
NOTICE OF REVISED PILOTAGE CHARGES

November 6, 2023



Administration de pilotage
des Laurentides

Laurentian
Pilotage
Authority

Canada

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 5, 2024**, 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 6, 2023**. 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 revenues versus budgeted revenues | 2023

After the second quarter of 2023, the Authority's pilotage revenues are nearly 1.3% above budget. For this first half of the year, the Authority generated total revenues of \$53 M, compared to the forecast of \$52.3 M. Based on the current trend observed for the months of July and August, the financial results for the first eight months of 2023 are 2.8% under the approved budget for this year. |

The assignment trend as compared to the previous year

For the first eight months of 2023, the number of assignments decreased by 1.8% compared to the same period last year. Although the first two months of the year were marked by an increase in assignments, a slight decrease was noted from March to June, a trend which appears to have subsided since July 2023. Considering the evolution of the market, the Authority does not foresee any significant increase in assignments for the latter part of 2023. |

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 2024 is based on actual data for the year 2023 adjusted with various assumptions. Although the first six months of 2023 were also marked by the economic slowdown, we are seeing a slight increase in assignments at the end of the third quarter of 2023. However, there are few indications of a recovery.

Based on the maritime traffic, the Authority forecasts that, for most vessels, the current slowdown will continue until the end of 2023. According to those forecasts, only cruise ships should show an increase in the current year and continue into 2024. For the other vessels, we are expecting a slight overall decline in maritime traffic in 2024, but we believe that overall traffic will remain stable. It is also worth noting that the number of assignments forecast for 2024 is 21,681, a level comparable to that forecast for the current year.

Forecasted Financial Summary for 2024

In terms of revenues, the Authority estimates that the pilotage revenues subject to this proposed revision is \$100 M, contributing to a total revenues of \$117.1 M.

The expenses for fiscal year 2024 are estimated to be \$114.9 M. This represents a 0.5% increase over the 2023 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 \$1.8 M in investments in fiscal year 2024. These are primarily related to the acquisition of a pilot boat, the financial contribution to the acquisition of the portable pilot units ("PPU") for the Corporation of Lower St. Lawrence Pilots ("CPBSL"), the development of an optimized pilotage service, the implementation of remote monitoring for Taukamaim and Grandes-Eaux, as well as maintaining a secure and up-to-date computer and office software infrastructure.

The investment program for the next five years, totaling \$7.9 M, 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	76.1%	Governed by service contracts and varies depending on the pilotage revenues
Pilot Boats Services	11.4%	Mainly governed by contracts and varies depending on the pilotage revenues
Payroll	6.3%	Mainly governed by collective agreements
Amortization and rent	2.9%	
Other administrative expenses	3.3%	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 for fiscal year 2024, 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 2024 compared to what is currently in effect since February 15, 2023. The pilotage charges that will come into effect on February 5, 2024, include:

Category	Pilotage charges	New / Adjustment	Application Methodology	Effect on Customers
Base Rate for District No. 1 and 1-1	4% increase	Adjustment	All rates affected	\$2.3 M increase
Base Rate for District No. 2	6% increase	Adjustment	All rates affected	\$1.8 M increase
Administration of the Act	48.6% decrease	Adjustment	Fee per assignment	\$26.71 decrease per assignment

The CPI at the end of the second quarter of 2023 continues to rise, but more moderately, reaching 3.3% in July. It should be noted, however, that the sharp increases in CPI over the past year - an average annual rise of 6.8% - have still had a significant impact on the Authority's expenses. In particular, the increase of contractual fees for St. Lawrence pilots will be 3.51% and 4.39% for the Central St. Lawrence and Lower St. Lawrence pilot corporations respectively. This impact has a major influence on the revised pilotage charges level of increase.

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 low, estimated at 13.4% for 2024. Nonetheless, the Authority's administrative and operating expenses, which are largely fixed and governed by agreements, leases and service contracts, represent 11.7% 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 downward to \$28.23 and is expected to generate \$887k in revenue in fiscal 2024.

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 2024 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 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: Executive Director, Finance & Administration |
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:

Executive Director, Finance & Administration |
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 6, 2023.