cash comprises cash on hand and Canadian dollar deposits held at Canadian chartered banks. Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and

subject to an insignificant risk of changes in value. The Authority had no cash equivalents as at September 30, 2023.

### 2.3 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, trade accounts receivable, certain other receivables and investments.

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 is initially recognized at fair value and subsequently measured at amortized cost.

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.

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 de-recognition is included in other comprehensive income.

#### *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 statement of financial position when the obligation specified in the contract is either discharged, cancelled or expires.

#### 2.4 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 - 7 years
- Leasehold improvements lesser of 10 years or term of lease
- Right-of-use assets term of lease

With regard to simulators, the Authority's proportion of the cost 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.

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 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 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.

## 2.5 Intangible assets

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

## 2.6 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.

2.7 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 the 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.

2.8 Revenue recognition

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

provides. The Authority has determined that control for pilotage services has passed when the pilot assigned to a vessel has completed the pilotage assignment, or the assignment is cancelled.

### 3. Significant accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

#### (a) Significant accounting judgments

##### *Leases*

The application of IFRS 16, "Leases", requires the Authority to make judgments that affect the valuation of lease liabilities and right-of-use assets. These include determining contracts in scope of IFRS 16 and determining the contract term.

The lease term determined by the Authority comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Authority is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Authority is reasonably certain not to exercise that option. This same term is applied to determine the depreciation rate of right-of-use assets.

#### (b) Significant accounting estimates

##### *Depreciation – property and equipment*

Significant components of property and equipment are depreciated over their estimated useful lives. Useful lives are determined based on current facts and past experience. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates. As such, assets may continue in use after being fully depreciated, or may be retired or disposed of before being fully depreciated.

## Management's Discussion and Analysis

### Unaudited financial results to September 30, 2023

Assignments	2023	2022	Change	2023	
	Actual	Actual		Plan	Variance
Coastal assignments	9,494	8,991	503	7,828	1,666
Fraser River assignments	807	720	87	636	171
Total	10,301	9,711	590	8,464	1,837

For the nine months ended September 30, 2023, the Authority completed 10,301 pilotage assignments, an increase of 590 assignments, or 6%, when compared to prior year, and 22% above plan. The variance to prior year is because of a bumper grain harvest in 2022, which benefited grain shipments at the beginning of 2023, compared to a poor harvest the prior year. The favourable variance to plan was caused not only by the strong grain shipments, but also the impact on pilotage assignments of an anticipated global recession that has not been as severe as expected. With these traffic levels we generated revenues of \$96.3 million and earned a net profit of \$6.3 million for the period.

Cash flows from operating activities resulted in inflows of \$10.1 million for the nine months. Offsetting these inflows was \$1.8 million of capital expenditure, \$0.5 million of investments purchased, and \$0.5 million of borrowings repaid. As a result, cash and cash equivalents increased by \$7.3 million from \$6.9 million at December 31, 2022 to \$14.2 million at September 30, 2023. Borrowings at September 30, 2023 were \$4.9 million.

The capital expenditure of \$1.8 million in the current year comprised \$0.9 million on equipment (GPS for portable pilotage units and radios), \$0.4 million on office renovations, \$0.3 million on our new dispatch and billing system, and \$0.2 million on upgrades to pilot launches. Planned capex for the full year is \$3.2 million and includes engine replacement in one of our pilot launches that may be deferred to next year.

Operating Segment Analysis

	Nine months to September 30				
	2023	2022	Change	2023	Variance
	Actual	Actual		Plan	
	\$'000	\$'000	%	\$'000	%
Coastal pilotage revenue	65,596	55,597	18%	53,617	22%
Coastal contract expenses	(58,534)	(51,916)	13%	(48,594)	-20%
<b>Coastal margin</b>	<b>7,062</b>	<b>3,681</b>		<b>5,023</b>	
Launch revenue	12,044	10,634	13%	10,320	17%
Launch expenses	(10,827)	(10,183)	6%	(9,998)	-8%
<b>Launch margin</b>	<b>1,217</b>	<b>451</b>		<b>322</b>	
Travel revenue	9,431	7,890	20%	7,752	22%
Pilot transportation expenses	(7,460)	(7,036)	6%	(5,935)	-26%
<b>Travel margin</b>	<b>1,971</b>	<b>854</b>		<b>1,817</b>	
River pilotage revenue	3,213	2,512	28%	2,516	28%
River pilot wages and benefits	(2,985)	(2,612)	14%	(2,817)	-6%
<b>River margin</b>	<b>228</b>	<b>(100)</b>		<b>(301)</b>	
<b>Total margin</b>	<b>10,478</b>	<b>4,886</b>		<b>6,861</b>	
<b>Other revenue and expenses</b>					
Surcharges	5,449	4,499	21%	5,358	2%
Other income	600	237	153%	1,277	-53%
Pilot training expenses	(1,569)	(2,296)	-32%	(2,454)	36%
Administrative salaries and benefits	(4,619)	(3,964)	17%	(4,482)	-3%
Other expenses	(2,481)	(2,329)	6%	(2,548)	3%
Depreciation	(1,519)	(1,456)	4%	(2,826)	46%
<b>TOTAL PROFIT (LOSS)</b>	<b>\$ 6,339</b>	<b>\$ (423)</b>		<b>\$ 1,186</b>	

The financial results for the nine months ended September 30, 2023, were better than prior year by \$6.8 million, and \$5.2 million above plan. Significant changes from prior year and variances from plan are explained below:

- Coastal pilotage revenues increased 18% from the prior year due strong grain shipments and an increase in service charge rates. Revenues were also 22% above plan for the first nine months of fiscal 2023 because the anticipated impact of a global recession has not been as severe as expected. Changes in assignment volumes compared to prior year for key product sectors were as follows:
  - Containers – (11)%
  - Grain – 74%
  - Cruise – 7%
  - Coal – 1%
  - Forest Products – (12)%
  - Auto – 22%

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 assignment volumes.

Overall, the margins for coastal pilotage for the first nine months of fiscal 2023 were 11% of revenue, up from 7% for the same period in the prior year. The increase in margins is due largely to the timing of service charge increases in relation to increases in contract pilot payout rates. Due to a delay in implementing the annual service charge increase in 2022 until June, there were two increases in a 12-month span (Jun – May), whereas there was only one increase for contract pilot payout rates in the same time period. Coastal margins are also ahead of plan, as planned estimates were more conservative considering the impending recession.

- Launch revenues were 13% above prior year for the first nine months of fiscal 2023 because of increased assignments and rates. Launch expenses were up to a lesser extent over the prior year by 6%, as wages are generally fixed in nature and do not necessarily increase directly in line with increases in revenue. Margins therefore improved in this sector to 10% for the period, above the prior year margin of 4%.
- Travel revenues were 20% above prior year for the first nine months of fiscal 2023 because of increased assignments and rates. Transportation expenses increased by only 6% over prior year as, during the first three months of 2022, we had continued to use some charter flights before pandemic restrictions finally eased and we resumed using more cost-effective scheduled flights for most pilot transportation. With the increase in revenue and a smaller increase in costs, the margins for travel improved to 21% for the first nine months of 2023. Actual margins were slightly lower than planned as travel revenue per assignment was lower due to a different mix of assignments and slightly higher than expected travel costs per assignment.
- River pilotage revenues were 28% above prior year for the first nine months of fiscal 2023 because of increased assignments and rates. Margins in this sector were 7% for the period, above the (4)% margin in the prior year, which had been adversely impacted by an increase in overtime from covering for pilots on sick leave.
- Revenue from surcharges increased over the prior year because of the increase in assignments and an increase in the temporary surcharge from \$175 to \$400 per assignment in June 2022, which was subsequently reduced to \$250 in April 2023.
- Pilot training expenses for the first nine months of fiscal 2023 were below prior year because there were two fewer apprentices active during the period and the backlog in training caused by the pandemic has largely been caught up. The variance to planned training costs is partially due to timing as some costs will be incurred in Q4 and partially due to fewer pilots attending training than expected due to a busy year for assignments.
- Administrative salaries and benefits for the first nine months of fiscal 2023 were 17% above the prior year primarily because we incurred one-time transition costs for an overlap in staff, as several key positions have been replaced.

- Planned amounts for Other income (recovery of helicopter costs) and Depreciation (amortization of a right-of-use asset) reflected the expectation that a helicopter contract for pilot transportation to/from tankers departing from the expanded Trans Mountain terminal would be operational in mid-2023. The start is now expected in 2024.



## 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 are disclosed below.

<h1 style="margin: 0;">Pacific Pilotage Authority</h1> <h2 style="margin: 0;">KEY PERFORMANCE INDICATORS</h2> <h3 style="margin: 0;">Nine months to September 30</h3>
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<b>Safety</b>		<b>2023</b>	<b>2022</b>
1.	Incidents on vessels under pilotage [0]	0	6
2.	Incidents on pilot launches [0]	0	0
<b>Reliability</b>			
3.	Number of delays (hours) caused by pilots [0]	3 (7)	1(2.5)
4.	Number of delays (hours) caused by dispatch errors [0]	3 (4)	0
5.	Number of delays (hours) caused by launches [0]	1 (1.75)	0
6.	Total number of delays (Total hours delayed) [0]	7 (12.75)	1(2.5)
<b>Efficiency: General</b>			
7.	Pollution incidents on pilot launches [0]	0	0
8.	Maintain an average of 5 working days to resolve all complaints [ $\leq 5$ days]	6.6 days	1.8 days
9.	Maintain an average of 5 working days to resolve all invoice disputes [ $\leq 5$ days]	5.8 days	2.2 days
<b>Efficiency: Pilots</b>			
10.	Complaints regarding pilot service level [0%] [number of complaints/number of assignments]	0.04%	0.06%
11.	Callbacks as percentage of assignments [ $\leq 2.5\%$ ]	3.1%	3%
12.	Annual assignments per pilot a) Coastal [ $\geq 95$ ] b) Fraser River [ $\geq 106$ ]	116 127	117 120
13.	Annual utilization of pilots – terminal delays [ $\leq 5\%$ ] [hours delayed at terminal/total hours on assignment]	2%	2%
14.	Annual utilization of pilots – cancellations [ $\leq 8\%$ ] [number of cancellations/number of assignments]	8%	8%
<b>Financial</b>			
15.	Average revenue/cost per assignment a) Revenue [\$9,437] b) Cost [\$9,357] c) Profit (loss) [\$80]	\$9,352 \$8,736 \$ 616	\$8,379 \$8,423 \$ (44)
16.	Maintain adequate reserves (cash and investments) [ $\geq \$13M$ ]	\$17.2M	\$7.0M
17.	Accounts receivable - % of invoices under 30 days [ $\geq 95\%$ ]	99%	93%
18.	Working capital ratio - current assets/current liabilities [1.0]	1.38	1.03

[ ]: goal