Public Participation (Executive Order 13563)

The NEA encourages public participation by ensuring its documentation is understandable by the general public, and has written this final rule in compliance with Executive Order 13563 by ensuring its accessibility, consistency, simplicity of language, and overall comprehensibility.

List of Subjects in 45 CFR Parts 1149 and 1158

Administrative practice and procedure, Government contracts, Grant programs, Loan programs, Lobbying, Penalties.

For the reasons stated in the preamble, the NEA amends 45 CFR chapter XI, subchapter B, as follows:

PART 1149—PROGRAM FRAUD CIVIL REMEDIES ACT REGULATIONS

■ 1. The authority citation for part 1149 continues to read as follows:

Authority: 5 U.S.C. App. 8G(a)(2); 20 U.S.C. 959; 28 U.S.C. 2461 note; 31 U.S.C. 3801–3812.

§ 1149.9 [Amended]

■ 2. In § 1149.9 amend paragraph (a)(1) b removing the amount ''$13,507'' and adding in its place the amount ''$13,945''.

PART 1158—NEW RESTRICTIONS ON LOBBYING

■ 3. The authority citation for part 1158 continues to read as follows:

Authority: 20 U.S.C. 959; 28 U.S.C. 2461; 31 U.S.C. 1352.

§ 1158.400 [Amended]

■ 4. In § 1158.400 amend paragraphs (a), (b), and (e) by:

■ a. Removing the amount ''$23,714'' and adding in its place the amount ''$24,483'' wherever it appears; and

■ b. Removing the amount ''$237,268'' and adding in its place the amount ''$244,958'' wherever it appears.

Appendix A to Part 1158 [Amended]

■ 5. Amend appendix A to part 1158 by:

■ a. Removing the amount ''$23,714'' and adding in its place the amount ''$24,483'' wherever it appears.

■ b. Removing the amount ''$237,268'' and adding in its place the amount ''$244,958'' wherever it appears.

Dated: January 10, 2024.

Daniel Beattie,

Director of Guidelines and Panel Operations.

[FR Doc. 2024–00662 Filed 2–8–24; 8:45 am]

BILLING CODE 7537–01–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

46 CFR Part 401

[Docket No. USCG–2023–0438]

RIN 1625–AC89

Great Lakes Pilotage Rates—2024 Annual Review

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 pilotage rates for the 2024 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 7-percent net increase in pilotage costs compared to the 2023 season.

DATES: This final rule is effective March 11, 2024.

ADDRESSES: To view documents mentioned in this preamble as being available in the docket, go to *www.regulations.gov,* type USCG–2023–0438 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.*

SUPPLEMENTARY INFORMATION:

Table of Contents for Preamble

I. Abbreviations

2023 final rule Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology final rule
AMO 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
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 2024 season range from $430 to $927 per pilot hour (depending on which of the specific 6 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. These rates are the foundation for safe, efficient, and reliable pilotage service to facilitate maritime commerce, protect the marine environment, and comply with National Transportation Safety Board recommendations regarding staffing and pilot fatigue.

In accordance with statutory and regulatory requirements, the Coast Guard employs the ratemaking methodology introduced in 2016 [2] and last updated in 2022.[3] 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 section VI., Summary of the Ratemaking Methodology, in the preamble to this rule.

In this final rule, we conduct our annual review and interim adjustment to the base pilotage rates for 2024. The Coast Guard last conducted a full ratemaking in 2023, with the ''Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology'' final rule (hereafter the ''2023 final rule'') (88 FR 12226, published February 27, 2023).[4] Per title 46 of the Code of Federal Regulations (CFR), section 404.100(b), via this final rule, the Coast Guard's Director of the Great Lakes Pilotage (''the Director'') establishes base pilotage rates by an interim 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 caused by unexpected events, such as those caused by the COVID–19 pandemic. The Coast Guard estimates that this rule will result in $2,621,471 of additional costs. This represents an increase in revenue needed for target pilot compensation, an increase in revenue needed for the total apprentice pilot wage benchmark, an increase in the revenue needed for adjusted operating expenses, and an increase in the revenue needed for the working capital fund.

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

TABLE 1—CURRENT AND 2024 PILOTAGE RATES ON THE GREAT LAKES

Area	Name	Final 2023 pilotage rate	Final 2024 pilotage rate
District One: Designated	St. Lawrence River	$876	$927
District One: Undesignated	Lake Ontario	586	608
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	601	667
District Two: Undesignated	Lake Erie	704	597
District Three: Designated	St. Mary's River	834	836
District Three: Undesignated	Lakes Huron, Michigan, and Superior	410	430

This rule affects 58 U.S. Registered pilots, 6 apprentice pilots, 3 pilot associations, and the owners and operators of an average of 296 oceangoing vessels that transit the Great Lakes annually. This rule 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 $2,621,471 in estimated payments made by shippers during the 2024 shipping season. This rule establishes the 2024 yearly target compensation for pilots on the Great Lakes at $440,658 per pilot (a $16,260 increase, or 3.83 percent, over their 2023 target compensation). Because the Coast Guard must review, and, if necessary, adjust rates each year, we analyze these as single-year costs and do not annualize them over 10 years. Section X., Regulatory Analyses, in 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,[5] 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.[6] For U.S. Great Lakes pilots, the statute requires the Secretary to ''prescribe by

[1] 46 U.S.C. 9301–9308.
[2] 81 FR 11908, March 7, 2016.
[3] 87 FR 18488. March 30, 2022.
[4] *https://www.govinfo.gov/content/pkg/FR-2023-02-27/pdf/2023-03212.pdf.* (Last accessed 5/12/2023.)
[5] 46 U.S.C. 9301–9308.
[6] 46 U.S.C. 9302(a)(1).

regulation rates and charges for pilotage services, giving consideration to the public interest and the costs of providing the services.'' [7] The statute requires that rates be established or reviewed and adjusted each year, no later than March 1.[8] 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.[9] The Secretary's duties and authority under 46 U.S.C. Chapter 93 have generally been delegated to the Coast Guard.[10]

Each pilot association is an independent business and is the sole provider of pilotage services in its district of operation. Each pilot association is responsible for funding its own operating expenses, maintaining infrastructure, compensating pilots and apprentice pilots,[11] acquiring and implementing technological advances, and training personnel and partners.

The Coast Guard uses a 10-step ratemaking methodology to derive a pilotage rate, based on the estimated amount of traffic, which covers these expenses.[12] The methodology is designed to measure how much revenue each pilotage association would need to cover expenses and to provide compensation to registered pilots. Since the Coast Guard cannot guarantee demand for pilotage services, target pilot compensation for registered pilots is a goal. The actual demand for service dictates the actual compensation for the registered pilots. We then divide that amount by the historic 10-year average for pilotage demand. We recognize that, in years where traffic is above average, pilot associations will accrue more revenue than projected while, in years where traffic is below average, they will take in less. We believe that, over the long term, however, this system ensures that infrastructure will be maintained, and that pilots will receive adequate compensation and work a reasonable number of hours, with adequate rest between assignments, to ensure retention of highly trained personnel.

The purpose of this rule is to issue new pilotage rates for the 2024 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 to facilitate commerce and protect the marine environment in 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.

IV. Background

Pursuant to 46 U.S.C. 9303, the Coast Guard regulates shipping practices and rates on the Great Lakes. Under Coast Guard regulations, all vessels engaged in foreign trade (often referred to as ''salties'') are required to engage United States or Canadian pilots during their transit through the regulated waters.[13] United States and Canadian ''lakers,'' which account for most commercial shipping on the Great Lakes, are not affected.[14] Generally, vessels are assigned a United States or Canadian pilot, depending on the order in which they transit a particular area of the Great Lakes, and do not choose the pilot they receive. If a vessel is assigned a U.S. pilot, that pilot will be assigned by the pilotage association responsible for the district in which the vessel is operating, and the vessel operator will pay the pilotage association for the pilotage services. The Great Lakes Pilotage Authority (Canadian) (GLPA) establishes the rates for Canadian registered pilots.

The waters of the Great Lakes and the St. Lawrence Seaway subject to U.S. jurisdiction are divided into three pilotage districts. Pilotage in each district is provided by an association certified by the Director to operate a pilotage pool. The Saint Lawrence Seaway Pilotage Association (SLSPA) provides pilotage services in District One, which includes all waters of the St. Lawrence River and Lake Ontario subject to U.S. jurisdiction. The Lakes Pilots Association (LPA) provides pilotage services in District Two, which includes all waters of Lake Erie, the Detroit River, Lake St. Clair, and the St. Clair River subject to U.S. jurisdiction. Finally, the Western Great Lakes Pilots Association (WGLPA) provides pilotage services in District Three, which includes all waters of the St. Mary's River; Sault Ste. Marie Locks; and Lakes Huron, Michigan, and Superior subject to U.S. jurisdiction.

Each pilotage district is further divided into ''designated'' and ''undesignated'' areas, depicted in table 2. Designated areas, classified as such by Presidential Proclamation, are waters in which pilots must direct the navigation of vessels at all times.[15] Undesignated areas are open bodies of water not subject to the same pilotage requirements. While working in undesignated areas, pilots must ''be on board and available to direct the navigation of the vessel at the discretion of and subject to the customary authority of the master.'' [16] For these reasons, pilotage rates in designated areas can be significantly higher than those in undesignated areas. Table 2 shows the districts and areas of the Great Lakes and St. Lawrence Seaway.

TABLE 2—AREAS OF THE GREAT LAKES AND ST. LAWRENCE SEAWAY

District	Pilotage association	Designation	Area No.[17]	Area name [18]
One	Saint Lawrence Seaway Pilotage Association (SLPA).	Designated	1	St. Lawrence River.
		Undesignated	2	Lake Ontario.
Two	Lakes Pilots Association (LPA)	Designated	5	Navigable waters from Southeast Shoal to Port Huron, MI.
		Undesignated	4	Lake Erie.

[7] 46 U.S.C. 9303(f).

[8] *Ibid.*

[9] *Ibid.*

[10] Department of Homeland Security (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. *https://dhsconnect.dhs.gov/org/comp/mgmt/policies/Delegations/00170.1.pdf.* (Last accessed 11/8/2023.)

[11] Apprentice pilots and applicant pilots are compensated by the pilot association they are training with, which is funded through the pilotage rates. The ratemaking methodology accounts for an apprentice pilot wage benchmark in Step 4 per 46 CFR 404.104(d). The applicant pilot salaries are included in the pilot associations' operating expenses used in Step 1 per 46 CFR 404.101.

[12] 46 CFR part 404.101–404.110. *https://www.ecfr.gov/current/title-46/chapter-III/part-404.* (Last accessed 5/17/23.)

[13] See 46 CFR part 401. *https://www.ecfr.gov/current/title-46/chapter-III/part-401* (Last accessed 5/17/23).

[14] 46 U.S.C. 9302(f). A ''laker'' is a commercial cargo vessel especially designed for and generally limited to use on the Great Lakes. *https://uscode.house.gov/view.xhtml?req=granuleid:U.S.C.-prelim-title46-section9302&num=0&edition=prelim* (Last accessed 5/17/23).

[15] Presidential Proclamation 3385, *Designation of restricted waters under the Great Lakes Pilotage Act of 1960,* December 22, 1960 (*https://www.archives.gov/federal-register/codification/proclamations/03385.html*) (Last accessed 5/31/23).

[16] 46 U.S.C. 9302(a)(1)(B).

TABLE 2—AREAS OF THE GREAT LAKES AND ST. LAWRENCE SEAWAY—Continued

District	Pilotage association	Designation	Area No.[17]	Area name[18]
Three	Western Great Lakes Pilots Association (WGLPA).	Designated	7	St. Mary's River.
		Undesignated	6	Lakes Huron and Michigan.
		Undesignated	8	Lake Superior.

Over the past several years, the Coast Guard has adjusted the Great Lakes pilotage ratemaking methodology, per our authority in 46 U.S.C. 9303(f), to conduct annual reviews of base pilotage rates, and to adjust such base rates in each intervening year in consideration of the public interest and the costs of providing the services. The current methodology was finalized in the 2022 final rule.[19] We summarize the current methodology in section VI., Summary of the Ratemaking Methodology.

V. Discussion of Comments and Changes

In response to the notice of proposed rulemaking (NPRM) for this ratemaking (88 FR 55629, August 16, 2023) the Coast Guard received six comment submissions. These submissions include one comment filed jointly by the LPA, the SLSPA, and the WGLPA; 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 Saint Lawrence Seaway Pilots' Association (SLSPA); one from the president of the LPA; one from the Director of the Port of Monroe; and one from the president of the International Longshoreman Association (ILA).

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. Requests for Additional Pilots

One of the major requests made by the commenters was the addition of more pilots due to the increase in traffic, with several commenters pointing to cruise ship traffic as the driving force in the surge of vessels needing pilotage service. District One stated they estimate a need for three new pilots by 2025, and Districts Two and Three requested one additional pilot each to be added to this rulemaking.

The Coast Guard recognizes District One's need for more pilots going forward, but we believe that this need is addressed by the inclusion of an additional apprentice pilot as proposed in the NPRM. Added to the two existing apprentice pilots that were authorized in the 2023 ratemaking, this inclusion brings the total number of apprentice pilots in District One to three for the 2024 season. These apprentice pilots will be able to accommodate District One's projected need for three additional fully registered pilots for the 2025 season. The Coast Guard will, therefore, keep the pilot numbers for District One the same as they were in the proposed rule.

The LPA, WGLPA, ILA, and Capt. Paul C. Lamarre II all made comments that an additional pilot is needed in both District Two and District Three. After review of the provided documentation, the Coast Guard agrees with these comments. The Coast Guard verified the numbers that LPA provided, which show that another full member pilot is needed to safely provide pilotage service. Based on these comments, our analysis of the increase in demand for pilotage services created by cruise ship traffic,[20] and the unanimous recommendation made by the 2023 Great Lake Pilot Advisory Committee (See transcript, pages 87 and 88), the Coast Guard has added an additional pilot to this year's ratemaking for both Districts Two and Three. For District Two, the Coast Guard reduced the number of apprentice pilots from two to one, since the additional pilot referenced earlier will no longer be an apprentice.

B. Bridge Hour Allocation

Numerous commenters noted discrepancies in the allocation of bridge hours between designated and undesignated waters for all three districts. The error occurs in the ''area'' field of the data extract provided by the associations, where each trip number is only labeled with the area in which the trip started, rather than noting each area that the trip passed through. This error causes miscalculation of the designated and undesignated bridge hours in Step 7 of the ratemaking methodology, and the transits by vessel class in Step 8. The commenters suggested to instead use monthly reports from SeaPro to provide the necessary bridge hour calculations for Step 7 and to use weight factor reports from SeaPro to provide the transits by vessel class for Step 8.

The Coast Guard agrees with these comments and has worked with the pilot associations to correct Steps 7 and 8 using the monthly reports and weight factor reports. The Coast Guard could not verify which trips had been incorrectly attributed to either a designated or undesignated area in the economist extract data set previously provided. The Coast Guard will work with the associations to refine the data extracts provided by the associations to ensure that all fields are correctly specified and interpreted.

The reports used for this final rule are available in the docket. We appreciate the commenters who brought this to our attention and will take measures to ensure this error is corrected in data used in future rulemakings. These corrections are set out in further detail in tables 4 and 5.

C. Methodology

Numerous commenters noted concerns with the methodology by which the Coast Guard calculates this rate. Concerns included that weighting factors should be calculated using bridge hours instead of vessel transits per visit; that the Coast Guard should audit the pilotage program to find operational efficiencies and cost-savings; and that the Coast Guard should conduct an annual look-back at expenses to find cost-savings. These comments are outside the scope of the current rulemaking, which does not modify the ratemaking methodology. The Coast Guard appreciates these comments and encourages the stakeholders to request that they be placed on a future GLPAC agenda for

[17] Area 3 is the Welland Canal, which is serviced exclusively by the Canadian GLPA and, accordingly, is not included in the United States pilotage rate structure.

[18] The areas are listed by name at 46 CFR 401.405. *https://www.ecfr.gov/current/title-46/chapter-III/part-401/subpart-D/section-401.405* (Last accessed 5/17/23).

[19] 87 FR 18488, March 30, 2022.

[20] At least 76 Great Lakes cruises are listed online as scheduled for the 2024 season. Cruises listed at *vikingcruises.com, hl-cruises.com, pearlseacruises.com,* and *us.ponant.com.* (Last accessed 11/29/2023.)

discussion, or to resubmit them during the next full ratemaking in 2027.

D. Miscellaneous

We received a number of comments that we categorized as ''Miscellaneous'' and are best addressed one by one.

A few commenters urged the Coast Guard to continue having GLPAC meetings in person and in front of a stenographer, while another commenter urged the Coast Guard to investigate a hybrid in-person/virtual set up for future GLPAC meetings. These comments are outside the scope of this rule, but the Coast Guard will continue to engage with stakeholders to determine the best way to hold GLPAC meetings.

One commenter asked the Coast Guard to require an anonymous listing of each pilot's compensation in their annual reports. 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, we use target pilot compensation (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.

Many commenters took the opportunity to recognize the Director's authority to add up to three additional pilots in each District. We agree with these commenters that the Director does have such authority, and, based on these comments and the unanimous recommendation at the 2023 GLPAC meeting, the Coast Guard has agreed to add one pilot each to Districts Two and Three, and one apprentice pilot to District One.

E. Changes to the Proposed Rule

Table 3 summarizes the changes between the 2024 Ratemaking NPRM and this final rule. This table includes changes from the proposed rule that are not based on comments from the NPRM.

TABLE 3—CHANGES BETWEEN PROPOSED RULE AND FINAL RULE

Change	Reasoning
Revise number of pilots in District Two from 16 to 17 and adjust number of apprentice pilots from 2 to 1. Revise number of pilots in District Three from 22 to 23.	An additional pilot will help Districts Two and Three handle an expected increase in cruise ship traffic in 2024.
Correct traffic data in Steps 7 and 8 for all districts to reflect discrepancy in the assignment of bridge hours and transits by vessel class to designated and undesignated areas.	These corrections will improve the accuracy of our ratemaking as it pertains to designated and undesignated areas.
Update inflation figures: • Updates 2022 Employment Cost Index (ECI) inflation from 4.4%, listed in the NPRM, to 3.9% • Updates 2023 Personal Consumption Expenditures (PCE) inflation from 3.5%, listed in the NPRM, to 3.9%. • Updates 2024 PCE inflation from 2.5%, listed in the NPRM, to 2.6%.	More recent figures were published since the Coast Guard conducted the analysis for the NPRM.
Change average vessel population from 277 to 296. Change average customer count from 40 to 41.	In the 2023 final ratemaking, District Three provided updated traffic data that was used to revise bridge hours and transits by vessel class but was not used to update the Regulatory Flexibility Act analysis. This final rule corrects that oversight. The revised data included additional trips that introduced new vessels and customers to the affected population and relabeled the vessel for trip 26879.

F. Changes to Step 7 Bridge Hours and Step 8 Transits

Table 4 shows the difference between the published figures for bridge hours in Step 7 in the NPRM and the updated figures used for this final rule.

TABLE 4—CHANGES TO STEP 7 BRIDGE HOURS FROM PROPOSED RULE TO FINAL RULE

	Previously published		Updated		Difference	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
District 1						
2021	7,871	6,188	7,893	6,166	22	−22
2022	8,574	6,785	8,356	6,573	−218	−212
District 2						
2021	8,826	3,266	5,290	6,762	−3,536	3,496
2022	12,306	3,975	7,668	8,613	−4,638	4,638
District 3						
2021	18,286	2,516	18,149	2,484	−137	−32

TABLE 4—CHANGES TO STEP 7 BRIDGE HOURS FROM PROPOSED RULE TO FINAL RULE—Continued

Previously published			Updated		Difference	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
2022	23,985	4,424	23,914	3,345	−71	−1,079

Further, the Coast Guard updated the number of transits by vessel class in Step 8, ''Calculate Average Weighting Factors by Area,'' using updated weighting factor reports provided by the associations from SeaPro. Table 5 details the changes by area and vessel class for 2022, which will be used in this final rule; no changes are made to the 2021 figures.

TABLE 5—CHANGES TO STEP 8 FROM PROPOSED RULE TO FINAL RULE

Area/vessel class	Previous	Updated	Difference
	Number of Transits (2022)		
Area 1—Designated			
Class 2	466	482	16
Class 3	104	106	2
Class 4	461	478	17
Area 2—Undesignated			
Class 1	32	41	9
Class 2	358	371	13
Class 3	69	73	4
Class 4	393	401	8
Area 5—Designated			
Class 1	34	117	83
Class 2	184	717	533
Class 3	3	13	10
Class 4	273	1230	957
Area 4—Undesignated			
Class 1	79	121	42
Class 2	275	478	203
Class 3	3	8	5
Class 4	349	642	293
Area 7—Designated			
Class 1	102	104	2
Class 2	176	198	22
Class 4	344	392	48
Area 6—Undesignated			
Class 1	94	162	68
Class 2	278	452	174
Class 4	385	482	97
Area 8—Undesignated			
Class 1	13	12	−1
Class 2	103	95	−8
Class 3	6	5	−1
Class 4	271	306	35

These refinements to the ratemaking 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. Summary of the Ratemaking Methodology

As stated previously, the ratemaking methodology, outlined in 46 CFR 404.101 through 404.110, consists of 10 steps that are designed to account for the revenues needed and total traffic expected in each district. The first several steps of the methodology establish base pilotage rates. Additional steps to incorporate the weighting factors are necessary to establish the final pilot rates. The result is an hourly rate, determined separately for each of the areas administered by the Coast Guard.

In Step 1, ''Recognize previous operating expenses,'' (§ 404.101), the Director reviews audited operating expenses from each of the three pilotage associations. Operating expenses include all allowable expenses, minus wages and benefits. This number forms the baseline amount that each association is budgeted. Because of the time delay between when the association submits raw numbers and when the Coast Guard receives audited numbers, this number is 3 years behind the projected year of expenses. Therefore, in calculating the 2024 rates in this rule, we begin with the audited expenses from the 2021 shipping season.

While each pilotage association operates in an entire district (including both designated and undesignated areas), the Coast Guard determines costs by area. We allocate certain operating expenses to designated areas and certain operating expenses to undesignated areas. In some cases, we can allocate the costs based on where they are accrued. For example, we can allocate the costs of insurance for apprentice pilots who operate in undesignated areas only. In other situations, such as general legal expenses, expenses are distributed between designated and undesignated waters on a *pro rata* basis, based upon the proportion of income forecasted from the respective portions of the district.

In Step 2, ''Project operating expenses, adjusting for inflation or deflation,'' (§ 404.102), the Director develops the 2024 projected operating expenses. To do this, we apply inflation adjustors for 3 years to the operating expense baseline received in Step 1. The inflation factors are from the Bureau of Labor Statistics' (BLS) Consumer Price Index (CPI) for the Midwest Region, or, if not available, the Federal Open Market Committee (FOMC) median economic projections for Personal Consumption Expenditures (PCE) inflation. This step produces the total operating expenses for each area and district.

In Step 3, ''Estimate number of registered pilots and apprentice pilots,'' (§ 404.103), the Director calculates how many registered and apprentice pilots, including apprentice pilots with limited registrations, are needed for each district. To do this, we employ a ''staffing model,'' described in § 401.220, paragraphs (a)(1) through (3), to estimate how many pilots would be needed to handle shipping during the beginning and close of the season. This number provides guidance to the Director in approving an appropriate number of pilots.

For the purpose of the ratemaking calculation, we determine the number of pilots provided by the pilotage associations (see § 404.103) and use that figure to determine how many pilots need to be compensated via the pilotage fees collected.

In the first part of Step 4, ''Determine target pilot compensation benchmark and apprentice pilot wage benchmark,''(§ 404.104(b)), the previous year's target compensation value is first adjusted by actual inflation using the ECI inflation value. If the ECI inflation value is not available, § 404.104(b)(1) and (2) specify the compensation inflation process the Director will use instead.

In the second part of Step 4, (§ 404.104(c)), the Director determines the total compensation figure for each district. To do this, the Director multiplies the compensation benchmark by the number of pilots for each area and district (from Step 3), producing a figure for total pilot compensation.

In Step 5, ''Project working capital fund,'' (§ 404.105), the Director calculates an added value to pay for needed capital improvements and other non-recurring expenses, such as technology investments and infrastructure maintenance. This value is calculated by adding the total operating expenses (derived in Step 2) to the total pilot compensation and the total target apprentice pilot wage (derived in Step 4), then by multiplying that figure by the preceding year's average annual rate of return for new issues of high-grade corporate securities. This figure constitutes the ''working capital fund'' for each area and district.

In Step 6, ''Project needed revenue,'' (§ 404.106), the Director simply adds the totals produced by the preceding steps. The projected operating expense for each area and district (from Step 2) is added to the total pilot compensation, including apprentice pilot wage benchmarks (from Step 4), and the working capital fund contribution (from Step 5). The total figure, calculated separately for each area and district, is the ''needed revenue.''

In Step 7, ''Calculate initial base rates,'' (§ 404.107), the Director calculates an hourly pilotage rate to cover the needed revenue, as calculated in Step 6. This step consists of first calculating the 10-year average of traffic hours for each area. Next, we divide the revenue needed in each area (calculated in Step 6) by the 10-year average of traffic hours to produce an initial base rate.

An additional element, the ''weighting factor,'' is required under § 401.400. Pursuant to that section, ships pay a multiple of the ''base rate'', as calculated in Step 7, by a number ranging from 1.0 (for the smallest ships, or ''Class I'' vessels) to 1.45 (for the largest ships, or ''Class IV'' vessels). This significantly increases the revenue collected, and we need to account for the added revenue produced by the weighting factors to ensure that shippers are not overpaying for pilotage services. We do this in the next step.

In Step 8, ''Calculate average weighting factors by Area,'' (§ 404.108), the Director calculates how much extra revenue, as a percentage of total revenue, has historically been produced by the weighting factors in each area. We do this by using a historical average of the applied weighting factors for each year since 2014 (the first year the current weighting factors were applied).

In Step 9, ''Calculate revised base rates,'' (§ 404.109), the Director modifies the base rates by accounting for the extra revenue generated by the weighting factors. We do this by dividing the initial pilotage rate for each area (from Step 7) by the corresponding average weighting factor (from Step 8), to produce a revised rate.

In Step 10, ''Review and finalize rates,'' (§ 404.110), often referred to informally as ''Director's discretion'', the Director reviews the revised base rates (from Step 9) to ensure that they meet the goals set forth in 46 U.S.C. 9303(f) and 46 CFR 404.1(a), which include promoting efficient, safe, and reliable pilotage service on the Great Lakes; generating sufficient revenue for each pilotage association to reimburse necessary and reasonable operating expenses; compensating trained and rested pilots fairly; and providing appropriate revenue for improvements.

After the base rates are set, § 401.401 permits the Coast Guard to apply surcharges. We are not using any surcharges in this final rule. In previous ratemakings, where apprentice pilot wages were not built into the rate, the Coast Guard used surcharges to cover applicant pilot compensation in those years to help with applicant recruitment. In this final rule, we include the applicant trainee compensation in the district's operating expenses used in Step 1. Consistent with the 2021, 2022, and 2023 rulemakings, in this final rule we continue to believe that the pilot associations are able to plan for the costs associated with hiring applicant pilots to fill pilot vacancies without relying on the Coast Guard to impose surcharges to help with recruiting.

VII. Historic Methodological and Other Changes

The Coast Guard is using the existing ratemaking methodology to establish the base rates in this 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 has determined that the current base rates and methodology still adequately adhere to the Coast Guard's goals 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 methodology 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, Great Lakes Pilotage Rates—2017 Annual Review (82 FR 41466, published August 31, 2017),[21] the Coast Guard modified the methodology to account for the additional revenue produced by the application of weighting factors. This is discussed in detail in Steps 7 through 9 for each district, in section IX., Discussion of Rate Adjustments, of this preamble.

In the 2018 ratemaking, Great Lakes Pilotage Rates—2018 Annual Review and Revisions to Methodology (83 FR 26162, published June 5, 2018),[22] 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, Great Lakes Pilotage Rates—2020 Annual Review and Revisions to Methodology (85 FR 20088, published April 9, 2020),[23] the Coast Guard revised the methodology to accurately capture all costs and revenues associated with Great Lakes pilotage requirements, and to produce an hourly rate that adequately and accurately compensates pilots and covers expenses.

The 2021 ratemaking, Great Lakes Pilotage Rates—2021 Annual Review and Revisions to Methodology (86 FR 14184, published March 12, 2021),[24] 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 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, Great Lakes Pilotage Rates—2022 Annual Review and Revisions to Methodology (87 FR 18488, published March 30, 2022),[25] 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 that the ratemaking does not undercount the pilot need presented by the staffing model and association circumstances.

VIII. Individual Target Pilot Compensation Benchmark

The Coast Guard is issuing the target pilot compensation benchmark in this final rule at the target compensation for the ratemaking year 2023, adjusted for inflation. In an interim ratemaking year, the base target pilot compensation is adjusted annually in accordance with § 404.104(b). The Coast Guard arrived at this compensation benchmark as explained in the following paragraphs.

Before 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, Great Lakes Pilotage Rates—2016 Annual Review and Changes to Methodology (81 FR 11908, published March 7, 2016),[26] 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). The 2018 final rule adjusted the AMOU 2015 data for inflation using Federal Open Market FOMC median economic projections for PCE inflation.

In the 2020 interim year ratemaking final rule (85 FR 20088), 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, and that the 2020 benchmark will be used for future rates (85 FR 20091). The Director determined that the ratemaking provided adequate compensation for pilots.

Based on our experience over the past four ratemakings (2020–2023), 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 § 404.104(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 service. 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

[21] *https://www.govinfo.gov/content/pkg/FR-2017-08-31/pdf/2017-18411.pdf* (last accessed 5/12/2023).

[22] *https://www.govinfo.gov/content/pkg/FR-2018-06-05/pdf/2018-11969.pdf* (last accessed 5/12/2023).

[23] *https://www.govinfo.gov/content/pkg/FR-2020-04-09/pdf/2020-06968.pdf* (last accessed 5/12/2023).

[24] *https://www.govinfo.gov/content/pkg/FR-2021-03-12/pdf/2021-05050.pdf* (last accessed 5/12/2023).

[25] *https://www.govinfo.gov/content/pkg/FR-2022-03-30/pdf/2022-06394.pdf* (last accessed 5/12/2023).

[26] *https://www.govinfo.gov/content/pkg/FR-2016-03-07/pdf/2016-04894.pdf* (last accessed 5/12/2023).

compensation remains competitive and current for upcoming years.

Therefore, the Coast Guard does not seek alternative benchmarks for target compensation at this time and, instead, simply adjusts the amount of target pilot compensation for inflation as our target compensation benchmark for 2024, as shown in Step 4. This target compensation benchmark approach has advanced and will continue to advance the Coast Guard's goals through rate and compensation stability while also promoting recruitment and retention of qualified U.S. pilots.

The target compensation for 2024 is $440,658 per registered pilot and $158,637 per apprentice pilot, using the 2023 compensation as a benchmark. We follow the procedure outlined in paragraph (b) of § 404.104, which adjusts the existing compensation benchmark for inflation. We use a two-step process to adjust target pilot compensation for inflation. First, we adjust the 2023 target compensation benchmark of $424,398 by 1.2 percent for an adjusted value of $429,491. This first adjustment accounts for the difference in actual third quarter 2023 ECI inflation, which is 3.9 percent, and the 2023 PCE estimate of 2.7 percent.[27] The second step accounts for projected inflation from 2023 to 2024, which is 2.6 percent.[28] Based on the projected 2024 inflation estimate, the target compensation benchmark for 2024 is $440,658 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $158,637 ($440,658 × 0.36).[29]

IX. Discussion of Rate Adjustments

In this final rule, based on the policy changes described in the previous section, we are issuing new pilotage rates for 2024. We conducted the 2024 ratemaking as an interim ratemaking, as we last did in 2022 (87 FR 18488). Thus, the Coast Guard adjusted the compensation benchmark following the interim ratemaking year procedures under § 404.100(b) rather than the procedures for a full ratemaking year in § 404.100(a).

This section discusses the rate changes using the ratemaking steps provided in 46 CFR part 404. We will detail all 10 steps of the ratemaking procedure for each of the 3 districts to show how we arrive 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, we begin by reviewing the independent accountant's financial reports for each association's 2021 expenses and revenues.[30] 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, the cost is divided between the designated and undesignated areas on a *pro rata* basis. The recognized operating expenses for District One are shown in table 6.

In the 2021 expenses used as the basis for this final rule, districts used the term ''applicant'' to describe applicant 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 2021, 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 2024 ratemaking, as this final rule is based on 2021 operating expenses, when salaries were still an allowable expense. 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 6.

TABLE 6—2021 RECOGNIZED EXPENSES FOR DISTRICT ONE

District One reported operating expenses for 2021	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
Applicant Pilot Compensation			
Salaries	$247,735	$165,157	$412,892
Employee Benefits	10,367	6,911	17,278
Total Applicant Pilot Compensation	258,102	172,068	430,170
Other Applicant Cost			
Applicant Subsistence	1,723	1,148	2,871
Travel	1,832	1,221	3,053
License Insurance	752	502	1,254
Payroll taxes	1,945	1,296	3,241
Other—Pilotage Cost	833	555	1,388
Total Other Applicant Cost	7,085	4,722	11,807

[27] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://beta.bls.gov/dataViewer/view/timeseries/CIU2010000520000A* (Last accessed 11/01/23); and Table 1 Summary of Economic Projections, Median PCE Inflation. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf* (Last accessed 05/17/23).

[28] Table 1 Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf* (Last accessed 09/2023).

[29] For more information on the apprentice pilot wage benchmark, see the Coast Guard's 2022 Annual Review and Revisions to Methodology. 87 FR 18488.

[30] These reports are available in the docket for this final rule.

TABLE 6—2021 RECOGNIZED EXPENSES FOR DISTRICT ONE—Continued

District One reported operating expenses for 2021	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
Other Pilotage Cost			
Subsistence	133,993	89,329	223,322
Hotel/Lodging	32,424	21,616	54,040
Travel	453,718	302,478	756,196
License renewal	1,200	800	2,000
Payroll Taxes	198,901	132,601	331,502
License Insurance	53,174	35,450	88,624
Total Other Pilotage Costs	873,410	582,274	1,455,684
Pilot Boat and Dispatch Costs			
Pilot boat expense (Operating)	200,672	133,782	334,454
Dispatch expense	167,291	111,527	278,818
Employee Benefits	50,560	33,707	84,267
Salaries	249,396	166,264	415,660
Payroll taxes	10,269	6,846	17,115
Total Pilot Boat and Dispatch Costs	678,188	452,126	1,130,314
Administrative Expenses			
Legal—general counsel	1,078	719	1,797
Legal—shared counsel (K&L Gates)	4,402	2,935	7,337
Legal—Coast Guard Litigation	14,641	9,760	24,401
Insurance	44,108	29,405	73,513
Employee benefits	4,470	2,980	7,450
Payroll Taxes	42,464	28,310	70,774
Other taxes	79,200	52,800	132,000
Real Estate taxes	22,918	15,278	38,196
Travel	1,568	1,045	2,613
Depreciation	186,517	124,345	310,862
Interest	54,271	36,180	90,451
APA Dues	25,250	16,834	42,084
APA Dues (D1–21–01)	2,971	1,980	4,951
Dues and subscriptions	4,320	2,880	7,200
Utilities	41,343	27,562	68,905
Salaries	73,890	49,260	123,150
Accounting/Professional fees	4,320	2,880	7,200
Pilot Training	4,680	3,120	7,800
Applicant Pilot Training	18,911	12,607	31,518
Other	28,422	18,948	47,370
Total Administrative Expenses	659,744	439,828	1,099,572
Total Operating Expenses (OpEx)	2,476,529	1,651,018	4,127,547

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

In accordance with the text in § 404.102, having identified the recognized 2021 operating expenses in Step 1, the next step is to estimate the current year's operating expenses by adjusting for inflation over the 3-year period. We calculate inflation using the BLS data from the CPI for the Midwest Region of the United States for the 2022 inflation rate.[31] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2023 and 2024 inflation modification.[32] Based on that information, the calculations for Step 2 are as presented in table 7.

[31] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–84=100.'' Series CUUR0200SA0 (Downloaded March 21, 2023). Available at *https://www.bls.gov/cpi/data.htm.,* All Urban Consumers (Current Series), multiscreen data, not seasonally adjusted, 0200 Midwest, Current, All Items, Monthly, 12-month Percent Change and Annual Data.

[32] The 2023 and 2024 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf. We used the Median Core PCE June Projection found in table 1. (*Downloaded September 2023).

TABLE 7—ADJUSTED OPERATING EXPENSES FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Total Operating Expenses (Step 1)	$2,476,529	$1,651,018	$4,127,547
2022 Inflation Modification (@8%)	198,122	132,081	330,203
2023 Inflation Modification (@3.9%)	104,311	69,541	173,852
2024 Inflation Modification (@2.6%)	72,253	48,169	120,422
Adjusted 2024 Operating Expenses	2,851,215	1,900,809	4,752,024

* Figures are rounded to the nearest dollar and may not sum to totals.

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. We determine the number of fully registered pilots based on data provided by the SLSPA. Using these numbers, we estimate that there will be 18 registered pilots in 2024 in District One. We determine the number of apprentice pilots based on input from the district on anticipated retirements and staffing needs. Using these numbers, we estimate that there will be three apprentice pilots in 2024 in District One. Based on the seasonal staffing model discussed in the 2017 ratemaking (82 FR 41466) and rounding introduced in the 2022 ratemaking (87 FR 18488), a certain number of pilots are assigned to designated waters, and a certain number of pilots are assigned to undesignated waters, as shown in table 8. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 8—AUTHORIZED PILOTS FOR DISTRICT ONE

Item	District One
Maximum Number of Pilots (per § 401.220(a)) *	18
2024 Authorized Pilots (total)	18
Pilots Assigned to Designated Areas	10
Pilots Assigned to Undesignated Areas	8
2024 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).

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

In this step, we determine the total pilot compensation for each area. Because we are issuing an ''interim'' ratemaking this year, we follow the procedure outlined in paragraph (b) of § 404.104, which adjusts the existing compensation benchmark by inflation. First, we adjust the 2023 target compensation benchmark of $424,398 by 1.2 percent for a value of $429,491. This accounts for the difference in actual third quarter 2023 ECI inflation, which is 3.9 percent, and the 2023 PCE estimate of 2.7 percent.[33] [34] The second step accounts for projected inflation from 2023 to 2024, which is 2.6 percent.[35] Based on the projected 2024 inflation estimate, the target compensation benchmark for 2024 is $440,658 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $158,637 ($440,658 × 0.36).

In accordance with § 404.104(c), we use 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 9. We estimate that the number of apprentice pilots with limited registration needed for District One in the 2024 season will be three. The total target wages for apprentices are allocated with 60 percent for the designated area and 40 percent for the undesignated area, in accordance with the allocation for operating expenses.

TABLE 9—TARGET COMPENSATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Target Pilot Compensation	$440,658	$440,658	$440,658
Number of Pilots	10	8	18
Total Target Pilot Compensation	$4,406,580	$3,525,264	$7,931,844
Target Apprentice Pilot Compensation	$158,637	$158,637	$158,637

[33] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://beta.bls.gov/dataViewer/view/timeseries/CIU2010000520000A*. (Last accessed 11/01/23.)

[34] Table 1 Summary of Economic Projections, Median PCE Inflation. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf*. (Last accessed 05/17/23.)

[35] Table 1 Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf*. (Last accessed 09/2023.)

TABLE 9—TARGET COMPENSATION FOR DISTRICT ONE—Continued

	District One		
	Designated	Undesignated	Total
Number of Apprentice Pilots			3
Total Target Apprentice Pilot Compensation	$285,547	$190,364	$475,911

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area. We first add the figures for projected operating expenses, total target pilot compensation, and total target apprentice pilot wage for each area, then we find the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 4.0742 percent rounded.[36] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 10.

TABLE 10—WORKING CAPITAL FUND CALCULATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,851,215	$1,900,809	$4,752,024
Total Target Pilot Compensation (Step 4)	4,406,580	3,525,264	7,931,844
Total Target Apprentice Pilot Compensation (Step 4)	285,547	190,364	475,911
Total 2024 Expenses	7,543,342	5,616,437	13,159,779
Working Capital Fund (4.0742%)	307,331	228,825	536,156

F. Step 6: Project Needed Revenue

In this step, we add the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the target total pilot compensation (from Step 4), total target apprentice pilot wage (from Step 4), and the working capital fund contribution (from Step 5). We show these calculations in table 11.

TABLE 11—REVENUE NEEDED FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,851,215	$1,900,809	$4,752,024
Total Target Pilot Compensation (Step 4)	4,406,580	3,525,264	7,931,844
Total Target Apprentice Pilot Compensation (Step 4)	285,547	190,364	475,911
Working Capital Fund (Step 5)	307,331	228,825	536,156
Total Revenue Needed	7,850,673	5,845,262	13,695,935

G. Step 7: Calculate Initial Base Rates

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

Step 7 is a two-part process. The first part is calculating the 10-year traffic average in District One using the total time on task or pilot bridge hours. To calculate the time on task for each district from 2013–2020, the Coast Guard used billing data from SeaPro. The data is pulled from the system filtering by district, year, job status (including only processed jobs), and flagging code (including only U.S. jobs).

Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. For 2021–2022, the Coast Guard used figures provided by the associations through SeaPro monthly reports. Where bridge hour figures did not match between the monthly reports and the weighted factor reports, the Coast Guard opted to use the figures from the monthly report for Step 7. We show these values in table 12.

TABLE 12—TIME ON TASK FOR DISTRICT ONE

[Hours]

	District One	
	Designated	Undesignated
2022	6,573	8,356

[36] Moody's Seasoned Aaa Corporate Bond Yield, average of 2022 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*. (Last accessed 03/21/23.)

TABLE 12—TIME ON TASK FOR DISTRICT ONE—Continued

[Hours]

	District One	
	Designated	Undesignated
2021	6,166	7,893
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
Average	6,564	7,460

Next, we derive 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. We present the calculations for District One in table 13.

TABLE 13—INITIAL RATE CALCULATIONS FOR DISTRICT ONE

	District One	
	Designated	Undesignated
Revenue needed (Step 6)	$7,850,673	$5,845,262
Average time on task (hours)	6,564	7,460
Initial rate	$1,196	$784

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 data, we calculate the average weighting factor for each area using the data from each vessel transit from 2014 to 2021, as shown in tables 14 and 15. Data for 2022 was provided by the associations in a weighting factor report.

TABLE 14—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 1 (2022)	39	1	39
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 2 (2022)	482	1.15	554
Class 3 (2014)	50	1.3	65
Class 3 (2015)	28	1.3	36
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 3 (2022)	106	1.3	138
Class 4 (2014)	271	1.45	393
Class 4 (2015)	251	1.45	364

TABLE 14—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
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
Class 4 (2022)	478	1.45	693
Total	7,809		10,064
Average weighting factor (weighted transits ÷ number of transits)		1.29	

* Figures may not sum due to rounding.

TABLE 15—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 1 (2022)	41	1	41
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 2 (2022)	371	1.15	427
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 3 (2022)	73	1.3	95
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
Class 4 (2022)	401	1.45	581
Total	6,524		8,435
Average weighting factor (weighted transits/number of transits)		1.29	

* Figures may not sum due to rounding.

I. Step 9: Calculate Revised Base Rates

In this step, we revise the base rates so that the total cost of pilotage will be 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 16.

TABLE 16—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	$1,196	1.29	$927
District One: Undesignated	784	1.29	608

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 are enough pilots to handle those heavy traffic periods. The Director also considers whether the rates cover operating expenses and infrastructure costs, including average traffic and weighting factors. Based on the financial information submitted by the pilots, the Director is not establishing any alterations to the rates in this step. We modified § 401.405(a)(1) and (2) to reflect the final rates shown in table 17.

TABLE 17—FINAL RATES FOR DISTRICT ONE

Area	Name	Final 2023 pilotage rate	Final 2024 pilotage rate
District One: Designated	St. Lawrence River	$876	$927
District One: Undesignated	Lake Ontario	586	608

District Two

A. Step 1: Recognize Previous Operating Expenses

Step 1 in our ratemaking methodology requires that the Coast Guard review and recognize the previous year's operating expenses (§ 404.101). To do so, we begin by reviewing the independent accountant's financial reports for each association's 2021 expenses and revenues.[37] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs generally accrued by the pilot associations, such as employee benefits, the cost is divided between the designated and undesignated areas on a *pro rata* basis.

In the 2021 expenses used as the basis for this final rule, districts used the term ''applicant'' to describe applicant 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 2021, 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 2024 ratemaking, as this final rule is based on 2021 operating expenses, when salaries were still an allowable expense. 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 18.

TABLE 18—2021 RECOGNIZED EXPENSES FOR DISTRICT TWO

Reported operating expenses for 2021	Undesignated	Designated	Total
	Lake Erie	Southeast Shoal to Port Huron	
Applicant Pilot Compensation			
Salaries	$79,538	$119,306	$198,844
Employee Benefits	11,066	16,599	27,665
Total Applicant Pilot Compensation	90,604	135,905	226,509
Other Applicant Cost			
Applicant Subsistence	5,280	7,920	13,200
Hotel/Lodging Costs	2,976	4,464	7,440
Hotel/Lodging Costs (D2–21–01)	(2,976)	(4,464)	(7,440)

[37] These reports are available in the docket for this final rule.

TABLE 18—2021 RECOGNIZED EXPENSES FOR DISTRICT TWO—Continued

Reported operating expenses for 2021	Undesignated	Designated	Total
	Lake Erie	Southeast Shoal to Port Huron	
Payroll taxes	6,901	10,352	17,253
Total Other Applicant Cost	12,181	18,272	30,453
Other Pilotage Cost			
Subsistence	73,921	110,880	184,800
Hotel/Lodging	62,496	93,744	156,240
Hotel/Lodging (D2–21–01)	(55,307)	(82,960)	(138,267)
Travel	42,625	63,937	106,562
License renewal	1,958	2,938	4,896
Payroll Taxes	87,620	131,430	219,050
License Insurance	9,007	13,510	22,517
Total Other Pilotage Costs	222,320	333,479	555,798
Pilot Boat and Dispatch Costs			
Pilot boat costs	60,067	90,101	150,168
Employee Benefits	80,273	120,410	200,683
Insurance	4,317	6,475	10,792
Salaries	148,260	222,391	370,651
Payroll taxes	13,277	19,915	33,192
Total Pilot and Dispatch Costs	306,194	459,292	765,486
Administrative Expenses			
Legal	2,186	3,278	5,464
Legal—shared counsel (K&L Gates)	7,167	10,751	17,918
Office Rent	27,627	41,440	69,067
Insurance	15,084	22,627	37,711
Employee benefits	35,010	52,516	87,526
Payroll Taxes	5,161	7,741	12,902
Other taxes	55,252	82,879	138,131
Real Estate taxes	7,879	11,819	19,698
Travel	8,688	13,033	21,721
Depreciation	11,121	16,682	27,803
Interest	2	2	4
APA Dues	14,683	22,025	36,708
Dues and subscriptions	505	757	1,262
Utilities	24,356	36,535	60,891
Salaries	48,532	72,797	121,329
Accounting/Professional fees	17,846	26,769	44,615
Pilot Training	23,909	35,864	59,773
Applicant Pilot Training	209	313	522
Other	21,252	31,879	53,131
Total Administrative Expenses	326,469	489,707	816,176
Total Expenses (OPEX + Applicant + Pilot Boats + Admin + Capital)	957,768	1,436,655	2,394,422
Total Operating Expenses (OpEx + Adjustments)	957,768	1,436,655	2,394,422

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

In accordance with the text in § 404.102, having identified the recognized 2021 operating expenses in Step 1, the next step is to estimate the current year's operating expenses by adjusting for inflation over the 3-year period. We calculate inflation using the BLS data from the CPI for the Midwest Region of the United States for the 2022 inflation rate.[38] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2023 and 2024 inflation modification.[39] Based on that information, the calculations for Step 2 are presented in table 19.

[38] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–84=100.'' Series CUUR0200SA0 (Downloaded March 21, 2023). Available at *https://www.bls.gov/cpi/data.htm.,* All Urban Consumers (Current Series), multiscreen data, not seasonally adjusted, 0200 Midwest, Current, All Items, Monthly, 12-month Percent Change and Annual Data.

[39] The 2023 and 2024 inflation rates are available at Table 1 Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf.* (Last accessed 12/4/2023).

TABLE 19—ADJUSTED OPERATING EXPENSES FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	$957,768	$1,436,655	$2,394,422
2022 Inflation Modification (@8%)	$76,621	114,932	191,553
2023 Inflation Modification (@3.9%)	40,341	60,512	100,853
2024 Inflation Modification (@2.6%)	27,943	41,915	69,858
Adjusted 2024 Operating Expenses	1,102,673	1,654,014	2,756,686

* Figures are rounded to the nearest dollar and may not sum to totals.

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. We determine the number of fully registered pilots based on data provided by the LPA. Using these numbers, we estimate that there will be 17 registered pilots in 2024 in District Two, including the additional pilot being granted for 2024. We determine the number of apprentice pilots based on input from the district on anticipated retirements and staffing needs. Using these numbers, we estimate that there will be one apprentice pilot in 2024 in District Two.

Based on the seasonal staffing model discussed in the 2017 ratemaking (82 FR 41466) and rounding introduced in the 2022 ratemaking (87 FR 18488), a certain number of pilots are assigned to designated waters, and a certain number of pilots are assigned to undesignated waters, as shown in table 20. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 20—AUTHORIZED PILOTS FOR DISTRICT TWO

Item	District Two
Maximum Number of Pilots (per § 401.220(a)) *	16
2024 Authorized Pilots (total)	17
Pilots Assigned to Designated Areas	9
Pilots Assigned to Undesignated Areas	8
2024 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, we determine the total pilot compensation for each area. Because we are issuing an ''interim'' ratemaking this year, we follow the procedure outlined in paragraph (b) of § 404.104, which adjusts the existing compensation benchmark by inflation.

First, we adjust the 2023 target compensation benchmark of $424,398 by 1.2 percent for a value of $429,491. This accounts for the difference in actual third quarter 2023 ECI inflation, which is 3.9 percent, and the 2023 PCE estimate of 2.7 percent.[40] [41] The second step accounts for projected inflation from 2023 to 2024, which is 2.6 percent.[42] Based on the projected 2024 inflation estimate, the target compensation benchmark for 2024 is $440,658 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $158,637 ($440,658 × 0.36).

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 21. The Coast Guard estimates that the number of apprentice pilots with limited registration needed for District Two in the 2024 season will be one. 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 21—TARGET COMPENSATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Target Pilot Compensation	$440,658	$440,658	$440,658
Number of Pilots	8	9	17
Total Target Pilot Compensation	3,525,264	3,965,922	7,491,186

[40] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://beta.bls.gov/dataViewer/view/timeseries/CIU2010000520000A*. (Last accessed 11/01/23.)

[41] Table 1 Summary of Economic Projections, Median PCE Inflation. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf*. (Last accessed 05/17/23.)

[42] Table 1 Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf* (Last accessed 12/4/2023).

TABLE 21—TARGET COMPENSATION FOR DISTRICT TWO—Continued

	District Two		
	Undesignated	Designated	Total
Target Apprentice Pilot Compensation	158,637	158,637	158,637
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	63,455	95,182	158,637

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area. We first add the figures for projected operating expenses, total target pilot compensation, and total target apprentice pilot wage for each area, and then we find the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 4.0742 percent, rounded.[43] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 22.

TABLE 22—WORKING CAPITAL FUND CALCULATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$1,102,673	$1,654,014	$2,756,686
Total Target Pilot Compensation (Step 4)	3,525,264	3,965,922	7,491,186
Total Target Apprentice Pilot Compensation (Step 4)	63,455	95,182	158,637
Total 2024 Expenses	4,691,392	5,715,118	10,406,509
Working Capital Fund (4.0742%)	191,137	232,845	423,982

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 target pilot compensation (from Step 4), total target apprentice pilot wage (from Step 4), and the working capital fund contribution (from Step 5). We show these calculations in table 23.

TABLE 23—REVENUE NEEDED FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$1,102,673	$1,654,014	$2,756,686
Total Target Pilot Compensation (Step 4)	3,525,264	3,965,922	7,491,186
Total Target Apprentice Pilot Compensation (Step 4)	63,455	95,182	158,637
Working Capital Fund (Step 5)	191,137	232,845	423,982
Total Revenue Needed	4,882,529	5,947,963	10,830,491

G. Step 7: Calculate Initial Base Rates

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

Step 7 is a two-part process. In the first part, we calculate the 10-year traffic average in District Two, using the total time on task or pilot bridge hours. To calculate the time on task for each district from 2013–2020, the Coast Guard used billing data from SeaPro. The data is pulled from the system filtering by district, year, job status (including only processed jobs), and flagging code (including only U.S. jobs).

Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. For 2021–2022, the Coast Guard used figures provided by the associations through SeaPro monthly reports. Where bridge hour figures did not match between the monthly reports and the weighted factor reports, the Coast Guard opted to use the figures from the monthly report for Step 7. We show these values in table 24.

[43] Moody's Seasoned Aaa Corporate Bond Yield, average of 2022 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.* (Last accessed 03/21/2023).

TABLE 24—TIME ON TASK FOR DISTRICT TWO

[Hours]

Year	District Two	
	Undesignated	Designated
2022	7,668	8,613
2021	5,290	6,762
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
Average	6,241	6,755

Next, we derive 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. We present the calculations for District Two in table 25.

TABLE 25—INITIAL RATE CALCULATIONS FOR DISTRICT TWO

	Undesignated	Designated
Revenue needed (Step 6)	$4,882,529	$5,947,963
Average time on task (hours)	6,241	6,755
Initial rate	$782	$881

H. Step 8: Calculate Average Weighting Factors by Area

In this step, we calculate the average weighting factor for each designated and undesignated area. We collect the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using this data, we calculate the average weighting factor for each area using the data from each vessel transit from 2014–2021, as shown in tables 26 and 27. Data for 2022 was provided by the associations in a weighting factor report.

TABLE 26—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 1 (2022)	121	1	121
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 2 (2022)	478	1.15	550
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 3 (2022)	8	1.3	10
Class 4 (2014)	636	1.45	922
Class 4 (2015)	560	1.45	812

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

Vessel class/year	Number of transits	Weighting factor	Weighted transits
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
Class 4 (2022)	642	1.45	931
Total	6,268		8,204
Average weighting factor (weighted transits/number of transits)		1.31	

* Figures may not sum due to rounding.

TABLE 27—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 1 (2022)	117	1	117
Class 2 (2014)	237	1.15	273
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 2 (2022)	717	1.15	825
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 3 (2022)	13	1.3	17
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
Class 4 (2022)	1,230	1.45	1,784
Total	6,751		8,882
Average weighting factor (weighted transits/number of transits)		1.32	

* Figures may not sum due to rounding.

I. Step 9: Calculate Revised Base Rates

In this step, the Coast Guard revises the base rates, so that the total cost of pilotage will be equal to the revenue needed after considering the impact of the weighting factors. To do this, we divide the initial base rates calculated in Step 7 by the average weighting factors calculated in Step 8, as shown in table 28.

TABLE 28—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	$782	1.31	$597
District Two: Designated	881	1.32	667

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 are enough pilots to handle those heavy traffic periods. The Director also considers whether the rates cover operating expenses and infrastructure costs, taking average traffic and weighting factors into consideration. Based on the financial information submitted by the pilots, the Director is not establishing any alterations to the rates in this step. We modify § 401.405(a)(3) and (4) to reflect the final rates shown in table 29.

TABLE 29—FINAL RATES FOR DISTRICT TWO

Area	Name	Final 2023 pilotage rate	Final 2024 pilotage rate
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	$601	$667
District Two: Undesignated	Lake Erie	704	597

District Three

A. Step 1: Recognize Previous Operating Expenses

Step 1 in our ratemaking methodology requires that the Coast Guard review and recognize the previous year's operating expenses (§ 404.101). To do so, we review the independent accountant's financial reports for each association's 2021 expenses and revenues.[44] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs generally accrued by the pilot associations, such as employee benefits, the cost is divided between the designated and undesignated areas on a *pro rata* basis.

In the 2021 expenses used as the basis for this final rule, districts used the term ''applicant'' to describe applicant 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 in 2021, which includes both applicant and apprentice pilots. The term ''apprentice'' is used to distinguish apprentice pilot wages and to describe the impacts of the ratemaking going forward.

The Coast Guard continues to include apprentice salaries as an allowable expense in the 2024 ratemaking, as this final rule is based on 2021 operating expenses, when salaries were still an allowable expense. 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 30.

TABLE 30—2021 RECOGNIZED EXPENSES FOR DISTRICT THREE

Reported operating expenses for 2021	Undesignated	Designated	Undesignated	Total
	Lakes Huron and Michigan	St. Mary's River	Lake Superior	
Applicant Cost				
Applicant Salaries	$336,149	$140,111	$176,330	$652,590
Applicant Benefits	58,306	24,303	30,585	113,194
Total Applicant Cost	394,455	164,414	206,915	765,784
Other Pilotage Costs				
Pilot subsistence/travel	149,993	62,519	78,680	291,192
Hotel/Lodging Cost	136,769	57,007	71,744	265,520
Hotel/Lodging Cost (D3–21–03)	(18,162)	(7,570)	(9,527)	(35,260)
Travel	55,936	23,315	29,342	108,592

[44] These reports are available in the docket for this final rule.

TABLE 30—2021 RECOGNIZED EXPENSES FOR DISTRICT THREE—Continued

Reported operating expenses for 2021	Undesignated Lakes Huron and Michigan	Designated St. Mary's River	Undesignated Lake Superior	Total
License Insurance—Pilots	881	367	462	1,710
Payroll taxes				
Payroll Tax (D3–21–04)	155,779	64,931	81,715	302,425
License Insurance	15,328	6,389	8,040	29,757
Total Other Pilotage Costs	496,524	206,958	260,456	963,938
Pilot Boat and Dispatch Costs				
Pilot boat costs	445,549	185,710	233,716	864,975
Pilot Boat Coast (D2–21–02)	(10,901)	(4,544)	(5,718)	(21,163)
Dispatch costs	38,156	15,904	20,015	74,074
Employee Benefits	1,748	729	917	3,394
Insurance	20,141	8,395	10,565	39,101
Insurance (D3–21–05, D3–21–09)	1,735	723	910	3,369
Salaries	140,294	58,476	73,592	272,363
Payroll taxes	123	51	64	238
Total Pilot boat and dispatch costs	636,845	265,444	334,061	1,236,350
Administrative Cost				
Legal—general counsel	9,560	3,985	5,015	18,560
Legal—shared counsel (K&L Gates)	6,227	2,595	3,266	12,088
Legal—shared counsel (K&L Gates) (D3–21–07)	(1,307)	(545)	(686)	(2,538)
Travel	58,104	24,219	30,479	112,802
Travel (D3–21–03)	(14,093)	(5,874)	(7,393)	(27,360)
Insurance	29,480	12,288	15,464	57,232
Insurance (D3–21–05, D3–21–09)	(5,112)	(2,131)	(2,681)	(9,924)
Employee benefits	126,390	52,681	66,299	245,369
Payroll Tax	54,544	22,735	28,611	105,890
Other taxes	25,489	10,624	13,370	49,483
Other taxes (D3–21–02)	(25,006)	(10,423)	(13,117)	(48,545)
Real Estate Taxes	1,396	582	732	2,710
Depreciation/Auto leasing/Other	112,215	46,772	58,863	217,850
Depreciation/Auto leasing/Other (D3–21–02)	(4,465)	(1,861)	(2,342)	(8,668)
Interest	3,432	1,431	1,800	6,663
APA Dues	25,946	10,814	13,610	50,370
APA Dues (D3–21–08)	(1,297)	(541)	(680)	(2,519)
Dues and subscriptions	4,044	1,685	2,121	7,850
Salaries	63,591	26,506	33,357	123,454
Utilities	41,681	17,373	21,864	80,919
Utilities (D3–21–03)	(34,248)	(14,275)	(17,965)	(66,488)
Accounting/Professional fees	22,765	9,489	11,941	44,195
Pilot Training	44,259	18,448	23,216	85,923
Other expenses	24,741	10,312	12,978	48,032
Total Administrative Expenses	568,336	236,889	298,122	1,103,347
Total Operating Expenses (OpEx)	2,096,160	873,705	1,099,554	4,069,419

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

In accordance with the text in § 404.102, having identified the 2021 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. We calculate inflation using the BLS data from the CPI for the Midwest Region of the United States for the 2022 inflation rate.[45] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2023 and 2024 inflation modification.[46] Based on that information, the calculations for Step 2 are as presented in table 31.

[45] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–84=100.'' Series CUUR0200SA0 (Downloaded March 21, 2023). Available at *https://www.bls.gov/cpi/data.htm.*, All Urban Consumers (Current Series), multiscreen data, not seasonally adjusted, 0200 Midwest, Current, All Items, Monthly, 12-month Percent Change and Annual Data.

[46] The 2022 and 2023 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf.* We used the Median Core PCE June Projection found in table 1. (Downloaded September 2023).

TABLE 31—ADJUSTED OPERATING EXPENSES FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	$3,195,714	$873,705	$4,069,419
2022 Inflation Modification (@8%)	255,657	69,896	325,553
2023 Inflation Modification (@3.9%)	134,603	36,800	171,403
2024 Inflation Modification (@2.6%)	93,235	25,490	118,725
Adjusted 2024 Operating Expenses	3,679,209	1,005,891	4,685,100

* Figures are rounded to the nearest dollar and may not sum to totals.

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 registered pilots in each district. We determine the number of registered pilots based on data provided by the WGLPA. Using these numbers, we estimate that there will be 23 registered pilots in 2024 in District Three, including the additional pilot granted by the Director. We 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 two apprentice pilots in 2024 in District Three. Based on the seasonal staffing model discussed in the 2017 ratemaking (82 FR 41466) and rounding introduced in the 2022 ratemaking (87 FR 18488), a certain number of pilots are assigned to designated waters, and a certain number of pilots are assigned to undesignated waters, as shown in table 32. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 32—AUTHORIZED PILOTS FOR DISTRICT THREE

Item	District Three
Maximum Number of Pilots (per § 401.220(a)) *	22
2024 Authorized Pilots (total)	23
Pilots Assigned to Designated Areas	5
Pilots Assigned to Undesignated Areas	18
2024 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).

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

In this step, we determine the total pilot compensation for each area. Because we are issuing an ''interim'' ratemaking this year, we follow the procedure outlined in paragraph (b) of § 404.104, which adjusts the existing compensation benchmark by inflation. First, we adjust the 2023 target compensation benchmark of $424,398 by 1.2 percent for a value of $429,491. This accounts for the difference in actual third quarter 2023 ECI inflation, which is 3.9 percent, and the 2023 PCE estimate of 2.7 percent.[47] [48] The second step accounts for projected inflation from 2023 to 2024, which is 2.6 percent.[49] Based on the projected 2024 inflation estimate, the target compensation benchmark for 2024 is $440,658 per pilot. The apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $158,637 ($440,658 × 0.36).

In accordance with § 404.104(c), we use 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 Three, as shown in table 33. We estimate that the number of apprentice pilots with limited registration needed for District Three in the 2024 season will be two. 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 area, in accordance with the allocation for operating expenses.

TABLE 33—TARGET COMPENSATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Target Pilot Compensation	$440,658	$440,658	$440,658
Number of Pilots	18	5	23
Total Target Pilot Compensation	$7,931,844	$2,203,290	$10,135,134
Target Apprentice Pilot Compensation	$158,637	$158,637	$158,637

[47] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://beta.bls.gov/dataViewer/view/timeseries/CIU2010000520000A.* (Last accessed 11/01/23.)

[48] Table 1 Summary of Economic Projections, Median PCE Inflation. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf.* (Last accessed 05/17/23.)

[49] Table 1 Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf* (Last accessed 12/4/2023).

TABLE 33—TARGET COMPENSATION FOR DISTRICT THREE—Continued

	District Three		
	Undesignated	Designated	Total
Number of Apprentice Pilots			2
Total Target Apprentice Pilot Compensation	$250,646	$66,628	$317,274

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area. We first add the figures for projected operating expenses, total target pilot compensation, and total target apprentice pilot wage for each area, and then, we find the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 4.0742 percent, rounded.[50] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 34.

TABLE 34—WORKING CAPITAL FUND CALCULATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,679,209	$1,005,891	$4,685,100
Total Target Pilot Compensation (Step 4)	7,931,844	2,203,290	10,135,134
Total Target Apprentice Pilot Compensation (Step 4)	250,646	66,628	317,274
Total 2024 Expenses	11,861,699	3,275,809	15,137,508
Working Capital Fund (4.0742%)	483,269	133,463	616,732

F. Step 6: Project Needed Revenue

In this step, we add 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 target pilot compensation (from Step 4), and the working capital fund contribution (from Step 5). The calculations are shown in table 35.

TABLE 35—REVENUE NEEDED FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,679,209	$1,005,891	$4,685,100
Total Target Pilot Compensation (Step 4)	7,931,844	2,203,290	10,135,134
Total Target Apprentice Pilot Compensation (Step 4)	250,646	66,628	317,274
Working Capital Fund (Step 5)	483,269	133,463	616,732
Total Revenue Needed	12,344,968	3,409,272	15,754,240

G. Step 7: Calculate Initial Base Rates

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

Step 7 is a two-part process. In the first part, the 10-year traffic average in District Three is calculated using the total time on task or pilot bridge hours. To calculate the time on task for each district from 2013–2020, the Coast Guard used billing data from SeaPro. The data is pulled from the system filtering by district, year, job status (including only processed jobs), and flagging code (including only U.S. jobs).

Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. For 2021–2022, the Coast Guard used figures provided by the associations through SeaPro monthly reports. Where bridge hour figures did not match between the monthly reports and the weighted factor reports, the Coast Guard opted to use the figures from the monthly report for Step 7. We show these values in table 36.

[50] Moody's Seasoned Aaa Corporate Bond Yield, average of 2022 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.* (Last accessed 03/21/2023.)

TABLE 36—TIME ON TASK FOR DISTRICT THREE

[Hours]

Year	District Three	
	Undesignated	Designated
2022	23,914	3,345
2021	18,149	2,484
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
Average	22,071	3,113

Next, we derive 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 37.

TABLE 37—INITIAL RATE CALCULATIONS FOR DISTRICT THREE

	Undesignated	Designated
Revenue needed (Step 6)	$12,344,968	$3,409,272
Average time on task (hours)	22,071	3,113
Initial rate	$559	$1,095

H. Step 8: Calculate Average Weighting Factors by Area

In this step, we calculate the average weighting factor for each designated and undesignated area. We collect the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using this data, we calculate the average weighting factor for each area using the data from each vessel transit from 2014 to 2021, as shown in tables 38 and 39. Data for 2022 was provided by the associations in a weighting factor report.

TABLE 38—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 1 (2022)	162	1	162
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 2 (2022)	452	1.15	520
Class 3 (2014)	15	1.3	20
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 3 (2022)	3	1.3	4
Class 4 (2014)	394	1.45	571

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

Vessel class/year	Number of transits	Weighting factor	Weighted transits
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
Class 4 (2022)	482	1.45	699
Total for Area 6	6,719		8,609
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 1 (2022)	12	1	12
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 2 (2022)	95	1.15	109
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 3 (2022)	5	1.3	7
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
Class 4 (2022)	306	1.45	444
Total for Area 8	3,670		4,914
Combined total	10,389		13,522
Average weighting factor (weighted transits/number of transits)		1.30	

* Figures may not sum due to rounding.

TABLE 39—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits
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
Class 1 (2022)	104	1	104
Class 2 (2014)	221	1.15	254
Class 2 (2015)	145	1.15	167

TABLE 39—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
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 2 (2022)	198	1.15	228
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 3 (2022)	5	1.3	7
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
Class 4 (2022)	392	1.45	568
Total	4,500		5,877
Average weighting factor (weighted transits/number of transits)		1.31	

* Figures may not sum due to rounding.

I. Step 9: Calculate Revised Base Rates

In this step, we revise the base rates, so that the total cost of pilotage will be equal to the revenue needed after considering the impact of the weighting factors. To do this, we divide the initial base rates calculated in Step 7 by the average weighting factors calculated in Step 8, as shown in table 40.

TABLE 40—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	$559	1.30	$430
District Three: Designated	1,095	1.31	836

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 are enough pilots to handle those heavy traffic periods. The Director also considers whether the rates cover operating expenses and infrastructure costs, taking average traffic and weighting factors into consideration. Based on this information, the Director is not establishing any alterations to the rates in this step. We modified § 401.405(a)(5) and (6) to reflect the rates shown in table 41.

TABLE 41—FINAL RATES FOR DISTRICT THREE

Area	Name	Final 2023 pilotage rate	Final 2024 pilotage rate
District Three: Designated	St. Mary's River	$834	$836
District Three: Undesignated	Lakes Huron, Michigan, and Superior	410	430

X. Regulatory Analyses

We developed this rule after considering numerous statutes and Executive orders related to rulemaking. Below we summarize our analyses based on these statutes or Executive orders.

A. Regulatory Planning and Review

Executive Orders 12866 (Regulatory Planning and Review), as amended by

Executive Order 14094 (Modernizing Regulatory 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, as amended by Executive Order 14094. Accordingly, OMB has not reviewed this regulatory action.

The purpose of this final rule is to establish new 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 Coast Guard concluded the last full ratemaking in February of 2023.[51]

For this final rule, the Coast Guard estimates an increase in cost of approximately $2.62 million to industry from 2023 to 2024. This is approximately a 7-percent increase because of the change in revenue needed in 2024 compared to the revenue needed in 2023. See table 42.

TABLE 42—ECONOMIC IMPACTS DUE TO RATE 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 pilotage rates annually.	Owners and operators of 296 vessels transiting the Great Lakes system annually, 58 United States Great Lakes pilots, 6 apprentice pilots, and 3 pilotage associations.	Increase of $2,621,471 due to change in revenue needed for 2024 ($40,280,666) from revenue needed for 2023 ($37,659,195) as shown in table 43.	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., Basis and Purpose, of this preamble for detailed discussions of the legal basis and purpose for this rulemaking. Based on our annual review for this rulemaking, we are adjusting the pilotage rates for the 2024 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 both areas in District One, the designated area for District Two, and both areas in District Three. There is a decrease in rates for the undesignated area in District Two. 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 depends on their area of operation.

A detailed discussion of our economic impact analysis follows.

Affected Population

This final rule affects United States Great Lakes pilots and apprentice pilots, the 3 pilot associations, and the owners and operators of 296 oceangoing vessels that transit the Great Lakes annually on average from 2020 to 2022. The Coast Guard estimates that there will be 58 registered pilots and 6 apprentice pilots during the 2024 shipping season, an increase of 2 pilots and decrease of 1 apprentice pilot from the proposed numbers in the NPRM. The shippers affected by these rate changes are those owners and operators of domestic vessels operating ''on register'' (engaged in foreign trade) and the 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, 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 2020 through 2022 from the SeaPro to estimate the average annual number of vessels affected by the rate adjustment. SeaPro 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, we use a 10-year average to estimate the traffic. We used 3 years of the most recent billing data to estimate the affected population. The associations did not provide updated trip-level billing data for 2022, as they did for 2021, to use to update the number of vessels or customers in this final rule, so we used what was provided in the NPRM. We believe that using 3 years of billing data is a better representation of the vessel population

[51] Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology (88 FR 12226), published February 27, 2023.

currently using pilotage services and impacted by this final rule.

We found that 437 unique vessels used pilotage services during the years 2020 through 2022. That is, these vessels had a pilot dispatched to the vessel, and billing information was recorded in SeaPro. Of these vessels, 407 were foreign-flagged vessels, and 30 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 2020 through 2022 as the best representation of vessels estimated to be affected by the rates in this final rule. From 2020 through 2022, an average of 296 vessels used pilotage services annually.[52] On average, 280 of these vessels were foreign-flagged and 16 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 2023 with the total projected revenues to cover costs in 2024. We set pilotage rates so 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 final rule.

The impacts of the rate changes on shippers are estimated from the district pilotage projected revenues (shown in tables 11, 23, and 35 of this preamble). The Coast Guard estimates that, for the 2024 shipping season, the projected revenue needed for all three districts is $40,280,666.

To estimate the change in cost to shippers from this final rule, the Coast Guard compared the 2024 total projected revenues to the 2023 projected revenues. Because we review and prescribe 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 2023 final rule, we estimated the total projected revenue needed for 2023 as 37,659,195.[53] This is the best approximation of 2023 revenues, as, at the time of publication of this final rule, the Coast Guard does not have enough audited data available for the 2023 shipping season to revise these projections. Table 43 shows the revenue projections for 2023 and 2024 and details the additional cost increases to shippers by district as a result of the rate changes in traffic in Districts One, Two, and Three.

TABLE 43—EFFECT OF THE FINAL RULE BY DISTRICT

[U.S. Dollars; Non-discounted]

Area	Revenue needed in 2023	Revenue needed in 2024	Additional costs of this rule
Total, District One	$12,609,601	$13,695,935	$1,086,334
Total, District Two	10,392,542	10,830,491	437,949
Total, District Three	14,657,052	15,754,240	1,097,188
System Total	37,659,195	40,280,666	2,621,471

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

The resulting difference between the projected revenue in 2023 and the projected revenue in 2024 is the annual change in payments from shippers to pilots as a result of the rate changes in this final rule. The effect of the rate changes to shippers varies by area and district. After considering the change in pilotage rates, the rate changes lead to affected shippers operating in District One experiencing an increase in payments of $1,086,334 over the previous year. Affected shippers operating in District Two and District Three experienced an increase in payments of $437,949 and $1,097,188, respectively, when compared with 2023. The overall adjustment in payments increased payments by shippers to $2,621,471 across all three districts (a 7-percent increase when compared with 2023). Again, because the Coast Guard reviews and sets rates for Great Lakes pilotage annually, we estimate the impacts as single-year costs rather than annualizing them over a 10-year period.

Table 44 shows the difference in revenue by revenue-component from 2023 to 2024 and presents each revenue-component as a percentage of the total revenue needed. In both 2023 and 2024, the largest revenue-component was target pilotage compensation (63 percent of total revenue needed in 2023 and 63 percent of total revenue needed in 2024), followed by operating expenses (32 percent of total revenue needed in 2023 and 30 percent of total revenue needed in 2024). The large increase in the working capital fund, 59 percent from 2023 to 2024, is driven by a large increase in the target rate of return on investment from 2.7033 percent in 2021 to 4.0742 percent in 2022.[54]

[52] 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.

[53] 88 FR 12226. See table 42. *https://www.govinfo.gov/content/pkg/FR-2023-02-27/pdf/2023-03212.pdf.* (Last accessed 5/17/23.)

[54] Moody's Seasoned Aaa Corporate Bond Yield, average of 2022 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.* (Last accessed 03/21/2023.)

TABLE 44—DIFFERENCE IN REVENUE BY REVENUE-COMPONENT

Revenue component	Revenue needed in 2023	Percentage of total revenue needed in 2023 (%)	Revenue needed in 2024	Percentage of total revenue needed in 2024	Difference (2024 revenue–2023 revenue)	Percentage change from previous year (%)
Adjusted Operating Expenses	$11,984,950	32	$12,193,810	30	$208,860	2
Total Target Pilot Compensation	23,766,288	63	25,558,164	63	1,791,876	8
Total Target Apprentice Pilot Compensation	916,700	2	951,822	2	35,122	4
Working Capital Fund	991,257	3	1,576,870	4	585,613	59
Total Revenue Needed	37,659,195	100	40,280,666	100	2,621,471	7

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

As stated above, we estimate a total increase in revenue needed by the pilot associations of $2,621,471. This represents an increase in revenue needed for target pilot compensation of $1,791,876, for the total apprentice pilot wage benchmark of $35,122, $208,860 for adjusted operating expenses, and $585,613 for an increase in the revenue needed for the working capital fund.

The change in revenue needed for pilot compensation, $1,791,876, is due to two factors: (1) The changes to adjust 2023 pilotage compensation to account for the difference between actual ECI inflation [55] (3.9 percent) and predicted PCE inflation [56] (2.7 percent) for 2023; and (2) projected inflation of pilotage compensation in Step 2 of the methodology, using predicted inflation through 2024.

The target compensation is $440,658 per pilot in 2024, compared to $424,398 in 2023. The changes to modify the 2023 pilot compensation to account for the difference between predicted and actual inflation increase the 2023 target compensation value by 1.2 percent. As shown in table 45, this inflation adjustment increases total compensation by $5,093 per pilot, and the total revenue needed by $295,381, when accounting for all 58 pilots.

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

2023 Target Pilot Compensation	$424,398
Adjusted 2023 Compensation ($424,398 × 1.012)	$429,491
Difference between Adjusted Target 2023 Compensation and Target 2023 Compensation ($429,491 − $424,398)	$5,093
Increase in total Revenue for 58 Pilots ($5,093 × 58)	$295,381

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

Similarly, table 46 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 $1,833 per apprentice pilot, and the total revenue needed by $11,000 when accounting for all six apprentice pilots.

TABLE 46—CHANGE IN REVENUE RESULTING FROM THE CHANGE TO INFLATION OF APPRENTICE PILOT COMPENSATION CALCULATION IN STEP 4

Target Apprentice Pilot Compensation	$152,783
Adjusted Compensation ($152,783 × 1.012)	$154,617
Difference between Adjusted Target Compensation and Target Compensation ($154,617 − $152,783)	$1,833
Increase in total Revenue for Apprentices ($1,833 × 6)	$11,000

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

As noted earlier, the Coast Guard predicts that 58 pilots will be needed for the 2024 season. This is two more pilots than in the 2023 final rule, which leads to an estimated $871,130 increase in revenue needed for pilot compensation, as shown in table 47.

TABLE 47—CHANGE IN REVENUE RESULTING FROM INCREASE OF TWO PILOTS

2024 Target Compensation	$440,658
Total Number of New Pilots	2
Total Cost of new Pilots ($440,658 × 2)	$881,316
Difference between Adjusted Target 2023 Compensation and Target 2023 Compensation ($429,491 − $424,398)	$5,093
Increase in Revenue for 2 Pilots ($5,093 × 2)	$10,186

[55] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://beta.bls.gov/dataViewer/view/timeseries/CIU2010000520000A.* (Last accessed 08/28/23.)

[56] Table 1 Summary of Economic Projections, Median PCE Inflation. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf.* (Last accessed 5/17/23.)

TABLE 47—CHANGE IN REVENUE RESULTING FROM INCREASE OF TWO PILOTS—Continued

Net Increase in total Revenue for 2 Pilots ($881,316 − $10,186)	$871,130

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

Similarly, the Coast Guard predicts that six apprentice pilots will be needed for the 2024 season. This is the same as in the 2023 season, so there is no estimated change in revenue needed for pilot compensation, apart from the change in inflation accounted for in table 48.

Another increase, $647,699, is the result of increasing compensation for the 58 pilots to account for future inflation of 2.6 percent in 2024. This increased total compensation by $11,167 per pilot, as shown in table 48.

TABLE 48—CHANGE IN REVENUE RESULTING FROM INFLATING 2023 COMPENSATION TO 2024

Adjusted 2023 Compensation	$429,491
2024 Target Compensation ($429,491 × 1.026)	$440,658
Difference between Adjusted 2023 Compensation and Target 2024 Compensation ($440,658 − $429,491)	$11,167
Increase in total Revenue for 58 Pilots ($11,167 × 58)	$647,699

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

Similarly, an increase of $24,122 is the result of increasing compensation for the 6 apprentice pilots to account for future inflation of 2.6 percent in 2024. This increased total compensation by $4,020 per apprentice pilot, as shown in table 49.

TABLE 49—CHANGE IN REVENUE RESULTING FROM INFLATING 2023 APPRENTICE PILOT COMPENSATION TO 2024

Adjusted 2023 Compensation	$154,617
2024 Target Compensation ($440,658 × 36%)	$158,637
Difference between Adjusted Compensation and Target Compensation ($158,637 − $154,617)	$4,020
Increase in total Revenue for 6 Apprentices ($4,020 × 6)	$24,122

* 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.[57]

[57] The 2023 projected revenues are from the Great Lakes Pilotage Rate—2023 Annual Review and Revisions to Methodology final rule (88 FR 12226), tables 10, 22, and 34. The 2024 projected revenues are from tables 11, 23, and 35 of this 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		
	2023	2024	Percentage change	2023	2024	Percentage change	2023	2024	Percentage change	2023	2024	Percentage change	2023	2024	Percentage change
District One:															
Designated	$2,599,777	$2,851,215	10	$4,243,980	$4,406,580	4	$183,340	$285,547	56	$189,966	$307,331	62	$7,217,063	$7,850,673	8.8
Undesignated	1,733,186	1,900,809	10	3,395,184	3,525,264	4	122,227	190,364	56	141,941	228,825	61	5,392,538	5,845,262	8.4
District Two:															
Undesignated	1,270,338	1,102,673	(13)	4,243,980	3,525,264	(17)	61,113	63,455	4	150,722	191,137	27	5,726,153	4,882,529	(14.7)
Designated	1,905,503	1,654,014	(13)	2,546,388	3,965,922	56	91,670	95,182	4	122,828	232,845	90	4,666,389	5,947,963	27.5
District Three:															
Undesignated	3,515,118	3,679,209	5	7,214,766	7,931,844	10	359,942	250,646	(30)	299,795	483,269	61	11,389,621	12,344,968	8.4
Designated	961,028	1,005,891	5	2,121,990	2,203,290	4	98,408	66,628	(32)	86,005	133,463	55	3,267,430	3,409,272	4.3

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

Benefits

This final 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 enough pilots are available 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, we have considered whether this rule would 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 this final rule, the Coast Guard reviewed recent company size and ownership data for the vessels identified in SeaPro, and we reviewed business revenue and size data provided by publicly available sources such as ReferenceUSA.[58] As described in section II., Executive Summary, and section X., Regulatory Analyses, of this preamble, we found that 437 unique vessels used pilotage services during the years 2020 through 2022. These vessels are owned by 57 entities, of which 44 are foreign entities that operate primarily outside the United States, and the remaining 13 entities are U.S. entities. We 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.[59] 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, either number of employees or annual revenue.

TABLE 51—NAICS CODES AND SMALL ENTITIES SIZE STANDARDS

NAICS	Description	Small entity size standard
238910	Site Preparation Contractors	$19,000,000.
425120	Wholesale Trade Agents And Brokers	125 Employees.
483211	Inland Water Freight Transportation	1,050 Employees.
484230	Specialized Freight (Except Used Goods) Trucking, Long-Distance	$34,000,000.
488330	Navigational Services to Shipping	$47,000,000.
488390	Other Support Activities for Water Transportation	$47,000,000.
523910	Miscellaneous Intermediation	
561510	Travel Agencies	$25,000,000.
561599	All Other Travel Arrangement And Reservation Services	$32,500,000.
713930	Marinas	$11,000,000.
813910	Business Associations	$15,500,000.

Of the 13 U.S. entities, 4 exceed the SBA's small business standards for small entities, and 1 only provided service to a public vessel. To estimate the potential impact on the remaining eight small entities, the Coast Guard used their 2022 invoice data to estimate their pilotage costs in 2024. We first increase their 2022 costs by 16 percent to account for the changes in pilotage rates resulting from the 2023 final rule, then by 7 percent to account for changes resulting from this final rule. Then, we estimated the change in cost to these entities resulting from this final rule by subtracting their estimated 2023 pilotage costs from their estimated 2024 pilotage costs, and found the average costs to small firms is approximately $10,075, with a range of $6,419 to $16,255. We then compared the estimated change in pilotage costs between 2023 and 2024 with each firm's annual revenue. For two entities, the impact of the change in estimated pilotage expenses is above 1 percent of revenues, at 3.27 percent and 4.28 percent.

In addition to the owners and operators discussed previously, three U.S. entities that receive revenue from pilotage services are affected by this final rule. These are the three pilot associations that provide and manage pilotage services within the Great Lakes districts. These associations are designated collectively as the Lake Carrier's Association, as well as individually by each separate district association, all with the same NAICS code, ''Business Association'' [60] with a small-entity size standard of $15,500,000 in annual revenue. Based on the reported revenues from audit reports, the associations individually qualify as small entities, but are not considered small by the reported revenue of the Lake Carrier's Association.

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 are impacted by this final rule. We also did not find any small governmental jurisdictions with populations of fewer than 50,000 people that are impacted by this final rule. Based on this analysis, we conclude this final rule does 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

[58] See *https://resource.referenceusa.com/*. (Last accessed 05/18/2023.)

[59] See *https://www.sba.gov/document/support--table-size-standards.* (Last accessed 5/17/23.) 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.''

[60] In previous rulemakings, the associations used a different NAICS code, 483212 Inland Water Passenger Transportation. NAICS code 283212 had a size standard of 500 employees as of the latest SBA small business size table [published March 17, 2023] 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.

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, we offer to assist small entities in understanding this rule so that they can better evaluate its effects on them and participate in the rulemaking. If the final rule affects your small business, organization, or governmental jurisdiction and you have questions concerning its provisions or options for compliance, please call or email the person in the **FOR FURTHER INFORMATION CONTACT** section of this final rule. 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).

D. Collection of Information

This rule calls for no new collection of information nor does it impact 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. We have analyzed this rule under Executive Order 13132 and have 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.

It is well settled that States may not regulate in categories reserved for regulation by the Coast Guard. It is also well settled that all of the categories covered in 46 U.S.C. 3306, 3703, 7101, and 8101 (design, construction, alteration, repair, maintenance, operation, equipping, personnel qualification, and manning of vessels), as well as the reporting of casualties and any other category in which Congress intended the Coast Guard to be the sole source of a vessel's obligations, are within the field foreclosed from regulation by the States. *See* the Supreme Court's decision in *United States* v. *Locke* and *Intertanko* v. *Locke,* 529 U.S. 89, 120 S.Ct. 1135 (2000).

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, we do discuss the effects of this rule 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

We have 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

We have analyzed this rule under Executive Order 13211 (Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use). We 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 would 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, we did not consider the use of voluntary consensus standards.

M. Environment

We have 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 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 adjusting the pilotage rates for the 2024 shipping season to account for changes in district operating expenses, changes in the number of pilots, and anticipated inflation. This rule is not part of a larger action, and it will not result in significant impacts to the human environment. All changes are consistent with the Coast Guard's maritime safety missions.

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 amends 46 CFR part 401 as follows:

PART 401—GREAT LAKES PILOTAGE REGULATIONS

■ 1. The authority citation for part 401 continues 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 $927;

(2) Lake Ontario is $608;

(3) Lake Erie is $597

(4) The navigable waters from Southeast Shoal to Port Huron, MI is $667;

(5) Lakes Huron, Michigan, and Superior is $430; and

(6) The St. Mary's River is $836.

* * * * *

Dated: January 31, 2024.

W.R. Arguin,

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

[FR Doc. 2024–02410 Filed 2–8–24; 8:45 am]

BILLING CODE 9110–04–P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

50 CFR Part 648

[Docket No. 240205–0038; RTID 0648–XD564]

Fisheries of the Northeastern United States; Monkfish Fishery; 2024 Monkfish Specifications

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Final rule.

SUMMARY: NMFS is implementing specifications for the 2024 monkfish fishery. This action is necessary to ensure allowable monkfish harvest levels that will prevent overfishing and allow harvesting of optimum yield. This action is intended to establish the allowable 2024 harvest levels, consistent with the Monkfish Fishery Management Plan and previously announced multi-year specifications.

DATES: The final specifications for the 2024 monkfish fishery are effective May 1, 2024, through April 30, 2025.

FOR FURTHER INFORMATION CONTACT: Spencer Talmage, Fishery Policy Analyst, (978) 281–9232.

SUPPLEMENTARY INFORMATION: The New England and Mid-Atlantic Fishery Management Councils (together, the Councils) jointly manage the monkfish fishery. The Monkfish Fishery Management Plan includes a specifications process that requires the Councils to recommend quotas on a triennial basis. This action finalizes 2024 specifications approved by the Councils in Framework Adjustment 13 to the Monkfish Fishery Management Plan, which included specifications for fishing years 2023–2025.

On August 11, 2023, NMFS published a final rule approving Framework 13 measures for the 2023 fishing year (88 FR 54495), based on a recent stock assessment update and consistent with the New England Council's Scientific and Statistical Committee recommendations. At that time, NMFS also projected a continuation of those same specifications for 2024 and 2025. The final total allowable landings in both the Northern and Southern Fishery Management Areas for 2024 are summarized in table 1. The 2024 measures are the same as those implemented in 2023.

TABLE 1—MONKFISH SPECIFICATIONS FOR FISHING YEAR 2024

[in metric tons]

Catch limits	Northern area	Southern area
Acceptable Biological Catch	6,224	5,861
Annual Catch Limit	6,224	5,861
Management Uncertainty (3 percent)	187	176
Annual Catch Target (Total Allowable Landings + discards)	6,038	5,685
Expected Discards	729	2,205
Total Allowable Landings	5,309	3,481

NMFS has reviewed the available information on fishing years 2022 and 2023. There have been no annual catch limit overages, nor is there any new biological information that would require altering the projected 2024 specifications. Based on this, we are implementing the fishing year 2024 specifications announced in the Framework 13 final rule. The 2024 specifications will be effective until April 30, 2025.

This final rule makes no modification to other management measures for the monkfish fishery (*e.g.,* trip limits, Days-At-Sea allocations, *etc.*).