

DISTRICT THREE

| | Area 6 Lakes Huron and Michigan | Area 7 St. Mary's River | Area 8 Lake Superior | Total District Three |
|--|---------------------------------------|----------------------------|-------------------------|-------------------------|
| Projection of operating expenses | \$616,292 | \$462,219 | \$462,219 | \$1,540,730 |

Step 2.A: Determination of Target Rate of Compensation

For pilots providing service in undesignated waters, the target rate of compensation is approximately the average yearly compensation earned by first mates on U.S. Great Lakes vessels. Effective August 1, 2002, according to the American Maritime Officers Union (AMOU), the average yearly compensation is \$122,427. This rate covers wages and benefits, which comprises work days, vacation pay, weekend pay, holiday pay, bonuses, clerical pay, medical and pension benefits.

For pilots providing services in designated waters, the target rate of compensation is calculated as 1.5 times the yearly salary of a first mate plus benefits, $(1.5 \times 100,944 = \$151,416)$ (Yearly Salary) + \$22,041 (Benefits) = \$173,457 (Pilot Target Compensation effective August 1, 2002).

The Coast Guard adopted this method of calculating the rate because it most accurately achieves the stated goal of

approximating the salary of a Great Lakes Master. This method is the same method we used in the final rule establishing rates in 1997 (62 FR 5917 (February 10, 1997)) and again in 2001 (66 FR 36484 (July 12, 2001)).

Effective August 1, 2002, the daily contractual rate of wages for first mates is \$207.70. We multiply the daily rate by 54 days (30.5 work days, 15 vacation days, 4 weekend days, 1.5 holidays, and 3 bonus days) to determine the monthly rate for undesignated waters. This monthly rate is then multiplied by 1.5 to determine the monthly rate for designated waters (monthly rate for undesignated waters $\times 1.5$ = monthly rate for designated waters). Only then is the cost of benefits (pensions, health care, and clerical support) added to the monthly rates for both undesignated and designated waters. These figures are then multiplied by 9 to yield total yearly target pilot compensation. The calculation goes as follows: the daily rate of wages specified in the first mates' union contract, effective August 1, 2002,

is \$207.70. The daily rate is then multiplied by 54 to determine the monthly rate, \$11,216. Added to this figure are the monthly costs of first mates' clerical support, \$126; health benefits, \$1,748; and their pension, \$513. The monthly total of wages and benefits comes to \$13,603. This figure is then multiplied by 9 to yield a total target pilot compensation for undesignated waters of \$122,427.

For designated waters, the monthly rate of wages, calculated above, is multiplied by 1.5, totaling \$16,824. To this figure, we add the monthly cost of a masters' clerical support, \$188; the monthly health benefits, \$1,748; and the monthly cost of their pension benefits, \$513. The monthly total of wages and benefits now comes to \$19,273. This figure is then multiplied by 9, to yield a total target pilot compensation for designated waters of \$173,457.

The table below summarizes how the total target pilot compensation is determined for undesignated and designated waters:

| Monthly component ¹ | Monthly (First Mate) pilots on undesignated waters | Monthly (Master) pilots on designated waters |
|--|---|---|
| \$207.70 (Daily Rate) \times 54 (Days) | \$11,216 | |
| \$207.70 (Daily Rate) \times 54 \times 1.5 | | \$16,824 |
| Clerical | 126 | 188 |
| Health ² | 1,748 | 1,748 |
| Pension ³ | 513 | 513 |
| Monthly Total | 13,603 | 19,273 |
| Monthly Total \times 9 Months | 122,427 | 173,457 |

¹ For the purposes of the 2002 rate review, pilots are assumed to work 180 man days a year for a total of 270 days for both health and pension benefits (180 working days a year/60 = 3, 3 \times 30 = 90 extra days of payments; 180 working days + 90 days of extra payments = 270 days of payments).

² Health benefits are \$15,372 a year, or \$1,748 a month for nine months (270 paid days a year \times \$58.26 a day worked = \$15,372 of compensation/9 months = \$1,748 a month.)

³ Pension benefits are paid at the same proportion as the health benefits, though at a daily rate of \$17.09. Using the same methodology as for the health benefits, yearly pension benefits are \$4,608 a year, or \$513 a month for nine months (270 paid days a year \times \$17.09 a day worked = \$4,608 a year; \$4,614 a year/9 months = \$513 a month.)

Step 2.B: Determination of Number of Pilots Needed

The number of pilots needed in each area is determined by dividing the projected bridge hours, excluding delay and detention hours for each area, by the targets for each area *i.e.*, 1,000 hours in designated waters and 1,800 hours in

undesignated waters. Projected bridge hours are based on the vessel traffic that pilots are expected to serve. The Director projects that bridge hours for the 2003 season will be the same as or comparable to the totals of 2001.

Dividing the projected annual number of bridge hours per area by the target

number of bridge hours per pilot determines the number of pilots required in each area to service vessel traffic.