

LAURENTIAN PILOTAGE AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
QUARTER ENDED SEPTEMBER 30, 2011

**1. Highlights**

Starting January 1, 2011, the Laurentian Pilotage Authority (or « the Authority » or the « LPA ») has prepared and presented its unaudited financial statements according to the Generally accepted accounting principles following adoption of IFRS (« GAAP »), including 2010 corresponding figures.

The current report covers the LPA's activities and financial situation for the three and nine month periods ended September 30, 2011; this report must be read in conjunction with the unaudited financial statements for the three and nine month periods ended September 30, 2011, as well as the audited financial statements for the financial year ended December 31, 2010 which have been prepared and presented according to Canadian GAAP's and which can be found in the Authority's 2010 Annual Report.

**2. Financial results analysis**

**COMPARISON WITH THE 2011 BUDGET**

**REVENUES**

**Pilotage charges**

Pilotage charges amounted to \$ 19,8 million for the quarter ended September 30, 2011 (\$ 56,1 million for the nine month period) versus \$ 16,6 million for the corresponding budget period (\$ 46,6 million for the nine month period); these favourable variations originate from a 7,1% increase in the number of assignments compared to the third quarter budgeted estimates (13,7% for the nine month period). Strong grain and tanker traffic activities have resulted in a significant increase in assignments during these periods; budgeted pilotage charges during these periods were based on slightly higher assignment levels in 2011 versus 2010.

**Other revenues**

The LPA's other revenues totalled \$ 42,859 for the quarter ended September 30, 2011 (\$ 122,957 for the nine month period) compared to \$ 11,000 for the corresponding budget period (\$ 63,000 for the nine month period); interest income on higher cash liquidities results in these favourable variations.

## **EXPENSES**

### **Pilots' fees, salaries and benefits**

Pilots' fees, salaries and benefits have reached \$ 15,4 million for the quarter ended September 30, 2011 (\$ 43,2 million for the nine month period) compared to \$ 13,5 million for the corresponding budget period (\$ 36,8 million for the nine month period); these unfavorable variations originate from a 7,1% increase in the number of assignments compared to the third quarter budgeted estimates (13,7% for the nine month period). Strong grain and tanker traffic activities have resulted in a significant increase in assignments during these periods; budgeted pilots' fees, salaries and benefits during these periods were based on slightly higher assignment levels in 2011 versus 2010.

### **Operating costs of pilot boats**

Operating costs of pilot boats amounted to \$ 1,5 million for the quarter ended September 30, 2011 (\$ 5,8 million for the nine month period) versus \$1,3 million for the corresponding budget period (\$ 5,0 million for the nine month period); traffic and assignment increases have resulted in higher usage of pilot boat services in 2011 when compared to budgeted estimates for these periods.

### **Administrative and operational expenses**

Administrative and operational expenses totalled \$ 1,1 million for the quarter ended September 30, 2011 (\$ 3,4 million for the nine month period) in line with budgeted levels at \$ 1,1 million for the corresponding budget period (\$ 3,4 million for the nine month period).

## **COMPARISON WITH THE 2010 FINANCIAL YEAR**

## **REVENUES**

### **Pilotage charges**

Pilotage charges amounted to \$ 19,8 million for the quarter ended September 30, 2011 (\$ 56,1 million for the nine month period) versus \$ 18,2 million for the corresponding previous year period (\$ 46,8 million for the nine month period); these favourable variations originate from a 1,0% increase in the number of assignments compared to the 2010 third quarter numbers (13,6% for the nine month period). Assignment growth in the third quarter was weak, but remains strong for the nine month period due to solid grain and tanker traffic activities resulting in higher pilotage charges.

## **Other revenues**

The LPA's other revenues totalled \$ 42,859 for the quarter ended September 30, 2011 (\$ 122,957 for the nine month period) compared to \$ 53,662 for the corresponding previous year period (\$ 381,081 for the nine month period); these unfavourable variations result from the non-recurrent gain generated by the disposal of the Abraham-Martin pilot boat during the second quarter of 2010.

## **EXPENSES**

### **Pilots' fees, salaries and benefits**

Pilots' fees, salaries and benefits have reached \$ 15,4 million for the quarter ended September 30, 2011 (\$ 43,2 million for the nine month period) compared to \$ 14,0 million for the corresponding previous year period (\$ 36,2 million for the nine month period); these unfavorable variations originate from a 1.0% increase in the number of assignments compared to the 2010 third quarter numbers (13.6% for the nine month period). Assignment growth in the third quarter was weak but strong grain and tanker traffic activities have generated in a significant increase in assignments during the nine month period, resulting in higher pilot fees, salaries and benefits.

### **Operating costs of pilot boats**

Operating costs of pilot boats amounted to \$ 1,5 million for the quarter ended September 30, 2011 (\$ 5,8 million for the nine month period) versus \$ 1,5 million for the corresponding previous year period (\$ 4,9 million for the nine month period); traffic and assignment increases have resulted in higher usage of pilot boat services in 2011 when compared to last year's numbers for the cumulative period.

### **Administrative and operational expenses**

Administrative and operational expenses totalled \$ 1,1 million for the quarter ended September 30, 2011 (\$ 3,4 million for the nine month period) similar to \$ 1,0 million for the corresponding previous year period (\$ 3,3 million for the nine month period).

## **3. Risk analysis**

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its 2010 Annual Report. It can however be noted that negotiations with the Steelworkers Union, local 9538, continued during the 2011 third quarter; it should however be noted that port of Montreal pilots, represented by this union, have joined the Corporation of mid St-Lawrence pilots on September 16, 2011 and are now contractual pilots, ending therefore the negotiation process with the union. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's Business Plan.

#### **4. Cost containment measures**

The Authority intends to follow cost containment measures recommended by the Treasury Board Secretariat. Administrative and operational expenses, for the third quarter ended September 30, 2011 and for the nine month period ended September 30, 2011, are generally in line with the corresponding budgeted estimates for the corresponding periods.