

LAURENTIAN PILOTAGE AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
QUARTER ENDED SEPTEMBER 30, 2016

1. **Highlights**

The current report covers the LPA's activities and financial situation for the nine month period ended September 30, 2016; this report must be read in conjunction with the unaudited financial statements for the nine month period ended September 30, 2016, as well as the audited financial statements for the financial year ended December 31, 2015 which have been prepared and presented according to IFRS and which can be found in the Authority's 2015 Annual Report.

2. **Financial results analysis**

**COMPARISON WITH THE 2016 BUDGET**

**REVENUES**

**Pilotage charges**

Pilotage charges amounted to \$23.3 million for the quarter ended September 30, 2016 (\$63.8 million for the nine month period) versus \$23.9 million for the corresponding budget period (\$64.4 million for the nine month period). Assignments are 0.6% lower than budgeted estimates for the nine-month period; the pilotage charges' slightly unfavorable variation for the nine-month period is due to, among other things, a slightly lower number of voyages despite higher average ship dimensions per voyage and a new unbudgeted tanker service between Montreal and Quebec City.

**Other revenues**

The LPA's other revenues totalled \$35,473 for the quarter ended September 30, 2016 (\$131,451 for the nine month period) compared to \$25,000 for the corresponding budget period (\$81,000 for the nine month period); this favorable variation is derived from higher interest income due to higher cash liquidities held by the Authority compared to budgeted amounts.

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## **EXPENSES**

### **Pilots' fees**

Pilots' fees have reached \$ 18.7 million for the quarter ended September 30, 2016 (\$51.3 million for the nine month period) compared to \$19.4 million for the corresponding budget period (\$52.3 million for the nine month period); this variation originates from a slightly lower number of voyages despite higher average ship dimensions per voyage and a new unbudgeted tanker service between Montreal and Quebec City, as well as a lower contractual pilotage fee increase than budgeted estimates.

### **Operating costs of pilot boats**

Operating costs of pilot boats amounted to \$2.2 million for the quarter ended September 30, 2016 (\$7.2 million for the nine month period) versus \$2.4 million for the corresponding budget period (\$7.9 million for the nine month period); this variation is due to the lower number of assignments compared to budgeted estimates.

### **Administrative and operational expenses**

Administrative and operational expenses totalled \$1.4 million for the quarter ended September 30, 2016 (\$4.5 million for the nine month period) compared to budgeted levels of \$1.4 million for the corresponding budget period (\$4.5 million for the nine month period), reflecting no material variation for both periods.

## **COMPARISON WITH THE 2015 FINANCIAL YEAR**

## **REVENUES**

### **Pilotage charges**

Pilotage charges amounted to \$23.3 million for the quarter ended September 30, 2016 (\$63.8 million for the nine month period) versus \$22.5 million for the corresponding previous year period (\$60.9 million for the nine month period); these variations originate from an increase in average ships' dimensions per voyage coupled with a new tanker service between Montreal and Quebec City. The number of assignments for the nine month period is slightly higher by 1.5% compared to last year's numbers.

### **Other revenues**

The LPA's other revenues totalled \$35,473 for the quarter ended September 30, 2016 (\$131,451 for the nine month period) compared to \$406,317 for the corresponding previous year period (\$503,349 for the nine month period); this unfavorable variation is due to the non-recurrent gain from the disposal of a pilot boat at the Escoumins boarding base during last year's third quarter.

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## **EXPENSES**

### **Pilots' fees**

Pilots' fees have reached \$18.7 million for the quarter ended September 30, 2016 (\$51.3 million for the nine month period) compared to \$17.8 million for the corresponding previous year period (\$47.8 million for the nine month period); this unfavorable variation for the nine-month period originates from an increase in average ships' dimensions per voyage compared to last year, from the annual increase in pilotage fee rates covered in current service contracts with the pilot corporations and from a new tanker service between Montreal and Quebec City.

### **Operating costs of pilot boats**

Operating costs of pilot boats amounted to \$2.2 million for the quarter ended September 30, 2016 (\$7.2 million for the nine month period) versus \$2.1 million for the corresponding previous year period (\$7.1 million for the nine month period); the variation for the nine-month period is not material.

### **Administrative and operational expenses**

Administrative and operational expenses totalled \$1.4 million for the quarter ended September 30, 2016 (\$4.5 million for the nine month period) compared to \$1.3 million for the corresponding previous year period (\$4.0 million for the nine month period). These unfavorable variations are due to higher salary expenses which resulted from the return of an employee on sickness leave and from a new administrative position.

## **3. Risk analysis**

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its 2015 Annual Report. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's 2016-2020 Corporate Plan. Operational and strategic risks are being updated as part of the 2017-2021 Corporate Plan preparation process.

## **4. Cost Reduction Initiatives**

Operational expenses, for the third quarter ended September 30, 2016, are generally in line and even slightly lower than the budgeted estimates.

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**5. Travel, hospitality and conference directives**

In compliance with guidelines associated with travel, hospitality and conference directives, amounts for the nine-month period ended September 30, 2016 related to these expenses are the following:

**TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES SUMMARY**  
 For the nine-month period ended September 30, 2016

Interim Chair of the Board of directors	\$ 1 044
Chief Executive Officer	\$ 26 143
Board of directors (6 members)	\$ 4 769