

hour standard for designated and undesignated waters should be in each of the three Districts. It will explore issues such as whether the bridge hour standard should include hours associated with delay, detention, cancellation, and travel time.

The findings of the Bridge Hour Study could cause the Coast Guard to modify the current bridge hour standard. Any significant modification in the bridge hour standard would, in turn, have a significant effect on the rate for 2003 under the existing methodology. The Coast Guard considered holding up the ratemaking process until the results of the Bridge Hour Study were available and the Coast Guard made any subsequent modifications to the bridge hour standard. Militating against this approach however, were the results of the Coast Guard's annual and five-year audits, that indicated that the 2003 season would see a substantial adjustment in the rates. Ultimately, the Coast Guard concluded that because it projected a substantial rate adjustment for 2003, it should not delay the process, but should have the new rate

published before the beginning of the new season. Accordingly, the Coast Guard intends to issue an interim rule on or before February 14, 2003, to be effective March 15, 2003, in time for the new season.

Once it completes its evaluation of the Bridge Hour Study, the Coast Guard intends to issue a final rule that incorporates any appropriate modifications to the bridge hour standard along with any corresponding modification in pilotage rates. The Coast Guard will provide notice of any proposed changes and solicit and consider public comments, as well as input from the Great Lakes Pilotage Advisory Committee, before issuing its final rule.

What Is the Coast Guard Proposing in This Rulemaking?

We propose to change the pilotage rates for waters treated in 46 CFR 401.405, 401.407, and 401.410 as follows:

If you require pilotage in:	The rate would:
Area 1 (Designated)	Increase 23%.

TABLE A.—DISTRICT ONE

	Area 1 St. Lawrence River	Area 2 Lake Ontario	Total District One
Step 1, Projection of operating expenses	\$315,253	\$284,253	\$559,506
Step 2, Projection of target pilot compensation	\$1,040,742	\$734,562	\$1,775,304
Step 3, Projection of revenue	\$1,105,233	\$629,149	\$1,734,382
Step 4, Calculation of investment base	\$50,000	\$50,000	\$100,000
Step 5, Determination of target return on investment	7.04%	7.04%	7.04%
Step 6, Adjustment determination	\$1,356,243	\$1,019,063	\$2,375,306
Step 7, Adjustment of pilotage rates	1.23 (+23%)	1.62 (+62%)	1.37 (+37%)

TABLE B.—DISTRICT TWO

	Area 4 Lake Erie	Area 5 South- east Shoal to Port Huron, MI	Total District Two
Step 1, Projection of operating expenses	\$312,726	\$497,445	\$810,171
Step 2, Projection of target pilot compensation	\$612,135	\$1,214,199	\$1,826,334
Step 3, Projection of revenue	\$705,015	\$1,461,069	\$2,166,084
Step 4, Calculation of investment base	\$89,734	\$140,353	\$230,087
Step 5, Determination of target return on investment	7.04%	7.04%	7.04%
Step 6, Adjustment determination	\$925,306	\$1,712,340	\$2,637,646
Step 7, Adjustment of pilotage rates	1.31 (+31%)	1.17 (+17%)	1.22 (+22%)

TABLE C.—DISTRICT THREE

	Area 6 Lakes Huron and Michigan	Area 7 St. Mary's River	Area 8 Lake Superior	Total District Three
Step 1, Projection of operating expenses	\$616,292	\$462,219	\$462,219	\$1,540,730
Step 2, Projection of target pilot compensation	\$1,224,270	\$693,828	\$856,989	\$2,775,087
Step 3, Projection of revenue	\$1,540,306	\$1,119,819	\$1,030,693	\$3,690,818
Step 4, Calculation of investment base	\$111,668	\$83,752	\$83,752	\$279,172
Step 5, Determination of target return on investment	7.04%	7.04%	7.04%	7.04%
Step 6, Adjustment determination	\$1,841,115	\$1,156,463	\$1,319,623	\$4,317,201

If you require pilotage in:	The rate would:
Area 2	Increase 62%.
Area 4	Increase 31%.
Area 5 (Designated)	Increase 17%.
Area 6	Increase 20%.
Area 7 (Designated)	Increase 3%.
Area 8	Increase 28%.

We also propose to increase the pilotage rates for the "Cancellation, delay or interruption in rendering services" and "Basic rates and charges for carrying a U.S. pilot beyond normal change point or for boarding at other than the normal boarding point" in 46 CFR 401.420 and 401.428, respectively, by 25 percent—the average rate change for all districts.

Discussion of Methodology

This proposed rulemaking follows the methodology detailed in 46 CFR part 404, Appendix A, including the step-by-step five-year ratemaking calculations contained in Appendix A. We summarize these calculations in the following tables (and explain them in more detail afterwards):