
NOTICE OF REVISED PILOTAGE CHARGES

November 5, 2021



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 “**Act**”), the following document provides notice of revised pilotage charges (the “**Notice**”) of the Laurentian Pilotage Authority’s (the “**Authority**”) revised pilotage charges, which will come into effect on **February 7, 2021**, except as otherwise noted. This Notice includes a description of the proposal, including a justification in relation to revising the pilotage charges, and the circumstances in which the charges will apply. In revising the pilotage charges, the Authority has observed all charging principles established under [section 33.2 of the Act](#).

A document setting out additional details in relation to this proposal, including a justification in relation to the charging principles revised under [section 33.2 of the Act](#), is available on the Authority’s website.

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 **December 5, 2021**. 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 Act](#).






This Notice consists of four sections:

1. [Proposed revision of pilotage charges rates](#)
2. [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 REVISION OF PILOTAGE CHARGES RATES

Background

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

-  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 2021

According to the financial results for the first eight months of 2021, the Authority's revenues were 7.34% lower than the approved budget for this year. Pilotage revenues alone represent a decrease of \$4.4M. This resulted in an overall financial loss as of August 31, 2021, for the Authority of \$1.9M. The year 2021 was more heavily impacted by the pandemic than estimated in the budgets for that year.

The trend as compared to the previous year

The number of assignments made in recent years was up 12% in 2019 compared to 2015. Assignments for the year 2020 were heavily impacted by the aftermath of the pandemic. The number of assignments for the January to August 2021 period has almost reached the 2020 level; in fact, it is 13,125 assignments in 2021 compared to 13,174 for the same period in 2020.

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.

As part of the budget approved by the Board, the forecast for 2022 is based on actual data for 2021 adjusted for various assumptions. These include a gradual return to normal operations. Although the first six months of 2021 were also marked by the economic slowdown generated by the pandemic, recovery indicators are being felt and allow for an upward adjustment of the forecast.

Based on the industry's economic outlook and the Authority's various analyses, the annual traffic growth for 2022 is expected to be low. However, the 2022 budget shows an increase over the 2021 forecast for cruise ships, which will not be allowed to sail until late fall 2021, and for liquid bulk where oil traffic is still down from 2019. The Authority does not expect regular traffic to return until 2023 for cruise ships, and it will be a few more years before seeing a return to 2019 levels for tankers.

Forecasted Financial Summary 2022

In terms of revenues, the Authority forecasts pilotage revenues of \$95.8M, contributing to total revenues of \$109.7M.

The expenses for fiscal year 2022 will be \$109M, which is slightly lower than those estimated for 2021 (0.12%).

It is important to note that because of the operating mode specific to the Authority, few additional costs directly related to the pandemic were incurred.

The Authority plans to maintain its capital program, which will require up to \$9.6M in expenditures during fiscal 2022, mainly related to the purchase of a pilot boat, the acquisition of pilot portable units ("PPUs") for the Mid St-Lawrence Pilots Corporation, and the repair of the timber crib wharf at Les Escoumins. The capital program for the next five years includes investments in pilot-boat services in the order of \$4.4M. It should also be noted that the PPUs for the pilots must be renewed every four years to ensure that they remain an effective tool for safe and efficient navigation. The Authority has the necessary reserves to cover these capital investments to support a safe, efficient, and cost-effective pilotage service. The reserves also help ensure the stability of pilotage charges 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 *Act*.

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 cost structure of the Authority consists of approximately the following allocated costs:

Cost categories	Proportion of the total costs	Specificities
Pilotage fees	78.2%	Governed by contract and varies depending on the pilotage revenues
Pilot Boats Services	10.6%	Mainly governed by contract and varies depending on the pilotage revenues
Payroll	6%	Mainly governed by collective agreements
Amortization and rent	2.5%	
Other administrative expenses	2.7%	Include the administration costs of the Act, which alone represent 0.8% of expenses.

Proposed Rates

In order to determine the revision of pilotage charges required in fiscal 2022, 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.

This table presents the effect of the revised pilotage charges for the year 2022 compared to what is currently in effect since May 12, 2021. The pilotage charges that will come into effect on **February 7, 2022**, include:

Category	Pilotage charges	New / Adjustment	Application Methodology	Effect on Customers
Base Rate	3% increase	Adjustment	All rates affected	\$2,6M increase
Administration of the Act	41.19% increase	Adjustment	Per assignment charge	\$11.20 increase per assignment

The CPI at the end of August 2021 is 4.4%. It should be noted, however, that most of the Authority’s expenses are governed by contracts and agreements that contain increases that are lower than the current CPI. These increases are considered in the analyses supporting the revision of pilotage charges for 2022.

For 2022, the CPI forecast by the various major Canadian financial institutions is on average 2.5% for Quebec (3.1% in Canada). These forecasts are substantially in line with the increases provided for in the contracts and agreements governing most of the LPA’s expenditures. However, the experience of the last year shows a very high level of unpredictability for this data. Recall that the Authority’s gross profit margin is very low, at 11% projected for 2022. However, the administrative and operational expenses that the Authority must assume, being largely fixed, and mostly governed by agreements, leases, and service contracts, represent 10.4% of its cost structure.

The pilotage charge to offset the new administrative charges levied on the Authority under [section 37.1 of the Act](#) since 2022 has been revised upward to \$38.39 and is expected to generate \$890K in revenue in fiscal year 2022. This section allows the Minister of Transport to levy charges on the authorities for costs associated with the administration of the Act. No margin is generated for the Authority from this 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 applies whether the pilot boat or service is owned or operated by the Authority or provided by a third party on behalf of the Authority. Those pilotage charges include all cost 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 - Proposed Revision of Pilotage Charges” (“**Details and Principles**”). Refer to [section 4](#) for information on how to obtain a copy of this document.



2. IMPLEMENTATION OF THE REVISED PILOTAGE CHARGES

The pilotage charges proposed for 2022 are not intended to recover losses incurred by the Authority due to the impacts of the pandemic. These losses, totaling \$3.7M (\$2.6M loss in 2020 and \$1.1M loss expected in 2021), have been absorbed by the portion of the reserves set aside to deal with the risks that could affect the Authority. The proposed pilotage charges revision is limited to the recovery of the operating costs of the service for the corresponding year. The Authority's reserves were established to finance current and future projects.

3. PROPOSED REVISIONS TO TERMS AND CONDITIONS

With the proposed revision of pilotage charges detailed in this Notice, all terms and conditions of the current pilotage charges remain unchanged and in accordance with the *Act*.

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 (<https://www.pilotagestlaurent.gc.ca/en/index.html>). Information on the existing charges is also provided on 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, which are available on the Authority's website.

Additional copies of this Notice or the Details and Principles can also 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 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 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:

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

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

Note: Representations must be received by the Authority not later than the close of business on December 5, 2021.