

## DISTRICT TWO

	Area 4 Lake Erie	Area 5 Southeast Shoal to Port Huron, MI	Total District Two
Projection of operating expenses .....	\$365,292	\$446,468	\$811,760

## 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 .....	\$739,550	\$292,739	\$508,441	\$1,540,730

## Step 2: Projection of Target Pilot Compensation

(1) The second step in the ratemaking methodology is to project the amount of target pilot compensation that pilotage rates should provide in each area. This step consists of the following phases: a. Determination of the target rate of compensation; b. Determination of the number of pilots needed in each pilotage area; and

c. Multiplication of target compensation by the number of pilots needed to project target pilot compensation needed in each area. Each of these phases is detailed below.

## Step 2.A. Determination of Target Rate of Compensation

(1) Target pilot compensation for pilots providing services in undesignated waters approximates the average annual compensation for first mates on U.S. Great Lakes vessels. The average annual compensation for first mates is determined based on the most current AMOU contract, and includes wages and benefits received by first mates.

(2) Target pilot compensation for pilots providing services in designated waters approximates the average annual compensation for masters on U.S. Great

Lakes vessels. It is calculated as 150 percent of the compensation earned by first mates on U.S. Great Lakes vessels. Based on detailed information provided by commentators, the Great Lakes Pilotage Office has consistently calculated this by multiplying the first mates' salary by 150 percent and adding benefits since this is the best approximation of the average annual compensation for masters.

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

Monthly component	Monthly (First mate) pilots on undesignated waters	Monthly (master) pilots on designated waters
\$207.70 (Daily Rate) $\times$ 44 (Days) .....	\$9,139	N/A
\$207.70 (Daily Rate) $\times$ 44 $\times$ 1.5 .....	N/A	\$13,709
Clerical .....	126	188
Health .....	1,748	1,748
Pension .....	513	513
Monthly total .....	11,526	16,158
Monthly total $\times$ 9 months .....	103,743	145,422

## Step 2.B. Determination of Number of Pilots Needed

(1) The number of pilots needed in each area of designated waters is established by dividing the projected bridge hours for that area by 1,000. Bridge hours are the number of hours a pilot is aboard a vessel providing basic pilotage service.

(2) The number of pilots needed in each area of undesignated waters is established by dividing the projected bridge hours for that area by 1,800.

(3) In determining the number of pilots needed in each pilotage area, the Coast Guard is guided by the results of the calculations in steps 2.A. and 2.B. However, the Coast Guard may also find it necessary to make adjustments to these numbers to ensure uninterrupted pilotage service in each area, or for other reasonable circumstances that the Coast Guard determines are appropriate.

(4) Projected bridge hours are based on the vessel traffic that pilots are expected to serve. The Coast Guard

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.

(5) The following table shows the calculation of pilots needed:

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