requests for guidance or clarification, and requests for adjustment or exception shall be addressed to the Administration for Strategic Preparedness and Response, U.S. Department of Health and Human Services, Washington, DC 20201. Ref: HRPAS, or email *aspr.dpa@hhs.gov.*

Dated: July 24, 2023.

Xavier Becerra,

Secretary, U.S. Department of Health, and Human Services.

[FR Doc. 2023–15952 Filed 8–15–23; 8:45 am]

BILLING CODE 4150–37–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: Notice of proposed rulemaking.

SUMMARY: In accordance with the statutory provisions enacted by the Great Lakes Pilotage Act of 1960, the Coast Guard is proposing new pilotage rates for the 2024 shipping season. The Coast Guard estimates that this proposed rule would result in approximately a 5-percent increase in operating costs compared to the 2023 season.

DATES: Comments and related material must be received by the Coast Guard on or before September 15, 2023.

ADDRESSES: You may submit comments identified by docket number USCG–2023–0438 using the Federal Decision Making Portal at *www.regulations.gov.* See the ''Public Participation and Request for Comments'' portion of the **SUPPLEMENTARY INFORMATION** section for further instructions on submitting comments.

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. Public Participation and Request for Comments

The Coast Guard views public participation as essential to effective rulemaking and will consider all comments and material received during the comment period. Your comment can help shape the outcome of this rulemaking. If you submit a comment, please include the docket number for this rulemaking, indicate the specific section of this document to which each comment applies, and provide a reason for each suggestion or recommendation.

Submitting comments. We encourage you to submit comments through the Federal Decision Making Portal at *www.regulations.gov.* To do so, go to *www.regulations.gov,* type USCG–2023–0438 in the search box and click ''Search.'' Next, look for this document in the Search Results column, and click on it. Then click on the Comment option. If you cannot submit your material by using *www.regulations.gov,* call or email the person in the **FOR FURTHER INFORMATION CONTACT** section of this proposed rule for alternate instructions.

Viewing material in docket. To view documents mentioned in this proposed rule as being available in the docket, find the docket as described in the previous paragraph, and then select ''Supporting & Related Material'' in the Document Type column. Public comments will also be placed in our online docket and can be viewed by following instructions on the *www.regulations.gov* Frequently Asked Questions web page. This web page also explains how to subscribe for email alerts that will notify you when comments are posted or if a final rule is published. We review all comments received, but we will only post comments that address the topic of the proposed rule. We may choose not to post off-topic, inappropriate, or duplicate comments that we receive.

Personal information. We accept anonymous comments. Comments we post to *www.regulations.gov* will include any personal information you have provided. For more about privacy and submissions to the docket in response to this document, see DHS's eRulemaking System of Records notice (85 FR 14226, March 11, 2020).

Public meeting. We do not plan to hold a public meeting, but we will consider doing so if we determine from public comments that a meeting would be helpful. We would issue a separate **Federal Register** notice to announce the date, time, and location of such a meeting.

II. Abbreviations

2023 final rule Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology final rule
AMOU American Maritime Officers Union
APA American Pilots' Association
BLS Bureau of Labor Statistics
CFR Code of Federal Regulations
CPA Certified public accountant
CPI Consumer Price Index
DHS Department of Homeland Security
Director U.S. Coast Guard's Director of the Great Lakes Pilotage
ECI Employment Cost Index
FOMC Federal Open Market Committee
FR Federal Register
GLPA Great Lakes Pilotage Authority (Canadian)
GLPAC Great Lakes Pilotage Advisory Committee
GLPMS Great Lakes Pilotage Management System
LPA Lakes Pilots Association
NAICS North American Industry Classification System
NPRM Notice of proposed rulemaking
OMB Office of Management and Budget
PCE Personal Consumption Expenditures
§ Section
SBA Small Business Administration
SLSPA Saint Lawrence Seaway Pilotage Association
U.S.C. United States Code
WGLPA Western Great Lakes Pilots Association

III. 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 a proposed $413 to $925 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.

In accordance with statutory and regulatory requirements, the Coast Guard employs the ratemaking methodology introduced in 2016 and finalized in 2023. 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 proposed rule.

In this notice of proposed rulemaking (NPRM), we are conducting 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).[2] Per title 46 of the Code of Federal Regulations (CFR), section 404.100(b), via this NPRM, the Coast Guard's Director of the Great Lakes Pilotage ("the Director") proposes to establish 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 proposed rule would result in $1,914,438 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 NPRM, the Coast Guard is proposing the rates shown in table 1.

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

Area	Name	Final 2023 pilotage rate	Proposed 2024 pilotage rate
District One: Designated	St. Lawrence River	$876	$925
District One: Undesignated	Lake Ontario	586	606
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI	601	660
District Two: Undesignated	Lake Erie	704	586
District Three: Designated	St. Mary's River	834	805
District Three: Undesignated	Lakes Huron, Michigan, and Superior	410	413

This proposed rule would affect 56 U.S. Great Lakes pilots, 7 apprentice pilots, 3 pilot associations, and the owners and operators of an average of 277 oceangoing vessels that transit the Great Lakes annually. This proposed rule is not economically significant under Executive Order 12866 and would not affect the Coast Guard's budget or increase Federal spending. The estimated overall annual regulatory economic impact of this rate change would be a net increase of $1,914,438 in estimated payments made by shippers during the 2024 shipping season. This proposed rule would establish the 2024 yearly target compensation for pilots on the Great Lakes at $442,403 per pilot (a $18,005 increase, or 4.24 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 proposed rule.

[1] 46 U.S.C. 9301–9308.

[2] *https://www.govinfo.gov/content/pkg/FR-2023-02-27/pdf/2023-03212.pdf* (last visited 5/12/2023).

IV. Basis and Purpose

The legal basis of this rulemaking is 46 U.S.C. Chapter 93,[3] 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.[4] For U.S. Great Lakes pilots, the statute requires the Secretary to ''prescribe by regulation rates and charges for pilotage services, giving consideration to the public interest and the costs of providing the services.''[5] The statute requires that rates be established or reviewed and adjusted each year, no later than March 1.[6] 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.[7] The Secretary's duties and authority under 46 U.S.C. Chapter 93 have generally been delegated to the Coast Guard.[8]

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,[9] 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.[10] The methodology is designed to measure how much revenue each pilotage association would need to cover expenses and to provide competitive 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 proposed 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 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.

V. 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.[11] United States and Canadian ''lakers,'' which account for most commercial shipping on the Great Lakes, are not affected.[12] 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 U.S. waters of the Great Lakes and the St. Lawrence Seaway 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 U.S. waters of the St. Lawrence River and Lake Ontario. The Lakes Pilots Association (LPA) provides pilotage services in District Two, which includes all U.S. waters of Lake Erie, the Detroit River, Lake St. Clair, and the St. Clair River. Finally, the Western Great Lakes Pilots Association (WGLPA) provides pilotage services in District Three, which includes all U.S. waters of the St. Mary's River; Sault Ste. Marie Locks; and Lakes Huron, Michigan, and Superior.

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.[13] 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.''[14] 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.

[3] 46 U.S.C. 9301–9308.

[4] 46 U.S.C. 9302(a)(1).

[5] 46 U.S.C. 9303(f).

[6] *Ibid.*

[7] *Ibid.*

[8] 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.

[9] 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.

[10] 46 CFR part 404.101–404.110. *https://www.ecfr.gov/current/title-46/chapter-III/part-404* (Last visited 5/17/23).

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

[12] 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 visited 5/17/23).

[13] 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 visited 5/31/23).

[14] 46 U.S.C. 9302(a)(l)(B).

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

District	Pilotage association	Designation	Area Number [15]	Area Name [16]
One	Saint Lawrence Seaway Pilotage Association (SLPSA).	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.
Three	Western Great Lakes Pilots Association (WGLPA).	Designated	7	St. Marys 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 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 2023 final rule.[17] We summarize the current methodology in the following section.

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 proposal, 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(a)), the Director determines the revenue needed for pilot compensation in each area and district and calculates the total compensation for each pilot using a ''compensation benchmark.''

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

[15] 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.

[16] 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 visited 5/17/23).

[17] 88 FR 12226.

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 proposing to use any surcharges in this proposed 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 proposed 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 proposed 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 proposing to use the existing ratemaking methodology for establishing the base rates in this interim ratemaking. The Coast Guard is not proposing any methodological or other policy changes to the ratemaking within this NPRM.

According to 46 U.S.C. 9303(f), and restated in 46 CFR 404.100(a), the Coast Guard must only establish base rates by a full ratemaking at least once every 5 years. The Coast Guard has determined that the current base rate and methodology still adequately adheres 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),[18] 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 Proposed 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),[19] 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),[20] 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),[21] changed the inflation calculation in Step 4, § 404.104(b), for interim ratemakings, so that the previous year's target compensation value is first adjusted by actual inflation value using the Employment Cost Index (ECI). That change ensures that the target pilot compensation reimbursed to the association remains current with inflation and competitive with industry pay increases.

The 2022 ratemaking, Great Lakes Pilotage Rates—2022 Annual Review and Revisions to Methodology (87 FR 18488, published March 30, 2022),[22] 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 proposing to set the target pilot compensation benchmark in this NPRM at the target compensation for the ratemaking year 2023, adjusted for inflation. In an interim ratemaking year, the base target pilot compensation would be adjusted annually in accordance with § 404.104(b). The Coast Guard arrived at this proposed 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

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

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

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

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

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

March 7, 2016),[23] 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,[24] 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 (85 FR 20091). The Director determined that the ratemaking provided adequate compensation for pilots. In the 2020 ratemaking, the Coast Guard announced that the 2020 benchmark will be used for future rates (85 FR 20091).

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 compensation remains competitive and current for upcoming years.

Therefore, the Coast Guard proposes to not seek alternative benchmarks for target compensation at this time and, instead, to simply adjust 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 proposed compensation benchmark for 2024 is $442,403 per registered pilot and $159,265 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 1.7 percent for an adjusted value of $431,613. This first adjustment accounts for the difference in actual first quarter 2023 ECI inflation, which is 4.4 percent, and the 2023 PCE estimate of 2.7 percent.[25] The second step accounts for projected inflation from 2023 to 2024, which is 2.5 percent.[26] Based on the projected 2024 inflation estimate, the proposed target compensation benchmark for 2024 is $442,403 per pilot. The proposed apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $159,265 ($442,403 × 0.36).[27]

IX. Discussion of Proposed Rate Adjustments

In this NPRM, based on the proposed policy changes described in the previous section, we are proposing new pilotage rates for 2024. We propose to conduct the 2024 ratemaking as an interim ratemaking, as we last did in 2022 (87 FR 18488). Thus, the Coast Guard proposes to adjust 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 proposed 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 proposed 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.[28] 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 3.

Adjustments have been made by the auditors and are explained in the auditor's reports, which are available in the docket for this rulemaking, where indicated under the Public Participation and Request for Comments portion of the preamble.

In the 2021 expenses used as the basis for this proposed 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

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

[24] 85 FR 20088.

[25] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm* (Last visited 04/28/23); and Table 1 Summary of Economic Projections, PCE Inflation. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf* (Last visited 05/17/23).

[26] Table 1 Summary of Economic Projections, PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230322.pdf* (Last visited 03/2023).

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

[28] These reports are available in the docket for this proposed rule.

impacts of the ratemaking going forward.

The Coast Guard continues to include apprentice salaries as an allowable expense in the 2024 ratemaking, as this proposed 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).

TABLE 3—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
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 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—USCG 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 Expenses (OPEX + Applicant + Pilot Boats + Admin + Capital)	2,476,529	1,651,018	4,127,547
Total Operating Expenses (OpEx + Adjustments)	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.[29] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2023 and 2024 inflation modification.[30] Based on that information, the calculations for Step 2 are as presented in table 4.

TABLE 4—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 (@3.5%)	93,613	62,408	156,021
2024 Inflation Modification (@2.5%)	69,207	46,138	115,345
Adjusted 2024 Operating Expenses	2,837,471	1,891,645	4,729,116

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), 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 5. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 5—AUTHORIZED PILOTS FOR DISTRICT ONE

Item	District One
Proposed 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 1.7 percent for a value of $431,613. This accounts for the difference in actual first quarter 2023 ECI inflation, which is 4.4 percent, and the 2023 PCE estimate of 2.7 percent.[31] [32] The second step accounts for projected inflation from 2023 to 2024, which is 2.5 percent.[33] Based on the projected 2024 inflation estimate, the proposed target compensation benchmark for 2024 is $442,403 per pilot. The proposed apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $159,265 ($442,403 × 0.36).

Next, the Coast Guard certifies that the number of pilots estimated for 2024 is less than or equal to the number permitted under the staffing model in § 401.220(a). The staffing model suggests that District One needs 18 pilots, which is less than or equal to the number of registered pilots provided by the pilot association. 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 6. We estimate that the number of apprentice pilots with limited registration needed will be three for District One in the 2024 season. 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.

[29] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUR0200SAO (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.

[30] The 2022 and 2023 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230322.pdf.* We used the Core PCE December Projection found in table 1. (Downloaded April 2023).

[31] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm* (Last visited 04/28/23).

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

[33] Table 1 Summary of Economic Projections, PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230322.pdf* (Last visited 03/2023).

TABLE 6—TARGET COMPENSATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Target Pilot Compensation	$442,403	$442,403	$442,403
Number of Pilots	10	8	18
Total Target Pilot Compensation	4,424,030	3,539,224	7,963,254
Target Apprentice Pilot Compensation	159,265	159,265	159,265
Number of Apprentice Pilots	....	....	3
Total Target Apprentice Pilot Compensation	286,677	191,118	477,795

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 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.[34] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 7.

TABLE 7—WORKING CAPITAL FUND CALCULATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,837,471	$1,891,645	$4,729,116
Total Target Pilot Compensation (Step 4)	4,424,030	3,539,224	7,963,254
Total Target Apprentice Pilot Compensation (Step 4)	286,677	191,118	477,795
Total 2024 Expenses	7,548,178	5,621,987	13,170,165
Working Capital Fund (4.0742%)	307,525	229,049	536,574

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 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 8.

TABLE 8—REVENUE NEEDED FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,837,471	$1,891,645	$4,729,116
Total Target Pilot Compensation (Step 4)	4,424,030	3,539,224	7,963,254
Total Target Apprentice Pilot Compensation (Step 4)	286,677	191,118	477,795
Working Capital Fund (Step 5)	307,525	229,049	536,574
Total Revenue Needed	7,855,703	5,851,036	13,706,739

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, the Coast Guard uses 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. We show these values in table 9.

[34] 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 visited 03/21/23).

TABLE 9—TIME ON TASK FOR DISTRICT ONE

[Hours]

Year	District One	
	Designated	Undesignated
2022	6,785	8,574
2021	6,188	7,871
2020	6,265	7,560
2019	8,232	8,405
2018	6,943	8,445
2017	7,605	8,679
2016	5,434	6,217
2015	5,743	6,667
2014	6,810	6,853
2013	5,864	5,529
Average	6,587	7,480

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 10.

TABLE 10—INITIAL RATE CALCULATIONS FOR DISTRICT ONE

	Designated	Undesignated
Revenue needed (Step 6)	$7,855,703	$5,851,036
Average time on task (hours)	6,587	7,480
Initial rate	1,193	782

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 onward, as shown in tables 11 and 12.

TABLE 11—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)	466	1.15	536
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)	104	1.3	135
Class 4 (2014)	271	1.45	393
Class 4 (2015)	251	1.45	364

TABLE 11—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)	461	1.45	668
Total	7,774		10,019
Average weighting factor (weighted transits ÷ number of transits)		1.29	

TABLE 12—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)	32	1	32
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)	358	1.15	412
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)	69	1.3	90
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)	393	1.45	570
Total	6,490		8,395
Average weighting factor (weighted transits/number of transits)		1.29	

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 13.

TABLE 13—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	$1,193	1.29	$925
District One: Undesignated	782	1.29	606

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 proposed 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 proposed rates would cover operating expenses and infrastructure costs, including average traffic and weighting factions. Based on the financial information submitted by the pilots, the Director is not proposing any alterations to the rates in this step. We propose to modify § 401.405(a)(1) and (2) to reflect the final rates shown in table 14.

TABLE 14—PROPOSED FINAL RATES FOR DISTRICT ONE

Area	Name	Final 2023 pilotage rate	Proposed 2024 pilotage rate
District One: Designated	St. Lawrence River	$876	$925
District One: Undesignated	Lake Ontario	586	606

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.[35] 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.

Adjustments have been made by the auditors and are explained in the auditor's reports, which are available in the docket for this rulemaking, where indicated under the Public Participation and Request for Comments portion of the preamble.

In the 2021 expenses used as the basis for this proposed 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 proposed 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 15.

TABLE 15—2021 RECOGNIZED EXPENSES FOR DISTRICT TWO

Reported Operating Expenses for 2021	District Two		
	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 Cost	2,976	4,464	7,440
Hotel/Lodging Cost (D2–21–01)	(2,976)	(4,464)	(7,440)

[35] These reports are available in the docket for this proposed rule.

TABLE 15—2021 RECOGNIZED EXPENSES FOR DISTRICT TWO—Continued

Reported Operating Expenses for 2021	District Two		
	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 expense (Operating)	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—general counsel	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	2,394,423
Total Directors Adjustments	....	....	....
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.[36] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2023 and 2024 inflation modification.[37] Based on that information, the calculations for Step 2 are presented in table 16:

[36] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUR0200SAO (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.

[37] The 2023 and 2024 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230322.pdf.* We used the Core PCE December Projection found in table 1. (Last visited 04/2023).

TABLE 16—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 (@3.5%)	36,204	54,306	90,510
2024 Inflation Modification (@2.5%)	26,765	40,147	66,912
Adjusted 2024 Operating Expenses	1,097,358	1,646,040	2,743,397

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 16 registered pilots in 2024 in District Two. 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 two apprentice pilots in 2024 in District Two. Based on the seasonal staffing model discussed in the 2017 ratemaking (82 FR 41466), 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 17. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 17—AUTHORIZED PILOTS FOR DISTRICT TWO

Item	District Two
Proposed Maximum Number of Pilots (per § 401.220(a)) *	16
2024 Authorized Pilots (total)	16
Pilots Assigned to Designated Areas	7
Pilots Assigned to Undesignated Areas	9
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 1.7 percent for a value of $431,613. This accounts for the difference in actual first quarter 2023 ECI inflation, which is 4.4 percent, and the 2023 PCE estimate of 2.7 percent.[38] [39] The second step accounts for projected inflation from 2023 to 2024, which is 2.5 percent.[40] Based on the projected 2024 inflation estimate, the proposed target compensation benchmark for 2024 is $442,403 per pilot. The proposed apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $159,265 ($442,403 × 0.36).

Next, the Coast Guard certifies that the number of pilots estimated for 2024 is less than or equal to the number permitted under the staffing model in § 401.220(a). The staffing model suggests that District Two needs 16 pilots, which is less than or equal to the number of registered pilots provided by the pilot association. In accordance with § 404.104(c), the Coast Guard uses the revised target individual compensation level to derive the total pilot compensation by multiplying the individual target compensation by the estimated number of registered pilots for District Two, as shown in table 18. The Coast Guard estimates that the number of apprentice pilots with limited registration needed will be two for District Two in the 2024 season. The total target wages for apprentices are allocated at 60 percent for the designated area and 40 percent for the undesignated area, in accordance with the allocation for operating expenses.

TABLE 18—TARGET COMPENSATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Target Pilot Compensation	$442,403	$442,403	$442,403
Number of Pilots	9	7	16
Total Target Pilot Compensation	3,981,627	3,096,821	7,078,448
Target Apprentice Pilot Compensation	159,265	159,265	159,265
Number of Apprentice Pilots			2

[38] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm* (Last visited 04/28/23).

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

[40] Table 1 Summary of Economic Projections, PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230322.pdf* (Last visited 03/2023).

TABLE 18—TARGET COMPENSATION FOR DISTRICT TWO—Continued

	District Two		
	Undesignated	Designated	Total
Total Target Apprentice Pilot Compensation	127,412	191,118	318,530

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 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.[41] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 19.

TABLE 19—WORKING CAPITAL FUND CALCULATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$1,097,358	$1,646,040	$2,743,398
Total Target Pilot Compensation (Step 4)	3,981,627	3,096,821	7,078,448
Total Target Apprentice Pilot Compensation (Step 4)	127,412	191,118	318,530
Total 2024 Expenses	5,206,397	4,933,979	10,140,376
Working Capital Fund (4.0742%)	212,117	201,019	413,135

F. Step 6: Project Needed Revenue

In this step, the Coast Guard adds all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total pilot compensation (from Step 4), total target apprentice pilot wage (from Step 4), and the working capital fund contribution (from Step 5). We show these calculations in table 20.

TABLE 20—REVENUE NEEDED FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$1,097,358	$1,646,040	$2,743,398
Total Target Pilot Compensation (Step 4)	3,981,627	3,096,821	7,078,448
Total Target Apprentice Pilot Compensation (Step 4)	127,412	191,118	318,530
Working Capital Fund (Step 5)	212,117	201,019	413,136
Total Revenue Needed	5,418,514	5,134,998	10,553,511

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, the Coast Guard uses billing data from SeaPro. We pull the data from the system filtering by district, year, job status (we only include processed jobs), and flagging code (we only include U.S. jobs). Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 21.

TABLE 21—TIME ON TASK FOR DISTRICT TWO

[Hours]

Year	District Two	
	Undesignated	Designated
2022	12,306	3,975
2021	8,826	3,226
2020	6,232	8,401
2019	6,512	7,715
2018	6,150	6,655
2017	5,139	6,074

[41] 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 visited 03/21/2023).

TABLE 21—TIME ON TASK FOR DISTRICT TWO—Continued

[Hours]

Year	District Two	
	Undesignated	Designated
2016	6,425	5,615
2015	6,535	5,967
2014	7,856	7,001
2013	4,603	4,750
Average	7,058	5,938

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 22.

TABLE 22—INITIAL RATE CALCULATIONS FOR DISTRICT TWO

	Undesignated	Designated
Revenue needed (Step 6)	$5,418,514	$5,134,998
Average time on task (hours)	7,058	5,938
Initial rate	768	865

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 onward, as shown in tables 23 and 24.

TABLE 23—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)	79	1	79
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)	275	1.15	316
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)	3	1.3	4
Class 4 (2014)	636	1.45	922
Class 4 (2015)	560	1.45	812
Class 4 (2016)	468	1.45	679
Class 4 (2017)	319	1.45	463
Class 4 (2018)	196	1.45	284
Class 4 (2019)	210	1.45	305
Class 4 (2020)	201	1.45	291
Class 4 (2021)	227	1.45	329

TABLE 23—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, UNDESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Class 4 (2022)	349	1.45	506
Total	5,725		7,497
Average weighting factor (weighted transits/number of transits)		1.31	

TABLE 24—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)	34	1	34
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)	184	1.15	212
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)	3	1.3	4
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)	273	1.45	396
Total	5,168		6,785
Average weighting factor (weighted transits/number of transits)		1.31	

I. Step 9: Calculate Revised Base Rates

In this step, the Coast Guard revises the base rates so that the total cost of pilotage 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 25.

TABLE 25—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	$768	1.31	$586
District Two: Designated	865	1.31	660

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 proposed 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 proposed rates would 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 proposing any alterations to the rates in this step. We propose to modify § 401.405(a)(3) and (4) to reflect the final rates shown in table 26.

TABLE 26—PROPOSED FINAL RATES FOR DISTRICT TWO

Area	Name	Final 2023 pilotage rate	Proposed 2024 pilotage rate
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	$601	$660
District Two: Undesignated	Lake Erie	704	586

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.[42] 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.

Adjustments have been made by the auditors and are explained in the auditor's reports, which are available in the docket for this rulemaking, where indicated under the Public Participation and Request for Comments portion of the preamble.

In the 2021 expenses used as the basis for this proposed 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 proposed 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 27.

TABLE 27—2021 RECOGNIZED EXPENSES FOR DISTRICT THREE

Reported operating expenses for 2021	District Three			
	Undesignated	Designated	Undesignated	Total
	Lakes Huron and Michigan	St. Marys 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
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

[42] These reports are available in the docket for this proposed rule.

TABLE 27—2021 RECOGNIZED EXPENSES FOR DISTRICT THREE—Continued

Reported operating expenses for 2021	District Three			
	Undesignated	Designated	Undesignated	Total
	Lakes Huron and Michigan	St. Marys River	Lake Superior	
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 (Other Costs+ Applicant Cost + Pilot Boats + Admin)	2,096,160	873,705	1,099,554	4,069,419
Directors Adjustments—Applicant Surcharge Collected				
Total Directors Adjustments				
Total Operating Expenses (OpEx + Adjustments)	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.[43] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2023 and 2024 inflation modification.[44] Based on that information, the calculations for Step 2 are as presented in table 28:

[43] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUR0200SAO (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.

[44] The 2023 and 2024 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230322.pdf.* We used the Core PCE December Projection found in table 1. (Last visited 04/2023).

TABLE 28—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 (@3.5%)	120,798	33,026	153,824
2024 Inflation Modification (@2.5%)	89,304	24,416	113,720
Adjusted 2024 Operating Expenses	3,661,473	1,001,043	4,662,516

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 22 registered pilots in 2024 in District Three. 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), 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 29. These numbers are used to determine the amount of revenue needed in their respective areas.

TABLE 29—AUTHORIZED PILOTS FOR DISTRICT THREE

Item	District Three
Proposed Maximum Number of Pilots (per § 401.220(a)) *	22
2024 Authorized Pilots (total)	22
Pilots Assigned to Designated Areas	5
Pilots Assigned to Undesignated Areas	17
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 1.7 percent for a value of $431,613. This accounts for the difference in actual first quarter 2023 ECI inflation, which is 4.4 percent, and the 2023 PCE estimate of 2.7 percent.[45] [46] The second step accounts for projected inflation from 2023 to 2024, which is 2.5 percent.[47] Based on the projected 2024 inflation estimate, the proposed target compensation benchmark for 2024 is $442,403 per pilot. The proposed apprentice pilot wage benchmark is 36 percent of the target pilot compensation, or $159,265 ($442,403 × 0.36).

Next, we certify that the number of pilots estimated for 2024 is less than or equal to the number permitted under the staffing model in § 401.220(a). The staffing model suggests that District Three needs 22 pilots, which is less than or equal to the number of registered pilots provided by the pilot association. 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 30. We estimate that the number of apprentice pilots with limited registration needed will be two for District Three in the 2024 season. The total target wages for apprentices are allocated with 21 percent for the designated area, and 79 percent (52 percent + 27 percent) for the undesignated areas, in accordance with the allocation for operating expenses.

TABLE 30—TARGET COMPENSATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Target Pilot Compensation	$442,403	$442,403	$442,403
Number of Pilots	17	5	22
Total Target Pilot Compensation	$7,520,851	$2,212,015	$9,732,866
Target Apprentice Pilot Compensation	$159,265	$159,265	$159,265
Number of Apprentice Pilots	....	....	2

[45] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm* (Last visited 04/28/23).

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

[47] Table 1 Summary of Economic Projections, PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230322.pdf* (Last visited 03/2023).

TABLE 30—TARGET COMPENSATION FOR DISTRICT THREE—Continued

	District Three		
	Undesignated	Designated	Total
Total Target Apprentice Pilot Compensation	$251,639	$66,891	$318,530

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 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.[48] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 31.

TABLE 31—WORKING CAPITAL FUND CALCULATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,661,473	$1,001,043	$4,662,516
Total Target Pilot Compensation (Step 4)	$7,520,851	$2,212,015	$9,732,866
Total Target Apprentice Pilot Compensation (Step 4)	$251,639	$66,891	$318,530
Total 2024 Expenses	$11,433,963	$3,279,949	$14,713,912
Working Capital Fund (4.0742%)	$465,839	$133,631	$599,470

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 pilot compensation (from Step 4), and the working capital fund contribution (from Step 5). The calculations are shown in table 32.

TABLE 32—REVENUE NEEDED FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,661,473	$1,001,043	$4,662,516
Total Target Pilot Compensation (Step 4)	$7,520,851	$2,212,015	$9,732,866
Total Target Apprentice Pilot Compensation (Step 4)	$251,639	$66,891	$318,530
Working Capital Fund (Step 5)	$465,839	$133,631	$599,470
Total Revenue Needed	$11,899,802	$3,413,580	$15,313,382

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, the Coast Guard uses billing data from SeaPro, pulling the data from the system filtering by district, year, job status (including only processed jobs), and flagging code (including only U.S. jobs). Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 33.

TABLE 33—TIME ON TASK FOR DISTRICT THREE (HOURS)

Year	District Three	
	Undesignated	Designated
2022	23,985	4,424
2021	18,286	2,516
2020	24,178	3,682
2019	24,851	3,395
2018	19,967	3,455
2017	20,955	2,997
2016	23,421	2,769

[48] 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 visited 03/21/2023).

TABLE 33—TIME ON TASK FOR DISTRICT THREE (HOURS)—Continued

Year	District Three	
	Undesignated	Designated
2015	22,824	2,696
2014	25,833	3,835
2013	17,115	2,631
Average	22,142	3,240

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 34.

TABLE 34—INITIAL RATE CALCULATIONS FOR DISTRICT THREE

	Undesignated	Designated
Revenue needed (Step 6)	$11,899,802	$3,413,580
Average time on task (hours)	22,142	3,240
Initial rate	$537	$1,054

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 onward, as shown in tables 35 and 36.

TABLE 35—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)	94	1	94
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)	278	1.15	320
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
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)	365	1.45	529
Class 4 (2022)	385	1.45	558

TABLE 35—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, UNDESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
Total for Area 6	6,380	....	8,200
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)	13	1	13
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)	103	1.15	118
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)	6	1.3	8
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)	271	1.45	393
Total for Area 8	3,645	....	4,874
Combined total	10,025	....	13,074
Average weighting factor (weighted transits/number of transits)	....	1.30	....

TABLE 36—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)	102	1	102
Class 2 (2014)	221	1.15	254
Class 2 (2015)	145	1.15	167
Class 2 (2016)	174	1.15	200
Class 2 (2017)	170	1.15	196
Class 2 (2018)	126	1.15	145
Class 2 (2019)	162	1.15	186
Class 2 (2020)	218	1.15	251
Class 2 (2021)	131	1.15	151
Class 2 (2022)	176	1.15	202
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

TABLE 36—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits
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)	344	1.45	499
Total	4,428		5,780
Average weighting factor (weighted transits/number of transits)		1.31	

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 37.

TABLE 37—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	$537	1.30	$413
District Three: Designated	$1,054	1.31	$805

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 proposed 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 proposed rates would cover operating expenses and infrastructure costs, taking average traffic and weighting factors into consideration. Based on this information, the Director is not proposing any alterations to the rates in this step. We propose to modify § 401.405(a)(5) and (6) to reflect the proposed rates shown in table 38.

TABLE 38—PROPOSED FINAL RATES FOR DISTRICT THREE

Area	Name	Final 2023 pilotage rate	Proposed 2024 pilotage rate
District Three: Designated	St. Marys River	$834	$805
District Three: Undesignated	Lakes Huron, Michigan, and Superior	410	413

X. Regulatory Analyses

We developed this proposed rule after considering numerous statutes and Executive orders related to rulemaking. A summary of our analyses based on these statutes or Executive orders follows.

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 costs and benefits, reducing costs, harmonizing rules, and 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 proposed 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.[49] For this NPRM, the Coast Guard estimates an increase in cost of approximately $1.91 million to industry. This is approximately a 5-percent increase because of the change in revenue needed in 2024 compared to the revenue needed in 2023. See table 39.

TABLE 39—ECONOMIC IMPACTS DUE TO PROPOSED 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 277 vessels transiting the Great Lakes system annually, 56 United States Great Lakes pilots, 7 apprentice pilots, and 3 pilotage associations.	Increase of $1,914,438 due to change in revenue needed for 2024 ($39,573,633) from revenue needed for 2023 ($37,659,195) as shown in table 40.	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 IV., 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 would be an increase in rates for both areas in District One, the designated area for District Two, and the undesignated area in District Three. The result would be a decrease in rates for the undesignated area for District Two and the designated area for District Three. These changes would also lead to a net increase in the cost of service to shippers. The change in per-unit cost to each individual shipper would depend on their area of operation.

A detailed discussion of our economic impact analysis follows.

Affected Population

This proposed rule affects United States Great Lakes pilots and apprentice pilots, the 3 pilot associations, and the owners and operators of 277 oceangoing vessels that transit the Great Lakes annually on average from 2020 to 2022. The Coast Guard estimates that there will be 56 registered pilots and 7 apprentice pilots during the 2024 shipping season. The shippers affected by these rate changes are those owners and operators of domestic vessels operating ''on register'' (engaged in foreign trade) and 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 GLPMS to estimate the average annual number of vessels affected by the rate adjustment. The GLPMS tracks data related to managing and coordinating the dispatch of pilots on the Great Lakes, and billing in accordance with the services. As described in Step 7 of the ratemaking methodology, 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. When we reviewed 10 years of the most recent billing data, we found the data included vessels that have not used pilotage services in recent years. We believe that using 3 years of billing data is a better representation of the vessel population currently using pilotage services and impacted by this proposed rule.

We found that 444 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, 412 were foreign-flagged vessels and 32 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 proposed rule. From 2020 through 2022, an average of 277 vessels used pilotage services annually.[50] On average, 266 of these vessels were foreign-flagged and 11 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 would result in a net increase in the cost of service to shippers. However, the change in per-

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

[50] 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.

unit cost to each individual shipper would be 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 proposed rule.

The impacts of the rate changes on shippers are estimated from the district pilotage projected revenues (shown in tables 8, 20, and 32 of this preamble). The Coast Guard estimates that, for the 2024 shipping season, the projected revenue needed for all three districts is $39,573,633.

To estimate the change in cost to shippers from this proposed 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.[51] This is the best approximation of 2023 revenues, as, at the time of publication of this proposed rule, the Coast Guard does not have enough audited data available for the 2023 shipping season to revise these projections. Table 40 shows the revenue projections for 2023 and 2024 and details the additional cost increases to shippers by area and district as a result of the rate changes on traffic in Districts One, Two, and Three.

TABLE 40—EFFECT OF THE PROPOSED RULE BY AREA AND 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	$13,706,739	$1,097,138
Total, District Two	10,392,542	10,553,511	160,969
Total, District Three	14,657,052	15,313,382	656,330
System Total	37,659,195	39,573,633	1,914,438

* 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 proposed by this NPRM. The effect of the rate changes to shippers would vary by area and district. After considering the change in pilotage rates, the proposed rate changes would lead to affected shippers operating in District One experiencing an increase in payments of $1,097,138 over the previous year. Affected shippers operating in District Two and District Three would experience an increase in payments of $160,969 and $656,330, respectively, when compared with 2023. The overall adjustment in payments would increase payments by shippers of $1,914,438 across all three districts (a 5-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 41 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 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 31 percent of total revenue needed in 2024). The large increase in the working capital fund, 56 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.[52]

TABLE 41—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	$12,135,029	31	$150,079	1
Total Target Pilot Compensation	23,766,288	63	24,774,568	63	1,008,280	4
Total Target Apprentice Pilot Compensation	916,700	2	1,114,856	3	198,156	22
Working Capital Fund	991,257	3	1,549,180	4	557,923	56
Total Revenue Needed	37,659,195	100	39,573,633	100	1,914,438	5

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

[51] 88 FR 12226, 12252. See table 42. *https://www.govinfo.gov/content/pkg/FR-2023-02-27/pdf/2023-03212.pdf* (Last visited 5/17/23).

[52] 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 visited 03/21/2023).

As stated above, we estimate that there would be a total increase in revenue needed by the pilot associations of $1,914,438. This represents an increase in revenue needed for target pilot compensation of $1,008,280, an increase in revenue needed for the total apprentice pilot wage benchmark of $198,156, an increase in the revenue needed for adjusted operating expenses of $150,079, and an increase in the revenue needed for the working capital fund of $557,923.

The change in revenue needed for pilot compensation, $1,008,280, is due to two factors: (1) The changes to adjust 2023 pilotage compensation to account for the difference between actual ECI inflation [53] (4.4 percent) and predicted PCE inflation [54] (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 $442,403 per pilot in 2024, compared to $424,398 in 2023. The proposed changes to modify the 2023 pilot compensation to account for the difference between predicted and actual inflation would increase the 2023 target compensation value by 1.7 percent. As shown in table 42, this inflation adjustment increases total compensation by $7,215 per pilot, and the total revenue needed by $404,027, when accounting for all 56 pilots.

TABLE 42—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 × 1.017)	431,613
Difference between Adjusted Target 2023 Compensation and Target 2023 Compensation ($431,613 − $424,398)	7,215
Increase in total Revenue for 56 Pilots ($7,215 × 56)	404,027

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

Similarly, table 43 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 $2,597 per apprentice pilot, and the total revenue needed by $18,181 when accounting for all seven apprentice pilots.

TABLE 43—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 × 1.017)	155,381
Difference between Adjusted Target Compensation and Target Compensation ($155,381 − $152,783)	2,597
Increase in total Revenue for Apprentices ($2,597 × 7)	18,181

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

As noted earlier, the Coast Guard predicts that 56 pilots would be needed for the 2024 season. This is the same number of pilots as the 2023 season, so we do not estimate a change in revenue needed for pilot compensation separate from the changes to inflation.

Similarly, the Coast Guard predicts that seven apprentice pilots would be needed for the 2024 season. This would be an increase of one from the 2023 season. Table 44 shows the increase of $156,668 in revenue needed solely for apprentice pilot compensation. As noted previously, to avoid double counting, this value excludes the change in revenue resulting from the change to adjust 2023 apprentice pilotage compensation to account for the difference between actual and predicted inflation.

TABLE 44—CHANGE IN REVENUE RESULTING FROM INCREASE OF ONE APPRENTICE PILOT

2024 Apprentice Target Compensation	$159,265
Total Number of New Apprentices	1
Total Cost of new Apprentices ($159,265 × 1)	159,265
Difference between Adjusted Target 2023 Compensation and Target 2023 Compensation ($159,265 − $155,381)	2,597
Increase in total Revenue for due to increase of 1 apprentice ($2,597 × 1)	2,597
Net Increase in total Revenue for increase of 1 − Apprentice (159,265 − $2,597)	156,668

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

Another increase, $604,253, would be the result of increasing compensation for the 56 pilots to account for future inflation of 2.5 percent in 2024. This would increase total compensation by $10,790 per pilot, as shown in table 45.

TABLE 45—CHANGE IN REVENUE RESULTING FROM INFLATING 2023 COMPENSATION TO 2024

Adjusted 2023 Compensation	$431,613
2024 Target Compensation ($431,613 × 1.025)	442,403
Difference between Adjusted 2023 Compensation and Target 2024 Compensation $442,403 − $431,613)	10,790

[53] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average, Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm* (Last visited 04/28/23).

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

TABLE 45—CHANGE IN REVENUE RESULTING FROM INFLATING 2023 COMPENSATION TO 2024—Continued

Increase in total Revenue for 56 Pilots ($10,790 × 56)	604,253

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

Similarly, an increase of $27,191 would be the result of increasing compensation for the 7 apprentice pilots to account for future inflation of 2.5 percent in 2024. This would increase total compensation by $3,884 per apprentice pilot, as shown in table 46.

TABLE 46—CHANGE IN REVENUE RESULTING FROM INFLATING 2023 APPRENTICE PILOT COMPENSATION TO 2024

Adjusted 2023 Compensation	$155,381
2024 Target Compensation ($442,403 × 36%)	159,265
Difference between Adjusted Compensation and Target Compensation ($159,265 − $155,381)	3,884
Increase in total Revenue for 7 Apprentices ($3,884 × 7)	27,191

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

Table 47 presents the percentage change in revenue by area and revenue-component, excluding surcharges, as they are applied at the district level.[55]

[55] 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 8, 20, and 32 of this proposed rule.

Table 47 — 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	$2,837,471	9%	$4,243,980	$4,424,030	4%	$183,340	$286,677	56%	$189,966	$307,525	62%	$7,217,063	$7,855,703	8.8%
District One: Undesignated	$1,733,186	$1,891,645	9%	$3,395,184	$3,539,224	4%	$122,227	$191,118	56%	$141,941	$229,049	61%	$5,392,538	$5,851,036	8.5%
District Two: Undesignated	$1,270,338	$1,097,358	(14%)	$4,243,980	$3,981,627	(6%)	$61,113	$127,412	108%	$150,722	$212,117	41%	$5,726,153	$5,418,514	(5.4%)
District Two: Designated	$1,905,503	$1,646,040	(14%)	$2,546,388	$3,096,821	22%	$91,670	$191,118	108%	$122,828	$201,019	64%	$4,666,389	$5,134,998	10%
District Three: Undesignated	$3,515,118	$3,661,473	4%	$7,214,766	$7,520,851	4%	$359,942	$251,639	(30%)	$299,795	$465,839	55%	$11,389,621	$11,899,802	4.5%
District Three: Designated	$961,028	$1,001,043	4%	$2,121,990	$2,212,015	4%	$98,408	$66,891	(32%)	$86,005	$133,631	55%	$3,267,430	$3,413,580	4.5%

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

Benefits

This proposed 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 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 proposed 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 proposed 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.[56] As described in section X., Regulatory Analyses, and section III., Executive Summary, of this preamble, we found that 444 unique vessels used pilotage services during the years 2020 through 2022. These vessels are owned by 53 entities, of which 47 are foreign entities that operate primarily outside the United States, and the remaining 6 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.[57] Table 48 shows the North American Industry Classification System (NAICS) codes of the U.S. entities and the small entity standard size established by the SBA.

TABLE 48—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.
483212	Inland Water Transportation	550 Employees.
484230	Specialized Freight (Except Used Goods) Trucking, Long-Distance	$34,000,000.
488330	Navigational Services to Shipping	$47,000,000.
561599	All Other Travel Arrangement And Reservation Services	$32,500,000.
713930	Marinas	$11,000,000.
813910	Business Associations	$15,500,000.

Of the six U.S. entities, two exceed the SBA's small business standards for small entities. To estimate the potential impact on the remaining four small entities, the Coast Guard used their 2022 invoice data to estimate their pilotage costs in 2024. We increased their 2022 costs to account for the changes in pilotage rates resulting from this proposed rule and the 2023 final rule. We estimated the change in cost to these entities resulting from this proposed rule by subtracting their estimated 2023 pilotage costs from their estimated 2024 pilotage costs and found the average costs to small firms would be approximately $7,345.04, with a range of $4,198.62 to $11,322.27. We then compared the estimated change in pilotage costs between 2023 and 2024 with each firm's annual revenue. In all but one case, the impact of the change in estimated pilotage expenses would be below 1 percent of revenues. For one entity, the impact would be 1.62 percent of revenues.

In addition to the owners and operators discussed previously, three U.S. entities that receive revenue from pilotage services would be affected by this proposed 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'' [58] with a small-entity size standard of $15,500,000. 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 would be impacted by this proposed rule. We also did not find any small governmental jurisdictions with populations of fewer than 50,000 people that would be impacted by this proposed rule. Based on this analysis, we conclude this proposed rule would 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 proposed rule would not have a significant economic impact on a substantial number of small entities. If you think that your business, organization, or governmental jurisdiction qualifies as a small entity and that this proposed rule would have a significant economic impact on it, please submit a comment to the docket at the address listed in the Public Participation and Request for

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

[57] See *https://www.sba.gov/document/support--table-size-standards* (Last visited 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.

[58] In previous rulemakings, the associations used a different NAICS code, 483212 Inland Water Passenger Transportation, which had a size standard of 500 employees (as of the latest SBA [published March 17, 2023] small business size table, that NAICS has a small business size threshold of 550 employees) and, therefore, designated the associations as small entities. The change in NAICS code comes from an update to the association's ReferenceUSA profile in February 2022.

Comments section of this preamble. In your comment, explain why you think it qualifies and how and to what degree this proposed rule would economically affect it.

C. Assistance for Small Entities

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996, Public Law 104–121, we want to assist small entities in understanding this proposed rule so that they can better evaluate its effects on them and participate in the rulemaking. If the proposed rule would affect 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 proposed rule. The Coast Guard will not retaliate against small entities that question or complain about this proposed 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 proposed rule would call for no new 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 proposed 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 proposed rule is consistent with the fundamental federalism principles and preemption requirements described in Executive Order 13132.

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

F. Unfunded Mandates

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

G. Taking of Private Property

This proposed rule would 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 proposed 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 proposed rule under Executive Order 13045 (Protection of Children from Environmental Health Risks and Safety Risks). This proposed rule is not an economically significant rule and would not create an environmental risk to health or risk to safety that might disproportionately affect children.

J. Indian Tribal Governments

This proposed rule does not have tribal implications under Executive Order 13175 (Consultation and Coordination with Indian Tribal Governments), because it would 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 proposed 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 proposed rule does not use technical standards. Therefore, we did not consider the use of voluntary consensus standards.

M. Environment

We have analyzed this proposed 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 preliminary 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 preliminary Record of Environmental Consideration supporting this determination is available in the docket. For instructions on locating the docket, see the Public Participation and Request for Comments section of this preamble. This proposed rule would be 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 proposed 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. All changes are consistent with the Coast Guard's maritime safety missions. We seek any comments or information that may lead to the discovery of a significant environmental impact from this proposed rule.

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 proposes to amend 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 $925;

(2) Lake Ontario is $606;

(3) Lake Erie is $586;

(4) The navigable waters from Southeast Shoal to Port Huron, MI is $660;

(5) Lakes Huron, Michigan, and Superior is $413; and

(6) The St. Mary's River is $805.

* * * * *

Dated: August 10, 2023.

W.R. Arguin,

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

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