



**Atlantic
Pilotage
Authority**

**Administration
de Pilotage
de l'Atlantique**

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

**SUMMARY OF
2008 – 2012
CORPORATE PLAN**

Canada

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

INCORPORATION

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

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

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

MANDATE

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

MISSION

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

VISION STATEMENT

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

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

CORPORATE GOVERNANCE

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

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

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

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

EXECUTIVE SUMMARY

The Atlantic Pilotage Authority (APA) maintains constant vigilance to allow it to remain a vital component in marine transportation. While modern electronic equipment and navigational aids have changed the way ships are operated at sea, the employment of a marine pilot with extensive local knowledge and expert ship-handling skills is as essential as ever to safely enter harbours and ports and efficiently put ships alongside their berths. Ships have become larger and more complex, while the number of crewmembers on the ships has decreased. In today's intensely competitive world, there are increasing demands for ships to operate in more severe weather conditions than in the past. Pilots are essential to contribute to the safety of the environment, the safety of those working on ships, and the maintenance of port facilities. A reliable and responsible marine pilotage system plays a significant role in allowing Canadian business to remain competitive in the global marketplace.

A great variety of vessel types and sizes continue to call at ports within the Atlantic Region. The safety record maintained by the Atlantic Pilotage Authority speaks well of the professionalism and commitment of APA pilots. The focus of the Authority continues to be to meet the requirements of the customers in each port at a reasonable cost, while remaining financially self-sufficient.

The Authority continued its pilot boat replacement program during 2007, and will maintain this commitment through the period covered by this plan. By the end of 2007, the APA will have two new sister ships in place to provide state of the art pilot boat service to our customers in Placentia Bay, NL. These vessels, the *Avalon Pilot* and the *Atlantic Pilot*, will provide for a safe and reliable transfer for our pilots for many years. The boats have been built to Lloyds Class, and are believed to be the first pilot boats in North America built to this rigorous standard. The vessels are ice strengthened, and feature the latest electronic equipment and many safety features.

Three of the other APA pilot vessels are in their fourth decade of operational duty, and one is in its third decade. Two of these boats are currently in Halifax, while the third will be utilized in Saint John during 2008. While the boats are maintained to a high standard, they are reaching a point where it is no longer feasible to rely on them to be the primary vessel in a major port. The APA is in the initial stages of designing a boat that would be acceptable to pilots in both Halifax and Saint John, with a plan to build identical sister ships for these ports. There are many advantages in having identical vessels, including savings in the design cost, greater economy in maintaining spare parts, and potential savings at the shipyard in ordering two vessels at the same time. The design is expected to be completed in 2008, with construction to begin in 2009 and be completed in 2010. These plans are reflected in our forecasts.

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

The Authority will operate with a small profit position in 2007, and will require tariff increases in 11 of its 16 ports in 2008 to return to a reasonable rate of return, and to minimize cross subsidization among ports. Pilotage revenue is expected to increase by 9.6% in 2008 as a result of increased revenue base (1.5%) and these tariff increases (8.1%), with the projected rate of return for 2008 expected to be 5.1% of revenue. The APA consulted widely with the shipping industry and stakeholders during the year on both operational and financial issues. Consultation regarding the proposed tariff increases has taken place with specific port committees, port authorities, and stakeholders, as well as with the Shipping Federation of Canada. The customers represented by the Shipping Federation (Canadian companies that own, operate, or act as agents for some 300 steamship lines throughout the world) contribute between 75% and 80% of our pilotage activity and revenue.

The APA has initiated the process to amend its regulations to create new compulsory pilotage areas in the St. Croix River in New Brunswick, and the Voisey's Bay area in Labrador. Both of these areas were the subject of Pilotage Risk Management Methodology (PRMM) reviews that were finalized during 2006. The Voisey's Bay compulsory pilotage area is expected to come into force in late 2007 or early 2008. The St. Croix River compulsory pilotage area has been delayed due to issues related to the international waters between Canada and the United States, and the timing of the coming into force is unclear. Because of the limited amount of traffic in these areas, it is not expected that either one will have a significant financial or operational impact on the Authority. The Authority will not have employee pilots in these areas, and will not be providing pilot boat service. Due to the uncertainty regarding the amount of traffic in these areas, and the minimal overall impact on the APA, these areas have not been included in our projections.

The collective agreement between the APA and the Canadian Merchant Service Guild (CMSG) representing pilots was settled by an arbitrator in late 2006. The projections in this plan have included a reasonable projection for increased salary costs. An accrual has been made for 2007 and succeeding years for the employees represented by the Public Service Alliance of Canada (Dispatchers and Deckhands). This contract expired at the end of 2006, and the APA has been attempting to commence negotiations. The collective agreement between APA and CMSG representing Launchmasters will expire in mid-2008, and every effort will be made to achieve a negotiated settlement at the earliest opportunity.

During 2007, the Office of the Auditor General (OAG) performed a five year special examination on the APA. The results of the examination were reported to the Board in June, 2007, and there were no significant deficiencies to report. The OAG did provide

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

several recommendations for improvement, and the management and Board of the APA are committed to following through on these recommendations.

The APA was the first Pilotage Authority in Canada to carry out an internal audit. Initially, these audits have focused on internal controls. The internal auditors, a large accounting firm, are currently assisting the APA in developing a risk assessment model that may be applied to all areas of the operation. The recommendation for a risk assessment model was contained in the Special Examination conducted by the OAG.

During 2007, the Board and management of the APA began a Directional Planning process that will provide longer term planning than currently contemplated by the Corporate Planning process. The Directional Plan is designed to encompass planning for a 15 year period, allowing management and the Board to focus attention over a longer period. While the Directional Plan is still a work in progress, the fundamental principles established to date have been incorporated into this Corporate Plan.

The Board of the Authority continues its mandate of ensuring good corporate governance. Sub committees, such as the audit, PRMM and pilot boat committee are very active, and their recommendations are beneficial in assisting management and Members in reaching sound decisions with respect to strategic direction and decisions. The governance committee of the Board is conducting a review of the committee structure to determine if improvements can be made.

The Board has outlined strategic directions in the following areas:

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

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

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

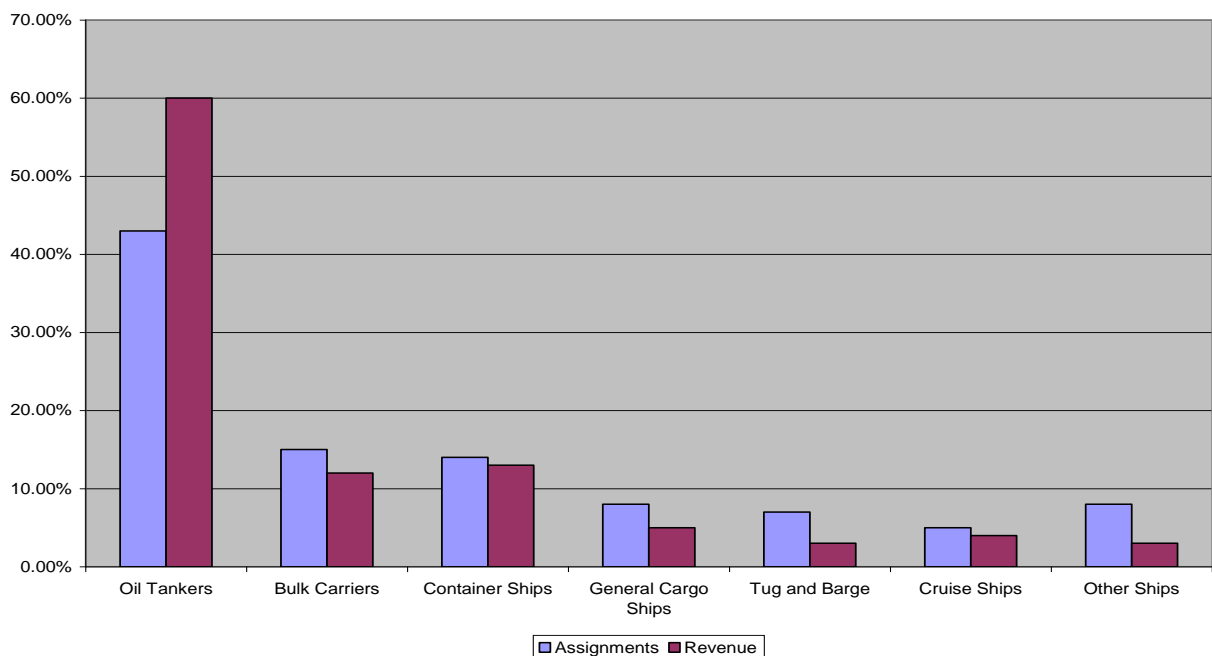
REVENUE AND TRAFFIC PATTERNS

The Authority provides pilotage service in 16 compulsory areas: Halifax, Sydney, Bras d'Or, Canso, and Pugwash in Nova Scotia; Saint John, Miramichi, and Restigouche in New Brunswick; St. John's, Holyrood, Placentia Bay, Humber Arm, Stephenville, and Bay of Exploits in Newfoundland and Labrador; Charlottetown and Confederation Bridge in Prince Edward Island. Pilotage service is provided to many non-compulsory ports upon demand. Total number of estimated assignments for 2008 is budgeted at 9,799.

It is anticipated that the Voisey's Bay Approaches in Labrador will become compulsory in late 2007 or early 2008, and that the St. Croix River area will become compulsory at some time during 2008, but these areas have not been included in the projections. Neither area will have APA employee pilots or APA pilot boats, nor are they expected to have a level of activity that will have any significant impact on revenues.

The oil industry accounts for approximately 43% of the Authority's overall assignments, and contributes 60% of the overall revenue, based on current trends. Cruise ships, while a high profile part of the industry, account for approximately 5% of assignments and 4% of revenues. The following chart indicates the overall contribution by different sectors.

Contribution by Vessel Types- 2007

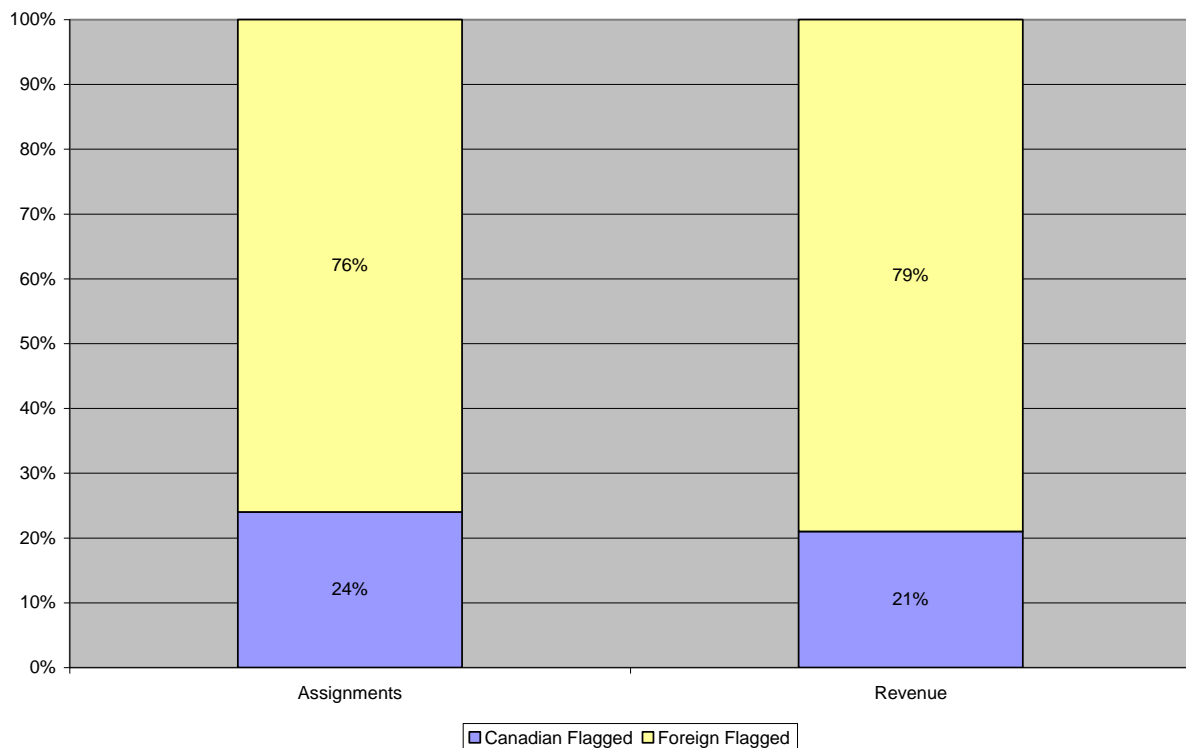


Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

Foreign flagged vessels provide the great majority of the Authority's business. The current trend is for foreign vessels to represent approximately 76% of assignments, and approximately 79% of revenue. The following chart indicates the contribution of Canadian and foreign flagged vessels to both assignment numbers and revenues.

Origin of Vessels in 2007, with Revenue Contribution



DISPATCH

The Authority provides dispatching services throughout its region from a dispatch centre located at its head office. The dispatching service provides significant information and added value to pilots, customers, port authorities, and management through controlled access web pages established for each group. The web pages are continuously updated from the Authority's Dispatch and Billing System as the dispatcher enters data. Customers and pilots are able to contact dispatch by telephone, e-mail, facsimile, VHF radio, and telex. As the service evolves, it continues to increase the efficiency of the Authority's operations while adding value for customers and employees. During 2007,

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

the Authority is developing a new version of the Dispatch software, which is expected to add even more value for our customers, dispatchers, and management. The APA is also developing the capability to monitor vessel movements in the major ports and their approaches through a computer program utilizing the Automatic Identification System (AIS). The AIS is required on all commercial vessels, and the APA has also installed transmitters and receivers on its pilot boats.

PILOT BOAT SERVICE CONTRACTS

The APA has three models for pilot boat operations. In most ports, a contractor provides both the boat and the crew. In two of the major ports, Halifax and Saint John, the Authority owns and operates pilot boats, with the crew being employees of the APA. In Placentia Bay and Sydney, the Authority owns the vessels, with the manning contracted out to a local company.

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

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

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

Statement of Human Resources 2005-2012

	ACTUAL <u>2005</u>	ACTUAL <u>2006</u>	OUTLOOK <u>2007</u>	BUDGET <u>2008</u>	<u>2009</u>	PLAN		
						<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>ADMINISTRATION</u>								
EXECUTIVE OFFICERS	3	3	3	3	3	3	3	3
SUPPORT	7	7	7	7	7	7	7	7
	10	10	10	10	10	10	10	10
<u>OPERATIONS</u>								
PILOTS	44	45	47	46	46	46	46	46
PILOT BOAT CREWS	13	13	13	15	15	15	15	15
DISPATCHERS	6	6	6	6	6	6	6	6
ENTREPRENEURIAL PILOTS	10	10	9	9	9	9	9	9
	73	74	75	76	76	76	76	76
<u>TOTAL MANPOWER RESOURCES</u>								
	83	84	85	86	86	86	86	86

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

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

	ACTUAL 2006	OUTLOOK 2007	BUDGET 2008	2009	PLAN		
					2010	2011	2012
INCOME							
PILOTAGE CHARGES	\$ 14,627	\$ 16,969	\$ 18,617	\$ 20,100	\$ 21,133	\$ 21,344	\$ 21,771
INTEREST & OTHERS	167	115	71	73	73	74	75
TOTAL INCOME	14,794	17,084	18,688	20,173	21,206	21,418	21,846
EXPENSES							
PILOTS FEES, SALARIES, AND BENEFITS	7,774	8,426	8,507	8,934	9,202	9,478	9,762
PILOT BOATS	4,639	4,538	4,943	5,151	5,350	5,457	5,566
STAFF SALARIES AND BENEFITS	1,337	1,392	1,460	1,525	1,587	1,650	1,716
TRANSPORTATION	590	685	697	713	727	742	757
PROFESSIONAL AND SPECIAL SERVICES	420	389	452	465	479	489	499
TRAINING	166	260	225	250	250	255	260
RENTALS	200	223	254	253	256	261	266
COMMUNICATION	132	114	119	122	125	128	131
UTILITIES, MATERIALS, AND SUPPLIES	234	287	302	311	320	326	333
AMORTIZATION	275	493	570	551	787	803	819
FINANCING COSTS	-	80	218	338	459	436	414
TOTAL EXPENSES	15,767	16,887	17,747	18,613	19,542	20,025	20,523
NET (LOSS) INCOME BEFORE EXTRAORDINARY ITEMS	\$ (973)	\$ 197	\$ 941	\$ 1,560	\$ 1,664	\$ 1,393	\$ 1,323
EXTRAORDINARY ITEM - GAIN ON DISPOSAL	238	-	-	-	-	-	-
NET (LOSS) INCOME	\$ (735)	\$ 197	\$ 941	\$ 1,560	\$ 1,664	\$ 1,393	\$ 1,323

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

Balance Sheet
Years Ended December 31
(000's)

	<u>ACTUAL</u> <u>2006</u>	<u>OUTLOOK</u> <u>2007</u>	<u>BUDGET</u> <u>2008</u>	<u>2009</u>	<u>PLAN</u>		
					<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>ASSETS</u>							
CURRENT							
CASH/SHORT TERM INVESTMENT	\$ 1,888	\$ 1,834	\$ 3,205	\$ 3,181	\$ 1,841	\$ 2,297	\$ 3,021
ACCOUNTS RECEIVABLE	2,016	2,122	2,212	2,200	2,175	2,250	2,300
PREPAID EXPENSES	<u>50</u>	<u>45</u>	<u>45</u>	<u>43</u>	<u>45</u>	<u>47</u>	<u>50</u>
	3,954	4,001	5,462	5,424	4,061	4,594	5,371
<u>INVESTMENTS</u>	956	783	377	2,000	3,000	4,000	5,000
FIXED							
CAPITAL AT COST	7,136	11,734	12,534	15,204	17,874	18,174	18,174
LESS ACCUMULATED AMORTIZATION	<u>3,423</u>	<u>3,916</u>	<u>4,486</u>	<u>5,037</u>	<u>5,824</u>	<u>6,627</u>	<u>7,446</u>
	3,713	7,818	8,048	10,167	12,050	11,547	10,728
	<u>\$ 8,623</u>	<u>\$ 12,602</u>	<u>\$ 13,887</u>	<u>\$ 17,591</u>	<u>\$ 19,111</u>	<u>\$ 20,141</u>	<u>\$ 21,099</u>
<u>LIABILITIES</u>							
CURRENT							
ACCOUNTS PAYABLE	\$ 2,586	\$ 1,924	\$ 1,931	\$ 1,750	\$ 1,700	\$ 1,700	\$ 1,700
TERMINATION BENEFITS	<u>66</u>	<u>-</u>	<u>40</u>	<u>55</u>	<u>15</u>	<u>40</u>	<u>50</u>
	2,652	1,924	1,971	1,805	1,715	1,740	1,750
LONG TERM							
TERMINATION BENEFITS	994	1,038	1,047	1,068	1,128	1,108	1,113
CAPITAL LOAN	-	4,466	4,260	6,043	5,735	5,415	5,083
DEFERRED REVENUE: PILOT BOAT CONSTRUCTION FUND	<u>-</u>	<u>-</u>	<u>494</u>	<u>1,000</u>	<u>1,194</u>	<u>1,146</u>	<u>1,098</u>
	994	5,504	5,801	8,111	8,057	7,669	7,294
TOTAL LIABILITIES	3,646	7,428	7,772	9,916	9,772	9,409	9,044
CONTRIBUTED CAPITAL AND EQUITY							
CONTRIBUTED CAPITAL	2,305	2,305	2,305	2,305	2,305	2,305	2,305
EQUITY (DEFICIT)	<u>2,672</u>	<u>2,869</u>	<u>3,810</u>	<u>5,370</u>	<u>7,034</u>	<u>8,427</u>	<u>9,750</u>
	4,977	5,174	6,115	7,675	9,339	10,732	12,055
	<u>\$ 8,623</u>	<u>\$ 12,602</u>	<u>\$ 13,887</u>	<u>\$ 17,591</u>	<u>\$ 19,111</u>	<u>\$ 20,141</u>	<u>\$ 21,099</u>

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

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

	ACTUAL 2006	OUTLOOK 2007	BUDGET 2008	2009	PLAN		
					2010	2011	2012
<u>OPERATING ACTIVITIES</u>							
CASH PROVIDED BY (USED FOR) OPERATIONS							
NET PROFIT (LOSS) FOR YEAR	\$ (735)	\$ 197	\$ 941	\$ 1,560	\$ 1,664	\$ 1,393	\$ 1,323
ITEMS NOT REQUIRING CASH							
AMORTIZATION	275	493	570	551	787	803	819
DEFERRED REVENUE AMORT	-	-	-	-	-	(48)	(48)
INCREASE (DECREASE) IN EMPLOYEE TERMINATION BENEFITS- SEVERANCE	139	128	132	136	120	130	135
	<u>(321)</u>	<u>818</u>	<u>1,643</u>	<u>2,247</u>	<u>2,571</u>	<u>2,278</u>	<u>2,229</u>
CAPITAL LOAN REPAYMENT	-	(34)	(206)	(217)	(308)	(320)	(332)
CASH PROVIDED BY (USED FOR) NON-CASH WORKING CAPITAL	1,140	(763)	(83)	(167)	(27)	(77)	(53)
EMPLOYEE TERMINATION BENEFIT PAYMENTS	<u>(4)</u>	<u>(150)</u>	<u>(83)</u>	<u>(100)</u>	<u>(100)</u>	<u>(125)</u>	<u>(120)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 815	\$ (129)	\$ 1,271	\$ 1,763	\$ 2,136	\$ 1,756	\$ 1,724
<u>FINANCING ACTIVITIES</u>							
CASH PROVIDED BY FINANCING ACTIVITIES	-	4,500	-	2,000	-	-	-
DEFERRED REVENUE: PILOT BOAT CONSTRUCTION FUND	-	-	494	506	194	-	-
	<u>-</u>	<u>4,500</u>	<u>494</u>	<u>2,506</u>	<u>194</u>	<u>-</u>	<u>-</u>
<u>INVESTING ACTIVITIES</u>							
(INCREASE) DECREASE IN INVESTMENTS	315	173	406	(1,623)	(1,000)	(1,000)	(1,000)
ADDITIONS TO CAPITAL ASSETS	(2,094)	(4,598)	(800)	(2,670)	(2,670)	(300)	-
DISPOSAL OF CAPITAL ASSETS	1,798	-	-	-	-	-	-
CASH USED FOR INVESTING ACTIVITIES	19	(4,425)	(394)	(4,293)	(3,670)	(1,300)	(1,000)
INCREASE IN CASH AND SHORT TERM INVESTMENT DURING THE YEAR	\$ 834	\$ (54)	\$ 1,371	\$ (24)	\$ (1,340)	\$ 456	\$ 724
CASH, BEGINNING OF YEAR	<u>1,054</u>	<u>1,888</u>	<u>1,834</u>	<u>3,205</u>	<u>3,181</u>	<u>1,841</u>	<u>2,297</u>
CASH AND INVESTMENTS, END OF YEAR	\$ 1,888	\$ 1,834	\$ 3,205	\$ 3,181	\$ 1,841	\$ 2,297	\$ 3,021

Atlantic Pilotage Authority

Summary of 2008-2012 Corporate Plan

Capital Expenditure Comparison (000's)

	2006 PLAN	2006 ACTUAL	2007 PLAN	2007 FORECAST	2008 PLAN
PILOT BOATS					
CONSTRUCTION OR PURCHASE OF NEW BOAT	2,500	1,853	3,585	4,347	315
PILOT BOAT REFIT	50	50	75	-	100
PILOT BOAT EQUIPMENT	100	104	75	10	300
ACQUISITION OF WHARF OR REFIT	-	19	-	-	-
COMMUNICATIONS EQUIPMENT	25	-	25	20	-
LEASEHOLD IMPROVEMENTS	10	-	10	35	10
COMPUTER AND OFFICE EQUIPMENT	25	28	25	24	25
SOFTWARE FOR COMPUTER PROGRAMS	25	41	75	162	50
TOTAL	\$ 2,735	\$ 2,095	\$ 3,870	\$ 4,598	\$ 800