
NOTICE ESTABLISHING PILOTAGE CHARGES

September 21, 2020



Administration de pilotage des Laurentides
Laurentian Pilotage Authority



GENERAL

Pursuant to [section 33.3 of the Pilotage Act \(R.S.C., 1985, c. P-14\)](#), the following document provides notice (the “**Notice**”) of the Laurentian Pilotage Authority’s (the “**Authority**”) proposed pilotage charges, which will come into effect on **December 21, 2020**, except as otherwise noted. This Notice includes a description of the proposal, including a justification in relation to establishing the pilotage charges, and the circumstances in which the charges will apply. In developing the charges, the Authority has observed all charging principles established under [section 33.2 of the Pilotage Act](#).

A document setting out additional details in relation to this proposal, including a justification in relation to the charging principles established under [section 33.2 of the Pilotage Act](#), is available upon request from the Authority.

Persons interested in making representations to the Authority regarding the proposal set out in this Notice may do so in writing to the address set out in [section 2](#) of this Notice, by no later than the end of the Notice period of **October 21, 2020**. Any person making written representations is to include a summary of those representations. Note that this summary may be made public by the Authority. In addition, any person making written representations by the date set out in this Notice will have an opportunity to file a notice of objection related to the proposal with the Canadian Transportation Agency.

The Authority applies pilotage charges for services that the Authority provides or makes available in relation to compulsory pilotage under [section 33\(1\) of the Pilotage Act](#).

This Notice consists of four sections:

1. [Proposed establishment of pilotage charge rates](#)
2. [Proposed implementation of the proposed pilotage charges](#)
3. [Proposed revisions to terms and conditions](#)
4. [Information regarding the Notice and on making representations to the Authority](#)

1. PROPOSED ESTABLISHMENT OF PILOTAGE CHARGE RATES

Background

These are the first pilotage charges to be established by the Authority under the amended *Pilotage Act*. The Authority's goal is to take the tariff rates, definitions, and associated schedules currently in force under the [Laurentian Pilotage Tariff Regulations \(SOR/2001-84\)](#) ("**Tariff Regulations**") and adopt them as charges in accordance with the amended legislation. In other words, the Authority's charges will not change this year, with the exception of the method of publication. The methodology and proposed charges outlined in this document do not include any increase or modification of the charges currently applicable under [Tariff Regulations](#).

When establishing a new charge for pilotage services or when revising an existing pilotage charge, the Authority must follow the charging principles set out in [section 33.2 of the Pilotage Act](#). These principles prescribe:

- that pilotage charges be established and revised in accordance with an explicit methodology — that includes any conditions affecting the pilotage charges — that the Authority has established and published;
- that pilotage charges be structured in a way that does not encourage a user to engage in practices that diminish safety for the purpose of avoiding a charge;
- that pilotage charges be the same for Canadian users or ships and foreign users or ships;
- that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable; and
- that pilotage charges not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services.

Pursuant to the charging principles, the Authority's Board of Directors (the "**Board**") approves the amount and timing of changes to pilotage charges. The Board also approves the Authority's annual budget pursuant to which the amounts to be recovered through pilotage charges for the ensuing year are determined. The Board also takes the Authority's five-year corporate plan, including the capital program contained therein, into account.

Traffic and Assignment Volumes

Current revenue versus budgeted revenue (2020)

Once the financial results for the year 2019 were known, the Authority determined that its revenues were below the approved budgeted amount by 2.3% for that same year. This trend was maintained in the first quarter of 2020 when the revenues were 2.2% below the amount budgeted. The second quarter of 2020 was impacted by the economic slowdown generated by the COVID-19 global pandemic, translating into a revenue 12% lower than budgeted projections.

The trend as compared to the previous year

The number of assignments made in recent years was up by 12% in 2019, compared to 2015. However, financial forecasts for the year 2020 have been adjusted considering the major impacts of the pandemic. The actual decrease of assignments compared to 2019 versus the original projection is 13.4%.

Main sources of information and traffic outlook

In order to establish the financial forecasts for future years, the Authority relies on the information obtained from its market analysis carried out throughout the year. This information is then compared with historical traffic data and new trends that surfaced in the past year.

Within the budget approved by the Authority’s Board and the Treasury Board of Canada, forecasts for the year 2020 were based on actual data for the first 3 quarters of 2019, with the 4th quarter figures being estimated. These forecasts took into account different assumptions such as a traffic increase for 2020 being relatively stable.

Due to the impact of the COVID-19 pandemic, the Authority has again reviewed its forecasts. According to the present economic outlook and if the current trend remains, the anticipated number of assignments for the remainder of 2020 should reflect the 13% decrease observed in the first and second quarters of 2020 but may potentially exceed that decrease.

Cost Structure

The Authority’s costs associated with the provision of pilotage services are dictated mainly by the Authority’s contractual obligations and vary depending on the level of assignments and volume of traffic. The costs incurred by the Authority are broken down as follows on an approximate basis:

Charge Category	Proportion of the total charges	Particulars
Pilotage Charges	81.8%	Governed by contract and varies depending on the pilotage revenues
Pilot Boats Services	11.1%	Mainly governed by contract and varies depending on the pilotage revenues
Payroll	4.8%	Mainly governed by collective agreements
Amortization and rent	0.8%	
Other administrative expenses	1.5%	



Forecasted Financial Summary

Based on projected traffic volumes, the Authority anticipates that expenses for fiscal 2020 will be \$99.2 M. This represents a 13.6% decrease over budgeted projections for the same year. This decrease is directly linked to the loss of pilotage revenues caused by the COVID-19 pandemic. With the operating process specific to the Authority, few additional costs directly related to the pandemic were incurred.

The Authority expects to maintain its capital program which will require \$2.4 M in expenditures in fiscal 2020, primarily related to the new dispatch, billing system, a pilot boat purchase and the financial contribution for the purchase of Corporation of Lower St. Lawrence Pilots' PPU. The capital program for the next 5 years includes major repairs to the wood berthing dock at Les Escoumins, which are currently estimated at \$3.2 M, as well as investments in pilot boats services estimated at \$4.9 M. The Authority has the necessary reserves to cover these capital investments to support safe, efficient and cost-effective pilotage services. The reserves also help provide pilotage charge stability for the foreseeable future.

The Authority intends to keep the cash and the reserve account at a reasonable level to meet current and future expenditures and contingencies, as required by the [Pilotage Act](#).

Proposed Rates

In order to determine the establishment of pilotage charges required in fiscal 2020, the forecasted revenues and cash flow generation is compared with the amounts the Authority needs to recover based on the financial summary and volumes discussed above. All expected expenses, capital expenditures and reserves are included in the recovery calculation.

However, given the exceptional situation the Authority is currently facing and the Authority's limited costs (due to the pandemic), the new pilotage charges for 2020 will be equivalent to the charges in force currently under the [Tariff Regulations](#).

The following table shows the impact of new pilotage charges for the year 2020 versus those already effective and published for this same year, in the [Tariff Regulations](#). Since the rates are equivalent, no impact was observed. Establishment of pilotage charges will come into effect on **December 21, 2020** as:

Category	Pilotage charges	New / Adjustment	Application Methodology	Effect on Customers
Base Rate	0% increase	New	All rates affected	None
Administration of the <i>Pilotage Act</i>	No change	New	Per assignment charge	None
Total Effect				None

The observed CPI for the last months of 2020 was around 0.6%. It is important to note that most of the Authority's charges are governed by contracts and agreements which anticipate increases greater than the current CPI. These increases are taken into account in the analysis supporting the establishment of pilotage charges for 2020.

The \$39.64 charge was expected to generate \$507 K in revenue in fiscal 2020 and was intended to offset the new administrative charge imposed on the Authority under [section 37.1 of the Pilotage Act](#). This section allows the Minister of Transport to levy a charge on the Authorities for the costs associated with the administration of the [Pilotage Act](#). No additional revenue is generated for the Authority from this administrative charge.

Charges pertaining to transshipment services, such as pilot boat services to embark or disembark a pilot, including at a pilot boarding station, are applied and charged in an amount equal to the cost incurred by the Authority to provide the service. This charging approach applies whether the pilot boat or services is owned or operated by the Authority or provided by a third party on behalf of the Authority. Those pilotage charges include all costs incurred by the Authority, including but not limited to lease or rental fees if applicable.

Additional information regarding pilotage charges including supporting calculations is provided in the document "Details and Principles Regarding Proposed Establishment of Pilotage Charges" ("**Details and Principles**"). Refer to [section 4](#) for information on how to request and obtain a copy of this document.

2. PROPOSED IMPLEMENTATION OF THE PROPOSED PILOTAGE CHARGES

The Authority acknowledges the challenges currently faced by its stakeholders within the marine industry. In an effort to mitigate the impacts on the industry, the establishment of the pilotage charges will be made without any rate increase compared to the rates currently in force in [Tariff Regulations](#).

3. PROPOSED REVISIONS TO TERMS AND CONDITIONS

Within this Notice establishing pilotage charges, all existing tariffs and the related terms and conditions, as currently defined in the [Tariff Regulations](#), will be transferred into charges as set out in the [Pilotage Act](#), without any substantive changes. The only changes that have been made have been to remove elements that are obsolete or have been repealed and simplify some of the language therein. Once the charges are established, the [Tariff Regulations](#) will be repealed.



4. INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO THE AUTHORITY

This Notice is available on-line and a copy may be downloaded from the Authority's website at (<https://www.pilotagestlaurent.gc.ca/en/index.html>). Information on the existing charges is also provided in the Authority's website.

Further details of this proposal, including a justification for the proposal in relation to the charging principles, are provided in the Details and Principles document, which is available on request to the address listed below.

Additional copies of this Notice or a copy of the Details and Principles document can be obtained by request at the following address:

In writing: Chief Financial Officer
Laurentian Pilotage Authority
999 De Maisonneuve Blvd. West, Suite 1410
Montreal, Quebec H3A 3L4

By email: josee.leroux@apl.gc.ca

By telephone (514) 283-6320 ext. 208

Pursuant to [section 33.3 of the Pilotage Act](#), any person may make representations about the proposal to the Authority, in writing, on or before the date set out in this Notice. Any person making written representations is to include a summary of those representations. The summary may be made public by the Authority. In addition, any person making written representations by the date set out in this Notice will have an opportunity to file a notice of objection related to the proposal with the Canadian Transportation Agency.

Pursuant to [section 33.3 of the Pilotage Act](#), persons interested in making representations in writing to the Authority regarding the [section 1](#) of this Notice may do so in writing to the following address:

Laurentian Pilotage Authority
999 De Maisonneuve Blvd. West, Suite 1410
Montreal, Quebec H3A 3L4

Attention: Chief Financial Officer

Note: Representations must be received by the Authority no later than the close of business on October 21, 2020.