Dated: July 30, 2024.

Nicole D. Rodriguez,

Captain, U.S. Coast Guard, Alternate Captain of the Port Sector Houston-Galveston.

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

46 CFR Part 401

[Docket No. USCG–2024–0406]

RIN 1625–AC94

Great Lakes Pilotage Rates—2025 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 2025. The Coast Guard estimates that this proposed rule would result in approximately a 7 percent increase in operating costs compared to the 2024 season. The proposed new pilotage rates are the result of increases in both the number of Pilots and revenue needed for the working capital fund.

DATES: Comments and related material must be received by the Coast Guard on or before September 4, 2024.

ADDRESSES: You may submit comments identified by docket number USCG–2024–0406 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. This notice of proposed rulemaking with its plain-language, 100-word-or-less proposed rule summary will be available in this same docket.

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 *https://www.regulations.gov,* type USCG–2024–0406 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 alternative 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'' (FAQ) web page. That FAQ 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

2024 final rule Great Lakes Pilotage Rates—2024 Annual Review
2023 final rule Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology
APA American Pilots' Association
BLS Bureau of Labor Statistics
CFR Code of Federal Regulations
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
GLPAC Great Lakes Pilotage Advisory Committee
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 Pilot Association

U.S.C. United States Code
WGLPA Western Great Lakes Pilots Association

III. Basis and Purpose

The legal basis of this rulemaking is Title 46 of the United States Code (U.S.C.) Chapter 93,[1] 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.[2] 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.'' Title 46 of the U.S.C. 9303(f) also requires that rates be established or reviewed and adjusted each year, no later than March 1. The Secretary's duties and authority under 46 U.S.C. Chapter 93 have generally been delegated to the Coast Guard.[3]

The purpose of this proposed rule is to issue new pilotage rates for 2025. The Coast Guard believes that the new rates will continue to promote our goal, as outlined in title 46 of the Code of Federal Regulations (CFR), 404.1(a), to promote safe, efficient, and reliable pilotage service in the Great Lakes by generating sufficient revenue for each pilot association to reimburse its necessary and reasonable operating expenses, fairly compensate trained and rested Pilots, and provide appropriate funds to use for improvements.

IV. Background

Rates are the foundation for safe, efficient, and reliable pilotage service to facilitate maritime commerce, protect the marine environment, and comply with National Transportation Safety Board recommendations regarding staffing and pilot fatigue. The pilotage rates for the 2025 season range from a proposed $438 to $981 per pilot hour, depending on which of the specific 6 areas pilotage service is provided. The rates are paid by shippers to the pilot associations.

There are three American pilotage districts on the Great Lakes, each represented by a pilot association.[4] Each pilotage district is further divided into ''designated'' and ''undesignated'' areas. Designated areas, classified as such by Presidential Proclamation, are waters in which pilots must direct the navigation of vessels at all times.[5] Undesignated areas are open bodies of water where pilots must only ''be on board and available to direct the navigation of the vessel'' at the discretion of the vessel master.[6] For these reasons, pilotage rates in designated areas can be significantly higher than those in undesignated areas.

The three pilot associations, which are the exclusive U.S. source of Registered Pilots on the Great Lakes, use the revenue from the shippers 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. 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, infrastructure maintenance, and compensation for Pilots and Apprentice Pilots.[7]

The actual demand for service dictates the compensation amount for United States Registered Pilots. We divide that amount by the historic 10-year average for pilotage demand. We recognize that, in years where demand for pilotage services exceeds the 10-year average, pilot associations will accrue more revenue than projected, while, in years where demand is below average, they will take in less. We believe that, over the long term, however, this scheme 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.

In this notice of proposed rulemaking (NPRM), we are conducting our annual review and interim adjustment to the base pilotage rates for 2025. 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). This proposed rule is an interim ratemaking under 46 CFR 404.100(b).

V. Summary of the Ratemaking Methodology

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 pilotage 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 U.S. Coast Guard's Director of the Great Lakes Pilotage (''Director'') uses an independent third party to review each pilot association's audited operating expenses from each of the three pilot associations. Operating expenses include all allowable expenses, minus Pilot and Apprentice Pilot 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 2025 rates in this proposal, we begin with the audited expenses from the shipping activity in 2022.

While each pilot 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.

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[1] 46 U.S.C. 9301–9308.

[2] 46 U.S.C. 9302(a)(1).

[3] Department of Homeland Security (DHS) Delegation No. 00170.1 (II)(92)(f), Revision No. 01.4. The Secretary retains the authority under Section 9307 to establish, and appoint members to, a Great Lakes Pilotage Advisory Committee (GLPAC).

[4] 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. Marys River; Sault Ste. Marie Locks; and Lakes Huron, Michigan, and Superior.

[5] Presidential Proclamation 3385, *Designation of restricted waters under the Great Lakes Pilotage Act of 1960,* December 22, 1960 (*https://www.archives.gov/federal-register/codification/proclamations/03385.html*) (last accessed 5/01/24).

[6] 46 U.S.C. 9302(a)(1)(B).

[7] Apprentice Pilots and Applicant Pilots are compensated by the pilot association they are training with, which is funded through the pilotage rates. The ratemaking wage 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.

In Step 2, ''Project operating expenses, adjusting for inflation or deflation,'' (§ 404.102), the Director develops the 2025 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 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.

At the September 7, 2023 GLPAC meeting, there was a unanimous recommendation for an August 1 cutoff date to allow an Apprentice Pilot, who has completed all their training, to be recognized as a fully registered Pilot in the rate.[8] The Coast Guard agrees that this change is both necessary and reasonable, as it provides the proper compensation based on the most accurate data. If an Apprentice Pilot is scheduled to complete training and becomes a fully registered Pilot before August 1, they will be counted as a fully registered Pilot in the rate; but if they do not meet the August 1 deadline, those funds may be adjusted in the proceeding rate for up to the full amount. In addition, if a fully registered Pilot retires, or an Apprentice Pilot quits, and has been counted in the rate, the proceeding rate may be adjusted according for up to the full amount.

In Step 4 of the ratemaking calculation, we determine the number of Pilots provided by the pilot associations (see § 404.103) and use that figure to determine how many Pilots need to be compensated via the pilotage fees collected. In the first part of Step 4, ''Determine target Pilot compensation benchmark and Apprentice Pilot wage benchmark,'' (§ 404.104(b)(1)), the Director adjusts the previous year's individual target Pilot compensation by the difference between the previous year's BLS Employment Cost Index for the Transportation and Materials sector and the FOMC median economic projections for Personal Consumption Expenditures inflation value used to inflate the previous year's target Pilot compensation.

In the second part of Step 4, (§ 404.104(b)(2)), the Director then adjusts that value by the FOMC median economic projections for Personal Consumption Expenditures inflation for the upcoming year.

In the final part of Step 4, § 404.104(c) and (d), the Director determines the total target 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. Based on the total Pilot compensation, the Director determines the individual Apprentice Pilot wage benchmark at the rate of 36 percent of the individual target Pilot compensation, as calculated according to paragraphs (a) or (b) of this section.

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 target 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 expenses for each area and district (from Step 2) is added to the total Pilot compensation, including Apprentice Pilot wage benchmarks (from Step 4), and the working capital fund contribution (from Step 5). The total figure, calculated separately for each area and district, is the ''needed revenue.''

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

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

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

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

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

VI. Discussion of Proposed Rate Adjustments

In this NPRM, we are proposing new pilotage rates for 2025. We propose to conduct the 2025 ratemaking as an interim ratemaking, as we did in the 2024 ratemaking (89 FR 9038). Thus, the Coast Guard proposes to adjust the compensation benchmark following the interim ratemaking procedures under § 404.100(b), rather than following the procedures for a full ratemaking under § 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

[8] Transcript of United States Coast Guard Great Lakes Pilotage Advisory Committee Meeting at 97 (Sept. 7, 2023), *https://www.regulations.gov/document/USCG-2023-0438-0009* (last accessed 05/31/2024) (last accessed 05/31/2024).

procedure for each of the 3 districts to show how we arrive at the proposed new rates.

The Coast Guard is proposing the rates shown in table 1.

Table 1 — Current and Proposed 2025 Pilotage Rates on the Great Lakes

Area	Name	Final 2024 pilotage rate	Proposed 2025 pilotage rate
District One: Designated	St. Lawrence River	$927	$981
District One: Undesignated	Lake Ontario	$608	$640
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI	$667	$748
District Two: Undesignated	Lake Erie	$597	$573
District Three: Designated	St. Marys River	$836	$821
District Three: Undesignated	Lakes Huron, Michigan, and Superior	$430	$438

This proposed rule would affect 61 U.S. Great Lakes Pilots, 3 Apprentice Pilots, 3 pilot associations, and the owners and operators of an average of 280 oceangoing vessels that transit the Great Lakes annually. This proposed rule would not affect the Coast Guard's budget or increase Federal spending, because foreign shippers, foreign cruise ships, and vessels requesting voluntary pilotage pay these rates directly to the respective pilot association The estimated overall annual regulatory economic impact of this rate change would be a net increase of $2,639,968 in payments made by the foreign shippers, foreign cruise ships, and vessels requesting voluntary pilotage service, a seven percent increase from operating costs in the 2024 shipping season. This represents an increase in revenue needed for target Pilot compensation, a decrease 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.

This proposed rule would establish the 2025 yearly target compensation for Pilots on the Great Lakes at $461,611 per Pilot (a $20,953, or 4.75 percent, increase over their 2024 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 VII., Regulatory Analyses, in this preamble provides the regulatory impact analyses of this proposed rule. The following work demonstrates how we arrived at the proposed rate for each pilotage district.

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 2022 expenses and revenues.[9] 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. Adjustments have been made by the auditors and are explained in the auditor's reports, which are available in the docket for this

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

rulemaking, where indicated under Section I., Public Participation and Request for Comments.

The recognized operating expenses for District One are shown in table 2.

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Table 2 — 2022 Recognized Expenses for District One

	District One		
	Designated	Undesignated	TOTAL
Reported Operating Expenses for 2022	St. Lawrence River	Lake Ontario	
Applicant Pilot Compensation			
Salaries	$35,411	$23,608	$59,019
Employee benefits	$11,628	$7,752	$19,380
Total Applicant Pilot Compensation	$47,039	$31,360	$78,399
Other Pilotage Cost			
Pilot Subsistence	$148,350	$98,900	$247,250
Hotel/Lodging Costs	$31,222	$20,815	$52,037
Travel	$535,016	$356,678	$891,694
Payroll Taxes	$228,222	$152,148	$380,370
Total Other Pilotage Costs	$942,810	$628,541	$1,571,351
Pilot Boat and Dispatch Costs			
Pilot boat costs	$178,691	$119,127	$297,818
Dispatch costs	$232,196	$154,798	$386,994
Salaries	$253,761	$169,174	$422,935
Total Pilot and Dispatch Costs	$664,648	$443,099	$1,107,747
Administrative Expenses			
Legal	$301	$201	$502
Legal - shared counsel (K&L Gates)	$6,178	$4,119	$10,297
Legal - USCG Litigation	$61,625	$41,083	$102,708
Insurance	$44,603	$29,735	$74,338
Employee benefits	$47,517	$31,678	$79,195
Payroll Taxes	$48,433	$32,288	$80,721
Other taxes	$81,576	$54,384	$135,960
Real Estate taxes	$23,000	$15,333	$38,333
Travel	$23,098	$15,399	$38,497
Depreciation/Auto leasing/Other	$108,836	$72,558	$181,394
Interest	$20,257	$13,504	$33,761

American Pilots' Association (APA) Dues	$32,927	$21,951	$54,878
Dues and subscriptions	$4,560	$3,040	$7,600
Utilities	$40,478	$26,986	$67,464
Salaries	$223,539	$149,026	$372,565
Accounting/Professional fees	$9,900	$6,600	$16,500
Applicant Pilot Training	$69,383	$46,255	$115,638
Other expenses	$19,083	$12,722	$31,805
Total Administrative Expenses	$865,294	$576,862	$1,442,156
Total Expenses (OPEX + Applicant + Pilot Boats + Admin + Capital)	$2,519,791	$1,679,862	$4,199,653

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

In accordance with the text in § 404.102, having identified the recognized 2022 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 2023 inflation rate.[10] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2024 and 2025 inflation modification.[11] Based on that information, the calculations for Step 2 are as presented in table 3.

Table 3 — Adjusted Operating Expenses for District One

	District One		
	Designated	Undesignated	Total
Total Operating Expenses (Step 1)	$2,519,791	$1,679,862	$4,199,653
2023 Inflation Modification (@3.8%)	$95,752	$63,835	$159,587
2024 Inflation Modification (@2.4%)	$62,773	$41,849	$104,622
2025 Inflation Modification (@2.2%)	$58,923	$39,282	$98,205
Adjusted 2025 Operating Expenses	$2,737,239	$1,824,828	$4,562,067

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. In the past, this was done using the staffing model and the process described in § 404.103. Last year, during the 2023 GLPAC meeting, there was a unanimous recommendation by the GLPAC that, after 2024, the Director be given discretion to increase the staffing model plus three Pilots per District, based on industry demand and to ensure shipping reliability.[12] Additionally, the previous staffing model's maximum is now considered the minimum in regard to the number of Pilots needed in each district.[13]

We determine the number of fully registered Pilots based on data provided by the SLSPA as well as the previously mentioned recommendation. We determine the number of Apprentice Pilots based on input from the district on anticipated retirements and staffing needs. These numbers can be found in table 4.

Table 4 — Authorized Pilots for District One

Item	District One
2025 Authorized Pilots (total)	20
2025 Pilots Assigned to Designated Areas	11
2025 Pilots Assigned to Undesignated Areas	9
2025 Apprentice Pilots	1

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

In this step, we determine the total target 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 2024 target compensation benchmark of $440,658 by 2.5 percent for a value of $451,674. This accounts for the difference in actual first quarter 2024 Employment Cost Index (ECI) inflation, which is 5.1 percent, and the 2024 PCE estimate of 2.6 percent.[14] [15]

The second step accounts for projected inflation from 2024 to 2025, which is 2.2 percent.[16] Based on the projected 2025 inflation estimate, the proposed target compensation benchmark for 2025 is $461,611 per pilot. The proposed Apprentice Pilot wage benchmark is 36 percent of the target Pilot compensation, or $166,180 ($461,611 × 0.36).

In accordance with § 404.104(c), we use the revised target individual compensation level to derive the total Pilot compensation by multiplying the individual target compensation by the estimated number of Registered Pilots for District One, as shown in table 5. We estimate that the number of Apprentice Pilots needed will be one for District One in the 2025 rulemaking. The total target wages for Apprentice Pilots are allocated with 60 percent for the

[10] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUR0200SA0 (Downloaded February 22, 2024). 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 (last accessed 05/31/2024).

[11] The 2024 and 2025 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240320.pdf.* We used the Core PCE December Projection found in table 1. (Downloaded March 2024).

[12] Transcript, *supra* note 8, at 89–90.

[13] *Id.* at 57–58.

[14] 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 accessed 04/30/24).

[15] 2.6 percent was the latest figure available for the 2024 final rule. Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf* (last accessed 05/31/2024).

[16] Table 1, Summary of Economic Projections, Median Core PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240320.pdf.* (Downloaded March 2024).

designated area and 40 percent for the undesignated area, in accordance with the allocation for operating expenses.

Table 5 — Target Compensation for District One

	District One		
	Designated	Undesignated	Total
Target Pilot Compensation	$461,611	$461,611	$461,611
Number of Pilots	11	9	20
Total Target Pilot Compensation	$5,077,721	$4,154,499	$9,232,220
Target Apprentice Pilot Compensation	$166,180	$166,180	$166,180
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	$99,708	$66,472	$166,180

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area. We first add the figures for projected operating expenses, total target Pilot compensation, and total target Apprentice Pilot wage for each area. Then we find the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 4.8100 percent, rounded.[17] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 6.

Table 6 — Working Capital Fund Calculation for District One

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,737,239	$1,824,828	$4,562,067
Total Target Pilot Compensation (Step 4)	$5,077,721	$4,154,499	$9,232,220
Total Target Apprentice Pilot Compensation (Step 4)	$99,708	$66,472	$166,180
Total 2025 Expenses	$7,914,668	$6,045,799	$13,960,467
Working Capital Fund (4.8100%)	$380,696	$290,803	$671,499

[17] Moody's Seasoned Aaa Corporate Bond Yield, average of 2023 monthly data. The Coast Guard uses the most recent year of complete data. Moody's is taken from Moody's Investors Service, which is a bond credit rating business of Moody's Corporation. Bond ratings are based on creditworthiness and risk. The rating of ''Aaa'' is the highest bond rating assigned with the lowest credit risk. *See https://fred.stlouisfed.org/series/AAA* (last accessed 01/08/2024).

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 target Pilot compensation (from Step 4), total target Apprentice Pilot wage (from Step 4), and the working capital fund contribution (from Step 5). We show these calculations in table 7.

Table 7 — Revenue Needed for District One

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,737,239	$1,824,828	$4,562,067
Total Target Pilot Compensation (Step 4)	$5,077,721	$4,154,499	$9,232,220
Total Target Apprentice Pilot Compensation (Step 4)	$99,708	$66,472	$166,180
Working Capital Fund (Step 5)	$380,696	$290,803	$671,499
Total Revenue Needed	$8,295,364	$6,336,602	$14,631,966

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 entails 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 used billing data from SeaPro. The Coast Guard received revised 2022 bridge hours in the revenue reports submitted by our third-party auditor and has implemented them into the rate in this step of the rulemaking.[18] Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 8.

Table 8 — Time on Task for District One (Hours)

	District One	
Year	Designated	Undesignated
2023	5,810	7,650
2022	6,577	8,356
2021	6,166	7,893
2020	6,265	7,560
2019	8,232	8,405
2018	6,943	8,445
2017	7,605	8,679
2016	5,434	6,217
2015	5,743	6,667
2014	6,810	6,853
Average	6,559	7,673

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 9.

[18] *See* details on the revised figures in Section VII., Regulatory Analyses.

Table 9 — Initial Rate Calculations for District One

	Designated	Undesignated
Revenue needed (Step 6)	$8,295,364	$6,336,602
Average time on task (hours)	6,559	7,673
Initial rate	$1,265	$826

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 the weight factor report from SeaPro, we calculate the average weighting factor for each area using the data from each vessel transit from 2014 onward, as shown in tables 10 and 11.

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Table 10 — 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 1 (2023)	19	1	19
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)	462	1.15	531
Class 2 (2023)	481	1.15	553
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)	103	1.3	134
Class 3 (2023)	34	1.3	44
Class 4 (2014)	271	1.45	393
Class 4 (2015)	251	1.45	364
Class 4 (2016)	214	1.45	310
Class 4 (2017)	285	1.45	413
Class 4 (2018)	393	1.45	570
Class 4 (2019)	730	1.45	1059
Class 4 (2020)	427	1.45	619
Class 4 (2021)	407	1.45	590
Class 4 (2022)	446	1.45	647
Class 4 (2023)	420	1.45	609
Total	8,708		11,216
Average weighting factor (weighted transits ÷ number of transits)		**1.29**	

*Weighted transits are rounded to the nearest whole number for presentation, but the "total" calculation uses unrounded figures.

Table 11 — 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)	27	1	27
Class 1 (2023)	31	1	31
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)	349	1.15	401
Class 2 (2023)	346	1.15	398
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)	65	1.3	85
Class 3 (2023)	44	1.3	57
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)	386	1.45	560
Class 4 (2023)	328	1.45	476
Total	7,214		9,326
Average weighting factor (weighted transits ÷ number of transits)		**1.29**	

*Weighted transits are rounded to the nearest whole number for presentation, but the "total" calculation uses unrounded figures.

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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 12.

Table 12 — 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	$1,265	1.29	$981
District One: Undesignated	$826	1.29	$640

J. Step 10: Review and Finalize Rates

In this step, the Director reviews the base pilotage rates calculated in § 404.109 of this part to ensure it meets the goal of ensuring safe, efficient, and reliable pilotage service. 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 factors. Based on these considerations, 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 13.

Table 13 — Proposed Final Rates for District One

Area	Name	Final 2024 pilotage rate	Proposed 2025 pilotage rate
District One: Designated	St. Lawrence River	$927	$981
District One: Undesignated	Lake Ontario	$608	$640

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 2022 expenses and revenues.[19] 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 Section I., Public Participation and Request for Comments.

The recognized operating expenses for District Two are shown in table 14.

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

Table 14 – 2022 Recognized Expenses for District Two

	District Two		
	Undesignated	Designated	TOTAL
Reported Operating Expenses for 2022	Lake Erie	Southeast Shoal to Port Huron	
Applicant Pilot Compensation	$236,674	$355,011	$591,685
Employee benefits	$60	$90	$150
Total Other Applicant Cost	$236,734	$355,101	$591,835
Other Pilotage Cost			
Pilot Subsistence	$93,840	$140,760	$234,600
Hotel/Lodging Costs	$70,468	$105,703	$176,171
Hotel/Lodging (D2-22-01)	$(70,080)	$(105,120)	$(175,200)
Travel	$57,324	$85,985	$143,309
License renewal	$396	$594	$990
Payroll Taxes	$20,068	$30,101	$50,169
License Insurance	$10,362	$15,543	$25,905
Total Other Pilotage Costs	$182,378	$273,566	$455,944
Pilot Boat and Dispatch Costs			
Pilot boat expense costs	$100,642	$150,963	$251,605
Employee Benefits	$40,409	$60,613	$101,022
Employee Benefits (D2-22-02)	$46,599	$69,899	$116,498
Insurance	$9,257	$13,886	$23,143
Salaries	$171,763	$257,645	$429,408
Total Pilot and Dispatch Costs	$368,670	$553,006	$921,676
Administrative Expenses			
Legal	$18	$27	$45
Legal - shared counsel (K&L Gates)	$3,210	$4,816	$8,026
Insurance	$15,698	$23,547	$39,245
Employee benefits	$19,884	$29,827	$49,711
Employee benefits (D2-22-02)	$14,208	$21,312	$35,520
Payroll Taxes	$134,123	$201,184	$335,307
Other taxes	$8,862	$13,294	$22,156

Real Estate taxes	$8,754	$13,130	$21,884
Travel	$24,482	$36,723	$61,205
Depreciation/Auto leasing/Other	$19,136	$28,703	$47,839
APA Dues	$14,843	$22,264	$37,107
Dues and subscriptions	$470	$704	$1,174
Utilities	$27,009	$40,513	$67,522
Salaries	$78,662	$117,994	$196,656
Accounting/Professional fees	$15,850	$23,775	$39,625
Pilot Training	$17,661	$26,491	$44,152
Other expenses	$10,306	$15,458	$25,764
Total Administrative Expenses	$413,176	$619,762	$1,032,938
Total Expenses (OPEX + Applicant + Pilot Boats + Admin+Capital)	$1,200,958	$1,801,435	$3,002,393

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

In accordance with the text in § 404.102, having identified the recognized 2022 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 2023 inflation rate.[20] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2024 and 2025 inflation modification.[21] Based on that information, the calculations for Step 2 are presented in table 15.

Table 15 — Adjusted Operating Expenses for District Two

	District Two		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	$1,200,958	$1,801,435	$3,002,393
2023 Inflation Modification (@3.8%)	$45,636	$68,455	$114,091
2024 Inflation Modification (@2.4%)	$29,918	$44,877	$74,795
2025 Inflation Modification (@2.2%)	$28,083	$42,125	$70,208
Adjusted 2025 Operating Expenses	**$1,304,595**	**$1,956,892**	$3,261,487

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. In the past, this was done using the staffing model and the process described in § 404.103. Last year, during the 2023 GLPAC meeting, there was a unanimous recommendation by the GLPAC that, after 2024, the Director be given discretion to increase the staffing model plus three Pilots per District, based on industry demand and to ensure shipping reliability.[22] Additionally, the previous staffing model's maximum is now considered the minimum in regard to the number of Pilots needed in each district.[23]

We determine the number of fully registered Pilots based on data provided by the LPA as well as the previous mentioned recommendation. We determine the number of Apprentice Pilots based on input from the district on anticipated retirements and staffing needs. These numbers can be found in table 16.

Table 16 — Authorized Pilots for District Two

Item	District Two
2024 Authorized Pilots (total)	17
Pilots Assigned to Designated Areas	10
Pilots Assigned to Undesignated Areas	7
2024 Apprentice Pilots	1

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

In this step, we determine the total target 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 2024 target compensation benchmark of $440,658 by 2.5 percent for a value of $451,674. This accounts for the difference in actual first quarter 2024 ECI inflation, which is 5.1 percent, and the 2024 PCE estimate of 2.6 percent.[24] [25] The second step accounts for projected inflation from 2024 to 2025, which is 2.2 percent.[26] Based on the projected 2025 inflation estimate, the proposed target compensation benchmark for 2025 is $461,611 per Pilot. The proposed Apprentice Pilot wage benchmark is 36 percent of the target Pilot compensation, or $166,180 ($461,611 × 0.36).

In accordance with § 404.104(c), we use the revised target individual compensation level to derive the total Pilot compensation by multiplying the individual target compensation by the estimated number of Registered Pilots for District Two, as shown in table 17. The total target wages for Apprentice Pilots are allocated with 60 percent for the designated area and 40 percent for the undesignated area, in accordance with the allocation for operating expenses.

[20] CPI, *supra* note 10.

[21] Core PCE December Projection, *supra* note 11.

[22] Transcript, *supra* note 8 at 89–90.

[23] *Id.* at 57–58.

[24] ECI, *supra* note 14.

[25] Median Core PCE Inflation June Projection, *supra* note 15.

[26] Median Core PCE Inflation December Projection, *supra* note 16.

Table 17 — Target Compensation for District Two

	District Two		
	Undesignated	**Designated**	**Total**
Target Pilot Compensation	$461,611	$461,611	$461,611
Number of Pilots	7	10	17
Total Target Pilot Compensation	$3,231,277	$4,616,110	$7,847,387
Target Apprentice Pilot Compensation	$166,180	$166,180	$166,180
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	$66,472	$99,708	$166,180

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area. We first add the figures for projected operating expenses, total target Pilot compensation, and total target Apprentice Pilot wage for each area. Then we find the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 4.8100 percent, rounded.[27] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 18.

Table 18 — Working Capital Fund Calculation for District Two

	District Two		
	Undesignated	**Designated**	**Total**
Adjusted Operating Expenses (Step 2)	$1,304,595	$1,956,892	$3,261,487
Total Target Pilot Compensation (Step 4)	$3,231,277	$4,616,110	$7,847,387
Total Target Apprentice Pilot Compensation (Step 4)	$66,472	$99,708	$166,180
Total 2025 Expenses	$4,602,344	$6,672,710	$11,275,054
Working Capital Fund (4.8100%)	$221,373	$320,957	$542,330

F. Step 6: Project Needed Revenue

In this step, the Coast Guard adds all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total target Pilot compensation (from Step 4), total target Apprentice Pilot wage (from Step 4), and the working capital fund contribution (from Step 5). We show these calculations in table 19.

Table 19 — Revenue Needed for District Two

	District Two		
	Undesignated	**Designated**	**Total**
Adjusted Operating Expenses (Step 2)	$1,304,595	$1,956,892	$3,261,487
Total Target Pilot Compensation (Step 4)	$3,231,277	$4,616,110	$7,847,387
Total Target Apprentice Pilot Compensation (Step 4)	$66,472	$99,708	$166,180
Working Capital Fund (Step 5)	$221,373	$320,957	$542,330
Total Revenue Needed	$4,823,717	$6,993,667	$11,817,384

[27] Moody's Seasoned Aaa Corporate Bond Yield, *supra* note 17.

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 entails calculating 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 used billing data from SeaPro. The Coast Guard received revised 2022 bridge hours in the revenue reports submitted by our third-party auditor and has implemented them into the rate in this step of the rulemaking.[28] Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 20.

Table 20 — Time on Task for District Two (Hours)

	District Two	
Year	Undesignated	Designated
2023	6,424	8,092
2022	7,695	9,044
2021	5,290	6,762
2020	6,232	8,401
2019	6,512	7,715
2018	6,150	6,655
2017	5,139	6,074
2016	6,425	5,615
2015	6,535	5,967
2014	7,856	7,001
Average	6,426	7,133

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 21.

Table 21 — Initial Rate Calculations for District Two

	Undesignated	Designated
Revenue needed (Step 6)	$4,823,717	$6,993,667
Average time on task (hours)	6,426	7,133
Initial rate	$751	$980

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 the weight factor report from SeaPro, we calculate the average weighting factor for each area using the data from each vessel transit from 2014 onward, as shown in tables 22 and 23.

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[28] See details on the revised figures in Section VII., Regulatory Analyses.

Table 22 — 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)	57	1	57
Class 1 (2023)	54	1	54
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)	202	1.15	232
Class 2 (2023)	152	1.15	175
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)	2	1.3	3
Class 3 (2023)	2	1.3	3
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
Class 4 (2022)	208	1.45	302

Class 4 (2023)	169	1.45	245
Total	5,865		7,662
Average weighting factor (weighted transits/number of transits)		1.31	

*Weighted transits are rounded to the nearest whole number for presentation, but the "total" calculation uses unrounded figures.

Table 23 — 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)	53	1	53
Class 1 (2023)	56	1	56
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)	327	1.15	376
Class 2 (2023)	312	1.15	359
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)	4	1.3	5
Class 3 (2023)	5	1.3	7
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)	391	1.45	567
Class 4 (2023)	349	1.45	506
Total	6,171		8,069
Average weighting factor (weighted transits/number of transits)		1.31	

*Weighted transits are rounded to the nearest whole number for presentation, but the "total" calculation uses unrounded figures.

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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 24.

Table 24 — 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	$751	1.31	$573
District Two: Designated	$980	1.31	$748

J. Step 10: Review and Finalize Rates

In this step, the Director reviews the base pilotage rates calculated in § 404.109 of this part to ensure it meets the goal of ensuring safe, efficient, and reliable pilotage service. 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 factors. Based on these considerations, 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 25.

Table 25 — Proposed Final Rates for District Two

Area	Name	Final 2024 pilotage rate	Proposed 2025 pilotage rate
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI	**$667**	$748
District Two: Undesignated	Lake Erie	**$597**	$573

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 2022 expenses and revenues.[29] 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 Section I., Public Participation and Request for Comments.

The recognized operating expenses for District Three are shown in table 26.

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

Table 26 — 2022 Recognized Expenses for District Three

	District Three			
	Undesignated	Designated	Undesignated	TOTAL
Reported Operating Expenses for 2022	Lakes Huron and Michigan	St. Marys River	Lake Superior	
Applicant Cost				
Salaries	$417,221	$154,305	$177,126	$748,652
Salaries (D3-22-04)	$(173,587)	$(64,199)	$(73,694)	$(311,480)
Applicant Benefits	$54,874	$20,295	$23,296	$98,465
Total Applicant Cost	$298,508	$110,401	$126,728	$535,637
Other Pilotage Costs				
Pilot subsistence	$168,607	$62,357	$71,580	$302,544
Pilot subsistence (D3-22-06)	$7,664	$2,834	$3,254	$13,752
Hotel / Lodging Cost	$163,971	$60,643	$69,612	$294,225
Hotel / Lodging Cost (D3-22-01)	$(22,392)	$(8,282)	$(9,506)	$(40,180)
Travel	$233,386	$86,315	$99,081	$418,783
Travel (D3-22-01), (D3-22-03)	$(54,224)	$(20,054)	$(23,020)	$(97,298)
License Renewal	$315	$117	$134	$566
Payroll taxes (D3-22-04)	$192,009	$71,013	$81,515	$344,537
License Insurance	$17,757	$6,567	$7,539	$31,863
Total Other Pilotage Costs	$707,093	$261,510	$300,189	$1,268,792
Pilot Boat and Dispatch costs				
Pilot boat costs	$536,327	$198,355	$227,691	$962,373
Pilot Boat Costs (D3-22-03)	$(9,518)	$(3,520)	$(4,041)	$(17,079)
Dispatch costs	$162,843	$60,226	$69,133	$292,201
Dispatch costs	$(25,243)	$(9,336)	$(10,717)	$(45,296)
Insurance	$26,193	$9,687	$11,120	$47,000
Total Pilot boat and dispatch costs	$690,602	$255,412	$293,186	$1,239,200
Administrative Cost				
Legal	$58,159	$21,510	$24,691	$104,360
Legal (D3-22-05)	$(48,792)	$(18,045)	$(20,714)	$(87,551)
Legal - shared counsel (K&L Gates)	$4,473	$1,654	$1,899	$8,026

Insurance	$22,952	$8,489	$9,744	$41,185
Employee benefits	$137,044	$50,684	$58,180	$245,908
Employee benefits (D3-22-03)	$(6,129)	$(2,267)	$(2,602)	$(10,998)
Payroll Tax	$50,962	$18,848	$21,635	$91,445
Payroll Tax (D3-22-05)	$(13,015)	$(4,813)	$(5,525)	$(23,354)
Other taxes	$4,924	$1,821	$2,090	$8,835
Real Estate Taxes	$1,524	$564	$647	$2,735
Depreciation/Auto leasing/Other	$163,196	$60,356	$69,283	$292,835
APA Dues	$24,610	$9,102	$10,448	$44,160
APA Dues (D3-22-02)	$(1,231)	$(455)	$(522)	$(2,208)
Dues and subscriptions	$15,716	$5,812	$6,672	$28,200
Utilities	$45,613	$16,869	$19,364	$81,846
Utilities (D3-22-03)	$(5,449)	$(2,015)	$(2,313)	$(9,778)
Salaries	$47,719	$17,648	$20,259	$85,626
Accounting/Professional fees	$28,079	$10,385	$11,921	$50,385
Pilot Training	$45,010	$16,646	$19,108	$80,764
Other expenses	$23,172	$8,570	$9,837	$41,579
Other expenses (D3-22-07)	$(1,250)	$(462)	$(531)	$(2,243)
Total Administrative Expenses	$597,287	$220,901	$253,571	$1,071,759
Total Operating Expenses (Other Costs+ Applicant Cost + Pilot Boats + Admin)	$2,293,490	$848,224	$973,674	$4,115,388

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

In accordance with the text in § 404.102, having identified the recognized 2022 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 2023 inflation rate.[30] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2024 and 2025 inflation modification.[31] Based on that information, the calculations for Step 2 are as presented in table 27.

Table 27 — Adjusted Operating Expenses for District Three

	District Three		
	Undesignated	**Designated**	**Total**
Total Operating Expenses (Step 1)	$3,267,164	$848,224	$4,115,388
2023 Inflation Modification (@3.8%)	$124,152	$32,233	$156,385
2024 Inflation Modification (@2.4%)	$81,392	$21,131	$102,523
2025 Inflation Modification (@2.2%)	$76,400	$19,835	$96,235
Adjusted 2025 Operating Expenses	$3,549,108	$921,423	$4,470,531

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. In the past, this was done using the staffing model and the process described in § 404.103. Last year, during the 2023 GLPAC meeting, there was a unanimous recommendation by the GLPAC that, after 2024, the Director be given discretion to increase the staffing model plus three Pilots per District, based on industry demand and to ensure shipping reliability.[32] Additionally, the previous staffing model's maximum are now considered the minimum regarding the number of Pilots needed in each district.[33]

We determine the number of fully registered Pilots based on data provided by the WGLPA, as well as the previous mentioned recommendation. We determine the number of Apprentice Pilots based on input from the district on anticipated retirements and staffing needs. These numbers can be found in table 28.

Table 28 — Authorized Pilots for District Three

Item	**District Three**
2025 Authorized Pilots (total)	24
Pilots Assigned to Designated Areas	5
Pilots Assigned to Undesignated Areas	19
2025 Apprentice Pilots	1

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

In this step, we determine the total target 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 2024 target compensation benchmark of $440,658 by 2.5 percent for a value of $451,674. This accounts for the difference in actual first quarter 2024 ECI inflation, which is 5.1 percent, and the 2024 PCE estimate of 2.6 percent.[34] [35] The second step accounts for projected inflation from 2024 to 2025, which is 2.2 percent.[36] Based on the projected 2025 inflation estimate, the proposed target compensation benchmark for 2025 is $461,611 per pilot. The proposed apprentice pilot wage benchmark is 36 percent of the target Pilot compensation, or $166,180 ($461,611 × 0.36).

In accordance with § 404.104(c), we use the revised target individual compensation level to derive the total target Pilot compensation by multiplying the individual target compensation by the estimated number of Registered Pilots for District Three, as shown in table 29. We estimate that the number of Apprentice Pilots needed for District Three in the 2024 season will be one. The total target wages for Apprentice Pilots are allocated with 21 percent for the designated area, and 79 percent for the undesignated areas, in accordance with the allocation for operating expenses.

[30] CPI, *supra* note 10.

[31] Core PCE, *supra* note 11.

[32] Transcript, *supra* note 8, at 89–90.

[33] *Id.* at 57–58.

[34] ECI, *supra* note 14.≤

[35] Median Core PCE Inflation June Projection, *supra* note 15.

[36] Median Core PCE Inflation December Projection, *supra* note 16.

Table 29 — Target Compensation for District Three

	District Three		
	Undesignated	Designated	Total
Target Pilot Compensation	$461,611	$461,611	$461,611
Number of Pilots	19	5	24
Total Target Pilot Compensation	**$8,770,609**	**$2,308,055**	**$11,078,664**
Target Apprentice Pilot Compensation	$166,180	$166,180	$166,180
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	**$131,282**	**$34,898**	**$166,180**

E. Step 5: Project Working Capital Fund

Next, the Coast Guard calculates the working capital fund revenues needed for each area. We first add the figures for projected operating expenses, total target Pilot compensation, and total target Apprentice Pilot wage for each area, and then we find the preceding year's average annual rate of return for new issues of high-grade corporate securities. Using Moody's data, the number is 4.8100 percent, rounded.[37] By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 30.

Table 30 — Working Capital Fund Calculation for District Three

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,549,108	$921,423	$4,470,531
Total Target Pilot Compensation (Step 4)	$8,770,609	$2,308,055	$11,078,664
Total Target Apprentice Pilot Compensation (Step 4)	$131,282	$34,898	$166,180
Total 2025 Expenses	$12,450,999	$3,264,376	$15,715,375
Working Capital Fund (4.8100%)	$598,893	$157,016	$755,909

F. Step 6: Project Needed Revenue

In this step, the Coast Guard adds all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total target Pilot compensation (from Step 4), and the working capital fund contribution (from Step 5). The calculations are shown in table 31.

Table 31 — Revenue Needed for District Three

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,549,108	$921,423	$4,470,531
Total Target Pilot Compensation (Step 4)	$8,770,609	$2,308,055	$11,078,664
Total Target Apprentice Pilot Compensation (Step 4)	$131,282	$34,898	$166,180
Working Capital Fund (Step 5)	$598,893	$157,016	$755,909
Total Revenue Needed	$13,049,892	$3,421,392	$16,471,284

[37] Moody's Seasoned Aaa Corporate Bond Yield, *supra* note 17.

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 Three using the total time on task or Pilot bridge hours. To calculate the time on task for each district, the Coast Guard used billing data from SeaPro. The Coast Guard received revised 2022 bridge hours in the revenue reports submitted by our third-party auditor and has implemented them into the rate in this step of the rulemaking.[38] Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 32.

Table 32 — Time on Task for District Three (Hours)

	District Three	
Year	**Undesignated**	**Designated**
2023	25,690	3,501
2022	24,148	3,426
2021	18,149	2,484
2020	23,678	3,520
2019	24,851	3,395
2018	19,967	3,455
2017	20,955	2,997
2016	23,421	2,769
2015	22,824	2,696
2014	25,833	3,835
Average	22,952	3,208

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 Three in table 33.

Table 33 — Initial Rate Calculations for District Three

	Undesignated	**Designated**
Revenue needed (Step 6)	$13,049,892	$3,421,392
Average time on task (hours)	22,952	3,208
Initial rate	$569	$1,067

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 the weight factor report from SeaPro, we calculate the average weighting factor for each area using the data from each vessel transit from 2014 onward, as shown in tables 34 and 35. Transits are listed in both the bridge hour report and the weight factor report. For this step, the Coast Guard uses the transits from the weight factor report.

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[38] See details on the revised figures in Section VII., Regulatory Analyses.

Table 34 — 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)	116	1	116
Class 1 (2023)	155	1	155
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)	276	1.15	317
Class 2 (2023)	295	1.15	339
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 3 (2023)	5	1.3	7
Class 4 (2014)	394	1.45	571
Class 4 (2015)	375	1.45	544
Class 4 (2016)	332	1.45	481
Class 4 (2017)	367	1.45	532

Class 4 (2018)	337	1.45	489
Class 4 (2019)	334	1.45	484
Class 4 (2020)	339	1.45	492
Class 4 (2021)	356	1.45	516
Class 4 (2022)	363	1.45	526
Class 4 (2023)	356	1.45	516
Total for Area 6	7,189		9,205
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)	10	1	10
Class 1 (2023)	5	1	5
Class 2 (2014)	177	1.15	204
Class 2 (2015)	169	1.15	194
Class 2 (2016)	174	1.15	200
Class 2 (2017)	151	1.15	174
Class 2 (2018)	102	1.15	117
Class 2 (2019)	120	1.15	138
Class 2 (2020)	180	1.15	207
Class 2 (2021)	124	1.15	143
Class 2 (2022)	89	1.15	102
Class 2 (2023)	118	1.15	136
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 3 (2023)	0	1.3	0
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)	243	1.45	352
Class 4 (2023)	268	1.45	389
Total for Area 8	3,991		5,344
Combined total	11,180		14,549
Average weighting factor (weighted transits/number of transits)		1.30	

*Weighted transits are rounded to the nearest whole number for presentation, but the "total" calculation uses unrounded figures.

Table 35 — 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)	74	1	74
Class 1 (2023)	68	1	68
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)	162	1.15	186
Class 2 (2023)	142	1.15	163
Class 3 (2014)	15	1.3	20
Class 3 (2015)	0	1.3	0

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 36.

Class 3 (2016)	6	1.3	8
Class 3 (2017)	14	1.3	18
Class 3 (2018)	6	1.3	8
Class 3 (2019)	3	1.3	4
Class 3 (2020)	1	1.3	1
Class 3 (2021)	2	1.3	3
Class 3 (2022)	5	1.3	7
Class 3 (2023)	0	1.3	0
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)	249	1.45	361
Class 4 (2023)	300	1.45	435
Total	4,801		6,264
Average weighting factor (weighted transits/number of transits)		1.30	

*Weighted transits are rounded to the nearest whole number for presentation, but the "total" calculation uses unrounded figures.

Table 36 — 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	$569	1.30	$438
District Three: Designated	$1,067	1.30	$821

J. Step 10: Review and Finalize Rates

In this step, the Director reviews the base pilotage rates calculated in § 404.109 of this part to ensure it meets the goal of ensuring safe, efficient, and reliable pilotage service. 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 factors. Based on these considerations, 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 37.

Table 37 — Proposed Final Rates for District Three

Area	Name	Final 2024 pilotage rate	Proposed 2025 pilotage rate
District Three: Designated	St. Marys River	**$836**	$821
District Three: Undesignated	Lakes Huron, Michigan, and Superior	**$430**	$438

VII. 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.[39] For this NPRM, the Coast Guard estimates an increase in cost of approximately $2.64 million to industry. This is approximately a 7-percent increase because of the change in revenue needed in 2025 compared to the revenue needed in 2024. See table 38.

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

Table 38 — 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 280 vessels transiting the Great Lakes system annually, 61 United States Great Lakes Pilots, 3 Apprentice Pilots, and 3 pilot associations.	Increase of $2,639,968 due to change in revenue needed for 2025 ($42,920,634) from revenue needed for 2024 ($40,280,666) as shown in table 41.	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.

In the Great Lakes Pilotage Rates—2024 Annual Review (''2024 final rule'') (89 FR 9038), the Coast Guard used monthly reports for the 2022 bridge hours in Step 7 as provided by the pilot associations. Since that final rule, the Coast Guard received revised estimates of the 2022 bridge hours in the revenue reports submitted by Cohn Reznik. Similarly, the pilot associations were also able to provide updated 2022 monthly reports in April 2024. For this proposed rule, the Coast Guard revises the bridge hours for 2022 in Step 7, using the latest available information. This revision ensures that all figures are comparable, since the initial monthly reports and weight factor reports received for the 2024 final rule showed different totals for bridge hours.

Table 39 shows the difference between the 2022 bridge hour figures as published in the 2024 final rule, and the revised figures as of this proposed rule.

Table 39. Changes to Step 7 Bridge Hours from 2024 Final Rule to 2025 Proposed Rule

Previously Published			Updated		Difference	
District 1						
Year	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
2022	8,356	6,573	8,356	6,577	0	4
District 2						
2022	7,668	8,613	7,695	9,044	27	431
District 3						
2022	23,914	3,345	24,148	3,426	234	81

Similarly, the Coast Guard received updated 2022 weight factor reports in April 2024. The Coast Guard uses the latest available information to revise the number of transits by vessel class in Step 8, ''Calculate average weighting factors by Area''. Table 40 shows the difference between the 2022 transit figures as published in the 2024 final rule, and the revised figures as of this proposed rule.

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Table 40. Changes to Step 8 from Proposed Rule to Final Rule

	Previous	Updated	Difference
Area/Vessel Class	Number of Transits (2022)		
Area 1 – Designated			
Class 2	482	462	-20
Class 3	106	103	-3
Class 4	478	446	-32
Area 2 – Undesignated			
Class 1	41	27	-14
Class 2	371	349	-22
Class 3	73	65	-8
Class 4	401	386	-15
Area 5 – Designated			
Class 1	117	53	-64
Class 2	717	327	-390
Class 3	13	4	-9
Class 4	1230	391	-839
Area 4 – Undesignated			
Class 1	121	57	-64
Class 2	478	202	-276
Class 3	8	2	-6
Class 4	642	208	-434
Area 7 – Designated			
Class 1	104	74	-30
Class 2	198	162	-36
Class 4	392	249	-143
Area 6 – Undesignated			
Class 1	162	116	-46
Class 2	452	276	-176
Class 4	482	363	-119
Area 8 – Undesignated			
Class 1	12	10	-2
Class 2	95	89	-6
Class 3	5	6	1
Class 4	306	243	-63

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The Coast Guard is required to review and adjust pilotage rates on the Great Lakes annually. See Section III., Basis and Purpose, of this preamble for detailed discussions of the legal basis and purpose for this rulemaking. Based on our annual review for this rulemaking, we are adjusting the pilotage rates in 2025 to generate sufficient revenues for each district to reimburse its necessary and reasonable operating expenses, to fairly compensate properly trained and rested Pilots, and to 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 280 oceangoing vessels that transit the Great Lakes annually on average from 2021 to 2023. The Coast Guard estimates that there will be 61 Registered Pilots and 3 Apprentice Pilots during 2025. 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 2021 through 2023 from SeaPro to estimate the average annual number of vessels affected by the rate adjustment. SeaPro tracks data related to managing and coordinating the dispatch of Pilots on the Great Lakes, and billing in accordance with the services. As described in Step 7 of the ratemaking methodology, we use a 10-year average to estimate the traffic. We used 3 years of the most recent billing data to estimate the affected population. 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 484 unique vessels used pilotage services during the years 2021 through 2023. That is, these vessels had a Pilot dispatched to the vessel, and billing information was recorded in SeaPro. Of these vessels, 451 were foreign-flagged vessels and 33 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 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 2021 through 2023 as the best representation of vessels estimated to be affected by the rates in this proposed rule. From 2021 through 2023, an average of 280 vessels used pilotage services annually.[40] On average, 268 of these vessels were foreign-flagged, and 13 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-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 2024 with the total projected revenues to cover costs in 2025. We set pilotage rates so that pilot associations receive enough revenue to cover their necessary and reasonable expenses. Shippers pay these rates when they engage a Pilot, as required by 46 U.S.C. 9302. Therefore, the aggregate payments of shippers to pilot associations are equal to the projected necessary revenues for pilot associations. The revenues each year represent the total costs that shippers must pay for pilotage services. The change in revenue from the previous year is the additional cost to shippers discussed in this proposed rule.

The impacts of the rate changes on shippers are estimated from the district pilotage projected revenues (shown in tables 7, 19, and 31 of this preamble). The Coast Guard estimates that, for 2025, the projected revenue needed for all three districts is $42,920,634.

To estimate the change in cost to shippers from this proposed rule, the Coast Guard compared the 2025 total projected revenues to the 2024 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 2024 final rule, we estimated the total projected revenue needed for 2024 as $40,280,666.[41] This is the best approximation of 2024 revenues, as, at the time of publication of this proposed rule, the Coast Guard does not have enough audited data available for 2024 to revise these projections. Table 41 shows the revenue projections for 2024 and 2025 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 41 — Effect of the Proposed Rule by Area and District (U.S. Dollars; Non-discounted)

Area	Revenue Needed in 2024	Revenue Needed in 2025	Additional Costs of this Rule
Total, District One	$13,695,935	$14,631,966	$936,031
Total, District Two	$10,830,491	$11,817,384	$986,893
Total, District Three	$15,754,240	$16,471,284	$717,044
System Total	$40,280,666	$42,920,634	$2,639,968

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

[40] 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.

[41] 2024 Final Rule, 89 FR at 9066 (Table 43).

The resulting difference between the projected revenue in 2024 and the projected revenue in 2025 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 $936,031 over the previous year. Affected shippers operating in District Two and District Three would experience an increase in payments of $986,893 and $717,044, respectively, when compared with 2024. The overall adjustment in payments would increase payments by shippers of $2,639,968 across all three districts (a 7-percent increase when compared with 2024). 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 42 shows the difference in revenue by revenue-component from 2024 to 2025 and presents each revenue-component as a percentage of the total revenue needed. In both 2024 and 2025, the largest revenue-component was target pilotage compensation (63 percent of total revenue needed in 2024, and 66 percent of total revenue needed in 2025), followed by operating expenses (30 percent of total revenue needed in 2024, and 29 percent of total revenue needed in 2025). The large increase in the working capital fund, 25 percent from 2024 to 2025, is driven by an increase in the Target Rate of Return on Investment, from 4.0742 percent in 2022 to 4.8100 percent in 2023.[42]

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[42] Moody's Seasoned Aaa Corporate Bond Yield, *supra* note 17.

Table 42 — Difference in Revenue by Revenue-Component

Revenue Component	Revenue Needed in 2024	Percentage of Total Revenue Needed in 2024	Revenue Needed in 2025	Percentage of Total Revenue Needed in 2025	Difference (2025 Revenue - 2024 Revenue)	Percentage Change from Previous Year
Adjusted Operating Expenses	$12,193,810	30%	$12,294,085	29%	$100,275	1%
Total Target Pilot Compensation	$25,558,164	63%	$28,158,271	66%	$2,600,107	10%
Total Target Apprentice Pilot Compensation	$951,822	2%	$498,540	1%	($453,282)	(48%)
Working Capital Fund	$1,576,870	4%	$1,969,738	5%	$392,868	25%
Total Revenue Needed	$40,280,666	100%	$42,920,634	100%	$2,639,968	7%

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

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As stated above, we estimate that there would be a total increase in revenue of $2,639,968 needed by the pilot associations. This represents an increase in revenue needed for target Pilot compensation of $2,600,107, a decrease in revenue needed for the total Apprentice Pilot wage benchmark of ($453,282), an increase in the revenue needed for adjusted operating expenses of $100,275, and an increase in the revenue needed for the working capital fund of $392,868.

The change in revenue needed for Pilot compensation, $2,600,107, is due to three factors: (1) The changes to adjust 2024 pilotage compensation to account for the difference between actual ECI inflation [43] (5.1 percent) and predicted PCE inflation [44] (2.6 percent) for 2024; (2) projected inflation of pilotage compensation in Step 2 of the methodology, using predicted inflation through 2025; [45] and (3) an increase of three authorized Pilots.

The target compensation is $461,611 per Pilot in 2025, compared to $440,658 in 2024. The proposed changes to modify the 2024 Pilot compensation to account for the difference between predicted and actual inflation would increase the 2024 target compensation value by 2.5 percent. As shown in table 43, this inflation adjustment increases total compensation by $11,016 per Pilot, and the total revenue needed by $672,003, when accounting for all 61 Pilots.

Table 43 — Change in Revenue Resulting from the Change to Inflation of Pilot Compensation Calculation in Step 4

2024 Target Pilot Compensation	$440,658
Adjusted 2024 Compensation ($440,658 × 1.025)	$451,674
Difference between Adjusted Target 2024 Compensation and Target 2024 Compensation ($451,674 - $440,658)	$11,016
Increase in total Revenue for 61 Pilots ($11,016 × 61)	$672,003

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

Similarly, table 44 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 $3,966 per Apprentice Pilot, and the total revenue needed by $11,898 when accounting for all three Apprentice Pilots.

Table 44 — Change in Revenue Resulting from the Change to Inflation of Apprentice Pilot Compensation Calculation in Step 4

2024 Target Apprentice Pilot Compensation	$158,637
Adjusted 2024 Compensation ($158,637 × 1.025)	$162,603
Difference between Adjusted Target 2024 Compensation and Target Compensation ($162,603 - $158,637)	$3,966
Increase in total Revenue for Apprentices ($3,966 × 3)	$11,898

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

[43] ECI, *supra* note 14.

[44] Median Core PCE Inflation June Projection, *supra* note 15.

[45] Median Core PCE Inflation December Projection, *supra* note 16.

The Coast Guard predicts that 61 Pilots would be needed for the 2025 season. This is an increase of three Pilots from the 2024 season. Table 45 shows the increase of $1,351,784 in revenue needed for Pilot compensation. To avoid double counting, this value excludes the change in revenue resulting from the change to adjust 2024 Pilot compensation to account for the difference between actual and predicted inflation.

Table 45 — Change in Revenue Resulting from Increase of Three Pilots

2025 Target Compensation	$461,611
Total Number of New Pilots	3
Total Cost of new Pilots ($461,611 × 3)	$1,384,833
Difference between Adjusted Target 2024 Compensation and Target 2024 Compensation ($451,674 - $440,658)	$11,016
Increase in total Revenue for 3 Pilots ($11,016 × 3)	$33,049
Net Increase in total Revenue for 3 Pilots ($1,384,833 - $33,049)	$1,351,784

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

Similarly, the Coast Guard predicts that three Apprentice Pilots would be needed for the 2025 season. This would be a decrease of three Apprentice Pilots from the 2024 season. Table 46 shows the decrease of ($486,642) 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 2024 Apprentice Pilot compensation to account for the difference between actual and predicted inflation.

Table 46 — Change in Revenue Resulting from Decrease of Three Apprentice Pilots

2025 Apprentice Target Compensation	$166,180
Total Number of New Apprentices	(3)
Total Cost of new Apprentices ($166,180 × -3)	($498,540)
Difference between Adjusted Target 2024 Compensation and Target 2024 Compensation ($162,603 - $158,637)	$3,966
Increase in total Revenue for -3 Apprentices ($3,966 × -3)	($11,898)
Net Increase in total Revenue for -3 Apprentices (-$498,540 - -$11,898)	($486,642)

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

Another increase, $606,130, would be the result of increasing compensation for the 61 Pilots, to account for future inflation of 2.2 percent in 2025. This would increase total compensation by $9,937 per Pilot, as shown in table 47.

Table 47 — Change in Revenue Resulting from Inflating 2024 Compensation to 2025

Adjusted 2024 Compensation	$451,674
2025 Target Compensation ($451,674 × 1.022)	$461,611
Difference between Adjusted 2024 Compensation and Target 2025 Compensation ($461,611 − $451,674)	$9,937
Increase in total Revenue for 61 Pilots ($9,937 × 61)	$606,130

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

Similarly, an increase of $10,732 would be the result of increasing compensation for the three Apprentice Pilots, to account for future inflation of 2.2 percent in 2025. This would increase total compensation by $3,577 per Apprentice Pilot, as shown in table 48.

Table 48 — Change in Revenue Resulting from Inflating 2024 Apprentice Pilot Compensation to 2025

Adjusted 2024 Compensation	$162,603
2025 Target Compensation ($461,611 × 36%)	$166,180
Difference between Adjusted Compensation and Target Compensation ($166,180 − $162,603)	$3,577
Increase in total Revenue for 3 Apprentices ($3,577 × 3)	$10,732

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

Table 49 presents the percentage change in revenue by area and revenue-component, excluding surcharges, as they are applied at the district level.[46]

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[46] The 2024 projected revenues are from the Great Lakes Pilotage Rate—2024 Annual Review and Revisions to Methodology final rule (89 FR 9038), tables 11, 23, and 35. The 2025 projected revenues are from tables 7, 19, and 31 of this proposed rule.

Table 49 — 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		
	2024	2025	Percentage Change	2024	2025	Percentage Change	2024	2025	Percentage Change	2024	2025	Percentage Change	2024	2025	Percentage Change
District One: Designated	$2,851,215	$2,737,239	(4%)	$4,406,580	$5,077,721	15%	$285,547	$99,708	(65%)	$307,331	$380,696	24%	$7,850,673	$8,295,364	5.7%
District One: Undesignated	$1,900,809	$1,824,828	(4%)	$3,525,264	$4,154,499	18%	$190,364	$66,472	(65%)	$228,825	$290,803	27%	$5,845,262	$6,336,602	8.4%
District Two: Undesignated	$1,102,673	$1,304,595	18%	$3,525,264	$3,231,277	(8%)	$63,455	$66,472	5%	$191,137	$221,373	16%	$4,882,529	$4,823,717	(1.2%)
District Two: Designated	$1,654,014	$1,956,892	18%	$3,965,922	$4,616,110	16%	$95,182	$99,708	5%	$232,845	$320,957	38%	$5,947,963	$6,993,667	17.6%
District Three: Undesignated	$3,679,209	$3,549,108	(4%)	$7,931,844	$8,770,609	11%	$250,646	$131,282	(48%)	$483,269	$598,893	24%	$12,344,968	$13,049,892	5.7%
District Three: Designated	$1,005,891	$921,423	(8%)	$2,203,290	$2,308,055	5%	$66,628	$34,898	(48%)	$133,463	$157,016	18%	$3,409,272	$3,421,392	0.4%

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

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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 that 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.[47] As described in Section VII., Regulatory Analyses, of this preamble, we found that 484 unique vessels used pilotage services during the years 2021 through 2023. These vessels are owned by 63 entities, of which 49 are foreign entities that operate primarily outside the United States, and the remaining 14 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.[48] Table 50 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 50 — NAICS Codes and Small Entities Size Standards

NAICS	Description	Small Entity Size Standard
238910	Site Preparation Contractors	$19,000,000
423860	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers	175 Employees
488330	Navigational Services to Shipping	$47,000,000
488390	Other Support Activities for Water Transportation	$47,000,000
541611	Administrative Management and General Management Consulting Services	$47,000,000
561510	Travel Agencies	$25,000,000
562910	Remediation Services	$25,000,000
713930	Marinas	$11,000,000

Of the 14 U.S. entities, four exceed the SBA's small business standards for small entities. To estimate the potential impact on the remaining 10 small entities, the Coast Guard used their 2023 invoice data to estimate their pilotage costs in 2025. We increased their 2023 costs to account for the changes in pilotage rates resulting from this proposed rule and the 2024 final rule. We estimated the change in cost to these entities resulting from this proposed rule by subtracting their estimated 2024 pilotage costs from their estimated 2025 pilotage costs and found the average costs to small firms would be approximately $12,510, with a range of $1,294 to $39,146. We then compared the estimated change in pilotage costs between 2024 and 2025 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 6.33 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. District One, ''St. Lawrence Seaway Pilots Association'' uses the NAICS code ''Inland Water Freight Transportation'' with a small-entity size standard of 1,050 employees. District Two, ''Lakes Pilots Association'' uses the NAICS code, ''Business Associations'' with a small-entity size standard of $15,500,000 in revenue. District Three, ''Western Great Lakes Pilots Association'' did not have a registered NAICS code through ReferenceUSA. All three associations are considered small entities.

Finally, the Coast Guard did not find any small not-for-profit organizations that are independently owned and operated and are not dominant in their fields that 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 have a significant economic impact on a substantial number of small entities.

Therefore, the Coast Guard certifies under 5 U.S.C. 605(b) that this proposed

[47] *See Resources for Reference Solutions Users*, ReferenceUSA, *https://resource.referenceusa.com/* (last accessed 04/22/2024).

[48] *See Table of Size Standards, https://www.sba.gov/document/support--table-size-standards* (Last visited 5/01/24). 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.

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 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.

The Coast Guard is unable to offer any meaningful alternatives to this proposed rule. Under 46 U.S.C. 9303, the Coast Guard is required to prescribe these rates via regulation and therefore cannot identify any significant alternatives which ''accomplish the stated objectives of the applicable statutes'' (5 U.S.C. 603(c)).

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.'' 46 U.S.C. 9303(f). This proposed 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 the Department of Homeland Security (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 2025 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 is revised to read as follows:

Authority: 46 U.S.C. 2103, 2104(a), 6101, 7701, 8105, 9303, 9304; DHS Delegation No. 00170.1, Revision No. 01.4, 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 $981;

(2) Lake Ontario is $640;

(3) Lake Erie is $573;

(4) The navigable waters from Southeast Shoal to Port Huron, MI is $748;

(5) Lakes Huron, Michigan, and Superior is $438; and

(6) The St. Marys River is $821.

* * * * *

Dated: July 29, 2024.

W.R. Arguin,

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

[FR Doc. 2024–17028 Filed 8–2–24; 8:45 am]

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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 25, 73, and 76

[MB Docket No. 24–211; FCC 24–74; FR ID 235498]

Disclosure and Transparency of Artificial Intelligence-Generated Content in Political Advertisements

AGENCY: Federal Communications Commission.

ACTION: Proposed rule.

SUMMARY: In this document, the Federal Communications Commission (Commission or FCC) initiates a proceeding to provide greater transparency regarding the use of artificial intelligence-generated content in political advertising. Specifically, the Commission proposes to require radio and television broadcast stations; cable operators, Direct Broadcast Satellite (DBS) providers, and Satellite Digital Audio Radio Service (SDARS) licensees engaged in origination programming; and permit holders transmitting programming pursuant to section 325(c) of the Communications Act of 1934 (Act), to provide an on-air announcement for all political ads (including both candidate ads and issue ads) that contain artificial intelligence (AI)-generated content disclosing the use of such content in the ad. The Commission also propose to require these licensees and regulatees to include a notice in their online political files for all political ads that include AI-generated content disclosing that the ad contains such content.

DATES: Comments for this proceeding are due on or before September 4, 2024; reply comments are due on or before September 19, 2024.

ADDRESSES: You may submit comments, identified by MB Docket No. 24–211, by any of the following methods:

- *Federal Communications Commission's website: https://www.fcc.gov/cgb/ecfs/.* Follow the instructions for submitting comments.
- *Mail:* Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although the Commission continues to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.
- *People with Disabilities:* Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by email: *FCC504@fcc.gov* or phone: (202) 418–0530 or TTY: (202) 418–0432.

For detailed instructions for submitting comments and additional information on the rulemaking process, see the **SUPPLEMENTARY INFORMATION** section of this document.

FOR FURTHER INFORMATION CONTACT: For additional information, contact Kathy Berthot, *Kathy.Berthot@fcc.gov,* of the Media Bureau, Policy Division, (202) 418–7454.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Notice of Proposed Rulemaking (NPRM), FCC 24–74, adopted on July 10, 2024, and released on July 25, 2024. The full text is available for public inspection and copying during regular business hours in the FCC Reference Center, Federal Communications Commission, 445 12th Street SW, CY–A257, Washington, DC 20554. This document will also be available via ECFS (*http://www.fcc.gov/cgb/ecfs/*). Documents will be available electronically in ASCII, Word 97, and/or Adobe Acrobat. Alternative formats are available for people with disabilities