

GREAT LAKES PILOTAGE ADVISORY COMMITTEE

Summary Record

July 23-24, 2014

**Coast Guard Headquarters
2703 Martin Luther King Jr. Ave. SE
Washington, DC 20593
Room 4R14-18**

On the call of the Sponsor, a meeting of the Great Lakes Pilotage Advisory Committee was held on July 23-24, 2014, at Coast Guard Headquarters in Washington, DC. This record is a summary of the meeting and transcript taken during the session and summarizes the committee's deliberations, conclusions, and actions. Documents are available for public inspection and printing online at www.facadatabase.gov.

The Great Lakes Pilotage Advisory Committee held a meeting on July 23-24, 2014 at Coast Guard Headquarters in Washington, DC at the request of the Sponsor. This meeting was called to obtain the Committee's input and feedback on ice operations for the closing of the 2013 and opening of the 2014 seasons, updating medical requirements to align with the regulation of Federal pilots, adding the Registered pilot endorsement to the Merchant Mariner Credential, discussion of revenue audits, proposed changes to the ratemaking methodology, billing for pilot boat operations, pilotage governance, improving recruitment and retention, and furthering training, education and professional development. Ultimately, the Committee forwarded 15 recommendations for consideration.

MEMBERS IN ATTENDANCE

Mr. John Tanner, Great Lakes Maritime Academy (Retired), Chairman
Capt. Dan Gallagher, Lakes Pilots' Association, Vice Chairman
Capt. John Boyce, St. Lawrence Seaway Pilots' Assoc.
Capt. Robert Krause, Western Great Lakes Pilots Association
Mr. Stuart Theis, U.S. Great Lakes Shipping Association
Mr. Tim Paurus, CHS, Inc.

WEDNESDAY, JULY 23, 2014

The transcript can be viewed at the public FEDERAL ADVISORY COMMITTEE ACT database:

www.facadatabase.gov

ADMINISTRATIVE SESSION

The meeting was opened by the Designated Federal Official, Mr. Rajiv Khandpur, in an administrative session. Mr. Tim Paurus was reappointed and sworn in to represent the viewpoint of shippers whose cargoes are transported through Great Lakes ports. This can be found on page 5 of the transcript.

APPROVAL OF MINUTES

The minutes of the September 17, 2013 meeting were approved without discussion. This can be found on page 17 of the transcript.

OPENING AND INTRODUCTIONS OF GREAT LAKES PILOTAGE ADVISORY COMMITTEE MEMBERS

The Great Lakes Pilotage Advisory Committee meeting convened at 10:00 a.m. The Designated Federal Official opened the meeting with introductions of all who were present and gave a review of the agenda. Mr. Khandpur then turned the meeting over to Chairman John Tanner. This can be found on page 30 of the transcript.

ICE OPERATIONS: CLOSING OF 2013 AND OPENING OF 2014 SEASONS

Commander Keith Ropella made a presentation regarding ice breaking operations associated with the 2013 opening of the Seaway. Commander Ropella discussed how the Coast Guard responded to the exceptional ice levels, the priorities for icebreaking, and the measures they took to get vessel traffic moving. Coordination with the Canadian Coast Guard ensured all available assets were utilized. Questions regarding these operations were addressed and discussed. This can be found on Page 31 of the transcript. Commander Ropella's presentation is attached as Appendix 1.

Captain Dan Gallagher began discussion of the queueing system used by the Coast Guard to allocate the order of vessels that traveled in groups of five behind Coast Guard or Canadian ice breakers. Some of the factors discussed contributing to delays included the size of the convoys, the mix of vessels in the convoys, double pilotage on vessels transiting Lake Superior, and the slow transits. These factors slowed vessel traffic though the District 3. Large numbers of vessels were waiting in Port Huron and Detour. A lengthy discussion followed, with the Committee forwarding a recommendation for Coast Guard consideration. The discussion begins on Page 55 of the transcript.

Recommendation:

Recommend the establishment of a systematic allocation in the queues based on a mix of vessel flags, class and the cargoes onboard. Include the pilots on the morning ice conference calls.

Measure passed.

THE GREAT LAKES PILOTAGE MANAGEMENT SYSTEM (KLEIN)

Mr. David Dean, Coast Guard Office of Waterways Management, Great Lakes Pilotage Division, provided an update on this system. Canada is upgrading the system to put into operation for the 2016 shipping season. US Coast Guard is investigating joining that effort. Advantages of the planned changes were discussed. This can be found on Page 59 of the transcript.

GENERAL REGULATIONS: ALIGNMENT OF MEDICAL STANDARDS AND EXAMINATION

Mr. Frank Levesque gave an update on the efforts of the Coast Guard to align the medical standards for Registered Pilots with those of Federal Pilots. The proposed discussions will address the matter of different visual acuity standards and align the requirement of what practitioners can perform or certify physical examinations. Mr. Levesque responded to questions. This discussion begins on page 106 of the transcript.

Mr. Levesque explained the differences in the current process for testing Registered and Federal pilots. Changes discussed by the Coast Guard would have examinations proctored at Regional Exam Centers by Coast Guard personnel. Questions and discussion followed. This discussion begins on page 111 of the transcript.

REGISTERED PILOT CREDENTIALS

Mr. Levesque provided an update on the Coast Guard is working with the National Maritime Center to change the current process to have the Registered Great Lakes Pilot credential included in the Merchant Mariner Credential. Questions were answered and discussion followed. A recommendation was forwarded to the Coast Guard. The update begins on page 111 of the transcript.

Ms. Traci Siles spoke about the function and responsibility of an Advisory Committee. This begins on page 129 of the transcript.

Recommendation:

Recommend:

- **Align medical standards and any future amendments between Great Lakes and Federal pilots**
- **Transfer Great Lakes Pilotage Registered Pilot Credential issuance to the National Maritime Center**
- **Proctor Director's exam by Association Presidents**

Measure passed.

REQUIRED REPORTING

BILLING DISPUTES AND SURCHARGES

Mr. David Dean provided handouts and explained the formal process required for adjudicating billing disputes. This can be found in the transcript on Page 148. The billing dispute process handout is attached as Appendix 2.

Mr. Dean went on to explain the second handout which showed a chart for tracking surcharges. He described how the tracker is currently being used on a trial basis in District 1. In this case, the discussion was about a current surcharge that District 1 is receiving to recoup the cost of training received by pilots in the association. Questions about how the tracker is used and its effectiveness were answered by Captain Boyce and Mr. Dean. This discussion can be found on page 149 of the transcript. The surcharge tracker handout is attached as Appendix 3.

OPERATIONAL REPORTING

“6 HOUR RULE”

The Committee requested that Mr. Todd Haviland begin briefing about operational reporting. Reporting of non-availability within the required time limitations, known as the “6 Hour Rule,” was thoroughly discussed and a recommendation provided for consideration. This discussion begins on Page 159 of the transcript.

Recommendation:

Recommend CG provide a form/e-form for notification of non-availability of a pilot within the required timeframe. This form should include the anticipated availability of a pilot.

Measure passed.

ACCIDENT REPORTS

Mr. Haviland was asked to discuss reporting accidents. Mr. Haviland explained that accidents are required to be reported by the pilot involved. An agent for the pilot cannot make this report. Mr. Haviland explained the procedure. This discussion begins on page 166.

REVENUE AUDITS

Mr. David Dean spoke briefly about the revenue audits the Coast Guard is conducting. Expense audits that are required once every five years were added to the discussion. The Committee forwarded a recommendation for consideration. This discussion begins on Page 173 of the transcript.

Recommendation:

Recommend Coast Guard conduct annual revenue audits in conjunction with expense audits.

Measure passed.

The Committee recessed for lunch.

REMARKS

RDML Paul Thomas was invited the address the Committee. RDML Thomas thanked the Committee and pointed out that the events that occurred due to the conditions during the opening of the 2014 shipping season demonstrated how critical the work of pilotage on the Great Lakes is to the United States and Canada. The remarks begin on page 181 of the transcript.

Mr. Gary Rasicot was invited to address the Committee. Mr. Rasicot expressed appreciation for the attendance of the Committee. Mr. Rasicot remarked on the amount of time the current rulemaking process takes and suggested options for changing it. The remarks begin on page 185.

PROPOSED CHANGES TO THE RATEMAKING METHODOLOGY

INFLATION

Upon resuming, Mr. Todd Haviland distributed a handout which indicated the progression of his brief. Mr. Haviland stressed adjusting the Appendix A audit process and need to work to simplify the rulemaking process and make it more transparent to provide stable and predictable rates. This handout is attached as Appendix 4.

Mr. Haviland briefed the issues regarding setting pilotage rates in order to provide reasonable revenue for pilot associations and for industry to pay. Mr. Haviland expressed the goal of making the process transparent and effective. Mr. Haviland asked for input on changing the methodology of ratemaking to include inflation. Members thoroughly discussed the impact of inflation and the process, goals and ratemaking in general. A recommendation was forwarded by the Committee for consideration. This discussion begins on page 188 of the transcript.

Recommendation:

Recommend accounting for the proper years of inflation with regard to operating expenses.

Measure passed.

DETERMINING REQUIRED PERSONNEL FOR PILOTAGE

Mr. Haviland addressed the work completed to determine a method for determining the adequate number of pilots required to provide safe, efficient and reliable service in each district. Many possible factors to be conserved were discussed. Bridge hours was mentioned. Both accounting for the time necessary for association presidents to administer their organizations as part of the equation to establish the number for pilot strength and factoring in seasonal workload were all thoroughly discussed and a recommendation provided to the Coast Guard. This discussion begins on page 200 of the transcript.

Recommendation:

Recommend incorporating a seasonal workload standard to determine the number of pilots that are needed to provide safe, efficient and reliable service per district instead of using the 1000/1800 bridge hour standard.

Measure passed.

INVESTMENT BASE

Mr. Haviland requested the Committee consider eliminating the steps used to establish the investment base from the methodology. Mr. Haviland explained that the current method is confusing, cumbersome, and has minimal impact to the final rate resulting in a recommendation to the Coast Guard for consideration. Discussion of rate of return on investment begins on page 237 of the transcript.

Recommendation:

Recommend eliminating the steps associated with the investment base, target return on investment and adjustment determination.

Measure passed.

PROJECTION OF DEMAND

Mr. Haviland continued with the next item on the handout which was consideration of the requirement in the current methodology to use projected future traffic based on previous traffic projections. The Committee forwarded a recommendation for consideration by the Coast Guard. Discussion begins on page 254 of the transcript.

Recommendation:

Recommend using historic traffic data to project future demand.

Measure passed.

The committee took a break.

MULTI-YEAR RATES

Mr. Haviland spoke about the legislative requirement of a fixed date every year for establishing rates. Mr. Haviland suggested that the Committee consider the establishment of multi-year rates as a possible alternative. Mr. Haviland answered questions about the possible mechanics and likely impact of this change. A recommendation to the Coast Guard was forwarded for consideration. This discussion begins on page 258 of the transcript.

Recommendation:

Recommend establishing the ability to set multi-year rates if a base pilot compensation rate is established with the use of necessary surcharges.

Measure passed.

BILLING SCHEME

Mr. Haviland asked the Committee to consider the billing scheme. Members discussed the possible impact of re-baselining the root of the billing scheme and begin to use that as a start for creating more stability to compensation. The Committee agreed to table this issue and give members an opportunity to develop a recommendation. Discussion begins on page 274 of the transcript.

PILOT COMPENSATION

Mr. Haviland requested that the Committee consider the benchmarks used for target pilot compensation. Using union contracts is currently required. Canadian pilot compensation was suggested as a possible standard for establishing a new baseline. A very robust discussion of target pilot compensation continued to the end of session. Tabling this issue was suggested. Members agreed to consider this matter and readdress it in the next session. Discussion begins on page 322 of the transcript.

Motion to adjourn passed.

The meeting was adjourned at 1633.

THURSDAY, JULY 24, 2014

The meeting reconvened the next morning at 0909.

BILLING SCHEME

The Committee returned to the tabled discussion of re-baselining the billing scheme, culminating in a recommendation from the Committee. The discussion begins on page 5 of the transcript.

Recommendation:

Recommend the current scheme be re-baselined moving forward so that the current scheme will produce sufficient revenue.

Measure passed.

PILOT COMPENSATION

The Committee returned to the tabled discussion of pilot compensation. Mr. Quick presented compensation numbers based on deep sea master contracts with which he was familiar. The Committee presented a motion recommending that pilot compensation be set at \$295,000 but the measure failed to accumulate enough votes to be forwarded to the Coast Guard. The Discussion begins on page 15 of the transcript.

APPROPRIATE LEVEL OF PROFIT TO INCLUDE IN THE RATE

The Committee discussed whether or not a profit should be included in the ratemaking structure for the associations. Arguments were fielded both for and against the measure, arguing the need for working capital against the idea of a guaranteed profit at the expense of the shipping industry. The Committee forwarded a recommendation to the Coast Guard for consideration. Discussion begins on page 48 of the transcript.

Recommendation:

Recommend using the previous year's high grade corporate security rate to operating expenses in order for the associations to earn a profit.

Measure passed.

DISTRICT 3 OPERATIONS

Mr. Krause presented plans for capital investment in District 3, as well as the Association's plan to hire additional pilots. The discussion of District 3 operations turned to the US/Canadian revenue split under the current Memorandum of Arrangements. Mr. Gallagher and Mr. Boyce both endorsed the use in District 3 of the numbering system currently in place in their districts. The Committee forwarded a recommendation to the Coast Guard. Discussion begins on page 66 of the transcript.

Recommendation:

Recommend Coast Guard & District 3 explore using a numbering system for traffic in their area.

Measure passed.

CROSS-TRAINING OF PILOTS

Mr. Haviland asked the pilots and industry representatives to discuss the potential merits and drawbacks of a pilot cross-training program to enhance surge capacity across the Great Lakes. Mr. Belzile suggested that the undesignated waters would be an ideal area for surge capacity, however the pilot presidents disagreed, arguing that pilots must maintain proficiency in a designated local area. The discussion begins on page 76.

COMPULSORY PILOTAGE FOR YACHTS

Mr. Haviland began a discussion seeking input from the committee on the requirements for pilotage on yachts in the Great Lakes. The difference between US and Canadian law was highlighted; the Committee recommended that the Coast Guard seek to align with Canada. The discussion begins on page 87 of the transcript.

Recommendation:

Recommend Coast Guard [recommend] legislative change to coincide with Canadian regulations for compulsory pilotage for yachts.

Measure passed.

DISTRICT 1 DOCK REPAYMENT

Mr. Boyce presented that the Association was \$21,000 short in repayment for the new dock because he believes the rate did not recoup the full cost of the dock. He maintains that sufficient revenue was not generated to cover their approved expenses. The discussion also focused on the need for revenue audits to independently confirm the pilot association numbers. The consensus of the committee, as specifically stated in the transcript, was that the committee believes District 1 should be fully repaid for their investment in the dock but did not specify a means or a timeframe. No recommendation was forwarded. The discussion begins on page 107.

DISTRICT 2 PILOT BOAT AT DETROIT

Mr. Gallagher began a discussion of the District 2 pilot boat at Detroit. He talked about the need for a boat to replace the Westcott at the change point and also plans for financing the vessel. Mr. Gallagher agreed to further discussions with industry regarding the boat and the financing. The discussion begins on page 124.

DISTRICT 3 PILOT BOAT AT SAULT STE. MARIE

Mr. Krause began a discussion of the District 3 pilot boat at Saulte Ste. Marie. Mr. Krause discussed the challenges of locating a dock or even land to construct a dock above the Soo Locks. Currently, the pilot boat traverses through the lock en route to the change point at Buoy 33. District 3 plans to locate or construct a dock above the Soo Locks and also acquire a new shallow draft pilot boat that would work well in the shallow waters above the locks. Mr. Krause also agreed to further conversations with industry concerning procurement of the dock and boat. The discussion begins on page 145.

WORKING RULES

Mr. Levesque began a discussion of pilot association working rules. Discussions included expectations of what should be in the working rules to the appropriate method for reviewing and approving the working rules, as well as the need to periodically revisit them. The discussion begins on page 165 of the transcript.

MANDATORY CHANGE POINTS

Mr. Levesque also discussed the regulations concerning mandatory change points and pilot rest. Specifically, the focus was on the need for rest after completion of an assignment as stated in the regulations. This discussion begins on page 185 of the transcript.

RECRUITMENT AND RETENTION

Mr. Boyce began the discussion concerning the challenges of recruiting and retaining pilot talent to the Great Lakes. The steps for creating a fully registered pilot were discussed as well as the unique functions and challenges of registered pilots on the Great Lakes. The discussion produced a recommendation from the Committee. This discussion begins on page 196 of the transcript.

Recommendation:

With the intent of addressing the unique pilot attraction and retention crisis on the Great Lakes, we recommend the Coast Guard take a serious look at pilot compensation and recuperative rest (scheduled time off for the purpose of fatigue mitigation).

Measure passed.

TRAINING AND PROFESSIONAL DEVELOPMENT

Mr. Boyce began the discussion by providing an overview of his association's training plan and their five year training cycle. The other pilot associations and various stakeholders also discussed the merits of a planned training rotation. The discussions

resulted in a recommendation from the Committee. This discussion begins on page 240 of the transcript.

Recommendation:

We recommend the Coast Guard continue to foster an environment conducive to pilot professional development and continuing education.

Measure passed.

MEETING ADJOURNED AT 1444.

DRAFT