Canada

Administration de Pilotage des Laurentides
Laurentian Pilotage Authority

LAURENTIAN PILOTAGE AUTHORITY

SUMMARY OF THE CORPORATE PLAN

2015-2019

SUMMARY OF THE OPERATING BUDGET

2015

SUMMARY OF THE CAPITAL BUDGET

2015

FEBRUARY 2015

Executive Summary

The strategic direction of the Laurentian Pilotage Authority (the Authority or the LPA or the Corporation) has been developed in accordance with the organization's mandate and the *Pilotage Act*, and includes the following objectives:

- Maintain financial self-sufficiency;
- Maximize the efficiency, quality and safety of pilotage services in order to ensure navigation safety while being attentive to the needs of the marine community;
- Comply with Government of Canada policies.

Maintaining financial self-sufficiency continues to be one of the Authority's key priorities. The Authority must have sufficient cash liquidities to be able to replace its assets, maintain its operations and support major and unforeseen situations. To achieve these objectives, the Authority has an integrated risk management program in order to identify, manage and control risks, including financial risks, faced by the Authority.

Other key strategic and operational priorities include include implementing new safety and efficiency measures, controlling costs, updating our regulations and carrying out required risk assessments.

Overall, the volume of assignments in the past few years has given the LPA a certain degree of stability and financial health. After the low point reached in 2009 (19,611 assignments) because of the global economic downturn, this volume stabilized between 2010 and 2013 within a range of 21,000 to nearly 22,500 assignments, and increased during the first six months of 2014, compared with the same period in 2013.

According to international economic indicators, 2014 continues to have sluggish economic activity worldwide. However, there are some economic indicators that forecast that the world economy is on a path to a more sustained growth.

This corporate plan is based on financial forecasts set out herein and reflects the Authority's priorities and current economic constraints.

Authority’s Mandate

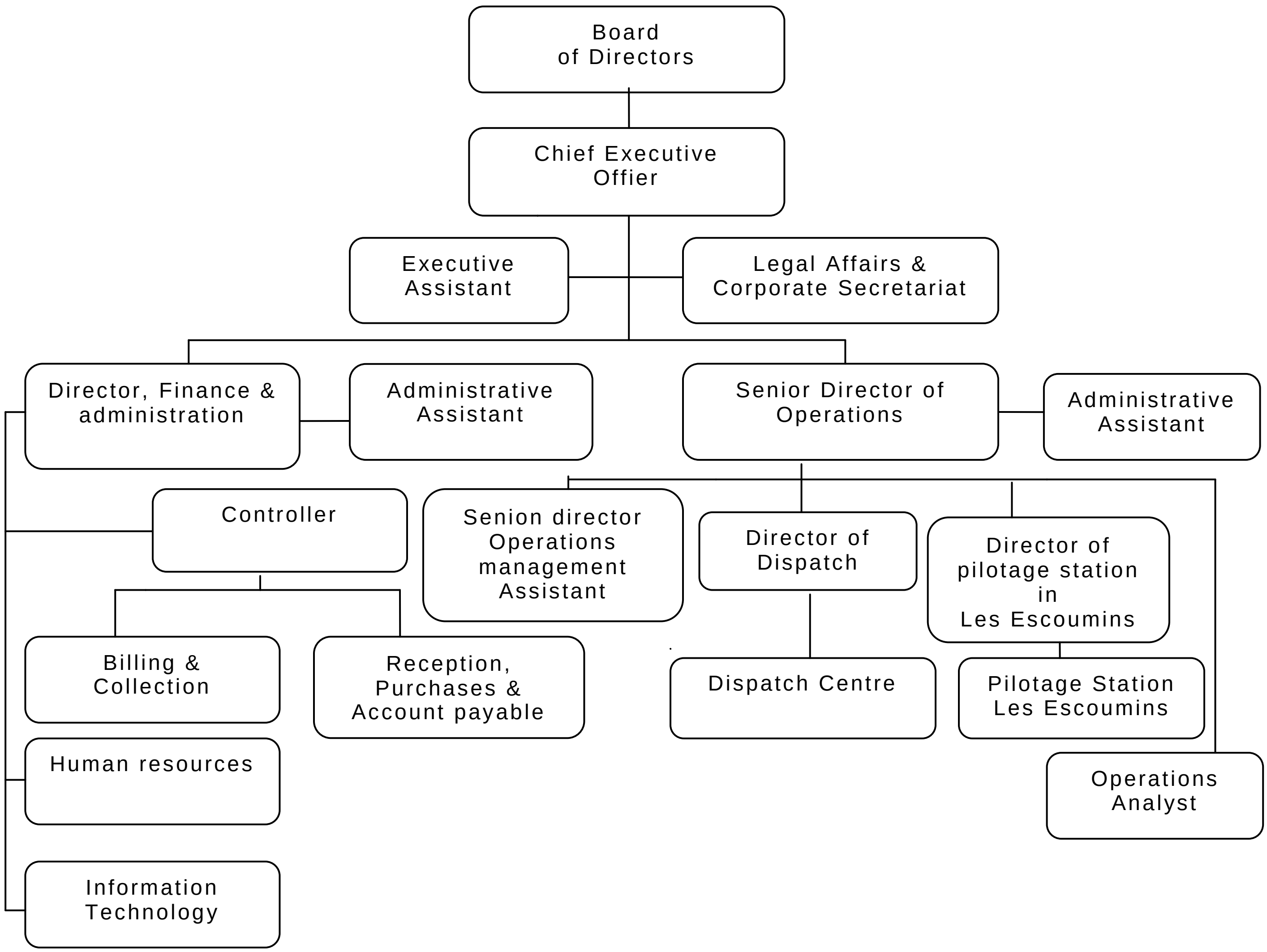
The mandate of the Laurentian Pilotage Authority is to:

⇨ establish, operate, maintain and administer, in the interest of navigation safety, an efficient pilotage service in Canadian waters within the areas served by the Laurentian Pilotage Authority; and

⇨ set pilotage charges at a fair and reasonable level.

Authority's organizational profile

ORGANIZATIONAL CHART



SEPTEMBER 2014

BACKGROUND

The Laurentian Pilotage Authority was established on February 1, 1972, under the *Pilotage Act* to operate an efficient pilotage service in the interest of navigational safety. The Authority is a Crown corporation, as defined in the *Financial Administration Act*, but is not an agent of the Crown.

The Board of Directors comprises a chairperson and six other members, including two pilots, two shipping industry representatives and two members of the general public.

POWERS

To carry out its responsibilities, the Authority has adopted general regulations, approved by the Governor in Council pursuant to the *Pilotage Act*, pertaining to:

- ⇨ the establishment of compulsory pilotage areas;
- ⇨ prescribing the ships or classes of ships subject to compulsory pilotage;
- ⇨ prescribing the classes of pilot licences and pilotage certificates that may be issued; and
- ⇨ prescribing pilotage tariffs to be paid to the Authority for pilotage services.

In addition, the Authority is empowered under the *Pilotage Act* to:

- ⇨ hire officers and employees;
- ⇨ hire licensed pilots and apprentice pilots, as required for operations or contract with pilot corporations for the services of licensed pilots;
- ⇨ adopt bylaws concerning the management of its affairs;
- ⇨ purchase, lease or otherwise acquire land, buildings, pilot boats and other equipment and assets deemed necessary, and to sell any assets thus acquired; and
- ⇨ take out loans, if necessary, to cover the Authority's expenses.

DESCRIPTION OF OPERATIONS

The Authority operates, in the interest of safety, an efficient marine pilotage service in all Canadian waters in and around the province of Quebec, north of the northern entrance to the St. Lambert Lock, except the waters of Chaleur Bay south of Cap d'Espoir.

In accordance with its regulations, the Authority has established three districts subject to compulsory pilotage: District No. 1.1 for the Port of Montreal, District No. 1 for the navigable waters between Montreal and Quebec City, and District No. 2 for the navigable waters between Quebec City and Les Escoumins, including the Saguenay River. The pilotage districts established by the Authority cover a distance of 494 kilometres between Montreal and Les Escoumins, and another 130 kilometres along the Saguenay River.

Pilotage services are provided for all ships subject to compulsory pilotage by contractual pilots in Districts 1.1, 1 and 2. These pilots are represented by the Mid St. Lawrence Pilots (Districts 1.1 and 1) and the Corporation of Lower St. Lawrence Pilots (District 2). The boarding of pilots in Les Escoumins is carried out by means of pilot boats belonging to the Authority; in the case of the other boarding stations located in Quebec City, Trois Rivières, Sorel, Lanoraie and Montreal, pilot boarding is carried out using pilot boats belonging to private contractors. Pilots are assigned to ships by the Authority's dispatchers. All dispatch services for the Les Escoumins, Quebec City and Port of Montreal districts are provided by and managed from the headquarters in Montreal.

The Authority must co-ordinate its operations, activities and management with a number of organizations, including the St. Lawrence Seaway Management Corporation, which operates the St. Lambert Lock, the Canadian Coast Guard, which oversees a number of marine services such as navigational aids, dredging and icebreaking, the Marine Traffic Services Centre, various port authorities in the region, associations representing agents, owners and operators of Canadian and foreign ships and pilot corporations.

Risk management program

Wishing to make optimal choices in terms of managing assessed and controlled risks, the LPA has set up an integrated risk management (IRM) system. This system applies a strict methodology that involves following formal procedures and keeping records relative to the management of the principal risks to which the organization and its managers are exposed. Management also uses IRM to monitor the changes to risks and their impact and implements necessary controls.

The following are the major strategic and operational risks, in decreasing order, taking into account the financial impact, the magnitude of the impacts, the probability of the risks materializing and the controls in place to help mitigate their impact.

	Risks
1	The organization's financial self-sufficiency given the downward trend in financial margins per assignment and the delays in the Tariff Regulations approval process;
2	Lack of thorough monitoring procedures for accident follow-ups, recurrent training and assessments of pilots;
3	Delays in the installation of priority lighted buoys;
4	Potentially insufficient number of future pilots dues to projected annual increases in the number of assignments and the potential impact of risk studies;
5	Navigation efficiency because of delays attributable to pilots and ships and navigation restrictions;
6	Coordination between public organizations for the purposes of providing marine services;
7	Human resources: access to human resources with sufficient skills and expertise to carry out the organization's mandate, achieve its strategic priorities (leadership, safety) and handle its workload;
8	Implementation of safety measures by suppliers (pilot boarding);
9	Physical condition for pilots;
10	Accidents during pilot boarding (LPA pilot boats).

Several measures to mitigate these risks have been implemented throughout the LPA organization in order to:

- ensure safe pilotage services;
- preserve the Authority's image and reputation;
- achieve its strategic objectives; and
- maintain its financial self-sufficiency with the creation, among other things, of a $5-million treasury reserve.

The risks identified above will be mitigated by implementing additional safety and efficiency measures, controlling costs, development a human resources strategy, updating our regulations and carrying out required risk assessments.

Current Strategic Position - Assessment and Issues

ASSESSMENT OF FINANCIAL PERFORMANCE

During the 2014 fiscal year, the LPA expects a comprehensive income of about $0.9 million, which is $0.2 million more than the originally budgeted comprehensive income. This favourable variance is attributable to a slight decrease in administrative expenditures, compared with the budget estimates, and to the increased average size of ships. The total cumulative comprehensive income as at June 30, 2014 shows a loss of $0.1 million, resulting from the delay in obtaining authorization for its most recent tariff regulation in 2014 (which resulted in a revenue loss of approximately $225,000). The number of assignments as at June 30, 2014 (9,796) was 6.3% higher than that of the six-month period ending on June 30, 2013. This increase was partly due to the late installation of priority buoys in the spring because of severe weather conditions (ice). If one disregards the impact due to the late installation of buoys, the increase in the number of assignments would be about 2.0%. 22,169 assignments are now forecast in 2014, an increase of about 6.0% from 2013. The Authority is conservative in its financial projections in order to maintain its financial self-sufficiency. Moreover, a significant portion of the Authority's expenditures, i.e., pilotage expenses, varies in relation to its revenues.

STRATEGIC ISSUES

The LPA continues to take into account the uncertain economic conditions and the potential impact on its operations. The following paragraphs cover the strategic issues and take into consideration the commercial conditions and key risks that the LPA will face in the next five years and which will have an impact on the direction to be taken to manage those risks. In an update of this analysis, the following strategic issues were identified:

<u>Leadership role of the organization</u>: It is essential that the LPA fully meets its mandate and assumes its leadership role in the marine community with respect to pilotage and navigation safety issues within the pilotage areas under its jurisdiction.

<u>Financial flexibility</u>: Although it is still in a favorable financial position, the Authority has seen a downward trend in the past few years in its average profit margin per pilotage assignment.

Maintaining navigation safety: Navigational safety is a core component of the LPA's mandate and as such is committed to ensuring excellence and continuous improvement in this area and in the delivery of efficient pilotage services.

Ensuring efficiency and quality of service: Since the first requirement for ensuring the efficiency of pilotage services is to have an appropriate number of pilots on hand to provide the services, it is necessary to carry out a detailed analysis of requirements based on growth and estimates of marine traffic over several years. Another indicator of efficiency is the number of delays attributable to pilots and to ships.

Optimized use of human resources: The Authority's human resources are a key asset, it is therefore important that the organization align its resources with its operational priorities.

LEGISLATIVE ENVIRONMENT

The legal context in which the Authority delivers its services has remained relatively unchanged in the past few years. The only significant event was the decision handed down on February 6, 2014, by the Federal Court in connection with a liability suit related to the alleged wrongdoing of a Pacific pilot. The Court had to decide whether or not the pilot, whose certificate of competency issued by Transport Canada had expired, had maintained his qualifications as a "licensed pilot" within the meaning of the *Pilotage Act*. If the answer to this question had been no, the pilot would have lost the limitation of liability benefit provided for in the Act. However, the Court found that holding a certificate of competency was a requirement for obtaining the licence, but not for keeping the licence. The pilot therefore still had a licence at the time of the incident. This decision was informative, but it is not certain that the same ruling would have been made under the Authority's regulations. It should be noted that this decision has been appealed.

The LPA is also concerned about the increasing judicialization in the United States and Europe, and increasingly in Canada, of incidents that occur during pilotage assignments. Laws also make provision for greater criminal liability with heavier fines on the part of organizations and their representatives and administrators, particularly in environmental matters.

In the past few years, organizations have been adopting a new values and ethics approach. The federal government, which is concerned about this issue, has adopted legislation and policies that have an impact on the LPA's management, particularly the following: Ethical and Political Guidelines for Public Office Holders, the *Federal Accountability Act*, the *Conflict of Interest Act* and the *Public Servants Disclosure Protection Act*. Under the *Public Servants Disclosure Protection Act*, the Values and Ethics Code for the Public Sector applies to all LPA employees, and they have been given copies of the Code. The next step consists in consulting employees for the purposes of drafting a specific Code of Conduct for the organization. Under the Act, the LPA must adopt a Code that describes the specific behaviours required given the LPA's unique mandate and work environment. The LPA will also draft a summary of the Code in effect and its own values.

COMMERCIAL ENVIRONMENT

Depending on the economic analysis source consulted, the growth forecasts for Canada are positive owing to the weakness of the Canadian dollar, the unemployment and inflation rates that are under control, and the promising outlook arising from recent free trade agreements with the European Union and South Korea. Canada's forecast GDP growth rate will be within the 2.2%-2.4% range in 2014 and within the 2.5%-2.7% range in 2015 (based on Royal Bank of Canada and National Bank of Canada forecasts). For the Port of Montreal, the volume of containerized cargo (in metric tons) increased slightly by 0.7% during the first three months of 2014, compared with 2013, and the forecast compounded annual growth rate (CAGR) for containers between 2013 and 2018 (in millions of tons) will be 4.2%, while the CAGR for the liquid bulk category during the same period will be 13.7% (in millions of tons). The Authority expects to see the number of its assignments increase by 3.5% in 2015, and by 2% annually between 2016 and 2019.

GRAIN MARKET

Favourable weather conditions in Canada's Prairie provinces and in Ontario and Quebec in 2013 contributed to record harvests, resulting in a substantial inventory of cereals in the spring of 2014. It was predicted in the forecasts that harvested volumes would increase by 10% to 15% in 2013, compared with 2012, whereas the actual increase in volumes was 37%. A lack of coordination between rail carriers, grain terminal operators, farmers and port authorities created strong pressure to get surplus inventory moving on time, which, in turn, resulted in a favourable outlook in the short term for the marine transportation industry. For the time being, the forecast quantity of harvested Canadian wheat in 2014 is expected to be less than what it was in 2013. There is also an increase in exports of cereals with high nutritive value. Furthermore, the abolition of the Canadian Wheat Board's monopoly in August 2012 allows producers to sell their grain without going through the Board. Grain volumes and prices are therefore determined by the market. For the time being, opinions are divided about the impact of this structural change.

OIL MARKET

Crude oil prices vary regularly in response to uncertainties in international politics. A few factors within this market should be taken into consideration: Ultramar's Quebec City-to-Montreal pipeline, which has been operating since late 2012, has resulted in the termination of marine and rail transport between the Ultramar refinery in Lévis and the facilities in Montreal East. It was previously assumed that the operation of this pipeline would have an impact primarily on rail transport. In addition, the reversal of direction of the Enbridge pipeline from west to the east will bring Western Canadian oil to refineries in Montreal East and Quebec City in order to be refined for local use and for export. Consequently, for the LPA, there are positive and negative consequences for the marine transportation related to the oil market. There is a continuing trend towards larger ships in 2014, or at least there was up until June 30.

OTHER COMMERCIAL CONSIDERATIONS

The market continues to be sensitive to the sizes of container ships. The Port of Montreal can accommodate post-Panamax ships with a maximum width of 44.0 metres. Along the northeastern coast of the United States, capital investments continue to be made in the ports of South Carolina, which has implemented a 10-year, $1.3-billion plan to dredge the Port of Charleston. The Inland Port facilities are now completed. Like the ships navigating the St. Lawrence River, United States Eastern Seaboard ports (in the states of New York and New Jersey and in Norfolk, Virginia, and Charleston, South Carolina) are therefore seeking competitive advantages in order to serve the American Midwest market as quickly and as efficiently as possible. However, the risk of delays seems to be higher in some of these ports, compared with the Port of Montreal.

Because of the closing of steel mills, there has not been an increase in the volume of iron ore transported across the Great Lakes.

INTERNAL ANALYSIS

The Authority held its annual public meeting on May 15, 2014. It was attended by marine community representatives. The Vice-Chairperson of the Board of Directors and the Director of Finance and administration presented the achievements of the 2013 fiscal year, while the Chief Executive Officer covered the objectives for 2014.

The collective agreement of the dispatch and billing employees, represented by the Public Service Alliance of Canada, expired on June 30, 2013. Bargaining began in the spring of 2014 and will be continuing this fall. The bargaining process has been delayed, one of the reasons being the departure at the start of the summer of the union representative for this bargaining unit, who had attended the bargaining meetings. The collective agreement of the Les Escoumins pilot boarding station employees (captains and mechanics), represented by the Canadian Merchant Service Guild, expired on June 30, 2014, and bargaining is expected to begin in the fall of 2014.

The pilotage services contract with the Corporation of Lower St. Lawrence Pilots will expire on December 31, 2016, while the pilotage services contract with the Corporation of Mid St. Lawrence Pilots will expire on June 30, 2015.

With respect to the Authority's pension plan, all LPA employees are enrolled in the Public Service Pension Plan administered by the Government of Canada. The Authority is not required to make additional contributions to cover past service costs, funding deficits or actuarial deficiencies of the Public Service Pension Plan.

As for the Authority's tariff regulation, a 2.00% tariff increase is budgeted as of January 1, 2015 for each of the LPA's district. This increase is based on 2015 estimates of the Consumer Price Index (CPI) from certain major Canadian financial institution.

Given the high proportion of variable costs, the capacity to partially reduce these costs is very limited, and reductions in these expenditures could have a negative impact on the Authority's services and revenues, resulting in lower earnings.

MAINTAINING FINANCIAL SELF-SUFFICIENCY

Financial self-sufficiency can only be maintained by adequately controlling expenses and increasing revenues.

Given that pilot fees, salaries and benefits account for the majority of expenditures, a balanced budget can only be maintained by controlling these costs, even though a large proportion of them are variable.

With respect to revenues, a tariff increase of 2.00% for 2015 will be necessary to help maintain financial self-sufficiency. The tariff assumptions used for future years include minimum tariff increases to enable the LPA to maintain financial self-sufficiency. The Authority believes that its financial position during this period will be able to support this fee strategy.

AUDITING AND ACCOUNTABILITY REPORTING

The Authority has set up systems and practices to monitor its operations. Department heads ensure that these systems and practices are satisfactory and operational at all times. Managers report their activities to the Chief Executive Officer.

Quarterly financial reports are approved by the Board of directors' members and the Audit Committee. The Auditor General of Canada is the Authority's auditor by law.

The *Financial Administration Act* stipulates that, as a general rule, all Crown corporations must have internal audits of their operations conducted. In 2012, the LPA implemented a new internal audit program covering a three-year period.

Action Strategies and Performance Indicators

The following chart outlines the implementation strategies and performance indicators that the Authority adopted during the annual strategic planning process to achieve its strategic objectives and priorities.

Objectives	Means	Action Strategies	Performance Indicators	Timeline
Maintain financial self-sufficiency	Keep expenditures within budget.	Conduct monthly expenditure reviews (management).	Financial statements, budget report and monthly graph showing status of the operating results	Ongoing
	" "	Conduct quarterly reviews of revenues and expenditures (Audit Committee).	Comments submitted by Committee members and approval by the Board of Directors	Every quarter
	" "	Publish the Authority's annual report.	Performance indicators included in the annual report	March 31, 2015
	Monitor employee costs.	Renew collective agreements with the Public Service Alliance of Canada and the Canadian Merchant Service Guild while complying with cost containment measures.	New collective agreements	2014–2015
	Increase revenues by publishing fair and reasonable tariffs.	Draw up tariff regulations; hold consultations with clients.	Generation of additional revenue to create a $5-million cash reserve	2015
	Optimize costs arising from the ownership and operation of assets.	Maintain and replace assets in accordance with financial self-sufficiency criteria.	Achievement of necessary budget surpluses to enable the maintenance and replacement of assets	Ongoing

Objectives	Means	Action Strategies	Performance Indicators	Timeline
	Avoid bad debts.	Implement new credit strategies.	Bad debt expenses	Ongoing
	Analyze upcoming changes to the dispatch and billing software program.	Hold a meeting with the software program supplier, conduct a feasibility study and start development.	Improved performance and increased efficiency of the software program	2014–2015
Maximize efficiency, quality and safety by being attentive to user needs	Ensure that safe quality pilotage services are provided.	Review the training and evaluation program for pilots and apprentice pilots from the two pilot corporations.	Training courses. Incident rate kept below 0.10%	2014–2015
	" "	Reduce delays and causes of shortages of pilots.	Number of delays kept below 0.10% of assignments	2014–2015
	" "	Reduce delays attributable to clients.	Delay statistics	2014–2015
	" "	Improve the follow-up by the LPA when accidents occur.	Rate of incidents kept to below 0.10%	2014–2015
	" "	Complete the risk study on the safe duration of a voyage performed by a single pilot.	Analysis of study report and identification of possible measures	2014–2015

Objectives	Means	Action Strategies	Performance Indicators	Timeline
	" "	Initiate a risk study for District No. 3.	Analysis of study report and identification of possible measures	2015
	" "	Negotiate service contracts with the Corporation of Mid-St. Lawrence Pilots (2015) and the Corporation of Lower St. Lawrence Pilots (2016).	Attention to be given to quality of services and cost control	2015–2016
	Continue the internal review of LPA regulations.	Identify key provisions and hold consultations.	Draft of new LPA regulations discussed with stakeholders	2014–2015
	Use an approach based on risk management, navigation restrictions and safety rules.	Risk studies.	Conclusions reached in the studies	Ongoing
	Improve the level of communication and collaboration.	Place emphasis on collaboration and communication with partners.	Periodic meetings. Web site improvements	Ongoing 2014

Objectives	Means	Action Strategies	Performance Indicators	Timeline
	" "	Identify and assess elements where improvements to client services might be made.	Inventory of navigation restrictions and estimate of their economic impact. Discussions with stakeholders	2014–2015
	Maintain an appropriate number of pilots.	With the pilot corporations, carry out planning where marine traffic levels and pilot retirements are taken into account.	Analysis of requirements in terms of apprentice pilots	Ongoing
	Increase the efficiency and reliability of equipment, primarily pilot boats.	Continue implementing a preventive maintenance program for facilities (Les Escoumins wharf and equipment).	Major repairs and unexpected expenditures kept to a minimum	Ongoing
	Specify organizational requirements and promote a healthy organizational environment.	Complete the implementation of the Action Plan.	Action plan	2014–2015
	" "	Develop an HR strategy and other policies (training, performance reviews, complaint resolution, Code of Conduct).	Implementation of a strategy and these new policies	2014
	" "	Set up an Occupational Health and Safety Committee.	Occupational Health and Safety Committee	2014

Objectives	Means	Action Strategies	Performance Indicators	Timeline
	" "	Conduct a follow-up survey of the organizational environment.	Survey	2014–2015
	Ensure safe and quality pilot boarding services are provided for employees and passengers. Negotiate the terms of the funding for portable pilot units for Lower St. Lawrence pilots and for rate-of-turn equipment for Mid St. Lawrence pilots, as well as rate-of-turn equipment without compromising safety.	Update the operations manual for pilot boats. Develop strategies and hold discussions with the two pilot corporations.	Operations manual for pilot boats Agreement between the parties	Ongoing 2014–2015
Complying with Government of Canada policies	Promote good governance practices.	Work of the Governance and Human Resources Committee	Periodic review of charters of Board of Directors committees	Ongoing

Objectives	Means	Action Strategies	Performance Indicators	Timeline
Comply with Government of Canada policies	Update the Authority's risks, including financial risks.	Update the list of various risks. Draft and implement recommendations of the Les Escoumins audit.	Follow-up report	2014
	" "	Conduct an internal audit of billing and assignments depts.	Completion of the internal audit project	2014–2015
	Comply with cost containment measures introduced by the Treasury Board.	Monitor actual expenditures in relation to budgets for 2014 and subsequent years.	Dispatch and administrative expenditures	2012 and subsequent fiscal years
	Follow up on the recommendations of the 2013 Special Exam of the Authority by the Auditor General's Office.	Hold meetings and conduct internal analyses.	Implementation of recommendations	2014
	Contribute input to and submit a position on the Department of Transport's study of marine transportation and pilotage system efficiency, safety and governance.	Hold meetings and conduct internal analyses.	Production of a report or brief containing the LPA's comments and recommendations for submission to the committee	2014–2015

Financial Statements

ACTUAL 2013, FORECAST 2014 AND 2015-2019 BUDGET PERIOD

STATEMENT OF COMPREHENSIVE INCOME
($000's)

	ACTUAL	FORECAST	PLAN				
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Assignments	20 915	22 169	22 945	23 404	23 872	24 349	24 836
REVENUES							
Pilotage charges	77 961	83 683	88 350	91 519	94 691	97 931	101 216
Interest and other revenues	105	80	74	75	75	75	77
	78 066	83 763	88 424	91 594	94 766	98 006	101 293
DIRECT EXPENSES							
Pilot fees	62 824	67 534	71 635	74 611	77 588	80 646	83 578
Pilot boat operations	8 804	10 169	10 826	10 921	11 346	11 728	12 058
	71 628	77 703	82 461	85 532	88 934	92 374	95 636
GROSS PROFIT	6 438	6 060	5 963	6 062	5 832	5 632	5 657
ADMINSTRATIVE AND OPERATING EXPENSES							
Administration	3 013	3 174	3 093	2 910	2 928	2 917	3 107
Operations & Dispatch	1 913	1 963	2 424	2 469	2 272	2 363	2 396
	4 926	5 137	5 517	5 379	5 200	5 280	5 503
COMPREHENSIVE INCOME	1 512	923	446	683	632	352	154

STATEMENT OF FINANCIAL POSITION
($000's)

	ACTUAL	FORECAST	PLAN				
	2013	2014	2015	2016	2017	2018	2019
ASSETS							
Current							
Cash	3 748	3 940	3 365	3 741	5 459	6 307	7 481
Accounts receivables	9 585	9 760	10 315	10 714	11 072	11 471	11 873
Short-term investment	--	1 500	1 500	1 500	5 000	5 000	5 000
	13 333	15 200	15 180	15 955	21 531	22 778	24 354
Non-current							
Long-term investment	1 500	1 500	2 000	3 500	--	--	--
Property and equipment (net)	16 623	16 277	15 896	15 166	14 440	13 707	12 986
Intangible assets (net)	1 049	771	1 566	1 134	803	10 721	804
Total assets	32 505	33 748	34 642	35 755	36 774	37 557	38 144
LIABILITIES							
Current							
Accounts payable and occured liabilities	10 180	10 512	11 110	11 540	11 927	12 358	12 791
Non-current							
Employee benefits	457	445	295	295	295	295	295
Total liabilities	10 637	10 957	11 405	11 835	12 222	12 653	13 086
EQUITY							
Retained earnings	21 868	22 791	23 237	23 920	24 552	24 904	25 058
	21 868	22 791	23 237	23 920	24 552	24 904	25 058
Total liabilities and Equity	32 505	33 748	34 642	35 755	36 774	37 557	38 144
Working capital at year end	3 153	4 688	4 070	4 415	9 604	10 420	11 563

STATEMENT OF CHANGES IN EQUITY
($000's)

	ACTUAL	FORECAST	PLAN				
	2013	2014	2015	2016	2017	2018	2019
Retained earnings, beginning of the year	20 356	21 868	22 791	23 237	23 920	24 552	24 904
Comprehensive income for the year	1 512	923	446	683	632	352	154
Retained earnings, end of the year	21 868	22 791	23 237	23 920	24 552	24 904	25 058

STATEMENT OF CASH FLOW

($000's)

	ACTUAL	FORECAST	PLAN				
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
OPERATING ACTIVITIES							
Comprehensive income for the year	1 512	923	446	683	632	352	154
Non-cash items							
Amortization	800	940	1 148	1 252	1 082	1 207	1 009
Changes in long-term employee benefits and gain on disposal of capital assets	180	(7)	(150)	--	--	--	--
Decrease (increase) in receivables	(237)	(175)	(555)	(399)	(358)	(399)	(402)
Increase (decrease) in accounts payable	(2 498)	332	598	430	387	431	433
Cash flows for operating and non-operating activities	(243)	2 013	1 487	1 966	1 743	1 591	1 194
INVESTING ACTVITIES							
Additions to fixed assets, intangible assets and long-term investment	(2 871)	(1 821)	(2 062)	(1 590)	(25)	(743)	(20)
	(2 871)	(1 821)	(2 062)	(1 590)	(25)	(743)	(20)
CASH							
Change for the year	(3 114)	192	(575)	376	1 718	848	1 174
Balance, beginning of year	6 862	3 748	3 940	3 365	3 741	5 459	6 307
Balanc, end of year	3 748	3 940	3 365	3 741	5 459	6 307	7 481

Significant Accounting Policies

Please refer to the Laurentian Pilotage Authority's audited financial statements included in the 2013 Annual Report for a list of these Policies (pages 38 to 41 of the Report).

SENSIVITY ANALYSIS

Revenue collected from pilotage charges and the cost of pilotage services are directly related to the number of assignments, the number and dimensions of ships, hours of pilotage time and the draughts of ships. The Authority is planning tariff increases of between 1.40% and 2.00% (based on the Consumer Price Index) for the years from 2015 to 2019 in accordance with the LPA's financial obligations and the objective of maintaining financial self-sufficiency.

Revenue from and expenditures for pilot boats under contract are directly related to the number of pilot boarding services provided for ships; however, Dispatch Centre and administrative expenditures and costs are relatively fixed and do not vary according to the volume of services provided.

Revenue from pilot boats operated by the LPA in Les Escoumins is directly linked to projected expenditures at the Les Escoumins station, plus 4.80%.

The drafting of budget estimates (2015 to 2019) is based on the following key assumptions: estimated Consumer Price Index, estimated volume of marine traffic, pilotage fees of pilots, sizes and dimensions of ships and approval of new tariff increases for future years.

Any variation in one or more of these assumptions will result in a favourable or unfavourable change in the Authority's financial position. Each 1% variation in the tariff represents about $770,000 in revenue in 2015, whereas any 1% variation in the fees of pilots on contract represents a variation of about $720,000. This high percentage of variable costs gives the LPA substantial financial flexibility.

Pilot fees account for the majority of LPA expenditures and are the direct result of agreements negotiated by the two pilot corporations and the LPA.

Execution of the plan depends on the correctness of assumptions made during its preparation. Should the requested tariffs not be approved, the Authority may be unable to meet its contractual commitments, and thus an interruption of service may result.

2015 Capital Budget

Acquisition of Capital Assets and Capital Budget

($ 000' s)

	ACTUAL	BUDGET	FORECAST	PLAN				
	2013	2014	2014	2015	2016	2017	2018	2019
Wharf and road	101	--	200	-	-	-	-	-
Pilot Boat	234	--	--	200	-	-	-	-
Intangible assets	1 035	962	--	1 257	75	-	723	-
Waiting room, boarding station and others	1	190	122	105	15	25	20	20
	1 372	1 152	322	1 562	90	25	743	20