Congressional Review

This regulation is not a major rule as defined in 5 U.S.C. 804.

Executive Orders 12866 and 13563—Regulatory Impact Analysis

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if the regulation is necessary, to select the regulatory approaches that maximize net benefits (including potential economic, environmental, public health, and safety effects; distributive impacts; and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. While there are some costs associated with these regulations, they are not economically significant as defined under Executive Order 12866. However, the regulation is significant and has been reviewed by Office of Management and Budget.

The regulation change will benefit recipients that have been financially impacted by an emergency event and are unable to meet their matching cost requirement, as required by the grant award. It would reduce the financial burden to recipients that need a waiver to provide the 20 percent cost share. To the extent that this final rule results in transfers, they will not exceed the threshold for economic significance because the total funding level for the program is below the threshold. Also, there is no cost to the agency other than the administrative time that it would take to review and if approved, process the waiver request.

January Contreras, Assistant Secretary of the Administration for Children and Families, approved this document on January 24, 2023.

List of Subjects in 45 CFR Part 1336

Disaster assistance, Emergency preparedness, Native Americans, Public health.

Dated: February 22, 2023.

Xavier Becerra,

Secretary, Department of Health and Human Services.

For the reasons stated in the preamble, we amend 45 CFR part 1336 as follows:

PART 1336—NATIVE AMERICAN PROGRAMS

■ 1. The authority citation for part 1336 continues to read as follows:

Authority: 42 U.S.C. 2991 *et seq.*

■ 2. Amend § 1336.50 by revising paragraphs (b)(2) and (3) to read as follows:

§ 1336.50 Financial and administrative requirements.

* * * * *

(b) * * *

(2) *Application.* If an applicant or recipient wishes to request a waiver of the requirement for a 20 percent non-Federal matching share, the following conditions must be met:

(i) If an applicant for an initial award or an applicant for a non-competing continuation award anticipates that it will be unable to meet the cost-sharing or matching requirement, the applicant may request a waiver of the 20 percent non-Federal matching share. It must include with its application for funding, the submission of a revised SF424A, a written justification that clearly explains why the applicant cannot provide the matching share including the amount of non-Federal share to be waived, and how it meets the criteria indicated in paragraph (b)(3) of this section. For an applicant for an initial award, or an applicant seeking a non-competing continuation award, a request for a waiver must be submitted at the time of the initial application or non-competing continuation (NCC) application.

(ii) If a recipient is unable to contribute part or all of the required non-Federal matching share during a budget period due to an emergency situation such as a natural disaster, man-made disaster, act of terrorism, public health emergency, or other qualifying event, the recipient may request a waiver of all or part of the requirement for a 20 percent non-Federal matching share specified under paragraph (b)(1) of this section. Any requests for an emergency waiver may be submitted at any time during a budget period as soon as the adverse effect is known to the recipient and must be submitted in accordance with the requirements specified in paragraph (b)(3) of this section.

(3) *Criteria.* Both of the following criteria must be met for an applicant or recipient to be eligible for a waiver of the non-Federal matching requirement:

(i) Applicant or recipient lacks the available resources to meet part or all of the non-Federal matching requirement. This must be documented by an institutional audit if available, or a full disclosure of applicant's or recipient's total assets and liabilities.

(ii) Applicants or recipients can document that reasonable efforts to obtain cash or in-kind contributions for the purposes of the project from third parties have been unsuccessful, including evidence and the results of such attempts. Evidence of such efforts can include letters from possible sources of funding or any relevant correspondence, indicating that the requested resources are not available for that project. The requests must be appropriate to the source in terms of project purpose, applicant eligibility, and reasonableness of the request.

* * * * *

[FR Doc. 2023–03994 Filed 2–24–23; 8:45 am]

BILLING CODE 4184–34–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

46 CFR Part 401

[Docket No. USCG–2022–0370]

RIN 1625–AC82

Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology

AGENCY: Coast Guard, DHS.

ACTION: Final rule.

SUMMARY: In accordance with the statutory provisions enacted by the Great Lakes Pilotage Act of 1960, the Coast Guard is issuing new base pilotage rates for the 2023 shipping season. This rule adjusts the pilotage rates to account for changes in district operating expenses, an increase in the number of pilots, and anticipated inflation. These changes, when combined, result in a 16-percent net increase in pilotage costs compared to the 2022 season.

DATES: This final rule is effective March 29, 2023.

ADDRESSES: To view documents mentioned in this preamble as being available in the docket, go to *www.regulations.gov,* type USCG–2022–0370 in the search box and click ''Search.'' Next, in the Document Type column, select ''Supporting & Related Material.''

FOR FURTHER INFORMATION CONTACT: For information about this document call or email Mr. Brian Rogers, Commandant, Office of Waterways and Ocean Policy—Great Lakes Pilotage Division (CG–WWM–2), Coast Guard; telephone 410–360–9260, email *Brian.Rogers@uscg.mil,* or fax 202–372–1914.

SUPPLEMENTARY INFORMATION:

Table of Contents for Preamble

I. Abbreviations

AMOU American Maritime Officers Union
APA American Pilots' Association
BLS Bureau of Labor Statistics
CFR Code of Federal Regulations
CPA Certified public accountant
CPI Consumer Price Index
DHS Department of Homeland Security
Director U.S. Coast Guard's Director of the Great Lakes Pilotage
ECI Employment Cost Index
FOMC Federal Open Market Committee
FR Federal Register
GLPA Great Lakes Pilotage Authority (Canadian)
GLPAC Great Lakes Pilotage Advisory Committee
GLPMS Great Lakes Pilotage Management System
LPA Lakes Pilots Association
NAICS North American Industry Classification System
NPRM Notice of proposed rulemaking
OMB Office of Management and Budget
PCE Personal Consumption Expenditures
§ Section
SBA Small Business Administration
SLSPA Saint Lawrence Seaway Pilotage Association
The Act The Great Lakes Pilotage Act
U.S.C. United States Code
WGLPA Western Great Lakes Pilots Association

II. Executive Summary

In accordance with Title 46 of the United States Code (U.S.C.), Chapter 93,[1] the Coast Guard regulates pilotage for oceangoing vessels on the Great Lakes and St. Lawrence Seaway—including setting the rates for pilotage services and adjusting them on an annual basis for the upcoming shipping season. The shipping season begins when the locks open in the St. Lawrence Seaway, which allows traffic access to and from the Atlantic Ocean. The opening of the locks varies annually, depending on waterway conditions, but is generally in March or April. The rates, which for the 2023 season range from $410 to $876 per pilot hour (depending on which of the specific six areas pilotage service is provided), are paid by shippers to the pilot associations. The three pilot associations, which are the exclusive U.S. source of registered pilots on the Great Lakes, use this revenue to cover operating expenses, maintain infrastructure, compensate apprentice and registered pilots, acquire and implement technological advances, train new personnel, and provide for continuing professional development.

In accordance with statutory and regulatory requirements, the Coast Guard employs the ratemaking methodology introduced in 2016. Our ratemaking methodology calculates the revenue needed for each pilotage association (operating expenses, compensation for the number of pilots, and anticipated inflation), and then divides that amount by the expected demand for pilotage services over the course of the coming year, to produce an hourly rate. This is a 10-step methodology to calculate rates, which is explained in detail in the ''Discussion of Methodological and Other Changes'' in section V of the preamble to this rule.

As part of our annual review, the Coast Guard is issuing a full ratemaking and establishing new pilotage rates for 2023 based on the existing 10-step ratemaking methodology. The Coast Guard conducted the last full ratemaking 5 years ago, in 2018 (83 FR 26162, June 5, 2018). Per Title 46 of the Code of Federal Regulations (CFR), section 404.100(a), in this final rule, the Coast Guard's Director of the Great Lakes Pilotage (''the Director'') is establishing base pilotage rates via a full ratemaking pursuant to §§ 404.101 through 404.110. The Coast Guard sets base rates to meet the goal of promoting safe, efficient, and reliable pilotage service on the Great Lakes by generating sufficient revenue for each pilotage association to reimburse its necessary and reasonable operating expenses, fairly compensate trained and rested pilots, and provide appropriate funds to use for improvements. A 10-year average is used when calculating traffic to smooth out anomalies in traffic caused by unexpected events, such as those caused by the COVID–19 pandemic. The Coast Guard estimates that this rule results in $5,172,200 of additional costs.

Based on the ratemaking model discussed in this final rule, the Coast Guard is establishing the rates shown in table 1.

[1] 46 U.S.C. 9301–9308.

TABLE 1—CURRENT AND 2023 PILOTAGE RATES ON THE GREAT LAKES

Area	Name	Final 2022 pilotage rate	Final 2023 pilotage rate
District One: Designated	St. Lawrence River	$834	$876
District One: Undesignated	Lake Ontario	568	586
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI	536	601
District Two: Undesignated	Lake Erie	610	704
District Three: Designated	St. Mary's River	662	834
District Three: Undesignated	Lakes Huron, Michigan, and Superior	342	410

This rule affects 56 U.S. Great Lakes pilots, 6 apprentice pilots, 3 pilot associations, and the owners and operators of an average of 285 oceangoing vessels that transit the Great Lakes annually. This rule is not economically significant under Executive Order 12866 and will not affect the Coast Guard's budget or increase Federal spending. The estimated overall annual regulatory economic impact of this rate change is a net increase of $5,172,200 in estimated payments made by shippers during the 2023 shipping season. This final rule establishes the 2023 yearly compensation for pilots on the Great Lakes at $424,398 per pilot (a $25,132 increase, or 6.29 percent, over their 2022 compensation). Because the Coast Guard must review, and, if necessary, adjust rates each year, the Coast Guard analyzes these as single-year costs and does not annualize them over 10 years. Section VIII of this preamble provides the regulatory impact analyses of this rule.

III. Basis and Purpose

The legal basis of this rulemaking is 46 U.S.C. Chapter 93,[2] which requires foreign merchant vessels and United States vessels operating ''on register'' (meaning United States vessels engaged in foreign trade) to use United States or Canadian pilots while transiting the United States waters of the St. Lawrence Seaway and the Great Lakes system.[3] For U.S. Great Lakes pilots, the statute requires the Secretary to ''prescribe by regulation rates and charges for pilotage services, giving consideration to the public interest and the costs of providing the services.''[4] The statute requires that rates be established or reviewed and adjusted each year, no later than March 1.[5] The statute also requires that base rates be established by a full ratemaking at least once every 5 years, and, in years when base rates are not established, they must be reviewed and, if necessary, adjusted.[6] The Secretary's duties and authority under 46 U.S.C. Chapter 93 have generally been delegated to the Coast Guard.[7]

The purpose of this rule is to issue new pilotage rates for the 2023 shipping season. The Coast Guard believes that the new rates will continue to promote our goal, as outlined in 46 CFR 404.1, of promoting safe, efficient, and reliable pilotage service in the Great Lakes by generating for each pilotage association sufficient revenue to reimburse its necessary and reasonable operating expenses, fairly compensate trained and rested pilots, and provide appropriate funds to use for improvements.

IV. Discussion of Comments and Changes

In response to the notice of proposed rulemaking (NPRM) for this ratemaking (87 FR 52870, August 30, 2022) the Coast Guard received six comment submissions. These submissions include one comment filed jointly by the Lakes Pilots Association, the Saint Lawrence Seaway Pilotage Association, and the Western Great Lakes Pilots Association (the Great Lakes Pilots' comment); one filed jointly by the Shipping Federation of Canada, the American Great Lakes Ports Association, and the United States Great Lakes Shipping Association (collectively, the Coalition); one from the president of the St. Lawrence Seaway Pilots' Association (SLSPA); one from the president of the Lakes Pilots Association (LPA); one from the president of the Western Great Lakes Pilot Association (WGLPA); and one from an individual who did not provide an affiliation to any stakeholder. As each of these commenters touched on numerous issues, for each response below, the Coast Guard notes which commenter raised the specific points addressed. In situations where multiple commenters raised similar issues, the Coast Guard provides one response to those issues.

A. Great Lakes Pilotage Ratemaking Methodology

The Coalition recommended that the Coast Guard define what the term ''necessary and reasonable'' means. In 46 CFR 404.2(b), the Coast Guard lists criteria to recognize an expense item as necessary and reasonable. In general, necessary and reasonable operating expenses are those with a clear business reason to operate the pilotage pool or provide pilotage, and for which the cost is consistent with market conditions and not excessive, to ensure safe and reliable pilotage service to foreign-flag vessels.

The Coalition recommended the addition of a line-by-line review of the previous year's operating expenses in order to better shape future projections of operating expenses. The Coast Guard disagrees with this recommendation because the recommendation is already in place and conducted by both the Coast Guard and an independent third party. The Coast Guard's current practice is to receive yearly financial statements in April of each year from each district and compare them to the previous year's expenses. For transparency, we place the financial statements on the Coast Guard's Office of Waterways and Ocean Policy—Great Lakes Pilotage Division website so the public can also look at these documents.[8] The Coast Guard also hires an independent accounting firm to conduct, in conjunction with the Coast Guard, extensive reviews of the pilot association's financial information, including but not limited to variance analysis of previous operating expenses, which enables the Coast Guard to determine the necessity and reasonableness of association expenses. This practice was reviewed by the Government Accountability Office in 2019 and was deemed a best practice

[2] 46 U.S.C. 9301–9308.

[3] 46 U.S.C. 9302(a)(1).

[4] 46 U.S.C. 9303(f).

[5] *Id.*

[6] *Id.*

[7] DHS Delegation No. 00170.1 (II)(92)(f), Revision No. 01.3. The Secretary retains the authority under Section 9307 to establish, and appoint members to, a Great Lakes Pilotage Advisory Committee.

[8] Financial statements can be found at *https://www.dco.uscg.mil/Our-Organization/Assistant-Commandant-for-Prevention-Policy-CG-5P/Marine-Transportation-Systems-CG-5PW/Office-of-Waterways-and-Ocean-Policy/Office-of-Waterways-and-Ocean-Policy-Great-Lakes-Pilotage-Div/*.

when developing rates, as it keeps the Coast Guard impartial.

The Coalition recommended a reevaluation of the framework for pilotage operation in ''designated'' and ''undesignated'' waters. The Coast Guard does not have the authority to accommodate this recommendation. The Great Lakes Pilotage Act (''the Act'') created the designated and undesignated categories for the System. In undesignated waters, the United States- or Canadian-registered pilot must be onboard and available to the master. In designated waters, the pilot must be on the bridge and direct the navigation of the vessel. Through the Act, Congress bestowed the authority to classify these waters onto the President of the United States. Such designation can be accomplished only by Executive order or Presidential proclamation, which the Coast Guard has no authority to issue, and would only oppose if the change compromised maritime safety.

The Coalition recommended that the Coast Guard make the compensation level of individual pilots available to the public. The Coast Guard disagrees with this recommendation. Compensation of individual pilots is not included in the expense base or methodology, and, therefore, we decline to add a regulatory requirement for pilot associations to publicly report the compensation of individual pilots. The Coast Guard does not use the actual earnings or average earnings; instead, target pilot compensation is used (described in Step 4 of the existing methodology), which the Coast Guard has determined to be reasonable and necessary. Because actual salary values are not used in the ratemaking, the Coast Guard believes that a requirement to report pilot compensation is not in the public interest or necessary to provide for the costs of services. Progress toward pilot retention can be reviewed through pilot turnover and the association's ability to promptly fill pilot vacancies for fully registered pilots and apprentice pilots.

The Coalition recommended that the Coast Guard include an additional layer of review in the methodology by taking an annual look back at the actual revenues and comparing it with the previous year's projections for accuracy. The Coast Guard acknowledges the utility of such an exercise and already has a process during which we take the financial statements that are submitted annually by each District under 46 CFR 401.320(d)(4) and compare the actual revenue reported with the projected revenue from the previous year's rate.

Any substantial difference between actual and projected revenue is a result of incorrectly predicting vessel traffic or average vessel weight. The Coast Guard uses a ten-year moving average to predict traffic, which has been demonstrated to be sufficiently accurate over time while also providing a measure of rate stability that pilots and shippers alike can rely on.[9] No commenter has provided a more accurate methodology to predict traffic.

While we acknowledge the value of looking back on the accuracy of recent projections, such analysis is not as simple as comparing one number to another. First, our estimates for projected needed revenue are based on 3-year-old expense data, which means the analysis may not be as accurate as it would be if it were based on real-time expense data. This delay is out of the Coast Guard's control, as we must wait for the numbers to be audited before we receive them. Second, there is a necessary offset in comparing the realized revenues because they have to match the earlier year, when the base of expenses occurred. Lastly, there is prevailing inflation that occurs between when expenses are realized and then put into the ratemaking, and when we receive the realized revenue figure to compare back. These factors can cause minor differences between the projected and actual revenue figures and would need to be included in a discussion on the accuracy of past projections.

The Coast Guard is amenable to including a discussion of the already existing ''look back'' exercise into its ratemaking process and would welcome feedback on where and how to do this. The Coast Guard encourages the Coalition to bring this matter up at the next advisory committee meeting, so we can see exactly how they would like this added to the methodology.

B. The Staffing Model

The WGLPA made the recommendation that the Coast Guard amend the final rule to reflect four apprentice pilots. The Coast Guard disagrees with this recommendation. District Three currently has 20 full member pilots along with 5 apprentice pilots. According to our records, two apprentice pilots will become fully registered pilots at the beginning of the year. When these 2 apprentice pilots become full members, that will bring the number to 22 full member pilots. The WGLPA does not have any additional trainees or apprentice pilots in its training program and did not provide the names of any expected hires for the Coast Guard to consider adjusting this number. If the District would like to add an additional apprentice pilot to their roster for 2023, the matter can be discussed with the Director prior to the opening of the 2023 shipping season.

The WGLPA commented that it has six pilots assigned to the designated area and requested that the Coast Guard adjust the rate to reflect six pilots, not the five pilots currently implemented in the rate. The Coast Guard disagrees. The Coast Guard is willing to evaluate potential adjustments based on specific delays or safety concerns in the designated area of District Three, but the commenter did not provide any supporting documentation for last year or this year demonstrating that the current split between designated and undesignated pilots in the staffing model is causing delays or safety concerns in the system. The Coast Guard did not see a significant enough change in bridge hours to justify the addition of a sixth pilot.

The LPA made the comment, that they will have 16 registered pilots and 1 trainee pilot in District Two for the 2023 shipping season, as opposed to the 2 apprentice pilots listed in the NPRM. The Coast Guard agrees with this comment. Based on reviews from the apprentice pilot training evaluations for 2022, one of the two apprentice pilots finished the apprentice program more rapidly than anticipated. Because of this, the Coast Guard has determined that District Two will have 16 registered pilots and only 1 apprentice pilot at the beginning of the 2023 shipping season and will adjust the numbers in the rate accordingly.

The LPA, WGLPA, and SLSPA all recommended that the staffing model increase the number of pilots in their districts. The Coast Guard agrees with this comment and is amenable to addressing the current staffing model further. A decision is necessary regarding which changes will be implemented to reflect the correct number of pilots needed in the staffing model in order to conduct safe and continuous pilotage service. The Coast Guard will discuss this issue with stakeholders throughout the year and at

[9] *See Am. Great Lake Ports Assn.* v. *United States Coast Guard,* 443 F. Supp. 3d 44, 64 (D.D.C. 2020), holding that ''the Coast Guard made an intentional choice to use a wider window for calculating the traffic average in order to minimize volatility. Although the agency acknowledged that using a ten-year moving average meant that in 2018, Plaintiffs would have to pay more than they would have had the Coast Guard used a three-year moving average, the agency determined that the ten-year average was nonetheless preferable in order to smooth out historically observed spikes in traffic data. That was a rational choice, even if the traffic data included data from the period of the last recession.'' The Court also cited ''data [that] clearly support[ed] the Coast Guard's decision to use a ten-year moving average in order to prevent 'dramatic swings' in rates from year to year.'' *Am. Great Lake Ports Assn.,* 443 F. Supp. 3d at 65.

the next GLPAC meeting so that this issue is resolved for the next ratemaking.

The SLSPA commented that they will need three additional trainee pilots for the 2023 season to safely and reliably meet the future traffic demand in District One. The Coast Guard agrees to the addition of three trainee pilots. This addition does not have any impact on this ratemaking because the districts are reimbursed for trainee pilot expenses, via the rate, 3 calendar years after the expenses are incurred in Step 1 of the methodology. The Coast Guard understands that changes to the staffing model will need to be incorporated in the 2024 ratemaking in order to accommodate these potential pilots in future rates. The Coast Guard will discuss this issue with stakeholders throughout the year and at the next GLPAC meeting so that this issue is resolved for the next ratemaking.

C. 2023 Great Lakes Pilotage Rate

The Coalition commented on the rate, stating that rates are too high, landing Great Lakes pilots within the wealthiest 2 percent of Americans. The Coast Guard does not find this comment to be relevant to the proposed rates established by this rulemaking. The commenter provided no supporting documentation. The Coast Guard suggests that the commenter provide supporting documentation at a future GLPAC meeting or submit supporting documentation for further consideration.

The WGLPA requested an explanation for the ''Director's Adjustments—Applicant Surcharge Collected'' number in table 27 of the NPRM. The Coast Guard placed a Director's adjustment of $122,539 in the NPRM and final rule. This number, $105,668.60, was derived from surcharges collected from vessel trips between April 6, 2020, and December 9, 2020, and $16,870.58, summed from vessel trips before April 6, 2020. The Coast Guard did not authorize these surcharges.

D. Cruise Line Traffic

The commenters were almost unanimously concerned about an explosion of cruise vessel traffic on the Great Lakes and the resulting impact on pilot demand. The Coast Guard recognizes that a blossoming cruise ship sector is of concern to all Great Lakes stakeholders and considered the concerns of each commenter in this arena. Each commenter urged the Coast Guard to stay abreast of this issue and to address it in the staffing model sooner rather than later.

The Coast Guard understands the importance of this issue and has already begun studying the growth of the cruise sector traffic. At the September 13, 2022, GLPAC meeting, the Coast Guard addressed the issue of cruise ship traffic with Great Lakes stakeholders. Among the issues discussed was a recognition that the staffing model, which is based on pilot assignment cycle hours, may not be as helpful when vessels such as cruise ships have a different calculus of their movement.[10] For example, cruise ships holding hundreds of passengers will be less tolerant of delays than a typical shipping vessel and will also have scheduled delays while passengers visit port city attractions. Another issue is that because of the novelty of the sector, lack of historic data, and COVID–19 preventing any cruise ship traffic in 2020 and 2021, our 10-year moving average does not capture very much cruise ship traffic, which could result in a systemic error.

The experts at GLPAC, having recognized these deficiencies, ultimately recommended that the Director use his discretion to accommodate cruise line traffic demand, irrespective of the current staffing model ceiling, if no changes to the model or ratemaking methodology itself are viable this year.

The Coast Guard is committed to addressing this new demand but will not make changes to the staffing model without the ''robust analysis'' called for by GLPAC.[11] The Coast Guard will collaborate with GLPAC to gather more definitive pilot hour data for the cruise ship sector, including ship assignment and bridge hour numbers for cruise ships in each District. We acknowledge that this is a sector that could be a permanent factor in the Great Lakes, and we are committed to finding a reasonable solution to increased pilot demand without disregarding this year's statutory deadline. In addition to the Coast Guard's future efforts, we encourage stakeholders to work together, as there may be solutions to this issue outside of this ratemaking process.

In the meantime, the Director will use his discretion, as recommended by GLPAC, to take measures to accommodate demand in the 2023 season. Such measures may include hiring contract pilots or allowing retired pilots to return to work on a temporary basis. The Coast Guard encourages stakeholders to gather relevant data before the next meeting of the GLPAC, which will be announced in the **Federal Register**.

E. Fair Business Practices

One commenter opposed the rate increase on the basis that it forces hiring a Coast Guard pilot, is creating a monopoly, and is bad for business. The Coast Guard disagrees. The Coast Guard does not and has never employed Coast Guard pilots for any trade, as the commenter suggests. The Coast Guard has no authority in determining market structures. In 46 U.S.C. 9302, Congress requires vessels to employ United States or Canadian registered pilots. The Coast Guard is only responsible for providing clear and timely regulations, policy, and direction to the affected population.

F. Temporary Pilot Services

The LPA requested recuperation of operating expenses related to wages paid to a retired pilot, which they needed on a temporary registration to meet demand surges. The Coast Guard agrees with the recommendation and finds this is a necessary and reasonable cost related to the costs of providing pilotage. In addition, at the most recent GLPAC meeting, on September 13, 2022, the appointed members unanimously agreed that this expense should be an allowable operating expense. The Coast Guard posted a summary of the GLPAC meeting minutes, titled, ''GLPAC Sept 13, 2022, Meeting Memorandum for the Record USCG'' to the rulemaking docket, USCG–2022–0370, on September 20, 2022. A subsequent ''GLPAC Sept 13, 2022, Meeting Memorandum for the Record v2,'' posted on October 3, 2022, made unrelated corrections to Coast Guard statements and replaced the original September 20, 2022, version. The ''Memorandum for the Record'' summarizes the GLPAC discussion and approval of the temporary pilot wages as an operating expense. The Coast Guard plans to issue guidelines regarding the reimbursement of temporary registered pilot costs.

The GLPAC consists of the three pilot association presidents and four additional members representing the ports, vessel operators, shippers, and labor organizations, who all concurred with adding this expense to meet the shipping demands for timely service. The expenses associated with the hiring of a temporary pilot in the operating expenses are included in this

[10] See discussion on pages 4–5 of the Memorandum For the Record of the Sept. 13, 2022 GLPAC Meeting. The transcript is available in the docket at *https://www.regulations.gov/document/USCG-2022-0370-0018.*

[11] See discussion on pages 43–54 of the GLP Advisory Committee Sept. 1, 2021 Meeting Minutes, available online at *https://www.regulations.gov/document/USCG-2022-0370-0009.*

ratemaking, in Step 1 of the methodology.

G. Bridge Hours

The WGLPA made a comment that the number of hours for District Three ''Time on Task'' should be amended to reflect 3,520 hours in their designated area in 2020, 23,678 hours in their undesignated area in 2020, 2,516 hours in their designated area in 2021, and 18,286 hours in their undesignated area for 2021. The Coast Guard agrees with this comment. Previous figures, extracted from the data the Coast Guard received, was inaccurate. The Coast Guard has detailed this difference in trips in the ''SeaPro Sept 27 2022 Error Conversation Memorandum for the Record'', which can be found at *www.regulations.gov/document/USCG-2022-0370-0019.* After reviewing the updated numbers, the Coast Guard agrees to incorporate the commenter's submitted numbers into the rulemaking.

V. Discussion of Methodological and Other Changes

The Coast Guard is using the existing ratemaking methodology for establishing the base rates in this full ratemaking. The Coast Guard is not issuing any methodological or other policy changes to the ratemaking within this final rule.

According to 46 U.S.C. 9303(f), and restated in 46 CFR 404.100(a), the Coast Guard must establish base rates by a full ratemaking at least once every 5 years. The Coast Guard determined that the current base rate and methodology still adequately adheres to the Coast Guard's goals of safety through rate and compensation stability, while promoting recruitment and retention of qualified U.S. registered pilots. The Coast Guard has made several changes to the ratemaking over the last several years in consideration of the public interest and the costs of providing services. The recent changes and their impacts are summarized as follows.

In the 2017 ratemaking (82 FR 41466, August 31, 2017), the Coast Guard modified the methodology to account for the additional revenue produced by the application of weighting factors (discussed in detail in Steps 7 through 9 for each district, in section VII of this preamble).

In the 2018 ratemaking (83 FR 26162, June 5, 2018), the Coast Guard adopted a new approach in the methodology for the compensation benchmark, based upon United States mariners rather than Canadian working pilots.

In the 2020 ratemaking (85 FR 20088, April 9, 2020), the Coast Guard revised the methodology to accurately capture all costs and revenues associated with Great Lakes pilotage requirements and produce an hourly rate that adequately and accurately compensates pilots and covers expenses.

The 2021 ratemaking (86 FR 14184, March 12, 2021) changed the inflation calculation in Step 4, § 404.104(b) for interim ratemakings, so that the previous year's target compensation value is first adjusted by actual inflation value using the Employment Cost Index (ECI). That change ensures that the target pilot compensation reimbursed to the association remains current with inflation and competitive with industry pay increases.

The 2022 ratemaking (87 FR 18488, March 30, 2022) implemented an apprentice pilot wage benchmark in Steps 3 and 4 to provide predictability and stability to pilot associations training apprentice pilots. The 2022 final rule also codified rounding up the staffing model's final number to ensure the ratemaking does not undercount the pilot need presented by the staffing model and association circumstances.

Table 2 summarizes the changes between the 2023 Ratemaking NPRM and this final rule.

TABLE 2—CHANGES BETWEEN PROPOSED RULE AND FINAL RULE

Change	Reasoning
Revise number of pilots in District Two from 15 to 16 and adjust apprentice pilots from 2 to 1.	District Two reported that one of their two apprentice pilots listed in the NPRM would become a fully registered pilot for the 2023 season.
Correct traffic data for District Three to reflect discrepancy in the assignment of bridge hours to designated and undesignated areas.	District Three commented that the hours listed in Step 7 were incorrect and provided a corrected sheet of traffic hours, which correctly attribute hours between the designated and undesignated areas. See further details below.
Update inflation figures • Updates 2021 Employment Cost Index (ECI) inflation from 5.1%, listed in the NPRM, to 5.7%. • Updates 2022 Personal Consumption Expenditures (PCE) inflation from 2.7%, listed in the NPRM, to 4.3%. • Updates 2023 PCE inflation from 2.3%, listed in the NPRM, to 2.7%.	More recent figures were published since the Coast Guard conducted the analysis for the NPRM.

Using the corrected traffic data for 2020, the Coast Guard removed 34 trips from District Three that occurred before March 24, 2020 (the opening of the 2020 season). The Coast Guard identified eight incorrectly specified trips with errors or missing data in the ''Area'' and/or ''District'' columns.[12] With these corrections, the total bridge hours decreased by 500 hours for the undesignated areas and decreased by 162 hours for the designated areas. Similarly, for 2021, the Coast Guard removed 19 trips that occurred before March 21, 2021 (the opening of the 2021 season) and identified 12 incorrectly specified trips with errors or missing data in the ''Area'' and/or ''District'' columns. The 2021 total bridge hours increased by 67 hours for the undesignated areas and decreased by 68 hours for the designated area. Table 3 shows the difference between the published figures for bridge hours in Step 7 and the updated figures used for this final rule.

[12] The ''Area'' column is a written description either as Lake (undesignated) or River (designated), while ''District'' is the numerical Area, six, seven, or eight. An example of an incorrect specification was a trip described as Lake in the ''Area'' column, and area seven in the ''District'' column, meaning it was listed as simultaneously designated and undesignated.

TABLE 3—CHANGES TO STEP 7 BRIDGE HOURS FROM PROPOSED RULE TO FINAL RULE

	Previously published		Updated		Difference	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
2020	24,178	3,682	23,678	3,520	−500	−162
Average	21,106	2,930	21,056	2,914	−50	−16
2021	18,219	2,584	18,286	2,516	67	−68
Average	21,327	3,021	21,284	2,998	−43	−23

Further, the Coast Guard updated Step 8, ''Average Weighting Factor by Area'' to reflect the changes in the number of transits by vessel class in each area. This includes corrections to the 8 incorrectly specified trips in 2020, the 12 incorrectly specified trips in 2021, and the general corrections from the change in bridge hours in the updated data provided by District Three. Table 4 details the changes by area and vessel class for both 2020 and 2021 which will be used in this final rule. The Coast Guard will not otherwise publish a correction to the previously published 2020 data used in the 2022 ratemaking.

TABLE 4—CHANGES TO STEP 8 FROM PROPOSED RULE TO FINAL RULE

Area/vessel class	Number of transits		
	Previously published	Updated	Difference
Area 6—Undesignated			
Class 1 (2021)	7	8	1
Class 2 (2020)	395	332	−63
Class 2 (2021)	261	273	12
Class 3 (2021)	7	5	−2
Class 4 (2020)	413	339	−74
Class 4 (2021)	312	356	44
Area 7—Designated			
Class 1 (2020)	16	15	−1
Class 1 (2021)	12	15	3
Class 2 (2020)	250	218	−32
Class 2 (2021)	128	131	3
Class 3 (2020)	4	1	−3
Class 4 (2020)	385	336	−49
Class 4 (2021)	299	258	−41
Area 8—Undesignated			
Class 1 (2021)	4	5	1
Class 2 (2020)	239	180	−59
Class 2 (2021)	96	124	28
Class 3 (2020)	2	1	−1
Class 4 (2020)	456	265	−191
Class 4 (2021)	182	319	137

These refinements to the methodology continue to promote safe, efficient, and reliable pilotage service on the Great Lakes, and allow each pilotage association to generate sufficient revenue to cover its necessary and reasonable operating expenses, fairly compensate trained and rested pilots, and realize an appropriate revenue to use for improvements.

VI. Individual Target Pilot Compensation Benchmark

The Coast Guard is issuing the target pilot compensation benchmark in this ratemaking at the target compensation for the ratemaking year 2022, adjusted for inflation. In a full ratemaking year, per 46 CFR 404.104(a), the Director determines a base individual target pilot compensation using a compensation benchmark in consideration of relevant currently available non-proprietary information. The Director may make necessary and reasonable adjustments to the benchmark if circumstances require. The compensation benchmark will be used in Step 4 of the existing methodology. In the following interim year ratemakings, the base target pilot compensation will be adjusted annually in accordance with § 404.104(b). How the Coast Guard arrived at this compensation benchmark is explained below.

Prior to 2016, the Coast Guard based the compensation benchmark on data provided by the American Maritime Officers Union (AMOU) regarding its contract for first mates on the Great Lakes. However, in 2016, the AMOU elected to no longer provide this data to the Coast Guard. In the 2016 ratemaking (81 FR 11907, March 7, 2016), the Coast Guard used the average compensation for a Canadian pilot plus a 10-percent adjustment. The shipping industry challenged the compensation benchmark, and the court found that the Coast Guard did not adequately support the 10-percent addition to the Canadian GLPA compensation benchmark. *American Great Lakes Ports Association* v. *Zukunft,* 296 F.Supp. 3d 27, 48 (D.D.C. 2017), *aff'd sub nom. American Great Lakes Ports Association* v. *Schultz,* 962 F.3d 510 (D.C. Cir. 2020). The Coast Guard then based the 2018 full ratemaking compensation benchmark on data provided by the AMOU, regarding its contract for first mates on the Great Lakes in the 2011 to 2015 period (83 FR 26162, June 5, 2018). The 2018 final rule adjusted the AMOU 2015 data for inflation using Federal Open Market Committee median economic projections for PCE inflation.

In the 2020 interim year ratemaking final rule, the Coast Guard established its most recent pilot compensation benchmark. Given the lack of access to AMOU data, the Coast Guard did not rely on the AMOU aggregated wage and benefit information as the basis for the compensation benchmark. Instead, the Coast Guard adopted the 2019 target pilot compensation (with inflation) as our compensation benchmark going forward. The Coast Guard stated in the 2020 final rule that no other United States or Canadian pilot compensation data was appropriate to use as a benchmark at that time. *See* 85 FR 20088, 20091 (April 9, 2020). The Director determined that the ratemaking provided adequate compensation for pilots. In the 2020 ratemaking, the Coast Guard announced that the 2020 benchmark will be used for future rates. *See* 85 FR 20091 (April 9, 2020).

Based on our experience over the past three ratemakings (2020–2022), the Director continues to believe that the level of target pilot compensation for those years provided an appropriate level of compensation for U.S.-registered pilots. According to § 404.101(a), the Director may make necessary and reasonable adjustments to the benchmark based on current information. However, current circumstances do not indicate that an adjustment, other than for inflation, is necessary. The Director bases this decision on the fact that there is no indication that registered pilots are resigning due to their compensation, or that this compensation benchmark is causing shortfalls in achieving reliable pilotage. The Coast Guard also does not believe that the pilot compensation benchmark is too high relative to the expertise required to perform the job. The compensation will continue to be adjusted annually, in accordance with published inflation rates, which will ensure the compensation remains competitive and current for upcoming years.

Therefore, the Coast Guard is not seeking alternative benchmarks for target compensation at this time and, instead, will simply adjust the amount of target pilot compensation for inflation as our target compensation benchmark for 2023, as shown in Step 4. This target compensation benchmark approach has advanced and will continue to advance the Coast Guard's goals of safety through rate and compensation stability while also promoting recruitment and retention of qualified U.S. pilots.

The compensation benchmark for 2023 is $399,266 per registered pilot and $143,736 per apprentice pilot, using the 2022 compensation as a benchmark. The Coast Guard then follows the procedure outlined in paragraph (b) of § 404.104, which adjusts the existing compensation benchmark for inflation using a two-step process. First, the Coast Guard adjusts the 2022 target compensation benchmark of $399,266 by 3.5 percent, for an adjusted value of $413,240. This first adjustment accounts for the difference in actual first quarter 2022 ECI inflation, which is 5.7 percent, and the 2022 PCE estimate of 2.2 percent.[13] [14] The second step accounts for projected inflation from 2022 to 2023, which is 2.7 percent.[15] Based on the projected 2023 inflation estimate, the target compensation benchmark for 2023 is $424,398 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $152,783 ($424,398 × 0.36).

VII. Discussion of Rate Adjustments

In this final rule, based on the policy changes described in the previous section, the Coast Guard is issuing new pilotage rates for 2023. The Coast Guard is conducting the 2023 ratemaking as a full ratemaking, as was done in 2018 (83 FR 26162). Thus, the Coast Guard adjusted the compensation benchmark following the full ratemaking year procedures under § 404.100(a) rather than following the procedure for an interim ratemaking year under § 404.100(b).

This section discusses the rate changes using the ratemaking steps provided in 46 CFR part 404. The Coast Guard details all 10 steps of the ratemaking procedure for each of the 3 districts to show how the Coast Guard arrives at the new rates.

District One

A. Step 1: Recognize Previous Operating Expenses

Step 1 in the ratemaking methodology requires that the Coast Guard review and recognize the operating expenses for the last full year for which figures are available (§ 404.101). To do so, the Coast Guard begins by reviewing the independent accountant's financial reports for each association's 2020 expenses and revenues.[16] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs accrued by the pilot associations generally, such as employee benefits, for example, the cost is divided between the designated and undesignated areas on a *pro rata* basis.

In the 2020 expenses used as the basis for this rulemaking, districts used the term ''applicant'' to describe applicant

[13] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. Accessed September 29, 2022. *https://www.bls.gov/news.release/eci.t05.htm.*

[14] Table 1 Summary of Economic Projections, PCE Inflation June Projection. Accessed September 2022 *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220921.pdf.*

[15] Table 1 Summary of Economic Projections, PCE Inflation December Projection. Accessed March 2022 *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf.*

[16] These reports are available in the docket for this rulemaking.

trainees and persons who will be called apprentices (applicant pilots), under the definition of ''apprentice pilot'', which was introduced in the 2022 final rule. Therefore, when describing past expenses, the term ''applicant'' is used to match what was reported from 2020, which includes both applicant and apprentice pilots. The term ''apprentice'' is used to distinguish apprentice pilot wages and describe the impacts of the ratemaking going forward.

The Coast Guard will continue to include apprentice salaries as an allowable expense in the 2023 ratemaking, as it is based on 2020 operating expenses, when salaries were still an allowable expense. The apprentice salaries paid in the years 2020 and 2021 have not been reimbursed in the ratemaking as of publication of this rule. Applicant salaries (including applicant trainees and apprentice pilots) will continue to be an allowable operating expense through the 2024 ratemaking, which uses operating expenses from 2021, when the wages for apprentice pilots were still authorized as operating expenses.

Beginning with the 2025 ratemaking, apprentice pilot salaries will no longer be included as a 2022 operating expense, because apprentice pilot wages will have already been factored into the ratemaking Steps 3 and 4 in calculation of the 2022 rates. Beginning in 2025, the applicant salaries' operating expenses for 2022 will consist of only applicant trainees (those who are not yet apprentice pilots). The recognized operating expenses for District One are shown in table 5.

TABLE 5—2020 RECOGNIZED EXPENSES FOR DISTRICT ONE

Reported operating expenses for 2020	District One		
	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
Applicant Pilot Compensation:			
Salaries	$257,250	$171,500	$428,750
Employee Benefits	13,633	9,089	22,722
Applicant Subsistence/Travel	14,901	9,934	24,835
Applicant License Insurance	1,771	1,181	2,952
Applicant Payroll Tax	20,823	13,882	34,705
Total Applicant Pilot Compensation	308,378	205,586	513,964
Other Pilot Cost:			
Subsistence/Travel- Pilot	575,475	383,650	959,125
Hotel/Lodging Cost	32,802	21,868	54,671
License Insurance-Pilots	45,859	30,573	76,432
Payroll Taxes-Pilots	188,318	125,546	313,864
Other	26,433	17,621	44,054
Total other pilotage costs	868,887	579,258	1,448,145
Pilot Boat and Dispatch Costs:			
Pilot Boat Expense (Operating)	325,904	217,269	543,173
Pilot Boat Cost (D1–20–01)	104,658	69,772	174,430
Dispatch Expense	139,916	93,277	233,193
Payroll Taxes	22,930	15,287	38,217
Total Pilot and Dispatch Costs	593,408	395,605	989,013
Administrative Expenses:			
Legal-General Counsel	3,124	2,083	5,207
Legal-Shared Counsel (K&L Gates)	62,906	41,937	104,843
Legal-USCG Litigation	8,793	5,862	14,655
Insurance	35,040	23,360	58,400
Employee Benefits	5,541	3,694	9,235
Payroll Taxes	6,511	4,341	10,852
Other Taxes	69,000	46,000	115,000
Real Estate Taxes	23,298	15,532	38,830
Travel	21,516	14,344	35,860
Depreciation	152,071	101,381	253,452
Certified Public Accountant (CPA) Deduction (D1–19–01)	(44,623)	(29,748)	(74,371)
Interest	36,924	24,616	61,540
CPA Deduction (D1–19–01)	(18,710)	(12,473)	(31,183)
American Pilots' Association (APA) Dues	27,172	18,115	45,287
Dues and Subscriptions	4,080	2,720	6,800
Utilities	15,618	10,412	26,030
Salaries	69,848	46,565	116,413
Accounting/Professional Fees	8,220	5,480	13,700
Other	55,213	36,809	92,022
Applicant Administrative Expense			
Pilot Training	26,787	17,858	44,645
Supplies	481	320	801
Total Administrative Expenses	568,810	379,208	948,018
Total Expenses (OpEx + Applicant + Pilot Boats + Admin + Capital)	2,339,483	1,559,657	3,899,140

TABLE 5—2020 RECOGNIZED EXPENSES FOR DISTRICT ONE—Continued

Reported operating expenses for 2020	District One		
	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
Director's Adjustments—Applicant Surcharge Collected	(10,814)	(7,209)	(18,024)
Director's Adjustments—Applicant Salaries	(19,379)	(12,919)	(32,298)
Total Director's Adjustments	(30,193)	(20,129)	(50,322)
Total Operating Expenses (OpEx + Adjustments)	2,309,290	1,539,528	3,848,818

B. Step 2: Project Operating Expenses, Adjusting for Inflation or Deflation

In accordance with the text in § 404.102, having identified the recognized 2020 operating expenses in Step 1, the next step is to estimate the current year's operating expenses by adjusting those expenses for inflation over the 3-year period. The Coast Guard calculates inflation using the BLS data from the CPI for the Midwest Region of the United States for the 2021 inflation rate.[17] Because the BLS does not provide forecasted inflation data, the Coast Guard uses economic projections from the Federal Reserve for the 2022 and 2023 inflation modification.[18] Based on that information, the calculations for Step 2 are as presented in table 6.

TABLE 6—ADJUSTED OPERATING EXPENSES FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Total Operating Expenses (Step 1)	$2,309,290	$1,539,528	$3,848,818
2021 Inflation Modification (@5.1%)	117,774	78,516	196,290
2022 Inflation Modification (@4.3%)	104,364	69,576	173,940
2023 Inflation Modification (@2.7%)	68,349	45,566	113,915
Adjusted 2023 Operating Expenses	2,599,777	1,733,186	4,332,963

C. Step 3: Estimate Number of Registered Pilots and Apprentice Pilots

In accordance with the text in § 404.103, the Coast Guard estimates the number of fully registered pilots in each district. The Coast Guard determines the number of fully registered pilots based on data provided by the SLSPA. Using these numbers, the Coast Guard estimates that there will be 18 registered pilots in 2023 in District One. The Coast Guard determines the number of apprentice pilots based on input from the district on anticipated retirements and staffing needs. Using these numbers, the Coast Guard estimates that there will be two apprentice pilots in 2023 in District One. Based on the seasonal staffing model discussed in the 2017 ratemaking (see 82 FR 41466 (August 31, 2017)), a certain number of pilots are assigned to designated waters and a certain number to undesignated waters, as shown in table 7. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 7—AUTHORIZED PILOTS FOR DISTRICT ONE

Item	District One
Maximum Number of Pilots (per § 401.220(a)) *	18
2023 Authorized Pilots (total)	18
Pilots Assigned to Designated Areas	10
Pilots Assigned to Undesignated Areas	8
2023 Apprentice Pilots	2

* For a detailed calculation, refer to the Great Lakes Pilotage Rates—2017 Annual Review final rule, which contains the staffing model. See 82 FR 41466, table 6 at 41480 (August 31, 2017).

[17] The 2021 inflation rate is available at *https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUUR0200SA0,CUUS0200SA0.* Specifically, the CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUS0200SAO. (Downloaded September 2022.)

[18] The 2022 and 2023 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220921.pdf.* We used the Core PCE Inflation June Projection found in table 2. (Downloaded September 2022.)

D. Step 4: Determine Target Pilot Compensation Benchmark and Apprentice Pilot Wage Benchmark

In this step, the Coast Guard determines the total pilot compensation for each area. Because a full ratemaking is being issued this year, the Coast Guard follows the procedure outlined in paragraph (a) of § 404.104, which requires developing a benchmark after considering the most relevant currently available non-proprietary information. In accordance with the discussion in section VI. ''Individual Target Pilot Compensation Benchmark'' of this preamble, the compensation benchmark for 2023 uses the 2022 compensation of $399,266 per registered pilot as a base, then adjusts for inflation following the procedure outlined in paragraph (a) of § 404.104. The target pilot compensation for 2023 is $424,398 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $152,783 ($424,398 × 0.36).

Next, the Coast Guard certifies that the number of pilots estimated for 2023 is less than or equal to the number permitted under the staffing model in § 401.220(a). The staffing model suggests that the number of pilots needed is 18 pilots for District One, which is less than or equal to 18, the number of registered pilots provided by the pilot association. In accordance with § 404.104(c), the Coast Guard uses the revised target individual compensation level to derive the total pilot compensation by multiplying the individual target compensation by the estimated number of registered pilots for District One, as shown in table 8. The Coast Guard estimates that the number of apprentice pilots with limited registration needed will be two for District One in the 2023 season. The total target wages for apprentices are allocated at 60 percent for the designated area and 40 percent for the undesignated area, in accordance with the allocation for operating expenses.

TABLE 8—TARGET COMPENSATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Target Pilot Compensation	$424,398	$424,398	$424,398
Number of Pilots	10	8	18
Total Target Pilot Compensation	$4,243,980	$3,395,184	$7,639,164
Target Apprentice Pilot Compensation	$152,783	$152,783	$152,783
Number of Apprentice Pilots	....	....	2
Total Target Apprentice Pilot Compensation	$183,340	$122,227	$305,567

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area by first adding the figures for projected operating expenses, total pilot compensation, and total target apprentice pilot wage for each area and then finding the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 2.7033 percent.[19] By multiplying the two figures, the Coast Guard obtains the working capital fund contribution for each area, as shown in table 9.

TABLE 9—WORKING CAPITAL FUND CALCULATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,599,777	$1,733,186	$4,332,963
Total Target Pilot Compensation (Step 4)	4,243,980	3,395,184	7,639,164
Total Target Apprentice Pilot Compensation (Step 4)	183,340	122,227	305,567
Total 2023 Expenses	7,027,097	5,250,597	12,277,694
Working Capital Fund (2.7%)	189,966	141,941	331,907

F. Step 6: Project Needed Revenue

In this step, the Coast Guards adds all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total pilot compensation (from Step 4), total target apprentice pilot wage, (from Step 4) and the working capital fund contribution (from Step 5). These calculations are shown in table 10.

TABLE 10—REVENUE NEEDED FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,599,777	$1,733,186	$4,332,963

[19] Moody's Seasoned Aaa Corporate Bond Yield, average of 2021 monthly data. The Coast Guard uses the most recent year of complete data. Moody's is taken from Moody's Investors Service, which is a bond credit rating business of Moody's Corporation. Bond ratings are based on creditworthiness and risk. The rating of ''Aaa'' is the highest bond rating assigned with the lowest credit risk. See *https://fred.stlouisfed.org/series/AAA.* (Downloaded March 4, 2022.)

TABLE 10—REVENUE NEEDED FOR DISTRICT ONE—Continued

	District One		
	Designated	Undesignated	Total
Total Target Pilot Compensation (Step 4)	4,243,980	3,395,184	7,639,164
Total Target Apprentice Pilot Compensation (Step 4)	183,340	122,227	305,567
Working Capital Fund (Step 5)	189,966	141,941	331,907
Total Revenue Needed	7,217,063	5,392,538	12,609,601

G. Step 7: Calculate Initial Base Rates

Having determined the revenue needed for each area in the previous six steps, to develop an hourly rate, the Coast Guard divides that number by the expected number of hours of traffic.

Step 7 is a two-part process. The first part is calculating the 10-year average of traffic in District One, using the total time on task or pilot bridge hours. To calculate the time on task for each district, the Coast Guard uses billing data from the GLPMS. The data is pulled from the system filtering by district, year, job status (including only closed jobs), and flagging code (including only U.S. jobs). Because separate figures are calculated for designated and undesignated waters, there are two parts for each calculation, as shown in table 11.

TABLE 11—TIME ON TASK FOR DISTRICT ONE

[Hours]

Year	District One	
	Designated	Undesignated
2021	6,188	7,871
2020	6,265	7,560
2019	8,232	8,405
2018	6,943	8,445
2017	7,605	8,679
2016	5,434	6,217
2015	5,743	6,667
2014	6,810	6,853
2013	5,864	5,529
2012	4,771	5,121
Average	6,386	7,135

Next, the Coast Guard derives the initial hourly rate by dividing the revenue needed by the average number of hours for each area. This produces an initial rate, which is necessary to produce the revenue needed for each area, assuming the amount of traffic is as expected. The calculations for District One are presented in table 12.

TABLE 12—INITIAL RATE CALCULATIONS FOR DISTRICT ONE

	Designated	Undesignated
Revenue needed (Step 6)	$7,217,063	$5,392,538
Average time on task (hours)	6,386	7,135
Initial rate	1,130	756

H. Step 8: Calculate Average Weighting Factors by Area

In this step, the Coast Guard calculates the average weighting factor for each designated and undesignated area by first collecting the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using this database, the average weighting factor for each area is calculated, using the data from each vessel transit from 2014 onward, as shown in tables 13 and 14.

TABLE 13—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 1 (2014)	31	1	31
Class 1 (2015)	41	1	41
Class 1 (2016)	31	1	31
Class 1 (2017)	28	1	28
Class 1 (2018)	54	1	54
Class 1 (2019)	72	1	72
Class 1 (2020)	8	1	8
Class 1 (2021)	10	1	10
Class 2 (2014)	285	1.15	328
Class 2 (2015)	295	1.15	339
Class 2 (2016)	185	1.15	213
Class 2 (2017)	352	1.15	405
Class 2 (2018)	559	1.15	643
Class 2 (2019)	378	1.15	435
Class 2 (2020)	560	1.15	644
Class 2 (2021)	315	1.15	362
Class 3 (2014)	50	1.3	65
Class 3 (2015)	28	1.3	36

TABLE 13—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 3 (2016)	50	1.3	65
Class 3 (2017)	67	1.3	87
Class 3 (2018)	86	1.3	112
Class 3 (2019)	122	1.3	159
Class 3 (2020)	67	1.3	87
Class 3 (2021)	52	1.3	68
Class 4 (2014)	271	1.45	393
Class 4 (2015)	251	1.45	364
Class 4 (2016)	214	1.45	310
Class 4 (2017)	285	1.45	413
Class 4 (2018)	393	1.45	570
Class 4 (2019)	730	1.45	1059
Class 4 (2020)	427	1.45	619
Class 4 (2021)	407	1.45	590
Total	6,704		8,640
Average weighting factor (weighted transits ÷ number of transits)		1.29	

TABLE 14—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, UNDESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 1 (2014)	25	1	25
Class 1 (2015)	28	1	28
Class 1 (2016)	18	1	18
Class 1 (2017)	19	1	19
Class 1 (2018)	22	1	22
Class 1 (2019)	30	1	30
Class 1 (2020)	3	1	3
Class 1 (2021)	19	1	19
Class 2 (2014)	238	1.15	274
Class 2 (2015)	263	1.15	302
Class 2 (2016)	169	1.15	194
Class 2 (2017)	290	1.15	334
Class 2 (2018)	352	1.15	405
Class 2 (2019)	366	1.15	421
Class 2 (2020)	358	1.15	412
Class 2 (2021)	463	1.15	532
Class 3 (2014)	60	1.3	78
Class 3 (2015)	42	1.3	55
Class 3 (2016)	28	1.3	36
Class 3 (2017)	45	1.3	59
Class 3 (2018)	63	1.3	82
Class 3 (2019)	58	1.3	75
Class 3 (2020)	35	1.3	46
Class 3 (2021)	71	1.3	92
Class 4 (2014)	289	1.45	419
Class 4 (2015)	269	1.45	390
Class 4 (2016)	222	1.45	322
Class 4 (2017)	285	1.45	413
Class 4 (2018)	382	1.45	554
Class 4 (2019)	326	1.45	473
Class 4 (2020)	334	1.45	484
Class 4 (2021)	466	1.45	676
Total	5,638		7,291
Average weighting factor (weighted transits ÷ number of transits)			1.29

I. Step 9: Calculate Revised Base Rates

In this step, the Coast Guard revises the base rates so that the total cost of pilotage is equal to the revenue needed after considering the impact of the weighting factors. To do this, the initial base rates calculated in Step 7 are divided by the average weighting factors calculated in Step 8, as shown in table 15.

TABLE 15—REVISED BASE RATES FOR DISTRICT ONE

Area	Initial rate (Step 7)	Average weighting factor (Step 8)	Revised rate (initial rate average ÷ weighting factor)
District One: Designated	$1,130	1.29	$876
District One: Undesignated	756	1.29	586

J. Step 10: Review and Finalize Rates

In this step, the Director reviews the rates set forth by the staffing model and ensures that they meet the goal of ensuring safe, efficient, and reliable pilotage. To establish this, the Director considers whether the rates incorporate appropriate compensation for pilots to handle heavy traffic periods and whether there is a sufficient number of pilots to handle those heavy traffic periods. The Director also considers whether the rates will cover operating expenses and infrastructure costs, including average traffic and weighting factions. Based on the financial information submitted by the pilots, the Director is not issuing any alterations to the rates in this step. By means of this rule, § 401.405(a)(1) and (2) are modified to reflect the final rates shown in table 16.

TABLE 16—FINAL RATES FOR DISTRICT ONE

Area	Name	Final 2022 pilotage rate	Final 2023 pilotage rate
District One: Designated	St. Lawrence River	$834	$876
District One: Undesignated	Lake Ontario	568	586

District Two

A. Step 1: Recognize Previous Operating Expenses

Step 1 in the ratemaking methodology requires that the Coast Guard review and recognize the operating expenses of the last full year for which figures are available (§ 404.101). To do so, the Coast Guard begins by reviewing the independent accountant's financial reports for each association's 2020 expenses and revenues.[20] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs accrued by the pilot associations generally, such as employee benefits, for example, the cost is divided between the designated and undesignated areas on a *pro rata* basis.

In the 2020 expenses used as the basis for this rulemaking, districts used the term ''applicant'' to describe applicant trainees and persons who will be called apprentices (applicant pilots), under the definition introduced by the 2022 final rule. Therefore, when describing past expenses, the term ''applicant'' is used to match what was reported from 2020, which includes both applicant and apprentice pilots. The term ''apprentice'' is used to distinguish apprentice pilot wages and describe the impacts of the ratemaking going forward.

The Coast Guard continues to include apprentice salaries as an allowable expense in the 2023 ratemaking, as it is based on 2020 operating expenses, when salaries were still an allowable expense. The apprentice salaries paid in the years 2020 and 2021 have not been reimbursed in the ratemaking as of publication of this rule. Applicant salaries (including applicant trainees and apprentice pilots) will continue to be an allowable operating expense through the 2024 ratemaking, which uses operating expenses from 2021, where the wages for apprentice pilots were still authorized as operating expenses.

Beginning with the 2025 ratemaking, apprentice pilot salaries will no longer be included as a 2022 operating expense, because apprentice pilot wages will have already been factored into the ratemaking Steps 3 and 4 in calculation of the 2022 rates. Beginning in 2025, the applicant salaries' operating expenses for 2022 will consist of only applicant trainees (those who are not yet apprentice pilots). The recognized operating expenses for District Two are shown in table 17.

TABLE 17—2020 RECOGNIZED EXPENSES FOR DISTRICT TWO

Reported operating expenses for 2020	District Two		
	Undesignated	Designated	Total
	Lake Erie	Southeast Shoal to Port Huron	
Applicant Salaries	$101,810	$152,715	$254,525
Applicant Health Insurance	12,706	19,058	31,764
Applicant Subsistence/Travel	6,732	10,098	16,830
Applicant Hotel/Lodging Cost	3,652	5,478	9,130

[20] These reports are available in the docket for this rulemaking.

TABLE 17—2020 RECOGNIZED EXPENSES FOR DISTRICT TWO—Continued

Reported operating expenses for 2020	District Two		
	Undesignated	Designated	Total
	Lake Erie	Southeast Shoal to Port Huron	
Applicant Payroll Tax	4,888	7,332	12,220
Total Applicant Cost	129,788	194,681	324,469
Pilot Subsistence/Travel	124,953	187,427	312,380
Hotel/Lodging Cost	40,744	61,116	101,860
License Renewal	1,606	2,409	4,015
Payroll Taxes	94,996	142,495	237,491
Insurance	8,666	12,999	21,665
Total Other Pilotage Costs	270,965	406,446	677,411
Pilot Boat and Dispatch Costs:			
Pilot Boat Cost	218,840	328,261	547,101
Employee Benefits	92,554	138,831	231,385
Payroll taxes	13,565	20,347	33,912
Total Pilot Boat and Dispatch Costs	324,959	487,439	812,398
Administrative Expense:			
Legal—General Counsel	4,016	6,024	10,040
Legal—Shared Counsel (K&L Gates)	9,898	14,846	24,744
Legal—Shared Counsel (K&L Gates) (D2–20–01)	3,233	4,850	8,083
Office Rent	27,627	41,440	69,067
Insurance	12,357	18,536	30,893
Employee Benefits	157,650	236,476	394,126
Payroll Taxes	5,007	7,510	12,517
Other Taxes	43,400	65,100	108,500
Real Estate Taxes	8,285	12,427	20,712
Depreciation/Auto Lease/Other	7,783	11,674	19,457
Interest	114	171	285
APA Dues	14,683	22,025	36,708
Dues and Subscriptions	819	1,229	2,048
Utilities	18,453	27,679	46,132
Salaries—Admin Employees	50,250	75,374	125,624
Accounting	14,360	21,540	35,900
Pilot Training	146	219	365
Other	24,604	36,906	61,510
Total Administrative Expenses	402,685	604,026	1,006,711
Total OpEx (Pilot Costs + Applicant Cost + Pilot Boats + Admin)	1,128,397	1,692,592	2,820,989
TOTAL DIRECTOR'S ADJUSTMENTS			
Total Operating Expenses (OpEx + Adjustments)	1,128,397	1,692,592	2,820,989

B. Step 2: Project Operating Expenses, Adjusting for Inflation or Deflation

In accordance with the text in § 404.102, having identified the recognized 2020 operating expenses in Step 1, the next step is to estimate the current year's operating expenses by adjusting those expenses for inflation over the 3-year period. The Coast Guard calculates inflation using the BLS data from the CPI for the Midwest Region of the United States for the 2021 inflation rate.[21] Because the BLS does not provide forecasted inflation data, economic projections are used from the Federal Reserve for the 2022 and 2023 inflation modification.[22] Based on that information, the calculations for Step 2 are as presented in table 18.

[21] The 2021 inflation rate is available at *https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUUR0200SA0, CUUS0200SA0*. Specifically, the CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUS0200SAO. (Downloaded September 2022.)

[22] The 2022 and 2023 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220921.pdf*. We used the Core PCE Inflation June Projection found in table 1. (Downloaded September 2022.)

TABLE 18—ADJUSTED OPERATING EXPENSES FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	$1,128,397	$1,692,592	$2,820,989
2021 Inflation Modification (@5.1%)	57,548	86,322	143,870
2022 Inflation Modification (@4.3%)	50,996	76,493	127,489
2023 Inflation Modification (@2.7%)	33,397	50,096	83,493
Adjusted 2023 Operating Expenses	1,270,338	1,905,503	3,175,841

C. Step 3: Estimate Number of Registered Pilots and Apprentice Pilots

In accordance with the text in § 404.103, the Coast Guard estimates the number of fully registered pilots in each district. The Coast Guard determines the number of fully registered pilots based on data provided by the LPA. Using these numbers, the Coast Guard estimates that there will be 16 registered pilots in 2023 in District Two. The Coast Guard determines the number of apprentice pilots based on input from the district on anticipated retirements and staffing needs. Using these numbers, the Coast Guard estimates that there will be one apprentice pilot in 2023 in District Two. Based on the seasonal staffing model discussed in the 2017 ratemaking (see 82 FR 41466), a certain number of pilots are assigned to designated waters and a certain number to undesignated waters, as shown in table 19. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 19—AUTHORIZED PILOTS FOR DISTRICT TWO

Item	District Two
Maximum Number of Pilots (per § 401.220(a)) *	16
2023 Authorized Pilots (total)	16
Pilots Assigned to Designated Areas	6
Pilots Assigned to Undesignated Areas	10
2023 Apprentice Pilots	1

* For a detailed calculation, refer to the Great Lakes Pilotage Rates—2017 Annual Review final rule, which contains the staffing model. See 82 FR 41466, table 6 at 41480 (August 31, 2017).

D. Step 4: Determine Target Pilot Compensation Benchmark and Apprentice Pilot Wage Benchmark

In this step, the Coast Guard determines the total pilot compensation for each area. Because a full ratemaking is being issued this year, the Coast Guard follows the procedure outlined in paragraph (a) of § 404.104, which requires developing a benchmark after considering the most relevant currently available non-proprietary information. In accordance with the discussion in section V of this preamble, the compensation benchmark for 2023 uses the 2022 compensation of $399,266 per registered pilot as a base, then adjusts for inflation following the procedure outlined in paragraph (b) of § 404.104. The target pilot compensation for 2023 is $424,398 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $152,783 ($424,398 × 0.36).

Next, the Coast Guard certifies that the number of pilots estimated for 2023 is less than or equal to the number permitted under the staffing model in § 401.220(a). The staffing model suggests that the number of pilots needed is 16 pilots for District Two, which is less than or equal to 16, the number of registered pilots provided by the pilot association. In accordance with § 404.104(c), the Coast Guard uses the revised target individual compensation level to derive the total pilot compensation by multiplying the individual target compensation by the estimated number of registered pilots for District Two, as shown in table 20. The Coast Guard estimates that the number of apprentice pilots with limited registration needed will be one for District Two in the 2023 season. The total target wages for apprentices are allocated at 60 percent for the designated area and 40 percent for the undesignated area, in accordance with the allocation for operating expenses.

TABLE 20—TARGET COMPENSATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Target Pilot Compensation	$424,398	$424,398	$424,398
Number of Pilots	10	6	16
Total Target Pilot Compensation	$4,243,980	$2,546,388	$6,790,368
Target Apprentice Pilot Compensation	$152,783	$152,783	$152,783
Number of Apprentice Pilots	....	....	1
Total Target Apprentice Pilot Compensation	$61,113.39	$91,669.89	$152,783

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area by first adding the figures for projected operating expenses, total pilot compensation, and total target apprentice pilot wage for each area and then finding the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 2.7033 percent.[23] By multiplying the two figures, the Coast Guard obtains the working capital fund contribution for each area, as shown in table 21.

TABLE 21—WORKING CAPITAL FUND CALCULATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$1,270,338	$1,905,503	$3,175,841
Total Target Pilot Compensation (Step 4)	4,243,980	2,546,388	6,790,368
Total Target Apprentice Pilot Compensation (Step 4)	61,113	91,670	152,783
Total 2023 Expenses	5,575,431	4,543,561	10,118,992
Working Capital Fund (2.7%)	150,722	122,828	273,550

F. Step 6: Project Needed Revenue

In this step, the Coast Guard adds all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total pilot compensation (from Step 4), total target apprentice pilot wage, (from Step 4) and the working capital fund contribution (from Step 5). These calculations are shown in table 22.

TABLE 22—REVENUE NEEDED FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$1,270,338	$1,905,503	$3,175,841
Total Target Pilot Compensation (Step 4)	4,243,980	2,546,388	6,790,368
Total Target Apprentice Pilot Compensation (Step 4)	61,113	91,670	152,783
Working Capital Fund (Step 5)	150,722	122,828	273,550
Total Revenue Needed	5,726,153	4,666,389	10,392,542

G. Step 7: Calculate Initial Base Rates

Having determined the revenue needed for each area in the previous six steps, to develop an hourly rate, the Coast Guard divides that number by the expected number of hours of traffic. Step 7 is a two-part process. In the first part, the Coast Guard calculates the 10-year average of traffic in District Two, using the total time on task or pilot bridge hours. To calculate the time on task for each district, the Coast Guard uses billing data from SeaPro, pulling the data from the system filtering by district, year, job status (including only processed jobs), and flagging code (including only U.S. jobs). Because separate figures are calculated for designated and undesignated waters, there are two parts for each calculation, as shown in table 23.

TABLE 23—TIME ON TASK FOR DISTRICT TWO

[Hours]

Year	District Two	
	Undesignated	Designated
2021	8,826	3,226
2020	6,232	8,401
2019	6,512	7,715
2018	6,150	6,655
2017	5,139	6,074
2016	6,425	5,615
2015	6,535	5,967
2014	7,856	7,001
2013	4,603	4,750
2012	3,848	3,922
Average	6,213	5,933

[23] Moody's Seasoned Aaa Corporate Bond Yield, average of 2021 monthly data. The Coast Guard uses the most recent year of complete data. Moody's is taken from Moody's Investors Service, which is a bond credit rating business of Moody's Corporation. Bond ratings are based on creditworthiness and risk. The rating of ''Aaa'' is the highest bond rating assigned with the lowest credit risk. See *https://fred.stlouisfed.org/series/AAA*. (Downloaded March 4, 2022.)

Next, the Coast Guard derives the initial hourly rate by dividing the revenue needed by the average number of hours for each area. This produces an initial rate, which is necessary to produce the revenue needed for each area, assuming the amount of traffic is as expected. The calculations for District Two are presented in table 24.

TABLE 24—INITIAL RATE CALCULATIONS FOR DISTRICT TWO

	Undesignated	Designated
Revenue needed (Step 6)	$5,726,153	$4,666,389
Average time on task (hours)	6,213	5,933
Initial rate	$922	$787

H. Step 8: Calculate Average Weighting Factors by Area

In this step, the Coast Guard calculate the average weighting factor for each designated and undesignated area by first collecting the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using this database, the Coast Guard calculates the average weighting factor for each area using the data from each vessel transit from 2014 onward, as shown in tables 25 and 26.

TABLE 25—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, UNDESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 1 (2014)	31	1	31
Class 1 (2015)	35	1	35
Class 1 (2016)	32	1	32
Class 1 (2017)	21	1	21
Class 1 (2018)	37	1	37
Class 1 (2019)	54	1	54
Class 1 (2020)	1	1	1
Class 1 (2021)	7	1	7
Class 2 (2014)	356	1.15	409
Class 2 (2015)	354	1.15	407
Class 2 (2016)	380	1.15	437
Class 2 (2017)	222	1.15	255
Class 2 (2018)	123	1.15	141
Class 2 (2019)	127	1.15	146
Class 2 (2020)	165	1.15	190
Class 2 (2021)	206	1.15	237
Class 3 (2014)	20	1.3	26
Class 3 (2015)	0	1.3	0
Class 3 (2016)	9	1.3	12
Class 3 (2017)	12	1.3	16
Class 3 (2018)	3	1.3	4
Class 3 (2019)	1	1.3	1
Class 3 (2020)	1	1.3	1
Class 3 (2021)	5	1.3	7
Class 4 (2014)	636	1.45	922
Class 4 (2015)	560	1.45	812
Class 4 (2016)	468	1.45	679
Class 4 (2017)	319	1.45	463
Class 4 (2018)	196	1.45	284
Class 4 (2019)	210	1.45	305
Class 4 (2020)	201	1.45	291
Class 4 (2021)	227	1.45	329
Total	5,019		6,592
Average weighting factor (weighted transits ÷ number of transits)		1.31	

TABLE 26—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 1 (2014)	20	1	20
Class 1 (2015)	15	1	15
Class 1 (2016)	28	1	28
Class 1 (2017)	15	1	15
Class 1 (2018)	42	1	42
Class 1 (2019)	48	1	48
Class 1 (2020)	7	1	7
Class 1 (2021)	12	1	12
Class 2 (2014)	237	1.15	273

TABLE 26—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 2 (2015)	217	1.15	250
Class 2 (2016)	224	1.15	258
Class 2 (2017)	127	1.15	146
Class 2 (2018)	153	1.15	176
Class 2 (2019)	281	1.15	323
Class 2 (2020)	342	1.15	393
Class 2 (2021)	240	1.15	276
Class 3 (2014)	8	1.3	10
Class 3 (2015)	8	1.3	10
Class 3 (2016)	4	1.3	5
Class 3 (2017)	4	1.3	5
Class 3 (2018)	14	1.3	18
Class 3 (2019)	1	1.3	1
Class 3 (2020)	5	1.3	7
Class 3 (2021)	2	1.3	3
Class 4 (2014)	359	1.45	521
Class 4 (2015)	340	1.45	493
Class 4 (2016)	281	1.45	407
Class 4 (2017)	185	1.45	268
Class 4 (2018)	379	1.45	550
Class 4 (2019)	403	1.45	584
Class 4 (2020)	405	1.45	587
Class 4 (2021)	268	1.45	389
Total	4,674		6,140
Average weighting factor (weighted transits ÷ number of transits)		1.31	

I. Step 9: Calculate Revised Base Rates

In this step, the Coast Guard revises the base rates so that the total cost of pilotage is equal to the revenue needed after considering the impact of the weighting factors. To do this, the initial base rates calculated in Step 7 are divided by the average weighting factors calculated in Step 8, as shown in table 27.

TABLE 27—REVISED BASE RATES FOR DISTRICT TWO

Area	Initial rate (Step 7)	Average weighting factor (Step 8)	Revised rate (initial rate/ average weighting factor)
District Two: Undesignated	$922	1.31	$704
District Two: Designated	787	1.31	601

J. Step 10: Review and Finalize Rates

In this step, the Director reviews the rates set forth by the staffing model and ensures that they meet the goal of ensuring safe, efficient, and reliable pilotage. To establish this, the Director considers whether the rates incorporate appropriate compensation for pilots to handle heavy traffic periods, and whether there is a sufficient number of pilots to handle those heavy traffic periods. The Director also considers whether the rates will cover operating expenses and infrastructure costs and takes average traffic and weighting factors into consideration. Based on the financial information submitted by the pilots, the Director is not issuing any alterations to the rates in this step. By means of this rule, § 401.405(a)(3) and (4) are modified to reflect the final rates shown in table 28.

TABLE 28—FINAL RATES FOR DISTRICT TWO

Area	Name	Final 2022 pilotage rate	Final 2023 pilotage rate
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI	$536	$601
District Two: Undesignated	Lake Erie	610	704

District Three

A. Step 1: Recognize Previous Operating Expenses

Step 1 in the ratemaking methodology requires that the Coast Guard review and recognize the operating expenses of the last year for which figures are available (§ 404.101). To do so, the Coast Guard begins by reviewing the independent accountant's financial reports for each association's 2020 expenses and revenues.[24] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs accrued by the pilot associations generally, such as employee benefits, for example, the cost is divided between the designated and undesignated areas on a *pro rata* basis.

In the 2020 expenses used as the basis for this rulemaking, districts used the term ''applicant'' to describe applicant trainees and persons who will be called apprentices (applicant pilots), under the definition introduced by the 2022 final rule. Therefore, when describing past expenses, the term ''applicant'' is used to match what was reported from 2020, which includes both applicant and apprentice pilots. The term ''apprentice'' is used to distinguish apprentice pilot wages and describe the impacts of the ratemaking going forward.

The Coast Guard continues to include apprentice salaries as an allowable expense in the 2023 ratemaking, as it is based on 2020 operating expenses, when salaries were still an allowable expense. The apprentice salaries paid in the years 2020 and 2021 have not been reimbursed in the ratemaking as of publication of this rule. Applicant salaries (including applicant trainees and apprentice pilots) will continue to be an allowable operating expense through the 2024 ratemaking, which uses operating expenses from 2021, where the wages for apprentice pilots were still authorized as operating expenses.

Beginning with the 2025 ratemaking, apprentice pilot salaries will no longer be included as a 2022 operating expense, because apprentice pilot wages will have already been factored into the ratemaking Steps 3 and 4 in calculation of the 2022 rates. Beginning in 2025, the applicant salaries' operating expenses for 2022 will consist of only applicant trainees (those who are not yet apprentice pilots). The recognized operating expenses for District Three are shown in table 29.

TABLE 29—2020 RECOGNIZED EXPENSES FOR DISTRICT THREE

Reported operating expenses for 2020	District Three			
	Undesignated	Designated	Undesignated	Total
	Lakes Huron and Michigan	St. Mary's River	Lake Superior	
Other Pilotage Costs:				
Pilot Subsistence/Travel	$284,547	$118,603	$149,261	$552,411
Hotel/Lodging Cost	87,208	36,349	45,745	169,302
License Insurance—Pilots	16,749	6,981	8,786	32,516
Payroll Taxes				
Payroll Tax (D3–19–01)	151,266	63,049	79,348	293,663
Other	6,505	2,711	3,412	12,628
Total Other Pilotage Costs	546,275	227,693	286,552	1,060,520
Applicant Cost:				
Applicant Salaries	340,677	141,998	178,705	661,380
Applicant Benefits	66,083	27,544	34,665	128,292
Applicant Payroll Tax	25,711	10,717	13,487	49,915
Applicant Hotel/Lodging	31,313	13,052	16,425	60,790
Total Applicant Cost	463,784	193,311	243,282	900,377
Pilot Boat and Dispatch costs:				
Pilot Boat Costs	515,075	214,689	270,187	999,951
Dispatch Costs	112,008	46,686	58,755	217,449
Employee Benefits	41,153	17,153	21,587	79,893
Payroll Taxes	16,771	6,991	8,798	32,560
Total Pilot Boat and Dispatch costs	685,007	285,519	359,327	1,329,853
Administrative Cost:				
Legal—General Counsel	1,921	801	1,008	3,730
Legal—Shared Counsel (K&L Gates)	21,650	9,024	11,357	42,031
Legal—Shared Counsel (K&L Gates) CPA Deduction (D3–20–03)	3,601	1,501	1,889	6,991
Legal—USCG Litigation	8,575	3,574	4,498	16,647
Insurance	18,811	7,841	9,867	36,519
Employee Benefits	80,117	33,394	42,026	155,537
Payroll Tax	8,101	3,377	4,250	15,728
Other Taxes	15,797	6,584	8,286	30,667
Real Estate Taxes	2,001	834	1,050	3,885
Depreciation/Auto Leasing/Other	61,096	25,465	32,048	118,609
Interest	2,940	1,225	1,542	5,707
APA Dues	23,860	9,945	12,516	46,321
Dues and Subscriptions	4,971	2,072	2,607	9,650
Salaries	50,795	21,172	26,645	98,612
Utilities	54,212	22,596	28,438	105,246

[24] These reports are available in the docket for this rulemaking.

TABLE 29—2020 RECOGNIZED EXPENSES FOR DISTRICT THREE—Continued

Reported operating expenses for 2020	District Three			
	Undesignated	Designated	Undesignated	Total
	Lakes Huron and Michigan	St. Mary's River	Lake Superior	
Accounting/Professional Fees	23,823	9,930	12,496	46,249
Other Expenses	38,507	16,050	20,199	74,756
Other Expenses CPA Deduction (D3–18–01)	(4,684)	(1,952)	(2,457)	(9,093)
Total Administrative Expenses	416,094	173,433	218,265	807,792
Total Operating Expenses (Other Costs + Applicant Cost + Pilot Boats + Admin)	2,111,160	879,956	1,107,426	4,098,542
Director's Adjustments—Applicant Surcharge Collected	(63,120)	(26,309)	(33,110)	(122,539)
Total Director's Adjustments	(63,120)	(26,309)	(33,110)	(122,539)
Total Operating Expenses (OpEx + Adjustments)	2,048,040	853,647	1,074,316	3,976,003

B. Step 2: Project Operating Expenses, Adjusting for Inflation or Deflation

In accordance with the text in § 404.103, having identified the recognized 2020 operating expenses in Step 1, the next step is to estimate the current year's operating expenses by adjusting those expenses for inflation over the 3-year period. The Coast Guard calculates inflation using the BLS data from the CPI for the Midwest Region of the United States for the 2021 inflation rate.[25] Because the BLS does not provide forecasted inflation data, economic projections are used from the Federal Reserve for the 2022 and 2023 inflation modification.[26] Based on that information, the calculations for Step 2 are as presented in table 30.

TABLE 30—ADJUSTED OPERATING EXPENSES FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	$3,122,356	$853,647	$3,976,003
2021 Inflation Modification (@5.1%)	159,240	43,536	202,776
2022 Inflation Modification (@4.3%)	141,109	38,579	179,688
2023 Inflation Modification (@2.7%)	92,413	25,266	117,679
Adjusted 2023 Operating Expenses	3,515,118	961,028	4,476,146

C. Step 3: Estimate Number of Registered Pilots and Apprentice Pilots

In accordance with the text in § 404.103, the Coast Guard estimate the number of registered pilots in each district. The Coast Guard determines the number of registered pilots based on data provided by the WGLPA. Using these numbers, the Coast Guard estimates that there will be 22 registered pilots in 2023 in District Three. The Coast Guard determine the number of apprentice pilots based on input from the district on anticipated retirements and staffing needs. Using these numbers, the Coast Guard estimates that there will be three apprentice pilots in 2023 in District Three. Based on the seasonal staffing model discussed in the 2017 ratemaking (see 82 FR 41466), a certain number of pilots are assigned to designated waters and a certain number to undesignated waters, as shown in table 31. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 31—AUTHORIZED PILOTS FOR DISTRICT THREE

Item	District Three
Maximum Number of Pilots (per § 401.220(a)) *	22
2023 Authorized Pilots (total)	22
Pilots Assigned to Designated Areas	5
Pilots Assigned to Undesignated Areas	17
2023 Apprentice Pilots	3

* For a detailed calculation, refer to the Great Lakes Pilotage Rates—2017 Annual Review final rule, which contains the staffing model. See 82 FR 41466, table 6 at 41480 (August 31, 2017).

[25] The 2021 inflation rate is available at *https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUUR0200SA0, CUUS0200SA0.* Specifically, the CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUS0200SAO. (Downloaded September 2022.)

[26] The 2022 and 2023 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220921.pdf.* We used the Core PCE Inflation June Projection found in table 1. (Downloaded September 2022.)

D. Step 4: Determine Target Pilot Compensation Benchmark and Apprentice Pilot Wage Benchmark

In this step, the Coast Guard determine the total pilot compensation for each area. Because a full ratemaking is being issued this year, the Coast Guard follows the procedure outlined in paragraph (a) of § 404.104, which requires developing a benchmark after considering the most relevant currently available non-proprietary information. In accordance with the discussion in section V of this preamble, the compensation benchmark for 2023 uses the 2022 compensation of $399,266 per registered pilot as a base, then adjusts for inflation following the procedure outlined in paragraph (b) of § 404.104. The target pilot compensation for 2023 is $424,398 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $152,783 ($424,398 × 0.36).

Next, the Coast Guard certifies that the number of pilots estimated for 2023 is less than or equal to the number permitted under the staffing model in § 401.220(a). The staffing model suggests that the number of pilots needed is 22 pilots for District Three, which is less than or equal to 22, the number of registered pilots provided by the pilot association. In accordance with § 404.104(c), the revised target individual compensation level is used to derive the total pilot compensation by multiplying the individual target compensation by the estimated number of registered pilots for District Three, as shown in table 32. The Coast Guard estimates that the number of apprentice pilots with limited registration needed will be three for District Three in the 2023 season. The total target wages for apprentices are allocated with 21 percent for the designated area, and 79 percent (52 percent + 27 percent) for the undesignated areas, in accordance with the allocation for operating expenses.

TABLE 32—TARGET COMPENSATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Target Pilot Compensation	$424,398	$424,398	$424,398
Number of Pilots	17	5	22
Total Target Pilot Compensation	$7,214,766	$2,121,990	$9,336,756
Target Apprentice Pilot Compensation	$152,783	$152,783	$152,783
Number of Apprentice Pilots			3
Total Target Apprentice Pilot Compensation	$359,942	$98,408	$458,350

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area by first adding the figures for projected operating expenses, total pilot compensation, and total target apprentice pilot wage for each area and then finding the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 2.7033 percent.[27] By multiplying the two figures, the working capital fund contribution for each area is obtained, as shown in table 33.

TABLE 33—WORKING CAPITAL FUND CALCULATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,515,118	$961,028	$4,476,146
Total Target Pilot Compensation (Step 4)	7,214,766	2,121,990	9,336,756
Total Target Apprentice Pilot Compensation (Step 4)	359,942	98,408	458,350
Total 2023 Expenses	11,089,826	3,181,425	14,271,252
Working Capital Fund (2.7%)	299,795	86,005	385,800

F. Step 6: Project Needed Revenue

In this step, the Coast Guard adds all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total pilot compensation (from Step 4), and the working capital fund contribution (from Step 5). The calculations are shown in table 34.

TABLE 34—REVENUE NEEDED FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,515,118	$961,028	$4,476,146

[27] Moody's Seasoned Aaa Corporate Bond Yield, average of 2021 monthly data. The Coast Guard uses the most recent year of complete data. Moody's is taken from Moody's Investors Service, which is a bond credit rating business of Moody's Corporation. Bond ratings are based on creditworthiness and risk. The rating of ''Aaa'' is the highest bond rating assigned with the lowest credit risk. See *https://fred.stlouisfed.org/series/AAA*. (Downloaded March 4, 2022).

TABLE 34—REVENUE NEEDED FOR DISTRICT THREE—Continued

	District Three		
	Undesignated	Designated	Total
Total Target Pilot Compensation (Step 4)	7,214,766	2,121,990	9,336,756
Total Target Apprentice Pilot Compensation (Step 4)	359,942	98,408	458,350
Working Capital Fund (Step 5)	299,795	86,005	385,800
Total Revenue Needed	11,389,621	3,267,430	14,657,052

G. Step 7: Calculate Initial Base Rates

Having determined the revenue needed for each area in the previous six steps, to develop an hourly rate, the Coast Guard divides that number by the expected number of hours of traffic. Step 7 is a two-part process. In the first part, the 10-year average of traffic in District Three is calculated using the total time on task or pilot bridge hours. To calculate the time on task for each district, the Coast Guard uses billing data from SeaPro, pulling the data from the system filtering by district, year, job status (including only processed jobs), and flagging code (including only U.S. jobs). Because separate figures for designated and undesignated waters are calculated, there are two parts for each calculation, as shown in table 35.

TABLE 35—TIME ON TASK FOR DISTRICT THREE

[Hours]

Year	District Three	
	Undesignated	Designated
2021	18,286	2,516
2020	23,678	3,520
2019	24,851	3,395
2018	19,967	3,455
2017	20,955	2,997
2016	23,421	2,769
2015	22,824	2,696
2014	25,833	3,835
2013	17,115	2,631
2012	15,906	2,163
Average	21,284	2,998

Next, the Coast Guard derives the initial hourly rate by dividing the revenue needed by the average number of hours for each area. This produces an initial rate, which is necessary to produce the revenue needed for each area, assuming the amount of traffic is as expected. The calculations for District Three are set forth in table 36.

TABLE 36—INITIAL RATE CALCULATIONS FOR DISTRICT THREE

	Undesignated	Designated
Revenue needed (Step 6)	$11,389,621	$3,267,430
Average time on task (hours)	21,284	2,998
Initial rate	$535	$1,090

H. Step 8: Calculate Average Weighting Factors by Area

In this step, the Coast Guard calculates the average weighting factor for each designated and undesignated area by first collecting the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using this database, the Coast Guard calculates the average weighting factor for each area using the data from each vessel transit from 2014 onward, as shown in tables 37 and 38.

TABLE 37—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, UNDESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Area 6:			
Class 1 (2014)	45	1	45
Class 1 (2015)	56	1	56
Class 1 (2016)	136	1	136
Class 1 (2017)	148	1	148
Class 1 (2018)	103	1	103
Class 1 (2019)	173	1	173
Class 1 (2020)	4	1	4
Class 1 (2021)	8	1	8
Class 2 (2014)	274	1.15	315
Class 2 (2015)	207	1.15	238
Class 2 (2016)	236	1.15	271
Class 2 (2017)	264	1.15	304
Class 2 (2018)	169	1.15	194
Class 2 (2019)	279	1.15	321
Class 2 (2020)	332	1.15	382
Class 2 (2021)	273	1.15	314
Class 3 (2014)	15	1.3	20

TABLE 37—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, UNDESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 3 (2015)	8	1.3	10
Class 3 (2016)	10	1.3	13
Class 3 (2017)	19	1.3	25
Class 3 (2018)	9	1.3	12
Class 3 (2019)	9	1.3	12
Class 3 (2020)	4	1.3	5
Class 3 (2021)	5	1.3	7
Class 4 (2014)	394	1.45	571
Class 4 (2015)	375	1.45	544
Class 4 (2016)	332	1.45	481
Class 4 (2017)	367	1.45	532
Class 4 (2018)	337	1.45	489
Class 4 (2019)	334	1.45	484
Class 4 (2020)	339	1.45	492
Class 4 (2021)	356	1.45	516
Total for Area 6	5,620		7,224
Area 8:			
Class 1 (2014)	3	1	3
Class 1 (2015)	0	1	0
Class 1 (2016)	4	1	4
Class 1 (2017)	4	1	4
Class 1 (2018)	0	1	0
Class 1 (2019)	0	1	0
Class 1 (2020)	1	1	1
Class 1 (2021)	5	1	5
Class 2 (2014)	177	1.15	204
Class 2 (2015)	169	1.15	194
Class 2 (2016)	174	1.15	200
Class 2 (2017)	151	1.15	174
Class 2 (2018)	102	1.15	117
Class 2 (2019)	120	1.15	138
Class 2 (2020)	180	1.15	207
Class 2 (2021)	124	1.15	143
Class 3 (2014)	3	1.3	4
Class 3 (2015)	0	1.3	0
Class 3 (2016)	7	1.3	9
Class 3 (2017)	18	1.3	23
Class 3 (2018)	7	1.3	9
Class 3 (2019)	6	1.3	8
Class 3 (2020)	1	1.3	1
Class 3 (2021)	1	1.3	1
Class 4 (2014)	243	1.45	352
Class 4 (2015)	253	1.45	367
Class 4 (2016)	204	1.45	296
Class 4 (2017)	269	1.45	390
Class 4 (2018)	188	1.45	273
Class 4 (2019)	254	1.45	368
Class 4 (2020)	265	1.45	384
Class 4 (2021)	319	1.45	463
Total for Area 8	3,252		4342
Combined total	8,872		11,566
Average weighting factor (weighted transits/number of transits)		1.30	

TABLE 38—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Area 7:			
Class 1 (2014)	27	1	27
Class 1 (2015)	23	1	23
Class 1 (2016)	55	1	55
Class 1 (2017)	62	1	62
Class 1 (2018)	47	1	47
Class 1 (2019)	45	1	45
Class 1 (2020)	15	1	15
Class 1 (2021)	15	1	15

TABLE 38—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 2 (2014)	221	1.15	254
Class 2 (2015)	145	1.15	167
Class 2 (2016)	174	1.15	200
Class 2 (2017)	170	1.15	196
Class 2 (2018)	126	1.15	145
Class 2 (2019)	162	1.15	186
Class 2 (2020)	218	1.15	251
Class 2 (2021)	131	1.15	151
Class 3 (2014)	15	1.3	20
Class 3 (2015)	0	1.3	0
Class 3 (2016)	6	1.3	8
Class 3 (2017)	14	1.3	18
Class 3 (2018)	6	1.3	8
Class 3 (2019)	3	1.3	4
Class 3 (2020)	1	1.3	1
Class 3 (2021)	2	1.3	3
Class 4 (2014)	321	1.45	465
Class 4 (2015)	245	1.45	355
Class 4 (2016)	191	1.45	277
Class 4 (2017)	234	1.45	339
Class 4 (2018)	225	1.45	326
Class 4 (2019)	308	1.45	447
Class 4 (2020)	336	1.45	487
Class 4 (2021)	258	1.45	374
Total	3,801		4970
Average weighting factor (weighted transits/number of transits)		1.31	

I. Step 9: Calculate Revised Base Rates

In this step, the Coast Guard revises the base rates so that the total cost of pilotage is equal to the revenue needed after considering the impact of the weighting factors. To do this, the Coast Guard divides the initial base rates calculated in Step 7 by the average weighting factors calculated in Step 8, as shown in table 39.

TABLE 39—REVISED BASE RATES FOR DISTRICT THREE

Area	Initial rate (Step 7)	Average weighting factor (Step 8)	Revised rate (initial rate ÷ average weighting factor)
District Three: Undesignated	$535	1.30	$410
District Three: Designated	1,090	1.31	834

J. Step 10: Review and Finalize Rates

In this step, the Director reviews the rates set forth by the staffing model and ensures that they meet the goal of ensuring safe, efficient, and reliable pilotage. To establish this, the Director considers whether the rates incorporate appropriate compensation for pilots to handle heavy traffic periods and whether there is a sufficient number of pilots to handle those heavy traffic periods. The Director also considers whether the rates will cover operating expenses and infrastructure costs and takes average traffic and weighting factors into consideration. Based on this information, the Director is not issuing any alterations to the rates in this step. By means of this rule, § 401.405(a)(5) and (6) are modified to reflect the final rates shown in table 40.

TABLE 40—FINAL RATES FOR DISTRICT THREE

Area	Name	Final 2022 pilotage rate	Final 2023 pilotage rate
District Three: Designated	St. Mary's River	$662	$834
District Three: Undesignated	Lakes Huron, Michigan, and Superior	342	410

VIII. Regulatory Analyses

The Coast Guard developed this rule after considering numerous statutes and Executive orders related to rulemaking. Below, the Coast Guard summarizes its analyses based on these statutes or Executive orders.

A. Regulatory Planning and Review

Executive Orders 12866 (Regulatory Planning and Review) and 13563 (Improving Regulation and Regulatory Review) direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility.

The Office of Management and Budget (OMB) has not designated this rule a significant regulatory action under section 3(f) of Executive Order 12866. A regulatory analysis follows.

The purpose of this rule is to establish new base pilotage rates, as 46 U.S.C. 9303(f) requires that rates be established or reviewed and adjusted each year. The statute also requires that base rates be established by a full ratemaking at least once every 5 years, and, in years when base rates are not established, they must be reviewed and, if necessary, adjusted. The last full ratemaking was concluded in June of 2018.[28] For this ratemaking, the Coast Guard estimates an increase in cost of approximately $5.17 million to industry. This is approximately a 16-percent increase because of the change in revenue needed in 2023 compared to the revenue needed in 2022.

TABLE 41—ECONOMIC IMPACTS DUE TO CHANGES

Change	Description	Affected population	Costs	Benefits
Rate changes	In accordance with 46 U.S.C. Chapter 93, the Coast Guard is required to review and adjust base pilotage rates annually.	Owners and operators of 285 vessels transiting the Great Lakes system annually, 56 United States Great Lakes pilots, 6 apprentice pilots, and 3 pilotage associations.	Increase of $5,172,200 due to change in revenue needed for 2023 ($37,659,195) from revenue needed for 2022 ($32,486,995) as shown in table 42.	New rates cover an association's necessary and reasonable operating expenses. Promotes safe, efficient, and reliable pilotage service on the Great Lakes. Provides fair compensation, adequate training, and sufficient rest periods for pilots. Ensures the association receives sufficient revenues to fund future improvements.

The Coast Guard is required to review and adjust pilotage rates on the Great Lakes annually. See section III of this preamble for detailed discussions of the legal basis and purpose for this rulemaking. Based on the annual review for this rulemaking, the Coast Guard is adjusting the pilotage rates for the 2023 shipping season to generate sufficient revenues for each district to reimburse its necessary and reasonable operating expenses, fairly compensate properly trained and rested pilots, and provide an appropriate working capital fund to use for improvements. The result is an increase in rates for all areas in District One, District Two, and District Three. These changes also lead to a net increase in the cost of service to shippers. The change in per-unit cost to each individual shipper is dependent on their area of operation.

A detailed discussion of the economic impact analysis follows.

Affected Population

This rule affects United States Great Lakes pilots and apprentice pilots, the 3 pilot associations, and the owners and operators of 285 oceangoing vessels that transit the Great Lakes annually on average from 2019 to 2021. The Coast Guard estimates that there will be 56 registered pilots and 6 apprentice pilots during the 2023 shipping season. The shippers affected by these rate changes are those owners and operators of domestic vessels operating "on register" (engaged in foreign trade) and owners and operators of non-Canadian foreign vessels on routes within the Great Lakes system. These owners and operators must have pilots or pilotage service as required by 46 U.S.C. 9302. There is no minimum tonnage limit or exemption for these vessels. The statute applies only to commercial vessels and not to recreational vessels. United States-flagged vessels not operating on register, and Canadian "lakers," which account for most commercial shipping on the Great Lakes, are not required by 46 U.S.C. 9302 to have pilots. However, these United States- and Canadian-flagged lakers may voluntarily choose to engage a Great Lakes registered pilot. Vessels that are U.S.-flagged may opt to have a pilot for varying reasons, such as unfamiliarity with designated waters and ports, or for insurance purposes.

The Coast Guard used billing information from the years 2019 through 2021 from the GLPMS to estimate the average annual number of vessels affected by the rate adjustment. The GLPMS tracks data related to managing and coordinating the dispatch of pilots on the Great Lakes, and billing in accordance with the services. As described in Step 7 of the ratemaking methodology, the Coast Guard uses a 10-year average to estimate the traffic and used 3 years of the most recent billing data to estimate the affected population. When 10 years of the most recent billing data was reviewed, the Coast Guard found the data included vessels that have not used pilotage services in recent years; therefore, using 3 years of billing data is a better representation of the vessel population that is currently using pilotage services and is impacted by this rulemaking.

The Coast Guard found that 424 unique vessels used pilotage services during the years 2019 through 2021. That is, these vessels had a pilot dispatched to the vessel, and billing information was recorded in the GLPMS or SeaPro. Of these vessels, 397 were foreign-flagged vessels and 27 were U.S.-flagged vessels. As stated previously, U.S.-flagged vessels not operating on register are not required to have a registered pilot per 46 U.S.C. 9302, but they can voluntarily choose to have one.

Numerous factors affect vessel traffic, which varies from year to year. Therefore, rather than using the total number of vessels over the time period, the Coast Guard took an average of the unique vessels using pilotage services from the years 2019 through 2021 as the best representation of vessels estimated to be affected by the rates in this

[28] Great Lakes Pilotage Rates—2018 Annual Review and Revisions to Methodology (83 FR 26162), published June 5, 2018.

rulemaking. From 2019 through 2021, an average of 285 vessels used pilotage services annually.[29] On average, 273 of these vessels were foreign-flagged and 12 were U.S.-flagged vessels that voluntarily opted into the pilotage service (these figures are rounded averages).

Total Cost to Shippers

The rate changes resulting from this adjustment to the rates result in a net increase in the cost of service to shippers. However, the change in per unit cost to each individual shipper is dependent on their area of operation.

The Coast Guard estimates the effect of the rate changes on shippers by comparing the total projected revenues needed to cover costs in 2022 with the total projected revenues to cover costs in 2023. The Coast Guard sets pilotage rates so that pilot associations receive enough revenue to cover their necessary and reasonable expenses. Shippers pay these rates when they engage a pilot as required by 46 U.S.C. 9302. Therefore, the aggregate payments of shippers to pilot associations are equal to the projected necessary revenues for pilot associations. The revenues each year represent the total costs that shippers must pay for pilotage services. The change in revenue from the previous year is the additional cost to shippers discussed in this rule.

The impacts of the rate changes on shippers are estimated from the district pilotage projected revenues (shown in tables 10, 22, and 34 of this preamble). The Coast Guard estimates that for the 2023 shipping season, the projected revenue needed for all three districts is $37,659,195.

To estimate the change in cost to shippers from this rule, the Coast Guard compared the 2023 total projected revenues to the 2022 projected revenues. Because the Coast Guard reviews and prescribes rates for Great Lakes pilotage annually, the effects are estimated as a single-year cost rather than annualized over a 10-year period. In the 2022 rulemaking, the total projected revenue needed for 2022 is estimated as $32,486,994.[30] This is the best approximation of 2022 revenues, as, at the time of publication of this rule, the Coast Guard does not have enough audited data available for the 2022 shipping season to revise these projections. Table 42 shows the revenue projections for 2022 and 2023 and details the additional cost increases to shippers by area and district as a result of the rate changes on traffic in Districts One, Two, and Three.

TABLE 42—EFFECT OF THE RULE BY AREA AND DISTRICT

[U.S. dollars; non-discounted]

Area	Revenue needed in 2022	Revenue needed in 2023	Additional costs of this rule
Total, District One	$11,791,695	$12,609,601	$817,906
Total, District Two	8,786,882	10,392,542	1,605,660
Total, District Three	11,908,418	14,657,052	2,748,633
System Total	32,486,995	37,659,195	5,172,199

Note: All figures are rounded to the nearest dollar and may not sum.

The resulting difference between the projected revenue in 2022 and the projected revenue in 2023 is the annual change in payments from shippers to pilots as a result of the rate changes by this rule. The effect of the rate changes to shippers will vary by area and district. After taking into account the change in pilotage rates, the rate changes will lead to affected shippers operating in District One experiencing an increase in payments of $817,906 over the previous year. District Two and District Three will experience an increase in payments of $1,605,660 and $2,748,633, respectively, when compared with 2022. The overall adjustment in payments will be an increase in payments by shippers of $5,172,199 across all three districts (a 16-percent increase when compared with 2022). Again, because the Coast Guard reviews and sets rates for Great Lakes pilotage annually, the impacts are estimated as single-year costs rather than being annualized over a 10-year period.

Table 43 shows the difference in revenue by revenue-component from 2022 to 2023 and presents each revenue-component as a percentage of the total revenue needed. In both 2022 and 2023, the largest revenue-component was pilotage compensation (63 percent of total revenue needed in 2022, and 63 percent of total revenue needed in 2023), followed by operating expenses (31 percent of total revenue needed in 2022, and 32 percent of total revenue needed in 2023).

TABLE 43—DIFFERENCE IN REVENUE BY REVENUE-COMPONENT

Revenue component	Revenue needed in 2022	Percentage of total revenue needed in 2022	Revenue needed in 2023	Percentage of total revenue needed in 2023	Difference (2023 revenue – 2022 revenue)	Percentage change from previous year
Adjusted Operating Expenses	$10,045,658	31	$11,984,950	32	$1,939,292	19
Total Target Pilot Compensation	20,362,566	63	23,766,288	63	3,403,722	17
Total Target Apprentice Pilot Compensation	1,293,622	4	916,700	2	(376,922)	(29)
Working Capital Fund	785,149	2	991,257	3	206,108	26
Total Revenue Needed	32,486,995	100	37,659,195	100	5,172,199	16

Note: All figures are rounded to the nearest dollar and may not sum.

[29] Some vessels entered the Great Lakes multiple times in a single year, affecting the average number of unique vessels using pilotage services in any given year.

[30] 87 FR 18488, see table 42. *https://www.govinfo.gov/content/pkg/FR-2022-03-30/pdf/2022-06394.pdf.*

As stated above, the Coast Guard estimates that there will be a total increase in revenue needed by the pilot associations of $5,172,200. This represents an increase in revenue needed for target pilot compensation of $3,403,722, a decrease in revenue needed for total apprentice pilot wage benchmark of ($376,922), an increase in the revenue needed for adjusted operating expenses of $1,939,292, and an increase in the revenue needed for the working capital fund of $206,108. Of the $5,172,200 total change in revenue, $1,461,677 (28 percent) results from changes in inflation, $2,052,118 (40 percent) results from changes in the number of pilots, ($443,258) (−9 percent) results from the decrease in the number of apprentice pilots, and $2,101,662 (41 percent) results from other changes in traffic.

The change in revenue needed for pilot compensation, $3,403,722, is due to three factors: (1) The changes to adjust 2022 pilotage compensation to account for the difference between actual ECI inflation [31] (5.7 percent) and predicted PCE inflation [32] (2.2 percent) for 2022; (2) an increase of two pilots in District Two and three pilots in District Three compared to 2022; and (3) projected inflation of pilotage compensation in Step 2 of the methodology, using predicted inflation through 2024.

The target compensation is $424,398 per pilot in 2023, compared to $399,266 in 2022. The changes to modify the 2022 pilot compensation to account for the difference between predicted and actual inflation will increase the 2022 target compensation value by 3.5 percent. As shown in table 44, this inflation adjustment increases total compensation by $13,974 per pilot, and the total revenue needed by $782,561 when accounting for all 56 pilots.

TABLE 44—CHANGE IN REVENUE RESULTING FROM THE CHANGE TO INFLATION OF PILOT COMPENSATION CALCULATION IN STEP 4

2022 Target Pilot Compensation	$399,266
Adjusted 2022 Compensation ($399,266 × 1.035)	413,240
Difference between Adjusted Target 2022 Compensation and Target 2022 Compensation ($413,240 − $399,266)	13,974
Increase in total Revenue for 56 Pilots ($13,974 × 56)	782,561

Note: All figures are rounded to the nearest dollar and may not sum.

Similarly, table 45 shows the impact of the difference between predicted and actual inflation on the target apprentice pilot compensation benchmark. The inflation adjustment increases the compensation benchmark by $5,031 per apprentice pilot, and the total revenue needed by $30,185 when accounting for all 6 apprentice pilots.

TABLE 45—CHANGE IN REVENUE RESULTING FROM THE CHANGE TO INFLATION OF APPRENTICE PILOT COMPENSATION CALCULATION IN STEP 4

Target Apprentice Pilot Compensation	$143,736
Adjusted Compensation ($143,736 × 1.035)	148,767
Difference between Adjusted Target Compensation and Target Compensation ($148,767 − $143,736)	5,031
Increase in total Revenue for Apprentices ($5,031 × 6)	30,185

Note: All figures are rounded to the nearest dollar and may not sum.

As noted earlier, the Coast Guard predicts that 56 pilots will be needed for the 2023 season. This will be an increase of five pilots compared to the 2022 season. The difference reflects an increase of two pilots in District Two and three pilots in District Three. Table 46 shows the increase of $2,052,118 in revenue needed solely for pilot compensation. As noted previously, to avoid double counting, this value excludes the change in revenue resulting from the change to adjust 2022 pilotage compensation to account for the difference between actual and predicted inflation.

TABLE 46—CHANGE IN REVENUE RESULTING FROM INCREASE OF FIVE PILOTS

2023 Target Compensation	$424,398
Total Number of New Pilots	5
Total Cost of New Pilots ($424,398 × 5)	$2,121,990
Difference between Adjusted Target 2022 Compensation and Target 2022 Compensation ($413,240 − $399,266)	$13,974
Increase in total Revenue for 5 Pilots ($13,974 × 5)	$69,872
Net Increase in total Revenue for 5 Pilots ($2,121,990 − $69,872)	$2,052,118

Note: All figures are rounded to the nearest dollar and may not sum.

[31] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. Accessed September 29, 2022. *https://www.bls.gov/news.release/eci.t05.htm*.

[32] Table 1 Summary of Economic Projections, PCE Inflation June Projection. Accessed September, 2022 *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220921.pdf*.

Similarly, the Coast Guard predicts that six apprentice pilots will be needed for the 2023 season. This will be a decrease of three apprentices from the 2022 season. The difference reflects a decrease of one apprentice for District Two and two apprentices for District Three. Table 47 shows the decrease of ($443,258) in revenue needed solely for apprentice pilot compensation. As noted previously, to avoid double counting, this value excludes the change in revenue resulting from the change to adjust 2022 apprentice pilotage compensation to account for the difference between actual and predicted inflation.

TABLE 47—CHANGE IN REVENUE RESULTING FROM DECREASE OF THREE APPRENTICES

2023 Apprentice Target Compensation	$152,783
Total Number of New Apprentices	(3)
Total Cost of New Apprentices ($152,783 × −3)	($458,350)
Difference between Adjusted Target 2022 Compensation and Target 2022 Compensation ($148,767 − $143,736)	$5,031
Increase in total Revenue for −3 Apprentices ($5,031 [× −3)	($15,092)
Net Increase in total Revenue for −3 Apprentices (−$458,350 − −$15,092)	($443,258)

Note: All figures are rounded to the nearest dollar and may not sum.

Another increase, $624,831, will be the result of increasing compensation for the 56 pilots to account for future inflation of 2.7 percent in 2023. This will increase total compensation by $11,158 per pilot.

TABLE 48—CHANGE IN REVENUE RESULTING FROM INFLATING 2022 COMPENSATION TO 2023

Adjusted 2022 Compensation	$413,240
2023 Target Compensation ($413,240 × 1.027)	424,398
Difference between Adjusted 2022 Compensation and Target 2023 Compensation $424,398 − $413,240)	11,158
Increase in total Revenue for 56 Pilots ($11,158 × 56)	624,831

Note: All figures are rounded to the nearest dollar and may not sum.

Similarly, an increase of $24,101 will be the result of increasing compensation for the 6 apprentice pilots to account for future inflation of 2.7 percent in 2023. This will increase total compensation by $4,017 per apprentice pilot, as shown in table 49.

TABLE 49—CHANGE IN REVENUE RESULTING FROM INFLATING 2022 APPRENTICE PILOT COMPENSATION TO 2023

Adjusted 2022 Compensation	$148,767
2023 Target Compensation ($424,398 × 36%)	152,783
Difference between Adjusted Compensation and Target Compensation $152,783 − $148,767)	4,017
Increase in total Revenue for 6 Apprentices ($4,017 × 6)	24,101

Note: All figures are rounded to the nearest dollar and may not sum.

Table 50 presents the percentage change in revenue by area and revenue-component, excluding surcharges, as they are applied at the district level.[33]

[33] The 2022 projected revenues are from the Great Lakes Pilotage Rate—2022 Annual Review and Revisions to Methodology final rule (86 FR 14184), tables 9, 21, and 33. The 2023 projected revenues are from tables 10, 22, and 34 of this final rule.

TABLE 50—DIFFERENCE IN REVENUE BY REVENUE-COMPONENT AND AREA

	Adjusted operating expenses			Total target pilot compensation			Total target apprentice pilot compensation			Working capital fund			Total revenue needed		
	2022	2023	Percentage change	2022	2023	Percentage change	2022	2023	Percentage change	2022	2023	Percentage change	2022	2023	Percentage change
District One: Designated ...	$2,419,401	$2,599,777	7	$4,165,143	$4,243,980	2	$172,483	$183,340	6.3	$163,077	$189,966	16	$6,747,621	$7,217,063	7.0
District One: Undesignated	1,613,051	1,733,186	7	3,309,117	3,395,184	3	114,989	122,227	6.3	121,906	141,941	16	5,044,074	5,392,538	6.9
District Two: Undesignated	1,078,929	1,270,338	18	3,366,611	4,243,980	26	172,483	61,113	(64.6)	110,101	150,722	37	4,555,641	5,726,153	25.7
District Two: Designated ...	1,618,395	1,905,503	18	2,510,585	2,546,388	1	114,989	91,670	(20.3)	102,261	122,828	20	4,231,241	4,666,389	10.3
District Three: Undesignated	2,603,961	3,515,118	35	6,556,746	7,214,766	10	567,756	359,942	(37)	226,880	299,795	32	9,387,588	11,389,621	21.3
District Three: Designated ...	711,920	961,028	35	1,747,987	2,121,990	21	150,923	98,408	(35)	60,924	86,005	41	2,520,831	3,267,430	29.6

Note: All figures are rounded to the nearest dollar and may not sum.

Benefits

This rule allows the Coast Guard to meet the requirements in 46 U.S.C. 9303 to review the rates for pilotage services on the Great Lakes. The rate changes promote safe, efficient, and reliable pilotage service on the Great Lakes by (1) ensuring that rates cover an association's operating expenses, (2) providing fair pilot compensation, adequate training, and sufficient rest periods for pilots, and (3) ensuring pilot associations produce enough revenue to fund future improvements. The rate changes also help recruit and retain pilots, which ensures a sufficient number of pilots to meet peak shipping demand, helping to reduce delays caused by pilot shortages.

B. Small Entities

Under the Regulatory Flexibility Act, 5 U.S.C. 601–612, the Coast Guard has considered whether this rule will have a significant economic impact on a substantial number of small entities. The term ''small entities'' comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000.

For the rule, the Coast Guard reviewed recent company size and ownership data for the vessels identified in the GLPMS, and we reviewed business revenue and size data provided by publicly available sources such as ReferenceUSA.[34] As described in section VIII.A of this preamble, the Coast Guard found that 285 unique vessels used pilotage services on average during the years 2019 through 2021. These vessels are owned by 59 entities, of which 44 are foreign entities that operate primarily outside the United States, and the remaining 15 entities are U.S. entities. The Coast Guard compared the revenue and employee data found in the company search to the Small Business Administration's (SBA) small business threshold as defined in the SBA's ''Table of Size Standards'' for small businesses to determine how many of these companies are considered small entities.[35] Table 51 shows the North American Industry Classification System (NAICS) codes of the U.S. entities and the small entity standard size established by the SBA.

TABLE 51—NAICS CODES AND SMALL ENTITIES SIZE STANDARDS

NAICS	Description	Small entity size standard
238910	Site Preparation Contractors.	$16,500,000.
423860	Transportation Equipment And Supplies.	150 Employees.
425120	Wholesale Trade Agents And Brokers.	100 Employees.
483212	Inland Water Passenger Transportation.	500 Employees.
484230	Specialized Freight (Except Used Goods) Trucking.	$30,000.
488330	Navigational Services to Shipping.	$41,500,000.
561510	Travel Agencies ...	$22,000,000.
561599	All Other Travel Arrangement And Reservation Services.	$22,000,000.
713930	Marinas	$8,000,000.
813910	Business Associations.	$8,000,000.

Of the 15 U.S. entities, 8 exceed the SBA's small business standards for small entities. To estimate the potential impact on the seven small entities, the Coast Guard used their 2021 invoice data to estimate their pilotage costs in 2023. Of the seven small entities, from 2019 to 2021, only five used pilotage services in 2021. The Coast Guard increased their 2021 costs to account for the changes in pilotage rates resulting from this rule and the Great Lakes Pilotage Rates—2021 Annual Review and Revisions to Methodology final rule (86 FR 14184). The Coast Guard estimated the change in cost to these entities resulting from this rule by subtracting their estimated 2022 pilotage costs from their estimated 2023 pilotage costs and found the average costs to small firms will be approximately $29,311, with a range of $810 to $109,314. The estimated change in pilotage costs between 2022 and 2023 was then compared with each firm's annual revenue. In all but one case, the impact of the change in estimated pilotage expenses were below 1 percent of revenues. For one uniquely small entity, the change in impact will be 4.19 percent of revenues, as this entity reports revenue approximately 10 times less than the next largest small entity.

In addition to the owners and operators discussed previously, three U.S. entities that receive revenue from pilotage services will be affected by this rule. These are the three pilot associations that provide and manage pilotage services within the Great Lakes districts. These associations are designated with the same NAICS code as Business Associations[36] with a small-entity size standard of $8,000,000. Based on the reported revenues from audit reports, none of the associations qualify as small entities.

Finally, the Coast Guard did not find any small not-for-profit organizations that are independently owned and operated and are not dominant in their fields that will be impacted by this rule. The Coast Guard also did not find any small governmental jurisdictions with populations of fewer than 50,000 people that will be impacted by this rule. Based on this analysis, the Coast Guard concludes this rulemaking will not affect a substantial number of small entities, nor have a significant economic impact on any of the affected entities.

Therefore, the Coast Guard certifies under 5 U.S.C. 605(b) that this rule will not have a significant economic impact on a substantial number of small entities.

C. Assistance for Small Entities

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996, Public Law 104–121, the Coast Guard offers to assist small entities in understanding this rule so that they can better evaluate its effects on them and participate in the rulemaking. The Coast Guard will not retaliate against small entities that question or complain about this rule or any policy or action of the Coast Guard.

Small businesses may send comments on the actions of Federal employees who enforce, or otherwise determine compliance with, Federal regulations to the Small Business and Agriculture Regulatory Enforcement Ombudsman and the Regional Small Business Regulatory Fairness Boards. The Ombudsman evaluates these actions annually and rates each agency's responsiveness to small business. If you wish to comment on actions by employees of the Coast Guard, call 1–888–REG–FAIR (1–888–734–3247).

[34] See *https://resource.referenceusa.com/.*

[35] See *https://www.sba.gov/document/support--table-size-standards.* SBA has established a ''Table of Size Standards'' for small businesses that sets small business size standards by NAICS code. A size standard, which is usually stated in number of employees or average annual receipts (''revenues''), represents the largest size that a business (including its subsidiaries and affiliates) may be in order to remain classified as a small business for SBA and Federal contracting programs. Accessed April 2022.

[36] In previous rulemakings, the associations used a different NAICS code, 483212 Inland Water Passenger Transportation, which had a size standard of 500 employees and, therefore, designated the associations as small entities. The change in NAICS code comes from an update to the association's ReferenceUSA profile in February 2022.

D. Collection of Information

This rule calls for no new collection of information nor does it revise an existing collection of information under the Paperwork Reduction Act of 1995, 44 U.S.C. 3501–3520.

E. Federalism

A rule has implications for federalism under Executive Order 13132 (Federalism) if it has a substantial direct effect on States, on the relationship between the National Government and the States, or on the distribution of power and responsibilities among the various levels of government. The Coast Guard has analyzed this rule under Executive Order 13132 and determined that it is consistent with the fundamental federalism principles and preemption requirements described in Executive Order 13132. Our analysis follows.

Congress directed the Coast Guard to establish ''rates and charges for pilotage services.'' See 46 U.S.C. 9303(f). This regulation is issued pursuant to that statute and is preemptive of State law as specified in 46 U.S.C. 9306. Under 46 U.S.C. 9306, a ''State or political subdivision of a State may not regulate or impose any requirement on pilotage on the Great Lakes.'' As a result, States or local governments are expressly prohibited from regulating within this category. Therefore, this rule is consistent with the fundamental federalism principles and preemption requirements described in Executive Order 13132.

While it is well settled that States may not regulate in categories in which Congress intended the Coast Guard to be the sole source of a vessel's obligations, the Coast Guard recognizes the key role that State and local governments may have in making regulatory determinations. Additionally, for rules with federalism implications and preemptive effect, Executive Order 13132 specifically directs agencies to consult with State and local governments during the rulemaking process. If you believe this rule will have implications for federalism under Executive Order 13132, please call or email the person listed in the **FOR FURTHER INFORMATION CONTACT** section of this preamble.

F. Unfunded Mandates

The Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1531–1538, requires Federal agencies to assess the effects of their discretionary regulatory actions. In particular, the Act addresses actions that may result in the expenditure by a State, local, or Tribal government, in the aggregate, or by the private sector of $100,000,000 (adjusted for inflation) or more in any one year. Although this rule will not result in such expenditure, the effects of this rule are discussed elsewhere in this preamble.

G. Taking of Private Property

This rule will not cause a taking of private property or otherwise have taking implications under Executive Order 12630 (Governmental Actions and Interference with Constitutionally Protected Property Rights).

H. Civil Justice Reform

This rule meets applicable standards in sections 3(a) and 3(b)(2) of Executive Order 12988 (Civil Justice Reform) to minimize litigation, eliminate ambiguity, and reduce burden.

I. Protection of Children

The Coast Guard has analyzed this rule under Executive Order 13045 (Protection of Children from Environmental Health Risks and Safety Risks). This rule is not an economically significant rule and will not create an environmental risk to health or risk to safety that might disproportionately affect children.

J. Indian Tribal Governments

This rule does not have tribal implications under Executive Order 13175 (Consultation and Coordination with Indian Tribal Governments), because it will not have a substantial direct effect on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes, or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

K. Energy Effects

The Coast Guard has analyzed this rule under Executive Order 13211 (Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use) and have determined that it is not a ''significant energy action'' under that order because it is not a ''significant regulatory action'' under Executive Order 12866 and is not likely to have a significant adverse effect on the supply, distribution, or use of energy.

L. Technical Standards

The National Technology Transfer and Advancement Act, codified as a note to 15 U.S.C. 272, directs agencies to use voluntary consensus standards in their regulatory activities unless the agency provides Congress, through OMB, with an explanation of why using these standards will be inconsistent with applicable law or otherwise impractical. Voluntary consensus standards are technical standards (*e.g.,* specifications of materials, performance, design, or operation; test methods; sampling procedures; and related management systems practices) that are developed or adopted by voluntary consensus standards bodies.

This rule does not use technical standards. Therefore, the Coast Guard did not consider the use of voluntary consensus standards.

M. Environment

The Coast Guard has analyzed this rule under Department of Homeland Security Management Directive 023–01, Rev. 1, associated implementing instructions, and Environmental Planning COMDTINST 5090.1 (series), which guide the Coast Guard in complying with the National Environmental Policy Act of 1969 (42 U.S.C. 4321–4370f), and have made a determination that this action is one of a category of actions that do not individually or cumulatively have a significant effect on the human environment. A Record of Environmental Consideration supporting this determination is available in the docket. For instructions on locating the docket, see the **ADDRESSES** section of this preamble. This rule is categorically excluded under paragraphs A3 and L54 of Appendix A, Table 1 of DHS Instruction Manual 023–01–001–01, Rev. 1. Paragraph A3 pertains to the promulgation of rules of the following nature: (a) those of a strictly administrative or procedural nature; (b) those that implement, without substantive change, statutory or regulatory requirements; (c) those that implement, without substantive change, procedures, manuals, and other guidance documents; (d) those that interpret or amend an existing regulation without changing its environmental effect; (e) those that provide technical guidance on safety and security matters; and (f) those that provide guidance for the preparation of security plans. Paragraph L54 pertains to regulations which are editorial or procedural.

This rule involves setting or adjusting the pilotage rates for the 2023 shipping season to account for changes in district operating expenses, changes in the number of pilots, and anticipated inflation. These changes are consistent with, and promote, the Coast Guard's maritime safety mission.

List of Subjects in 46 CFR Part 401

Administrative practice and procedure, Great Lakes; Navigation (water), Penalties, Reporting and recordkeeping requirements, Seamen.

For the reasons discussed in the preamble, the Coast Guard is amending 46 CFR part 401 as follows:

PART 401—GREAT LAKES PILOTAGE REGULATIONS

■ 1. The authority citation for part 401 is revised to read as follows:

Authority: 46 U.S.C. 2103, 2104(a), 6101, 7701, 8105, 9303, 9304; DHS Delegation No. 00170.1, Revision No. 01.3, paragraphs (II)(92)(a), (d), (e), (f).

■ 2. Amend § 401.405 by revising paragraphs (a)(1) through (6) to read as follows:

§ 401.405 Pilotage rates and charges.

(a) * * *

(1) The St. Lawrence River is $876;

(2) Lake Ontario is $586;

(3) Lake Erie is $704;

(4) The navigable waters from Southeast Shoal to Port Huron, MI is $601;

(5) Lakes Huron, Michigan, and Superior is $410; and

(6) The St. Mary's River is $834.

* * * * *

Dated: February 8, 2023.

W.R. Arguin,

Rear Admiral, U.S. Coast Guard, Assistant Commandant for Prevention Policy.

[FR Doc. 2023–03212 Filed 2–24–23; 8:45 am]

BILLING CODE 9110–04–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 73

[DA 23–111; FR ID 127148]

Radio Broadcasting Services; Various Locations

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: This document amends the FM Table of Allotments, of the Commission's rules, by reinstating certain channels as a vacant FM allotment in various communities. The FM allotments were previously removed from the FM Table because a construction permit and/or license was granted. These FM allotments are now considered vacant because of the cancellation of the associated FM authorizations or the dismissal of long-form auction FM applications. A staff engineering analysis confirms that all of the vacant FM allotments complies with the Commission's minimum distance separation and city-grade coverage requirements. The window period for filing applications for these vacant FM allotments will not be opened at this time. Instead, the issue of opening these allotments for filing will be addressed by the Commission in subsequent order.

DATES: Effective February 27, 2023.

FOR FURTHER INFORMATION CONTACT: Rolanda F. Smith, Media Bureau, (202) 418–2700.

SUPPLEMENTARY INFORMATION: This is a synopsis of the Commission's *Order,* adopted February 8, 2023 and released February 9, 2023. The full text of this Commission decision is available online at *https://apps.fcc.gov/ecfs/.* The full text of this document can also be downloaded in Word or Portable Document Format (PDF) at *https://www.fcc.gov/edocs.* This document does not contain information collection requirements subject to the Paperwork Reduction Act of 1995, Public Law 104–13. The Commission will not send a copy of the *Order* in a report to be sent to Congress and the Government Accountability Office pursuant to the Congressional Review Act, *see* 5 U.S.C. 801(a)(1)(A), because these allotments were previously reported.

List of Subjects in 47 CFR Part 73

Radio, Radio broadcasting.

Federal Communications Commission.

Nazifa Sawez,

Assistant Chief, Audio Division, Media Bureau.

Final Rules

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR part 73 as follows:

PART 73—RADIO BROADCAST SERVICES

■ 1. The authority citation for part 73 continues to read as follows:

Authority: 47 U.S.C. 154, 155, 301, 303, 307, 309, 310, 334, 336 and 339.

■ 2. In § 73.202, in paragraph (b), amend table 1 (the Table of FM Allotments) by:

■ a. Adding in alphabetical order:

■ i. Entries for ''Ajo,'' ''Fredonia,'' and ''Peach Springs'' under Arizona;

■ ii. An entry for ''Lake Village'' under Arkansas;

■ iii. Entries for ''Kettleman City,'' ''Tecopa,'' and ''Wasco'' under California;

■ iv. An entry for ''Bear Lake'' under Michigan;

■ v. An entry for ''Grand Portage'' under Minnesota;

■ vi. An entry for ''Greenwood'' under Mississippi; and

■ vii. An entry for ''Bunker'' under Missouri;

■ b. Revising the entry for ''Owyhee'' under Nevada;

■ c. Adding in alphabetical order an entry for ''Clovis'' under New Mexico;

■ d. Revising the entry for ''Junction'' under Texas;

■ e. Adding in alphabetical order the entry for ''Sonora'' under Texas; and

■ f. Adding in alphabetical order an entry for ''Barton'' under Vermont.

The additions and revisions read as follows:

§ 73.202 Table of Allotments.

* * * * *

(b) * * *

TABLE 1 TO PARAGRAPH (b)

U.S. States	Channel No.
Arizona	
* * *	* *
Ajo	275A.
* * *	* *
Fredonia	266C1.
* * *	* *
Peach Springs	280A.
* * *	* *
Arkansas	
* * *	* *
Lake Village	278C3.
* * *	* *
California	
* * *	* *
Kettleman City	299A.
* * *	* *
Tecopa	288A.
* * *	* *
Wasco	224A.
* * *	* *
Michigan	
Bear Lake	264C3.
* * *	* *
Minnesota	
* * *	* *
Grand Portage	251A.