

LAURENTIAN PILOTAGE AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
QUARTER ENDED JUNE 30, 2013

**1. Highlights**

The current report covers the LPA's activities and financial situation for the three month period ended June 30, 2013; this report must be read in conjunction with the unaudited financial statements for the three month period ended June 30, 2013, as well as the audited financial statements for the financial year ended December 31, 2012 which have been prepared and presented according to IFRS and which can be found in the Authority's 2012 Annual Report.

**2. Financial results analysis**

**COMPARISON WITH THE 2013 BUDGET**

**REVENUES**

**Pilotage charges**

Pilotage charges amounted to \$19.7 million for the quarter ended June 30, 2013 (\$35.9 million for the six month period) versus \$19.8 million for the corresponding budget period (\$37.3 million for the six month period). Assignments are higher than budget estimates by 2.3% for the second quarter period. As for the cumulative six-month period, the number of assignments is lower than budget estimates by 5.5% due to grain and tanker traffic; budgeted pilotage charges during these periods were based on a similar assignment level in 2013 versus 2012.

**Other revenues**

The LPA's other revenues totalled \$20,350 for the quarter ended June 30, 2013 (\$52,096 for the six month period) compared to \$512,000 for the corresponding budget period (\$546,000 for the six month period); this unfavorable variation is due to timing delays concerning the disposal of one of the Authority's pilot boat

**EXPENSES**

**Pilots' fees, salaries and benefits**

Pilots' fees, salaries and benefits have reached \$ 15.9 million for the quarter ended June 30, 2013 (\$28.7 million for the six month period) compared to \$16.3 million for the corresponding budget period (\$30.6 million for the six month period); this favorable

LAURENTIAN PILOTAGE AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
QUARTER ENDED JUNE 30, 2013

variation mostly originates from a lower assignment volume than budgeted for the cumulative period.

**Operating costs of pilot boats**

Operating costs of pilot boats amounted to \$1.8 million for the quarter ended June 30, 2013 (\$4.3 million for the six month period) versus \$1.9 million for the corresponding budget period (\$4.6 million for the six month period); traffic and assignment decreases have resulted in lower usage of pilot boat services in 2013 when compared to budgeted estimates for these periods.

**Administrative and operational expenses**

Administrative and operational expenses totalled \$1.2 million for the quarter ended June 30, 2013 (\$2.4 million for the six month period) compared to budgeted levels of \$1.3 million for the corresponding budget period (\$2.6 million for the six month period), resulting in a minor favorable variation for both periods.

**COMPARISON WITH THE 2012 FINANCIAL YEAR**

**REVENUES**

**Pilotage charges**

Pilotage charges amounted to \$19.7 million for the quarter ended June 30, 2013 (\$35.9 million for the six month period) versus \$19.0 million for the corresponding previous year period (\$35.7 million for the six month period); these variations originate from an increase in average ships' dimensions coupled to a 2.4% increase in the number of assignments compared to last year's second quarter results. For the six-month period, the number of assignments decreased by 4.8% due to grain and tanker traffic volatility.

**Other revenues**

The LPA's other revenues totalled \$20,350 for the quarter ended June 30, 2013 (\$52,096 for the six month period) compared to \$34,626 for the corresponding previous year period (\$84,351 for the six month period); these variations are not material.

**EXPENSES**

**Pilots' fees, salaries and benefits**

Pilots' fees, salaries and benefits have reached \$15.9 million for the quarter ended June 30, 2013 (\$28.7 million for the six month period) compared to \$14.9 million for the corresponding previous year period (\$28.0 million for the six month period); this unfavorable variation originates from a 2.4% increase in the number of assignments

LAURENTIAN PILOTAGE AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
QUARTER ENDED JUNE 30, 2013

during the second quarter and from the annual increase in pilotage fees covered in current service contracts between the Authority and the two pilot corporations.

**Operating costs of pilot boats**

Operating costs of pilot boats amounted to \$1.8 million for the quarter ended June 30, 2013 (\$4.3 million for the six month period) versus \$1.8 million for the corresponding previous year period (\$4.4 million for the six month period); traffic and assignment decreases have resulted in lower usage of pilot boat services in 2013 when compared to last year's numbers.

**Administrative and operational expenses**

Administrative and operational expenses totalled \$1.2 million for the quarter ended June 30, 2013 (\$2.4 million for the six month period) similar to \$1.5 million for the corresponding previous year period (\$2.7 million for the six month period). A provision for bad debt of \$0.2 million was recorded during the second quarter of 2012.

**3. Risk analysis**

No major change in the risk analysis of the Authority's operations has occurred since the preparation of its 2012 Annual Report. Furthermore, the Authority's operational and personnel activities have not significantly changed since the preparation of the LPA's 2013-2017 Corporate Plan. The Special Exam continued during the second quarter of 2013, conducted by representatives from the Office of the Auditor General of Canada

**4. Budget 2012 Reduction Measures**

The Authority follows the Budget 2012 Reduction Measures. Operational expenses, for the second quarter ended June 30, 2013, are generally in line and even lower than the budgeted estimates as well as the previous year's actual level of expenses.