
NOTICE OF REVISED PILOTAGE CHARGES

November 11, 2022



**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 (the “**Notice**”) of the Laurentian Pilotage Authority’s (the “**Authority**”) revised pilotage charges, which will come into effect on **February 15, 2023** 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 4](#) of this Notice, by no later than the end of the Notice period of **December 12, 2022**. 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 2022

After the second quarter of 2022, the Authority's pilotage revenue is nearly 1.0% above budget. For this first half of the year, the Authority generated total revenues of \$50.2 M, compared to the forecast of \$49.7 M. Based on the current trend, the financial results for the first eight months of 2022 are in line with this year's approved budget.

The assignment trend as compared to the previous year

For 2022, an increase in the number of assignments compared to 2021 was noted. The total number of assignments for the first six months of 2022 is 10,088 compared to a total of 9,342 for the same period in 2021, representing an increase of 8.0%.



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 and the Treasury Board of Canada, the forecast for the year 2023 is based on actual data for the year 2022 adjusted with various assumptions. Although the first six months of 2022 were also marked by the economic slowdown generated by the pandemic, there are indicators of recovery that allow the forecast to be adjusted upwards.

Based on the industry's economic outlook and the Authority's various analyses, annual traffic growth for 2023 is expected to be modest. As a result, only cruise ships and tankers show an increase for 2023.

Forecasted Financial Summary for 2023

With regard to revenues, the Authority estimates that the pilotage revenues subject to this proposed revision is \$100.7 M, contributing to a total revenues of \$115.8 M.

The expenses for fiscal year 2023 are estimated to be \$114.3 M. This represents a 4.9% increase over the 2022 budget. Most of this change is due to increases in pilotage fees and pilot boat costs, amortization and annual salary increases.

The Authority is planning a capital expenditure program that will require up to \$3.8 M in investments in fiscal year 2023. These are primarily related to the acquisition of a pilot boat, the financial contribution for the acquisition of the portable pilot units ("PPU") for the Corporation of Lower St. Lawrence Pilots ("CPBSL"), as well as changes and improvements to the Pilot Control software.

The investment program for the next five years, totaling \$8.6M, mainly includes investments for the PPU of both pilots' corporations. The PPU must be renewed every four years to ensure they remain a high-performance tool for safe and efficient navigation.

The Authority has the necessary reserves to cover its capital investments to support a safe, efficient, and cost-effective pilotage service. The reserves also ensure the stability of pilotage charges for the foreseeable future. As provided for in the *Act*, the Authority intends to maintain cash at a reasonable level to meet current and future expenses and contingencies.



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:

Cost categories	Proportion of the total costs	Specificities
Pilotage fees	77.1%	Governed by service contracts and varies depending on the pilotage revenues
Pilot Boats Services	10.6%	Mainly governed by contracts and varies depending on the pilotage revenues
Payroll	6.2%	Mainly governed by collective agreements
Amortization and rent	2.5%	
Other administrative expenses	3.6%	Include the administration costs of the Act, which alone represent 0.9% of expenses.

Proposed Rates

In order to determine the revision of pilotage charges required in for fiscal year 2023, 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 2023 compared to what is currently in effect since February 7, 2022. The pilotage charges that will come into effect on **February 15, 2023**, include:

Category	Pilotage charges	New / Adjustment	Application Methodology	Effect on Customers
Base Rate for District No. 1 and 1-1	5% increase	Adjustment	All rates affected	\$2.8M increase
Base Rate for District No. 2	7.5% increase	Adjustment	All rates affected	\$2.4M increase
Administration of the <i>Act</i>	43.1% increase	Adjustment	Fee per assignment	\$16.55 increase per assignment

The CPI at the end of the second quarter of 2022 is up sharply to 8.1%. This high growth is not expected to continue into 2023, with CPI forecast by the various major Canadian financial institutions averaging at 3.2%.

However, the experience of the past year demonstrates a very high level of unpredictability for this figure. It should be noted that the Authority's gross profit margin is very low, estimated at 12.5% for 2023. Nonetheless, the Authority's administrative and operating expenses, which are largely fixed and governed by agreements, leases and service contracts, represent 11.4% of its cost structure, excluding costs related to the administration of the *Act*.

The fee to offset the administrative costs imposed under [section 37.1 of the Act](#) is revised upward to \$54.94 and is expected to generate \$1.034 M in revenue in fiscal 2023.

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.

Pilot transfer services charges, including at a pilot boarding station, such as pilot boat services to embark or disembark a pilot 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 or operation fees if applicable.

Additional information regarding pilotage charges including supporting calculations is provided in the document "Details and Principles Regarding 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 proposed pilotage charges for 2023 are not intended to recover losses incurred by the Authority due to the impacts of the pandemic, but rather to ensure the sustainability of assets and to address contingencies without resorting to excess funding (surcharges) from the industry.

3. PROPOSED REVISIONS TO TERMS AND CONDITIONS

As part of the revision of pilotage charges covered by this Notice, all the terms and conditions related to the current charges remain essentially unchanged and in compliance with the *Act*. In fact, translation corrections, updates of sections related to the repeal of the *Laurentian Pilotage Authority Regulations* and the coming into force of the *General Pilotage Regulations*, as amended, in June 2022, clarifications and details have been made to the Pilotage charges' chart and its application section.



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

By email: bruce.harvey@apl.gc.ca
By telephone (514) 283-6320 ext. 223

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:

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

By email: bruce.harvey@apl.gc.ca

Note: Representations must be received by the Authority not later than the close of business on December 12, 2022.