

Pilotage area	Projected 2003 bridge hours	Divided by bridge-hour target	Pilots required
Area 1	5,407	1,000	5.4
Area 2	6,130	1,800	3.4
Area 4	8,298	1,800	4.6
Area 5	6,395	1,000	6.4
Area 6	19,016	1,800	10.5
Area 7	4,320	1,000	4.3
Area 8	12,354	1,800	6.9

The following bullets list the number of pilots, by area, the Director has authorized for the 2003 navigation season:

- Area 1: Six pilots.
- Area 2: Six pilots.
- Area 4: Five pilots.
- Area 5: Seven pilots.
- Area 6: 10 pilots.
- Area 7: Four pilots.
- Area 8: Seven pilots.

In authorizing the number of pilots for each pilotage area, the Director has rounded up the number of pilots required in Areas 1, 2, 4, and 5, from the above table, for Districts One and Two to insure adequate pilot availability. Furthermore, the Director has approved

two additional pilots for Area 2 for a total of six pilots to equal the number of Canadian pilots assigned to Lake Ontario. This is necessary to ensure pilotage assignments are divided equally between the United States and Canada, as specified in the Memorandum of Arrangements between the Secretary of Transportation of the United States and the Minister of Transport of Canada.

In District Three, however, the Director has rounded down the number of pilots in Area 7 (designated waters) to four and rounded down the total number of pilots required in the undesignated waters of Areas 6 and 8

(10.5 + 6.9 = 17.4) to 17 because District Three employs additional contract pilots to cover surges in vessel traffic during the navigational season.

Step 2.C: Projection of Target Pilot Compensation

Target pilot compensation for each pilotage area is determined by multiplying the target compensation for each area by the number of pilots in each area (*i.e.*, six pilots are required in Area 1, target compensation for the designated waters of Area 1 is \$173,457, $6 \times \$173,457 = \$1,040,742$). The results for each pilotage area are summarized below:

DISTRICT ONE

	Area 1 St. Lawrence River	Area 2 Lake Ontario	Total District One
Projection of target pilot compensation	\$1,040,742	\$734,562	\$1,775,304

DISTRICT TWO

	Area 4 Lake Erie	Area 5 Southeast Shoal to Port Huron, MI	Total District Two
Projection of target pilot compensation	\$612,135	\$1,214,199	\$1,826,334

DISTRICT THREE

	Area 6 Lakes Huron and Michigan	Area 7 St. Mary's River	Area 8 Lake Superior	Total District Three
Projection of target pilot compensation	\$1,224,270	\$693,828	\$856,989	\$2,775,087

Step 3.A: Projection of Revenue

The economic slowdown that began in 1999 has steadily precipitated a significant decline in Seaway traffic during the 2001 navigation season. The most notable sign was a downturn in consumer demand for durable goods, which caused a reduction in the flow of imported steel. This combined with a poor grain harvest in the Midwest and Canada resulted in the lowest cargo volumes on the Great Lakes since 1993.

Short-term prospects for trade are not very encouraging considering the imposition of steel tariffs of up to 30 percent in March of this year, and preliminary shipping data for the 2002 navigation season already suggests that traffic could decline further. Therefore, for the purposes of this NPRM, the Director is projecting that pilotage revenue and bridge hours for the 2003 navigation season will be comparable to those of 2001. This is being done with

the understanding that this projection will be adjusted as necessary in a final rule to account for 2002 data (revenue and bridge hour study) when they become available in late January 2003.

The Coast Guard published a final rule on July 12, 2001, that amended rates for pilotage services on the Great Lakes. That rule increased the rate in District One, Area 1 by 4 percent; increased the rate in Area 2 by 17 percent; increased the rate in District