

LAURENTIAN PILOTAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2016

1. Highlights

The current report covers the LPA's activities and financial situation for the three month period ended March 31, 2016; this report must be read in conjunction with the unaudited financial statements for the three month period ended March 31, 2015.

2. Analysis of financial results

COMPARISON WITH THE 2016 BUDGET

REVENUES

Pilotage charges

Pilotage charges amounted to \$20.1 million for the quarter ended March 31, 2016 versus \$ 18.4 million for the corresponding budget period. Assignments are higher than budget estimates by 12.2% for the period but first quarter variations are generally not yet representative of annual trends as the St-Lawrence Seaway is closed during this period.

Other revenues

The LPA's other revenues totalled \$ 44,835 for the quarter ended March 31, 2016 compared to \$ 39,000 for the corresponding budget period; this favourable variation is not material.

EXPENSES

Pilot fees

Pilot fees have reached \$ 16.0 million for the quarter ended March 31, 2016 compared to \$ 14.9 million for the corresponding budget period; this unfavorable variation mostly originates from a higher assignment volume than budgeted.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.8 million for the quarter ended March 31, 2016 versus \$2.9 million for the corresponding budget period, representing therefore a non material variation.

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Administrative and operational expenses

Administrative and operational expenses totalled \$ 1,608,706 for the quarter ended March 31, 2016 exceeding the budgeted level of \$ 1,541,000 for the corresponding budget period; this variation is mostly due to professional fees incurred for service contract negotiations.

COMPARISON WITH THE 2015 FINANCIAL YEAR

REVENUES

Pilotage charges

Pilotage charges amounted to \$ 20.1 million for the quarter ended March 31, 2016 versus \$ 17.6 million for the corresponding previous year period; this favourable variation originates mostly from an increase in the number of assignments of 14.7% compared to the same period last year. First quarter variations are generally not yet representative of annual trends as the St-Lawrence Seaway is closed during this period.

Other revenues

The LPA's other revenues totalled \$ 44,835 for the quarter ended March 31, 2016 compared to \$ 43,116 for the corresponding period last year, leaving a non material variation for the period.

EXPENSES

Pilot fees

Pilot fees have reached \$ 16.0 million for the quarter ended March 31, 2016 compared to \$ 13.8 million for the corresponding previous year period; this unfavourable variation originates from a 14.7% increase in the number of assignments compared to the 2015 first quarter numbers. The Lower St-Lawrence Pilot Corporation's annual contractual increase became effective on January 1st, 2016.

Operating costs of pilot boats

Operating costs of pilot boats amounted to \$ 2.8 million for the quarter ended March 31, 2016 versus \$ 2.5 million for the corresponding previous year period originating from a higher assignment volume than last year's period.

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Administrative and operational expenses

Administrative and operational expenses totalled \$ 1.6 million for the quarter ended March 31, 2016, compared to \$ 1.4 million for the corresponding previous year's three-month period; this variation is due to higher professional service fees associated to service contract negotiations.

3. Risk analysis

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its last Annual Report. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's Corporate Plan.

4. Cost Reduction Initiatives

The Authority monitors various initiatives in order to control costs. Operational expenses, for the first quarter ended March 31, 2016, are generally in line with budgeted estimates for the corresponding period, other than professional service costs associated to the fulfillment of the Authority's mandate.