25 November, 2024

To Mr. Pierre-Luc Beauregard
Director, Finance Laurentian Pilotage Authority
999 De Maisonneuve Blvd. West, Suite 1410
Montreal, Quebec H3A 3L4
Email: pierre-luc.beauregard@apl.gc.ca

Dear Mr. Beauregard,

On behalf of the Shipping Federation of Canada, I would like to express our appreciation to the Laurentian Pilotage Authority (LPA) for the engagement and for providing a high-level detailed explanation regarding the rationale behind the proposed increases in service charges for 2025. While we acknowledge the Authority's efforts to clarify the reasons for these adjustments, we must respectfully raise concerns with a few items.

1. Financial Reserves

We note that the LPA believes it needs to increase its overall level of financial reserves to meets its risk and financial liability requirements. The 2025 proposed increase of 4% would allow the reserves to grow by $2.8 million to a new total of $10.4 million.

This represents a 36.8% increase to the reserves over a one-year period and it is the view of the Federation that this level of increase is excessive and unjustified and would create a significant financial burden to our members. If the reserve must be increased, it should only be done so in a more gradual way.

2. Capital Expenditures

The LPA forecasts capital expenditures of $800,000 for 2025, with further investments planned through 2029 aimed at maintaining asset viability and optimizing service offerings. However, the details surrounding these investments remain unclear. Specifically, there is insufficient information regarding the justification for these expenditures.

It is noted that the expected capex of $800,000 is not an excessively high level, with no major projects being planned.

3. Simulator Services and Optimized Pilotage

One area that requires further transparency is the LPA's investment in ship simulators. It is understood that the LPA's intent is to use the simulator "in the public interest" to improve pilotage services, However, in the several years of the simulator's existence there has been no demonstrated benefit to industry. Based on this fact, combined with lack of transparency on the very high capex and annual opex costs, the Federation must continue to object to the LPA continuing in this direction. More details are required to justify the expense.

The development of software to optimize ship transits on Saint -Lawrence River is a promising initiative. However, continued investment in this system through 2025 and beyond warrants closer scrutiny. What specific benefits will customers derive from these investments? And how does the current financial position of the LPA justify ongoing software development?

4. Transport Canada Administration Fee

Regarding the Transport Canada Administration Fee included in the 2025 tariff, we must reiterate our objection to passing these charges onto the industry. Neither Transport Canada nor the Authority has provided a clear breakdown of the costs associated with this fee. The lack of transparency and the decision to impose these charges leave us without a clear justification or tangible benefits. Furthermore, this raises ongoing concerns about potential duplication of efforts and costs.

Conclusion

In light of the concerns outlined above, we respectfully urge the Laurentian Pilotage Authority to reconsider the scope of the proposed pilotage charge increases. The excessive increase to the reserve funds (36%), combined with a relatively modest capex requirement do not justify such a large increase to users. lack of detailed justification and transparency surrounding the capital expenditure program calls for a more thorough review. While maintaining and improving service quality is paramount, it must be done so in a measured financial way. We appreciate the opportunity to submit these positions and trust the LPA will give them due consideration in alignment with the financial realities of the maritime industry.

Thank you for your time and consideration.

Sincerely,

Cédric Baumelle
Director, Marine Operations